

MIDDLEBURY'S ENDOWMENT

THE ENDOWMENT TODAY

Hundreds of restricted and unrestricted individual endowments make up Middlebury's endowment. The earnings from the endowment support the College's diverse programs and initiatives, in perpetuity.

Restricted endowments may be used only in the manner stipulated by the donor; they may be allocated for a particular program, for example. Unrestricted endowments may be used in any way the College deems necessary.

WHY THE ENDOWMENT IS IMPORTANT

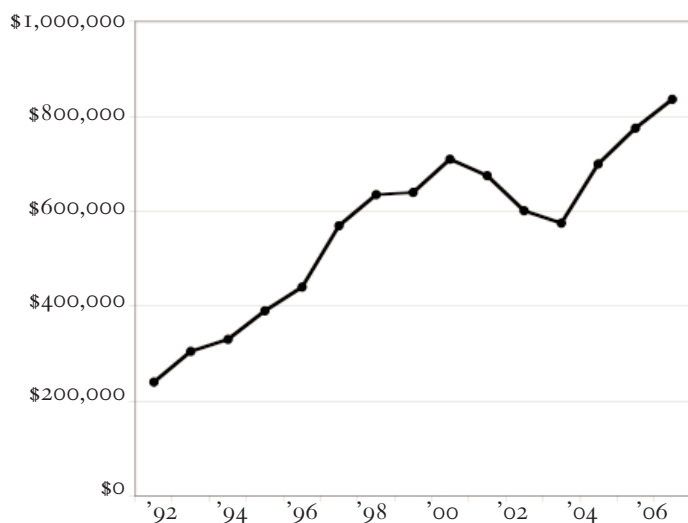
An endowment is a permanent fund that helps to ensure an institution's financial stability, flexibility, and autonomy.

Once an institution has a sufficiently large and sustainable endowment, it is then able to respond flexibly to present-day circumstances that in less secure times could create fiscal stress. Moreover, an endowment influences long-range planning because decisions that require enduring commitments—faculty positions that will span years or decades, for example—can be financed. Equally important is the independence gained when the need for external funding is no longer an imperative for balancing the daily operating budget.

THE ENDOWMENT'S LONG LEGACY

Middlebury's first endowment—created 16 years after the College opened its doors in 1800—consisted of \$50,000 in subscriptions from local benefactors. By 1908, the endowment had reached \$400,000. Some of the earliest endowed funds were earmarked for specific prizes, scholarships, and professorships, and many of these original endowments have grown exponentially and continue to the present day.

GROWTH OF ENDOWMENT



For example:

- The Catharine E. Waldo Fund has been awarding grants to students in need since it was established in 1864.
- The John C. Baldwin Professorship, created in 1866 with \$22,500, is held today by Mike Olinick. Its market value, as of February 2007, was \$361,529.
- Margaret K. Nelson is the A. Barton Hepburn Women's Professor. This fund was established in 1908 with \$50,000, and its market value in February 2007 was \$803,399.

MANAGEMENT AND OVERSIGHT

Trustees with extensive investment experience comprise Middlebury's Investment Committee. They bring to the committee an array of specialties, with proven track records and the knowledge necessary to establish and implement effective investment policies.

Middlebury has contracted with Investure, a private investment management company, to serve as the College's investment office. Investure works in consortium with other college and university endowments in the \$150 million to \$1 billion range and recommends managers to the Investment Committee, helps develop guidelines and objectives, allocates assets, monitors performance, and provides pooled products.

MIDDLEBURY'S PRIMARY INVESTMENT VEHICLES

- Equity—Stock or any other security
- Domestic Equity—Companies in U.S.
- International Equity—Companies outside the U.S.
- Emerging Markets—International stocks of developing countries
- Alternative Equity—Non-traditional equity-oriented investment strategies, such as hedge funds
- Private Equity—Securities of companies that have not gone public
- Fixed Income—Generally, bonds. Return rates or periodic income is delivered in regular intervals.
- Real Assets—Physical or tangible assets

ENDOWMENT MANAGEMENT OBJECTIVES

- Keep the portfolio consistent with long-term objectives for growth, sustainability, flexibility, and margins of safety.
- Incorporate non-traditional asset classes that enhance reward potential.
- Use skilled, ethical managers who challenge biases and assumptions, who get the best from the market.
- Increase investment positions in regions, styles, or approaches that have attractive risk/reward profiles.
- Maintain rigorous rebalancing discipline.
- Capitalize on tactical opportunities within the policy framework.
- Become a top-quartile annual performer half the time.

HOW THE ENDOWMENT IS USED

Current modeling anticipates 9 percent annual earnings on endowment investment. Of this, a portion is released each year to balance the operating budget, making up the difference between revenues and expenses. Middlebury's spending policy governs the rate at which funds from the endowment are released; this protects the value of the endowment and maximizes the amount reinvested for future growth.

Middlebury's target spend-rate of endowment earnings is 5 percent annually, taken against the average value over the preceding 12 quarters. In recent years, however, the rate has been higher due to the "market correction" in 2001-02 and to increased campus expenses. The rate will return to 5 percent by 2009.

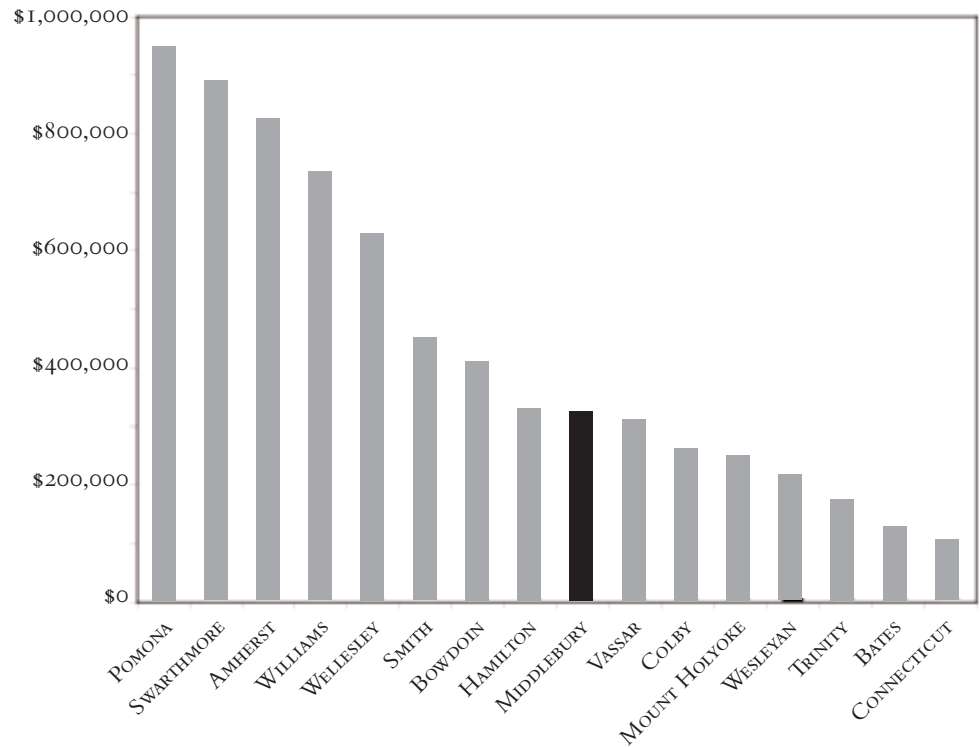
Financial aid, professorships, academic chairs, athletic chairs, academic department funds, program initiatives, research, internships, lectureships, and general operations are all supported by restricted and non-restricted endowment funds.

Fiscal Year 2005-2006 operating budget support:

- 68% supported by fees
- 18% supported by endowment
- 7% supported by expendable gifts for operations
- 4% supported by auxiliary enterprises
- 3% supported by other sources

One of the best ways to appreciate the importance of the endowment is to look at its size per student. As the chart below shows, Middlebury's endowment lags behind some peer schools. This places the College at a disadvantage in important areas, among them financial aid and faculty compensation, which are critical to the College's mission.

ENDOWMENT PER STUDENT
FISCAL YEAR 2006



PERFORMANCE, AS OF 12/31/2006					
	FYTD 07	PERIOD ENDING 12/31/06			
	6 MOS %	1 YR %	3 YR %	5 YR %	10 YR %
Endowment	9.32	15.58	14.85	11.08	9.97
Spending + Growth in College Expenses	4.5	9.0	9.0	9.0	9.0
Composite Benchmark	11.48	17.64	13.97	11.42	10.52
Russell 3000	12.09	15.72	11.19	7.17	8.64
Merrill Lynch 7-10 Year	5.19	2.72	3.15	5.04	6.31