A MESSAGE FROM THE OFFICE OF INVESTMENTS:

The market value of the Purdue Endowment was $2.3 billion on June 30, 2016. The Endowment’s fiscal year investment return was –2.9 percent versus the Target Benchmark return of –2.1 percent. The Endowment distributed a record-high $118.8 million based on the designation of the donors.

Capital markets throughout the fiscal year experienced significant volatility, specifically in the third quarter calendar year of 2015 and the first quarter calendar year of 2016. The fiscal year was marked with concerns of slowing global growth from the Emerging Markets to Europe. China slowdown concerns had an impact on Emerging Market stocks as well as global commodities. Europe’s concerns were exacerbated by the Brexit referendum whereby the United Kingdom voted to leave the European Union. The United States was able to continue to exhibit growth, although well below what has been an elusive Gross Domestic Product (GDP) reading of 3 percent. The worries regarding growth precipitated further monetary accommodation and stimulus by many central banks across the globe. In contradiction to the rest of the world, after several years of targeting interest rates at zero, the United States Federal Reserve actually raised rates slightly (0.25 percent) in December. The result of the above macroeconomic activity of paltry growth and tepid inflation over the fiscal year was uninspiring for global stocks, which were down –3.2 percent as measured by the MSCI All Country World Index, and significantly negative for commodities, which retreated –26.1 percent as measured by the S&P Goldman Sachs Commodity Index. Falling interest rates propelled global bonds as measured by the Barclays Global Aggregate Bond Index by adding 8.9 percent over the trailing twelve months ending June 30, 2016.

Since I joined the Purdue Research Foundation last October, we have taken the time to reassess the Purdue Endowment investment objectives, risk and risk tolerances, and asset allocation. This is a prudent and healthy exercise for any investment portfolio. I will be reviewing the conclusions of the reassessment with the Purdue Board of Trustees later this fall. I look forward to sharing any changes with you upon direction received from the Board.

The purpose of the Endowment is to support the current and future operations of Purdue as well as preserving and enhancing the purchasing power of the Endowment. We are diligently focused on our fiduciary responsibilities to accomplish this mission.

David C. Cooper, CFA, CAIA
CHIEF INVESTMENT OFFICER
Purdue Endowment at June 30, 2016

Endowment Market Value

Fiscal Year Endowment Pool Returns as of June 30, 2016

<table>
<thead>
<tr>
<th></th>
<th>1-Year</th>
<th>3-Year</th>
<th>5-Year</th>
<th>10-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purdue Endowment</td>
<td>-2.9%</td>
<td>5.2%</td>
<td>5.0%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Target Benchmark</td>
<td>-2.1%</td>
<td>4.7%</td>
<td>4.6%</td>
<td>4.2%</td>
</tr>
<tr>
<td>S&amp;P 500 Index</td>
<td>4.0%</td>
<td>11.7%</td>
<td>12.1%</td>
<td>7.4%</td>
</tr>
</tbody>
</table>

Actual Asset Allocation

Emerging Markets Equity 6.5%
Hedge Funds 24.2%
Real Estate 6.1%
Natural Resources 4.4%
Private Equity/Venture 13.1%
Fixed Income Fund 11.5%
U.S. Equity 20.3%
Cash Equivalents 0.8%
International Developed Market Equity 13.1%

Endowment Distributions — $907.5 million in the past 10 years

2015-2016 Distributions — $118.8 million

Construction 7%
Scholarships 19%
Fellowships 8%
Purdue Investment Pool Cash 10%
Instruction and Research 43%
Loans and Student Awards 13%