



Williams

Investment Report 2018

A message from Investment Committee Chair Jonathan Kraft '86

I am pleased to report the Williams College Investment Pool had another strong year, returning 13.5 percent. This exceeded the return of our investment policy benchmark, and we expect it will exceed the results reported by most of our peer schools. This performance is the result of a disciplined investment program that focuses the college's capital on the long term. Our investment program has been consistently applied over a long period of time, under stable leadership, and emphasizes not only achieving attractive long-term returns but also our need to manage volatility and maintain liquidity. These attributes are especially important because the college relies on the Investment Office to support our operating budget and in particular our commitments to financial aid and academic excellence.

I formally concluded my term as Investment Committee chair at the end of Fiscal Year 2018, and it was a privilege to end my term on this high note. I want to use my last letter to acknowledge our Board Chair Michael Eisenson '77, Investment Committee chair from 2007 to 2014, who was the driving force behind building our Investment Office and investment program. In partnership with Collette Chilton, our exceptional chief investment officer, who has been with Williams since 2006, and her superb staff, Michael laid the foundational strategy for strong long-term investment performance.

While I will have the privilege of continuing to serve the committee in an emeritus role, I want to acknowledge Tim Barrows '79, who has now succeeded me as Investment Committee chair. Tim knows Williams' investment program well, having served on the Investment Committee since July 2010. He also served on the Non-Marketable Assets Advisory Committee and its predecessor committee since 2003. Tim is a Williams trustee, loyal alumnus, and world class venture capitalist and investor. I am happy the college's investment strategies will continue to benefit from his experience, insight, and dedication.

In my 2017 letter I noted the departure of President Adam Falk in December 2017, after eight years at Williams. In this year's letter, I am pleased to welcome his successor, Maud S. Mandel, as the college's 18th president. President Mandel is a distinguished scholar and leader who has demonstrated a keen interest in our investment program and has begun meeting regularly with Collette. My Investment Committee colleagues and I are looking forward to working with her and very much appreciate the strong interest she has shown in the college's investment office and strategies.

While our Fiscal Year 2018 results were satisfying, we know there will be difficult investment periods ahead. We cannot predict or time when those periods will occur; they may come very soon. What we can do, and what we will do, is remain focused on a disciplined, long-term investment strategy, manage risk, and monitor liquidity. And we will continue to work hard towards our goal of delivering the financial support for all the work that makes Williams such an exceptional school.

Jonathan A. Kraft '86

Chair, Investment Committee

A message from Chief Investment Officer Collette Chilton

The report accompanying this letter provides an update on Williams' investment program. It was a good year for our program in both absolute and relative terms. While global equity markets provided a favorable investment environment (the MSCI AWCIM index was up over 11 percent), our return was enhanced by manager-specific outperformance. We have been cultivating relationships with many of these managers for some time, which makes this year's results particularly satisfying.

We have been lucky to have Jonathan Kraft's leadership since he took over from Michael Eisenson '77 as Investment Committee chair on July 1, 2014, after six years as a member of the committee. During his chairmanship, Jonathan has been an outstanding partner and adviser, guiding our strategies in ways that are bearing fruit for Williams now and will continue to do so. Jonathan has agreed to serve as an emeritus member, for which we are all grateful.

It has been a pleasure getting to know President Maud S. Mandel and we look forward to welcoming her to future Investment Committee meetings. I am grateful that Tim Barrows '79 will continue on the committee and serve as its chair. Our team looks forward to working with Tim, Maud, our Investment and Advisory Committees, and the Williams community in the years ahead.

Collette D. Chilton

Chief Investment Officer



Summary Investment Performance

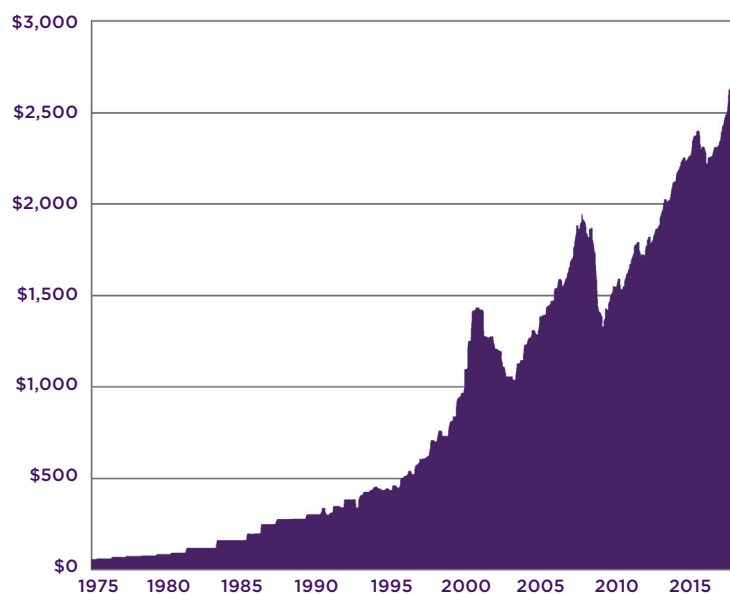
Over the last 40 years the Williams College Investment Pool has grown from approximately \$50 million to \$2.7 billion, and Williams has enjoyed an annualized return of more than 12 percent. During this period, our annual returns have reached as high as 50.9 percent in 2000 and as low as negative 18.4 percent in 2009. While our Fiscal Year 2018 return of 13.5 percent is satisfying, we continue to maintain a very long-term perspective. Today, our 20-, 30-, and 40-year annualized returns are all at or above 10 percent.

Annualized Returns for the Fiscal Year Ended June 30, 2018					
	1 Year	3 Years	5 Years	10 Years	20 Years
Williams Portfolio ¹	13.5%	8.6%	10.6%	8.0%	10.0%
Policy Portfolio Benchmark ²	9.3	6.5	7.7	5.4	n/a
60/40 Stock/Bond Portfolio ³	8.5	8.0	9.1	7.9	6.1
Return Objective ⁴	7.8	6.8	6.5	6.4	7.2

¹ Williams Portfolio returns are net of fees and annualized for periods over one year.
² Policy Portfolio return data is not available for the 20-year period.
³ A passive benchmark of 60% S&P 500 Index/40% Barclays Aggregate Bond Index.
⁴ The Williams Return Objective is a 5% real return plus inflation, defined by the Consumer Price Index.

Annual Fiscal Year Returns									
2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
13.5%	14.6%	-1.5%	9.9%	17.5%	14.8%	3.1%	20.2%	11.9%	-18.4%

Williams College Investment Pool Value Over Time (\$ millions)



Allocation and Asset Class Performance

Asset Class	Fiscal Year 2018 Return	Fiscal Year 2018 Target Allocation	Commentary
Global Long Equity	12.1%	23%	The global long equity portfolio had another strong year, as most equity markets enjoyed double-digit returns. Overall, developed markets (particularly in the U.S.) outperformed emerging markets and growth stocks continued to outperform value stocks.
Global Long/Short Equity	12.5%	19%	The global long/short equity portfolio had a strong year, as managers continued to participate in the equity markets, particularly in the U.S. Returns were primarily generated from the long side, with mixed performance across managers' short portfolios.
Absolute Return	6.6%	19%	The absolute return portfolio performed well. Managers' increased exposure to equities and reduced cash balances aided performance as did event-driven positions in both distressed companies and companies involved in mergers and acquisitions.
Venture Capital	34.1%	6%	The venture capital portfolio generated the highest return of all 10 asset classes and was the largest overall contributor to the college's fiscal year outperformance. Returns were driven by a number of investments in high-growth, high-valuation companies. Exit activity appears to be accelerating as well.
Buyouts	17.0%	9%	The buyouts portfolio performed well for the fiscal year. Managers continued to generate significant realizations given that we are in a seller's market characterized by high valuations, a large universe of potential acquirers, and capital markets that are more receptive to public offerings.
Real Assets	18.2%	5%	Valuations increased during the fiscal year, and private investments have continued to outperform public holdings. An increasing commodity price environment and M&A activity helped to enhance returns.
Real Estate	9.1%	6%	Property values remain elevated, resulting in significant exit activity and a slower pace of capital deployment. Fiscal Year 2018 had the highest ratio of distributions to capital calls ever experienced by the real estate portfolio.
Investment Grade Fixed Income	0.4%	2%	Investment-grade fixed income managers maintained an underweighting duration position as well as an underweight to treasuries. Investment-grade corporate debt helped the asset class outperform on a relative basis.
Non-Investment Grade Fixed Income	6.3%	10%	Non-investment grade fixed income posted good returns during the year, with managers finding opportunities in short-duration and high-quality assets, as well as distressed credits. Managers were positioned well for rising interest rates during the year as they outperformed the asset class benchmark.
Cash	0.4%	1%	An increasing interest rate environment has helped to generate modest returns from cash holdings for the first time in several years.
	13.5%	100%	



Notable Events during Fiscal Year 2018

Governance: The success of an investment program depends on prudent governance. The people who help to oversee Williams' investment program have always been part of the college's investment edge, and we are fortunate to have their help. More than 35 alumni have been involved in Williams' investment program since the inception of the Investment Office back in 2006. The team in the Investment Office is looking forward to working with the new president and new Investment Committee chair.

Investment Results: We are pleased with our Fiscal Year 2018 return. There were two key themes that drove performance this year:

Venture Capital: This has been one of our best years for our venture capital portfolio in terms of both investment return—up more than 34 percent—and distributions from our venture capital managers.

Equity Exposure: World equity markets were up more than 11 percent this year. While this was a nice tailwind for the managers in our global long equity and global long/short asset classes, nearly all the managers were able to beat their benchmarks.

Investment Relationships: We look to partner with the best investment managers. Sourcing and selecting these managers is often a long process. Last year, we conducted more than 400 meetings with new and existing managers. It may take years to build a relationship with a successful investment manager. And after we establish a relationship with an investment manager, it may take years to make an investment. Many of the most successful investment managers are capacity constrained, meaning the manager may not be able to accept additional capital because the additional capital may impair their ability to prudently execute their investment strategy. We know that building and maintaining these relationships takes time and work. We will continue to work to be both a selective investor and a good partner to those managers with whom we invest.

Impact Investing: We continue our work on sourcing impact investment managers with expertise in companies, projects, or technologies focused on the reduction of global greenhouse gas emissions. We pursue these investments in a manner that is consistent with our fiduciary duty to pursue the highest risk-adjusted returns for the Investment Pool. We made our first impact investment in Fiscal Year 2017 in a fund that provides debt financing to small- and mid-sized alternative energy projects in North America.

Student Programs: In Fiscal Year 2018 we held our 10th Winter Study course on campus, with eight students participating. We also hosted two students in our 11th annual summer analyst program, which lasts for 10 weeks and provides Williams students with direct experience in endowment management. We have worked with more than 65 students through this and related programs since 2008.

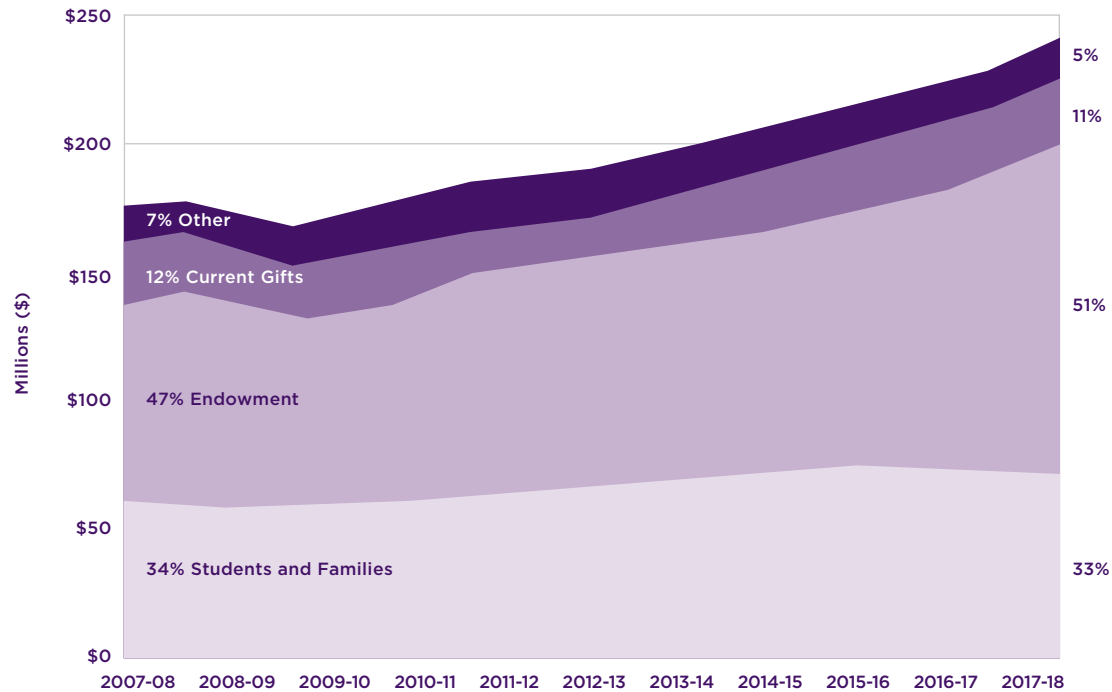


Ju Ming (Chinese, b. 1938), *Taichi*, 1985. Bronze. Extended loan, collection of the artist, Courtesy of Tsong-zung Chang, Class of 1973.

How the Investment Pool Supports the Williams Operating Budget

Williams relies on the endowment and current gifts for more than 60 percent of every dollar it spends.

Trend in Revenue Sources



This large endowment (more than \$1 million per student) allows Williams to sustain our educational offerings while meeting the full financial need of every admitted student. Strong, long-term investment performance is especially important for funding access and programmatic innovation while enabling the college to limit price increases.

Governance and Management

as of June 30, 2018

Investment Committee

Jonathan A. Kraft '86, *Chair*
Timothy A. Barrows '79*
Noriko Honda Chen '89*
Michael R. Eisenson '77*
O. Andreas Halvorsen '86*
Elizabeth B. Robinson '90*
Jonathan D. Sokoloff '79*

Emeritus Member of the Committee
Robert G. Scott '68

Advisory Committees

Marketable Assets

O. Andreas Halvorsen '86, *Co-Chair**
Elizabeth B. Robinson '90, *Co-Chair**
Noriko Honda Chen '89*
Charles P. Coleman III '97
Jennifer A. Heller '00
Jonathan A. Kraft '86
Paul E. Singer P'96, '00

Non-Marketable Assets

Timothy A. Barrows '79, *Co-Chair**
Jonathan D. Sokoloff '79, *Co-Chair**
Elizabeth B. Robinson '90*
Collin E. Roche '93
Nathan K. Sleeper '95

Real Assets

John S. Foster '80, *Co-Chair*
Robert M. Pinkard '75, *Co-Chair*
Mary Lou Boutwell '74
William J. Maher '77
Michelle Y. Pak '91
Glenn A. Shannon '78

Emeritus Member of the Committee
Robert G. Scott '68

Investment Office

Reporting to the college president, the chief investment officer oversees and manages the college's investments, including the selection of investments, investment managers, and consultants, subject to the approval of the Investment Committee and according to the committee's policies and procedures.

Collette D. Chilton
Chief Investment Officer

Julia T. Crosby
Managing Director

Abigail G. Wattley '05
Managing Director

Bradford B. Wakeman
*Managing Director and
Chief Operating Officer*

Derek R. Andren, CFA
Senior Associate

Sean C. Burbank
Senior Associate

Jack C. Bissell '16
Investment Analyst

Caroline M. Hogan '18
Investment Analyst

Christopher J. Cronin, CPA
Investment Operations Associate

Kristin A. Corrigan
Executive Assistant/Office Manager

*Williams College Trustee



Williams

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