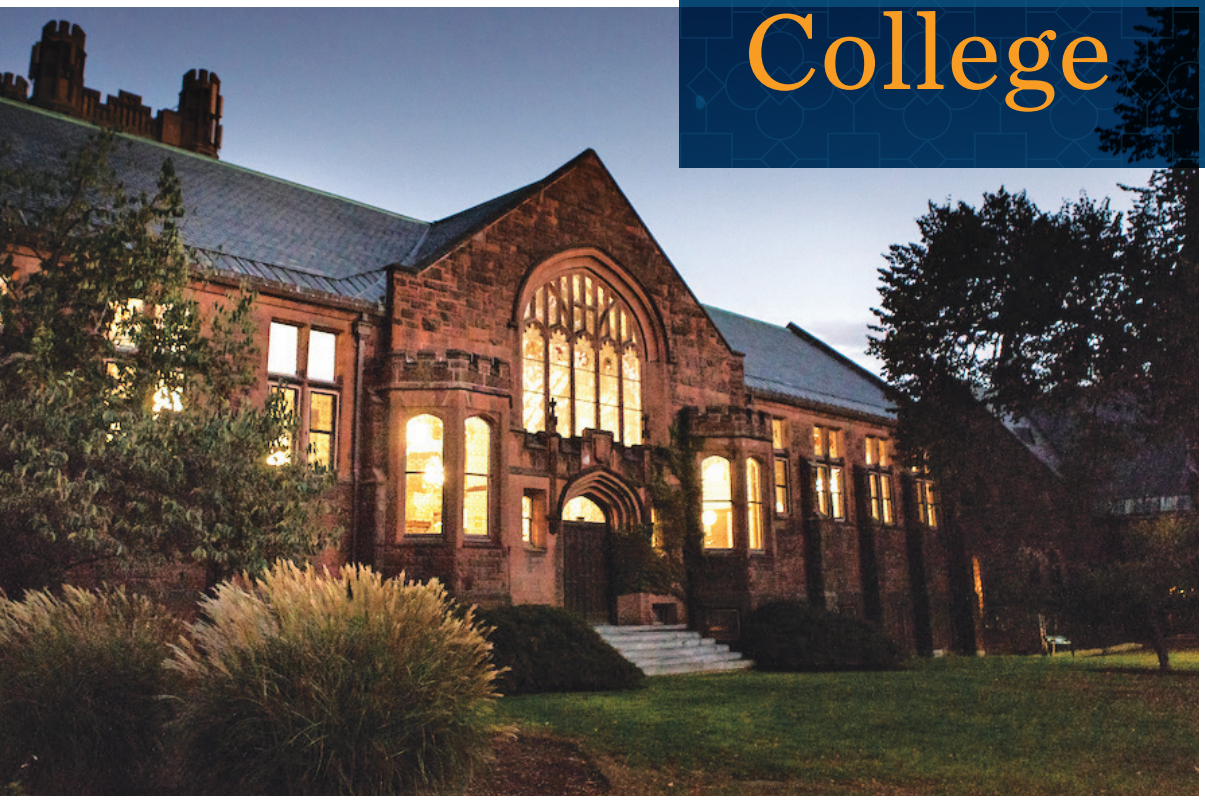
Mount Holyoke College



2021 Investment Report

"At Mount Holyoke College, we are deeply committed to ensuring that each new generation of students is able to access, afford and enjoy the exceptional education provided by our distinguished faculty, that the excellence of our academic program is uncompromised and that our support for deep and purposeful engagement with the world is enduring."

SONYA STEPHENS

President

Mount Holyoke is pleased to provide you with this report on the endowment investments for the fiscal year ending June 30, 2021.

The endowment is a foundational element in sustaining Mount Holyoke College. It allows the College to provide an intellectually rigorous education for students of all backgrounds and strengthens the College's legacy of empowering diverse leaders.

Spending from the endowment has grown every year over the last decade, generating cumulative distributions of $340 million. Today it is the second-largest revenue source after tuition and accounts for about a third of the College's revenues. In scal year 2021, distributions from the endowment equated to almost $20,000 per student.

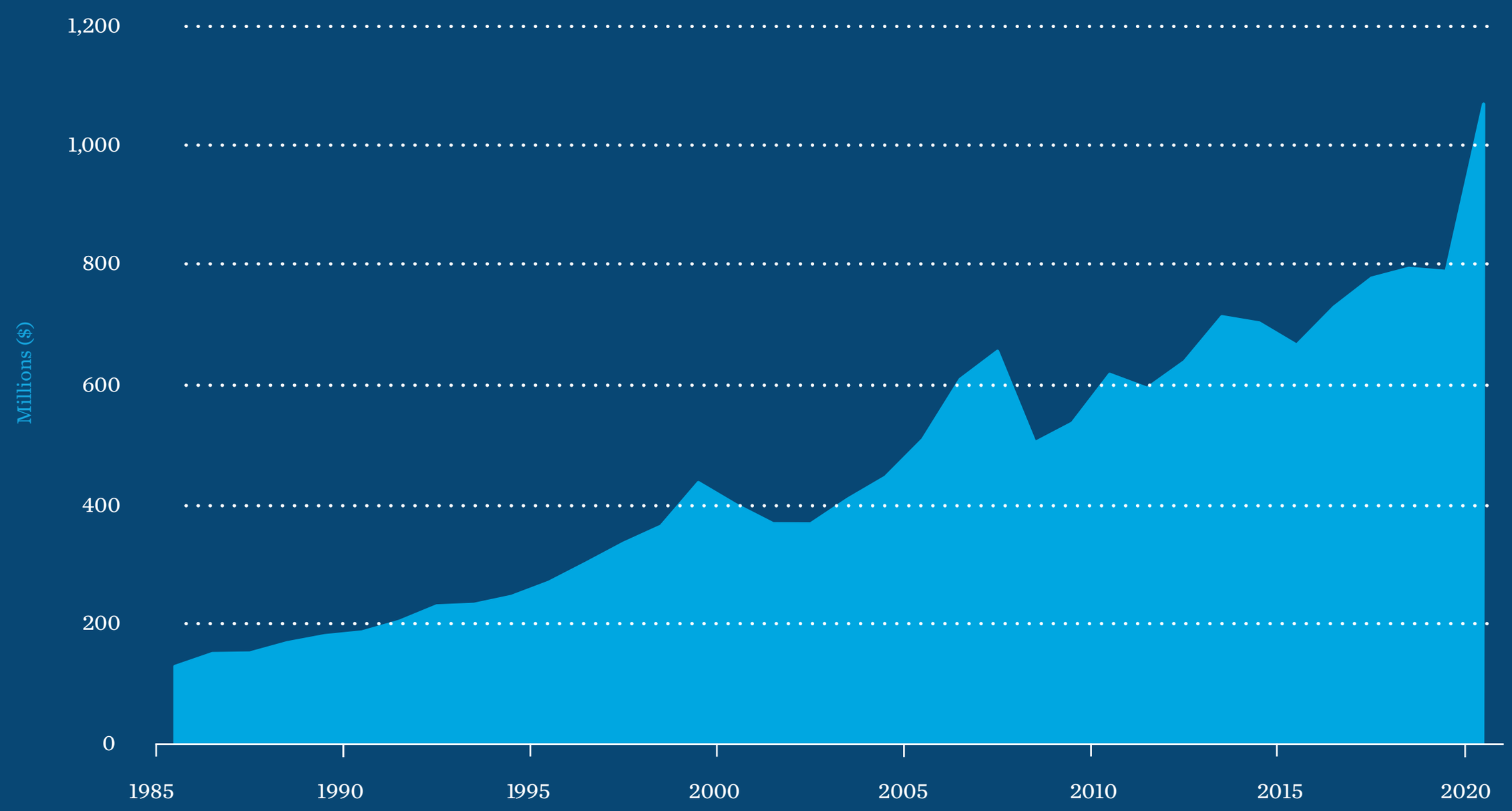
Over the past 15 years, the endowment has grown from $508.4 million to $1,068.3 million. This represents an 8.4% investment return per year, net of investment expenses and excluding new gifts. This result has allowed the pool to grow by outpacing the spending rate of about 5% and in ation of about 2% and places Mount Holyoke in the top quartile of hundreds of peer institutions. More important, 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.

Investment Office

Fiscal year 2021 was the rst full year of operation for the College's investment of ce in Boston. Established on April 1, 2020, the of ce 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. Responsible to the Board of Trustees for oversight, the Investment Committee works with the investment of ce to oversee the endowment and maintains the duciary responsibility of investing the College's assets.

The investment of ce and the Investment Committee remain focused on long-term portfolio growth to ensure that the endowment continues to support the College's mission; thus, 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 who tend to build their investment portfolios through deep, fundamental research that drives a high degree of conviction.

Endowment Market Value



Fiscal Year 2021 Performance

Fiscal year 2021 was the strongest year of performance for the endowment pool in the last 35 years. The 38.0% return resulted in close to $300 million of gains after contributing close to $40 million to the operating budget. These gains drove the pool above $1 billion in assets for the rst time and were the result of both a favorable market environment and superior manager selection. This exceptional return was also driven by the portfolio's equity orientation and markets recovering to all-time highs following the initial shock of the global pandemic.

The endowment pool continues to be managed with a long-term orientation that is designed to successfully weather a number of possible future market environments. A commitment to prudent portfolio management, disciplined manager selection and a long-term investment horizon were vital to laying the foundation of the scal year 2021 return. While the absolute magnitude of the results created in scal year 2021 is unlikely to be repeated in the near future, a continued focus on long-term value creation with an equity orientation should continue to create substantial value in support of the College's mission.

ANNUAL EXTERNAL INVESTMENT POOL RETURNS AS OF JUNE 30, 2021

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
20.6%	-.01%	11.5%	16.0%	2.7%	-2.4%	13.4%	9.1%	5.7%	3.9%	38.0%

Period	Mount Holyoke (%)	C|A Endowment Median (%)	80% Stock/20% Bond Portfolio [1] (%)	In ation [2] (%)
1 year	38.0	33.4	30.5	5.4
3 year	14.9	12.3	13.0	2.5
5 year	13.4	11.7	12.4	2.4
10 year	9.3	8.3	8.8	1.9
15 year	8.4	7.3	7.2	2.0
20 year	8.3	7.4	7.0	2.1
Since inception*	11.1	11.0[3]	9.5	2.7

[1] 80/20 Stock/Bond Portfolio represents 80% MSCI All Country World Index (Net) and 20% Barclays Aggregate Bond Index. The MSCI All Country World Index was backfilled with the MSCI World Index prior to 1988.
[2] Inflation represents Consumer Price Index — All Urban Consumers.
* Since first full quarter (3Q 1983) 36 years.

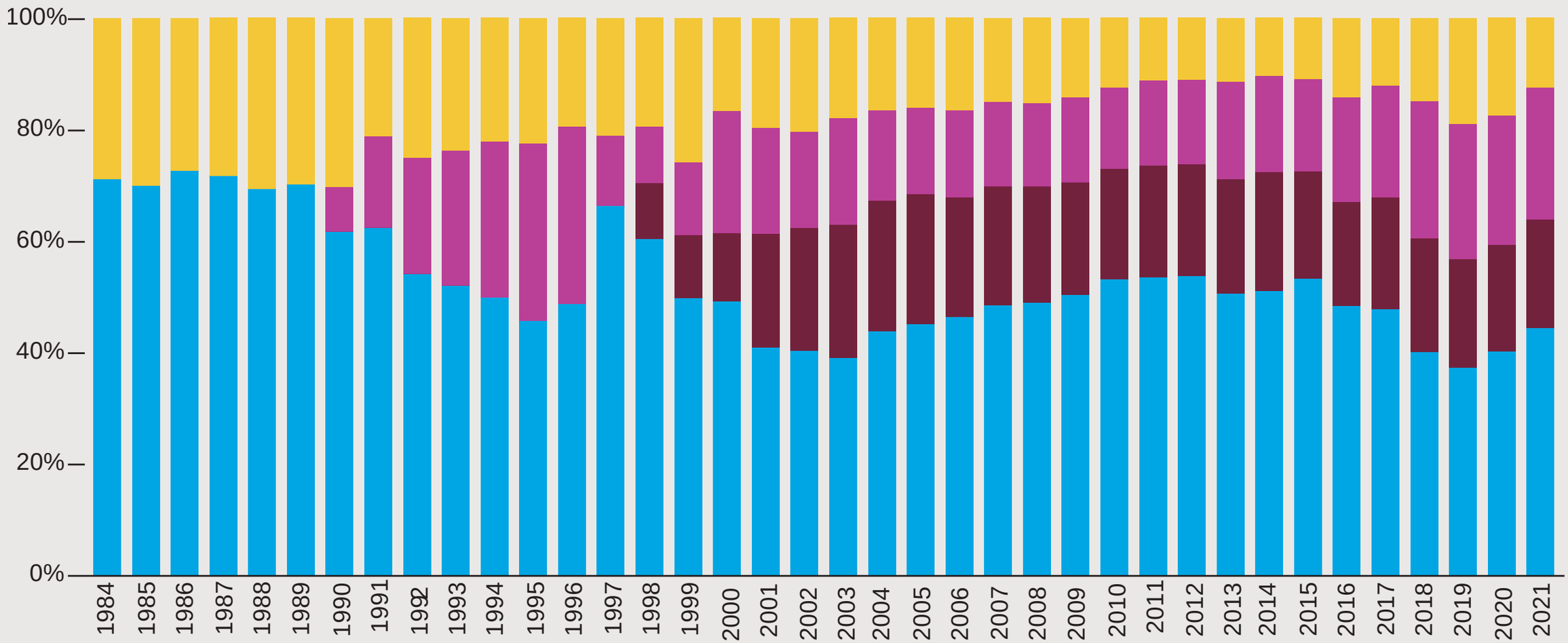
"Fiscal year 2021 generated the largest gains in our endowment history. We are delighted that this significant growth will provide even stronger support for our mission over the coming years, yet we also recognize the extraordinary nature of these returns. Through ups and downs, the investment office remains focused on delivering the best long-term outcomes for the College."

ANA YANKOVA '97
Chief Investment Of cer

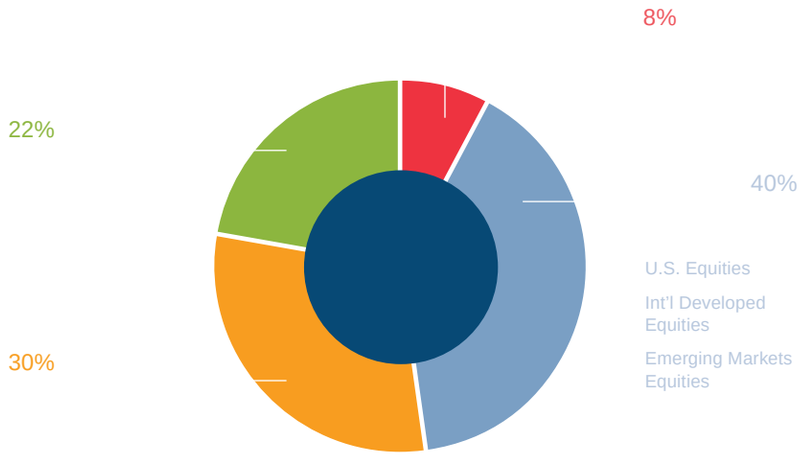
Equity investments were the largest contributor to overall performance for the scal year, with a signi cant contribution from private equity. Private investments rose 61.0% for the year. These gains were mostly driven by investments in venture capital, which have been built through steady commitments over the last two decades. Global public equity investments rose 40.4% for the scal year, with stocks in the United States leading the way. Marketable alternatives, also referred to as hedge funds, made a positive contribution too, rising 22.1% and outpacing their benchmark. Bonds were the only major asset class that declined over the period, falling a modest -1.6% for the scal year.

Asset Allocation over Time

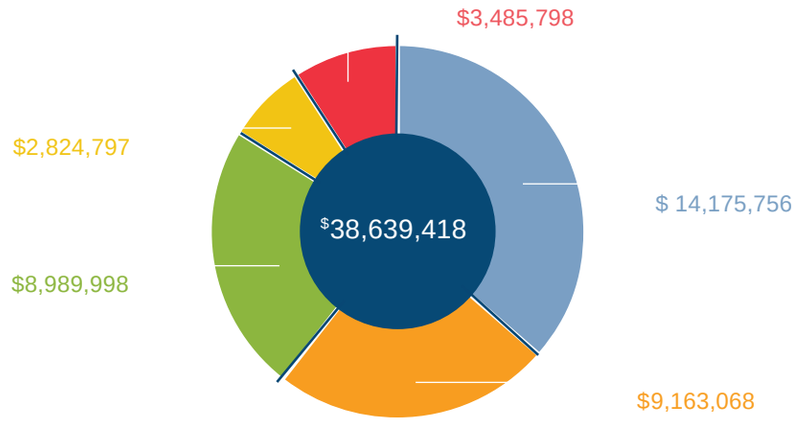
The portfolio is broadly diversi ed with a strong orientation toward investments that seek to deliver equity-like returns over the long term. The overall equity bias in the portfolio allows the College to meet operational needs while preserving the endowment's purchasing power for future generations by protecting against in ation. Consistent with this goal, global public equities and private investments represent the majority of assets in the portfolio. Marketable alternatives provide portfolio diversi cation and deliver equity-like returns with lower-than-equity volatility. The bond allocation comprises high-quality domestic government bonds and serves as a source of liquidity and insurance in the event of a nancial crisis.



PORTFOLIO POLICY ALLOCATION



ENDOWMENT DISTRIBUTION BY TYPE



How the Endowment Supports the College

Income distributions from the endowment provided close to a third of the College's operating revenue in scal year 2021. Signi cant portions of the distributions support the College's 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 a ect 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.

INVESTING IN FUTURE GENERATIONS

The power of philanthropy rests in its ability to change a life. For Leslie Miller '73 and husband Richard Worley, it also has the power to change the planet.

In 1998 Mount Holyoke opened the Center for Environmental Literacy, a hub to enhance hands-on environmental learning within the living laboratory of its ecologically diverse 700-acre campus. Small in scope but big in ambition, the Center needed partners who could help address, as then-president Joanne Creighton called them, "the most critical matters of our time."

Leslie and Richard answered that call. In 2010 the couple made a significant gift that would position Mount Holyoke as a leader in the fight against climate change. In honor of their generosity, the Center for Environmental Literacy was renamed the Leslie Miller '73 and Richard Worley Center for the Environment. Endowed funding breathed new life into the Center.

As Leslie remarked on the occasion of the Center's renaming, "We believe that this gift will position Mount Holyoke as a leader in environmental studies and advocacy and help the College fulfill its mission to educate its students on how to grapple with current, pressing concerns. Richard and I see this gift as central to the College's evolving curriculum, which fuses academic rigor and purposeful engagement with real issues."

Over 600 students have participated in paid environmental internships, attended national conferences and fostered student-driven initiatives, including residence hall composting and the phasing out of disposable utensils in the Dining Commons. The Center has been a driving force behind Mount Holyoke's public commitment to reaching carbon neutrality by 2037, the College's bicentennial.

Gifts to the Endowment

The long-term growth of the endowment can be attributed to strong returns from the portfolio coupled with gifts to the endowment. Philanthropic gifts to the endowment have been signi cant contributors to the total value of the fund. Over the last 10 years, alums, parents and friends have contributed $153 million to the endowment in support of critical College priorities. The scal year 2021 was a record year of giving, with $26.4 million of gifts coming into the endowment and a total of nearly $45 million in gifts and pledges, including more than $39 million for the Meet the Moment Scholarship Challenge. Today the endowment comprises nearly 1,800 individual endowment funds.

MEET THE MOMENT SCHOLARSHIP CHALLENGE

72 new endowed funds for scholarship aid

20 new gifts to existing endowed funds for scholarship aid

Together, these funds will ultimately generate close to $2 million annually to support nancial aid at Mount Holyoke.

"It is an honor to fulfill the vision of those who have supported Mount Holyoke's mission in perpetuity through their gifts to the endowment. We are grateful to all — from Mary Lyon herself to the alums and friends who establish endowed funds today — for supporting the faculty, students and the College, ensuring that generations of thoughtful learners can find their true selves."

DOROTHY E. MOSBY

Interim Dean of Faculty and Vice President for Academic A airs;
Mary E. Woolley Professor of Spanish