



Dartmouth

Endowment Report 2012

Dartmouth

Contents

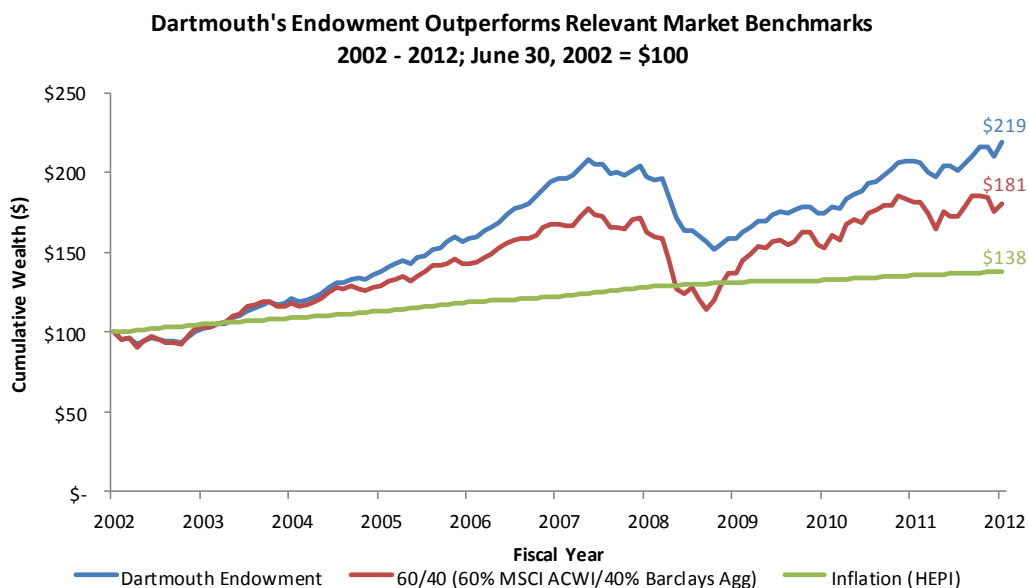
1. Endowment Summary
2. Purpose and Use of the Endowment
3. Fiscal Year 2012 and Long-Term Investment Performance
4. Asset Allocation & Asset Class Performance
5. About the Dartmouth College Investment Office

Dartmouth

Endowment Summary

We are pleased to report that the Endowment portfolio earned an investment return of 5.8% for the fiscal year ended June 30, 2012. The total market value of the Endowment, which stood at \$3.49 billion at June 30, 2012, rose by \$73 million over the course of the fiscal year, including investment gains as well as gifts and transfers (\$58.5mm), and net of distributions for spending (\$182.9mm). The fiscal year 2012 investment return contributes to a strong long-term performance record, relative to the broad equity and fixed income markets, resulting in meaningful financial support to Dartmouth over time.

Over the 10-year period ending June 30, 2012, the Endowment produced an annualized 8.2% investment return net of fees, outperforming a 60/40 blended stock/bond benchmark return of 6.1% per annum and higher education inflation of 3.3% per annum. This long-term return also places Dartmouth in the top-quartile of relevant peer universes. The chart below shows the growth of \$100 invested at the Endowment rate of return.¹



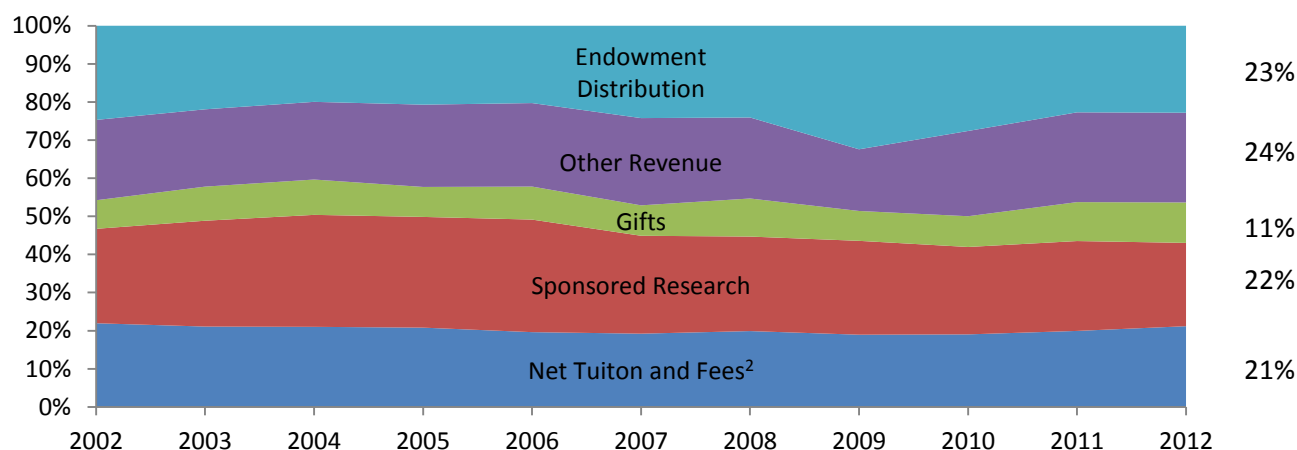
¹ Does not include the impact of distributions or gifts

Purpose and Use of the Endowment

The purpose of the Endowment is to provide sustainable operating support to Dartmouth over the long-term. To serve this purpose, the investment objective of the Endowment is to generate inflation-adjusted investment returns in excess of distributions to the institution. The investment and spending policies of the Endowment are designed to balance the needs of current and 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. Dartmouth pursues an investment strategy with a strong equity bias for long-term growth, with diversification within and across asset classes to dampen volatility, and with an awareness of the liquidity needed to serve near-term portfolio and institutional needs.

Dartmouth's Endowment has played a critical role in supporting the operations of the institution, including the professional schools. In Fiscal Year 2012, the Endowment distribution represented 23% of revenues to support operating activities.

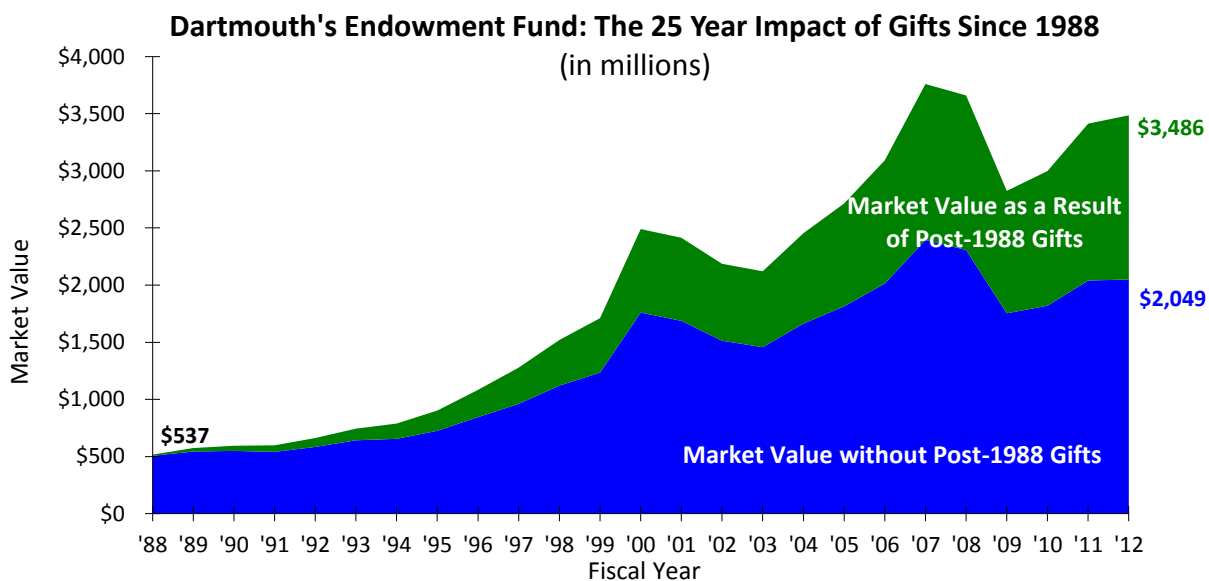
Operating Revenues by Fiscal Year - 2002 - 2012¹



¹ Based on US GAAP financial reporting

² Tuition and Fees are net of Financial Aid.

Donor support has been, and continues to be, crucial in fulfilling Dartmouth's broad mandate of teaching and research excellence. In Fiscal Year 2012, gifts to the Endowment from alumni, parents, and friends totaled \$48.8 million. The value of the Dartmouth Endowment on June 30, 2012 was \$3.49 billion. Without the continued support of generous donors over the past 25 years, the value of the Endowment on June 30, 2012 would have only been \$2.0 billion.



Fiscal Year 2012 and Long Term Performance

Fiscal Year 2012 saw U.S. equities significantly outperform other developed markets and emerging markets equities. Global markets, in general, saw increased volatility in the first half of the fiscal year, resulting from the U.S. credit downgrade as well as concerns about the European sovereign debt crisis and slowing growth in emerging markets. In the second half of the fiscal year, equity markets posted positive returns stemming from central bank and government stimulus as well as stronger than anticipated corporate earnings in U.S. markets. In this environment, the Trustees' Investment Committee and the Investment Office Staff remained vigilant in maintaining appropriate liquidity to serve the near-term operating needs of the institution, while maintaining a long-term investment focus.

In Fiscal Year 2012, the Endowment returned 5.8%, outperforming a simple equity/fixed income benchmark, its policy portfolio benchmark and the median institution in both the TUCS Foundations and Endowments Universe and the Cambridge Associates (CA) College & University universe. The Endowment achieved top 5th percentile returns in the CA College & University universe. The table below details Fiscal Year 2012 performance as well as performance for longer time periods.

	Fiscal Year Annualized Return (as of 6/30/2012)				
	1 Yr	3 Yr	5 Yr	10 Yr	15 Yr
<i>Dartmouth College</i>	5.8%	11.3%	2.2%	8.2%	10.0%
Higher Education Price Index	1.7%	1.6%	2.4%	3.3%	3.4%
60% MSCI ACWI/40% Barclays Aggregate	-0.5%	9.7%	1.6%	6.1%	5.3%
CA College & University Median	-1.1%	10.3%	1.1%	6.7%	6.5%
TUCS Foundations & Endowments Median	0.5%	10.5%	1.1%	6.3%	6.3%

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, 2012, the average annual compound return of the Endowment is 2.2%, 8.2%, and 10.0%, respectively. These long-term results compare favorably to the simple equity/fixed income benchmark, as well as to Endowment and Foundation peers as represented by the CA College & University universe and the TUCS Foundations and Endowments universe. Over the long term, the Endowment has succeeded in its objective of generating investment returns adjusted for higher education inflation in excess of the distribution rate.

As indicated in the chart below, the market value of the Endowment has increased substantially relative to its recent low in 2009, but has not yet recovered to its pre-crisis value.

Endowment Overview	2012	2011	2010	2009	2008	2007
Market Value (\$M)	\$3,486.4	\$3,413.4	\$2,998.3	\$2,824.9	\$3,660.2	\$3,760.2
Investment Return	5.8%	18.4%	10.0%	-19.6%	0.6%	23.7%
Endow. Dist. (\$M)	\$182.9	\$174.9	\$204.5	\$229.6	\$163.1	\$165.6
Endow. Dist. (as % of Beg. MV)	5.4%	5.8%	7.2%	6.3%	4.3%	5.4%

Asset Allocation & Asset Class Performance

The Endowment is widely diversified across different asset classes with the goal of generating superior long term investment returns, while avoiding undue risk from concentration in any single asset class or investment style. During the fiscal year, the Board of Trustees' Investment Committee and the Investment Office Staff made strategic adjustments to the portfolio targets to incorporate stronger diversification benefits, improve downside protection, and better position the portfolio for long-term growth. In addition, the old policy sub-targets to domestic, international developed, and emerging markets equity have been combined into one Global Equity target. The changes in policy became effective January 1, 2012. The table below provides additional details about asset allocation targets, asset class returns, and asset class objectives.

	Targets 6/30/12	Actual 6/30/12	FY 12 Return	Long-Term Asset Class Objective
Global Equity	35%	27.7%	1.6%	Outperform broad global market indices
Marketable Alternatives	25%	20.8%	0.6%	Generate equity-like returns with reduced volatility
Private Equity/ Venture Capital	15%	26.1%	9.7%	Generate enhanced return relative to public markets
Natural Resources	10%	7.2%	23.9%	Generate 12-15% net return and provide some protection against inflation over long term
Real Estate	5%	11.6%	14.5%	Generate 12-15% net returns, through appreciation and yield
Hedging Assets	10%	6.6%	-0.6%	Provide hedge to the portfolio during times of economic contraction
Total	100%	100.0%	5.8%	

Relative to the target asset allocation as of June 30, 2012, the Endowment remains underweight to global public equities (27.7% vs. a target of 35%) and hedging assets (6.6% vs. a target of 10%). Within hedging assets, the portfolio continued to maintain a significant cash allocation in FY 12. The Endowment's private equity and venture capital allocation is overweight (26.1% vs. a target of 15%); however, due to distributions and appreciation in other parts of the portfolio, this overweight moved down over the past three years.

Dartmouth benefited in particular from the strong performance of its private investments as well as from solid returns from US managers within the Global Equity portfolio. Natural Resources and Real Estate were the strongest performing asset classes in FY 12.

About the Dartmouth College Investment 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 investment portfolios of Dartmouth. The Endowment provides financial support to all of Dartmouth, including Arts and Sciences, the Geisel School of Medicine, the Thayer School of Engineering, and the Tuck School of Business.

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 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

Richard H. Kimball '78, 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
William W. Helman '80

David C. Hodgson '78
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, TU'98
Chief Investment Officer

Kelsey M. Morgan '02, TU'08
Managing Director – Hedged & Marketable Strategies

Heather W. Huff
Director of Investment Operations

Richard W. Berger '09
Investment Analyst

Barbara L. Ibey
Senior Investment Operations Manager

Maria Rublev
Office Manager/Executive Assistant

Megan R. Hammond '90
Managing Director – Real Assets

Michael P. Sullivan '91, TU'97
Managing Director – Private Equity/Venture Capital

E. Amory Loring '04, TU'11
Investment Associate

David J. Casariego
Investment Analyst

Kristie L. LeBlanc
Operations Assistant