



Dartmouth

Endowment Report 2013

Dartmouth

Contents

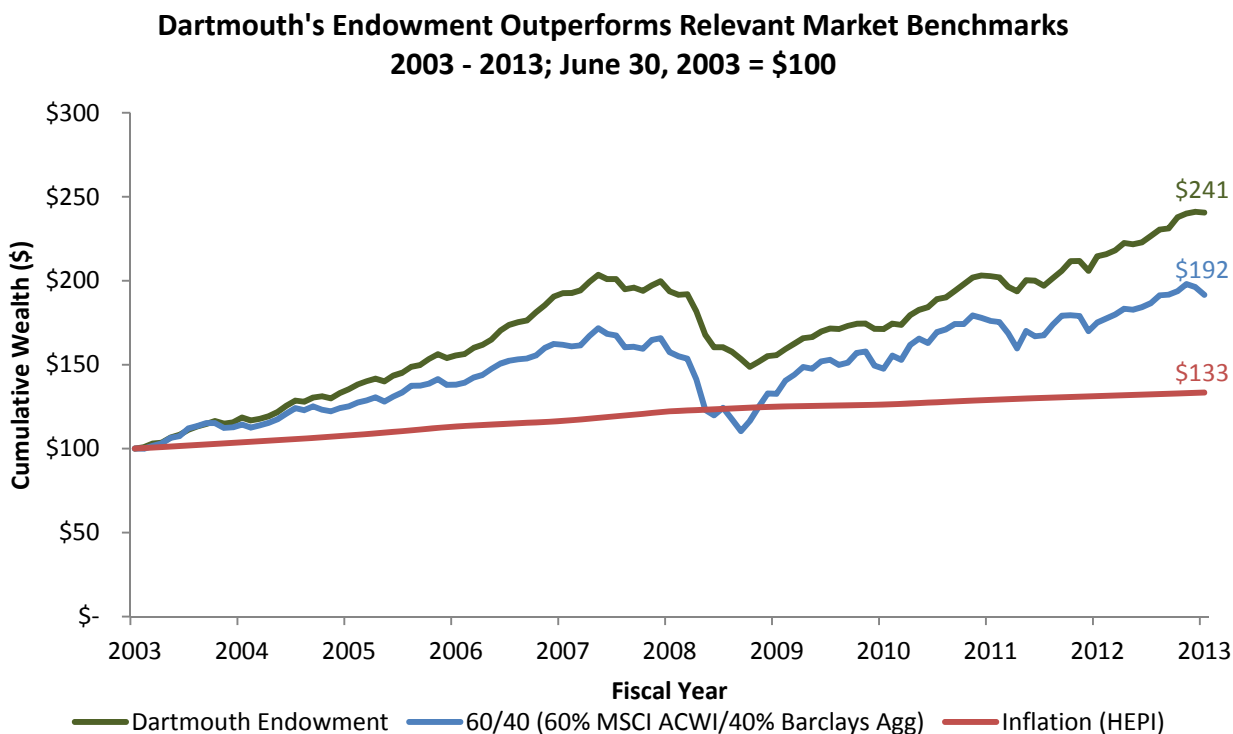
1. Endowment Summary
2. Purpose and Use of the Endowment
3. Fiscal Year 2013 and Long-Term Performance
4. Asset Allocation & Asset Class Performance
5. About the Dartmouth College Investment Office

Dartmouth

Endowment Summary

We are pleased to report that the Endowment portfolio earned an investment return of 12.1% for the fiscal year ended June 30, 2013. The total market value of the Endowment rose by \$247 million¹ over the course of the fiscal year and stood at \$3.73 billion as of June 30, 2013. The fiscal year 2013 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, 2013, the Endowment produced an annualized investment return of 9.2% net of fees, outperforming annualized returns for a 60/40 blended stock/bond benchmark and for the S&P 500 by 2.5% and 1.5% respectively, over the same time period. This long-term return also places Dartmouth in the top-quartile of the relevant peer universe. The chart below shows the growth of \$100 invested at the Endowment's rate of return.²



¹Includes \$27.9MM of gifts and transfers, and is computed net of \$185.5MM in distributions for spending

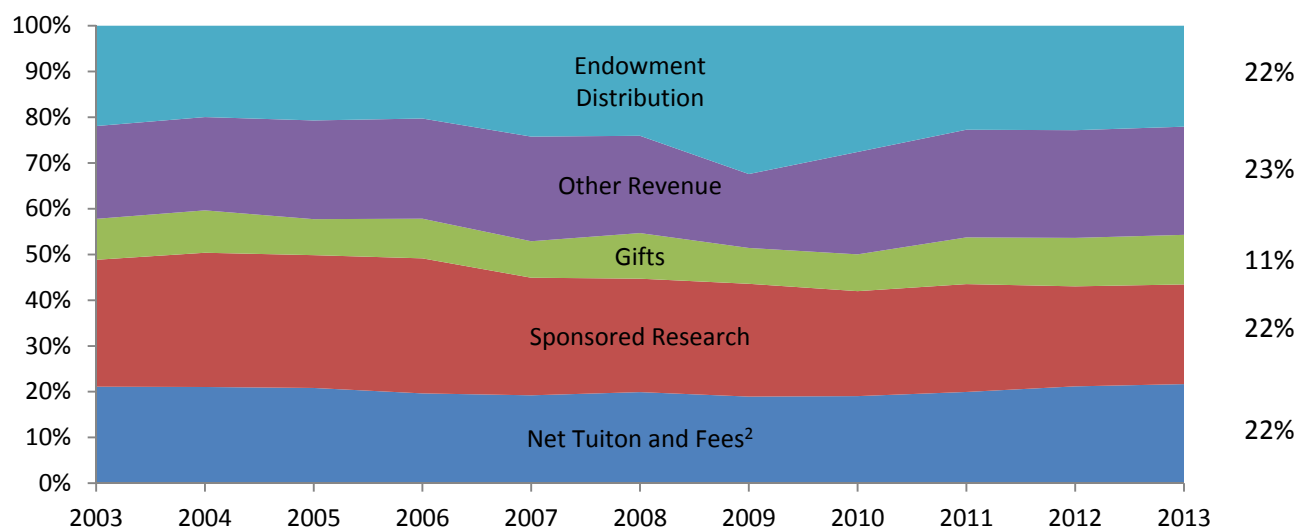
² Does not include the impact of distributions or gifts

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 2013, the Endowment distribution represented 22% of revenues to support operating activities.

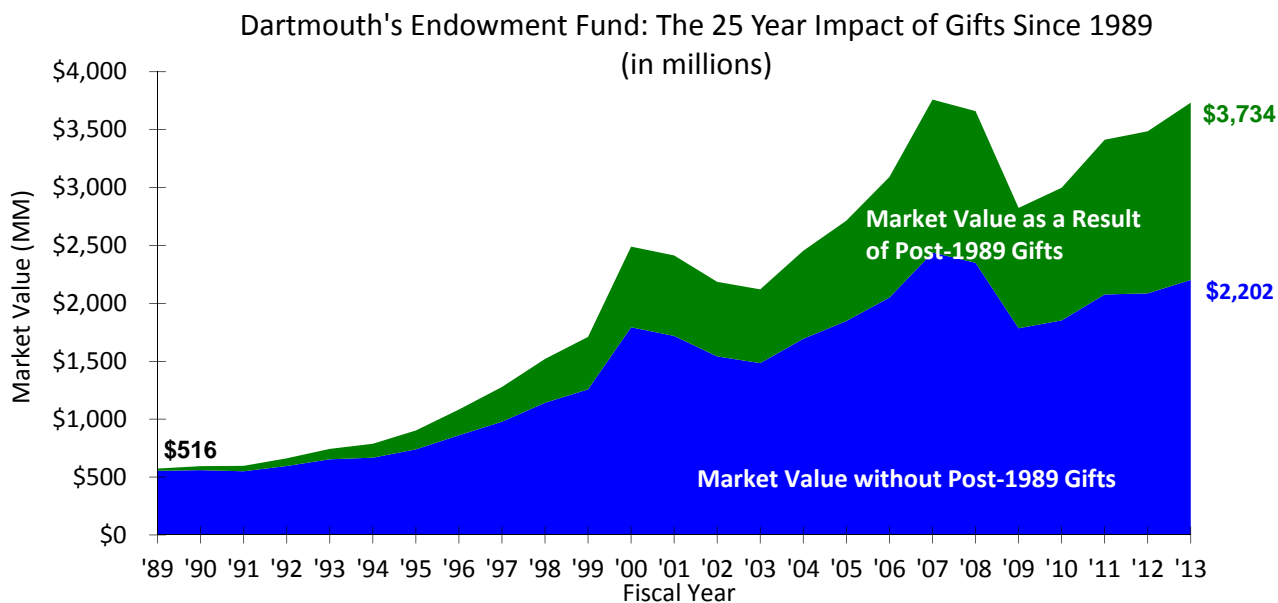
Operating Revenues by Fiscal Year - 2003 - 2013¹



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 2013, gifts to the Endowment from alumni, parents, and friends totaled \$27.9 million. Over time the Endowment has benefited 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.



Fiscal Year 2013 and Long-Term Performance

Global developed equity markets saw dramatic gains in Fiscal Year 2013 on the back of continued quantitative easing and a slow rebound in economic growth. Natural resources in general fared poorly during the fiscal year, as did bonds which reversed slightly their upward course from the prior several years.

Focused on long-term investment performance, the Investment Office Staff remains dedicated to finding exceptional investment managers to be stewards of the Endowment over time and through various market environments. While we commit Dartmouth's capital to long-term investments, the Investment Office Staff also remains mindful of liquidity considerations.

In Fiscal Year 2013, the Endowment returned 12.1%, 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 Investment Office Staff is focused on sustained outperformance over long periods of time given the perpetual nature of the Endowment. For the ten and fifteen year periods ended June 30, 2013, the annual compound rate of returns were 9.2% and 9.4%, respectively, comparing favorably to the benchmarks below. 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.

	Fiscal Year Annualized Return (as of 6/30/2013)				
	1 Yr	3 Yr	5 Yr	10 Yr	15 Yr
Dartmouth College	12.1%	12.0%	4.4%	9.2%	9.4%
Higher Education Price Index	1.6%	1.9%	1.7%	2.9%	3.2%
60% MSCI ACWI/40% Barclays Aggregate	9.4%	9.1%	4.0%	6.7%	5.0%
CA College & University Median	11.7%	10.0%	3.7%	7.7%	6.2%
TUCS Foundations & Endowments Median	11.3%	10.0%	4.6%	7.2%	6.0%

As indicated in the chart below, the market value of the Endowment is recovering from losses incurred in 2008-2009, and currently stands at \$3.7 billion.

Endowment Overview	2013	2012	2011	2010	2009	2008
Market Value (\$M)	\$3,733.6	\$3,486.4	\$3,413.4	\$2,998.3	\$2,824.9	\$3,660.2
Investment Return	12.1%	5.8%	18.4%	10.0%	-19.6%	0.6%
Endow. Dist. (\$M)	\$185.5	\$182.9	\$174.9	\$204.5	\$229.6	\$163.1
Endow. Dist. (as % of Beg. MV)	5.3%	5.4%	5.8%	7.2%	6.3%	4.3%

Asset Allocation & Asset Class Performance

The Endowment is diversified across 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. The table below provides additional details about asset allocation targets, asset class returns, and asset class objectives.

	Targets 7/1/13	Actual 6/30/13	FY 13 Return	Long-Term Asset Class Objective
Global Equity	35%	28.0%	17.3%	Outperform broad global market indices
Marketable Alternatives	27.5%	22.5%	15.0%	Generate equity-like returns with reduced volatility
Private Equity/ Venture Capital	15%	23.1%	14.8%	Generate enhanced return relative to public markets
Natural Resources	10%	6.2%	10.8%	Generate 12-15% net return and provide some protection against inflation over long term
Real Estate	5%	10.2%	9.4%	Generate 12-15% net returns, through appreciation and yield
Hedging Assets	7.5%	10.0%	-4.8%	Provide hedge to the portfolio during times of economic contraction
Total	100%	100.0%	12.1%	

Relative to asset allocation targets as of June 30, 2013, the Endowment remains underweight to Global Equity (28.0% vs. a target of 35%) and Marketable Alternatives (22.5% vs. a target of 27.5%). Within Hedging Assets, the portfolio continues to maintain a significant cash allocation. The Endowment's Private Equity and Venture Capital allocation is overweight (23.1% vs. a target of 15%), but distributions from those asset classes, combined with appreciation of other asset classes over the 2013 fiscal year have brought the allocation closer to its target.

Dartmouth benefited in particular from the performance of U.S. managers within the Global Equity and Marketable Alternatives portfolios, as well as from solid absolute returns of private investments. Global Equity was the strongest performing asset class.

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 12 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
Alan S. Forman '87
Philip J. Hanlon '77, ex officio

William W. Helman '80
David C. Hodgson '78
Stephen F. Mandel, Jr. '78, ex officio
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

Megan R. Hammond '90
Managing Director – Real Assets

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

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

Heather W. Huff
Director of Investment Operations

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

Richard W. Berger '09
Investment Analyst

David J. Casariego
Investment Analyst

George M. Raad
Investment Analyst

Barbara L. Ibey
Senior Investment Operations Manager

Maria Rublev
Office Manager/Executive Assistant