Dear Alumni and Friends:

In a challenging period for the financial markets, the Wesleyan endowment produced a negative 3.2% return in the fiscal year ended June 30, 2016, ending the year with a balance of $802.2 million. Over the past year, global equity markets declined, commodity prices fell, and only private equity, fixed income and real estate managed to generate positive returns. Among Wesleyan's asset classes, marketable assets performed relatively poorly, with absolute return, domestic equity and foreign equity all declining. Active management added value in several areas of the endowment, but detracted in others. Positive returns were generated by real estate, our leveraged buyout portfolio and fixed income. The $36.6 million decrease from the fiscal 2015 ending value of $838.8 million reflects $29.4 million of investment losses, $37.7 million of payout to the University and expenses, and $25.4 million of gifts and other additions.

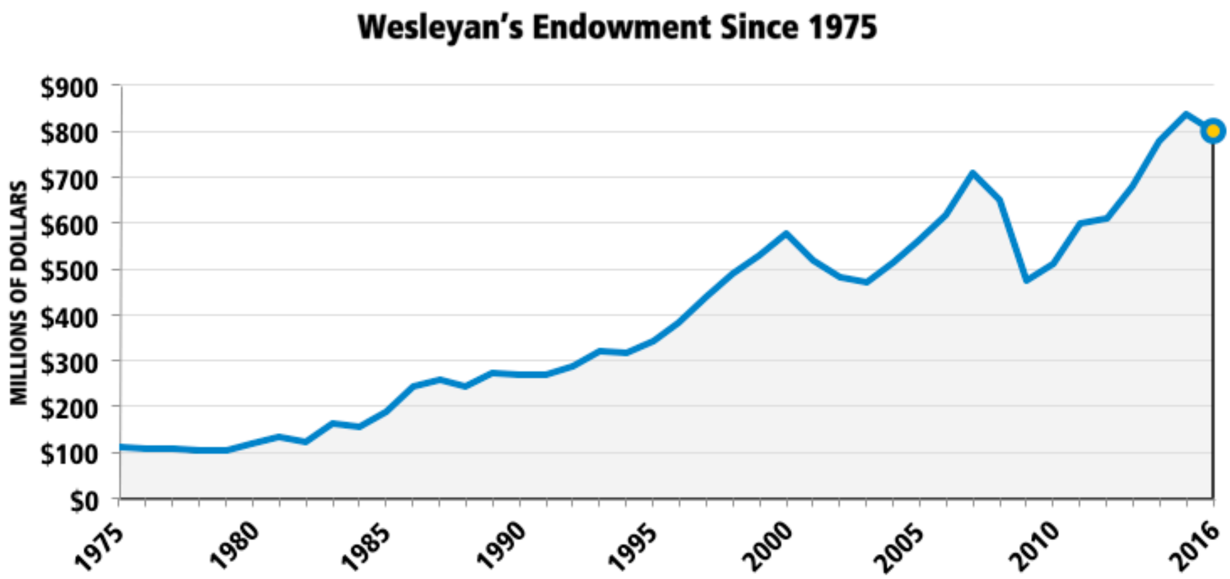
Fiscal 2016 was a difficult year for many endowments and foundations, with the mean endowment in our size range returning a negative 2.6%. The last 12 months reflected a challenging period for investment philosophies espoused by Wesleyan and many of our peers: diversification, active management, and value investing. Several diversifying asset classes, including natural resources, foreign equity and hedge funds have produced mediocre or negative returns for multiple years. Growth has trumped value, and, in some cases, active management has detracted versus benchmarks over the short term.

One of the important competitive advantages available to Wesleyan is the perpetual nature of our capital and our ability to maintain a long-term orientation. This extended horizon enables us to withstand multi-year periods of underperformance by a manager or an asset class in exchange for long-term positive returns. Short-term underperformance enables contrarian and long-term investors to buy assets at reasonable or even bargain prices to generate attractive risk adjusted returns. We have been adding capital to managers and asset classes that have underperformed. Together with our investment partners, we are able to make decisions based on a three, five or even 10-year viewpoint.

Over the past five years the endowment grew from $601 million to $802.2 million, generating an annualized return of 6.7%. Annual spending from the endowment grew to $34.5 million in 2016 from $29.5 million in 2011. Over 10 years, a period that includes the global financial crisis, Wesleyan's endowment produced a 5.4% annualized return. Over both the five and 10-year periods, endowment performance exceeded our market driven benchmarks; however, maintaining purchasing power has been challenging given the inflationary pressures unique to higher education institutions. Over both the five and 10-year periods, we have underperformed our inflation plus 5% benchmark.

Growth of the endowment requires disciplined spending, generous donors, and solid returns. While returns were difficult in 2016, gifts helped the endowment maintain a balance over $800 million. June 30, 2016, marked the culmination of Wesleyan's wildly successful "This Is Why" capital campaign. The tremendous efforts of University Relations and the generosity of donors have created a solid financial platform that will undoubtedly benefit the University in future years.

The growth of the endowment since 1975 is shown below:



FISCAL 2016 PERFORMANCE

With the exceptions of real estate, private equity and fixed income, all asset classes generated losses. Domestic equity and absolute return managers delivered underperformance on an absolute and relative basis. International equity and real assets outperformed on a relative basis, but generated losses.

The endowment's domestic equity portfolio generated negative performance and trailed the Wilshire 5000 benchmark's positive return by 890 basis points. The market's best performing sectors were those that served as bond proxies such as utilities, REITs, and consumer staples. Wesleyan's managers did not have exposure to these sectors, nor the tailwinds they provided. In addition, our positioning in mid- and small-capitalization stocks hurt the portfolio during the trailing twelve-month period.

International equities delivered a negative 3.5% return in fiscal 2016. This return, however, bested almost every comparable index and exceeded our policy benchmark by 740 basis points. This achievement occurred despite heavy exposure to two of the worst performing sectors: consumer cyclicals and financial services. In fact, half of our managers produced positive returns in an environment where nearly every benchmark was negative.

Developed markets equities returned negative 3.2%, but outperformed the MSCI EAFE Index by 690 basis points. Emerging market equities returned a negative 4.1%, but outperformed the MSCI Emerging Markets Index by 800 basis points. Outperformance was generated through both positive stock and country selection.

In fiscal 2016, the absolute return portfolio returned negative 5.2%, underperforming the CSFB/Tremont Hedge Fund Index by 100 basis points. To little surprise, Wesleyan's best absolute return performers were those focused on highly uncorrelated strategies. In general, our concentrated, long/short equity managers generated losses in 2016.

Wesleyan's private equity portfolio returns were slightly positive. A pullback in biotechnology, a sector that contributed meaningful performance to the asset class over the prior few years, curbed overall private equity performance in fiscal 2016. Our leveraged buyout portfolio delivered an 8.7% return over the year, while venture capital was essentially flat. Many of our private investments are still relatively immature as we are now only five years into a dedicated effort to build this part of the portfolio; however, we are pleased with the portfolio's performance to date.

Private real estate was one of the endowment's best performing asset classes but averaged only 5.8% of the portfolio during the year. Wesleyan's real estate managers performed well regardless of geographic exposure as improving fundamentals and depressed interest rates lifted valuations. Our real estate portfolio outperformed the Cambridge Associates benchmark by 680 basis points.

Energy investments continued to suffer in the aftermath of plummeting commodity prices, the result of growing global supply and slowing global demand. Markdowns from our energy portfolio overwhelmed the gains created by Wesleyan's real estate managers. Private oil and gas investments produced a negative 24.7% return, while our real estate portfolio returned 14.8%. Altogether, real assets declined 6.9% during the year.

Fixed income markets experienced pronounced volatility, but ultimately closed the year with respectable gains. Long-term treasuries performed extremely well as investors fled risky assets. Taking into consideration broader market activity, Wesleyan's intermediate duration treasuries met our expectations of positive performance with limited volatility.

TRAILING TWELVE-MONTH PERFORMANCE
JUNE 30, 2016

ASSET CLASS	WESLEYAN	BENCHMARK	VALUE ADD	BENCHMARK
Domestic Equity	-5.9%	3.0%	-8.9%	Wilshire 5000
Developed Equity	-3.2%	-10.2%	7.0%	MSCI EAFE
Emerging Market Equity	-4.1%	-12.1%	8.0%	MSCI EM
Absolute Return	-5.2%	-4.2%	-1.0%	CSFB/Tremont
Real Assets	-6.9%	-7.9%	1.0%	Real Assets Composite
Private Equity	0.7%	3.9%	-3.2%	Private Equity Composite
Fixed Income	6.0%	4.0%	2.0%	Barclays Intermediate U.S. Treasury
Cash	0.1%	0.2%	-0.1%	90-day U.S. Treasury Bill
Endowment	-3.2%	-0.7%	-3.1%	Passive Benchmark
Endowment	-3.2%	-2.7%	-0.5%	Policy Benchmark
Endowment	-3.2%	6.8%	-10.0%	HEPI + 5%

LONG-TERM PERFORMANCE

The endowment returned 6.7% during the five-year period ending June 30, 2016. The endowment increased from a value of $601.5 million on July 1, 2011 to $802.2 million on June 30, 2016, a net increase of $200.7 million over five years. Most asset classes outperformed their respective benchmarks. Endowment performance exceeded our passive and the policy benchmarks, but fell slightly short of the spending benchmark of inflation (HEPI) plus 5.0%.

TRAILING FIVE-YEAR PERFORMANCE
JUNE 30, 2016

ASSET CLASS	WESLEYAN	BENCHMARK	VALUE ADD	BENCHMARK
Domestic Equity	11.9%	11.6%	0.3%	Wilshire 5000
Developed Equity	8.0%	1.7%	6.3%	MSCI EAFE
Emerging Market Equity	0.7%	-3.8%	4.5%	MSCI EM
Absolute Return	4.5%	2.9%	1.6%	CSFB/Tremont
Real Assets	2.1%	2.3%	-0.2%	Real Assets Composite
Private Equity	14.4%	13.1%	1.3%	Private Equity Composite
Fixed Income	4.6%	2.4%	2.2%	Barclays Intermediate U.S. Treasury
Cash	-0.5%	0.1%	-0.6%	90-day U.S. Treasury Bill
Endowment	6.7%	6.0%	0.7%	Passive Benchmark
Endowment	6.7%	5.2%	1.5%	Policy Benchmark
Endowment	6.7%	7.0%	-0.3%	HEPI + 5%

For the ten years ending June 30, 2016, the endowment returned an annualized 5.4%, growing from $619.8 million on July 1, 2006 to $802.2 million on June 30, 2016, an increase of $182.4 million.

TRAILING TEN-YEAR PERFORMANCE
JUNE 30, 2016

ASSET CLASS	WESLEYAN	BENCHMARK	VALUE ADD	BENCHMARK
Domestic Equity	8.4%	7.5%	0.9%	Wilshire 5000
Developed Equity	6.3%	1.6%	4.7%	MSCI EAFE
Emerging Market Equity	7.1%	3.5%	3.6%	MSCI EM
Absolute Return	3.2%	4.2%	-1.0%	CSFB/Tremont
Real Assets	4.1%	2.9%	1.2%	Real Assets Composite
Private Equity	9.3%	10.8%	-1.5%	Private Equity Composite
Fixed Income	6.6%	4.1%	2.5%	Barclays Intermediate U.S. Treasury
Cash	0.2%	0.9%	-0.7%	90-day U.S. Treasury Bill
Endowment	5.4%	5.2%	0.2%	Passive Benchmark
Endowment	5.4%	7.3%	-1.9%	HEPI + 5%

The Wesleyan Endowment exceeded a passive benchmark over the trailing twenty-year period, but fell just short of our spending plus inflation hurdle.

TRAILING TWENTY-YEAR PERFORMANCE
JUNE 30, 2016

ASSET CLASS	WESLEYAN	BENCHMARK	VALUE ADD	BENCHMARK
Endowment	7.5%	6.6%	0.9%	Passive Benchmark
Endowment	7.5%	8.1%	-0.6%	HEPI + 5%

WESLEYAN'S INVESTMENT APPROACH

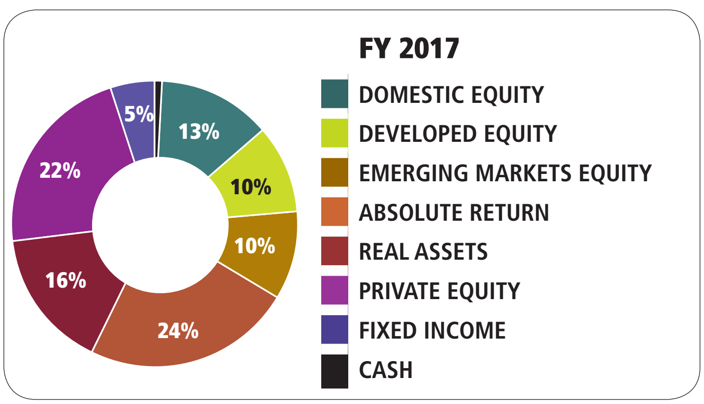
Our approach to stewarding endowment capital and creating value begins with a long-term perspective and a bias towards equity investments. The perpetual nature of our capital enables us to forge enduring partnerships with investors who genuinely appreciate Wesleyan's ambitions. We prefer managers that disregard short-term volatility and think about value creation in terms of years or decades. At a holistic level, we seek to mitigate endowment volatility by investing in diversified asset classes, distinct asset types, and a range of geographies.

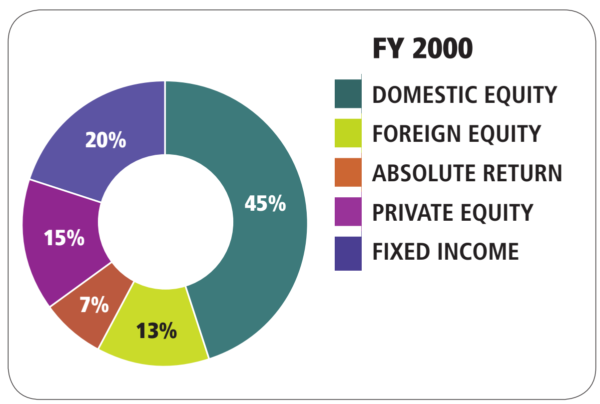
Each year, the Investment Committee reviews the University's asset allocation. This board-level oversight ensures that the risks and objectives of the investment portfolio are consistent with the long-term goals of the University. Over time, Wesleyan's asset allocation has shifted towards private and illiquid investments that provide the opportunity to generate returns in excess of traditional public markets. Wesleyan pursues these opportunities in sub asset classes such as private equity, real estate, natural resources, and venture capital. Accordingly, we carefully monitor allocations to these investments to ensure adequate liquidity.

In recent years, we have also emphasized emerging market equities, which currently constitute roughly 10% of the endowment. The index returns of emerging markets have performed well below their U.S. counterparts over the past several years. We believe, however, that these markets remain relatively inefficient and provide interesting opportunities for investors with a long-term time horizon. Our active managers have produced returns well above market indices, through a combination of country and stock selection. In fiscal 2016, our emerging markets portfolio produced a -4.1% return, versus -12.1% for the MSCI Emerging Markets Index.

POLICY PORTFOLIO AND INVESTMENT STRATEGY

Today's asset allocation is markedly different from that of 2000 when U.S. fixed income and equities made up 80% of the portfolio. Since then, the variety of compelling alternative and diversifying investment opportunities has expanded. Wesleyan's attention to portfolio construction, diversification, underwriting, and monitoring has also increased. The result for Wesleyan has been a gradual shift from traditional stocks and bonds, to alternative assets, which add diversification and the possibility of higher returns. In June 2016, the Investment Committee of the Board of Trustees examined and re-affirmed our asset allocation for the 2017 fiscal year. Shown below are changes to the policy portfolio since fiscal 2000.



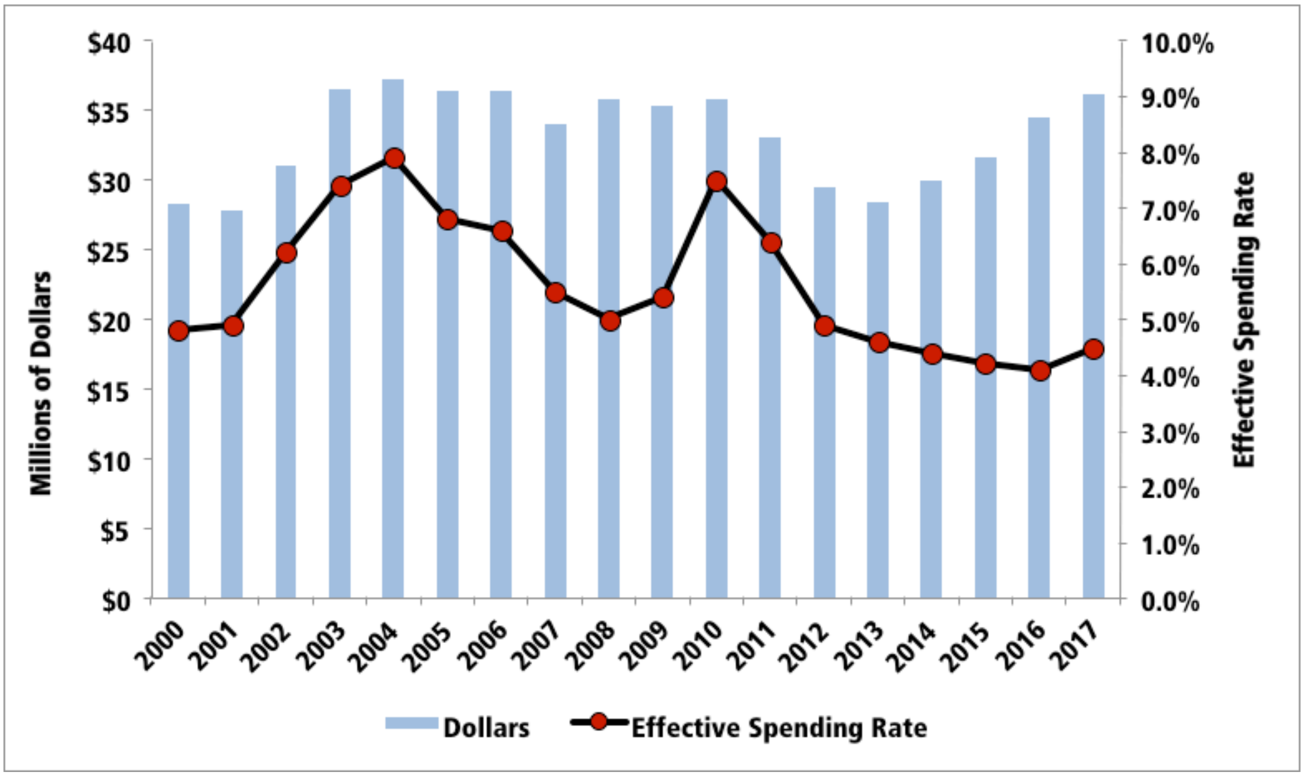


FISCAL YEAR	2000	2005	2010	2017
Domestic equity	45%	25%	16%	13%
Foreign equity	13%	15%	20%	20%
Developed equity	-	-	-	10%
Emerging markets equity	-	-	-	10%
Absolute return	7%	25%	25%	23.5%
Real assets		5%	10%	15.5%
Private equity	15%	15%	17%	22%
Fixed income	20%	15%	18%	5%
Cash	-	-	-	1%

SPENDING

Wesleyan implemented a new spending rule in 2012, which is now in full effect. The University determines spending based on two factors: the ending endowment balance and the payout to the University in the prior year. In order to maintain stability in the operating budget, the endowment guarantees 70% of the prior year's payout on an inflation-adjusted basis. The remaining 30% of the payout is calculated as 4.5% of the endowment balance. This spending equation creates a "drag" factor on the payout, preserving value in the endowment during periods of very high returns, and paying out steadily in periods of diminished returns.

The level of payout to the University has increased over the past five years, while the payout as a percent of the endowment has decreased. This encouraging trend is shown in the chart below:



LIQUIDITY

The Investment Committee reviews portfolio liquidity on a quarterly basis. As of June 30, 2016, nearly 23% of the endowment's investments were in funds having monthly or shorter liquidity terms. Uncalled commitments to private partnerships equaled approximately 23% of endowment value. Even in our stress-tested prolonged downturn, the endowment has ample liquidity to meet its obligations to the University and our managers.

LOOKING AHEAD

As we finish this letter, our news feels very stale. Since the end of the fiscal year, we have digested a number of changes in the world including Brexit and the outcome of the U.S. elections. Between June 30 and the date of this letter, domestic and international equity markets have rallied, respectively, and Wesleyan's endowment has increased to over $880 million. Much of what we have experienced reminds us that prognostications are just that: prophesies that may or may not resemble the actual future.

Polls, experts and leaders who have been consistently wrong about outcomes remind us that we must remain humble regarding our own abilities to forecast the direction of interest rates, markets or policies. Instead, we believe our best opportunities for investment returns lies in remaining vigilant regarding the risks of leverage, hubris and overpaying. While macro headwinds may continue, we continue to act in a "micro" manner -- assessing opportunities from the ground up, increasing our concentration with our best managers and continuing to rebalance into unloved and relatively less expensive assets. We continue to seek out managers who care deeply about stewarding Wesleyan's precious financial assets, who are passionate about finding real value in overlooked or misunderstood situations, who can add value through expertise and operational excellence and who are willing to adopt a long-term time horizon that ignores or takes advantage of excess volatility created by the many short-term market participants. Above all, we encourage our managers and our own team to cultivate a temperament that enables sound investment decisions throughout turbulence and uncertainty.

Sincerely,

David Resnick	Anne Martin
Chair, Investment Committee	Chief Investment Officer

WESLEYAN INVESTMENT COMMITTEE 2016–2017

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Wesleyan Trustee
President, Third Avenue Management LLC
New York

Robert A. Pruzan ’85 Vice Chair
Wesleyan Trustee
Founding Partner, Centerview Partners
New York

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President, Wesleyan University
Connecticut

Adam Usdan ’83
Wesleyan Trustee
Founder, President and General Partner, Trellus Management Co., LLC
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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
Fixed Income	Barclays Intermediate U.S. Treasury Index
Cash	90-day U.S. Treasury Bill

COMPOSITE BENCHMARKS

FOREIGN EQUITY COMPOSITE BENCHMARK	WEIGHT
MSCI EAFE Index	50%
MSCI Emerging Markets Index	50%
REAL ASSETS COMPOSITE BENCHMARK	**WEIGHT**
Cambridge Associates Private Real Estate Index	40%
Cambridge Associates Upstream and Royalties Index	60%
PRIVATE EQUITY COMPOSITE BENCHMARK	**WEIGHT**
Cambridge Associates U.S. Buyout Index	70%
Cambridge Associates U.S. Venture Capital Index	30%
PASSIVE BENCHMARK	**WEIGHT**
MSCI All Country World Index	70%
Barclays Aggregate U.S. Bond Index	30%
POLICY BENCHMARK	**WEIGHT**
Wilshire 5000 Index	13%
MSCI EAFE Index	10%
MSCI Emerging Markets Index	10%
CSFB/Tremont Hedge Fund Index	23.5%
Cambridge Associates Private Real Estate Index	6.2%
Cambridge Associates Upstream and Royalties Index	9.3%
Cambridge Associates U.S. Buyout Index	15.4%
Cambridge Associates U.S. Venture Capital Index	6.6%
Barclays Intermediate U.S. Treasury Index	5%
90-day U.S. Treasury Bill	1%