

Financial Highlights from Dave Coolidge **Class of 1965**

President and Chief Executive Officer, William Blair and Company; Trustee of the College; Chairman, Finance Committee

In the 12 months ending June 30, 2002—a rocky year in American financial markets—Williams sustained 90 percent of the value of its financial assets, allowing us to proceed confidently with educational initiatives and facilities planned when markets were at an all-time high. Moving ahead with these plans is the right thing to do, but it will require continued generous support from Williams alumni and friends. While our most recent asset allocation decisions certainly helped, much of the credit for growing and preserving the endowment goes to years of wise financial management. I thank my fellow trustees and the College’s outside money managers for superb long-term performance. I particularly thank my predecessor, Allan Fulkerson ’54, for his work as chairman of the Trustee Finance Committee from 1993 to 2001, when Williams’ endowment rose from approximately \$400 million to \$1.3 billion.

Is my gift really important to Williams?

Two years ago, at the peak of the greatest bull market in history, more than a few alumni asked this question. The answer then, and now, is yes. Active, involved, and generous alumni are Williams’ greatest assets. Without your past generosity, our endowment would be a fraction of what it is today, and our ability to provide the best education possible would be greatly limited. As Figure 1 shows, if we stopped receiving gifts around the beginning of the long bull market in 1982, our endowment today would be worth only \$698 million, roughly 63 percent of its June 30, 2002 value. Future gifts to the endowment are crucial to realizing our mission as one of the finest undergraduate institutions in the world.

What gifts does the College need?

Williams needs gifts of many kinds, including significant capital gifts designated for particular purposes. I’d like to focus on what your support of the Alumni Fund means to Williams. Nearly 6 percent of last year’s College expenditures was paid for through the Alumni Fund. Williams uses a gift to the Alumni Fund, of any amount, essentially the day it’s received to help defray the significant current costs of providing a world-class educational experience. In doing so, these gifts help reduce our reliance on investment returns and spending from the endowment, providing us with stability—and ability—to make bold, far-sighted strategic investments in our future.

Dollars aren’t the only measure our Alumni Fund’s success. Last year 61.5 percent of all alumni gave a total of \$7 million to the Alumni Fund—a participation rate claimed by only a half dozen of America’s 3,500 colleges and universities and a source of pride to us all. Major charitable foundations and national education surveys

look closely at alumni participation as a measure of student satisfaction and long-term institutional stability in their grant making and rating decisions. Your continuing gifts to the Alumni Fund—as with gifts to the Parents Fund—have an impact even greater than the dollars you give.

How can Williams afford new programs today?

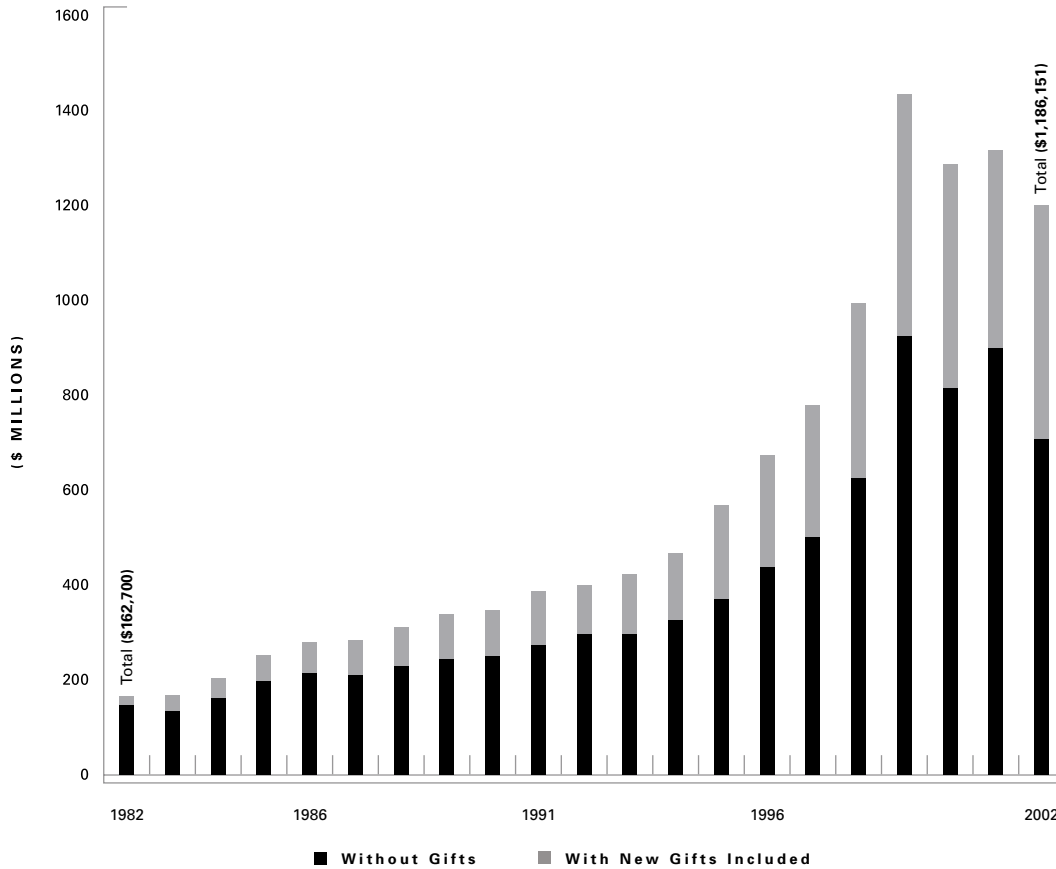
Williams can afford new strategic programs today for three reasons: the generous alumni support I already discussed, “saving” during strong financial markets, and a prudent investment program.

By “saving” during strong financial markets I mean that during the bull market that dominated much of the last 20 years, Williams’ endowment grew an average of 15.7 percent per year, while we increased spending from the endowment by only 6.1 percent annually. We were saving and investing in our future each and every year during these extraordinary times. Despite the dramatic drop in financial markets recently, we can continue to push ahead with new programs, new buildings, and other strategic plan initiatives because of the financial strength we enjoy today.

Another type of discipline helped enormously—diversification. Throughout this period, the Finance Committee continued to search for new managers and new asset classes that promised high enough rewards over time to justify their risk. A great example of this discipline is our newest class of investments in the endowment: Special Strategies. These investments include long/short equity hedge funds, distressed credits, and absolute return strategies. This group of investments has attractive investment return potential, and it is designed to be substantially uncorrelated to our U.S. equity investments. Since the program began in July of 2000 it has

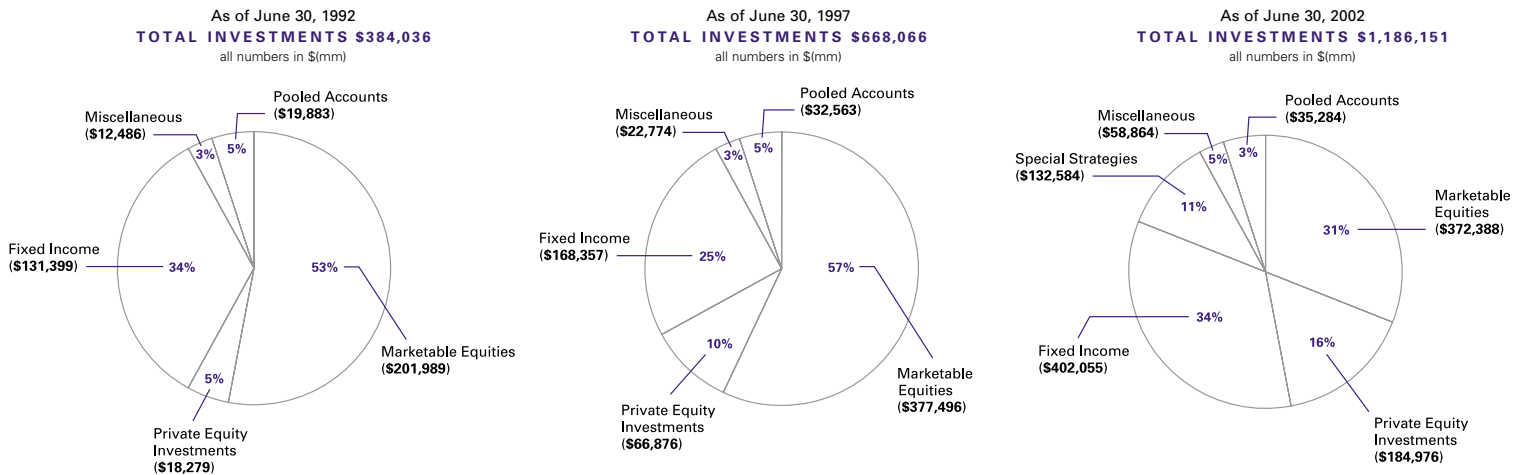
**WILLIAMS COLLEGE ENDOWMENT
ACTUAL ENDOWMENT VS. ENDOWMENT WITHOUT NEW GIFTS**

figure 1



GROWTH IN ENDOWMENT

figure 2



key

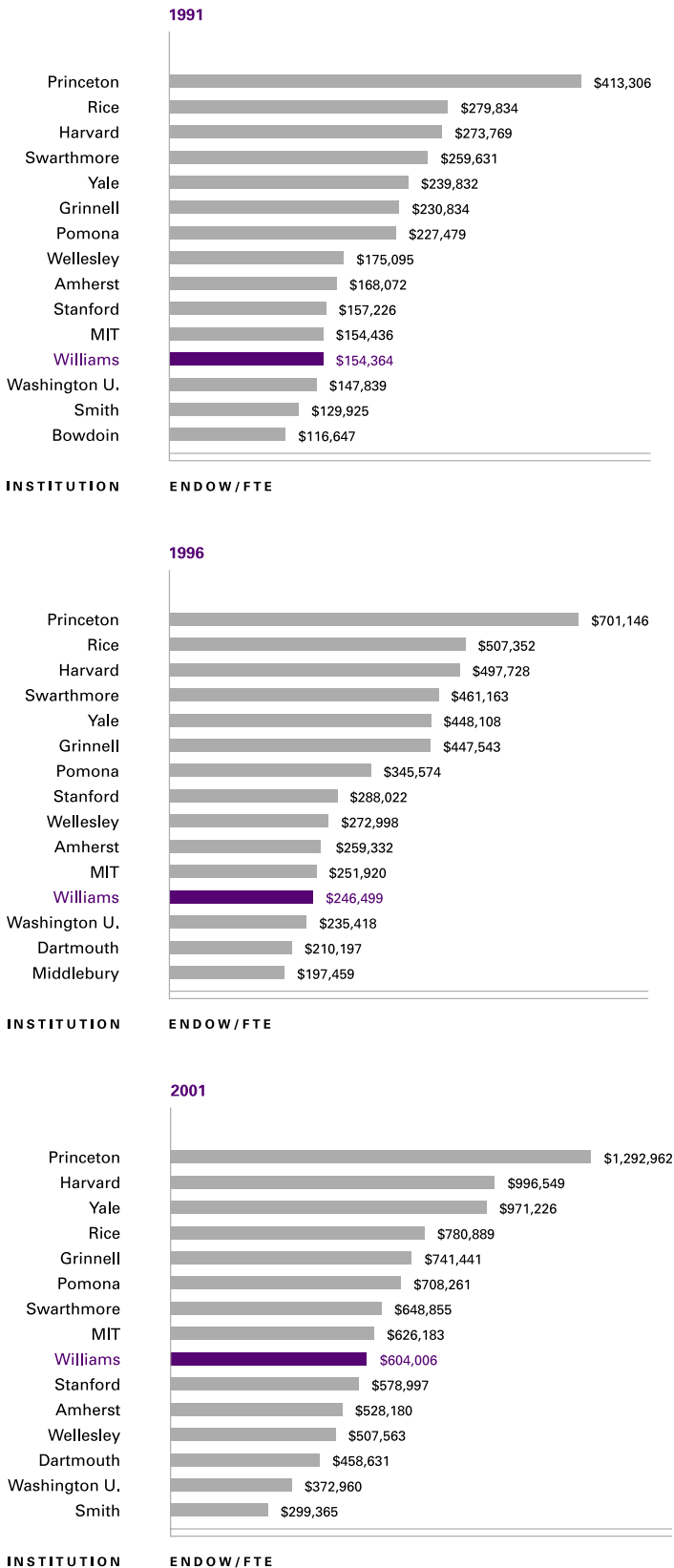
Marketable Equities
includes U.S. and non-U.S.
Private Equity Investments
includes Buyout, Venture Capital, Real Estate

Special Strategies
includes Distressed Credits, Market Neutral, and Hedge Funds
Fixed Income
includes Corporate and Government Bonds as well as Cash Equivalents

Pooled Accounts
Pooled Income Funds
Miscellaneous
includes Faculty Mortgages, Trusts, and Other Assets

**ENDOWMENT PER STUDENT
AT SELECTED COLLEGES AND UNIVERSITIES**

figure 3



had an average annual return of 19.3 percent, while the S&P 500 has declined by an annual average of 16.3 percent over the same period. While our U.S. equity investments and private equity investments struggled over the last two years, our investment discipline and diversification have provided some relief. As can be seen in Figure 2, our asset allocation has moved away from equities over the past four years, while holding in the fixed income and Special Strategies areas.

We measure the success of any investment strategy by its long-term performance. While we were disappointed with our investment performance for the fiscal year that ended June 30, 2002, (a decline of 9.1 percent), this result compares favorably with the 18 percent drop in the S&P 500 and the 32 percent drop for the NASDAQ. We continue our strategy of identifying promising asset classes and, with the help of the investment professionals on our alumni volunteer committees, identifying the very best managers in the asset classes.

Though it has been a difficult two years, for the five- and ten-year periods ending June 30, 2002, the College achieved annualized compounded returns of 16.1 percent and 15.3 percent respectively. These results rank Williams near the top of peer institutions. As of June 2001, the most recent comparative information available, Williams measured ninth in endowment per student among the 40 most prominent colleges and universities in the country. (See figure 3)

Williams College is a premier educational institution because of its alumni and close friends, its unwavering focus on providing a world-class liberal arts education to the best students, and the discipline and foresight of all Williams leaders who preceded us. The abundant resources we have in our stewardship are a great responsibility. Our purpose is not—nor ever will be—to accumulate wealth for Williams as an end in itself. Instead, we manage every dollar you have so generously entrusted to us so that even in difficult economic times such as these we can continue to offer the very best education in the world to the very best students, regardless of their families' ability to pay. We aim to carry on that tradition, and provide for even greater educational opportunities now and further into the future than any of us can envision.

Sincerely,

Dave Coolidge '65