To the Wesleyan Community:

We are pleased to report that we ended fiscal 2018 at a new high-water mark for the endowment, closing at over $1 billion in net asset value. Strong global equity markets in the first half of the year, as well as significant outperformance by our private equity, venture and real estate partnerships, helped Wesleyan's managed pool achieve a 13.7 percent return for the year. Including non-managed assets, the total endowment pool reached $1.065 billion at the close of fiscal 2018 from $967.2 million just 12 months prior. With the exception of fixed income, all asset classes provided positive rates of return.

With the endowment now over $1 billion, it will contribute almost 19 percent of the University's operating budget this year, up from 14 percent just a few years ago. We are pleased with our recent progress, and are mindful that in order to help the University achieve its long-term financial goals, the Investment Committee and staff must continue to allocate the capital thoughtfully and devote significant energy to identifying and partnering with great investment managers.

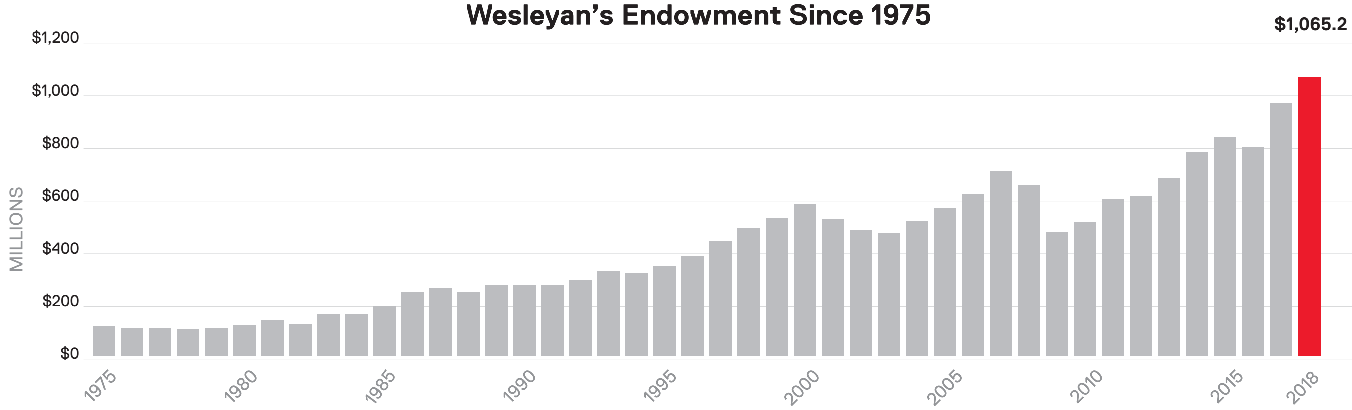
As of this update, the 2019 fiscal year is now in its fifth month, and we have seen a very different global investing environment with close to a 10 percent intra-month correction during October and November 2018. We suspect that strong investment returns will be harder to achieve in a world of rising interest rates, high asset values and volatility.

Our approach at Wesleyan is to maintain a strategic asset allocation for the long term, with very few tactical deviations. Understanding our own strengths and weaknesses is key to running our investment program, and we recognize that we are not macro economists or market timers.

Since the end of World War II, the markets have experienced drawdowns of 10 to 15 percent more than 13 times. We consider these fluctuations normal and manageable for a long-term investor. The diversification inherent in our asset allocation, a value orientation, a sensible spending rule and a rebalancing discipline help us mitigate these downdrafts. We know that patience and the disciplined adherence to our strategy during difficult markets is key to long-term success.

The chart below shows the endowment's growth path over that last 23 years:

Wesleyan's Endowment Since 1975



SUMMARY INVESTMENT PERFORMANCE

At year-end, the Total Endowment Pool primarily comprised the $1.041 billion managed investment pool ("Managed Pool"). The Managed Pool includes $960 million of endowment assets and $60 million of University working capital invested alongside the endowment. The Managed Pool is controlled by the Investments staff. The Total Endowment Pool also includes non-managed endowment assets ("Non-Managed Pool") totaling $23 million at fiscal 2018 year-end, and consisting of charitable trust assets, mortgages and other University assets that are not managed by Investments staff. The Managed Pool generated a 13.7 percent return in the fiscal year, outperforming both passive and policy benchmarks.

ONE-YEAR PERFORMANCE OF THE MANAGED POOL
ENDING JUNE 30, 2018

ASSET CLASS	ENDOWMENT RETURN (%)	BENCHMARK RETURN (%)	VALUE ADDED (%)
Domestic Equity	13.6	14.7	(1.1)
Developed International Equity	11.4	6.8	4.6
Emerging Markets Equity	6.3	8.2	(1.9)
Absolute Return	12.1	4.7	7.4
Real Estate	15.5	11.4	4.1
Natural Resources	10.8	10.4	0.4
Private Equity	24.6	18.2	6.4
Fixed Income	(1.4)	(0.8)	(0.6)
Cash	0.8	1.4	(0.6)
Managed Pool vs. 70/30 Benchmark	13.7	7.4	6.3
Managed Pool vs. Policy Benchmark	13.7	10.2	3.5
Managed Pool vs. HEPI + 4.5%	13.7	7.3	6.4

During the five-year period ending June 30, 2018, the Managed Pool returned 9.3 percent, and the Total Endowment Pool grew from $688.6 million to $1.065 billion. Over this period, it paid out $171.7 million to support University operations. Despite this large outflow, the pool still succeeded in growing its value by $376.6 million through a combination of gifts and investment performance. The Managed Pool beat all benchmarks during this period.

FIVE-YEAR PERFORMANCE OF THE MANAGED POOL
ENDING JUNE 30, 2018

ASSET CLASS	ENDOWMENT RETURN (%)	BENCHMARK RETURN (%)	VALUE ADDED (%)
Domestic Equity	12.8	13.4	(0.6)
Developed International Equity	12.3	6.4	5.9
Emerging Markets Equity	7.1	5.0	2.1
Absolute Return	7.1	3.6	3.5
Real Estate	15.9	11.6	4.3.
Natural Resources	(7.1)	(7.4)	0.3
Private Equity	17.8	15.9	1.9
Fixed Income	1.7	1.0	0.7
Cash	0.2	0.4	(0.2)
Managed Pool vs. Passive Benchmark	9.3	7.3	2.0
Managed Pool vs. Policy Benchmark	9.3	7.1	2.2
Managed Pool vs. HEPI + 4.5%	9.3	7.1	2.2

For the 10-year period ending June 30, 2018, the Managed Pool returned an annualized 6.8 percent and the Total Endowment Pool grew from $652.2 million to $1.065 billion. This era includes the great financial crisis. During this period, $333.9 million of endowment spending was used by the University in support of operations. Offsetting spending were $206.2 million of gifts and $486.3 million of net investment gains. Over the 10-year period, the Managed Pool returns exceeded all benchmark returns.

10-YEAR PERFORMANCE OF THE MANAGED POOL
ENDING JUNE 30, 2018

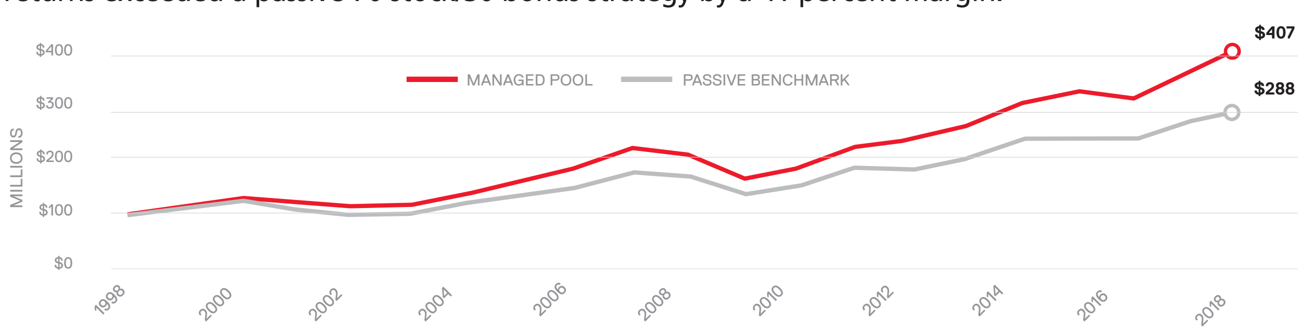
ASSET CLASS	ENDOWMENT RETURN (%)	BENCHMARK RETURN (%)	VALUE ADDED (%)
Domestic Equity	10.5	10.2	0.3
Developed International Equity	7.9	2.8	5.1
Emerging Markets Equity	6.0	2.3	3.7
Absolute Return	4.8	3.2	1.6
Real Estate	5.4	2.7	2.7
Natural Resources	2.9	(1.9)	4.8
Private Equity	11.2	11.3	(0.1)
Fixed Income	5.2	2.4	2.8
Cash	0.5	0.3	0.2
Managed Pool vs. Passive Benchmark	6.8	6.3	0.5
Managed Pool vs. Policy Benchmark	6.8	5.5	1.3
Managed Pool vs. HEPI + 4.5%	6.8	6.7	0.1

For the 20-year period ending June 30, 2018, the Managed Pool returned an annualized 7.3 percent. Over this time period, the Total Endowment Pool grew from $492 million to $1.065 billion. Despite $659.6 million of spending during this period, the Total Endowment Pool grew by $1.233 billion through a combination of gifts and investment performance. While the Managed Pool beat a simple portfolio of 70 percent stocks and 30 percent bonds over the period, it did not keep up with spending plus higher education inflation. A policy benchmark does not exist for this period of time.

20-YEAR PERFORMANCE
ENDING JUNE 30, 2018

ASSET CLASS	ENDOWMENT RETURN (%)	BENCHMARK RETURN (%)	VALUE ADDED (%)
Managed Pool vs. Passive Benchmark	7.3	5.5	1.8
Managed Pool vs. HEPI + 4.5%	7.3	7.7	(0.4)

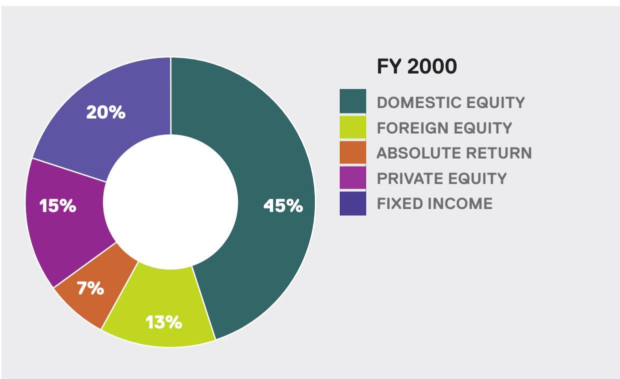
The chart below illustrates the growth of $100 over the trailing 20-year period. The Managed Pool returns exceeded a passive 70 stock/30 bonds strategy by a 41 percent margin.

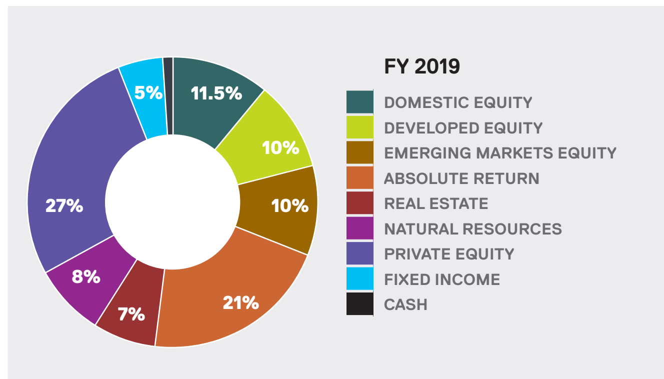


POLICY PORTFOLIO

The University manages its endowment to a policy portfolio, rebalancing as necessary. This policy portfolio is reviewed and modified annually by the Investment Committee. Today's asset allocation is markedly different from the 2000 fiscal year, when U.S. fixed income and equities made up 80 percent of the portfolio.

Since then, the universe of compelling alternative and diversifying investment opportunities has expanded. The result has been a gradual shift over the past 18 years to alternative assets from traditional stocks and bonds. We believe this approach provides diversification and the opportunity for superior risk-adjusted returns. Shown below are changes to the policy portfolio since fiscal 2000.





WESLEYAN'S PRIVATE EQUITY PROGRAM

Our approach to stewarding endowment capital begins with a long-term perspective and a bias toward equity investments. The permanent nature of endowment capital compels us to look for investments that match our investment horizon. We believe we have the best chance of generating long-term equity returns by investing in high quality companies and assets that have enduring potential to generate high return on invested capital. While this potential is available in both public and private markets, the private markets offer enhanced rewards to investors who have access to top-tier firms whose partners excel at long-term, strategic thinking, are willing to re-invest in long term growth, and can identify and attract the very best management to their portfolio companies.

Wesleyan began its current phase of building a private equity portfolio at the end of 2010. Our strategy has been to identify top-tier firms and to become a reliable investment partner to those managers. Inherent in our underwriting is making a long-term commitment to top tier firms rather than trying to time the market. We recognize that in order to generate extraordinary returns over the long term, we will have to live through up *and* down cycles with our partners.

In fiscal 2019, we benefitted from private equity investment decisions made several years ago. In our venture capital portfolio, we expect that returns will take years to manifest and even longer to liquidate. Indeed, this asset class, in our opinion, is best suited for endowments and foundations, who are willing to take a decades-long view of innovation cycles and are able to withstand illiquidity in exchange for greater return potential.

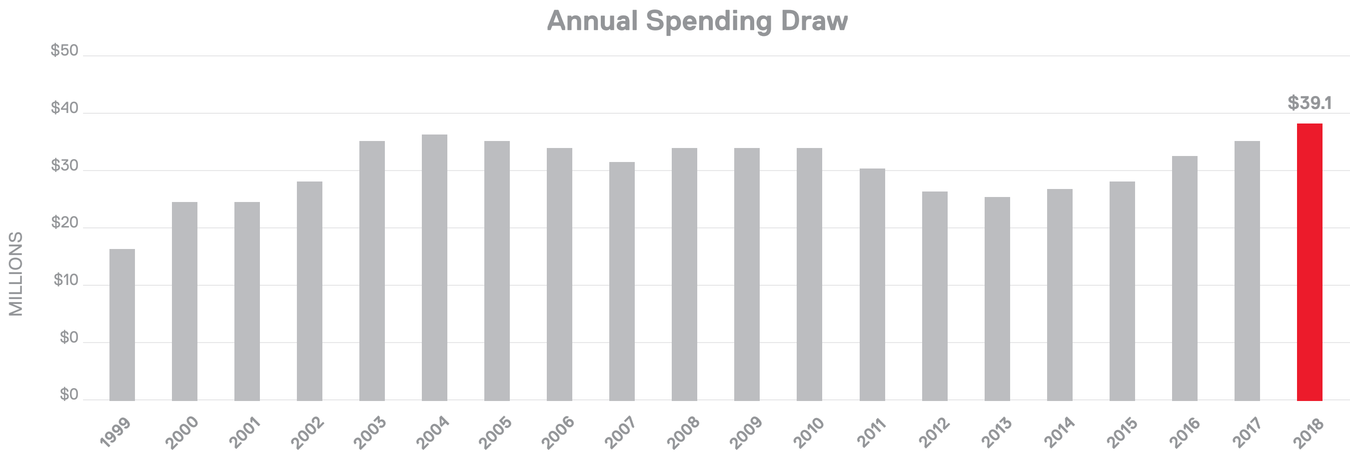
Venture capital is a difficult asset class to manage. Great firms keep funds small and nimble and have the difficult job of balancing an opportunity set and investor demand. This dynamic often results in managers turning away investors from oversubscribed funds. Outside of the well-known top-tier firms, underwriting young venture firms is challenging, but missing early funds often means being rejected in subsequent fundraisings. With the inception of the current Investments Office, Wesleyan gained access to several top-tier funds thanks to prior relationships of new staff. The portfolio today has several name brand firms and a few emerging managers. The result of this hard work is a venture portfolio that has grown to just over 10 percent of the endowment. In fiscal 2019, the portfolio benefited from several mark ups and successful IPOs, finishing the year with a 29.8 percent return.

Wesleyan's leveraged buyout portfolio was restarted in 2011 with a number of new managers. Some had long-standing relationships with the Wesleyan staff, while others were new groups that we discovered through our search efforts. Our goal in the leveraged buyout portfolio is to create a diversified portfolio of managers, each of whom brings differentiated and sustainable advantages. As this segment of the investment world has become intensely competitive, we are drawn to firms that bring industry expertise, extensive networks and the financial and operational acumen to bear in maximizing returns at the company level. The governance structure of private equity, combined with a sophisticated investor base, allows private equity managers to make economic decisions for superior long-term returns, often at the cost of short-term profits. Industry and operating knowledge compounds in our private equity partnerships, and we pay particular attention to the organizational strength of the entire firm, as well as the care and mentorship given to younger partners and principals. This year, our buyout portfolio returned roughly 24.9 percent. Over the past five years, it has returned a stellar 19.1 percent internal rate of return.

As our domestic venture and buyout portfolios mature, we have begun to explore investing internationally. Our initial priorities are on the innovation markets in China, where we believe both healthcare and technology will experience several decades of profitable growth, as well as buyouts in Europe. We have been regularly visiting China since 2011 and have been extremely cautious in our pace of investing. However, even with growth slowing in the country, we believe having exposure to the entrepreneurialism and innovation in this huge emerging economy presents compelling potential. European buyouts and growth equity family and founder-owned businesses offer interesting opportunities for managers to help rationalize operations, expand product lines, bolster management and expand to new geographies.

SPENDING

Wesleyan revised its endowment spending rule in 2012 with the objective of creating better balance between payouts to the University and maintaining purchasing power in the portfolio. To contribute to the stability of the operating budget, the endowment disburses 70 percent of the prior year's payout on an inflation-adjusted basis. The remaining 30 percent of the payout is calculated as 4.5 percent of the endowment balance. This spending equation preserves value in the endowment during periods of very high returns, and pays out a steady amount of support in periods of diminished returns. The chart below depicts the annual endowment spending draw for each of the last 20 years. In total, the University spent roughly $659.6 million from the endowment during this period to support financial aid and academic programs. Moreover, the level of payout to the University has steadily increased over the past five years.



LIQUIDITY

The Investment Committee reviews portfolio liquidity on a quarterly basis. As of June 30, 2018, nearly 22 percent of the endowment's investments were in funds providing monthly or shorter liquidity, while 62 percent of the portfolio was invested in funds with annual or shorter liquidity. Uncalled commitments to private partnerships equaled approximately 22 percent of endowment value. Even in a prolonged downturn, the endowment has ample liquidity to meet its obligations to the University and its investment partners.

MISSION-DRIVEN

From our offices on campus, we observe and participate in the activities of the University every day—a strong reminder of the mission-driven nature of our work. As we travel around the world speaking to our managers, we are often gratified to hear how many of them know and love Wesleyan. The University's focus on academic excellence, social justice, and engagement are inspiring to us and to many of our managers.

Our greatest competitive advantage remains our people and network. Besides the close-knit group in our office, we are surrounded by a knowledgeable and dedicated investment committee, trustees, alumni, and friends of Wesleyan. This strong coalition of stakeholders who are willing to put Wesleyan's long-term interests first and facilitate introductions, aid in due diligence, contribute ideas, and offer input is invaluable.

LOOKING AHEAD

Between June 30, 2018, and the date of this letter, domestic and international equity markets have experienced sharp downturns and endowment returns have been flat. Investment returns will likely be tougher to find as central bank balance sheets unwind around the world, asset prices remain high and trade tensions continue. In this environment, we continue to assess opportunities from the bottom up, increasing our concentration with our best investment partners and their best ideas and continuing to rebalance into unloved and relatively less expensive assets. We continue to seek out partners who care deeply about stewarding Wesleyan's precious financial assets, and who are passionate about finding real long-term value in overlooked or misunderstood situations. Above all, we strive for sound investment decision-making and know we must be patient through periods of market downturns, turbulence and uncertainty.

Thank you for your ongoing support for Wesleyan.

Sincerely,

John B. Frank
Chair, Investment Committee

Anne Martin
Chief Investment Officer

WESLEYAN INVESTMENT COMMITTEE 2017–2018

KIM LEW, P'22
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New York

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Founding Partner, Scopia Capital
New York

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ANDREW TANAKA (*ex-officio*)
Senior Vice President and Chief Administrative Officer and Treasurer, Wesleyan University
Connecticut

FISCAL 2018 BENCHMARKS

ASSET CLASS	BENCHMARK
Domestic Equity	Wilshire 5000 Index
Foreign Developed Equity	MSCI EAFE Index
Emerging Markets Equity	MSCI Emerging Markets Index
Absolute Return	CSFB/Tremont Hedge Fund Index
Real Estate	Cambridge Associates Private Real Estate Index
Natural Resources	Cambridge Associates Upstream and Royalties Index
Private Equity	Cambridge Associates Private Equity Composite Benchmark
Fixed Income	Barclays Intermediate U.S. Treasury Index
Cash	90-day U.S. Treasury Bill

FISCAL 2018 COMPOSITE BENCHMARKS

PRIVATE EQUITY COMPOSITE BENCHMARK	WEIGHT
Cambridge Associates U.S. Buyout Index	70%
Cambridge Associates U.S. Venture Capital Index	30%
PASSIVE BENCHMARK	**WEIGHT**
MSI All Country World Index	70%
Bloomberg Barclays Aggregate U.S. Bond Index	30%
POLICY BENCHMARK	**WEIGHT**
Wilshire 5000 Index	12.5%
MSCI EAFE Index	10.5%
MSCI Emerging Markets Index	10%
CSFB/Tremont Hedge Fund Index	24%
Cambridge Associates Private Real Estate Index	7%
Cambridge Associates Upstream and Royalties Index	7%
Cambridge Associates U.S. Buyout Index	16.1%
Cambridge Associates U.S. Venture Capital Index	6.9%
Bloomberg Barclays Intermediate U.S. Treasury Index	5%
90-day U.S. Treasury Bill	1%