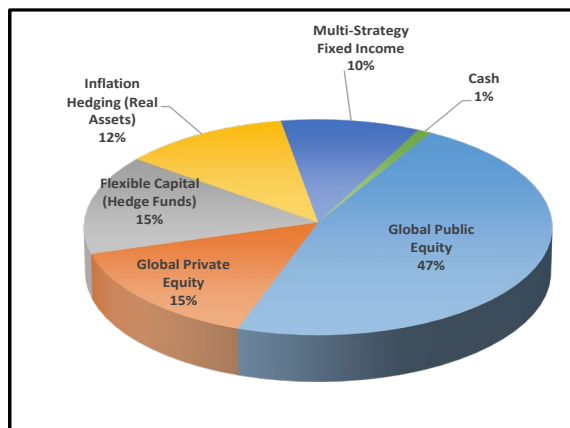


Asset Allocation Policy



Quick Facts:

- **Total Fund Value \$361.8 million**
- **Endowment per Student: \$116,567**
- **Investment Consultant: Prime Buchholz (Portsmouth, NH)**
- **Number of Investment Managers: 28 (plus private equity portfolio of 28 LP's)**
- **Average Position Size: \$12.9 million**

Investment Philosophy: The Investment Committee is responsible to the Board of Trustees for adopting investment objectives and overseeing policy implementations. The Committee is also responsible to monitor investment performance.

The management objective for the endowment pool is to provide a sustainable and increasing level of distribution to support the College's annual operating budget while preserving the real (inflation adjusted) purchasing power of the endowment pool exclusive of gift additions. The level of distribution is expected to grow over time at least at the same rate as the annual average increase in the College's operating budget.

The investment objective for the endowment pool is to attain a compound return (net of fees) of at least 7.0% over the long term, as measured over rolling five-year time periods. The following table summarizes the calculation of the compound return need:

Spending Rate	4.5%
Inflation	2.0%
Real Growth	<u>0.5%</u>
Compound Return Need, net of expenses	7.0%

The Committee's investment policies assume that annual spending over the long term will represent 4.5% of the market value of the endowment pool. The "corridor method" is used to calculate spending: Gift and other endowment additions earn spending amounts equivalent to an annual rate of 4.5% of the principal addition in the first fiscal year following investment. Each fiscal year thereafter, the spending amount, in dollars, is increased by 2.5%. The annual spending amount will not be less than 3.5% nor will exceed 5.5% of the endowment's fair market value measured as a 4-fiscal quarter average lagged one quarter at the beginning of any fiscal year.

The endowment is managed by an experienced committee of the Board of Trustees. The Committee meets quarterly with our consultants to review the endowment's asset allocation, monitor investment manager performance, and report to the College's Board of Trustees. Consistent with the Investment Philosophy, the Committee benchmarks returns against a weighted index relative to each positions benchmark. The College's portfolio performance returns since January 1997 (from inception of tracked data) of 7.7%, greatly surpasses the College's weighted policy index of 7.0% and the endowment growth need of 7.0%. The one-year performance of 7.3% lagged the policy index (8.5% benchmark) by 120 bps. The College Endowment Pool assets totaled \$361.8 million, climbing 7.4% for the fiscal year through August 31 (three months) and 0.5% for the calendar year.