FISCAL 2024-25 ENDOWMENT REPORT

Introduction

For the 2025 fiscal year, Colby's endowment returned 11.7 percent, ahead of our custom policy benchmark, ending the year with a market value of $1.25 billion (net of annuities). Global equity markets had a third consecutive year of strong performance with the MSCI All-Country World Index up 16.2 percent. Unlike the prior two years, however, market performance was more broad-based and not solely driven by the largest U.S. large cap technology stocks. Developed international equities (MSCI World Ex US: +18.7 percent) and emerging market equities (MSCI EM: +15.3 percent) outpaced the still strong performance of U.S. equities (S&P 500: +15.2 percent).

After three years of muted performance in the private markets, the venture capital portfolio experienced strong returns largely from idiosyncratic increases in value of a small number of newly IPO'd and late stage private companies as well as a handful of leaders in the foundational layer of AI (artificial intelligence).

Endowment Growth

During fiscal year 2025, the endowment market value increased by $92 million to $1.25 billion, a 7.9 percent increase. Figure 1 shows the endowment growth over the past 10 years. Over this time period, the endowment has grown at a compound annual rate of 5.3% percent reflecting investment returns, gifts, and spending. The endowment's annualized investment performance for the 10-year period was 8.5 percent or 5.3 percent real.

Figure 1 - Colby Endowment Market Value Growth (In Millions)

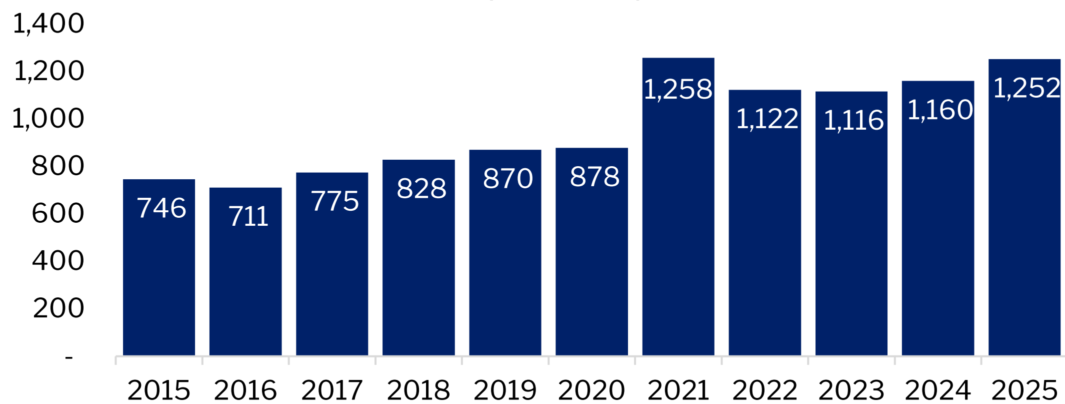

Figure 2 summarizes the sources of change in market value for the endowment for fiscal year 2025 and the last 10 years. Over the past 10 years, performance has more than offset spending and has contributed more than gifts and other additions to the increase in value. Nonetheless, new additions to the endowment from gifts continue to be an important source of endowment growth and short-term liquidity as investment returns can be highly volatile from year to year.

Figure 2 - Colby Sources of Endowment Growth

	Fiscal 2025 ($000)	Cumulative 10-Yr Totals ($000)
Beginning Market Value	1,160,160	745,957
Gifts and Matured Annuities	26,696	219,323
Other Additions	3,780	32,085
Investment Performance Net of Fees	130,131	779,633
Spending	(67,489)	(512,419)
Other Deductions	(1,000)	(12,301)
Ending Market Value	1,252,278	1,252,278

Market Conditions

Risky assets had strong performance in fiscal year 2025 with public equity markets generating mid-to-high teens returns across nearly all geographies, U.S. venture capital beginning to rebound, and high yield credit posting double digit returns. The performance was far from linear, however, as fiscal year 2025 was marked by three distinct periods. The first half of the year (into February 2025) saw broad equity markets continue a steady upward march on the back of strong corporate earnings. From February 2025 to April 2025, equity markets experienced steep peak-to-trough drawdowns of 16 to 22% due to U.S. tariff announcements as well as weakening economic data. While the last three months of fiscal year 2025 saw a strong rebound that resulted in the S&P500, MSCI ACWI, and NASDAQ indices each posting all-time highs with markets anticipating Federal Reserve interest rate cuts and continued euphoria around AI (artificial intelligence).

In a year with uniformly strong equity markets, one of the most striking outcomes came from outside traditional risk assets. Gold was the strongest performing asset, up over 40%, an unusual result given that gold typically benefits in risk-off environments. Investor concerns about long-term inflation, the growing U.S. fiscal deficit, and substantial shifts in long-term geopolitical alliances weakened the U.S. dollar (DXY -8.5%), providing support for gold. At the same time, U.S. equity valuations remain elevated. While overall market volatility does not look excessive on the surface, individual stock volatility tells a different story as this more granular measure has been on an upward trajectory over the last several years.

The divergence of the traditional relationship between public equity and gold was mirrored in private markets, where liquidity remains low despite public market optimism. Large, profitable private companies are choosing to stay private longer, causing venture firms to seek alternative paths to liquidity, offering continuation vehicles or seeking partial sales to secondaries buyers. A small number of higher profile IPOs occurred at the end of FY 2025 and beginning of FY 2026, but the ratio of capital distributions to the total value of private assets held by venture firms is 50% below the 20-year average and remains near the low levels seen in the aftermath of the Great Financial Crisis in 2008.

AI continued to be a dominant theme in markets this year, not just because of the speed of growth and adoption (ChatGPT4 has experienced one of the fastest user ramps in the history of consumer tech with roughly 800 million weekly active users), but because of the massive surge in capital spending. Four of the largest technology companies (Microsoft, Amazon, Google and Meta) are projected to spend roughly $400 billion on AI infrastructure capex (data centers, GPUs, etc.) in 2025, nearly triple their spending from just two years ago. To put this into context, the next largest corporate capex spending year was the telecom and fiber-optic buildout leading up to the year 2000 when publicly traded telecom services companies spent roughly $120 billion. The public and private markets are bisecting their investment universes into the AI winners and losers. New AI products and use cases are being developed in real time with the potential to transform existing industries and create new ones. The biggest question being asked now is whether the largest technology companies can generate high enough revenues to earn a strong return on invested capital of this magnitude.

Asset Allocation

Figure 3 shows a comparison of the asset allocation of the portfolio at the beginning and end of fiscal year 2024.

Figure 3 - Colby Comparative Endowment Asset Allocation

	Actual June 30, 2024 Allocation	Actual June 30, 2025 Allocation	Change
Equities			
Marketable			
Developed Equities	18.9%	19.1%	0.2%
Emerging Markets	4.1%	4.9%	0.8%
Marketable Real Assets	2.5%	1.1%	(1.4%)
Total Marketable Equities	25.5%	25.1%	(0.4%)
Non-Marketable			
Venture Capital	25.1%	29.4%	4.3%
Private Equity	7.9%	8.7%	0.7%
Real Estate	6.0%	8.3%	2.3%
Natural Resources	2.5%	2.0%	(0.5%)
Total Non-Marketable Equities	41.5%	48.4%	6.9%
Total Equities	67.0%	73.5%	6.5%
Marketable Alternatives	22.0%	18.9%	(3.1%)
Cash and Equivalents	11.0%	7.6%	(3.4%)
Total Investments	100.0%	100.0%	0.0%

As of June 30, 2025, the portfolio contained commitments to 239 different investment vehicles across 74 active investment managers and 1 passive index fund.

The investment office continues to monitor liquidity and new non-marketable commitments. As of June 30, 2025, the outstanding commitments to non-marketable partnerships stood at 18 percent of the portfolio, in-line with the long-term target.

Figure 4 shows a comparison of the actual asset allocation at the end of the year, the short-term target allocation, and the long-term target allocation.

Figure 4 - Asset Allocation Targets

	Actual Allocation 6/30/2025	FY 2025 Short-term Target Allocation	Long-term Target Allocation
Equities			
Marketable			
Developed Equities	19.1%	21.0%	
Emerging Markets	4.9%	4.0%	
Marketable Real Assets	1.1%	3.5%	
Total Marketable Equities	25.1%	28.5%	25-35%
Non-Marketable			
Venture Capital	29.4%	24.0%	
Private Equity	8.7%	8.0%	
Real Estate	8.3%	7.0%	
Natural Resources	2.0%	2.5%	
Total Non-Marketable Equities	48.4%	41.5%	35-45%
Total Equities	73.5%	70.0%	65-80%
Marketable Alternatives	18.9%	20.0%	15-25%
Cash and Equivalents			
Cash and Receivables	6.4%	7.5%	
US Government Bonds	1.2%	2.5%	
Total Cash and Equivalents	7.6%	10.0%	5-10%
Total Investments	100.0%	100.0%	100.0%

Annual Performance Highlights

The endowment generated a positive return of 11.7 percent for the fiscal year ended June 30, 2025, outperforming its preliminary composite benchmark by 1.68 percent. The following is a summary of major drivers of performance for fiscal year 2025.

- Public equity markets were strong across geographies
  - U.S. and emerging market equities, in particular outperformed their underlying benchmarks and drove solid performance
  - Marketable real assets outperformed their benchmark, however, absolute returns lagged the broader equity markets
- Marketable alternatives performance lagged that of the strong broad equity markets given the structurally lower exposure to equities, dragging down overall performance
- The private portfolio outpaced returns in the public portfolio driven by a rebound in U.S. venture capital
  - U.S. venture capital returns were more than double the comparable benchmark due to exposure to a small number of companies that IPO'd late in the year as well as several later stage private companies that completed recent private financing rounds at higher valuations
  - Buyouts and credit-oriented investments also experienced strong absolute and relative returns
  - Growth private equity returns lagged the broader private portfolio due to a heavier exposure to biotechnology which has experienced a slump over the last four years
  - Private real assets continued to be a drag on overall performance

Summary:

- Major contributors to FY 2025 returns: U.S. public equities, emerging market public equities, U.S. venture capital, U.S. buyouts and credit-oriented strategies
- Relative detractors to FY 2025 returns: Marketable alternatives, real assets (both marketable and privates), and biotech-focused growth private equity

Figure 5 shows the endowment performance for one-, five- and ten-year periods compared to the composite benchmark and a global 70/30 portfolio. Over longer time periods, Colby has outperformed the policy benchmark primarily through excellent manager selection in the private portfolio.

Figure 5 - Endowment Performance - FY 2025

	Colby	Colby Composite Benchmark	Global 70%/30% Portfolio*
One-Year Return	11.73%	10.05%	13.05%
Five-Year Annualized Return	10.67%	10.37%	10.06%
Ten-Year Annualized Return	8.51%	7.83%	7.66%

* 70% MSCI ACWI Index and 30% Barclays 1-3 Year US Treasury Index

Spending

The goal of a spending formula is to ensure a stable source of revenue for operations, while maintaining and growing the purchasing power of the principal of the endowment. Colby's spending formula defines spending as a percentage of a five-year moving average of June 30 market values adjusted for additions received in subsequent years. The use of a five-year moving average in the formula has produced a stable flow of revenue for operations over time. The budgeted spending rate for fiscal year 2025 was 5.5 percent of the adjusted five-year moving average market value of the endowment.

Endowment spending has grown at a compound annual rate of 7.9 percent over the past 10 years, assisted by an increase in the formula spending rate from 4.5 percent to 5.5 percent over the period. During this period, Colby adjusted the spending rate to provide additional support for financial aid, faculty growth, facilities and other key initiatives. The growth rate for spending has exceeded the growth rate of operating expenses (6.1 percent). Over the past 10 years, endowment spending as a percentage of Colby's operating expenses has increased from 24.7 percent to 29.1 percent.

Organization

The Investment Office includes six authorized full-time positions. The non-investment manager operating costs assigned to the endowment (salaries, travel, office expenses, legal review of partnerships, consulting, custody, UBTI taxes on partnerships, and audit) amounted to approximately 24.4 basis points on average market value for fiscal year 2025.

Endowment Tax

As a college with greater than 500 students with an endowment in excess of $500,000 per student, Colby is required to pay an endowment tax through fiscal year 2026. In fiscal year 2025, the endowment made an estimated tax payment that amounted to approximately 4.6 basis points of the average market value.