The new company—Middlebury Interactive Languages (MIL)—builds on Middlebury’s position as the leader in language teaching among institutions of higher education. MIL offers online language-learning courses based on the Middlebury immersion pedagogy. The Middlebury Interactive Courses cover six languages—Arabic, Spanish, French, German, Chinese, and Latum—and provide multiple levels from kindergarten through 12th grade.

In addition to these courses, MIL offers a portfolio of world language products, both online and in brick-and-mortar schools. These include the Middlebury-Monterey Language Academy, a full-immersion, summer residency program for students in grades 8–12; the Middlebury Interactive Languages Summer Day Academies, a two-week day program for middle school students at four sites; and PowerPak12, robust online language courses for grades 3–12; Avant STAMP assessment; and MIL Professional Development. Each product is designed with the goal of language proficiency and aligned with national standards set by the American Council on the Teaching of Foreign Languages.

PHILANTHROPY

How has Annual Giving performed?
Alumni and parents support Middlebury and its programs at a high level, reflecting their loyalty and belief in the College’s leadership of graduate and special programs—the Language Schools, Schools Abroad, Bread Loaf School of English, Bread Loaf Writers’ Conference, and the Monterey Institute of International Studies—operate on their own revenue bases and in the black; we expect them to increase their revenues significantly in coming years.

Recently, the College has created two new undergraduate programs that are open to students from other colleges and universities. MiddCORE—Middlebury’s mentor-driven, experiential-learning program—offered a four-week session at Sierra Nevada College in California last summer, attracting students and recent graduates from a number of different institutions. MiddCORE expects the number from other colleges to grow in 2014, generating additional revenue. Also next summer, Middlebury will launch the School of the Environment, a six-week, interdisciplinary immersion program where students will learn leadership skills, take courses in environmental issues, work with mentors, and make connections to advance career goals. Both programs hold the potential to enhance the College’s bottom line.

Is Middlebury exploring new sources of revenue?
Yes. Unlike many colleges, we have the potential to strengthen the College’s long-term financial underpinnings by developing a fourth revenue stream. In April 2010, the College entered into a partnership with K12, a technology-based education company, to create a new venture to provide language instruction for pre-college students.
What is the value of Middlebury’s endowment?
As of June 30, 2013, the endowment market value was approximately $973 million, stated in accordance with guidelines established by the National Association of College and University Business Offices.

How has Middlebury’s endowment performed over time?
Like all colleges and universities with endowments, Middlebury experiences fluctuations on an annual basis. Yet, over the past 20 years, the endowment has averaged a 9.4 percent return annually.

2004–2013 Middlebury Endowment Rate of Return

<table>
<thead>
<tr>
<th>Year</th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>11.6%</td>
<td>11.6%</td>
<td>11.6%</td>
<td>11.6%</td>
</tr>
<tr>
<td>2005</td>
<td>13.6%</td>
<td>13.6%</td>
<td>13.6%</td>
<td>13.6%</td>
</tr>
<tr>
<td>2006</td>
<td>12.2%</td>
<td>12.2%</td>
<td>12.2%</td>
<td>12.2%</td>
</tr>
<tr>
<td>2007</td>
<td>14.1%</td>
<td>14.1%</td>
<td>14.1%</td>
<td>14.1%</td>
</tr>
<tr>
<td>2008</td>
<td>11.8%</td>
<td>11.8%</td>
<td>11.8%</td>
<td>11.8%</td>
</tr>
<tr>
<td>2009</td>
<td>19.4%</td>
<td>19.4%</td>
<td>19.4%</td>
<td>19.4%</td>
</tr>
<tr>
<td>2010</td>
<td>17.8%</td>
<td>17.8%</td>
<td>17.8%</td>
<td>17.8%</td>
</tr>
<tr>
<td>2011</td>
<td>16.9%</td>
<td>16.9%</td>
<td>16.9%</td>
<td>16.9%</td>
</tr>
<tr>
<td>2012</td>
<td>14.8%</td>
<td>14.8%</td>
<td>14.8%</td>
<td>14.8%</td>
</tr>
<tr>
<td>2013</td>
<td>22.7%</td>
<td>22.7%</td>
<td>22.7%</td>
<td>22.7%</td>
</tr>
</tbody>
</table>

Comparative Endowment Performance
Average Over 10 Years (as of June 30, 2013)

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>5-Year AACR</th>
<th>7-Year AACR</th>
<th>10-Year AACR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Equities</td>
<td>15.6%</td>
<td>15.6%</td>
<td>15.6%</td>
</tr>
<tr>
<td>Private Partnerships</td>
<td>21.5%</td>
<td>21.5%</td>
<td>21.5%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>4.6%</td>
<td>4.6%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Cash &amp; Misc.</td>
<td>1.3%</td>
<td>1.3%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Endowment Pool</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

What is the mix of the endowment portfolio?
The assets in the portfolio are allocated as follows, according to a guiding principle that carefully combines conservative investments with growth opportunities.

Asset Class    Actual as of June 30, 2013

- Global Equities: 36%
- Private Partnerships: 33%
- Alternative Equity: 25%
- Fixed Income: 4%
- Cash & Misc.: 2%
- Endowment Pool: 100%

What steps is the College taking to steward the endowment?
We carefully review our investment strategies to take advantage of opportunities as they arise. We always exert our best efforts to compound Middlebury’s capital at a satisfactory rate and to monitor exposures closely.

The relationship with Investure has enabled the College to take advantage of the company’s expertise across asset classes and gain access to high-quality investment managers that would not otherwise have been possible.

How does Middlebury’s endowment rank versus peer endowments in size?
The market value of Middlebury’s endowment is above the median for the 21 peer schools with which we compare ourselves. The chart on the facing page shows that compared to our best efforts to compound Middlebury’s capital at a satisfactory rate and to monitor exposures closely. The relationship with Investure has enabled the College to take advantage of the company’s expertise across asset classes and gain access to high-quality investment managers that would not otherwise have been possible.

What are the investment objectives and strategies at the present time?
Our primary objectives are to grow the value of the portfolios and to protect the net value from loss over the long term.

- The College’s investment portfolio. Investure works in concert with the Investment Committee of the Board of Trustees and with an on-campus financial professional. Under this arrangement, the Middlebury Investment Committee and Board of Trustees remain the fiduciary and are actively involved in making decisions regarding guidelines, asset allocation, and strategic changes in the portfolio, as well as continually monitoring the balance between performance and risk. Learn more at the Investure website: www.investure.com.

- Alice Handy and Investure work closely with the Investment Committee. The relationship with Investure has enabled the College to take advantage of the company’s expertise across asset classes and gain access to high-quality investment managers that would not otherwise have been possible.

- The endowment’s long-term horizon allows for a large allocation to equity-oriented strategies, where the potential for long-term capital appreciation exists.
- Other assets, which include but are not limited to hedging, derivative, or diversification options, are also used to reduce risk and overall portfolio volatility.
- The endowment is diversified across asset classes and managers.
- Under normal circumstances, not more than 70 percent of the endowment’s net assets will be held in vehicles using “lockups” that exceed 12 months. (“Lockup” is defined as an expected period until all or substantially all of the value from an investment vehicle can be received in cash by the endowment.) As a general rule, not more than 40 percent of the endowment’s net assets are held in vehicles using lockups that exceed 60 months, recognizing that private-partnership cash flows are unpredictable.
- The endowment is managed to maximize annualized returns, net all costs, over rolling 10-year periods, while adhering to the stated risk parameters.
- The endowment is deployed in a manner that seeks to avoid 25 percent or greater peak-to-trough declines in inflation-adjusted unit value.
- The endowment is structured to avoid annualized short-falls exceeding 3 percent, relative to the mean return of large endowments reporting to the National Association of College and University Business Officers, over rolling 10-year periods.

The Endowment’s Long Legacy
Middlebury’s first endowment was created in 1816. It 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 scholarships and professorships, and many of these endowments continue to provide critical support today. For example:
- The Catherine E. Waldo Fund has been awarding grants to students in need since 1864.
- The John C. Baldwin Professorship of Mathematics & Natural Philosophy, created in 1866 with a $12,500 gift, is held today by mathematician Peter Schumer.
- Margaret K. Nelson is the A. Barton Hepburn Women’s Professor. This fund was established in 1908 with $50,000.