THE Vermont Community Foundation

March 2022 Performance Summary

Between the horrific events unfolding in Ukraine, the rising probability of a disruptive and inflationary change in the world order, the path away from unusually aggressive central bank policies and optimistically priced core indices such as the S&P 500, conditions are ripe for a much more challenging return climate.

For most people, the phrase “a challenging climate” brings volatility and mark to market losses to mind. 2022 has begun with a moderate version of this scenario as the S&P 500 declined 4.6% in the first quarter while some growth-oriented indices and strategies experienced double digit losses. Rising interest rates were one of the factors that led to this outcome and also produced a 5.9% decline in the Bloomberg Barclays Aggregate Index.

Given the complexities of the world, we must also ask if this brand of challenging is not about near-term and ultimately fleeting discomfort but instead the far more serious problem of long-term regret caused by lasting damage to the purchasing power of philanthropic capital. Many today hold portfolios that are ill-suited for large economic and market shifts although signs of their arrival abound.

The Foundation pools were designed to thrive in this type of climate as complexity provides an advantage to patient, disciplined investors with in-depth knowledge of the fortunes of individual companies. This plus the Foundation’s diversified strategy will likely be key contributors to overcoming what might at times be fierce headwinds from markets and the world at large.

In March, the Long-Term Pool fell 0.2%, a result that fell short of the custom benchmark’s return by 100 basis points. Thus far in 2022, the Pool is down 5.8% or 1.6% behind the benchmark. Returns across growth-oriented sectors in both global equities and hedge funds led to the shortfall.

The Socially Responsible Pool rose 0.4% for the month, an outcome that fell short of the benchmark return by 10 basis points. Thus far in 2022, the Pool is down 5.0% or 10 basis points behind the benchmark. This result is largely the product of the pool’s exposure to global growth stocks.

The Mid-Term Pool was flat for the month, a result that exceeded the custom benchmark's return by 30 basis points. Thus far in 2022, the Pool is down 3.7% or 1.0% above its benchmark. As the Pool is largely invested in index funds, the return difference was primarily driven by cash movement in the Pool that resulted in temporary deviations from policy asset allocation targets.

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