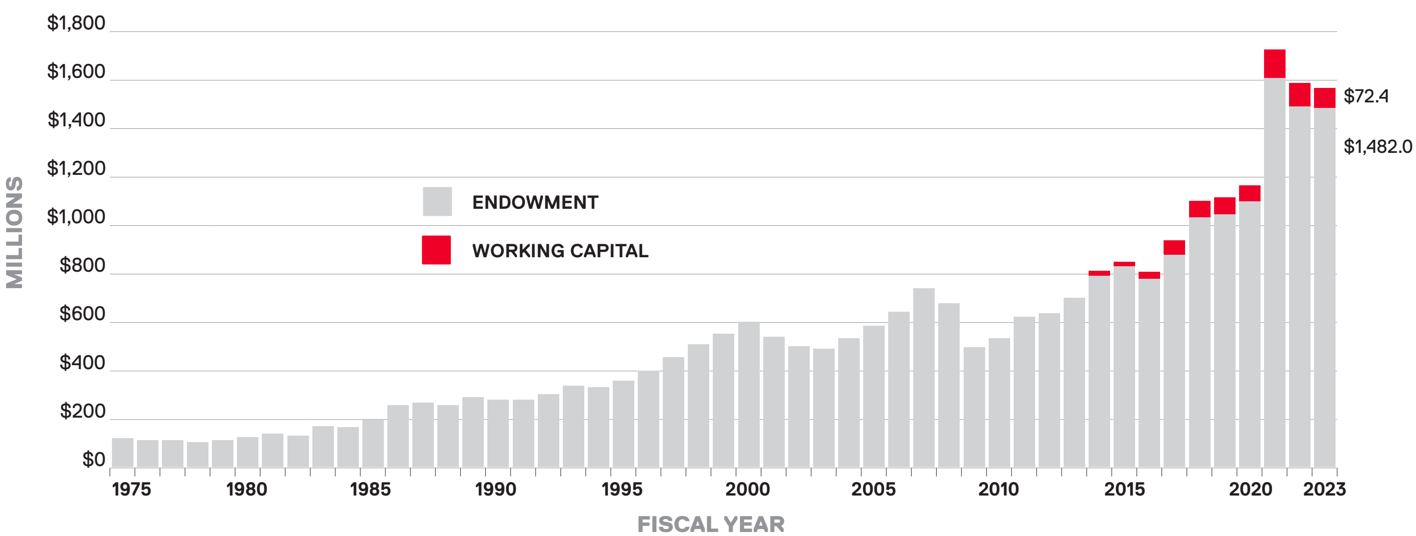
To the Wesleyan community:

In fiscal 2023, the endowment returned 2.7%. As with most years, attempting to summarize the significant events that transpired across the globe is challenging. One with perhaps the greatest long-lasting implications is the abrupt end to the persistently cheap capital to which we have all become accustomed in the last decade. The Federal Reserve hiked interest rates seven times over the course of the fiscal year, dramatically changing the cost of capital for all market participants in its effort to tame inflation. In the twelve months leading up to June 30, 2023, short-term interest rates more than doubled from well under 2% to more than 5%.

Amidst this backdrop, the Total Investment Pool[1] ended the fiscal year at $1.55 billion, roughly flat compared to last year's $1.56 billion. The chart below depicts the pool's growth since 1975. Included in the Total Investment Pool is $72.4 million of working capital invested alongside the endowment and managed by the investments staff.



An increase in the Fed Funds Rate of this magnitude has not been seen in over 35 years, well before many of today's investors' careers began. We are monitoring our investment partners carefully as they navigate a new market paradigm of higher interest rates, in many cases for the first time in their careers. While rates have risen substantially in the last 18 months, we are conscious of the fact that we are likely operating at a "new normal" level as opposed to a short-term cyclical high. We are not

[1] The Total Investment Pool includes endowment assets as well as long-term reserves ("Working Capital") of the University that are invested alongside them.

macro forecasters, nor do we believe anyone can reliably predict the direction or level of interest rates. What is certain, however, is that higher rates have a real impact on our underlying investments, the reverberations of which will be felt in the years ahead.

Real estate valuations have adjusted downward as leverage availability has been constrained and the cost of debt has risen. Venture valuations have declined as companies move to conserve cash, cutting growth initiatives to survive. Our buyout portfolio has not seen the same levels of decline despite the wide use of leverage inherent in the strategy. We could see some stress in this segment of the portfolio, but we take solace in the fact that our partners have generally been conservative users of leverage, have few significant near-term maturities, and have many operational tools at their disposal to drive growth and improve businesses over time.

FISCAL 2023 PERFORMANCE

The endowment's 2.7% return underperformed its benchmarks. However, over three-, five-, and ten-year time frames, performance against all of our benchmarks has been strong. In comparison to the median performance of our peer colleges and universities, the endowment has generated roughly $400 million of excess returns over the last 13 years. A summary of the endowment's returns over various periods relative to benchmarks is included in the table below:

WESLEYAN UNIVERSITY ANNUALIZED PERFORMANCE (%)
ENDING JUNE 30, 2023

	1-Year	3-Year	5-Year	10-Year	20-Year
Wesleyan Managed Pool[2]	2.7%	14.8%	11.4%	10.3%	9.2%
Wesleyan Policy Benchmark[3]	4.8%	13.3%	9.5%	8.4%	8.8%
70% Stocks/30% Bonds[4]	11.2%	6.5%	6.1%	6.7%	6.9%
HEPI + 4.5% (Absolute Return Hurdle)	8.9%	8.6%	7.9%	7.4%	7.4%
Median: College & University[5]	6.7%	10.9%	8.1%	7.7%	7.7%
Top Quartile: College & University[5]	8.5%	12.4%	9.1%	8.5%	8.5%

Managing a pool of perpetual capital allows us to invest in illiquid asset classes such as private equity where partnerships can remain in the endowment for multiple decades. Our ten- and twenty-year returns have bested our toughest benchmark, HEPI + 4.5%. This is ultimately the most important measure of success—whether we have maintained the purchasing power of the endowment net of spending over the long term to ensure intergenerational equity of the support it provides to the University.

[2] Assets under the direction of the Investments Office
[3] A policy benchmark replicates a portfolio using policy allocation targets and respective benchmarks
[4] 70% MSCI All Country World Index and 30% Bloomberg Barclays U.S. Aggregate Bond Index
[5] Results reported as of November 2023 to Cambridge Associates

Fiscal 2023 asset class returns relative to comparable benchmarks are shown in the table below:

ONE-YEAR PERFORMANCE
ENDING JUNE 30, 2023

ASSET CLASS	ENDOWMENT RETURN (%)	BENCHMARK RETURN (%)	VALUE ADDED (%)	BENCHMARK
Developed Equity	25.6	18.5	7.1	MSCI World
Emerging Markets Equity	(11.9)	1.7	(13.6)	MSCI Emerging Markets
Absolute Return	6.5	3.2	3.3	DJ CS Hedge Fund
Real Estate	(2.7)	(2.3)	(0.4)	C.A. U.S. Real Estate
Natural Resources	(24.3)	(0.8)	(23.5)	C.A. U.S. Upstream and Royalties
Buyout	14.6	8.4	6.2	C.A. U.S. Buyout
Venture Captial	(10.8)	(10.4)	(0.4)	C.A. U.S. Venture Capital
Fixed Income	(0.3)	(1.0)	0.7	Bloomberg Intermediate U.S. Treasury
Managed Pool[2]	**2.7**	**11.2**	**(8.5)**	**Passive Benchmark**
Managed Pool[2]	**2.7**	**4.8**	**(2.1)**	**Policy Benchmark**
Managed Pool[2]	**2.7**	**8.9**	**(6.2)**	**HEPI + 4.5%**

Returns over the trailing year were driven by the endowment's investments in public equity in developed markets where the asset class outperformed the benchmark by over 7%. Exposure to European equities and the domestic biotech universe from a few of our investment partners drove the bulk of this asset class's returns. Wesleyan's buyout portfolio showed surprising resiliency in the face of rising interest rates, high inflation, and a slowdown in deal activity. The asset class was the second-largest contributor to endowment returns, gaining 14.6% for the fiscal year. The absolute return asset class also outperformed its benchmark, delivering a 6.5% gain for the period. Credit investments in Europe and concentrated positions from our long/short equity managers drove performance in this part of the endowment.

The venture capital asset class was the largest detractor for the fiscal year, retracing some of the gains from prior years. We suspect there is more pain to endure in the years ahead as companies are forced to raise money at reduced valuations or are shuttered altogether. Venture capital is characterized by brief periods of supernormal gains interspersed between long stretches of underwhelming returns. The next several years could be tough for the asset class, but as we noted last year, patience and a commitment to the asset class in leaner years are the only way to ensure we can participate in the years of plenty.

The emerging markets, natural resources, and real estate asset classes were all relatively minor detractors from performance for the fiscal year. As a reminder, Wesleyan no longer invests in managers focused on oil and gas assets, and this part of the portfolio is winding down.

THE LONGER TERM

Over ten years, the endowment has performed across almost all asset classes except for Natural Resources. Performance in the illiquid asset classes of Real Estate, Buyout, and Venture have been strong return drivers.

TEN-YEAR PERFORMANCE
ENDING JUNE 30, 2023

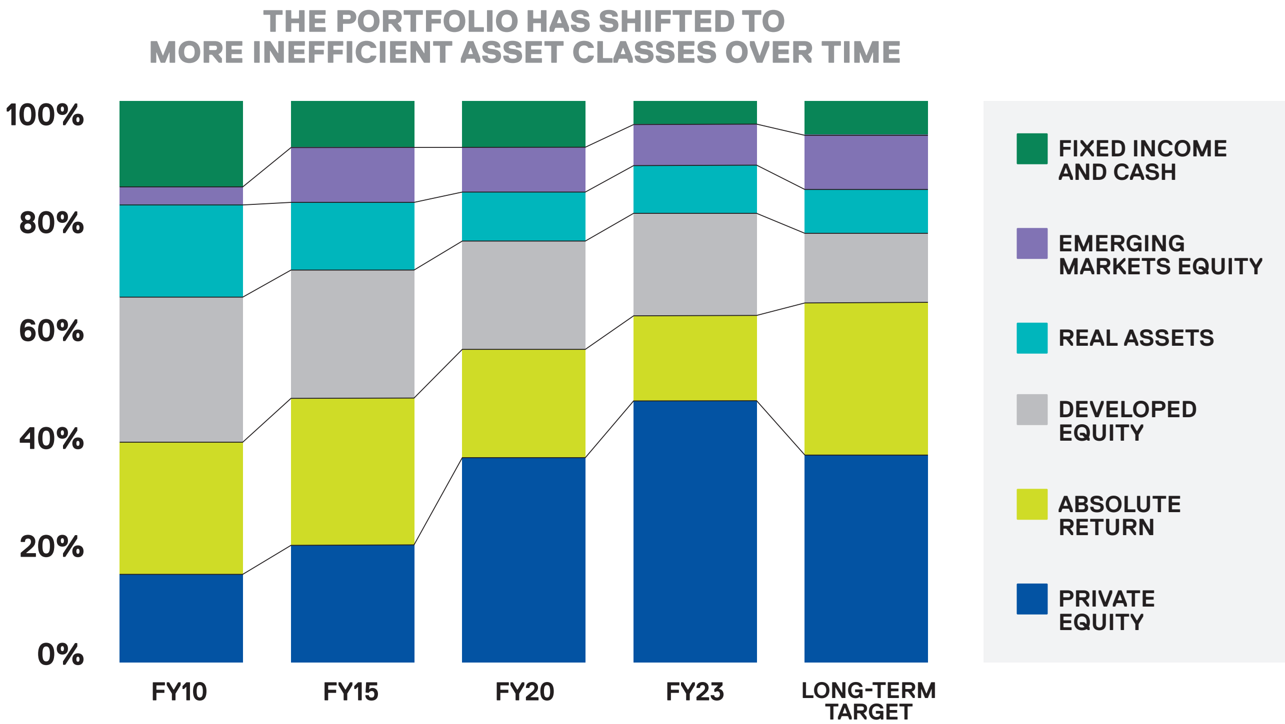
ASSET CLASS	ENDOWMENT RETURN (%)	BENCHMARK RETURN (%)	VALUE ADDED (%)	BENCHMARK
Developed Equity	10.2	9.5	0.7	MSCI World
Emerging Markets Equity	3.7	3.0	0.7	MSCI Emerging Markets
Absolute Return	6.0	4.1	1.9	CSFB/Tremont Hedge Fund
Real Estate	13.5	11.4	2.1	C.A. U.S. Real Estate
Natural Resources	(4.6)	(2.9)	(1.7)	C.A. U.S. Upstream and Royalties
Buyout	20.0	16.5	3.5	C.A. U.S. Buyout
Venture Captial	21.3	17.4	3.9	C.A. U.S. Venture Capital
Fixed Income	1.3	0.9	0.4	Bloomberg Intermediate U.S. Treasury
Managed Pool[2]	**10.3**	**6.7**	**3.6**	**Passive Benchmark**
Managed Pool[2]	**10.3**	**8.4**	**1.9**	**Policy Benchmark**
Managed Pool[2]	**10.3**	**7.4**	**2.9**	**HEPI + 4.5%**

VOLATILITY MATTERS

It may seem counterintuitive that an institution with an infinite time horizon might care about volatility. With an investment horizon measured in decades and not months, why not embrace short-term volatility in exchange for maximizing long-term returns?

The dependence of the University on annual support to the operating budget affects the endowment's ability to tolerate volatility. If the endowment declines significantly over consecutive years, our distribution to the University can become a large percentage of the total endowment. Furthermore, we would need to liquidate assets to pay out the University at a time when investments are priced at steep discounts to their true underlying value, destroying any ability to recover that value in the future. An alternative would be to reduce the payout to the University which would be equally disruptive.

A diversified asset allocation is the primary mitigant against volatility. Over time, the endowment must generate better than an 8.0% return just to maintain purchasing power. Between our spending target of roughly 4.5% and higher education inflation long term of 3.5%, our return target is formidable. This forces us to orient our allocation to riskier asset classes than bonds and pushes us beyond just U.S. publicly traded stocks into more illiquid, higher-returning assets such as leveraged buyouts and venture capital. Each asset class will be volatile, but with reduced correlation to each other, the mix should help us achieve the highest return possible while targeting a volatility the University can withstand. Our long-term asset class mix is shown in the bar chart below:



In addition to asset allocation, the other critical input to the endowment's growth and ability to withstand volatility is gifts. When distributions from the endowment are offset by gifts, the endowment is insulated from the vicissitudes of the market. A gift into the endowment at its low point allows us to act countercyclically and buy when markets are offering bargains. These gifts compound over time as markets normalize. Over the last 13 years, the endowment has received $275 million in gifts. The compounding effect of those gifts resulted in a $500 million increase in the endowment balance and almost $79 million in additional payout to the institution.

We have just come off a spectacular run in most risk assets, venture capital among the most notable, helping drive the eye-popping returns of fiscal 2021. We warned back then that we had likely brought forward several years' worth of returns, and the last two years feel consistent with that prediction.

GOING FORWARD

In the Investments Office and on the Investment Committee, we have built a team of mission-driven individuals committed to and invested in the success of Wesleyan. We recognize our privileged position, sitting at the intersection of investing and supporting an extraordinary cause. We have accomplished much in the last 13 years together, but the next 13 years will invariably look different than the past, and we cannot be complacent. With the benefit of more than a decade of hindsight, we should have a decent data set on which to look back to assess where we have made good or bad decisions.

Investing is hard. It is often more art than science. To get better, we must be deliberate about learning from our mistakes and intent on not repeating the same ones, but we must also be comfortable with making new ones in the pursuit of taking worthwhile risks to maximize returns. We regularly revisit our investment decisions, performing post-mortems to explore whether we can learn new lessons to avoid future mistakes. We also perform pre-mortems to identify some of the things that could go wrong prior to entering into long-term partnerships. These exercises set us on a path of continuous improvement as we strive for excellence.

The world is as fraught with risk as ever, but we cannot be paralyzed by what could go wrong in the short term to the detriment of investing in the things that could go right in the long term. We are comforted by the diversification of the endowment across geography, industry, asset class, and many other dimensions. We are encouraged by our ability to continuously find compelling partnerships with brilliant investors whom we can trust to steward a piece of Wesleyan's most precious resource. In a world rich with information and an endless supply of shiny new objects, we are constantly reminding ourselves that, at its core, this is a people business. Our goal is to collaborate with individuals we genuinely believe in, valuing their brilliance, intellectual curiosity, and unwavering commitment to prioritizing Wesleyan's interests above their own, and consistently choosing the right path, even when no one is looking.

Anne Martin
Chief Investment Officer

Susannah Gray
Investment Committee Chair

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