

Dear Students, Faculty, and Staff,

This fall, several student groups on campus have raised questions surrounding the College's endowment, specifically with regard to holdings related to fossil fuels. One group, the Advisory Committee on Socially Responsible Investing (ACSRI), has been meeting regularly with Patrick Norton, the College's Vice President for Finance and Treasurer, and one of its members attends Investment Committee meetings of the Board of Trustees. Other groups, some part of a national movement on college campuses, have also engaged the College administration and community, hoping to learn more about the College's endowment, how it is invested, and whether we should divest of our investments in fossil fuel companies.

As an academic institution, the College administration and the Board of Trustees are interested in engaging our students' interest in the endowment. Such engagement, however, must be serious and be based in responsible inquiry and research. It must also be respectful and inclusive of all opinions. A look at divestment must include the consequences, both pro and con, of such a direction, including how likely it will be to achieve the hoped-for results and what the implications might be for the College, for faculty, staff, and individual students.

With input from several groups on campus, including ACSRI, we will set up and host panel discussions with experts in endowment management and divestment. It will include, for example, representatives from the firm that manages our endowment (Investure), veteran investment managers, and our own Scholar-in-Residence, Bill McKibben.

The management of Middlebury's endowment is complex and has evolved over time. We are part of a consortium with other colleges and foundations whose pooled resources are invested in a number of "fund-of-funds" and therefore the College is very limited in either selecting or deleting any particular investment within its overall portfolio. Despite such limitations, the Investment Committee, the Administration, and Investure have been working with ACSRI to ensure that socially responsible investing is discussed and reviewed as a regular and ongoing part of the investment process. We have instructed Investure and the managers they engage to follow the environmental, social, and corporate governance (ESG) principles that align investors with broader objectives of one's mission and society at-large (see: http://www.middlebury.edu/media/view/437641/original/proxy_voting_principles.pdf)

At the same time, the primary fiduciary responsibility of our investment committee is to maximize its investment returns to support vital programs including financial aid and staff and faculty compensation, while managing risk. Currently, the endowment finances approximately 20 percent of the College's annual operating cost—approximately \$50 million this past year. It is vitally important to understand both the risks and rewards of one's investment decisions as we are the stewards not only of the endowment for the current generation of Middlebury students, faculty, and staff, but for future generations as well.

At present, approximately 3.6 percent of the College's \$900 million endowment is directly invested in companies related to fossil fuels. For those interested in the amount directly invested in defense and arms manufacturing, the share of our endowment in those companies is less than 1 percent—approximately 0.6 percent. I have included an explanatory note at the end of this

communication to provide information on the methodology used to determine these percentages. I encourage you to contact Patrick Norton (pnorton@middlebury.edu) if you have any questions about this methodology or about the College's endowment.

I, along with my administrative colleagues and fellow board members, look forward to engaging the community on an issue of great interest and import to the College and its many constituents. I will be sending more information on the first panel discussion when plans are finalized.

Sincerely,
Ron

Notes on the reporting of Investure and Non-Investure Managed Funds

Investure Managed Funds:

Data on investments in fossil fuel and arms for Investure-managed funds (the "Investure Funds") were provided by Investure, LLC ("Investure") to Middlebury College upon request and only covers the underlying long holdings of the Investure Funds in those circumstances when information was available as described below. This information is presented on a lagged-basis, and does not include any underlying holdings in a client's legacy fund portfolio. Moreover, this information is not based on a comprehensive review but rather is based solely on available information on the underlying long positions of the Investure Funds of which Investure has actual knowledge from third-party managers and/or reporting on the exposure of those underlying positions.

As a result, underlying positions may be missing from this analysis that, if included, could be material to an understanding of the College's portfolio's underlying positions in fossil fuels and arms. In those cases where Investure had actual knowledge of underlying holdings from managers and/or reporting on an Investure Fund's exposure, Investure utilized a combination of third-party classifications, at its discretion, including but not limited to certain Standard Industrial Codes and the Stockholm International Peace Research Institute, to help identify investments in fossil fuel and arms companies. This information is solely for informational purposes, is not complete, and does not contain material information about the Investure Funds and a client's portfolio. This information should not be relied upon in any way in making an investment decision. Investure reserves the right to make changes in a client's portfolio at any time and Investure is under no obligation to update the estimated information included herein. With the aforementioned in mind, of the Investure Funds approximately 3.75% is invested in fossil fuels and 0.8% is invested in arms.

Non-Investure Funds ("Legacy Funds"):

For its Legacy Funds the College used the exact methodology to determine percentages invested in fossil fuels and arms as is described above for the Investure Managed Funds. With the aforementioned in mind, of the Legacy Funds approximately 3.2% is invested in fossil fuels and 0.1% is invested in arms.