



THE ENDOWMENT AT A GLANCE

12.2%

FY18 return

10.6%

5-year annualized return

\$105 Million

in FY18 gifts from
The Call to Lead Campaign

26%

percentage of total net
operating revenue for FY18

\$5.5 Billion

endowment value as of 6/30/18

\$237 Million

FY18 spending distribution

DARTMOUTH AT A GLANCE

4,410

undergraduates arriving from all 50 states and
71 countries and speaking 73 languages

7:1

student-to-faculty ratio

1st

engineering school in the U.S. to graduate
a majority-women class

79

Dartmouth graduates named Rhodes Scholars

\$48,722

average annual scholarship

DEAR FRIEND OF THE DARTMOUTH INVESTMENT OFFICE,

I am pleased to share our endowment report for fiscal year 2018, to thank you for all your contributions to the work of the Dartmouth College Investment Office (DCIO) during the past year, and to share with you my excitement about the strength of Dartmouth's endowment.

In my second year as Dartmouth's chief investment officer, I have been gratified by the power of the DCIO network, which is the result of long-cultivated relationships with the investment community as well as referrals from investment partners, alumni, faculty, and staff. Equally important is the steadfast success of the DCIO strategy, which is long-term oriented yet agile and able to adapt to new opportunities in the global investment universe.

It is a particular pleasure to report that Dartmouth's robust endowment generated an investment return of 12.2 percent for the fiscal year ending June 30, 2018, resulting in an all-time endowment high of \$5.494 billion.

This past fiscal year, the endowment, which provides financial support to the entire institution, earned \$591 million in net investment gains, with gifts and other net transfers adding \$183 million. The spending distribution from the endowment was \$237 million, which is approximately 26 percent of Dartmouth's budget for the current fiscal year. Although one year of positive returns is important, we take the long view of the endowment performance, which is exceptional. Annualized returns of 10.6 percent, 7.6 percent, and 9.8 percent over 5, 10, and 20 years, respectively, reflect the sound and enduring investment strategy and the positive impact of our investment managers. Dartmouth is fortunate to partner with them.

In April of this year, Dartmouth announced The Call to Lead: A Campaign for Dartmouth, which seeks \$3 billion in gifts and commitments. The campaign seeks to advance Dartmouth's distinctive teacher-scholar model to its fullest, fuel research discoveries that improve the human condition, and prepare students for lives of leadership in a complex and interconnected world. Through June 30, 2018, the institution has raised more than \$1.8 billion toward its overall \$3 billion goal through the generosity of alumni, parents, and friends.

Growing the endowment through gifts is a major part of The Call to Lead and will be critical to realizing this strategic vision for Dartmouth's future. Specifically, endowed fund gifts serve to 1) launch major initiatives, 2) transition promising pilot programs from current-use to an enduring funding source, and 3) scale our most promising programs to drive distinction and impact, including specifically expanding funding to financial aid for all students and attracting and retaining world-class faculty.

Dartmouth's core belief is that the liberal arts are the foundation of an education that broadens one's thinking and ability to create new knowledge. DCIO is thrilled to be involved in the mission of building a better world through cultivating critical thinking, a thirst for lifelong learning, and a spirit of adventure in our students. We are continually exploring new investment opportunities and engaging with new investment talent in order to position Dartmouth well for the future.

We thank our investment managers, who provide thought partnership as well as investment performance. We express our appreciation for input from all members of the community whose talents and passion for this unique institution help us make Dartmouth one of the world's preeminent institutions of higher learning. Additionally, we are grateful for our alumni, who are generous donors to the endowment, introduce us to new financial talent, and volunteer their time serving as referrals in our due diligence. We are honored by these relationships.

Thank you for your support.

Alice A. Ruth '83

Chief Investment Officer (CIO)

CONTENTS

- The Endowment Mission and Investment Strategy ... 1
- Endowment Performance: Fiscal Year 2018 and Long Term ... 2
- Asset Allocation and Asset Class Performance ... 3
- The Call To Lead: A Campaign for Dartmouth ... 4
- Importance of Philanthropy in the Endowment ... 8
- Partnering for Success ... 10
- Investment Committee and Office ... 11



THE ENDOWMENT: IN SERVICE TO DARTMOUTH'S MISSION

Since its founding in 1769, Dartmouth has provided an intimate and inspirational setting where talented faculty, students, and staff—diverse in background but united in purpose—contribute to the strength of an exciting academic community that cuts easily across disciplines.

A member of the Ivy League and consistently ranked among the world's greatest academic institutions, Dartmouth is committed to providing the best undergraduate liberal arts experience and outstanding graduate programs in the Geisel School of Medicine (founded in 1797), Thayer School of Engineering (1867), the Tuck School of Business (1900), and the Guarini School of Graduate and Advanced Studies (2016).

A Dartmouth education is unlike any other. Through person-to-person teaching and opportunities to create and apply knowledge on campus and across the globe, Dartmouth instills a love of learning in its students and empowers them for a lifetime of leadership.

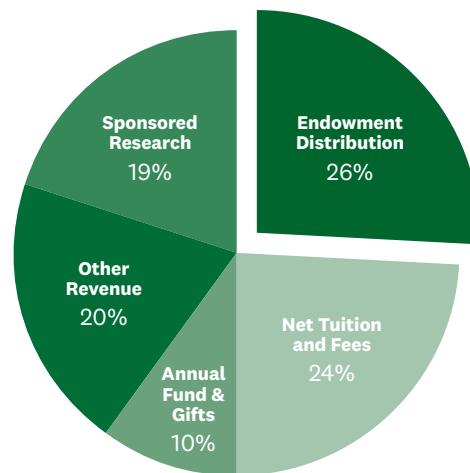
The purpose of the endowment is to provide maximum sustainable financial support to Dartmouth to serve its mission in perpetuity. Core to the endowment's purpose is balancing the interests of current and future generations of Dartmouth students. Maintaining the inflation-adjusted value of the endowment underpins this concept of intergenerational equity. To serve this purpose, the primary investment objective of the endowment is to generate, on average and over time, inflation-adjusted gains from investment returns that at least match distributions to the

institution; the investment strategy is structured to serve this objective. The spending distribution policy provides a mechanism for delivering financial support to the operating budget while also ensuring some level of protection from the volatility of the capital markets.

Dartmouth's endowment has played a critical role in supporting the operations of the institution, including the professional schools. In fiscal year 2018, the endowment distribution represented 26% of revenues to support operating activities.

FISCAL YEAR 2018 OPERATING REVENUE SOURCE

Based on US GAAP financial reporting. Tuition and fees are net of financial aid.



INVESTMENT STRATEGY: LONG-TERM ORIENTATION

The purpose of the endowment informs our investment approach and strategy. In keeping with the endowment's infinite time horizon, Dartmouth takes a long-term orientation in its capital allocation and portfolio management decisions. The portfolio has a strong equity bias for long-term growth, with significant participation across strategies, regions, and assets, which offers diversification benefits. Its profile is consistent with the liquidity needed to serve near-term portfolio and institutional requirements.

In managing the endowment, Dartmouth's main interests are to:

- Find exceptional investment opportunities globally, with superior return potential, while maintaining awareness of the types of exposures and risks that result from this bottom-up orientation.
- Provide capital when it can generate an equity return. This is often when capital is scarce, and when Dartmouth can capitalize on dislocations caused by the short-term focus of many market participants.
- Concentrate investments where conviction is high.

ENDOWMENT PERFORMANCE: FISCAL YEAR 2018 AND LONG TERM

Global markets continued to rise throughout fiscal year 2018, but not without periods of increased market volatility. For the period from July 1, 2017, to June 30, 2018, the MSCI All-Country World Index increased by 11%. Global equity markets broadly were in positive territory with both international developed equity markets (MSCI EAFE +6.8%) and emerging markets (MSCI Emerging Markets +8.2%) delivering gains for the 12-month period. However, exceptionally strong capital markets in the U.S. (S&P 500 +14%) led the way, offering investors double-digit return opportunities. These results were fueled by strong returns across most sectors, with information technology (+31%) and energy (+21%) sectors delivering notable outsized returns for the 12-month period ending June 30, 2018. Tax reform in the U.S. was signed into law in mid-December, which drove U.S. stock markets to reach all-time highs during the first six months of the fiscal year. At the same time, the U.S. Federal Reserve raised the fed funds rate in total by 75 basis points over the course of the 12-month period, attempting to fend off inflationary concerns in the U.S. economy. This created a challenging backdrop for certain fixed-income investors (Bloomberg Aggregate Bond Index -0.4%), and also contributed to periods of equity market volatility in the second half of the fiscal year.

In fiscal year 2018, the endowment returned +12.2%, outperforming the MSCI ACWI return of 11% and the median institution in the Cambridge Associates (CA) College & University universe. These results were driven by excess returns generated from world-class investment managers around the globe. Due to the long-term nature of the

endowment, Dartmouth seeks differentiated sources of return to manage volatility throughout a market cycle and, as such, is focused on sustained outperformance over long periods of time. For the 10 years ending June 30, 2018, Dartmouth's endowment generated an average annualized return of 7.6%, outperforming the 5.8% average annualized return for the MSCI All Country World Index and the 5.5% return of a general 60% equity/40% bond benchmark return over the same period. Over 20 years, Dartmouth's endowment generated an average annualized return of 9.8%, exceeding the 8.0% long-term return objective for the portfolio.

Dartmouth's endowment continues to rank in the top quartile of colleges and universities, as reported by Cambridge Associates over the trailing 1-, 3-, 5-, 10- and 20-year time periods. Over the long term, the endowment has succeeded in meeting its primary objective of generating inflation-adjusted investment returns in excess of the distribution rate to fund current operations while maintaining the purchasing power of the pool for future generations of Dartmouth students.

While Dartmouth's endowment has benefitted from the past nine years of economic expansion, the recent pace of returns is above long-term return expectations. With the inevitability of the ups and downs of the business cycle, Dartmouth's portfolio is positioned well for a full-market cycle, with a durable investment strategy that remains focused on the long term.

FISCAL YEAR ANNUALIZED RETURN
(as of 6/30/2018)

	1 Yr.	3 Yr.	5 Yr.	10 Yr.	20 Yr.
Dartmouth College	12.2%	8.0%	10.6%	7.6%	9.8%
60% MSCI ACWI/40% Barclays Aggregate	6.5%	5.8%	6.7%	5.5%	5.7%
CA Colleges & Universities Median	9.0%	6.3%	7.5%	5.6%	6.6%

ENDOWMENT OVERVIEW

	FY2018	FY2017	FY2016	FY2015	FY2014	FY2013	FY2012	FY2011	FY2010
Market Value (\$M)	\$5,494.2	\$4,956.5	\$4,474.4	\$4,663.5	\$4,468.2	\$3,773.6	\$3,486.4	\$3,413.4	\$2,998.3
Endowment Distribution (\$M)	\$236.5	\$225.4	\$208.6	\$214.2	\$188.5	\$185.5	\$182.9	\$174.9	\$204.5
Endowment Distribution (% of Beg MV)	4.8%	5.0%	4.5%	4.8%	5.0%	5.3%	5.4%	5.8%	7.2%

ASSET ALLOCATION AND LONG-TERM ASSET CLASS PERFORMANCE

The endowment's asset allocation process is the framework used to develop Dartmouth's investment strategy and evaluate long-term investment performance of risk and return. The portfolio strategy favors a high-equity orientation to generate superior returns, with each asset class serving a specific role. When combined, these differentiated types of investments are expected to generate high returns with decreased volatility.

For the current fiscal year, all asset classes generated positive performance for the second year in a row. Aside from cash, fixed income, and hedge funds, all asset classes delivered double-digit returns. Global equity, private equity, and venture capital investments were the largest contributors to the endowment's total return of 12.2%. This return was driven by robust business fundamentals and technology innovation, combined with a strong valuation environment through June 30, 2018.

Given the long-term nature of the endowment, it is helpful to review investment performance over a longer time frame. For the 10-year period ending June 30, 2018, global equity investments earned a 9.1% annualized return and outperformed by 300 basis points annually the 6.1% return of the MSCI ACWI Index. It is important to note that Dartmouth's managers in the U.S., international, and emerging markets produced returns well in excess of their respective geographic benchmarks.

As a less-correlated contributor to returns, Dartmouth's hedge fund investments play an important role. In the past 10 years, just under 25% of the portfolio was invested in hedge fund strategies, which generated a 5.4% annualized

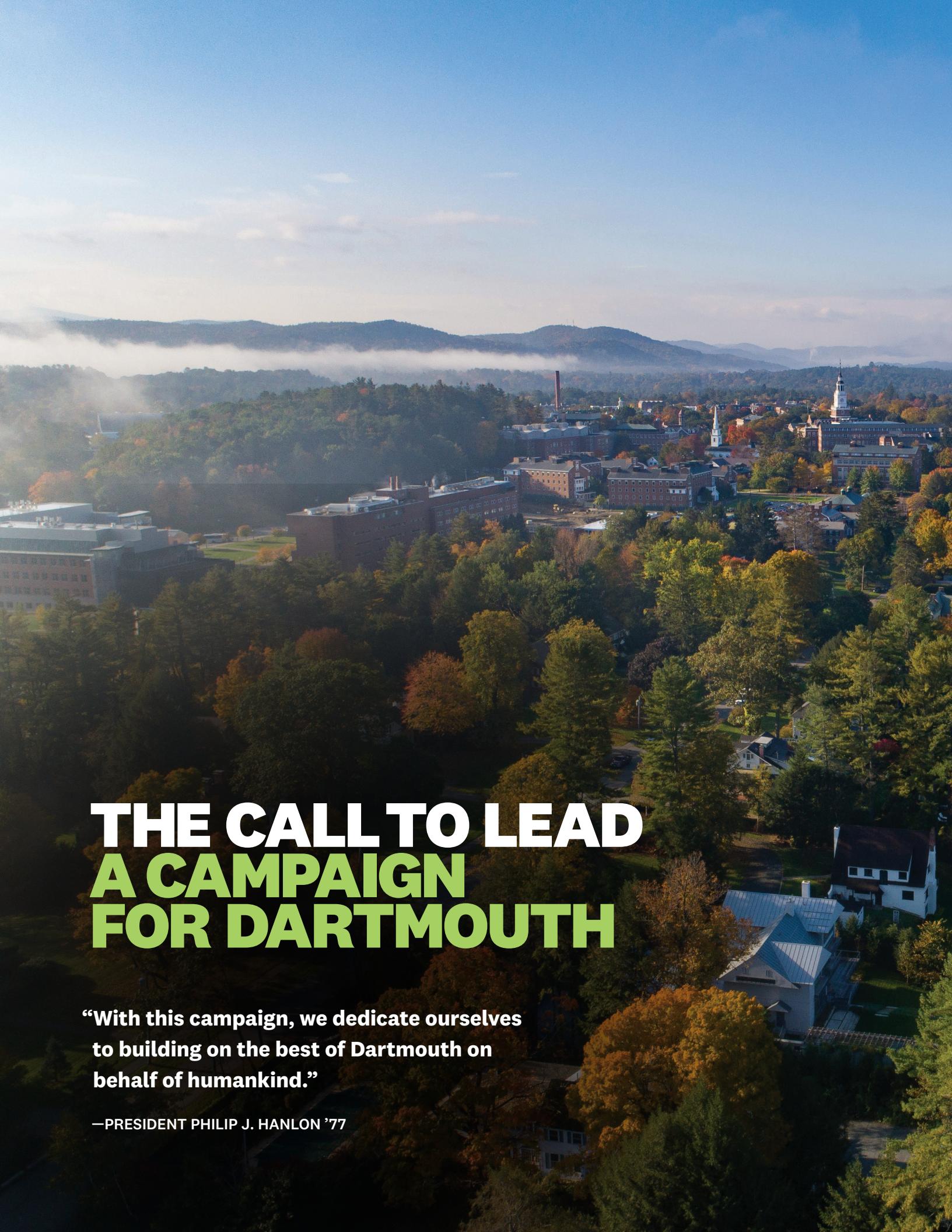
return. Over that period, the alpha has been reduced, primarily as long short funds have faced increasing headwinds from low rates and high correlation among stocks. Additionally, the relative positive direction in markets muted the returns of opportunistic managers.

As an investor in venture capital, Dartmouth's endowment was rewarded with a strong annualized return of 17.0% for the decade ending June 30, 2018, which exceeded its benchmark by more than 600 basis points annually. The level of innovation in technology in the U.S. and China and a strong valuation environment were instrumental drivers of the absolute and relative returns from venture capital investments.

Additionally, private equity investments delivered double-digit returns over the past 10 years, returning 11.7% annually, which is in line with the asset-class specific benchmark and exceeds public market returns (MSCI ACWI) by over 500 basis points.

For the 10 years that ended June 30, 2018, natural resource investments also did well, generating an annualized return of 10.1%, well in excess of the benchmark return of 4.5%. Real estate investments earned a 3.8% annualized return, which comfortably exceeded the benchmark return of 2.7%. In the case of natural resources, the shale revolution's impact on returns is noteworthy. In the case of real estate, additional value was added through investments by niche, value-oriented specialists.

	Asset Allocation FY18	Long Term Capital Allocation Ranges	10 Year Annualized Return
Global Equity	37%	20-40%	9.1%
Hedge Funds	24%	20-35%	5.4%
Venture Capital & Private Equity	20%	15-25%	13.4%
Natural Resources	7%	5-15%	10.1%
Real Estate	4%	0-10%	3.8%
Fixed Income, Cash & Other	8%	3-12.5%	-0.3%



THE CALL TO LEAD A CAMPAIGN FOR DARTMOUTH

**“With this campaign, we dedicate ourselves
to building on the best of Dartmouth on
behalf of humankind.”**

—PRESIDENT PHILIP J. HANLON '77



THREE BOLD GOALS

GUIDE THE CAMPAIGN

1

ADVANCE DARTMOUTH'S DISTINCTIVE TEACHER-SCHOLAR MODEL TO ITS FULLEST

Dartmouth's commitment to an incomparable student experience begins with its topflight faculty. The faculty are both outstanding teachers and eminent scholars. Through the campaign, Dartmouth will provide powerful support to faculty who embody the teacher-scholar model, bolster programs where Dartmouth is poised to be a national leader, attract the most sought-after scholars, and expand support for all faculty throughout their careers.

2

MAKE DISCOVERIES THAT IMPROVE THE HUMAN CONDITION

Dartmouth faculty are already pushing the boundaries of human understanding. The Call to Lead will help them change the world. Dartmouth will boost support for centers and institutes—such as the Norris Cotton Cancer Center, the Institute of Arctic Studies, and the Dartmouth Institute for Health Policy and Clinical Practice—that are at the forefront of efforts to take on the world's most pressing challenges.

3

PREPARE STUDENTS FOR LIVES OF WISE LEADERSHIP

Dartmouth alumni have long made their mark on the world as leaders in the private sector, public service, and nonprofits. Through the Call to Lead, the College will enhance its ability to prepare the next generation of leaders, who will need to be able to think critically, communicate effectively, and work comfortably across multiple cultures. Dartmouth will develop student leaders through intentional, experiential opportunities to lead, serve, and participate in teams.

In April 2018, Dartmouth launched the public phase of The Call to Lead, a \$3 billion comprehensive fundraising campaign. The campaign will advance Dartmouth's distinctive liberal arts experience, fuel research discoveries that improve the human condition around the globe, and prepare students—across disciplines and programs—for lives of leadership in a complex, interconnected world.

"With this campaign, we dedicate ourselves to building on the best of Dartmouth on behalf of humankind," President Philip J. Hanlon '77 said.

The \$3 billion goal is the largest in Dartmouth's history. The College is already more than halfway toward its ambitious goal, with \$1.83 billion raised from more than 81,000 donors over the four years since the start of the campaign.

The campaign will invest substantially in the teacher-scholars who make Dartmouth's distinctive model of education possible, with an emphasis on faculty recruitment, retention, and professional development—which will benefit both undergraduates and graduate students.

"We're doubling down on our distinctive vision for what the liberal arts can deliver in a modern education," said Laurel Richie '81, chair of the Dartmouth Board of Trustees and a campaign committee co-chair.

\$3 BILLION
GOAL FOR THE CALL TO LEAD

\$422 MILLION
AMOUNT RAISED IN FY18, A 50% INCREASE OVER FY17

81,633
NUMBER OF DONORS WHO HAVE GIVEN TO THE CAMPAIGN ALREADY

ANSWERING THE CALL

THROUGH THE SUCCESS OF THE CALL TO LEAD, DARTMOUTH WILL:

Amplify the role of the liberal arts throughout our distinctive educational model, creating expanded opportunities for on- and off-campus experiential learning led by outstanding teacher-scholars.

Be the unequivocal leader in undergraduate education, renowned for exceptional teaching, high-impact undergraduate research, and a comprehensive undergraduate leadership program.

Accelerate innovation and discovery through collaborative research among the schools of business, engineering, medicine, and the arts and sciences.

Take the lead in shaping solutions and addressing grand challenges in critical fields, including energy access, affordable health care delivery, cancer treatment, and the future of the Arctic.

Be one of only six U.S. institutions of higher education that offers comprehensive need-blind admissions and meets 100 percent of demonstrated need, so all undergraduates are admitted based on ability—not ability to pay—and can access the full Dartmouth experience, including foreign study.



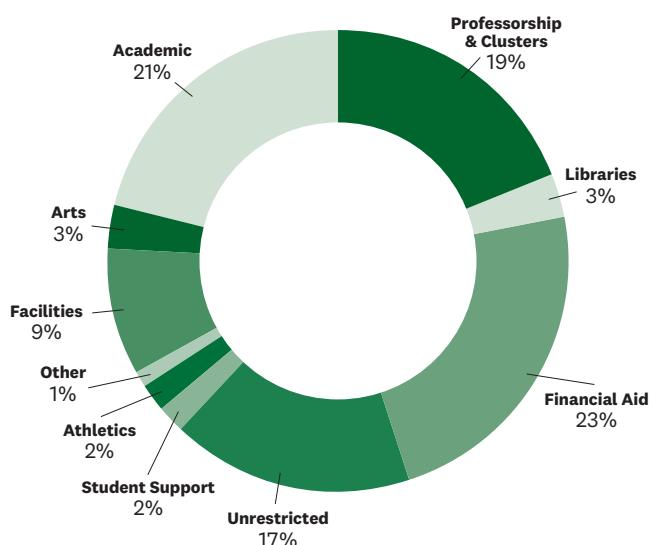
IMPORTANCE OF PHILANTHROPY IN THE ENDOWMENT

ENDOWMENT COMPOSITION

Dartmouth's endowment comprises ~6,300 individual endowed funds with varied purposes across the institution, and in most cases funds are restricted for a specific use (only 17% of Dartmouth's endowment is unrestricted for general use). Dartmouth's long history of generous alumni has contributed to creating these endowed funds, with the oldest fund dating back to 1789. Each restricted fund has a designated purpose and serves to provide long-term funding for that activity in perpetuity. Financial aid represents almost one-quarter of all endowed funds, with academics and professorship funds each representing about 20%.

The Call to Lead campaign is targeting \$1.6 billion in gifts to the endowment to provide critical ongoing financial support for the key campaign priorities and initiatives. In this way, the endowment serves as an invaluable tool for Dartmouth to continue to advance its mission, which is grounded on strong and prudent financial management of its assets.

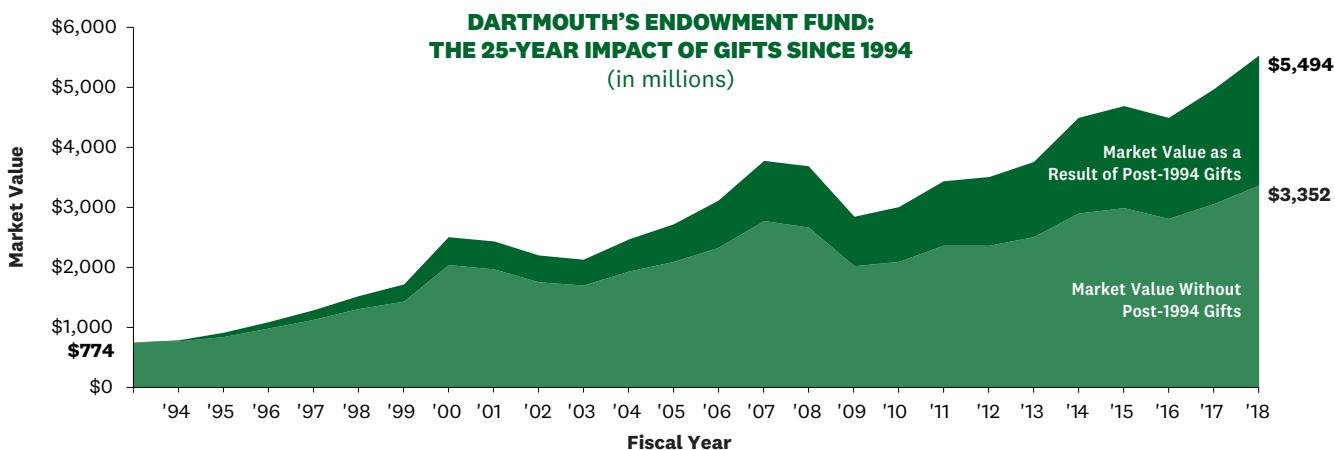
ENDOWMENT BY PURPOSE

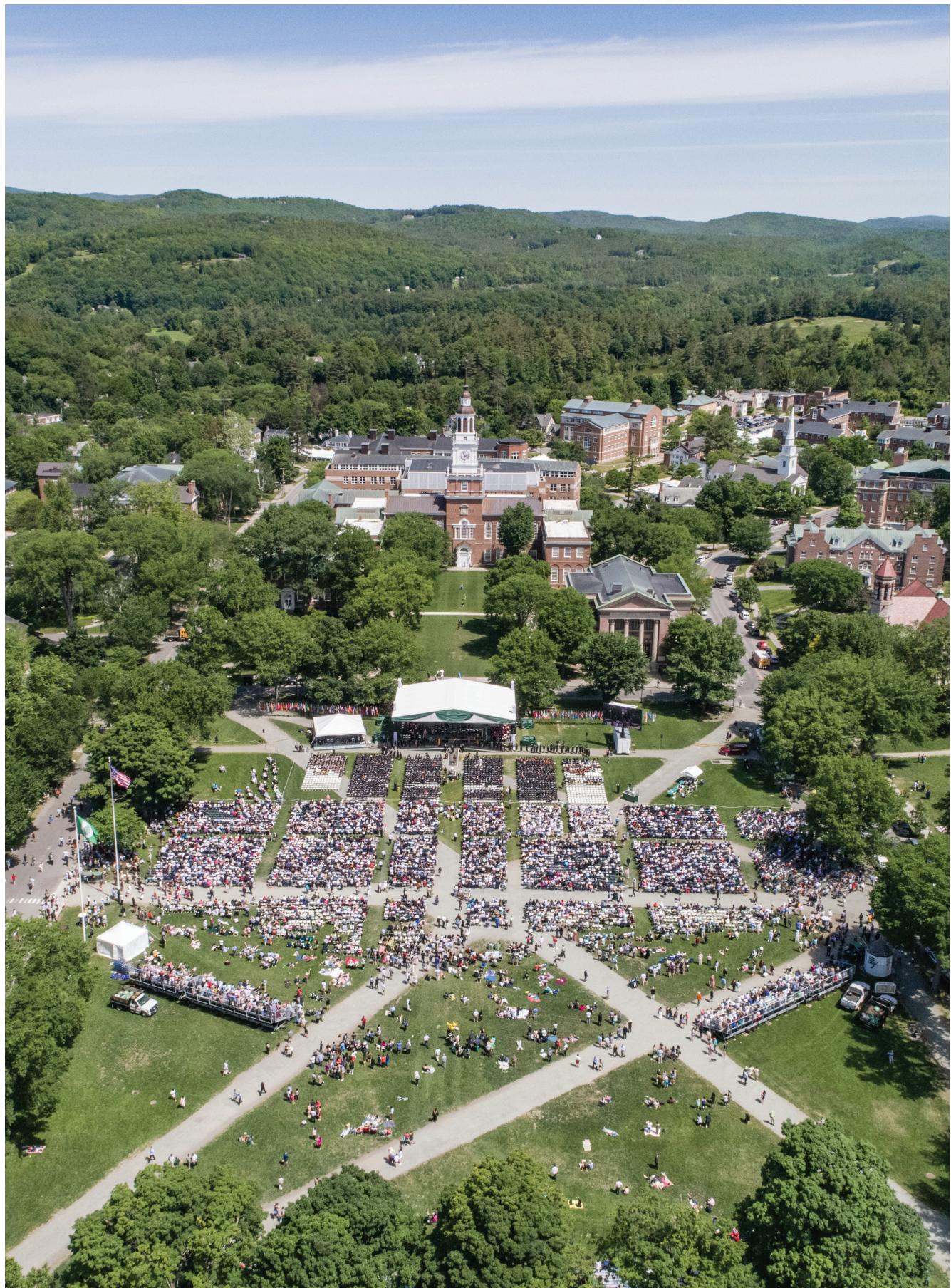


ENDOWMENT GIVING

Donor support has been, and continues to be, crucial in fulfilling Dartmouth's broad mandate of teaching and research excellence. In fiscal year 2018, gifts to the endowment from alumni, parents, and friends totaled \$105 million plus additional transfers of \$78 million. Over time, the endowment

has benefitted substantially from the continued support of generous donors and the power of investment compounding of those endowment gifts, without which the endowment's market value and impact would be significantly lower.







PARTNERING FOR SUCCESS

Dartmouth's superior investment returns are a direct result of partnerships with world-class investment management firms, which bring breadth and depth to the portfolio and ensure best-in-class performance in service of Dartmouth's mission. Partnering with external investment managers allows us to benefit from deep expertise in investment strategies. It also yields an extraordinary constellation of investment opportunities that could not be replicated through internal management.

Dartmouth is constantly seeking exceptional investment opportunities—and outstanding investment talent. We look

for firms with a great team, a unique investment approach, an attractive opportunity set, and the willingness to engage in a true spirit of partnership. We have built strong relationships with firms of all shapes and sizes—both brand-new firms and long-established ones.

We conduct careful due diligence up front to verify the integrity and quality of prospective partners before we invest. Our work allows us to build solid relationships with new partners based on confidence and trust. Some of our partnerships have lasted several decades.

WE'D LOVE TO HEAR FROM YOU. HERE ARE SOME OF THE QUALITIES WE LOOK FOR IN OUR PARTNER FIRMS:

- **Focus, differentiation, and a clear investment edge.** We seek investors with a clearly defined circle of competence and unique capabilities to pursue a given strategy, whether through a differentiated research process, knowledge base, or time horizon.
- **Keen insights to capitalize on unique opportunities** where either capital or competitive advantage in investing is scarce.
- **A comprehensible strategy with a clear source of return.** Understanding the investment thesis and execution is a precondition for investing.

- **Superior capital allocation skill.** We value investors who demonstrate discipline in pursuing their opportunity set, letting fundamentals guide the decision-making process on deploying and harvesting capital.
- **A sustainable and distinctive organization.** The best firms are headed by the best leaders, those who can recruit and retain stellar investment talent while deliberately and thoughtfully building the firm's culture.
- **Alignment of interest.** We look for firms to be right-sized for the strategy they pursue and for principals to invest their own capital alongside Dartmouth's.

THE DARTMOUTH COLLEGE INVESTMENT COMMITTEE AND OFFICE

The Dartmouth College Investment Office, under the direction of the Board of Trustees Investment Committee, manages the endowment as well as other non-endowment Dartmouth investment portfolios.

The Investment Office makes recommendations to the Investment Committee on investment policies, strategies, and investments, and monitors the portfolio and its external managers day-to-day.

The Investment Committee is chaired by Richard Kimball '78, and is composed of trustees and non-trustees with significant experience in the investment industry. The committee consists of 10 individuals and meets quarterly, at a minimum, to discuss and review asset allocation policies, investment performance, and current strategies proposed by the Investment Office staff.

INVESTMENT COMMITTEE 2018-2019

Elizabeth Cogan Fascitelli '80
Philip J. Hanlon '77, ex officio
Douglas Hodge '79
David C. Hodgson '78
Richard H. Kimball '78, Chair
Brian K. Laibow '00
Christopher H. Lord '86
Greg Maffei '82
Laurel J. Richie '81, ex officio
William C. Vrattos '91

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Deputy CIO

Megan Hammond '90
Managing Director Real Assets

Michael Sullivan '91 T'97
Managing Director Private Equity/Venture Capital

Jessica Jones
Managing Director Hedge Funds

Heather Huff
Chief Operating Officer

Joseph Celli '11
Investment Associate - Portfolio Strategy

Michal Pramik
Senior Investment Analyst

Jon Xu '15
Senior Investment Analyst

Leah Anderson
Senior Investment Analyst

Barbara Ibey
Senior Investment Operations Manager

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DARTMOUTH

ENDOWMENT REPORT 2018

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