

Trinity College

ENDOWMENT REPORT

FY 2023

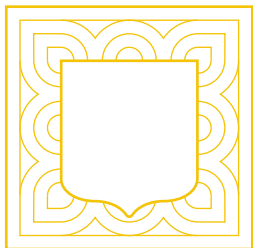




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REPORTING PERIOD OF JULY 1, 2022–JUNE 30, 2023

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"The endowment plays a critical role in enabling students to engage in a challenging liberal arts education, to live in a community of bold, independent thinkers, and to go on to lead transformative lives."

Dan Hitchell
Vice President of Finance and Chief Financial Officer

A Message from the Vice President of Finance and Chief Financial Officer

The endowment plays a critical role in enabling students to engage in a challenging liberal arts education, to live in a community of bold, independent thinkers, and to go on to lead transformative lives. Thanks to generous donations from our alumni and friends of the College, Trinity has more than 1,000 individual endowed funds. Since the first fund was established in 1853, these gifts and accumulated investment returns have supported students and have made the Trinity experience possible.

As of June 30, 2023, the endowment had a market value of \$791 million, up from \$780 million as of June 30, 2022. The market value is calculated starting with the previous year's ending value plus the net investment returns, less the spending draw that supports the College. The endowment's investments returned 4.0 percent net of all fees and expenses for the fiscal year against a benchmark of 10.8 percent. However, when considering the performance of such a long-standing asset, we look at performance over more than a year. The three-, five-, and 10-year returns of 13.2 percent, 9.1 percent, and 8.1 percent, respectively, are more indicative of the endowment's overall performance.

While the return objective and time horizon are long-term, we are tasked with the annual management of the endowment and with developing strategies that prosper during any market cycle. In fiscal year 2023 (FY23), marketable equity generated double-digit returns, 17.9 percent, with the performance occurring early in the fiscal year. Our private capital portfolio experienced valuation declines throughout the year, resulting in a year-end return of (3.7) percent, against a benchmark of 16.5 percent. However, we should note that the private capital portfolio generated a 42.4 percent return in fiscal year 2022 (FY22). Fixed income and diversifying strategies performed near their benchmarks of 3 percent. The private real assets return of 15.5 percent outperformed the benchmark of (3.7) percent due to fewer investments in office properties and greater investments in multifamily housing and other light industry properties.

The endowment's asset allocation determines its overall returns in many ways. The Investment Subcommittee of the Board of Trustees determines the asset allocation, which is implemented by Commonfund, the College's outsourced investment management partner. The following sections of the report review the endowment's governance, asset allocation, and long-term performance. We close the report with information on how a donor may establish an endowment to support the College's long-term goals.

The Trinity endowment and the annual draw make possible the transformative education that Trinity College offers. We hope this report will provide historical context and information on our trajectory.

DAN HITCHELL

VICE PRESIDENT OF FINANCE AND CHIEF FINANCIAL OFFICER



Governance

ROLE OF THE BOARD OF TRUSTEES

The Trinity Board of Trustees is charged with preserving the mission of the College: to prepare students to be bold, independent thinkers who lead transformative lives. A crucial component of ensuring the College can carry out its mission is fiduciary stewardship of the College's resources, including the College's endowment, to provide students with an exceptional educational experience and to preserve intergenerational equity.

ROLE OF THE INVESTMENT SUBCOMMITTEE

The Board of Trustees charges its Investment Subcommittee with overseeing the management of the endowment. The Subcommittee holds fiduciary responsibility for ensuring that the endowment is managed so that it continually grows to support the College in perpetuity and also sets the long-term strategic policies for the endowment. In pursuit of an "inflation plus spending" investment objective, the Investment Subcommittee has established a well-diversified strategic policy asset allocation that seeks to maximize the structural advantages the College has, particularly its long-term time horizon.

INVESTMENT SUBCOMMITTEE MEMBERS (2022–23)

JAMES YU '87, Chair, Partner, EQT Services LTD

PETER BLUM '72, P'12, Managing Partner, Colrain Capital

MALCOLM MACLEAN '92, Managing Partner, Star Asia Group

HENRY MALLARI-D'AURIA '83, Chief Investment Officer, Ariel Investments

KEVIN MALONEY '79, Chair, Department of Finance, Bryant University

DAVID SCHNADIG '86, Co-president, Cortec Group

AMY STEPNOWSKI P'22, Chief Investment Officer of The Hartford and President of Hartford Investment Management Company ("HIMCO")

DOUGLAS TANSILL '61, P'91, '96, Trustee Emeritus

JEAN WALSHE '83, Managing Director, J.P. Morgan Asset Management

LISA BISACCIA '78, Board Chair, ex officio

JOANNE BERGER-SWEENEY, President, ex officio

CRAIG VOUGHT '82, Managing Director and Co-founder, Broadreach Capital Partners, ex officio

ROLE OF COMMONFUND

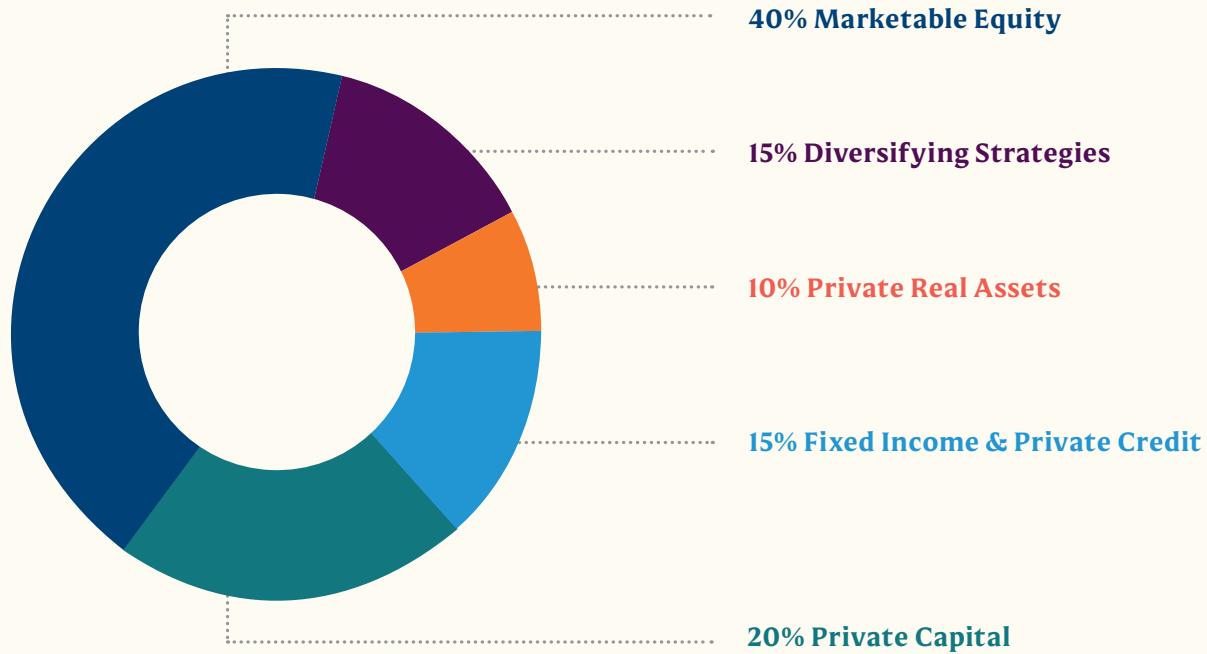
Commonfund's role is to assist in attaining the stated objectives by advising the Investment Subcommittee on the appropriate strategic asset allocation and compliance with all investment policy guidelines and standards including the evaluation and selection process of underlying investment managers. Commonfund regularly reports on the College's endowment investment performance and presents related analyses. Trinity alumnus Timothy T. Yates Jr. '94 is president and CEO of Commonfund OCIO, the branch within Commonfund that supports nonprofit endowments.

ROLE OF THE TRINITY TEAM

The Trinity team, which includes staff from the Offices of Finance and Advancement, coordinates directly with the Investment Subcommittee and Commonfund on the management of the endowment. The Finance team also works closely with the Advancement team when establishing new endowments and recording transaction history.

Asset Allocation

Trinity's investment pool returned 4.0 percent in FY23. The endowment's asset allocation drives the College's endowment returns. The Investment Subcommittee conducts an annual review and risk assessment in conjunction with Commonfund. Our asset class diversification plays a key role in safeguarding capital and maximizing returns for the College's investment pool.



ASSET CLASS	POLICY WEIGHT	FY23 RETURNS
Marketable Equity	40%	17.9%
Private Capital	20%	(3.7%)
Fixed Income & Private Credit	15%	2.0%
Private Real Assets	10%	15.5%
Diversifying Strategies	15%	3.5%
TOTAL	100%	4.0%

Glossary Of Asset Classes

Equity (Marketable Equity and Private Capital)—The purpose of public equity investments, both domestic and international, is to provide capital appreciation, and current income, with the recognition that this asset class carries with it the assumption of greater market volatility and greater risk of loss than some other asset classes. This component includes domestic and international common stocks, American Depositary Receipts (ADRs), preferred stocks, and convertible stocks traded on the world's stock exchanges or over-the-counter markets. Public equity securities generally shall be restricted to readily marketable securities of corporations that are traded on the major stock exchanges, including NASDAQ. Equity holdings generally must represent companies meeting a minimum market capitalization requirement of \$50 million with reasonable market liquidity. Decisions as to individual security selection, number of industries and holdings, current income levels, and turnover are left to broad manager discretion, subject to the standards of fiduciary prudence. Equity investments also may include private equity and venture capital, together referred to as private capital. These investments typically are made through limited partnerships or limited liability corporations offered by professional investment managers. Private capital strategies may include private equity, venture capital, and distressed investments. These strategies typically offer no or limited ability to redeem or withdraw.

Fixed Income—The purpose of fixed-income investments, both domestic and international, is to provide diversification, a predictable and dependent source of current income, and a source of downside and/or deflation hedging. Core fixed-income instruments should reduce the overall volatility of the endowment's assets and provide a deflation hedge. Fixed-income investments within the endowment include, but are not limited to, U.S. Treasury and government agency bonds, foreign government and supranational debt, public and private corporate debt, liquid and illiquid credit, mortgages and asset-backed securities, and non-investment grade debt. Fixed-income also includes money market instruments,

including, but not limited to, commercial paper, certificates of deposit, time deposits, bankers' acceptances, repurchase agreements, and U.S. Treasury and agency obligations. Yield-oriented investments may include securities that are rated below investment grade. These securities may include high-yield bonds, business development companies, leveraged loans, and direct loans, in both public and private structures.

Private Real Assets—The purpose of investing in real assets is primarily to hedge the endowment against inflation and to provide diversification to other investment strategies in the endowment. Some real asset investments also may provide long-term opportunities for capital growth or income. Investments in real assets may include U.S. Treasury inflation-indexed securities ("TIPS") and non-U.S. dollar denominated inflation-indexed securities, commodities (e.g., agricultural goods, metals, minerals, energy products, and foreign currencies), natural resources (e.g., clean energy, services, timber, and other natural resource investments), real estate (e.g., REITS, core, value-add, and other opportunistic real estate investment strategies), and other real asset strategies (e.g., infrastructure, intellectual property, or royalty payments). Investments in real assets may include both public and private structures.

Diversifying Strategies—Diversifying strategies include hedge fund investments that are intended to provide diversification to the endowment through low correlations to broad equity and fixed-income markets. In addition, the strategies should collectively generate alpha (outperformance relative to its benchmark after accounting for risk), and therefore generate attractive risk-adjusted performance. These strategies may include hedged equity, credit, event-driven, relative value, global macro, trend-following, quantitative, and other hedged strategies.



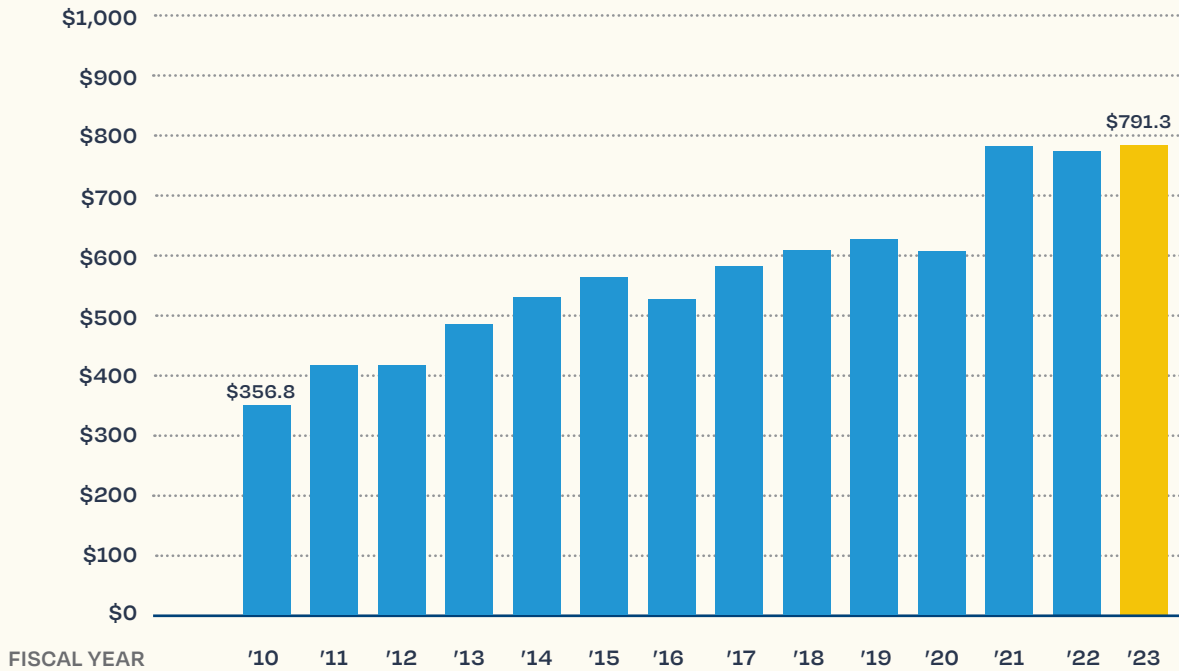
**THE ENDOWMENT
HAD A 13.2% RETURN
OVER THREE YEARS.**

Endowment History

Trinity's endowment has provided an important source of support for the operating budget throughout the College's history. Trinity's endowment closed at \$791.3 million in FY23, more than doubling its 2010 market value of \$356.8 million.

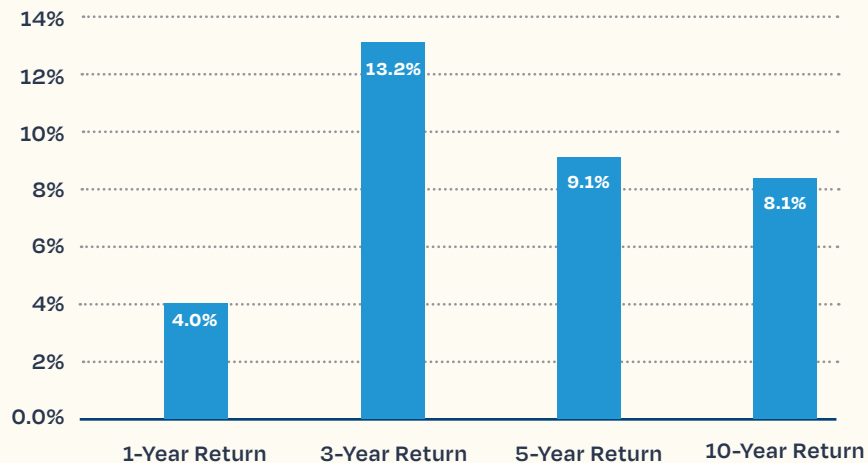
ENDOWMENT MARKET VALUE

VALUE IN MILLIONS



Endowment growth is dependent on a long-range strategy and strong returns. Trinity has seen positive returns significantly contributing to endowment growth over the past decade.

TRINITY'S RETURNS OVER TIME



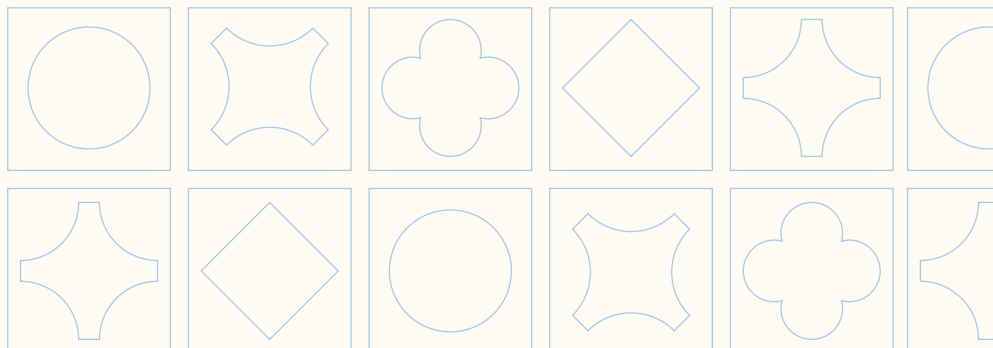
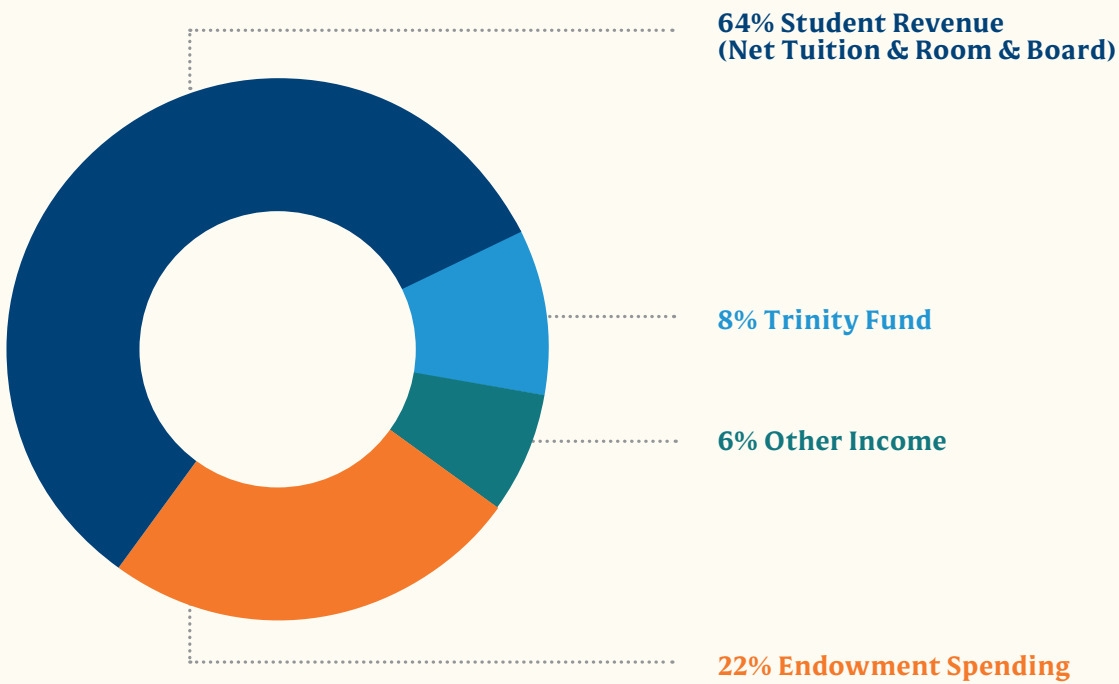
Endowment Uses

ENDOWMENT SPENDING FORMULA

Every dollar of income from the endowment supports Trinity's student body, faculty, staff, programs, and facilities. The spending policy is set to provide the most equitable benefit possible from the endowment for current and future generations. The spending target is calculated at 5 percent of the pooled endowment's 12-quarter moving average market value based on the December 31 market values of the prior fiscal year.

Endowment income of \$34.5 million supported 22 percent of the operating budget in FY23.

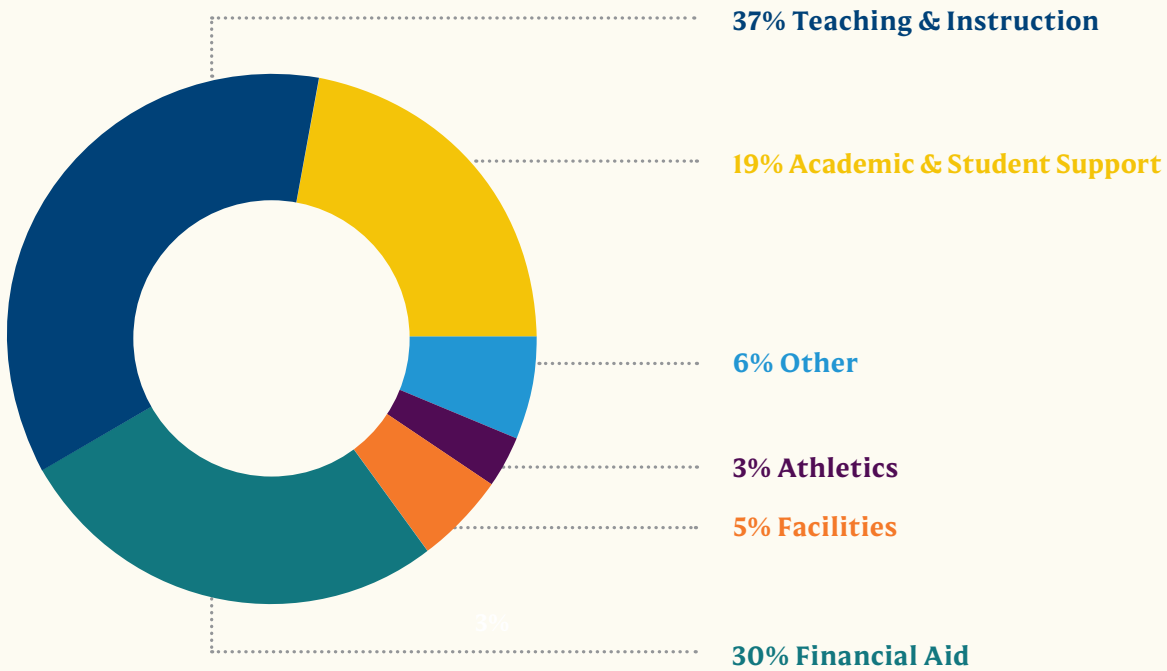
REVENUE SOURCES



Endowment Uses

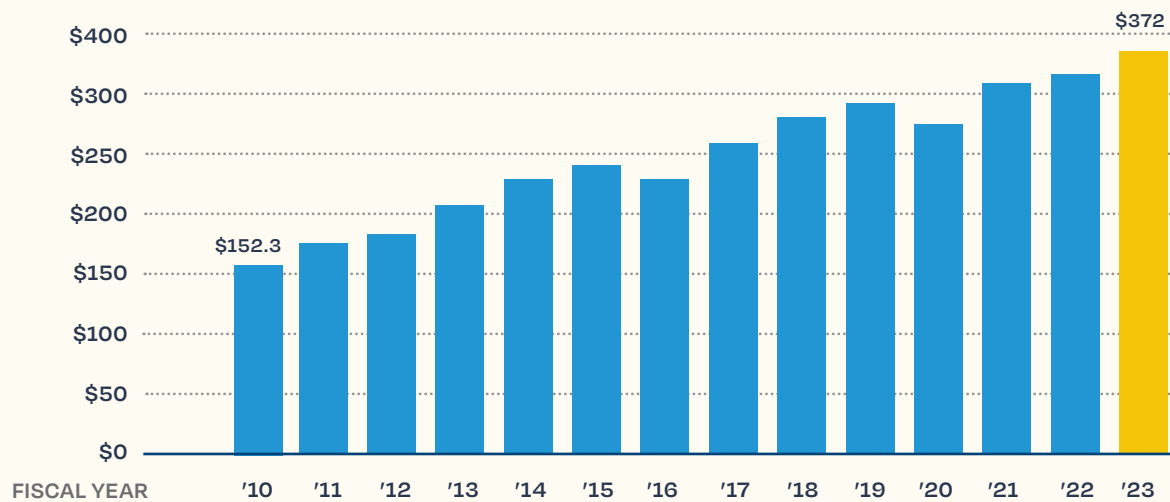
ENDOWMENT DRAW USES

The annual endowment draw supports a wide variety of areas of the College and the student experience.



ENDOWMENT PER STUDENT

VALUE IN THOUSANDS



Sustainable Investing

ESG PRINCIPLES

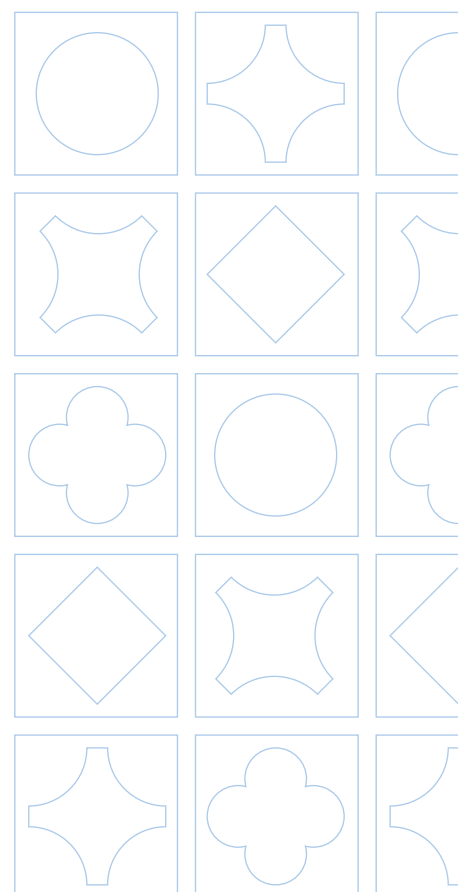
Trinity and Commonfund consider environment, social, and governance (ESG) principles when evaluating investment opportunities. As an example, when Commonfund assesses a real estate investment, they would consider possible LEED certification, access to renewable power, and other environmental factors. Commonfund incorporates ESG considerations across all asset classes as part of a three-part process:

MONITOR: As a part of Commonfund’s due diligence, ESG considerations are reviewed alongside more traditional indicators such as team, strategy, performance, and terms of investment. As part of Commonfund’s due diligence process, Commonfund asks potential managers a series of questions about whether and how they integrate analysis of financially material ESG factors into their investment process. These questions are included in Commonfund’s Due Diligence Questionnaire, which managers complete prior to initial hire and then update annually or, in private equity programs, when a re-investment decision is being made. Commonfund also asks about these issues during on-site visits to Commonfund’s managers and regular calls throughout the year.

MEASURE: Commonfund has conducted periodic and targeted reviews of our portfolios to assess their exposure to ESG factors and is in the process of refining its approach to this aggregate portfolio analysis. Where relevant, Commonfund may use research provided by third-party specialists to analyze the risks and opportunities that ESG factors may pose for our portfolios.

MANAGE: Identifying and valuing the impact of ESG factors on performance and risk is challenging given the absence of broadly accepted standards, however Commonfund, with Trinity's direction, is committed

to including ESG assessments in its analysis while also remaining focused on delivering investment returns which support the College's mission. In partnership with Commonfund’s managers, Commonfund is undertaking original research to evaluate the impact of ESG factors on investment portfolios and to determine the most effective methods to address these issues. In addition to the manager due diligence process described above, once a manager has been approved for investment, Commonfund may negotiate provisions with the manager addressing whether and how ESG factors will be reflected in the construction of the portfolio, reporting on the impact of ESG factors within the portfolio, proxy voting, and any targets relating to ESG integration.



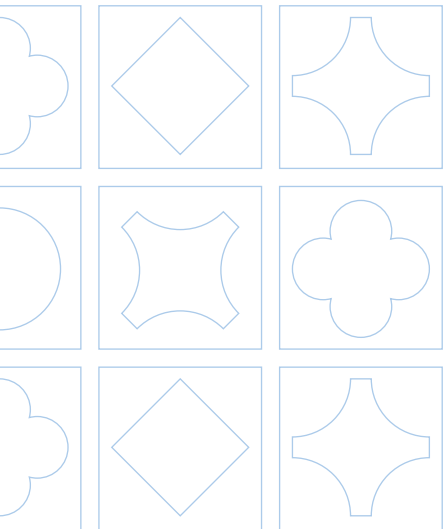
Establishing a Family Endowment

PARAMETERS OF ENDOWMENT CREATION

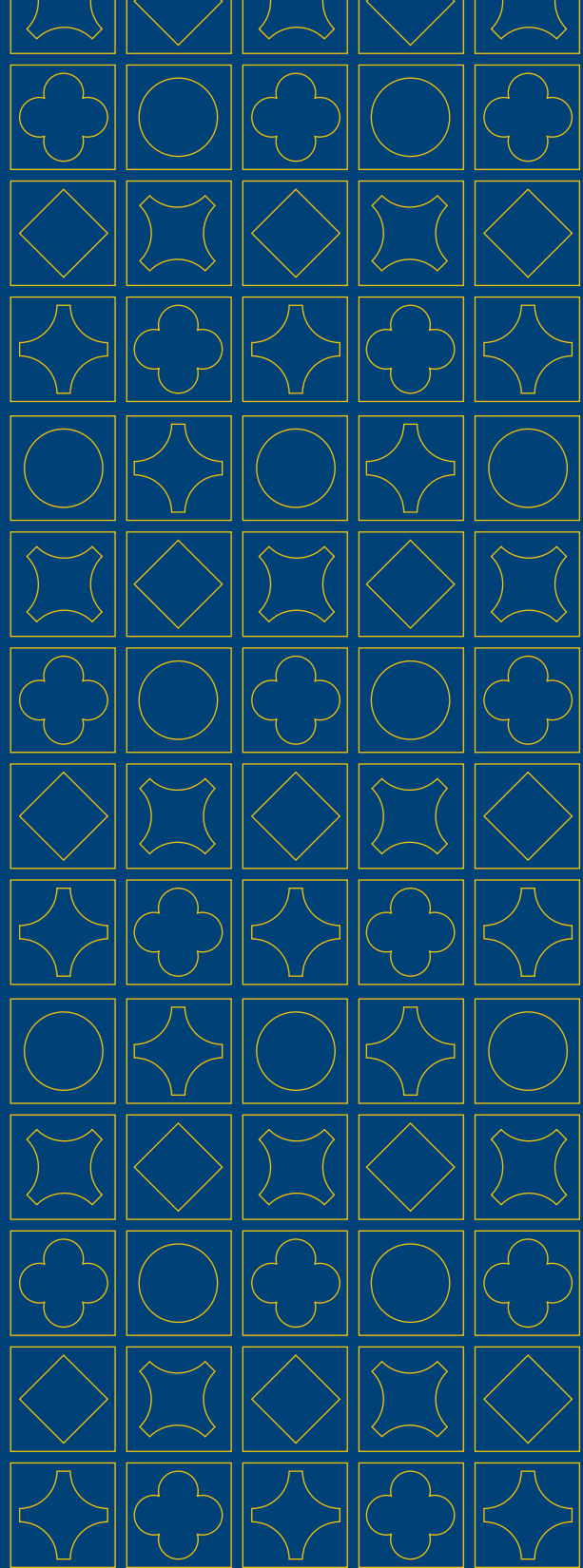
Gifts are a crucial part of endowment growth. The investment pool is composed of more than a 1,000 endowed funds. Generous donors have added \$175 million in cash gifts to the endowment since FY2010.

A gift to the endowment is a gift to Trinity College and its programs and students today and into the future. While the income derived from the endowed fund supports today's students and academic programs, because the principal of the endowed fund is not spent, the fund continues to support future generations of students in perpetuity. Endowed funds may be established to support the College as a whole or a particular purpose that is important to the donor.

To establish an endowed fund, please contact Caitlin Gasiorski at caitlin.gasiorski@trincoll.edu.







Trinity College
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