

Dartmouth
Endowment Report 2011

Dartmouth

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Dartmouth

About the Dartmouth College Investment Office

The Dartmouth College Investment Office, under the direction of the Board of Trustees' Investment Committee, manages the investments of the College, including most notably the endowment. The endowment provides financial support to all of Dartmouth, including Arts and Sciences, Dartmouth Medical School, the Thayer School of Engineering and the Tuck School of Business.

The Dartmouth College Investment Office makes recommendations on investment policies, strategies, and investments to the Investment Committee and monitors the portfolio and its external managers day-to-day. The investment and spending policies of the endowment are designed to balance the needs of current Dartmouth students with the needs of future generations of Dartmouth students. Earning long term returns that maintain the inflation adjusted purchasing power of the endowment underpins this concept of intergenerational equity.

Endowment Overview

	Fiscal Year Annualized Returns (as of 6/30/2011)				
	15 Yr	10 Yr	5 Yr	3 Yr	1 Yr
Dartmouth College	10.7%	7.0%	5.4%	1.5%	18.4%
<i>60%Equity/40% Fixed Income Portfolio</i>	<i>6.8%</i>	<i>4.3%</i>	<i>4.8%</i>	<i>5.1%</i>	<i>19.6%</i>
<i>Policy Portfolio Benchmark</i>	<i>9.1%</i>	<i>5.3%</i>	<i>6.5%</i>	<i>3.6%</i>	<i>24.5%</i>
<i>TUCS Foundations & Endowments Median</i>	<i>7.5%</i>	<i>5.9%</i>	<i>4.7%</i>	<i>3.9%</i>	<i>20.0%</i>

Fiscal Year 2011 Performance

We are pleased to report that the Endowment portfolio earned an investment return of 18.4% for the fiscal year ended June 30, 2011. The total market value of the Endowment rose by \$415 million, from \$3.0 billion to \$3.4 billion, over the course of the fiscal year, including investment gains as well as gifts and transfers, partially offset by distributions to College operations.

Fiscal year 2011 saw very strong equity market performance across most sectors and regions, from which Dartmouth's Endowment, and in particular asset classes such as Global Public Equities and Venture Capital, benefited. Market gains were concentrated in the first half of the period with the second six months bringing greater volatility due to unrest in the Middle East and Europe and an anemic recovery in the U.S. In this volatile market, the Trustees' Investment Committee and the Investment Office Staff remained vigilant in maintaining appropriate liquidity to serve the near-term operating needs of the College, even while maintaining a long-term investment focus.

The Endowment underperformed the policy portfolio benchmark and the median institution in the TUCS Foundations and Endowments Universe for this past fiscal year. The Endowment's lower exposure to public equities in a year that saw dramatic outperformance in that area largely accounts for this lower performance

relative to the policy portfolio benchmark and to peers in fiscal year 2011. Over time, our exposure to diversifying strategies outside of global public equities has contributed meaningfully to our outperformance relative to these same benchmarks.

Longer-Term Performance and Support to Operations

Endowments are distinguished by the fact that they are perpetual and focused on long-term results. For the past five, ten, and fifteen years ended June 30, 2011, the average annual return of the Endowment is 5.4%, 7.0%, and 10.7%, respectively. These long-term results compare favorably to a representative institutional benchmark of 60% Equity/40% Fixed Income as well as to Endowment and Foundation peers as represented by the Cambridge Associates Endowment Universe and the TUCS Foundations and Endowments Universe.

As illustrated in the chart below, the market value of the Endowment as of June 30, 2011 has increased substantially relative to its recent low in FY2009, but has not yet recovered to its pre-crisis values. We look forward to the combination of normalized investment returns and endowment distribution rates allowing the endowment to reach a new peak over time.

Support to operations through the endowment distribution continues to be substantial, as it has been historically. Last fiscal year, the Endowment contributed \$173 million to Dartmouth's budget.

Endowment Overview	2011	2010	2009	2008	2007
Market Value (in millions)	\$3,413.4	\$2,998.3	\$2,824.9	\$3,660.2	\$3,760.2
Return	18.4%	10.0%	-19.6%	0.6%	23.7%
Endowment Distribution to Operations (in millions)	\$173.2	\$202.4	\$227.2	\$161.4	\$164.1
Endowment Distribution % (of beginning market value)	5.8%	7.2%	6.3%	4.3%	5.3%

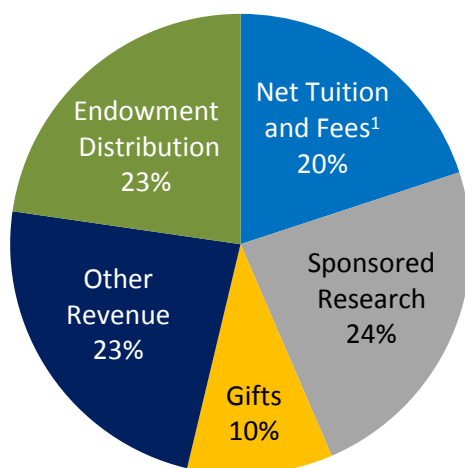
The following pages provide an overview of the purpose and uses of the Endowment, additional detail about the fiscal year 2011 investment performance and asset allocation, and an update on the management and governance structure.

Purpose and Uses of the Endowment

The purpose of the Endowment is to provide sustainable operating support to the College over the long term. To serve this purpose the Endowment endeavors to generate investment return in excess of an average distribution rate adjusted for inflation. Dartmouth pursues an investment strategy with a strong equity bias for long-term growth, with diversification among asset classes to dampen volatility and with liquidity to serve near-term portfolio and institutional needs.

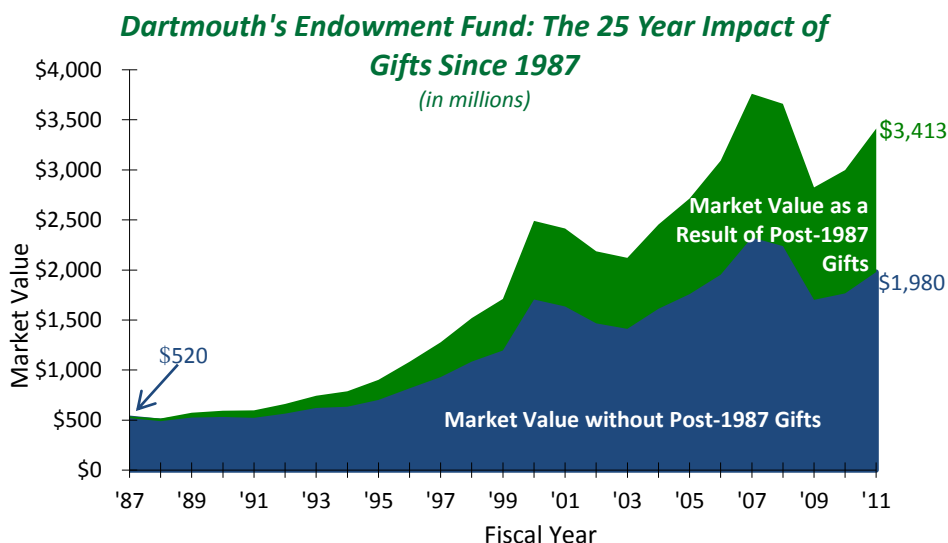
Dartmouth's Endowment plays a critical role in supporting the operations of the College and of the professional schools; the Dartmouth Medical School, the Thayer School of Engineering, and the Tuck School of Business. In fiscal year 2011, 23% of the operating budget was funded by the Endowment distribution.

Operating Revenues - Fiscal Year 2011



¹Tuition and Fees are net of financial aid

Donor support has been crucial in fulfilling Dartmouth's broad mandate of teaching and research excellence. In fiscal year 2011, gifts to the Endowment from alumni, parents and friends totaled \$45 million. The value of the Dartmouth Endowment on June 30, 2011 was \$3.4 billion. Without the continued support of generous donors over the past 25 years, the value on June 30, 2011 would have been only \$1.98 billion.



Fiscal Year 2011 Asset Allocation & Asset Class Investment Performance

The asset allocation policy for the Endowment is widely diversified across different asset classes to enhance total return while avoiding undue risk from concentration in any single asset class or investment style.

Relative to the target asset allocation of our policy portfolio, the Endowment remains underweight to global public equities (30.2% vs. a target of 40%) and fixed income (2.0% vs. a target of 10%). The portfolio continued to maintain a significant cash allocation in fiscal year 2011 (4.8% at June 30, 2011); taken together the cash and fixed income weighting is close to, though still underweight, the combined policy target of 10%. The Endowment's private equity and venture capital allocation is overweight (24.5% vs. a target of 15%); however, due to distributions and reduced commitment activity in private equity and venture capital in the last two years, this overweight has come down significantly.

Dartmouth's Endowment return of 18.4% for the fiscal year ended June 30, 2011 was buoyed in large part by the strong performance of the broad equity markets over the same time period. Specifically, global equities and venture capital returns drove Dartmouth's fiscal 2011 performance. International developed equities was the best performing asset class for the year, returning 30.9%, followed by U.S. equities, returning 30.2%. Venture capital also generated outsized returns for the portfolio, returning 27.4% for the fiscal year.

For broad market comparison purposes, the S&P 500 returned 30.7%, emerging markets earned 27.8%, and fixed income returned 3.9%.

Policy Allocations as of June 30, 2011	FY 11 Return	Target Allocation	Actual Allocation
Global Public Equity	---	40%	30.2%
U.S. Equity	30.2%	20%	16.6%
International Equity	30.9%	15%	8.2%
Emerging Market Equity	26.6%	5%	5.4%
Alternatives	---	35%	46.2%
Marketable Alternative Equity	16.1%	20%	21.7%
Private Equity	16.0%	7.5%	15.9%
Venture Capital	27.4%	7.5%	8.6%
Real Assets	---	15%	16.8%
Real Estate	11.6%	10%	9.9%
Commodities	22.5%	5%	7.0%
Fixed Income	---	10%	2.0%
U.S. Fixed Income	7.6%	5%	1.4%
U.S. TIPS	8.0%	5%	0.6%
Cash	0.0%	0%	4.8%
Total	18.4%	100%	100%

Organizational Updates and Oversight

Pamela Peedin joined as Chief Investment Officer (CIO) on February 1, 2011.

The Investment Office relocated to Boston, MA in May 2011, while the Investment Operations Office remains in Hanover. This new structure allows the investment team to benefit from being in the heart of an investment center, while ensuring continued close collaboration with other College departments on campus.

The Investment Office manages the Endowment as well as other College financial assets, and reports to the Board of Trustees' Investment Committee. The Committee is chaired by William Helman '80, and composed of Trustees and non-Trustees with significant experience in the investment industry. The Committee consists of 13 individuals and meets, at a minimum, quarterly to discuss and review asset allocation policies, investment performance and current strategies proposed by the Investment Office Staff.

Investment Committee

William W. Helman '80, Chair
Steven R. Berger TU'87
Collette K. Chilton TU'86
R. Bradford Evans '64
Peter M. Fahey '68, TH'69
Alan S. Forman '87
Richard H. Kimball '78

P. Andrews McLane '69, TU'73
F. William McNabb '79
Stephen F. Mandel, Jr. '78
Susan B. Meaney TU'86
Steven Roth '62, TU'63
Alice Ruth '83

Investment Office Staff

Pamela L. Peedin '89, T'98
Chief Investment Officer

Megan R. Hammond '90
Managing Director -- Real Assets

Michael P. Sullivan '91, T'97
Managing Director—Private Equity

Heather W. Huff
Director of Investment Operations

Eamonn P. Smith
Senior Investment Analyst

E. Amory Loring '04, T'11
Investment Associate

Barbara L. Ibey
Senior Investment Operations Manager

Kristie L. LeBlanc
Operations Assistant

Maria Rublev
Executive Assistant and Office Manager