



CHARITABLE REMAINDER TRUST INVESTMENT STATEMENT

Introduction

Swarthmore College currently serves as trustee for two investment models for charitable remainder trusts: (A) the Traditional Model and (B) the Endowment Model. The Endowment Model may not be available for all trusts where Swarthmore serves as trustee. There is no guarantee that either option will outperform the other in any given year or multiyear period. The purpose of this Investment Statement is to provide historic investment return information for both investment models. Past investment returns are in no way indicative of future performance.

A. Traditional Model

Traditional Model charitable remainder trusts are invested in equity and fixed income investment pools, collectively referred to as the Swarthmore Life Income Funds. John W. Bristol & Co. (Bristol), a privately owned independent investment adviser, manages these pools. The firm has managed funds for Swarthmore for more than 75 years. In 1992, Bristol assumed responsibility for investing Swarthmore's charitable trust assets.

In its equity investment pool, Bristol invests primarily in equity securities in U.S.-domiciled corporations. The firm can also invest in equity securities of foreign-domiciled companies. In its fixed income investment pool, Bristol invests in government, corporate, mortgage-backed, and foreign currency denominated debt securities. The benchmark for the Bristol equity investment pool is the Standard & Poor's 500 Stock Index. The benchmark for the Bristol fixed income pool is the Barclays Aggregate Bond Index.

The asset allocation for each charitable trust is individually determined, but a typical allocation for a trust with a 5 percent payout rate is 60 percent equity/40 percent fixed income. Individual trust portfolios are reviewed periodically, with consideration given to each income beneficiary's needs and the tax character of the payouts.

Chart 1 shows the historic compound annual rates of return for the Swarthmore Life Income Funds and for Swarthmore College charitable trusts with a hypothetical 60 percent equity/40 percent fixed income allocation. For year-by-year historic returns, see Chart 5.

Total returns in this Investment Statement are net of fees.

CHART 1
JOHN W. BRISTOL SWARTHMORE COLLEGE LIFE INCOME FUNDS
Compound Annual Rates of Return (%)

PERIOD	SWARTHMORE EQUITY	S&P 500	SWARTHMORE FIXED	BARCLAYS AGGREGATE BOND INDEX	HYPOTHETICAL 60% EQUITY/40% FIXED INCOME
1-year (Jul '14–Jun '15)	1.9	7.4	1.8	1.9	1.8
3-year (Jul '12–Jun '15)	15.2	17.3	1.7	1.8	9.9
5-year (Jul '10–Jun '15)	15.6	17.3	2.7	3.3	10.6
10-year (Jul '05–Jun '15)	7.7	7.9	4.4	4.4	6.7
20-year (Jul '95–Jun '15)	6.5	4.4	6.0	5.4	6.6

B. Endowment Model

Under the terms of a Private Letter Ruling issued by the IRS to Swarthmore in 2012, some Swarthmore charitable remainder unitrusts may earn returns based on the returns earned by the Swarthmore endowment. Endowment Model charitable remainder unitrusts will be assigned accounting "units" as if invested in the endowment and will have a contractual right to receive from the College investment returns based on the endowment returns, together with an annual distribution based on the endowment spending rate, which is determined annually by the Board of Managers. Although the investment returns earned by these charitable remainder unitrusts are tied to the endowment returns, the Endowment Model charitable remainder unitrusts have no ownership interest in the endowment or in the underlying assets of the endowment.

The endowment is invested in a broad range of asset classes, including equities, bonds, hedge funds, private equity, venture capital, real estate, and natural resources. The assets are invested globally, including in the United States, developed countries, and emerging market countries.

The College hires professional investment managers who employ a variety of investment approaches to achieve the endowment's long-term objectives.

Endowment Model charitable remainder unitrust donors and beneficiaries will have access to information about endowment asset allocation, performance, and management practices insofar as such information is made available in the College's annual financial statement or other public documents. The College's financial statements are audited annually at the end of each fiscal year (June 30).

The market value of the endowment was \$1.893 billion as of June 30, 2015. The investment return for the 2014–2015 fiscal year was 2.5 percent. Positive performance was achieved by the endowment's domestic equity managers and fixed income portfolios as well as by private equity and real asset allocations. The endowment was negatively affected by the international equity allocation, which posted a loss driven in part by declines in emerging market stocks.

As shown in Chart 2, the College's trailing multi-year investment returns compared favorably with other endowments. For year-by-year historic returns, see Chart 3.

CHART 2
SWARTHMORE COLLEGE ENDOWMENT
Compound Annual Rates of Return (%)

PERIOD	ENDOWMENT	NACUBO* Commonfund Study of Endowments (More than \$1 Billion)
1-year (Jul '14-Jun '15)	2.5	4.3
3-year (Jul '12-Jun '15)	10.5	10.8
5-year (Jul '10-Jun '15)	11.5	10.4
10-year (Jul '05-Jun '15)	8.0	7.2
20-year (Jul '95-Jun '15)	9.2	—

*National Association of College and University Business Officers

CHART 3 SWARTHMORE COLLEGE ENDOWMENT			
PERIOD (For 12 months ending June 30)	ENDOWMENT	PERIOD (For 12 months ending June 30)	ENDOWMENT
1996	19.3 %	2006	10.0 %
1997	22.8	2007	19.4
1998	14.6	2008	-0.2
1999	11.2	2009	-16.8
2000	7.4	2010	14.8
2001	-0.1	2011	24.6
2002	-4.1	2012	2.2
2003	7.0	2013	11.9
2004	18.6	2014	17.8
2005	10.8	2015	2.5

The endowment asset allocation is shown on Chart 4 below. As of June 30, 2015, the endowment was close to the target asset allocations. No significant changes to this allocation are anticipated at this time. The Investment Committee periodically reviews the asset

allocations in the endowment and can change them at any time. Despite the increasing allocations to the "alternative" asset classes of private equity, real assets, and marketable alternatives, the endowment has maintained a high level of liquidity.

CHART 4 SWARTHMORE COLLEGE ENDOWMENT ASSET ALLOCATION June 30, 2015			
	Current Percent of Total	Long-Term Target	
Domestic Equity	23.1%	19.0%	
International Equity	22.9	19.0	
Marketable Alternatives	12.8	14.0	
Private Equity	16.6	20.0	
Real Assets	9.4	13.0	
Total Equity & Alternatives	84.8	85.0	
U.S. Bonds	5.0	5.0	
Cash Equivalents	10.2	10.0	
Total Fund	100.0	100.0	

CHART 5

JOHN W. BRISTOL SWARTHMORE COLLEGE LIFE INCOME FUNDS
Supplemental Performance Comparison—Total Return (%)

PERIOD (For 12 months ending June 30)	SWARTHMORE EQUITY	S&P 500	SWARTHMORE FIXED	BARCLAYS AGGREGATE BOND INDEX	HYPOTHETICAL 60% EQUITY/40% FIXED INCOME
1996	21.5	26.0	5.0	4.9	14.9
1997	27.5	34.7	9.9	8.2	20.4
1998	19.8	30.2	12.2	10.5	16.7
1999	27.9	22.8	3.2	3.1	18.0
2000	14.9	7.3	5.1	4.6	11.0
2001	-0.3	-14.8	11.3	11.2	4.3
2002	-9.1	-18.0	8.9	8.6	-1.9
2003	3.5	0.3	15.9	10.4	8.4
2004	23.3	19.1	2.8	0.3	15.1
2005	5.0	6.3	7.0	6.8	5.8
2006	8.7	8.6	0.6	-0.8	5.4
2007	15.1	20.6	5.9	6.1	11.4
2008	-8.2	-13.1	8.3	7.1	-1.6
2009	-22.3	-26.2	7.7	6.0	-10.3
2010	14.4	14.4	8.6	9.5	12.1
2011	33.0	30.7	3.9	3.9	21.4
2012	1.3	5.4	4.4	7.5	2.5
2013	19.7	20.6	0.1	-0.7	11.8
2014	25.5	24.6	3.2	4.4	16.5
2015	1.9	7.4	1.8	1.9	1.8