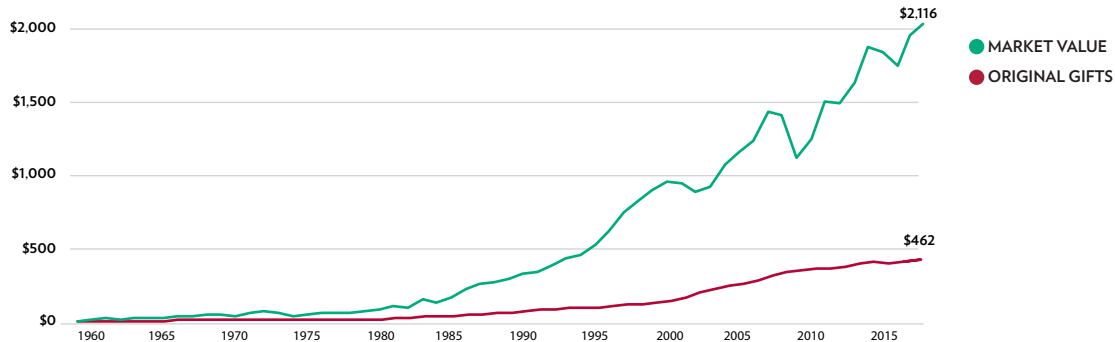


Swarthmore College Endowment Report

FOR THE YEAR ENDING JUNE 30, 2018

VALUE OF ORIGINAL GIFTS TO ENDOWMENT AND THE MARKET VALUE OF THOSE GIFTS (millions of dollars)



ANNUALIZED RATES OF RETURN WITH BENCHMARKS

	1 YEAR	3 YEARS	5 YEARS	10 YEARS
SWARTHMORE COLLEGE	12.4%	8.1%	8.8%	7.6%
CPI + 5.75%	8.6%	7.6%	7.3%	7.2%

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them. The Investment Committee uses CPI as a long-term measure of the endowment's ability to support the College's present and future operations.

ASSET ALLOCATION



- DOMESTIC EQUITY (21%)
- INTERNATIONAL EQUITY (21%)
- MARKETABLE ALTERNATIVES (11%)
- PRIVATE EQUITY (18%)
- REAL ASSETS (12%)
- PRIVATE CREDIT (2%)
- FIXED INCOME, CASH, AND CASH EQUIVALENTS (15%)

DOMESTIC EQUITY includes investment in publicly-traded stocks of companies domiciled in the U.S.

INTERNATIONAL EQUITY includes investment in publicly-traded stocks of companies domiciled in international countries.

MARKETABLE ALTERNATIVES include investments in hedge funds that invest in risk arbitrage, equity long/short, and distressed securities.

PRIVATE EQUITY includes investments in privately-held companies including leveraged buyout and venture capital companies that are domiciled in the U.S. or in international countries.

REAL ASSETS include investments in real estate and natural resources.

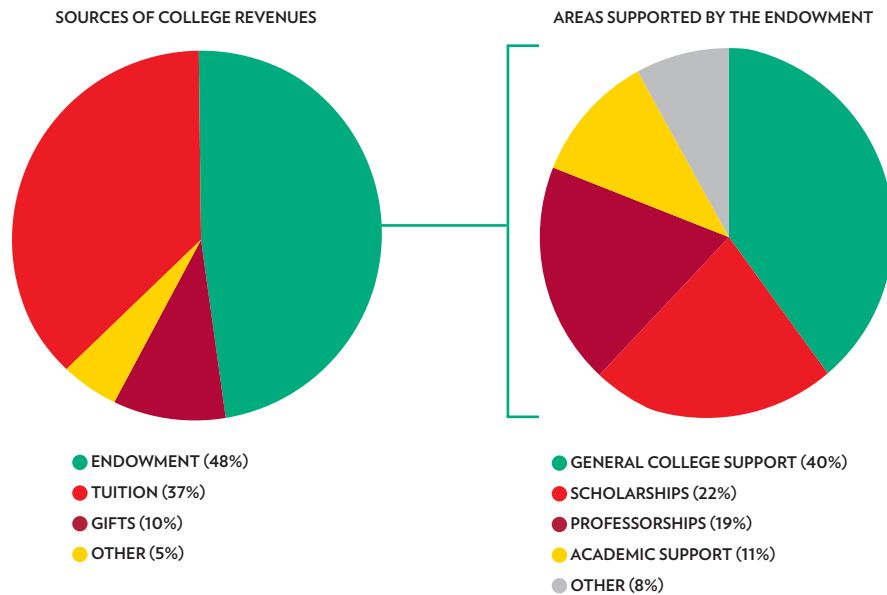
PRIVATE CREDIT includes privately-traded investments in corporate direct lending, real assets, financial assets, and distressed debt.

FIXED INCOME includes investment in fixed income securities, such as U.S. Treasury bonds and Treasury Inflation-Protected securities.

CASH AND CASH EQUIVALENTS are investments in cash and money market instruments that can be liquidated immediately or within 30 days.

HOW MUCH OF THE BUDGET DOES THE ENDOWMENT COVER AND WHAT DOES IT SUPPORT?

The endowment provides the largest source of revenue for the College through an annual distribution. Donors who have supported the endowment continue to make a perpetual impact on Swarthmore. In 2017–18 fiscal year, the budget was \$163.3 million. The endowment distributed \$82 million, or 48% of College expenses.



WHAT IS THE ENDOWMENT?

The endowment is a pool of investments made up of gifts and bequests by donors, funds allocated by the College, and accumulated interest, dividends, and capital appreciation. Donors have contributed funds to the endowment that support buildings, equipment, collections, professorships, scholarships, awards, general operating expenses, and more. The endowment, which grows over time, contributes in perpetuity to the operating budget of the College and safeguards the institution from economic and political forces.

WHO MANAGES THE ENDOWMENT?

THE BOARD OF MANAGERS reviews and approves investment policies annually.

In conformity with those policies, the INVESTMENT COMMITTEE of the Board sets the asset allocation; approves the selection of investment managers and partnerships (not individual securities); and monitors and evaluates performance of the endowment and the investment managers. The Investment Office works collaboratively with the Investment Committee to meet their goals.

HOW ARE DISTRIBUTIONS CALCULATED?

Swarthmore uses a growth-based formula to calculate endowment spending. The spending rate varies from year to year within a target range of 3.5%–5%. In 2018, the spending rate was 4.26%. The spending rate is applied to the endowment's value on a quarterly basis, and distributions are made based on the previous quarter's value (e.g. the December distribution is based on September's units).

WHAT HAPPENS TO ENDOWED GIFTS?

When endowed gifts are received, they are allocated to the endowment at the previous quarter's market value per unit. Funds are pooled for investment purposes but tracked individually. College Advancement will send an annual letter with a statement reporting on the growth of your fund and its distributions.