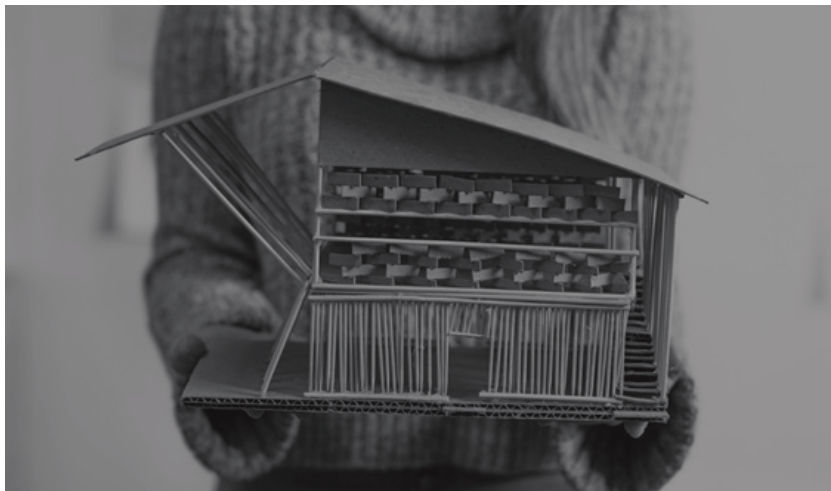


Mount Holyoke College

2018 Investment Report

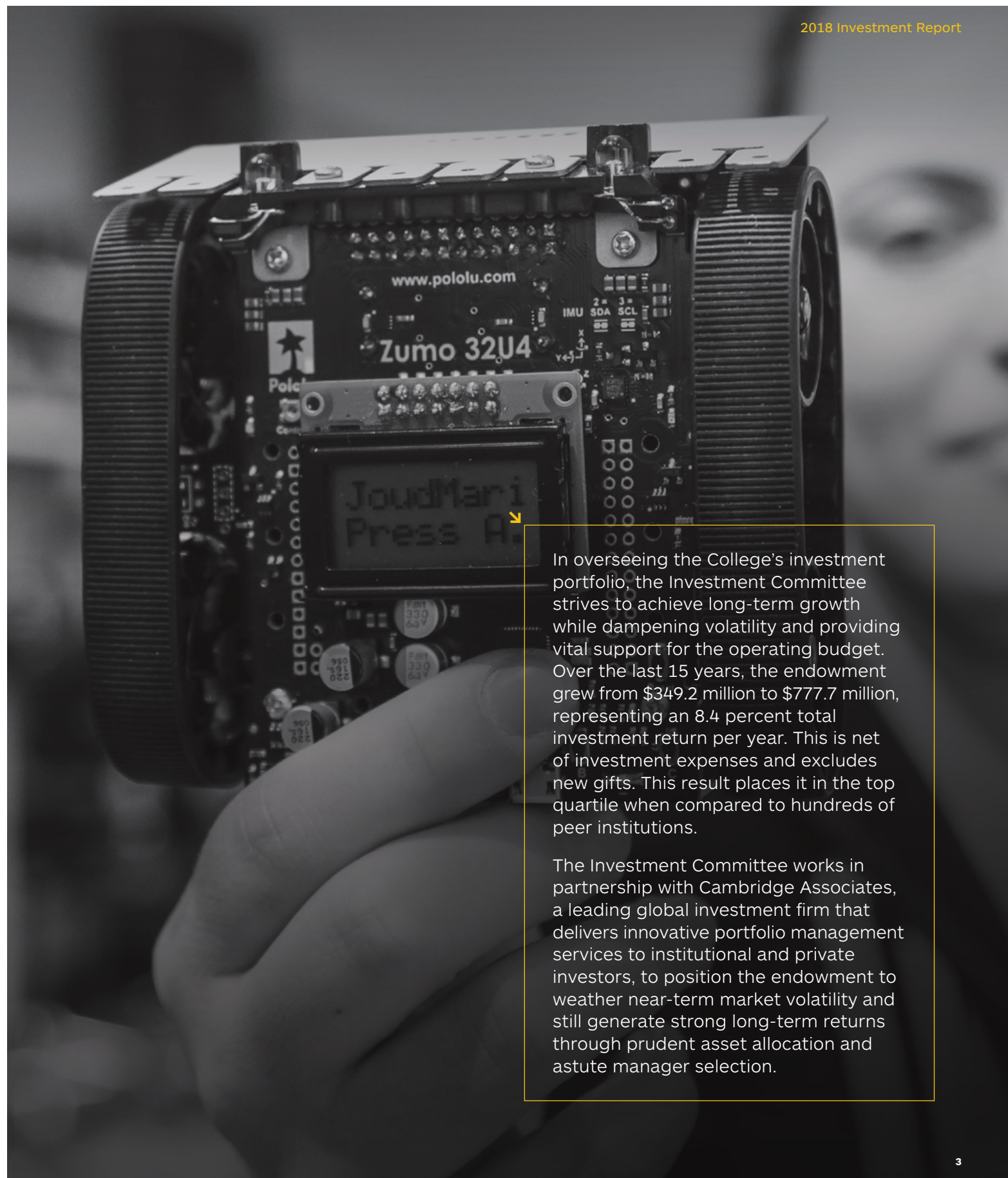


“In order to invest in the many exciting ideas developed by our faculty, staff and students, we need first and foremost to be good stewards of our resources and to engage in strategic allocation of these to our highest priorities. And we need to ensure that you remain our partners in this work, and that we celebrate what we have done together to make Mount Holyoke the best place to develop the minds and aspirations of future generations.”

PRESIDENT SONYA STEPHENS



Mount Holyoke is pleased to provide you with this report on the endowment investments for the fiscal year ended June 30, 2018.



In overseeing the College's investment portfolio, the Investment Committee strives to achieve long-term growth while dampening volatility and providing vital support for the operating budget. Over the last 15 years, the endowment grew from \$349.2 million to \$777.7 million, representing an 8.4 percent total investment return per year. This is net of investment expenses and excludes new gifts. This result places it in the top quartile when compared to hundreds of peer institutions.

The Investment Committee works in partnership with Cambridge Associates, a leading global investment firm that delivers innovative portfolio management services to institutional and private investors, to position the endowment to weather near-term market volatility and still generate strong long-term returns through prudent asset allocation and astute manager selection.

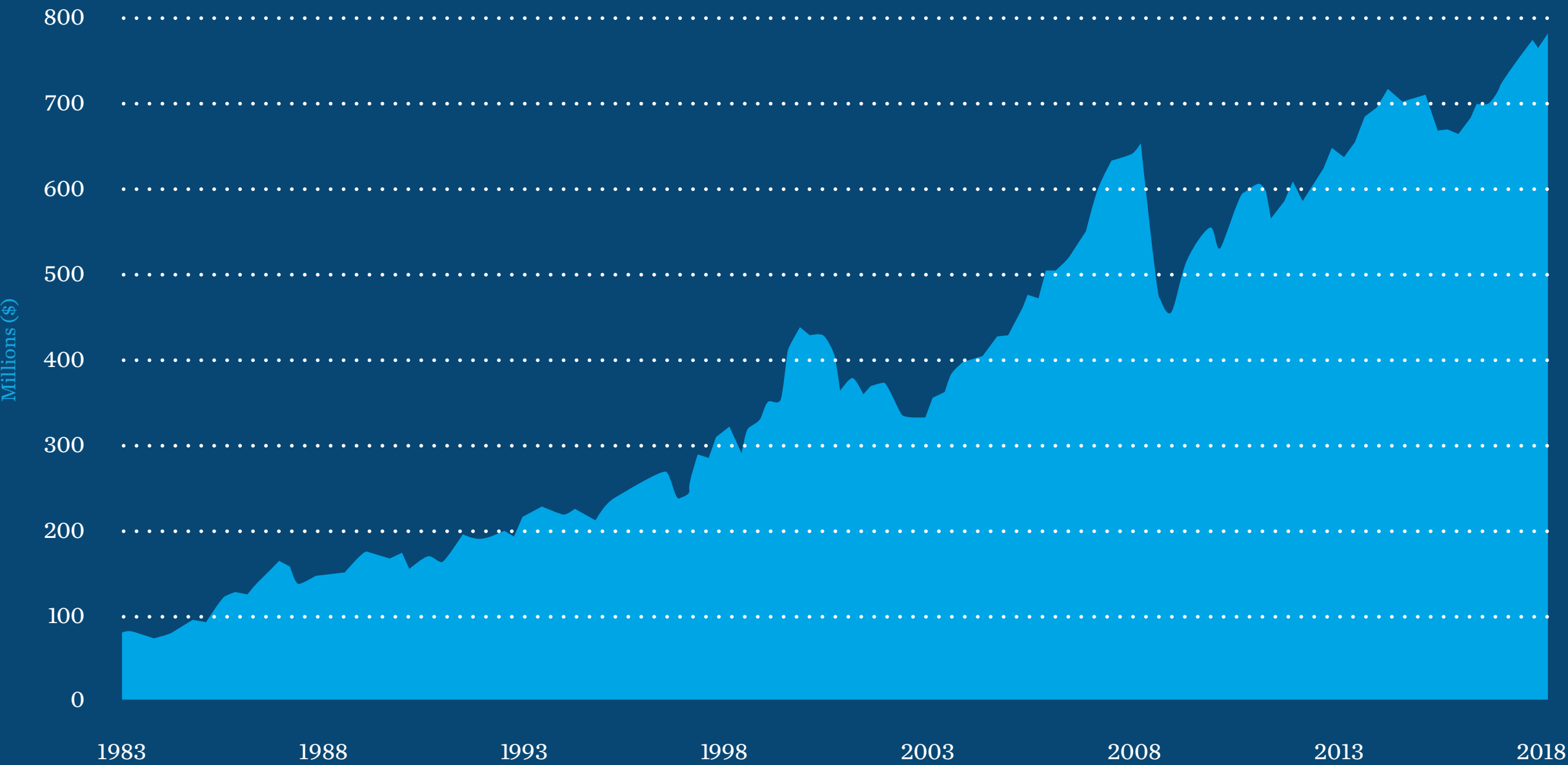
The endowment is vital to Mount Holyoke's mission of serving as an incubator for intellectual and social progress — and empowering future change-makers to transform the world.

When the College's graduates leave the gates, they are prepared to lead in the boardroom, classroom, courtroom, laboratory and legislature. They have the tools and mindset to move people, society and whole industries forward, unapologetically and effectively.



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 \$777.7 million.

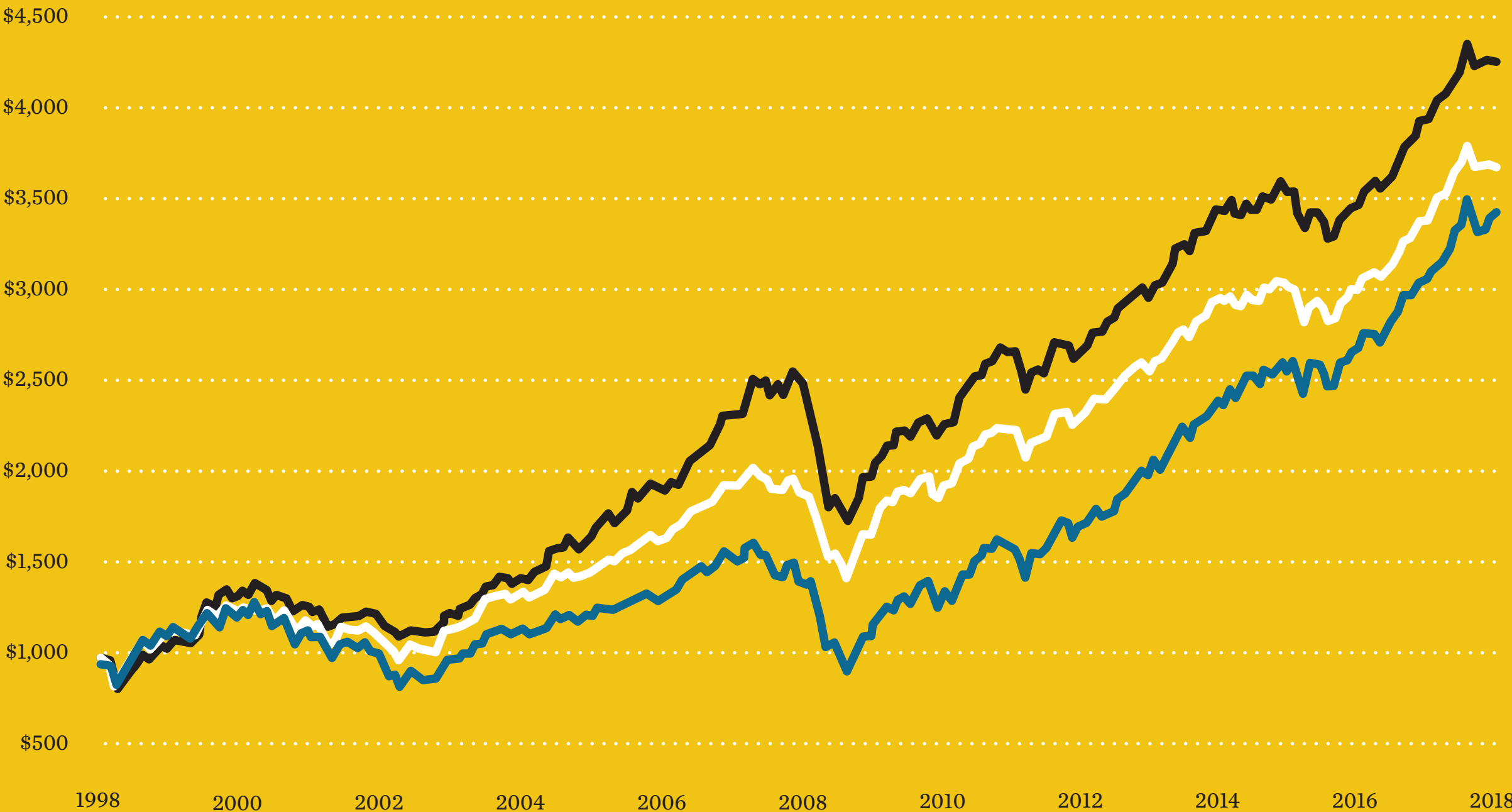


Annual external investment pool returns:
June 30, 2008 – June 30, 2018

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
8.0%	-21.5%	11.2%	20.6%	-0.1%	11.5%	16.0%	2.7%	-2.4%	13.4%	9.1%

Growth of \$1,000 invested in the Mount Holyoke College endowment

- Total Assets
- Custom Benchmark
- S&P 500 80%/BC Agg Blend 20%



“Thanks to your contributions,
I am able to participate in and take
advantage of so many great things
on campus, including the Speaking,
Arguing and Writing Center and
Library, Information and Technology
Services. Plus so many other resources
that help me advance as a woman
and leader in science.”

FIONA CHACE-DONAHUE '20



Fiscal year 2018: performance

Fiscal year 2018 saw solid growth, though at a more moderate pace compared to fiscal year 2017: The externally managed endowment investment pool returned 9.1 percent. Over the last 15 years, it has achieved an 8.4 percent annualized return. The portfolio benefited significantly from its equity orientation, as equities drove much of the performance during the year.

The table to the right shows returns for Mount Holyoke’s endowment. 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 10.8 percent annualized return since inception.

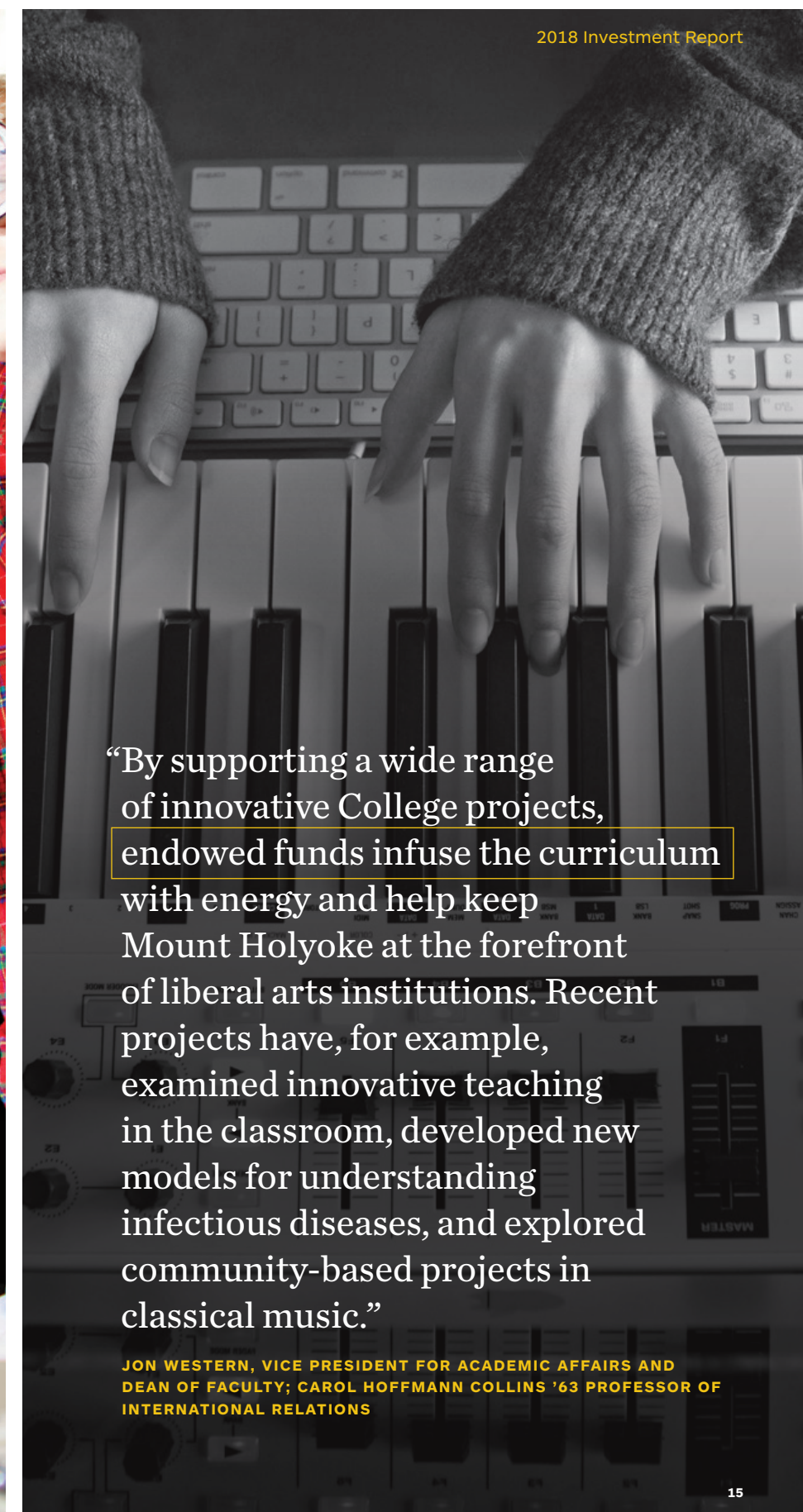
Equities were the largest contributor to overall performance for the fiscal year, with a particularly large contribution from private equity, including venture capital, as well as U.S. stocks. Hedge funds generated positive absolute returns but, as expected, did not keep pace with strong equity markets. Private equity and venture capital funds significantly outperformed public market indices, driving much of the recent returns in the private investments portfolio.

The portfolio’s commitment to diversification across asset classes has contributed significantly to the endowment’s growth over time. It has also benefited from active management across asset classes.

Period	Mount Holyoke (%)	C[A Endowment Median (%)	80% Stock/20% Bond Portfolio¹ (%)	Inflation² (%)
1 year	9.1	8.3	8.5	2.9
3 year	6.5	6.1	7.0	1.8
5 year	7.6	7.1	8.0	1.5
10 year	5.4	5.5	5.6	1.4
15 year	8.4	7.4	7.5	2.1
20 year	7.5	6.6	5.5	2.2
Since inception*	10.8	10.6	9.2	2.7

¹ 80/20 Stock/Bond Portfolio represents 80% MSCI All Country World Index (Net) and 20% Barclays Aggregate Bond Index. The MSCI ACWI was backfilled with the MSCI World Index prior to 1988.
² Inflation represents Consumer Price Index - All Urban Consumers.
* Since first full quarter, 9/30/1983, or ~ 35 years.

Asset Class	Allocation (%) 6/30/2017	Allocation (%) 6/30/2018	FY18 Portfolio Return (%)	Fiscal 2018 Asset Class Commentary
U.S. Equity	10.3	10.9	12.8	Managers in the U.S. Equity portfolio failed to keep up with the S&P 500 index’s extraordinary return of 14.4%. Valuations continued to increase this fiscal year and U.S. equities remain very expensive relative to history and other asset classes.
International Developed non-U.S. Equity	10.5	10.5	6.4	The International Developed portfolio posted strong returns compared to value-based indexes but lagged its main benchmark due to its value orientation.
Emerging Markets Equity	7.8	7.6	6.5	In a reversal from a strong fiscal year 2017 return in emerging markets, the asset class slowed to a more moderate pace. Most managers’ value orientation kept them away from high-flying technology stocks in China. The portfolio continues to have an overweight to China.
Global Mandate	12.3	12.4	7.1	The global equity managers returned 7.1%, lagging the MSCI All Country World Index return of 10.7%. The managers’ value tilt was the main driver of relative underperformance, given the dominance of growth technology stocks during the fiscal year.
Marketable Alternatives	23.1	22.9	6.5	Mount Holyoke’s Marketable Alternatives portfolio returned 6.5% for the fiscal year, outperforming the HFRI Fund of Funds Diversified Index by 124 basis points. This continued its record of outperformance over the medium and long term.
Private Investments	22.4	23.5	19.6	Includes private equity, venture capital, private real assets, and credit investments in private partnerships. U.S. private equity and venture capital have delivered compelling short- and long-term performances.
Fixed Income and Cash	13.6	12.2	-0.2	The bond portfolio was slightly negative but outperformed the Barclays Aggregate Bond Index by 20 basis points. Most major U.S. bond indices were flat or slightly negative during the fiscal year. The portfolio benefited from its shorter duration positioning.

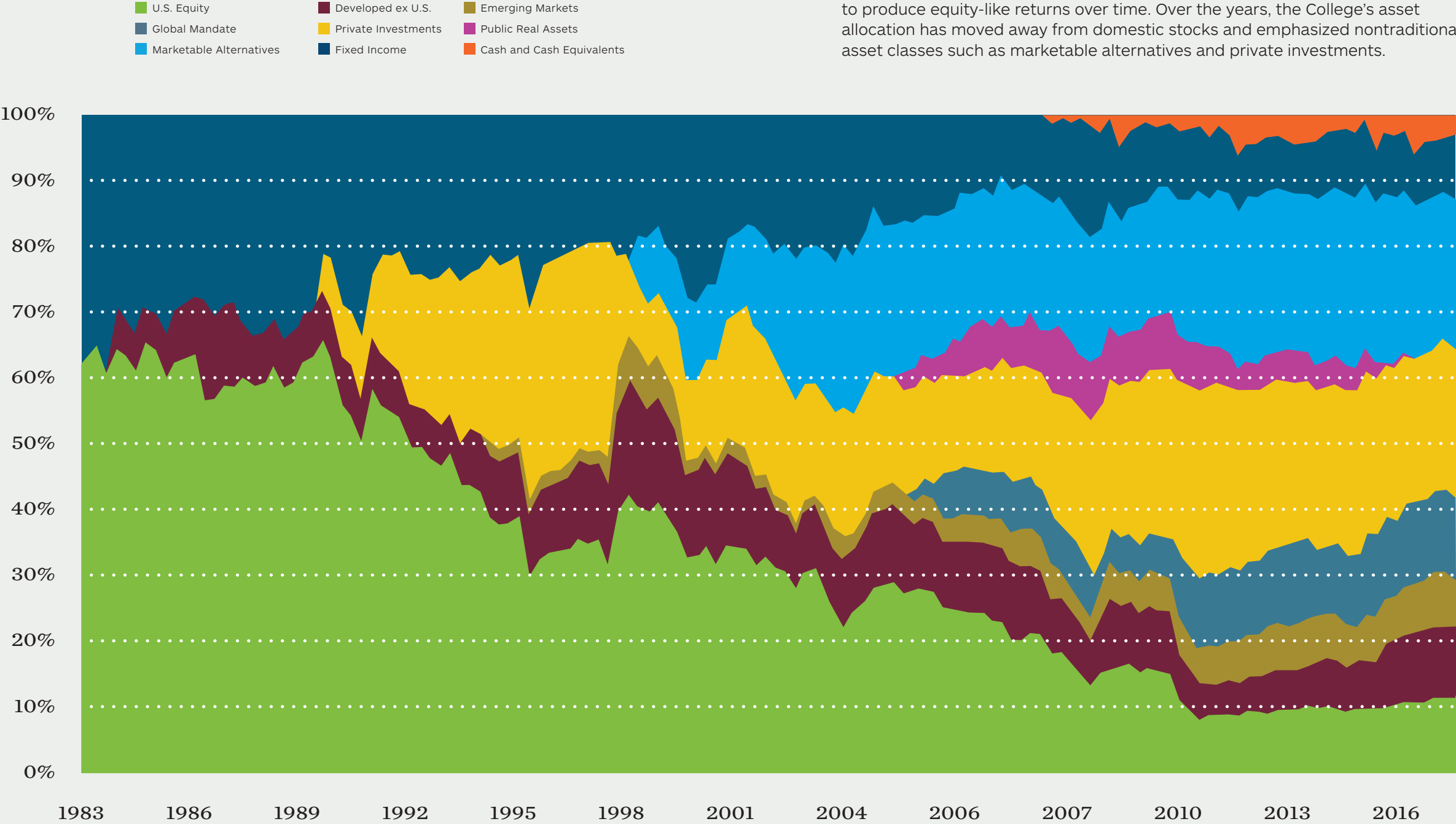


“By supporting a wide range of innovative College projects, endowed funds infuse the curriculum with energy and help keep Mount Holyoke at the forefront of liberal arts institutions. Recent projects have, for example, examined innovative teaching in the classroom, developed new models for understanding infectious diseases, and explored community-based projects in classical music.”

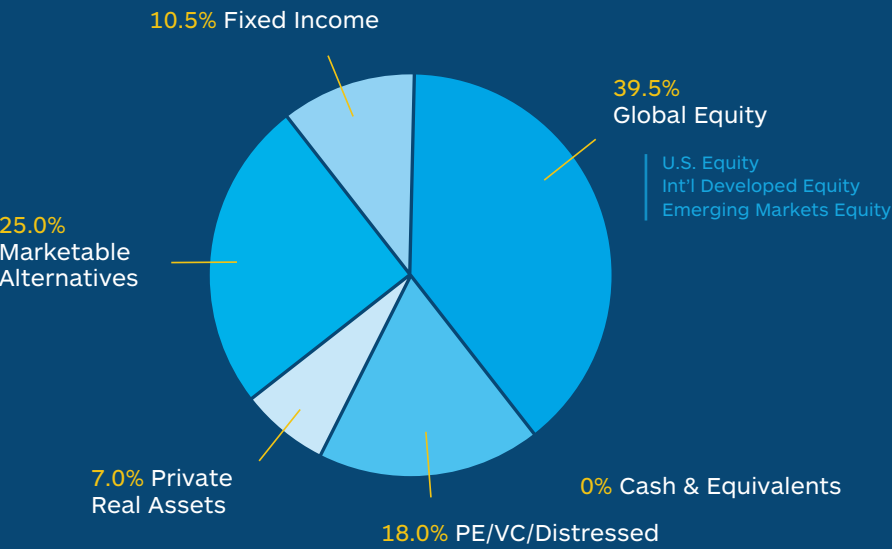
JON WESTERN, VICE PRESIDENT FOR ACADEMIC AFFAIRS AND DEAN OF FACULTY; CAROL HOFFMANN COLLINS '63 PROFESSOR OF INTERNATIONAL RELATIONS

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. The majority of assets in the portfolio, including domestic and international stocks, 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



How the endowment supports the College

Income distributions from the endowment provided nearly 26 percent of the College's operating revenue in fiscal year 2018. 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 its growth. Mount Holyoke's endowment-spending rule calls for distributing between 4.5 and 5.5 percent of a 12-quarter average market value of the endowment. The 12-quarter average balances the endowment distribution so that the operating budget is less vulnerable to large swings in endowment valuation. Mount Holyoke's spending and investment policies provide substantial levels of cash flow to the operating budget to support current needs while preserving the 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, alumnae, parents and friends have donated \$147.6 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 last two decades. Stock price volatility may continue with elevated valuations and political uncertainty around the world. Bonds seem poised to deliver subpar returns as interest rates ratchet up. 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 are able to successfully navigate challenging environments.

Divestment and socially responsible investing

In 2018, the Investment Committee revised the principles section of its 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 statement was presented for approval from the full Board of Trustees in February 2019.

At the Investment Committee's behest, Cambridge Associates has aggressively increased its efforts to identify investments that meet ESG principles. As of June 30, 2018, the Committee had committed \$31.5 million to eight ESG and impact-oriented funds. Cambridge Associates is also actively engaging with investment managers to evaluate how climate change impacts our investments and how the support of carbon efficiency and other ESG factors affect our portfolio.

Mount Holyoke College Investment Committee: governance and 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. In keeping with this objective, the Investment Committee works closely with Cambridge Associates to allocate the College's investment assets and select and monitor investment managers.

The committee is comprised of members of the Finance Committee and other alumnae with particular investment expertise. Members of the Mount Holyoke College Office of Finance and Administration also play an important role in the administration of the endowment.

2019 Investment Committee

Louise Wasso '75, Chair
Barbara Baumann '77, ex officio
Katherine Collins '74, ex officio
Ellen Ellison '80
Robin Chemers Neustein '75
Elizabeth Palmer '76
Ellen Petrino '68
Carla Skodinski '72
Sonya Stephens, ex officio
Elizabeth Weatherman '82

2019 Finance Committee

Katherine Collins '74, Chair
Heather Harde '91, Vice Chair
Carrie Field '97
Ellen Flannery '73
David Mahoney P'18
KC Maurer '84
Elizabeth Palmer '76
Michelle Toh '85
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 (as of June 30, 2018)

Shannon Gurek
Vice President for Finance and
Administration and Treasurer

Ellen Rutan
Comptroller

MOUNT HOLYOKE

Mount Holyoke College
Office of Advancement
50 College Street
South Hadley, MA 01075

