Board of Trustees’ Endowment Report
to Student Government Association

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Please refer questions to
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Endowment Report to the SGA
By Colin Mackintosh
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Recently, I had the opportunity to meet with David Provost, the College’s Vice President for Finance, to discuss the endowment, his plans for how it will be invested, and how those plans will affect students. Much of the discussion revolved around the sustainability of the endowment, and how Middlebury can continue to provide students with high performing facilities and services, while also growing the endowment for future students. Finally, we discussed priorities for the endowment relating to sustainable investing and divestment.

The meeting began by talking about endowment allocation and performance over the past 10 years. Early indications suggest that Middlebury’s endowment experienced gains along with the broader stock market in the first quarter of 2017.

The performance over the past decade is as follows:

1 Year: (4.5%)
3 Year: 5.9%
5 Year: 7%
10 Year: 7%

As you can see, the performance over the past year has been poor relative to the stock market (S&P 500: the largest 500 US companies). Relative to endowments of similar size, the performance is about at the mean value. Nevertheless, this performance has worried members of the board and administrators. One area that has been heavily discussed is how investments are allocated. The allocation has not changed significantly since the fall, but the allocation numbers are as follows:

Equities (stocks): 33%
Alternative Investments (Real Estate, Commodities): 29%
Fixed Income (bonds): 6%
Private Equity: 30% → highest returns, future allocation increases possible

The most important number to focus on corresponds to Private Equity (PE). Private Equity is inherently illiquid, so if allocation to PE increases, the endowment will be even less able to cover annual deficits. That’s important, because Middlebury College has been running a
deficit over the past several years. This deficit has been covered by monetary contributions from the endowment. In the past year, Middlebury had a $15 million deficit, which is actually smaller than in past years, but still unsustainable. That number is somewhat misleading, because a significant portion of Middlebury’s deficit, about $11 M, is depreciation (buildings losing value). As a result, balancing the budget requires closer to $4-6 million in gained revenue or cut costs, which David aims to achieve within 3 to 4 years. Some very important questions that arise from this goal, many of which *The Campus* has highlighted in recent weeks, include; what parts of the Middlebury experience are most valued? What is the fairest and most efficient way to allocate resources? How can Middlebury balance its budget, while also providing its students with the experience that they expect? David expressed a desire to work very closely with students and the SGA to answer these questions moving forward. I view David as being very committed to open discourse and transparency, two areas where the administration has been lacking in the past.

This transparency and open discourse extends to matters of sustainable investing and divestment. The portion of the endowment invested in fossil fuels has been trimmed and today comprises about 4% of all investments. Additionally, Middlebury has increased its investments in sustainable industries to over $50 million, which is between 5-8% of the total endowment. This represents a continued push to align school interests with those of students, while simultaneously investing in a responsible manner that grows the endowment. Overall, Middlebury is still in a very secure position financially, and the discussions and themes, which I have highlighted, seek to find the best and most appropriate ways to keep Middlebury financial secure well into the future.