

# williams

Annual Investment Report 2022







A long bull market came to a dramatic end in fiscal year 2022, which concluded on June 30, 2022. Investors of all types, Williams among them, experienced significant portfolio declines.

The college's investment pool returned -11.2% for the year, one of its more disappointing performances in 50 years. The pool ended the year with a market value of \$3.5 billion, down from \$4.2 billion a year earlier.

Still, negative returns are not surprising, especially in a period marked by falling equity prices (global equities fell 16.5%), high inflation, international tension (including the most significant armed conflict in Europe since World War II), continuing repercussions from Covid-19 and widespread uncertainty.

The good news is that this year followed five consecutive years with positive returns, including the extraordinary 49.9% recorded in FY2021. In short, we had saved for this rainy day.

We invest for the very long term; our annualized return over the past 50 years is 11.7%.

That long-term record allows for a steady stream of payments to the college budget. Those payments, combined with enviably robust alumni and parent support, keep Williams strong and stable.

## A Letter to the Williams Community

Thanks to both the endowment and philanthropic support, the college is positioned for continued academic excellence, capable of pursuing its strategic goals and of undertaking new initiatives. This year, for instance, Williams became the nation's first college to award financial aid packages consisting entirely of grants, without loans or any requirement for on-campus or summer work.

Much of the Williams endowment is allocated to equity investments; our global long equity portfolio declined 28.2% in FY2022. Our venture capital portfolio, which returned 124% in FY2021, fell 13% this year. As you will read in this report, however, the declines were cushioned by the performance of our buyout, real estate and real assets portfolios; all rose by double digits.

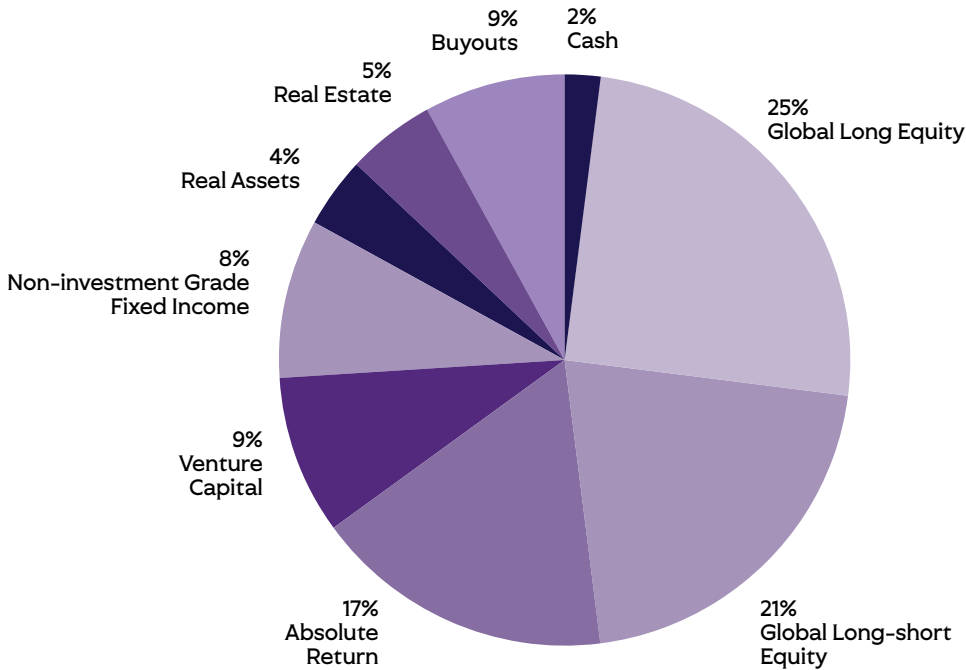
The Williams College Investment Office is a partner in the college's educational mission, committed to creating academic and career exploration opportunities for Williams students interested in investment and finance. In this report, you will read about one of our student initiatives, the full-time analyst program, which marked its 10th anniversary in FY2022.

As always, Williams greatly benefited this year from the expertise and commitment of alumni volunteer members of the Investment Committee and the advisory committees. These alumni volunteers and the Investment Office staff members are listed at the end of the report. We are grateful to them and privileged to consider them our colleagues and friends.

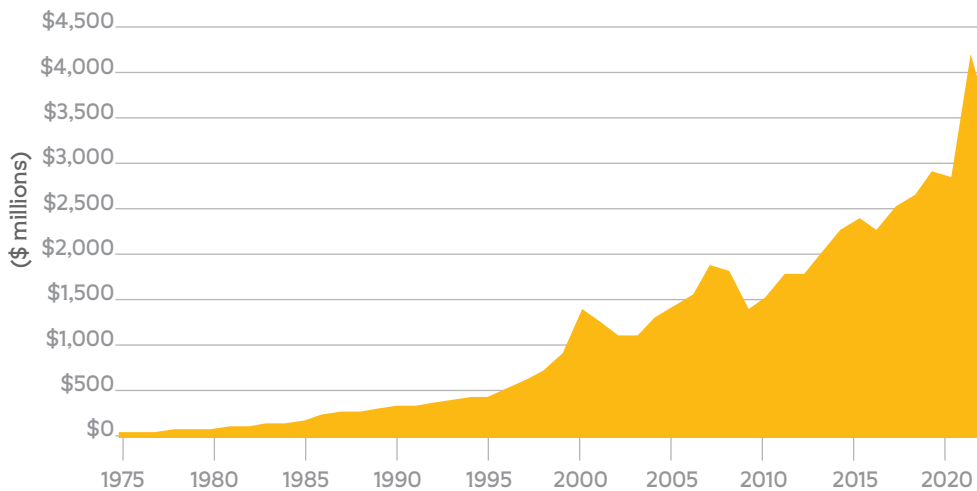
Tim Barrows '79  
*Investment Committee Chair*

Collette Chilton  
*Chief Investment Officer*

## Williams College Endowment Asset Allocation FY2023



## Williams College Investment Pool Value Over Time



### AT A GLANCE

# The Williams College Investment Office

### WHO WE ARE

- > \$3.5 billion in the investment pool
- > 2006  
Year founded
- > 11.1%  
10-year return
- > Overseen and guided  
by the Investment Committee
- > Boston-based

### WHAT WE DO

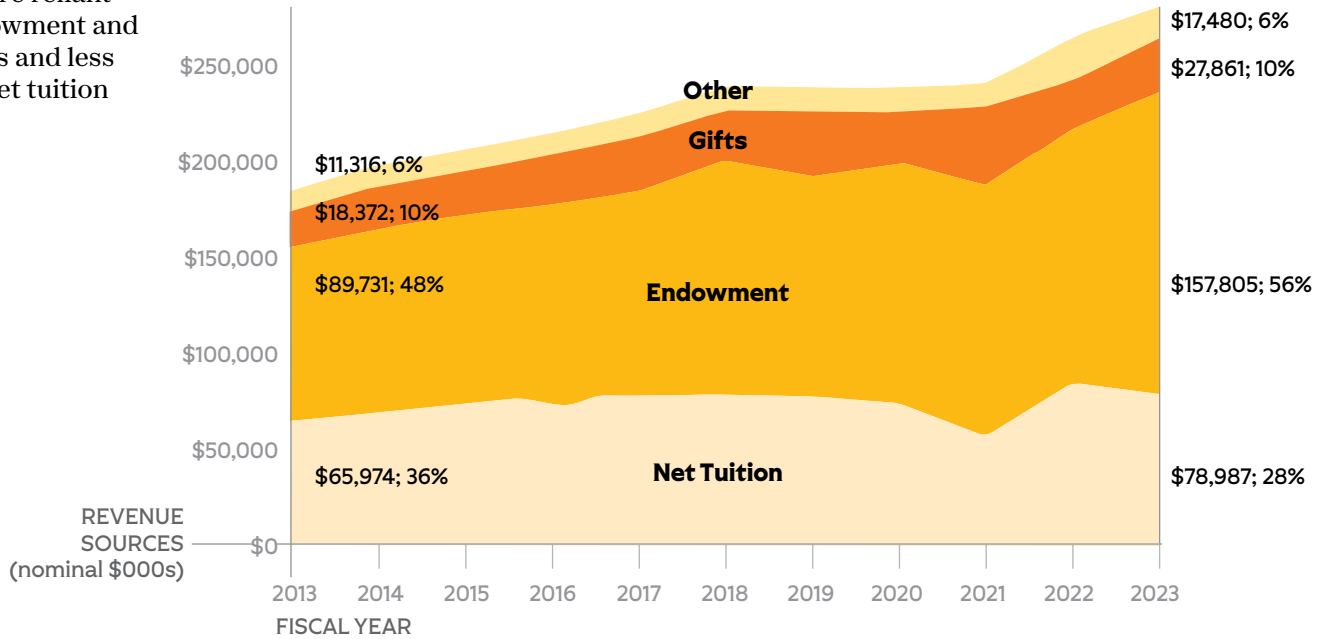
Our investment objectives:

- > Achieve a 5% real return to support the college and maintain intergenerational equity
- > Manage risk/dampen volatility in the portfolio
- > Maintain liquidity to be able to transfer funds to the college's operating account

## OUR ROLE IN SUPPORTING THE COLLEGE

> Over time, Williams has become more reliant on the endowment and current gifts and less reliant on net tuition revenue.

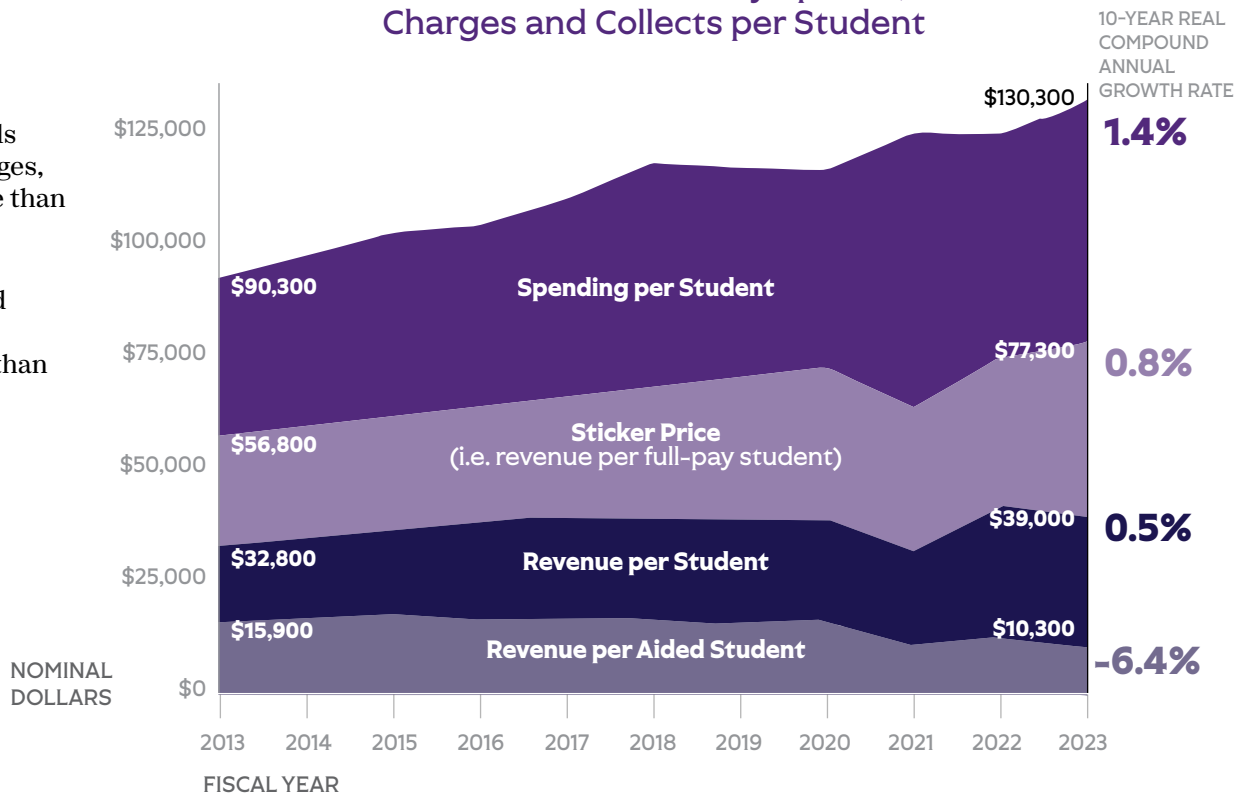
### Trend in Revenues by Source



### What Williams Actually Spends, Charges and Collects per Student

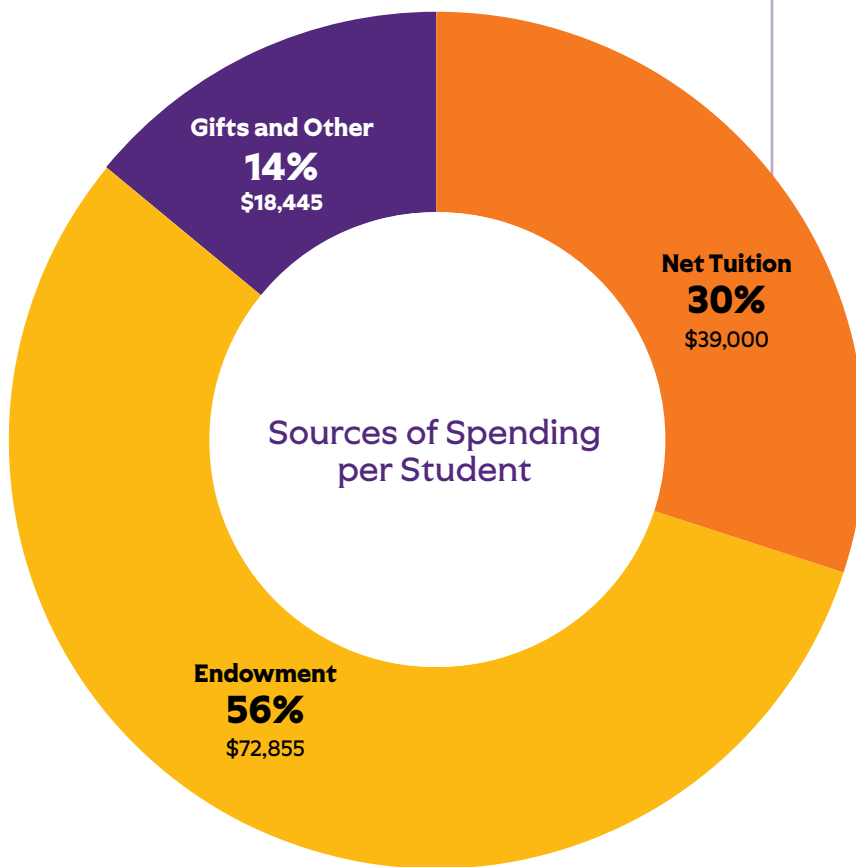
> The college spends more than it charges, and charges more than it collects.

> The average aided student pays significantly less than 10 years ago.



Williams spends \$130,300 per student from three sources:

- > The college collects an average of \$39,000 in net tuition per student;
- > The college raises an average of \$18,445 in gifts and other revenue per student;
- > Which means the college needs to use \$72,855 from the endowment for every student.



# Summary Investment Performance

The Williams College investment pool returned -11.2% for the fiscal year ended June 30, 2022, and ended the year with a market value of \$3.5 billion. We underperformed our benchmark for the first time since 2008. Our peer schools who, like Williams, are more aggressively invested in equities and venture capital also had muted returns for FY2022.

## Williams College Investment Pool Returns in FY2022

ASSET CLASS	POLICY WEIGHT	FY2022 RETURNS
Global Long Equity	25%	-28.2%
Global Long-short Equity Hedge Funds	21%	-25.6%
Absolute Return Hedge Funds	17%	-6.1%
Venture Capital	9%	-13.0%
Buyouts	9%	20.1%
Real Assets	4%	41.8%
Real Estate	5%	28.0%
Non-Investment Grade Fixed Income	8%	1.3%
Cash and Short-Term Treasuries	2%	0.1%
<b>Total</b>	<b>100%</b>	<b>-11.2%</b>

Prior to FY2022, we had five years of positive returns. Our return in FY2021 was 49.9%, and our annualized five-year return was 11.3%. We have been expecting a “reversion to the mean” for some time, and it appears to be happening. It is also important to note that, during FY2022, inflation was 9%, further reducing the real value (or purchasing power) of the endowment.

## What drove our FY2022 return?

1

We have an equity-oriented portfolio; global equities were down 16.5%. This affected our global long equity and hedge fund portfolios.

2

Our venture capital portfolio, which posted a return of 124% in FY2021, fell 13% as managers wrote down many private positions.

3

Diversification helped: Our buyout, real estate and real assets portfolios were all up double digits.



At the Williams College Investment Office, our job is to allocate the college's capital to earn a sufficient return to contribute to the college's annual operating budget (and financial aid priorities) and to maintain the intergenerational equity of the endowment.

As an endowment, we are the ultimate long-term investor. Our investment time horizon is perpetuity.

Our very long-term annualized returns (e.g., 30-, 40- and 50-year returns) are all above 10%.

### Annualized Returns for the Fiscal Year Ended June 30, 2022

	1 YEAR	3 YEARS	5 YEARS	10 YEARS	20 YEARS	30 YEARS
Williams Portfolio <sup>1</sup>	-11.2%	11.2%	11.3%	11.1%	9.6%	11.1%
Policy Portfolio Benchmark <sup>2</sup>	-5.7%	8.7%	8.0%	8.0%	n/a	n/a
60/40 Stock/Bond Portfolio <sup>3</sup>	-10.2%	6.2%	7.4%	8.5%	7.1%	8.1%
Return Objective <sup>4</sup>	14.0%	10.0%	8.9%	7.6%	7.5%	7.5%

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- and 30-year periods.  
 3. A passive benchmark of 60% S&P 500 Index/40% the Bloomberg Barclays U.S. 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

2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
-11.2%	49.9%	3.3%	9.6%	13.5%	14.6%	-1.5%	9.9%	17.5%	14.8%

# Williams invests for the long term

## LOOKING AHEAD, WE ARE:

- > Assessing what worked and what didn't;
- > Actively looking for great investments and monitoring our existing roster of managers;
- > Remaining fully invested and focused on the long term; and
- > Preparing for a period of increased liquidity needs without making short-term tactical shifts.



## Impact Investments: Tackling Climate Change

Williams is serious about confronting the challenge of climate change and doing something about it. On multiple fronts.

On campus, the college is working to curtail energy consumption, switch to renewable sources of energy and eliminate greenhouse gas emissions. It now owns, as just one example, a substantial share of a 76-megawatt solar farm.

The college has also committed to increasing student opportunities to study and research climate issues. One example of fulfilling that commitment: two new faculty positions in environmental studies.

A third front involves the endowment. The Investment Office was charged in 2015 with allocating at least \$25 million in endowment funds to investment managers with expertise in companies, technologies and projects aimed at reducing global greenhouse gas emissions.

We exceeded that mandate, committing \$30 million by the initial deadline, the end of FY2020. Since then, at the direction of President Maud Mandel and the Investment Committee, we have continued to seek opportunities for these impact investments. In fact, the endowment has now deployed a total of \$50 million across six funds (run by four managers) in three asset classes.

One example of a company in which the college now invests is a developer of utility-scale battery storage projects. The company's goal is to solve the intermittency problem, storing power produced by solar and wind farms and sending it to the grid when the wind isn't blowing or the sun isn't shining.

## THE RESULTS

The goal of the endowment's climate-focused impact investments is to generate a market-rate return or better while measurably reducing greenhouse gas emissions.

These investments have collectively achieved strong financial results since inception, notably producing a positive return in FY2022 despite the negative trends experienced in the broader market. We also estimate that the college's impact investments helped offset more than 67,000 metric tons of carbon dioxide in calendar year 2021.

## LOOKING TO THE FUTURE

In 2021, President Mandel announced the decision of the board of trustees to cease new investments in funds engaged in oil and gas extraction. Investments in such traditional energy projects are often considered an effective hedge against inflation; that was the primary role they played in the management of the Williams endowment.

We are optimistic about what investments in alternative energy may provide from a return and risk perspective and are hopeful those investments may also be useful as a tool to hedge against inflation.





## Student Programs

**Big picture:** The Investment Office exists to help Williams provide the best possible educational experience for roughly 2,200 of the best students in the world.

**Zoom in, though:** The Investment Office is also committed to working directly with a smaller group of students interested in investing and finance. We give these students access to experiences that can help them decide if an investment career is right for them and, if it is, to a network that can launch them on that career.

Each January, the investment staff leads a Winter Study class in investment management; each summer, the office brings two undergraduates to Boston as summer analysts.

FY2022 was the 10th year of a similar initiative: We hire two recent Williams graduates for three-year entry-level positions as full-time analysts on the Investment Office staff. The analysts assist with due diligence on current and prospective investment managers, with ongoing analysis of the endowment and with other projects.

Here are the stories of two of them: one of our current full-time analysts and the first Williams graduate to participate in the program.

Now in his second year as an analyst, Ricardo was an economics major who concentrated in global studies. He says he has “always had a passion for entrepreneurship and understanding how things work, including businesses.”

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“If you think of the college as a mission-driven business with a diverse set of stakeholders,” he says, “you can come up with compelling questions you want to answer. Being at the Investment Office is an incredible opportunity to explore my curiosity.”

Ricardo and his fellow analyst, Mina Burns '22, work across all the asset classes that Williams invests in, supporting the team leaders assigned to those classes. Besides ongoing analysis, projects include writing new investment recommendations and evaluating current investments.

“We try to reach conclusions regarding a manager, assessing not only the manager’s performance but also the people and investment processes that drive that performance. In short, we try to assess if a manager has an edge,” he says. The goal of the endowment is, of course, to support Williams not for a quarter or a year, but in perpetuity. “The only way we’re going to do that is if we’re aligned with a manager operating on that time scale, with an investment strategy aligned with our mission.”

Ricardo was born in the United States of immigrant parents who came to the country in 1999 from then-strife-torn Colombia, seeking political asylum. They instilled in him a passion for education and an appreciation for hard work and initiative. He graduated from high school with not only a diploma but also an associate’s degree from community college. He won a Questbridge scholarship, choosing Williams in part because of the faculty’s expertise in development economics. Now tri-lingual in English, Spanish and Portuguese, he is considering either attending business school when his term as analyst ends or first gaining experience in direct investing.





ANNA SOYBEL '11

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Anna was a math and English major with experience in public policy and a strong interest in social equity. In her senior year, she didn't have a fixed idea of what to do next. She was intrigued, however, when she learned that the Investment Office was recruiting for the first hire in its then-new full-time analyst program.

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"It sounded like a really interesting opportunity," she recalls. "I was interested in learning about financial markets and contributing to Williams while growing my professional skillset."

She won the position and dove in. Outside the office, she read about investment and endowments; at work, she took advantage of colleagues' generosity in making time to talk over even what she now considers the most basic questions. Working with them, she helped design and build a role that is now an essential part of the Investment Office structure.

“Working at the Investment Office has been a foundational part of my career,” Anna says. “As an analyst, I developed knowledge of financial markets and investing, practiced critical skills in analysis and project management, and built relationships with mentors who have helped me shape my career.”

The analyst position was conceived as a launching pad, with a two-year time limit (since then extended to three years).

“Having a defined end date was powerful,” she says, “in that it opened the door to conversations with my manager and colleagues about what I valued in my work and how I envisioned shaping my career.” She realized that—besides supporting Williams, a cause she believed in—what she loved most about the work was that it demanded constant learning, research and analysis and that it rewarded the collaboration of a small, driven team with meaningful, measurable impact.

Those realizations set her on a path looking for employers that both sought to remediate social inequities and needed her skills. She established an analytics group in the Oakland, Calif., public schools; she did strategic consulting for mission-driven organizations and the philanthropists who support them.

Eventually, after earning an MBA—and winning citations in business school both for her work advancing diversity, equity and inclusion and for leadership in entrepreneurial finance and financial technology—she landed at a startup called True Link Financial. True Link supports those who manage finances for the disabled and elderly. She is now general manager of one of the company’s two service lines, with more than \$1 billion in assets under management and more than 15,000 trust beneficiaries served.

“I started my career in investment management and then transitioned to work in the social sector with mission-driven organizations,” says Anna, who remains in touch with her former Investment Office colleagues.

“I’ve pulled these experiences together at True Link, where I lead strategy and growth, working on behalf of people who haven’t been served well by existing financial systems.”

# Governance and Management

## FY2023

### INVESTMENT COMMITTEE

Timothy A. Barrows '79,  
*Chair\**

Noriko Honda Chen '89\*

O. Andreas Halvorsen '86\*

Matthew C. Harris '94\*

May Y. Ng '92

Elizabeth B. Robinson '90\*

Nathan K. Sleeper '95\*

Jonathan D. Sokoloff '79\*

Michael R. Eisenson '77,  
*Investment Committee Chair,  
Emeritus*

Jonathan A. Kraft '86,  
*Investment Committee Chair,  
Emeritus*

### INVESTMENT OFFICE

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

Collette D. Chilton <i>Chief Investment Officer</i>	Morgan E. Kochard <i>Associate Director</i>
Abigail G. Wattley '05 <i>Deputy Chief Investment Officer</i>	Ricardo Torres-Garzon '21 <i>Investment Analyst</i>
Bradford B. Wakeman <i>Managing Director and Chief Operating Officer</i>	Mina E. Burns '22 <i>Investment Analyst</i>
Derek R. Andren, CFA <i>Director</i>	Kristin A. Corrigan <i>Executive Assistant/Office Manager</i>
Christopher J. Cronin, CPA, CIPM <i>Investment Operations Director</i>	Emilee G. Ensko <i>Administrative Assistant</i>
Leah C. Anderson, CFA <i>Associate Director</i>	

### ADVISORY COMMITTEES

#### MARKETABLE ASSETS

O. Andreas Halvorsen '86,  
*Co-Chair\**

Noriko Honda Chen '89,  
*Co-Chair\**

Anouk Dey '09

Charles P. Coleman III '97

Jennifer A. Heller '00

May Y. Ng '92

Elizabeth B. Robinson '90\*

Jonathan A. Kraft '86,  
*Emeritus*

#### NON-MARKETABLE ASSETS

Timothy A. Barrows '79,  
*Co-Chair\**

Jonathan D. Sokoloff '79,  
*Co-Chair\**

Matthew C. Harris '94\*

Gretchen E. Howard '95\*

Elizabeth B. Robinson '90\*

Nathan K. Sleeper '95\*

Ray Whiteman '81

Michael R. Eisenson '77,  
*Emeritus*

#### REAL ASSETS

Michelle Y. Pak '91,  
*Chair*

David Morrison '90

Charles K. Thompson '83

\*Williams College Trustee





# Williams

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