The Vermont Community Foundation
Mid-Term Pool Investment Performance/Strategy
As of March 31, 2017

Mid-Term Pool Performance vs. Benchmark- Through 3/31/17, Net of Investment Management Fees

	Latest Quarter	Latest Year	Latest 3 Years	Since 1/31/13 (Pool Inception)
Mid-Term Pool	**+3.2%**	**+7.5%**	**+4.3%**	**+5.7%**
*Mid-Term Pool Benchmark**	*+3.7%*	*+9.5%*	*+4.4%*	*+5.7%*
50% MSCI ACW/50% Barclays Agg	*+3.8%*	*+7.6%*	*+4.0%*	*+5.1%*

* Mid-Term Pool Benchmark is a blended index using market benchmarks weighted based on the Foundation's asset allocation strategy

Investment Philosophy/Asset Allocation Strategy

The Vermont Community Foundation invests its assets to foster strong support of the community's current needs while also providing resources for future generations. The Foundation intends to achieve this objective via a well-diversified asset allocation strategy executed largely through index funds.

Asset Class	*Target/Actual Allocation*		*Managers*
U.S. Large/Mid-Capitalization Equities	19.0%	(20.3%)	Vanguard
U.S. Small Capitalization Equities	4.8%	(6.1%)	Vanguard
International Equities	17.0%	(15.0%)	Vanguard
Emerging Markets	6.7%	(4.1%)	Vanguard
Fixed Income	33.2%	(33.2%)	Vanguard
High Yield Fixed Income	4.8%	(4.7%)	Harbor
TIPS	9.5%	(9.0%)	Vanguard
Vermont Investments	5.0%	(3.9%)	
Cash	0.0%	(3.7%)	

The Mid-Term portfolio was constructed with the following concepts in mind:

- Consistently utilize meaningful asset class diversification to achieve return objectives during a variety of economic and market conditions.
- Avoid attempts to predict short-term market behavior via market timing strategies.
- Utilize index funds as an inexpensive and effective way to execute the strategy until such time as the Pool has sufficient capital to access top institutional managers as is done in other Foundation pools.

Current Market/Performance Commentary

Early March marked the eighth anniversary of the U.S. equity bull market that began during the depths of the financial crisis. Thinking back to eight years ago, we do not recall widespread interest in large allocations to index funds such as the S&P 500. Instead, terrible economic conditions, pessimism about future conditions and seemingly endless equity market declines drove many to elevate concern regarding risk above the goal of generating return.

Today, at least as it relates to U.S. markets, returns are again the top priority. There is nothing inherently wrong with this as long as one does not lose sight of the critical role of price. While current economic conditions have clearly improved, the price one must pay to own an index such as the S&P 500 has done the same and then some. As a result, risk has risen considerably. While not surprising, the irony is inescapable – investors prioritize returns when their perception of risk is lower. Yet, their comfort and ability to think long-term is largely the product of improved economic conditions and stable/rising markets which in turn imply higher risk as prices are generally expensive more often than not.

Produced By Colonial Consulting, LLC
April 26, 2017