

# Mount Holyoke College

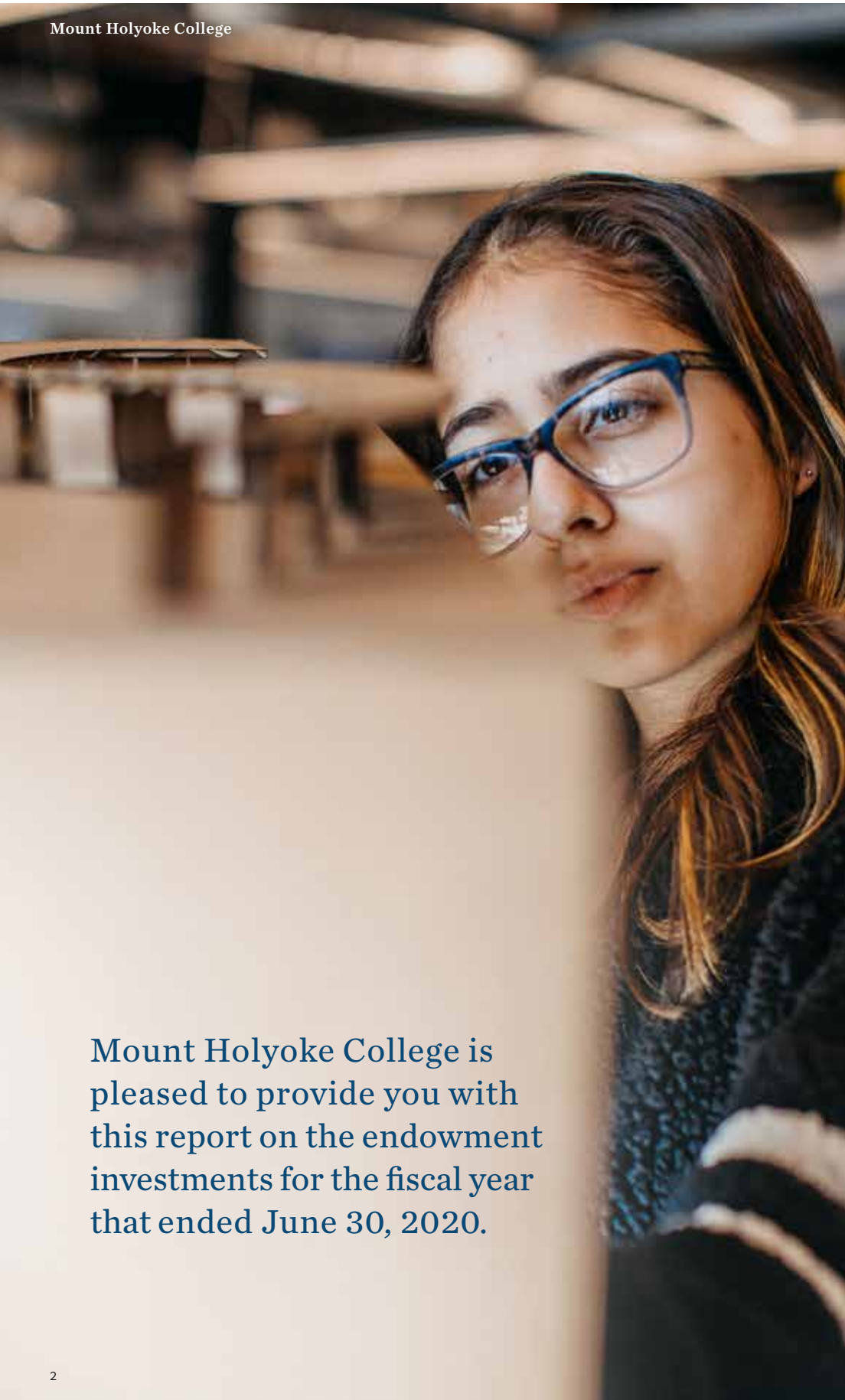
2020 Investment Report



“It is in the relentless pursuit of knowledge and global understanding, as well as in shared vision and cooperation, that both great hope and the future of this august College reside.”

PRESIDENT SONYA STEPHENS






Mount Holyoke College is pleased to provide you with this report on the endowment investments for the fiscal year that ended June 30, 2020.



The endowment is a foundational element in sustaining and furthering the purpose of Mount Holyoke College. Through distributions to help fund the College's annual operating budget, **the endowment allows Mount Holyoke to provide an intellectually rigorous education for students of all backgrounds, and it therefore strengthens the College's legacy of leadership in educating women.** The endowment helps the College invest in key areas, such as scholarship aid for students, internship experiences and faculty support.

The endowment stood at \$789.0 million as of June 30, 2020. It comprises nearly 1,800 individual endowed funds, most of which carry donor restrictions on spending. Gifts to the endowment are generally made so that the annual income earned by the principal supports an activity such as financial aid or a professorship in perpetuity. The income may only be spent to support that activity and the principal cannot be spent. Endowment spending accounts for approximately 26% of the College's net operating revenues.

A scenic view of a lake at dusk or dawn. In the background, a large brick building with a blue roof is visible, surrounded by trees with autumn foliage. The water is calm, reflecting the sky and the building. In the foreground, a white swan is swimming in the water, with a smaller duck following it. The overall atmosphere is peaceful and serene.

Over the past 15 years, the endowment grew from \$445.6 million to \$789.0 million while distributing \$419.7 million to support operations. This represents a 7.1% investment return per year, net of investment expenses and excluding new gifts. This result places our performance **in the top quartile** when compared to hundreds of peer institutions.



On April 1, 2020, the College made a strategic decision to appoint its first chief investment officer. The investment office is responsible for the management of the endowment investment portfolio, including asset allocation, portfolio structure and positioning, as well as sourcing, selecting and monitoring investments. The Investment Committee, which is responsible to the Board of Trustees, works closely with the new investment office to oversee the endowment and maintains the fiduciary responsibility of investing the College's assets.

The investment office and the Investment Committee remain focused on long-term growth to ensure that the endowment continues to support the College's mission. **Mount Holyoke's strategic decision to start building its own in-house investment resources signifies recognition of the importance of the endowment to the strategic goal of financial sustainability and mission of educational excellence.**

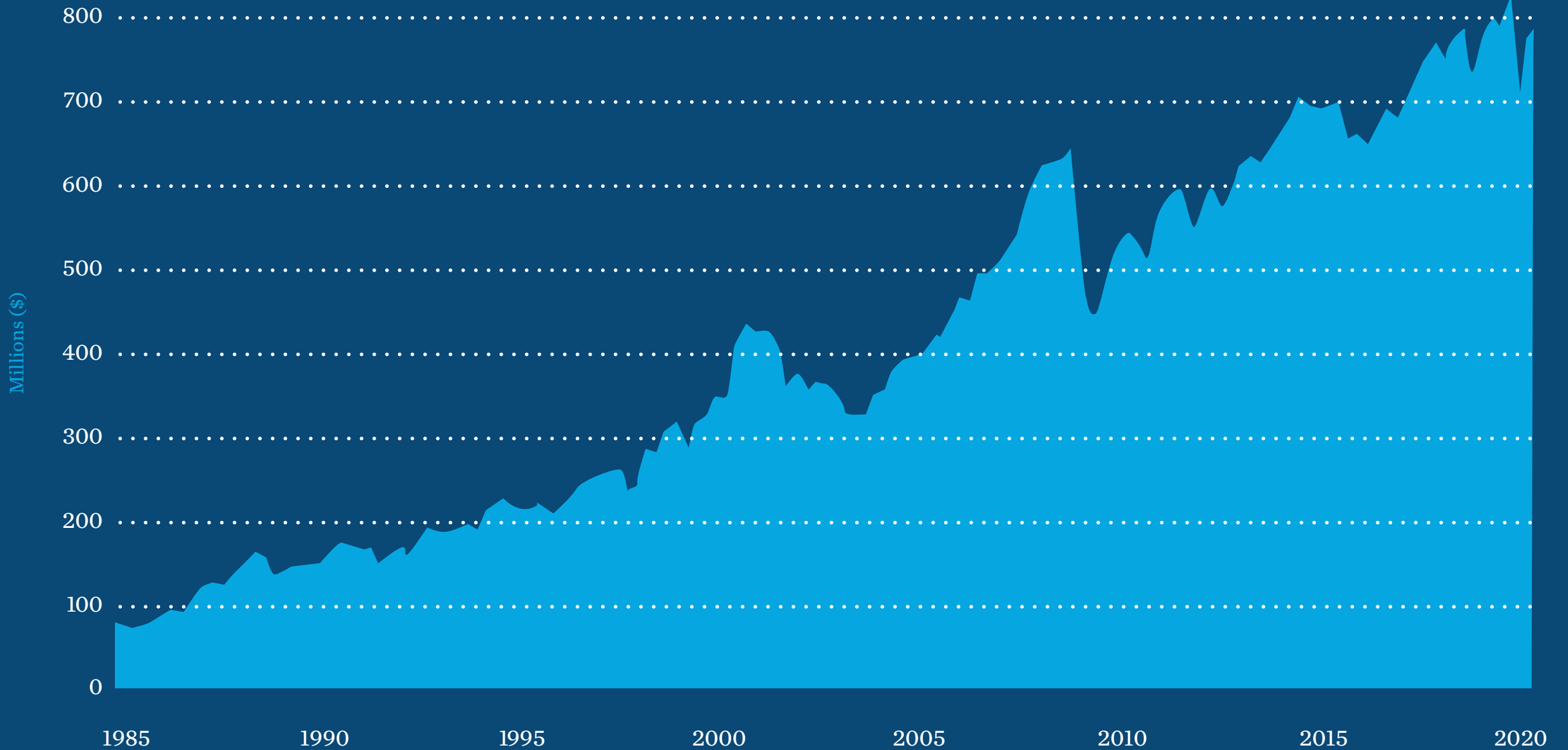
“The endowment continues to provide strong and reliable support for Mount Holyoke’s mission. With the first steps made toward building a full-time dedicated professional investment team to manage these funds, the College has prioritized the stewardship and sustainability of this vital resource.”

ANA YANKOVA '97  
CHIEF INVESTMENT OFFICER



# Endowment Market Value

By capturing a significant portion of the upside while protecting on the downside, the endowment has grown to its current level of \$789 million.



Annual External Investment Pool Returns:  
July 1, 2010 – June 30, 2020 (Fiscal Year)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
11.2%	20.6%	-0.1%	11.5%	16.0%	2.7%	-2.4%	13.4%	9.1%	5.7%	3.9%

## Fiscal Year 2020: Performance

Fiscal year 2020 saw strong capital preservation of the endowment value during one of the most tumultuous economic and capital market environments in history. The endowment investment pool returned 3.9%. This result places the endowment in the top quartile of hundreds of peer institutions. The portfolio protected well on the downside, while managing to capture most of the upside during a volatile year. Over the last 15 years, it has achieved a 7.1% annualized return. The portfolio benefited significantly from its equity orientation in both public and private markets.

Over most short-and long-term periods, the endowment has outperformed the Cambridge Associates endowment median, the simple stock/bond portfolio and the rate of inflation. The endowment is invested with a true long-term orientation that allows it to compound returns over time in any type of investment environment. This approach has generated a 10.6% annualized return over the last 36 years.

Period	Mount Holyoke (%)	CJA Endowment Median (%)	80% Stock/20% Bond Portfolio <sup>1</sup> (%)	Inflation <sup>2</sup> (%)
1 year	3.9	1.7	3.8	0.6
3 year	6.2	4.9	6.2	1.7
5 year	5.8	5.0	6.2	1.6
10 year	7.8	7.1	8.3	1.7
15 year	7.1	6.0	6.2	1.9
20 year	6.1	5.6	4.7	2.0
Since inception*	10.6	10.4	9.0	2.6

<sup>1</sup> 80/20 Stock/Bond Portfolio represents 80% MSCI All Country World Index (Net) and 20% Bloomberg Barclays Aggregate Bond Index. The MSCI ACWI was backfilled with the MSCI World Index prior to 1988.

<sup>2</sup> Inflation represents Consumer Price Index — All Urban Consumers.

\* Since first full quarter (3Q 1983) 36 years.

Asset Class	Allocation (%) 6/30/2019	Allocation (%) 6/30/2020	FY20 Portfolio Return (%)	Fiscal 2020 Asset Class Commentary
U.S. Equities	11.9	11.5	8.6	Managers in the U.S. equities portfolio posted strong returns exceeding the S&P 500 index's return of 6.9%. Valuations continued to increase this fiscal year and U.S. equities remain expensive relative to history and other asset classes.
International Developed non-U.S. Equities	10.0	8.0	-8.6	The international developed portfolio underperformed relative to the MSCI EAFE Index due to the portfolio's value orientation. However, the portfolio has generated strong outperformance in the medium to long term.
Emerging Markets Equities	7.5	7.3	2.5	The emerging markets equities managers outperformed the benchmark by over 500 basis points during the year. The portfolio produced a modest positive return, while the MSCI Emerging Markets Index fell 3.4%.
Global Equities	12.9	13.5	6.5	The global equity managers returned 6.5%, outperforming the MSCI All Country World Index return of 2.1% by over 400 basis points. Active selection was the main driver of performance in the portfolio.
Marketable Alternatives	21.7	21.1	1.1	The marketable alternatives portfolio returned 1.1% for the fiscal year, modestly underperforming the HFRI Fund of Funds Diversified Index. Over the long term, the portfolio has been a strong contributor to outperformance of the policy benchmark.
Private Investments	25.4	28.4	13.8	Private investments continued to produce strong absolute returns and outperformance for the fiscal year, particularly U.S. private equity and venture capital. This portfolio includes private equity, venture capital, private real assets and credit investments in private partnerships.
Fixed Income and Cash	10.7	10.2	6.1	The bond portfolio produced a strong absolute return but lagged the Bloomberg Barclays Aggregate Bond Index return of +8.7%, as fixed income markets generated an unusually strong return in the fiscal year, outperforming global equities.



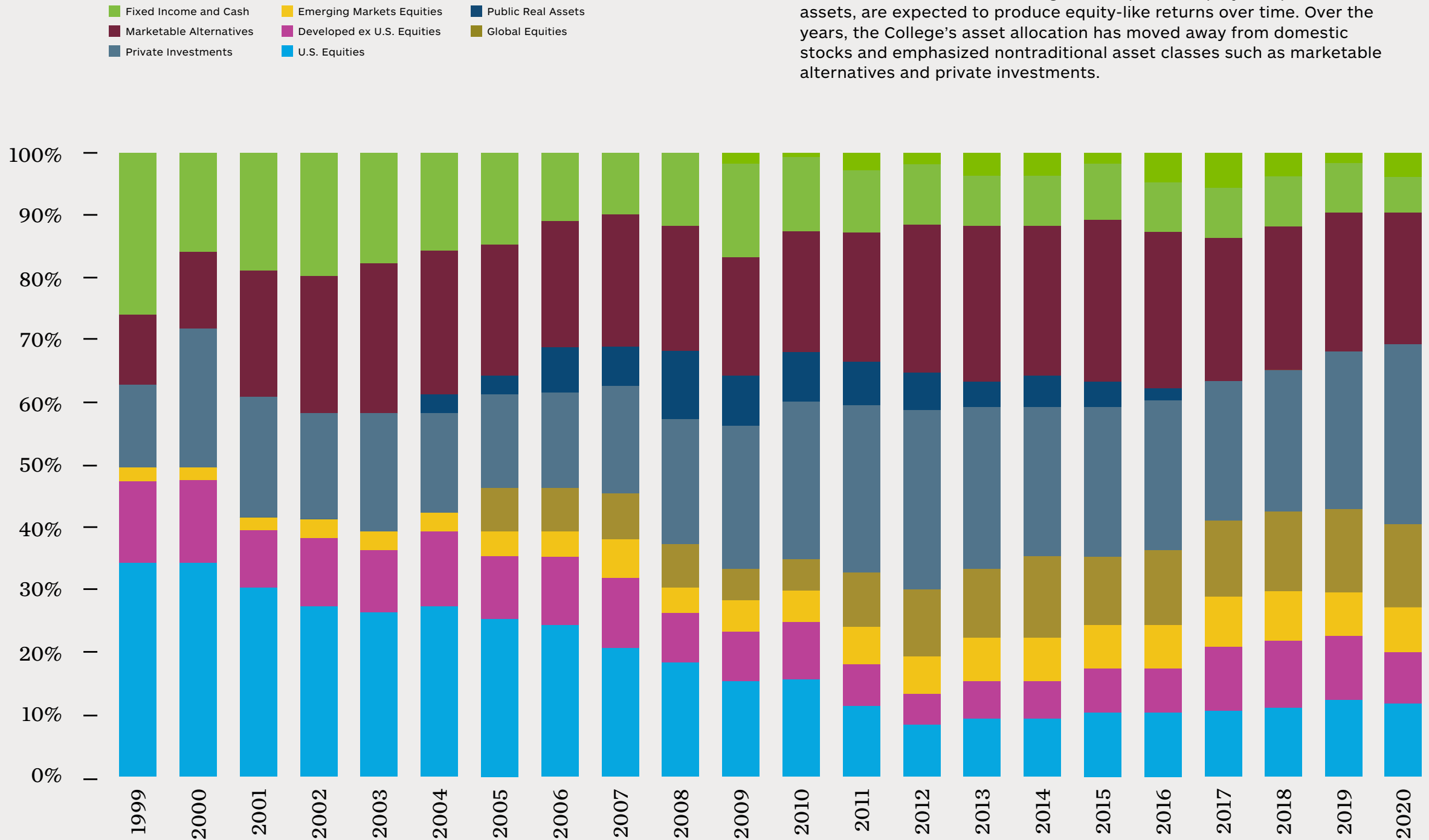


“Our faculty work hard to prepare Mount Holyoke students to engage purposefully with the world and to respond thoughtfully and effectively to the challenges and opportunities it offers. This important work is bolstered by endowed funds. They allow us to honor accomplishment and develop potential. They help us to create connections in and out of the classroom. They empower us to grow, respond, support and plan.”

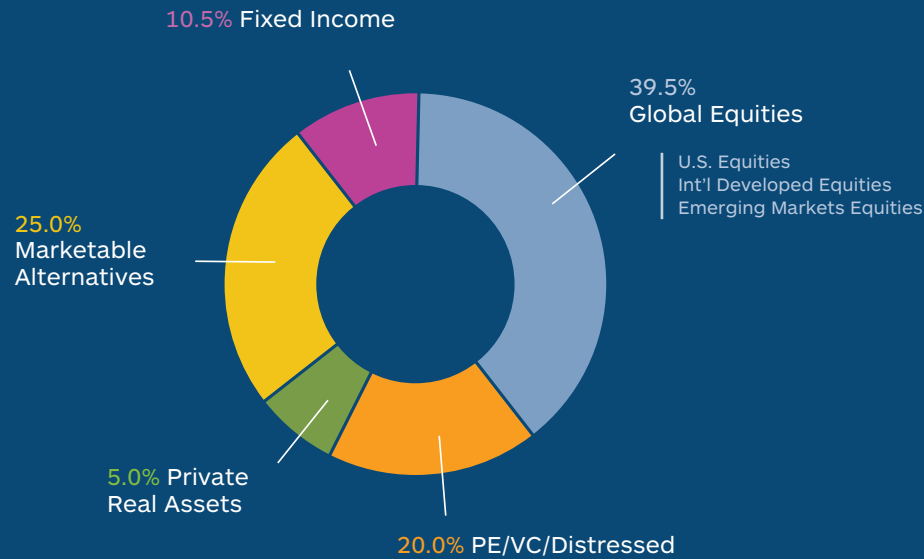
**DOROTHY MOSBY, INTERIM DEAN OF FACULTY  
AND VICE PRESIDENT FOR ACADEMIC AFFAIRS;  
MARY E. WOOLLEY PROFESSOR OF SPANISH**

# Asset allocation over time

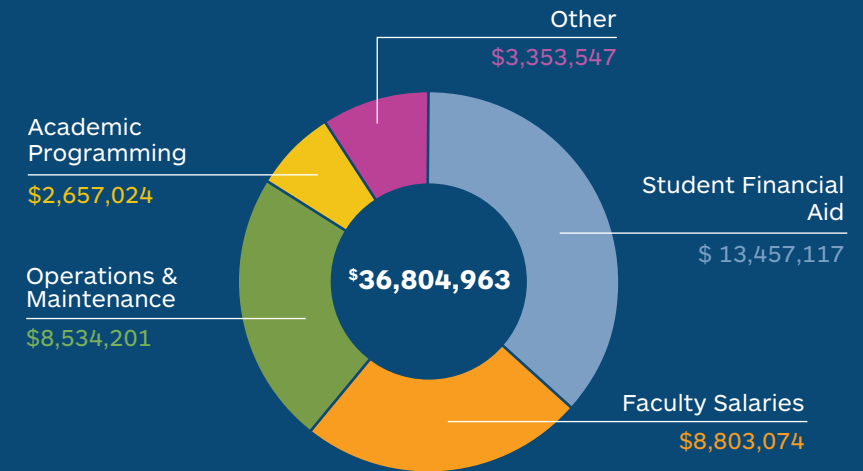
↘ The portfolio is broadly diversified, with a strong orientation toward investments that seek to deliver equity-like returns over the long term. The overall equity bias in the portfolio allows the College to meet operational needs while preserving the endowment's purchasing power for future generations. The majority of assets in the portfolio, including marketable alternatives or hedge funds, private equity and private real assets, are expected to produce equity-like returns over time. Over the years, the College's asset allocation has moved away from domestic stocks and emphasized nontraditional asset classes such as marketable alternatives and private investments.



# Portfolio Policy Allocation



# Endowment Distribution by Type



## How the Endowment Supports the College

The endowment is invested across diverse asset classes, strategies, geographies and managers. The policy portfolio, established by the Investment Committee, guides asset allocation. The Investment Committee and investment office regularly review the policy portfolio allocations with the goal of refining target allocations and improving the portfolio's risk/return characteristics. The chart above shows the policy portfolio as of June 30, 2020.

Spending from the endowment provides a significant portion of the operating budget. Income distributions from the endowment provided nearly 26% of the College's operating revenue in fiscal year 2020. Significant portions of the distributions support College priorities such as student scholarship aid, internship experiences, faculty salaries, the academic centers and the Art Museum.

Both prudent spending and management of the endowment directly affect the endowment's growth. The endowment spending policy limits the annual distribution to the operating budget to a 5% increase over the preceding annual distribution, within a range of 4.5% to 5.5% of a 12-quarter average market value. The 12-quarter average balances the endowment distribution so that the operating budget is less vulnerable to large swings in endowment valuation. The spending policy is designed to limit spending for current operations to the expected long-term, real (inflation-adjusted) rate of return from the endowment, which is expected to average 5% per year. Spending from the endowment provides substantial levels of cash flow to the operating budget to support current needs while preserving purchasing power for future generations.

## Gifts to the Endowment

The long-term growth of the Mount Holyoke College endowment can be attributed to strong returns from the portfolio, coupled with gifts to the endowment. Philanthropic gifts to the endowment can cause dramatic increases in the total value of the fund. Over the last 10 years, alums, parents and friends have donated \$119.5 million to the endowment in support of critical College priorities.

## Looking Ahead

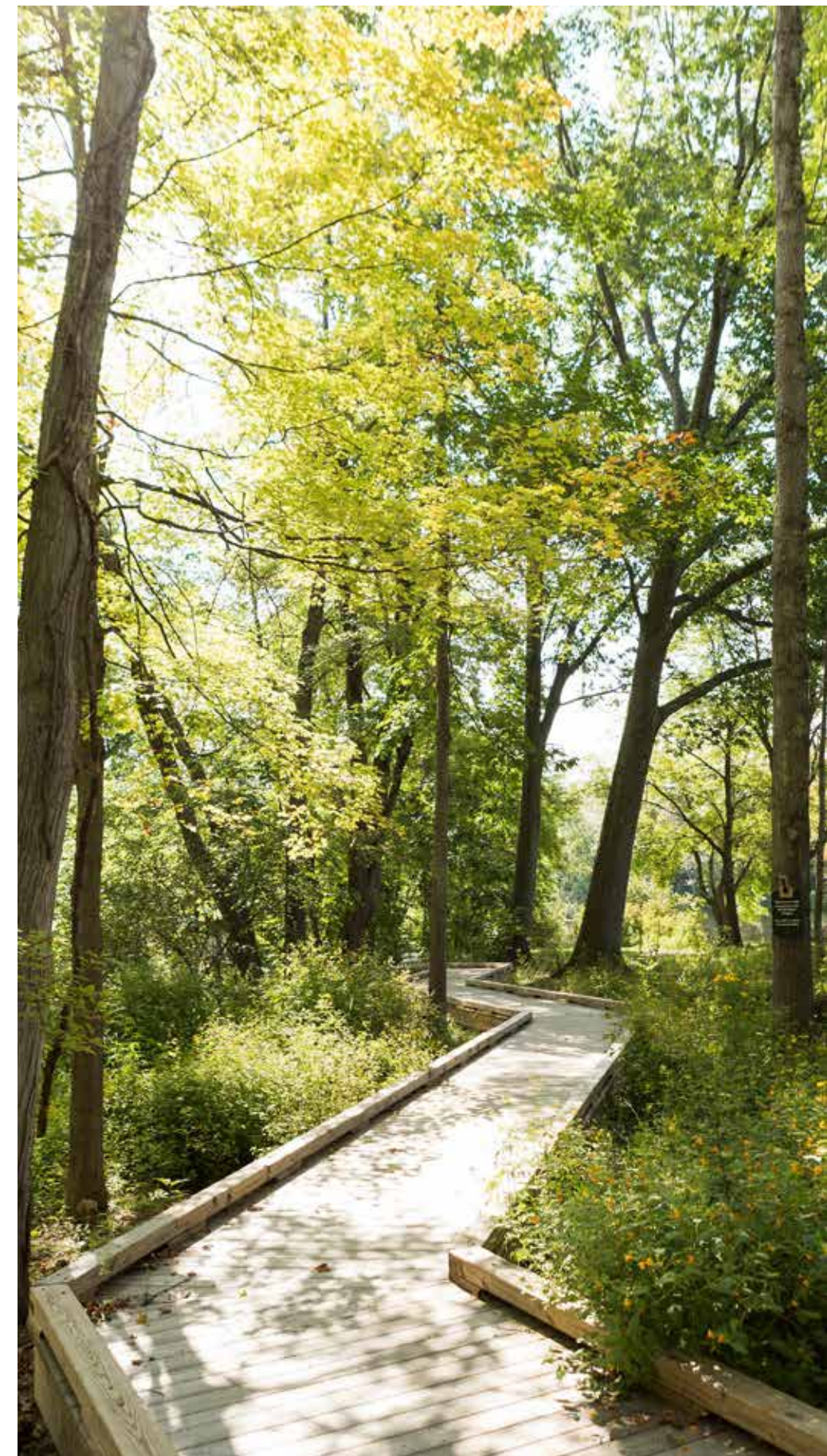


Slower global economic growth and high valuations are likely to result in lower returns over the next five to 10 years, compared to the experience of the past two decades. Stock price volatility may continue with elevated valuations and political uncertainty around the world. Bonds seem poised to deliver subpar returns, based on low starting yields. It is more important than ever to be **well-diversified across asset classes and geographical regions** and to work with managers who are well-positioned to take advantage of unique investment opportunities in a world of few obvious bargains. Uncovering those opportunities requires talent, expertise and resources. Mount Holyoke has benefited significantly in the past from diversifying its portfolio and by selecting talented investment managers who have successfully navigated challenging environments.

## Socially Responsible Investing



In 2018, the Investment Committee revised its governing document, the Investment Policy Statement, to state that the endowment will consider return-enhancing investment opportunities in the area broadly defined as ESG — environmental, social and governance. The revised policy was approved by the full Board of Trustees in February 2019. Over the last several years, the Investment Committee has worked with its advisor, Cambridge Associates, to aggressively increase the efforts to identify investments that meet ESG principles.



# Mount Holyoke College Investment Committee



Strong governance is the cornerstone of successful endowment management. Fiduciary responsibility for the endowment's performance is entrusted to the Investment Committee of the Board of Trustees. The primary objective is to provide real, after-inflation growth of the endowment in a prudently aggressive manner to support current distributions and ensure that future generations of students and faculty can enjoy outstanding levels of support.

The Investment Committee is composed of members of the Finance Committee and other alums with institutional investment expertise. Members of the Mount Holyoke College Office of Finance and Administration also play an important role in administration of the endowment.

## 2020 Investment Committee

Louise Wasso '75, Chair  
Elizabeth Weatherman '82, Vice Chair  
Katherine E. Collins '74, ex officio  
Ellen J. Ellison '80  
Robin Chemers Neustein '75  
Elizabeth Palmer '76  
Ellen Petrino '68  
Carla Skodinski '72  
Sonya Stephens, ex officio  
Karena Strella '90, ex officio

## 2020 Finance Committee

Katherine E. Collins '74, Chair  
Heather Harde '91, Vice Chair  
Elizabeth Barbeau '85  
Lori Bettison-Varga  
Rhynette Northcross Hurd '71, ex officio  
David Mahoney P'18  
KC Maurer '84  
Anne McKenny '79  
Gareth Ross  
Sonya Stephens, ex officio  
Karena Strella '90, ex officio  
Michelle Toh '85  
Louise Wasso '75  
Elizabeth Weatherman '82  
Isabel Wu '89

Note: The full list of members of the Board of Trustees can be found at [mtholyoke.edu/president/board-trustees](https://mtholyoke.edu/president/board-trustees)

## Financial Officers of the College (as of June 30, 2020)

Shannon D. Gurek  
Vice President for Finance and  
Administration and Treasurer

Ellen C. Rutan  
Comptroller

Ana Yankova '97  
Chief Investment Officer

MOUNT HOLYOKE

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