

Mount Holyoke College

2022 INVESTMENT REPORT





“Following the extraordinary gains of the previous year, we are pleased that our portfolio protected capital well during a volatile and challenging period across capital markets. Through the inevitable ups and downs, the Investment Office remains focused on delivering the best long-term outcomes for the College.”

ANA YANKOVA '97
CHIEF INVESTMENT OFFICER



Mount Holyoke is pleased to provide you with this report on the endowment investments for the fiscal year ended June 30, 2022.

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

The endowment stood at \$1,002.5 million as of June 30, 2022. The invested pool generated a return of -5.9%, net of fees, over the fiscal year 2022. During a tumultuous year for markets, the endowment protected capital and outperformed the policy benchmark while distributing over \$40 million to support the operating budget.

After the unprecedented gains of the previous fiscal year, the endowment suffered its first negative year of returns since 2016. Equity markets dropped precipitously as investors reacted to higher inflation and Russia’s invasion of Ukraine. Inflation also triggered a tightening monetary policy. Central bank policy rates rose at the fastest pace in decades, driving bond prices down significantly. In fact, with both stocks and bonds in negative territory, it was the worst year for a traditional 60/40 stock and bond portfolio since the Global Financial Crisis of 2008. Alternative investments and strong fund selection enabled the invested pool to protect the extraordinary gains from fiscal year 2021 and close the fiscal year above \$1 billion in total assets.

Spending from the endowment has grown every year over the last decade, generating cumulative distributions of \$354 million over a decade. Today it is the second-largest revenue source after tuition and accounts for about a third of the College’s revenues. In fiscal year 2022, distributions from the endowment equated to almost \$18,000 per student.

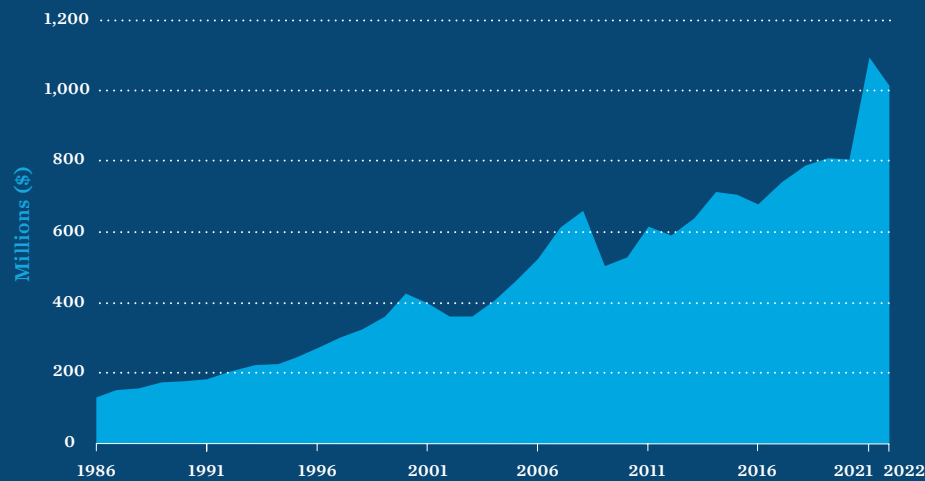
Over the past 15 years, the endowment has grown from \$608.7 million to \$1,002.5 million. This represents a 6.6% investment return per year, net of investment expenses and excluding new gifts. This result places it in the top quartile when compared with hundreds of peer institutions.

More importantly, this return has achieved the goal of supporting the operating budget while preserving, and even growing, the purchasing power of the endowment for future generations.

Fiscal year 2022 was the second full year of operation for the College’s Investment Office in Boston. The Investment Office was established on April 1, 2020, and is responsible for the management of the endowment investment portfolio, including asset allocation and portfolio structure and positioning, as well as sourcing, selecting and monitoring investments. Responsible to the Board of Trustees for oversight, the Investment Committee works with the 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 portfolio growth to ensure that the endowment continues to support the College’s mission. The long-term growth objective means that the portfolio is tilted toward investments in equity and equity-like instruments across public and private markets. The endowment seeks to establish long-term partnerships with specialized external investment managers. These partners tend to build their investment portfolios through deep fundamental research.

Endowment Market Value



Fiscal Year 2022: Performance

Following the exceptional 38.0% gain in 2021, fiscal year 2022 saw a rare period when both equity and bond markets fell in unison. Global equities dropped -15.8% and bonds lost -10.3%. Amid this backdrop, the invested pool protected capital and outperformed the passive benchmark. Investments in private companies and hedge funds, as well as strong manager selection, contributed to this capital preservation.

The endowment pool continues to be managed with a long-term orientation that is designed to successfully weather an array of market environments. The foundation of the College’s investment approach is a commitment to prudent portfolio management, disciplined manager selection and a long-term investment horizon. While there will be up and down years along the way, a constant focus on long-term value creation with an equity orientation should continue to create substantial value in support of the College’s mission.

Over the last 15 years, the endowment pool has delivered a 6.6% annualized return. These returns place Mount Holyoke in the top quartile of hundreds of peer institutions.

Annual External Investment Pool Returns (as of June 30, 2022)

Period	Mount Holyoke(%)	CJA Endowment Median(%)	80% Stock/20% Bond Portfolio ¹ (%)	5% + Inflation ² (%)
1 year	-5.9	-8.1	-14.3	14.1
3 year	10.5	7.7	5.4	10.0
5 year	9.3	7.3	6.4	8.9
10 year	8.6	7.6	7.9	7.6
15 year	6.6	5.5	5.2	7.4
20 year	8.3	7.2	7.1	7.5
Since inception	10.7	10.6	9.1	7.8

¹ 80% Stock/20% Bond Portfolio¹ (%) is backfilled with MSCI World before 1983.
² Since inception, CA endowment median figure includes 17 E&Fs.

Private investments were the largest contributor to overall performance for the fiscal year, with a 7.7% return. Notably, while 2021's gains were largely driven by venture capital investments, this year the returns were strongest from U.S. private equity and real asset investments. Marketable alternatives, also referred to as hedge funds, fell -2.1% but protected capital and outpaced their benchmark. Global public equity investments fell -18.0% for the fiscal year as international holdings and managers with a global mandate suffered the most. In a rare year, bond investments fell -8.3% alongside equities, departing from a long history of providing protection in a risk-off environment.

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 by protecting against inflation. Consistent with this goal, global public equities and private investments represent the majority of assets in the portfolio. Marketable alternatives provide portfolio diversification and deliver equity-like returns with lower-than-equity volatility. The bond allocation is composed of high-quality U.S. government bonds and serves as a source of liquidity in the event of a significant equity market drawdown.

How the Endowment Supports the College

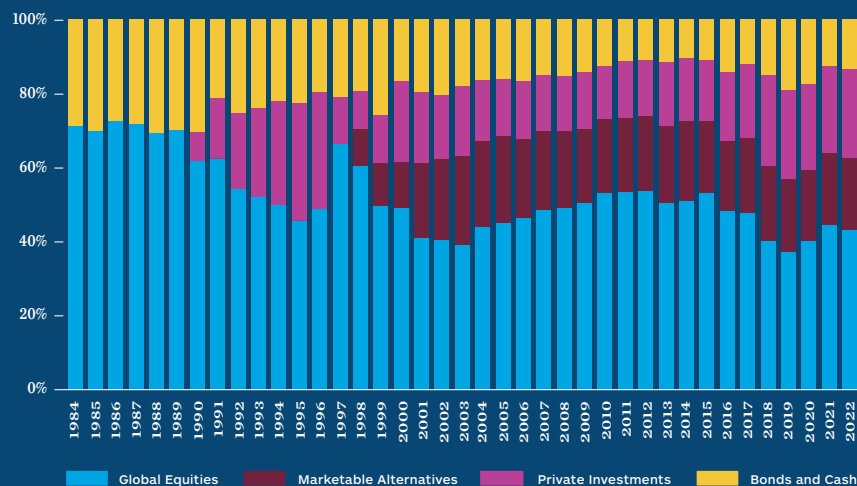
Spending from the endowment provides a significant portion of the operating budget. Income distributions from the endowment provided close to a third of the College's operating revenue in fiscal year 2022. Significant portions of the distributions support College priorities such as student scholarship 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 rate of return from the endowment.

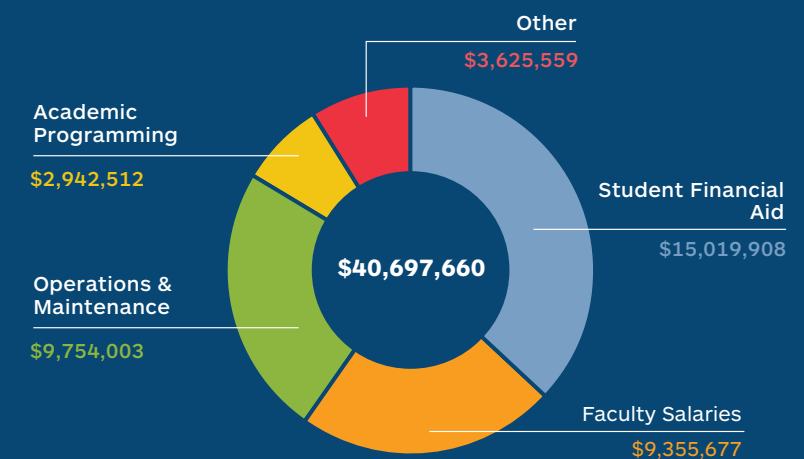
"The College thrives because of its exceptional students, faculty and staff. Mount Holyoke is a community in which members actively reach across disciplines to solve problems creatively and make positive change for all. Our endowment provides foundational support for all of this work, ensuring that we continue to innovate and lead."

LISA SULLIVAN
PROVOST AND DEAN OF FACULTY,
PROFESSOR OF ECONOMICS

Asset Allocation Over Time



Endowment Distribution by Type



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 have been significant contributors to the total value of the fund. Over the last 10 years, alums and friends of the College have contributed \$149 million to the endowment in support of critical College priorities, with an additional \$22 million of pledges. The combination of these gifts and their investment growth has resulted in over \$200 million of incremental endowment value over the last decade.

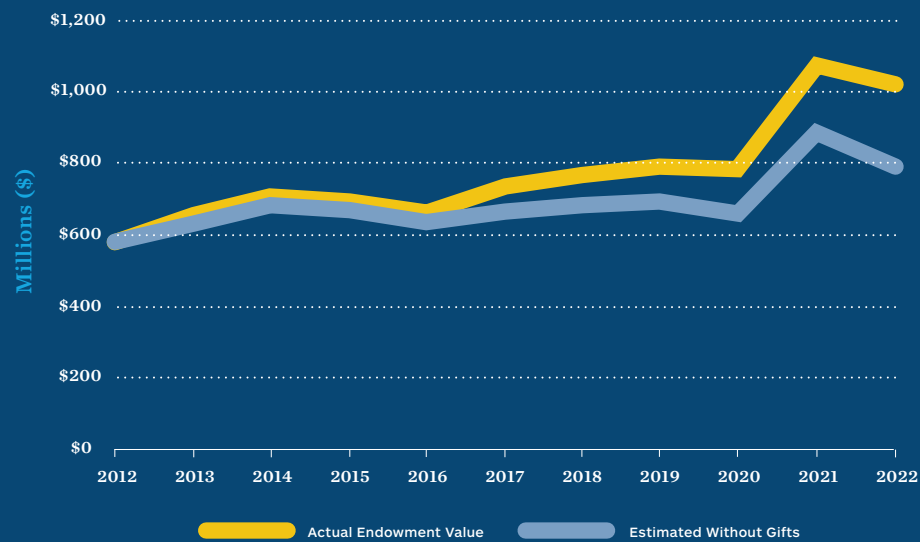
Today the operating budget is enjoying a significantly larger contribution from the endowment, thanks to these gifts and their compounding. Fiscal year 2022 was a record year of giving with \$34.2 million in gifts coming into the endowment.

Environmental Sustainability

In its February 2021 meeting, the Board of Trustees voted to phase out any remaining investments in dedicated private funds focused on coal mining and the acquisition, exploration or production of oil over the next decade, if not sooner. As of June 30, 2022, the College held \$29.6 million of exposure to these funds, which represented 3.0% of the total portfolio. This commitment is aligned with the College’s goal of achieving carbon neutrality by 2037, the year of its bicentennial.

Over time the endowment has invested in a number of impact funds focused on investing in innovative solutions for a more sustainable world. In addition, the investment staff includes a section on ESG in every due diligence report on new portfolio investments. The Investment Policy Statement, the endowment’s governing document, states that the endowment will consider return-enhancing investment opportunities in the area broadly defined as ESG (environmental, social and governance).

Impact of Gifts on Endowment Value



Diversity, Equity and Inclusion

The establishment of a dedicated in-house Investment Office allowed the College to enhance its focus on investment manager diversity. Diversity, Equity and Inclusion (DEI) questions are part of each new manager's due diligence. In addition, an independent third-party advisor, Cambridge Associates, regularly conducts a DEI review of the portfolio. In its most recent review, Cambridge Associates gave the portfolio top marks, with women and minorities representing a meaningfully higher proportion of its investing partners and owners compared with current investment industry benchmarks.

Looking Ahead

The year 2022 was challenging, with slowing economic growth and increased geopolitical tensions. The speed and magnitude of the monetary tightening were historic in their aggressiveness. Given these challenging conditions, equity and bond prices may still have some downside. However, we are also hopeful that the double-digit declines that markets have already experienced have left us with better valuations that should eventually lead to stronger long-term returns.

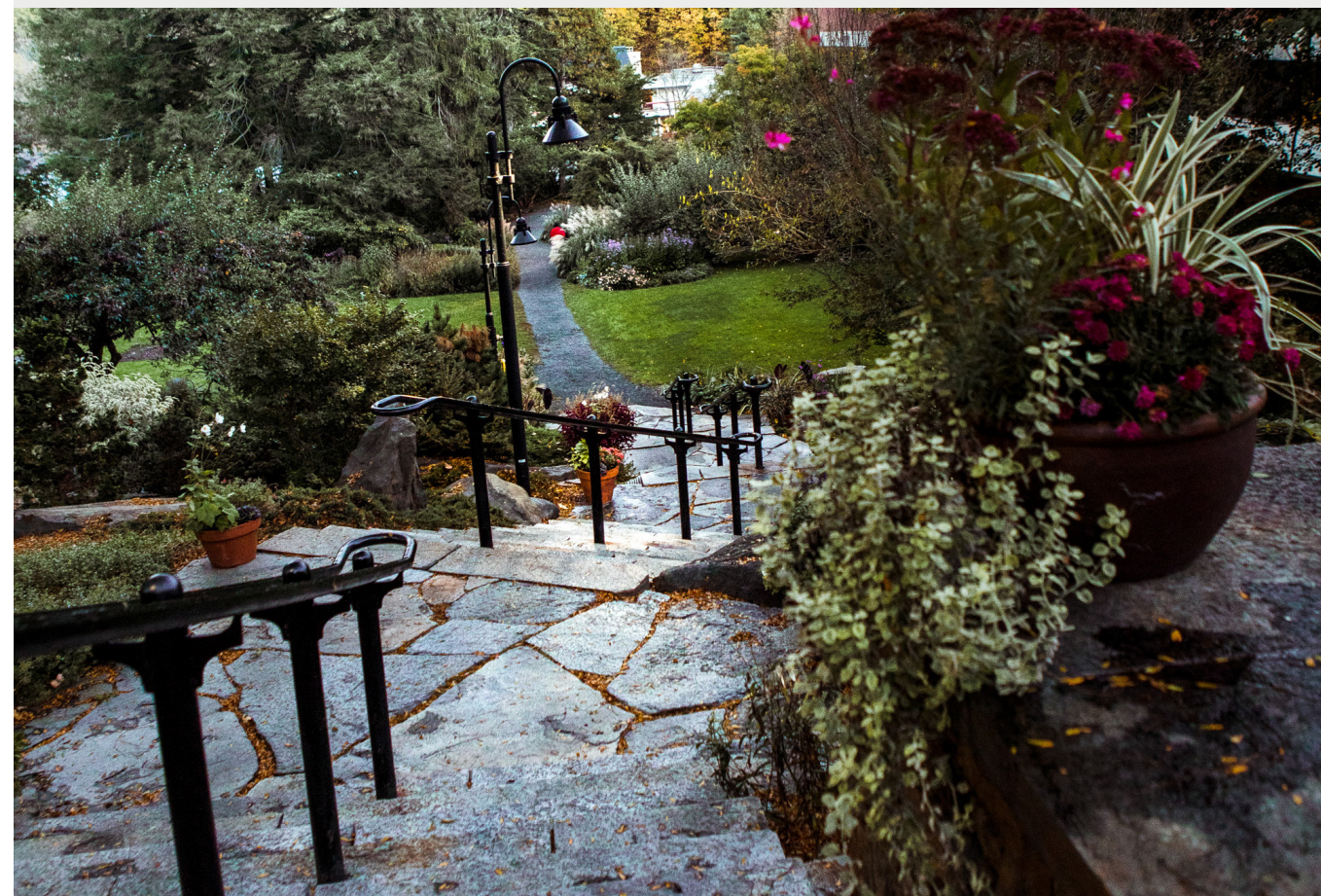
In periods of market stress, the Investment Office is focused on ensuring that the portfolio has adequate liquidity to meet its liabilities, capital calls and other obligations. It is more important than ever to maintain portfolio balance, employ a long-time horizon and selectively partner with investment managers who are well positioned to take advantage of unique investment opportunities. Uncovering those opportunities requires talent, expertise and resources.

The Investment Office and the Investment Committee remain focused on sowing seeds for the future by aligning with strong investing partners, emphasizing superior value add and diversifying the drivers of performance. Every year the Investment Office meets with hundreds of investment managers around the globe to identify the handful who are truly extraordinary — those possessing a distinct and sustainable competitive advantage, high integrity and experience navigating challenging market environments.



“It was in my first semester, when I took Modern and Contemporary European Civilization, that I truly fell in love with history and reflecting on monumental social events. Because of the professor's passion for the content, I took more history classes, from Modern South Asia to the British Empire and Commonwealth. I am now a history major with a minor in education and am enrolled in Mount Holyoke's Teacher Licensure program. I want to thank you for helping me achieve my goals and for the financial assistance that will continue to help me receive the best education with the most passionate and empowering community I have ever been a part of.”

AMANDA THIBODEAU '24



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 to ensure that future generations of students and faculty can enjoy outstanding levels of support. The committee is composed of members of the Finance Committee and other alums of the College with institutional investment expertise.

2023 Investment Committee

Elizabeth Weatherman '82, Chair
Ellen Ellison '80, Vice Chair
Sally Durdan '81, ex officio
Farah Khan '98
Monica Landry '90
Robin Chemers Neustein '75
Elizabeth Palmer '76
Ellen Petrino '68
Beverly Daniel Tatum, ex officio
Karena Strella '90, ex officio
Louise Wasso '75

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

Financial Officers of the College

Mary Jo Maydew,
Interim Vice President for Finance
and Administration

Patricia Gallagher,
Associate Vice President for
Finance and Treasurer

Ana Yankova '97,
Chief Investment Officer

2023 Finance Committee

Katherine Collins '74, Chair
Sally Durdan '81, Vice Chair
Adam Falk
Farah Khan '98
Monica Landry '90
KC Maurer '84
Lourdes Melgar '85
Natasha Mohanty '03
Hallie Nath '92
Raj Seshadri '87
Karena Strella '90, ex officio
Beverly Daniel Tatum, ex officio
Louise Wasso '75
Elizabeth Weatherman '82
Sarah Wells '10

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