Introduction and Purpose of the Endowment

This Investment Policy Statement ("IPS") applies to the endowment of Dartmouth College (the "College"), referred to throughout this document as the Total Return Pool ("TRP"). The endowment is composed of both restricted funds, for which donors designate a specific purpose for their gifts, and unrestricted funds.

Dartmouth’s endowment provides financial support for the operations of the College, including Dartmouth Medical School, the Thayer School of Engineering, and the Tuck School of Business. Investment and spending policies are designed to balance the current goals of the College with its future needs, in order to achieve parity in supporting both current and future generations of Dartmouth students. Earning long-term returns that maintain the inflation-adjusted purchasing power of the endowment underpins this objective of intergenerational equity.

Investment Objectives

The investment objective for the management of the TRP is to achieve growth of both principal and income that is sufficient to preserve and increase inflation-adjusted purchasing power of the assets, while avoiding excessive risk, to provide a sustainable flow of funds to support the mission of the College.

Spending

The College employs a total return endowment spending policy that establishes the amount of investment return made available for spending. The Board of Trustees determines and implements the spending policy. Investment Staff provides input to the Board of Trustees’ Finance Committee regarding expected return of the TRP, a critical variable in the spending policy.

Management and Oversight

The Investment Office manages the TRP, and reports to the Board of Trustees’ Investment Committee. The Committee is composed of Trustees and non-Trustees with significant experience in the investment management industry. The Committee typically meets quarterly to discuss and review asset allocation policies, investment performance and current strategies proposed by the Investment Office Staff.

Investment Review and Approval Committee

The Investment Review and Approval Committee consists of the Chair of the Investment Committee, the Vice-Chair of the Investment Committee and a member from an investment sub-committee who has expertise in the relevant asset class.
The Investment Review and Approval Committee is responsible for approving investments of any new or existing managers across all asset classes in an amount that does not exceed 1.5% of the value of the Total Return Pool. For investments that exceed 1.5%, or that constitute a related party transaction, the policies and procedures outlined in the Pecuniary Benefit Transactions and Related Party Investments Policy are followed and full Investment Committee and Board of Trustee approvals are obtained.

Investment Staff/Office

The Chairman of the Investment Committee oversees the Investment Staff, including the Chief Investment Officer. The Chief Investment Officer is responsible for managing the Investment Staff. The Investment Staff have the responsibility to ensure that the assets of the TRP are managed in a manner that is consistent with the policies and objectives set forth in this document and in compliance with all applicable laws.

With the approval of the Chairman of the Investment Committee and the Internal Review Committee, the Investment Staff is authorized to select the services of Investment Manager(s) who possess the necessary specialized research and investment skills to meet the Investment Objectives and guidelines of the Endowment.

Consistent with the Policies and Objectives set forth in this document and under the direction of the Chairman of the Investment Committee, Investment Staff will:

- Provide recommendations and implement asset allocation policies approved by the Investment Committee for the Total Return Pool;
- Recommend professional investment management for the investments to the Investment Review and Approval Committee for approval; documented by a thorough due diligence process;
- Review managers performance on a regular basis;
- Recommend changes in managers as necessary; and
- Report periodically to the Investment Committee on the performance of the managers and on the asset allocation of the Total Return Pool.

Investment Managers

With the approval of the Chairman of the Investment Committee and the Internal Review and Approval Committee, the Investment Office is responsible for identifying and evaluating potential managers through an internally documented due diligence process.
Other External Parties

The Investment Committee in conjunction with the Investment Staff can employ professional management services in various fields. These include, but are not limited to, investment consultants, custodians, attorneys, auditors, and others to assist with monitoring and administering the TRP’s assets prudently.

Asset Allocation

The asset allocation policy is to diversify investments across asset classes to provide a balance that will enhance total return while avoiding undue risk from concentration in any single asset class or investment style. Total Return Pool will be fully invested, with cash investments representing what is deemed appropriate to meet projected liquidity needs. Use of derivatives to create economic leverage on the aggregate Total Return Pool is prohibited unless approved by the Investment Committee.

To ensure broad diversification among the major categories of investments, Dartmouth has adopted the following target (neutral) percentages and upper and lower bounds within which the Total Return Pool’s exposures are managed:

<table>
<thead>
<tr>
<th>As of June 30, 2009</th>
<th>Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENDOWMENT</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lower Bound %</td>
</tr>
<tr>
<td>Global Equity</td>
<td>30%</td>
</tr>
<tr>
<td>Absolute Return</td>
<td>15%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>10%</td>
</tr>
<tr>
<td>Real Assets</td>
<td></td>
</tr>
<tr>
<td>Real Estate</td>
<td>5%</td>
</tr>
<tr>
<td>Commodities</td>
<td>0%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>-5%</td>
</tr>
<tr>
<td>Bonds</td>
<td>-5%</td>
</tr>
<tr>
<td>TIPS</td>
<td>0%</td>
</tr>
<tr>
<td>Cash</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
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</table>
Asset Class Guidelines for Investment

Global Equities

Dartmouth’s asset allocation policy reflects the broad opportunity set available to public equity managers. As such, specific targets for domestic, international and emerging markets have been removed in order to invest with managers who will yield superior risk-adjusted returns, regardless of their capitalization and/or geographic orientation.

Dartmouth’s public equity investments follow a variety of strategies including long-only, long/short, absolute return and distressed securities. Each is designed to provide long-term equity returns, but with different risk and liquidity profiles. Managers are chosen in each category, and each has a deeply-rooted, fundamentally-driven process employed by a seasoned investment team whose interests are aligned with those of the College, and whose assets under management still provide the flexibility required to deliver attractive risk-adjusted returns going forward.

Long-Only Global Equity

Dartmouth seeks managers who are not trying to mimic an index, but rather are attempting to add value by utilizing both their broad industry knowledge and their company-specific knowledge. We favor managers with concentrated portfolios, represented by high conviction positions. We also have a preference for managers with a global approach to investing.

Global Long/Short Equity

Long/short equity managers hold a long equity portfolio offset by a portfolio of short equity holdings. Underlying this model is the assumption that public equity markets have a long-term upward bias, and that long/short equity managers will benefit from a long bias. Therefore, the portfolio of longs and shorts is constructed such that it is directionally exposed to the market.

The short portfolio serves as a hedge against market declines, but importantly provides additional value through selecting stocks that are likely to underperform. Dartmouth evaluates the ability of managers to add value through stock selection on long and short positions, as well as a manager’s ability to make timely shifts in market exposures via tilts in capitalization, sectors and/or geographies.

Absolute Return

Dartmouth’s absolute return managers include discrete and blended strategies in distressed securities, global capital structure arbitrage, mortgage-backed and asset-backed securities, volatility, yield curve and asset-spread arbitrage, as well as merger and risk arbitrage. The role
of absolute return investments is to provide superior equity-like returns for the endowment independent of the returns of broader global equity, fixed income and commodity markets.

**Fixed Income**

The purpose of fixed income investments is to provide diversification and a predictable and dependable source of current income. In addition, fixed income instruments reduce the overall volatility of the endowment’s assets and provide a deflation hedge.

Given the long-term horizon of the endowment and the lower expected returns associated with government and corporate fixed income investments, Dartmouth’s exposure to fixed income over time may focus on credit opportunities across a broad range of geographies and sectors. In addition, to mitigate inflation risk, Dartmouth has added Treasury Inflation Protected Securities (TIPS), a portion of whose return is determined by changes in the Consumer Price Index (CPI). As such, credit opportunities and TIPS are considered a tactical investment within the broader strategic allocation to fixed income.

**Distressed Securities**

Distressed securities managers take either strategic or control positions in the securities of lower rated, distressed or bankrupt entities with the objective of capital appreciation through a corporate restructuring, or simply through an improvement in underlying operating fundamentals. Although less liquid than our investments in public equities, distressed securities can provide equity-like returns with lower risk.

**Private Equity**

Private Equity offers attractive long-term rates of return which historically have been materially higher than public equities, while also providing additional diversification to the endowment. The College’s private equity investments include participation in venture capital and leveraged buyout partnerships.

**Venture Capital**

Dartmouth’s venture capital partnerships focus on seed, early and expansion-stage investments primarily in East Coast and West Coast technology and healthcare companies in a wide range of sectors including software, consumer internet, enterprise information technology, networking equipment, semiconductor, cleantech and biotechnology.

**Leveraged Buyouts**

The College’s leveraged buyout partnerships focus on much larger, more mature companies at the time of investment. These buyout transactions can include the acquisition of a division of a large corporation, a private company acquired from founders seeking liquidity, or a publicly-held
company taken private. Common to all attractive buyout transactions are strong management, valuable assets and predictable cash flow. Dartmouth’s buyout partnerships typically target one of several key segments that include mega-buyouts, middle-market and lower middle-market buyouts, growth equity investing, and distressed investing.

**Real Assets**

*Real Estate*

Real Estate provides the potential for equity-like returns coupled with a low historical correlation with equity and fixed income investments.

Dartmouth emphasizes investing in income-producing properties in markets or submarkets with high barriers to entry, using prudent levels of third party leverage when it is appropriate. Diversification by property manager, property type, geography, and vintage year are important considerations in portfolio construction.

Dartmouth implements its real estate investing by using qualified third party managers, emphasizing investments in private, co-mingled funds. Dartmouth will consider investments in managers investing in public real estate securities on an opportunistic basis.

The College also directly owns a number of income producing properties, both residential and commercial, primarily in the Hanover area. These assets are part of the endowment and are managed by a separate team affiliated with the Investment Office.

*Commodities*

Commodities also can provide equity-like returns and have a low historical correlation with traditional marketable assets. In addition, commodities have the potential to provide protection against inflation.

Dartmouth seeks managers that have the potential to reach their targeted rate of return in times of flat commodity pricing by adding value to the underlying assets through their operating activities. When appropriate, Dartmouth is open to managers hedging against changes in commodity prices in order to earn a more stable, predictable level of return. Historically, Dartmouth has found that its criteria are better met by managers with private fund structures, rather than those with public fund structures.

**Rebalancing Policy**

The asset allocation reflects the neutral targets for the exposures to the various asset classes approved by the Investment Committee. The role of the ranges is to provide long-term guidance during market shifts and dislocations. The actual asset mix may diverge from the neutral target
allocations. The Investment Office shall rebalance the portfolio back to these neutral targets. Any positions outside the policy ranges will be considered exceptions and must be approved by the Investment Committee.

**Performance Measurement**

Performance of the Total Return Pool is measured against:

1. 5% real return
2. A Policy Benchmark consisting of passive indices reflecting the strategic asset allocation percentages
3. An Active Benchmark consisting of passive indices reflecting the Total Return Pool’s “actual” asset allocation percentages
4. A peer group universe of similar funds

**Risk Management and Compliance**

The risk of not achieving a sufficient long-term investment return to support the College could result from a variety of factors: (1) the capital market projections (e.g. long-term expected returns, risk and volatility) used in setting asset allocation may not be realized; (2) the asset allocation plan approved by the Investment Committee is not followed prudently; (3) investment managers fail to meet their target performance benchmarks; (4) the investment program expenses are materially higher than expected and erode returns; or (5) the College’s assets are diminished due to operational failures or other losses (e.g. a failure to collect dividends or other payments or assets, or fraud, etc.). Each is addressed below.

1. **Capital Market Assumptions** – the long-term capital market assumptions of one or more of the asset classes may turn out to be different than expected due to unforeseen market, economic or other factors. With oversight from the Investment Committee and by direction of the Chair of the Investment Committee, the Investment Office will manage the risks associated with the capital market assumptions by reviewing the asset allocation with the Investment Committee on an annual basis. A key part of mitigating this risk is through diversification of the Total Return Pool.

2. **Implementing the Policy Portfolio** – even if the long-term asset class return assumptions are met (or exceeded), the investment program may fail to meet its investment objective if the asset allocation plan is not followed. The Investment Committee has charged the Investment Office with implementing the Policy Portfolio by hiring and actively monitoring managers that can consistently achieve return expectations. Diversification, both among asset classes and among managers within asset classes, serves to dampen return volatility while enhancing overall portfolio return. The following are guidelines related to implementation risk:
a. Concentration – as a general rule, no more than 5% of the total market value of the Total Return Pool should be allocated to any one investment manager’s product at the time of investment. There may be exceptions, which would require approval by the Investment Committee. In addition, the Investment Office will be sensitive to how the College’s investment in any given manager’s fund compares to that manager’s total assets under management.

b. Liquidity – because the Total Return Pool provides cash flow to the College, maintaining liquidity is important. The Investment Office will monitor and report the liquidity profile of the Total Return Pool to the Investment Committee on a regular basis.

c. Transparency – for investment purposes, transparency is defined as the manager’s willingness to provide security-level detail on a timely basis. The Investment Office will carefully monitor the Total Return Pool’s transparency and report this to the Investment Committee on a regular basis.

d. Leverage – Portfolio leverage is considered an investment risk. The Investment Office will carefully monitor the economic leverage that the Total Return Pool’s underlying managers actively employ and will report this to the Investment Committee on a regular basis.

3. Investment Manager Performance – By hiring outside managers, the Investment Office takes on procurement risks including: (i) hiring inappropriate or underperforming managers, (ii) accusations of unfairness in the process, or (iii) violating fiduciary duty (e.g. through self-dealing). The Investment Office has formalized its manager search and selection process. This process culminates in written investment recommendations that include documentation of such things as people, process, philosophy, performance and fees.

The Investment Office shall be responsible for the on-going monitoring of the performance of the investment managers including personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

The Investment Office shall meet with the managers at least annually to review the performance of the managers and report to the Investment Committee.

4. Investment Program Expenses – investment program expenses erode investment performance. The Investment Office has taken steps to control expenses including monitoring and ensuring value for fees from vendors and developing a budgeting and reporting regime.
5. **Operational Failures and Other Potential Losses** –

   a. **Custody of Assets**

   Dartmouth College uses the custodian bank, BNY Mellon, to ensure that the separately-managed assets and cash of the College are maintained safely and securely and that holdings, pricing and transaction information is reported promptly and accurately. The Investment Office monitors BNY Mellon using periodic reviews, SAS70 reviews, and an annual audit.

   b. **Investment Managers**

   For separately managed portfolios, BNY Mellon, and not the investment managers, maintains custody and safekeeping of the College’s investments. For all investments, including those in co-mingled funds, the Investment Office’s ongoing due diligence regime (described above) will include reviews of potential operational risks.

   c. **Related Parties**

   A 'related party' is defined by the Board of Trustee’s Policy on Pecuniary Benefit Transactions and Related Party Investments to mean “a) a Trustee, a non-Trustee investment committee member, or a member of the President’s Leadership Council, or b) an immediate family member of any of the above.” A ‘related party investment’ is defined as an “investment in a Fund for which a Related Party or his or her Firm is the manager or general partner.”

   The Policy on Pecuniary Benefit Transactions and Related Party Investments is the governing document related to related party transactions for the College. As such, the Investment Office Staff is responsible for adhering to this Policy and specific actions to be taken with regard to related party investments. The Policy includes ensuring that the terms and conditions of the transaction are no less favorable than market terms and conditions as well as obtaining Board of Trustee approval.

**Investment Policy Review**

To assure continued relevance and reasonableness of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Investment Office reviews the investment policy at least annually.
Securities Lending

Beginning in 2009, the College initiated a withdrawal from its participation in all securities lending programs. At this time, the College may not lend its publicly traded securities through an agent to other market participants, or to another principal, in return for compensation. Any new securities lending relationships and/or agreements must be approved by the Investment Committee.

Conflict of Interests

No member of the Board of Trustees, or any of its Committees, shall derive any personal profit or gain, directly or indirectly, by reason of his or her participation with Dartmouth College.

This includes, but is not limited to, situations involving:

• A direct pecuniary interest of the individual (either personally or through the individual's family); or
• Organizations with which an individual has an official governing responsibility or which employ the individual or a member of his or her family.

Each individual shall disclose to the organization any personal interest which he or she may have in any matter pending before the organization and shall refrain from participation in any decision on such matter.

All members of the Investment Staff are required to discharge his/her duties solely in the interest of the College and for the exclusive purpose of meeting the financial needs of the College as documented by Dartmouth’s Conflict of Interest Policy and as documented by a specific policy for Investment Office Staff (see attachment X).

Voting of Proxies

The Advisory Committee on Investor Responsibility will direct the Investment Office Staff as to the vote to be cast on behalf of the College for all social investing matters for securities held by the College.

For proxies that do not related to social responsibility matters, the Investment Office will collaborate with the relevant investment managers to promote shareholder value and to protect against behaviors that are inconsistent with the guiding principles of Dartmouth College.

Enforcement

The provisions of this Investment Policy Statement are to be construed and enforced by the Finance Committee at its discretion, with primary oversight through the Investment Committee.
Amendment

The Investment Committee reserves the right to amend this Investment Policy Statement at any time.