Dave Coolidge ’65

Vice Chairman, William Blair & Company; Trustee of the College
and Chairman of the Trustee Finance Committee from 2001 to 2007

Williams enjoys one of the strongest financial positions of any institution in higher education. Our financial strength derives from three sources: gifts from alumni, parents, and friends; prudent financial stewardship; and successful investing strategies. The Williams College endowment had a positive return of 24 percent for the 12 months ending June 30, 2007, and now stands at $1.89 billion[1]. Our investment return over the past ten years has been 14.07 percent vs. 7.13 percent for the S&P 500 Index and 6.08 percent for the NASDAQ Composite Index — outperforming both indices and with less volatility. This lower volatility is primarily due to diversification across asset classes and among managers within asset classes.

The Williams Endowment Today

To allow Williams to be available to the best students in the world regardless of family income, we have to be competitive in our financial aid packages and offer a superior educational experience. Over half of our students are on some form of financial aid. In FY2007, our operating budget called for nearly $103,000 of spending for each student[2], an amount well in excess of full tuition and fees. Williams makes up the vast majority of the difference through earnings on endowment, which supported a full 38 percent of the operations budget last year.

Figure 1 shows our endowment per student and how it compares with a select group of peer institutions[3]. Figure 2 shows how much smaller our endowment would be today if we had stopped receiving new gifts in 1957. Although our resources are significant, there are several schools we compete with for students that are wealthier.

How Did We Get Here?

Williams’ endowment has grown — and diversified — dramatically in the past 15 years. When I first joined the Investment Committee, one firm invested the College’s entire portfolio (then confined to U.S. stocks and bonds). When my predecessor, Allan Fulkerson ’54, assumed the committee’s chairmanship, we began to move into more equity, including venture capital and leveraged buyouts. We also initiated the diversification of our manager group by adding new firms to manage portions of our public equity holdings. With guidance from Peter Kiernan ’75 and Bill Simon ’73, we also entered special strategies (hedge funds) and are now invested with 19 managers.

Until last year, all of this work was principally accomplished by two dozen volunteers on the Investment Committee and its subcommittees. (All who serve today are listed in Figure 4.) In addition to setting investment strategy and asset allocation, our committee members have been of invaluable assistance in introducing us to outstanding managers, many of whom were closed, but opened for us.

In the early 2000s, as Williams’ endowment rose above the $1-billion mark, we knew our increasingly complex portfolio and expanding group of outside investment managers would eventually require full-time professional oversight. In 2006, we hired Collette Chilton to the new position of Chief Investment Officer. Former President and Chief Investment Officer of Lucent Asset Management Corporation (where she was responsible for funds totaling more than $40 billion), Collette is working closely with the Investment Committee to enhance Williams’ fiduciary oversight — from investment policy and strategy, to due diligence, to reviews of outside investment managers. She is building a staff of investment professionals who are located at Williams’ new Boston-based Investment Office. We have also provided for a student intern program in the office.

Where Next?

Our diversification across asset classes has been crucial to achieving returns better than the S&P. We set our allocation targets for each asset class annually and over the last few years have increased our allocation to hedge funds, real estate, and international equities, while reducing our allocation to domestic equities and bonds. The Investment Committee recently completed a thorough review of the asset allocation policy for the endowment. The Committee adopted a revised policy that will continue to provide an appropriate return for the College with less risk by diversifying into more asset classes. Figure 3 shows our summary asset allocation policy as of July 1, 2007.

And Why Raise More Money?

Williams allows itself to spend approximately 5 percent a year out of the endowment for operations, against an 8 percent expected return. Our recent annual returns have been higher, but from 1965 to 1982 the ten year moving average was below 8 percent and by being conservative in our forecasts, we can support strategic initiatives through negative financial markets. Gifts to endowment will continue to make a critical difference going forward, as (according to Figure 2) they have for so many generations. The additional 1 to 2 percent annual endowment growth created by gifts has made a huge difference to the size of the pool.

Gifts to Williams support the operating budget through the Alumni Fund and Parents Fund. They provide needed capital for facilities, and they help build the endowment to allow us to increase our level of financial aid and other important programs. Therefore, our most important "assets" are alumni, parents, and friends of Williams, at all levels of support, who continue to give their time and their money to Williams College.

As I end my term as chair of the Trustee Investment Committee, I am delighted that my friend and fellow trustee, Mike Eisenson '77 will be assuming this position. Mike is CEO of Charlesbank Capital Partners LLC in Boston, MA, and has headed our Private Equity Subcommittee for the past five years. Between Mike, Collette and her new team, and our Investment Committee members, the Williams endowment has never been in better hands.

Sincerely,

Dave Coolidge, Class of 1965

Figure 4: Investment Committee and Advisory Committees

Investment Committee

Michael R. Eisenson '77, *Chair**
Gregory M. Avis '80*
David C. Bowen '83*
E. David Coolidge III '65*
Robert I. Lipp '60*
William E. Oberndorf '75*
William E. Simon, Jr. '73*
Laurie J. Thomsen '79*
John S. Wadsworth, Jr. '61*
Sarah K. Williamson '84

Marketable Assets Advisory Committee

William E. Simon, Jr. '73, *co-Chair**
Sarah K. Williamson '84, *co-Chair*
O. Andreas Halvorsen '86
Peter D. Kiernan III '75
James E. Moltz '54
William E. Oberndorf '75*
John Oppenheimer '68
Paul E. Singer P'96 '00
John S. Wadsworth, Jr. '61*

Non-Marketable Assets Advisory Committee

Timothy A. Barrows '79, *co-Chair*
Jonathan D. Sokoloff '79, *co-Chair*
Gregory M. Avis '80*
Michael R. Eisenson '77*
James B. Lee, Jr. '75
Joseph L. Rice III '54
Laurie J. Thomsen '79*
John S. Wadsworth, Jr. '61*

Real Assets Advisory Committee

John S. Foster '80, *co-Chair*
Robert M. Pinkard '75, *co-Chair*
Mary Lou Boutwell '74
William J. Maher '77

*Williams Trustee

1 The investment pool we commonly refer to as "the Williams endowment" does not include pooled income funds and other selected accounts; the total value of Williams' investments, including those funds and accounts, stood at $1.95 billion as of June 30, 2007.

2 We arrive at this number by adding FY2007 operating expenditures (Figure 2) and Capital Budget Expenditures (Figure 3) and dividing the total by 2,000 students.

3 Cambridge Associates: *Annual Analysis of College and University Investment Pool Returns.*

Figure 1: Endowment Per Student (June 30, 2006)

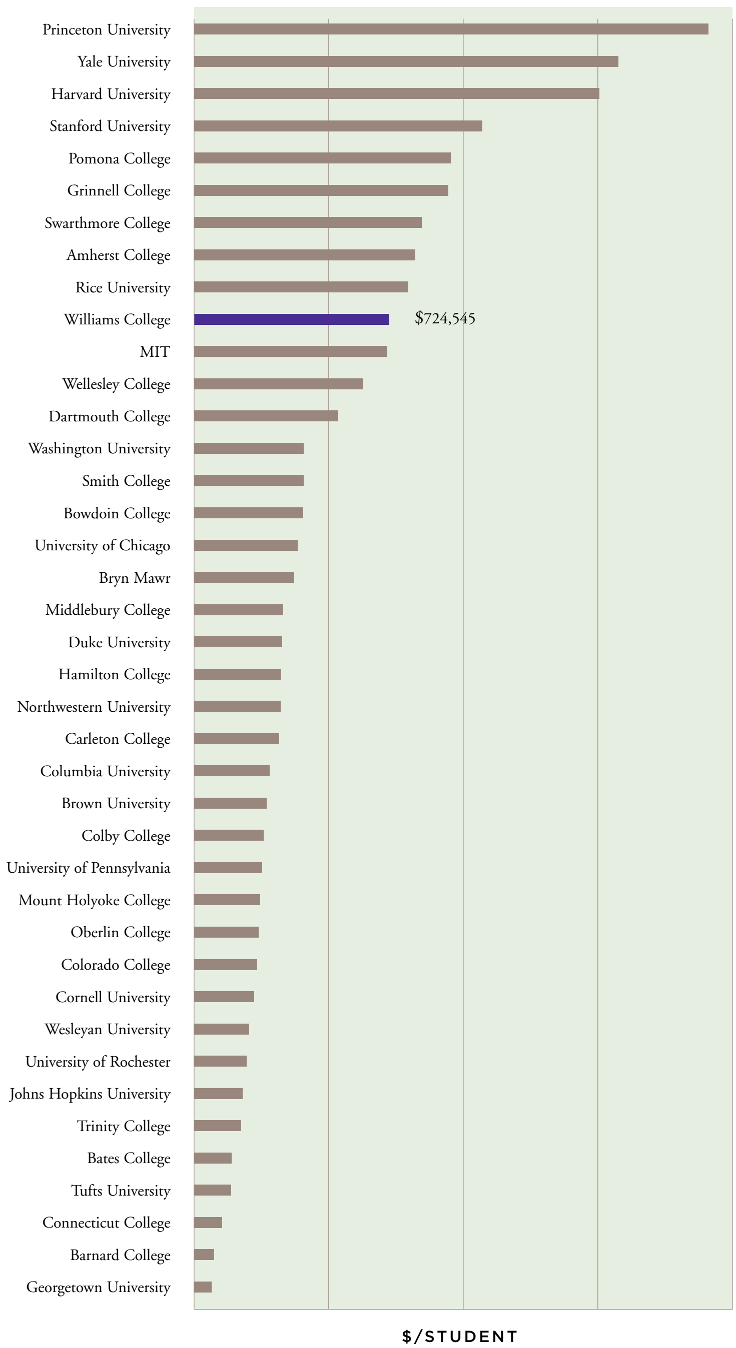

Figure 2: Actual Endowment vs. Endowment Value Without New Gifts

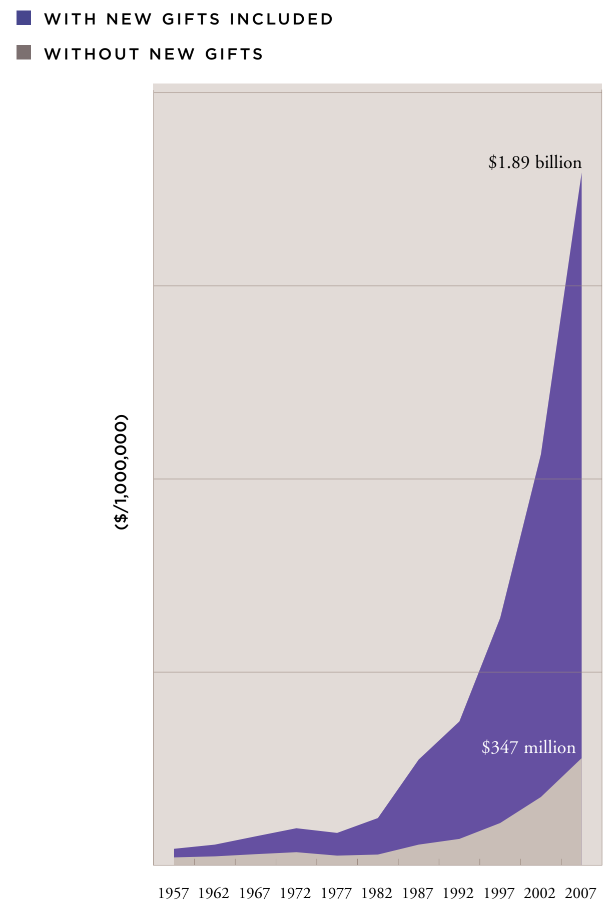

Figure 3: Asset Allocation Policy as of July 1, 2007