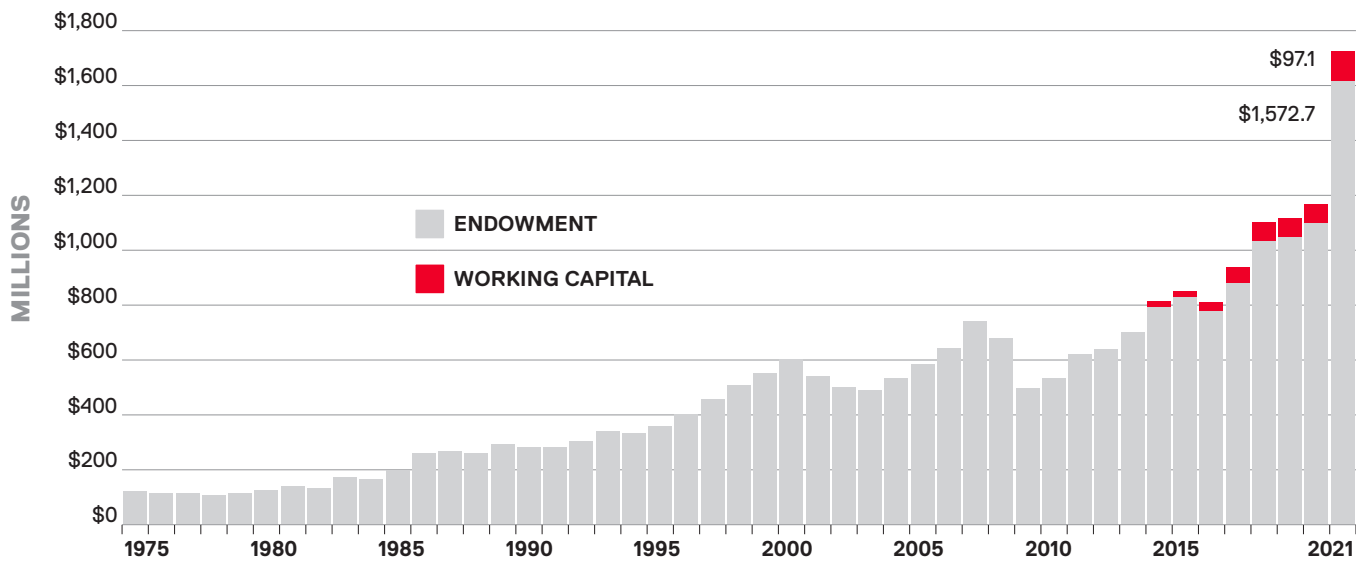


To the Wesleyan community:

The past year was truly extraordinary for Wesleyan’s endowment. Over the fiscal year, markets recovered from the initial shock of the COVID-19 pandemic, sending valuations around the world to all-time highs. Wesleyan’s endowment benefitted from its equity orientation and ended the year close to \$1.7 billion. The Managed Pool (assets under the control of the Investments Office) returned 54.2% and finished the year with a balance of \$1.65 billion. The following chart shows the path of the Total Investment Pool since 1975, and fiscal 2021 was truly an outlier.



Trailing one-, three-, five-, and 10-year returns are shown on the following page, along with preliminary peer returns tracked by Cambridge Associates and various benchmarks. Importantly, the endowment has generated returns exceeding higher education inflation and our payout target of 4.5% over all periods. That is, we have achieved our primary mandate of supporting the University’s operating budget while preserving the purchasing power of the endowment.

<sup>1</sup> The Total Investment Pool includes endowment assets and long-term reserves (“working capital”) of the University

**WESLEYAN UNIVERSITY ANNUALIZED PERFORMANCE (%)**  
ENDING JUNE 30, 2021

	1-Year	3-Year	5-Year	10-Year	20-Year
Wesleyan Investment Pool Portfolio	53.2%	19.9%	17.4%	11.7%	8.8%
Wesleyan Managed Pool	53.9%	20.2%	17.6%	11.9%	8.9%
Wesleyan Composite Benchmark*	38.3%	14.5%	13.1%	9.2%	n/a
70% Stocks (ACWI)/30% Bonds (Barclay's Agg)	26.3%	12.1%	11.3%	8.6%	6.7%
HEPI** + 4.5% (Absolute Return Hurdle)	7.27%	7.0%	7.1%	6.8%	7.3%
Median: College & University***	36.6%	13.6%	12.7%	8.9%	7.6%
Top Quartile: College & University***	41.9%	15.8%	14.3%	10.1%	8.6%

\* Composite reflects returns from passive investments in each asset class, weighted according to policy weights (illiquid funds use pooled returns as tracked by Cambridge Associates)

\*\* Higher Education Price Index

\*\*\* Results reported as of December 1, 2021 to Cambridge Associates

Apart from fixed income, returns were positive across all asset classes in fiscal 2021. In fact, several asset classes turned in returns that were truly historic. Most illiquid asset classes are benchmarked against funds tracked by Cambridge Associates (“C.A.”). Our one-year Managed Pool returns vs. benchmarks are highlighted below.

**ONE-YEAR PERFORMANCE**  
ENDING JUNE 30, 2021

ASSET CLASS	ENDOWMENT RETURN (%)	BENCHMARK RETURN (%)	VALUE ADDED (%)	BENCHMARK
Global Equity	43.2	39.3	3.9	MSCI All Country World
Absolute Return	28.1	16.6	11.5	CSFB/Tremont Hedge Fund
Real Estate	21.6	19.6	2.0	CA U.S. Real Estate
Natural Resources	53.4	32.2	21.2	CA U.S. Upstream and Royalties
Private Equity	95.3	62.0	33.3	Cambridge Associates Composite
Fixed Income	(1.3)	(1.2)	(0.1)	Barclays Intermediate U.S. Treasury
Cash	0.0	0.1	(0.1)	90-Day Treasury Bill
Wesleyan Managed Pool <sup>2</sup>	53.9	26.3	27.6	Passive Benchmark
Wesleyan Managed Pool <sup>2</sup>	53.9	38.3	15.6	Policy Benchmark
Wesleyan Managed Pool <sup>2</sup>	53.9	7.2	46.7	HEPI + 4.5%

Our private equity portfolio (consisting of venture capital and buyout firms) returned 95.3% over the fiscal year. Fundamental growth of companies in our venture portfolio continued apace as the digitization of the world continued. Not only were markups strong but we had several liquidation events through initial public offerings (IPOs), direct listings, and acquisitions that provided significant liquidity to the Managed Pool.

<sup>2</sup> Assets under the direction of the Investments Office

Our Global Equity portfolio turned in a 43.2% return for the fiscal year, beating the MSCI All Country World Index of 39.3%. Active management worked well with almost all marketable managers beating their passive benchmarks. The portfolio also benefitted from tailwinds over the year, following the market drawdown during the early phases of the pandemic in the first half of calendar 2020.

Our Absolute Return portfolio provided strong returns of 28.1% for the year, benefitting from biotech exposure, credit recoveries, and long stock positions.

Fixed Income, our basket of Intermediate-Term Treasuries, was the only negative performer for the year, turning in a 1.3% loss. Given the small size of the portfolio, the drag on the overall endowment return was less than 5 basis points.

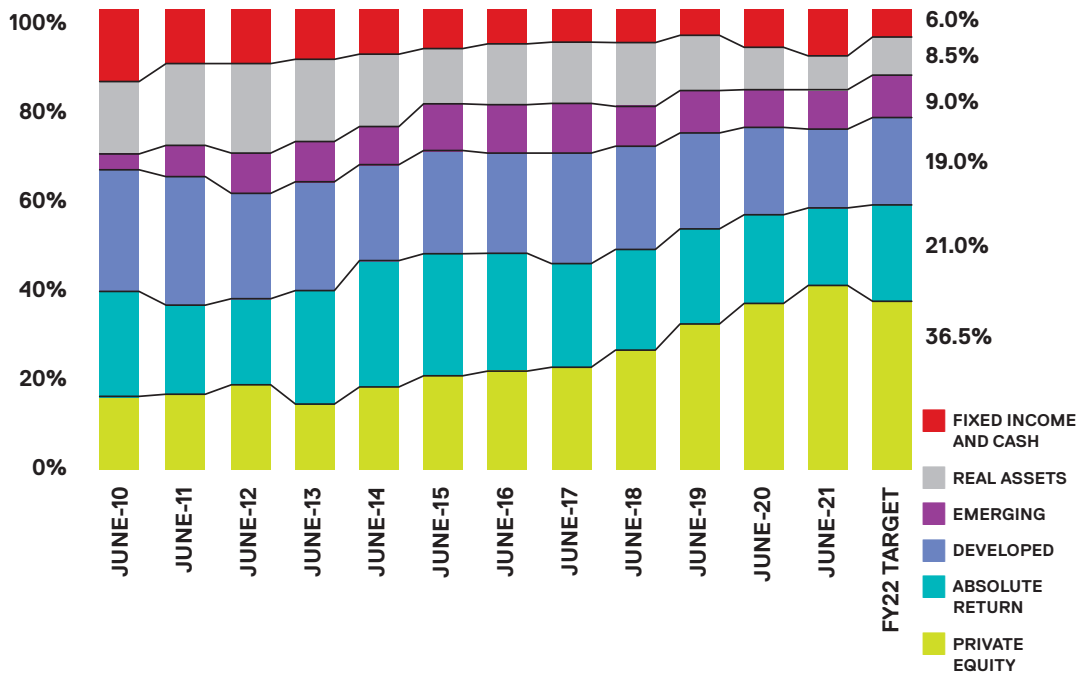
## **ASSET ALLOCATION**

Together with our Investment Committee, the investments staff controls risk through two types of investment decisions: (1) asset allocation, where selecting a mix of diversified assets should provide the returns necessary to achieve Wesleyan's long-term financial goals, and (2) manager selection, which requires staff to identify investment talented managers who are able to add value within each asset class.

Asset class targets are approved each year by the Investment Committee and reflect a blend of long-term expected returns and an assessment of our ability to identify and access talented managers. Each asset class has a target for the upcoming year, which is straddled by a wide range. This flexibility empowers the investment team to select the best opportunities based on our bottom-up assessment of managers rather than "filling a bucket."

Asset class ranges and manager selection are investment decisions made in the context of a long-term time frame. The endowment's portfolio construction is not designed to take advantage of short-term dislocations but instead seeks to meet long-term financial goals through various market conditions. For this strategy to succeed, the portfolio must be diversified with investments that behave differently in various economic conditions. This diversification is driven by both asset allocation and manager selection decisions. Managers within an asset class may be uncorrelated and help us achieve diversification. For example, specialists who focus on fixed income arbitrage may have a very different return stream than a generalist long-/short-equity manager despite both being classified as Absolute Return.

In the following chart, we show our asset allocation at fiscal year ends and our targets for fiscal 2022. Real Assets reflect real estate, oil and gas, and other positions that we believe will have inflation-hedging characteristics. Oil and gas exposures continued to wind down over the course of the year, ending at about 3% of the endowment. Wesleyan is no longer investing in managers who focus on fossil fuels, and we expect the current positions to run off by the University’s 200th anniversary in 2031. In the short term, the value of our oil and gas assets will fluctuate with commodity prices.



## SUSTAINABILITY

In the context of the challenges the world is facing, many made even more evident by the COVID-19 pandemic, we believe that environmental, social, and governance (ESG) and diversity, equity, and inclusion (DEI) hold increasing importance in investment decision-making. Our approach to ESG and DEI is informed by Wesleyan’s values of boldness, rigor, diversity, practical idealism, and generosity of spirit.

While ESG has long been a consideration in our underwriting process, the Investments Office formalized the role of ESG in underwriting in 2015, adding ESG policy to the board-approved Investment Policy Statement and increasing our focus on ESG matters during due diligence with managers. In 2020, the University made a long-term commitment to wind down its oil and gas portfolio.

Ultimately, we believe that sustainable businesses are better positioned to deliver strong returns over the long term. As long-term stewards of capital, we believe that initiatives taken by companies to diversify their workforces, create good environmental policies, and enforce accountable governance will serve to enhance future returns. Accordingly, we see our commitment to ESG principles as well aligned with our commitment to strong returns that support the academic mission of the University.

Our managers are increasingly investing in opportunities that we believe will drive a better future. Several portfolio companies are innovating for a more environmentally sustainable world through carbon tracking technology, electrified transportation, and digitization of historically paper-based processes. Others are dedicated to the fields of biotechnology and healthcare, pioneering treatments that address unmet medical needs and improve the healthcare system, including addressing nurse shortages, reducing the cost of healthcare, and expanding access to mental healthcare. Others are making education more affordable and accessible on a global scale. Many of our managers have also hired ESG specialists to guide them and their portfolio companies as they strive to reduce or eliminate their use of fossil fuels and diversify their organizations. Our role is often as a conduit, connecting those with best practices to others who have not yet taken these steps.

In 2020, the Investments Office formally incorporated diversity, equity, and inclusion considerations into our underwriting process. We believe that diverse teams make better investment decisions and ultimately deliver stronger returns. This formalization of underwriting to include DEI policies and practices has opened the door to more conversations, and we have encouraged our managers, with positive outcomes, to provide greater transparency and reporting. More managers are setting goals around DEI and training their teams to reduce bias and practice a more inclusive and equitable culture. While our managers have recruited more diverse teams than ever before, we have a long way to go to achieve a portfolio that ideally represents our notion of diversity.

Internally, we have also held ourselves to a higher standard. All members of the office have participated in anti-bias training, and we have taken steps to widen our recruitment funnels for our internship and analyst programs. We have teamed with other endowments and foundations to create forums with managers who identify as diverse. We are aware that in an industry driven by networks and referrals, widening our scope is critical to improving diversity.

One of our key learnings in conversations with our managers and peers alike is that recruiting diverse teams and investing in diverse managers is a challenge given the underrepresentation of diverse populations in finance generally. This has motivated us to pilot a course at Wesleyan, aiming to teach finance basics to first-year and sophomore students in the hopes of making the field more accessible to those populations. Several of our managers have taken similar steps to engage with students early on, especially through internship and mentorship programs for underrepresented populations.

Despite the progress that we and our managers have made in ESG and DEI, we recognize the long and challenging pathway ahead and the urgency of taking action. As we look ahead to a new year, we intend to continue educating ourselves, tracking and benchmarking the Investments Office on key metrics, engaging with our managers, and sharing best practices across the portfolio.

## MOVING FORWARD

After a year of unprecedented returns, it would be tempting to rest on our laurels and declare victory. However, in a world as dynamic as ours, it is critical for the Wesleyan investment team and our committee to keep thinking long-term and position the portfolio for the future. With an extraordinary fiscal 2021 in the rearview mirror, it's likely that future returns were brought forward and the road ahead for generating performance will be difficult. The seeds for 2021 were planted nearly a decade ago, and we must continue pursuing opportunities that will bear fruit over the next decade.

Investing for the future is both an art and a science. While the science requires us to measure and analyze, the art asks us to imagine and apply investment judgment. We often try to picture the world in 10 years and ask ourselves what we would have been happy to be invested in when we look back from that future perspective. What are the global trends and breakthroughs that we believe will open new avenues for strong investment returns? Can we identify talented managers who are creating firms positioned to thrive in this increasingly digital, diverse, and competitive world?

For the foreseeable future, learning organizations are likely to be those that win. Managers who are deeply thoughtful about what is happening in the world and can continue to evolve their organizations to create an informational or operational edge and can attract, mentor, and keep the best talent are most likely to generate outstanding returns. Those same principles apply to us at the Wesleyan Investments Office. We must continue to evolve, recognize change around us, and create change in our own organization to meet the challenges of investing in an increasingly complex and global world. We are lucky to have a strong and growing team and the support of an engaged investment committee as we support the mission of the University.

Anne Martin  
Chief Investment Officer

Susannah Gray, '82  
Investment Committee Chair

## WESLEYAN INVESTMENT COMMITTEE 2019–2020

### **SUSANNAH GRAY '82**

Wesleyan Trustee | Chair, Investment Committee  
Retired, Executive Vice President & Chief Financial Officer, Royalty Pharma  
*New York*

### **ADAM C. BIRD '87, P'19, '22**

Wesleyan Trustee  
Senior Partner, McKinsey & Company  
*Germany*

### **MARC N. CASPER '90, P'23 (ex-officio)**

Wesleyan Trustee | Chair, Finance Committee  
Chairman, President, and CEO, Thermo Fisher Scientific  
*Massachusetts*

### **JOHN FRANK '78, P'12 (ex-officio)**

Wesleyan Trustee | Chair, Board of Trustees  
Vice Chairman, Oaktree Capital Management, L.P.  
*California*

### **ANNE S. GOLDRACH '79, P'12**

Wesleyan Trustee  
CEO/President, Greystone Management Corp.  
*New York*

### **KIM Y. LEW P'22**

Chief Investment Officer, Columbia University  
*New York*

### **JEREMY MINDICH '87, MALS '89**

Founding Partner, Scopia Capital  
*New York*

### **ROBERT A. PRUZAN '85**

Wesleyan Trustee  
Founding Partner, Centerview Partners  
*New York*

### **PHILIP J. RAUCH '71**

Wesleyan Trustee  
Managing Director and Wealth Advisor, William Blair  
*Maryland*

**DAVID L. RESNICK '81, P'13**

Managing Partner, Wood Lily Advisors  
*New York*

**MICHAEL S. ROTH '78 (ex-officio)**

Wesleyan Trustee  
President, Wesleyan University  
*Connecticut*

**ANDREW TANAKA '00 (ex-officio)**

Senior Vice President and Chief Administrative Officer and Treasurer, Wesleyan University  
*Connecticut*

**ADAM USDAN '83**

Wesleyan Trustee  
Founder, President, and General Partner, Trellus Management Co., LLC  
*New York*

**ANDREW VOGEL '95**

Co-Chief Investment Officer and Managing Partner, ZMC  
*New York*