

The Vermont Community Foundation
Mid-Term Pool Investment Performance/Strategy
As of March 31, 2020

Mid-Term Pool Performance vs. Benchmark- Through 3/31/20, Net of Investment Management Fees

	Latest <u>Quarter</u>	Latest <u>Year</u>	Latest <u>3 Years</u>	Latest <u>5 Years</u>	Latest <u>7 Years</u>
Mid-Term Pool	-11.3%	-4.1%	+2.1%	+2.7%	+4.0%
<i>Mid-Term Pool Benchmark*</i>	-10.8%	-3.2%	+2.4%	+3.0%	+4.2%
<i>50% MSCI ACW/50% Bloomberg Agg</i>	-9.6%	-1.1%	+3.5%	+3.4%	+4.4%

* 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.

<i>Asset Class</i>	<i>Target/Actual Allocation</i>		<i>Managers</i>
U.S. Large/Mid-Capitalization Equities	19.0%	(19.5%)	Vanguard
U.S. Small Capitalization Equities	4.8%	(4.3%)	Vanguard
International Equities	17.0%	(16.7%)	Vanguard
Emerging Markets	6.7%	(6.3%)	Vanguard
Fixed Income	23.7%	(23.4%)	Vanguard
High Yield Fixed Income	4.8%	(4.9%)	Harbor
TIPS	9.5%	(9.0%)	Vanguard
Vermont Investments	5.0%	(4.4%)	
Cash/Short Term Bonds	9.5%	(11.5%)	

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

The 1st quarter of 2020 will be remembered for one of history's most sudden starts to a bear market. After a strong start to the year, the S&P 500 declined nearly 20% for the quarter while the developed markets globally dropped 22.8% and emerging markets lost 23.6%. Hardest hit, besides oil, were small capitalization stocks which shed 30.6%.

The Foundation's Pools are constructed to generate strong long-term returns with the goal of moderating losses due to diversification. The unique nature of this particular decline caused this approach to be far less effective than it has been in the past. While the seriousness and impact of COVID-19 is becoming more widely understood, markets have begun to function more normally as evidenced by less dramatic levels of volatility and slightly more discerning pricing. As a result, the Pool's results have materially improved in April.

Looking ahead, we now face a vastly more complex economic and investment climate. One point of cautious optimism is to note that the rigorous, patient and risk aware investing that is employed across the Foundation's assets should provide a significant return benefit over the next three to five years as the uncertainties and change that produced large losses have also created very large opportunities. This formula had generated considerable returns for the Foundation up until recently and are highly likely to do so again.

Produced By Colonial Consulting, LLC
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