The Vermont Community Foundation
Mid-Term Pool Investment Performance/Strategy
As of March 31, 2022

Mid-Term Pool Performance vs. Benchmark- Through 3/31/22, Net of Investment Management Fees

	Latest Quarter	Latest 3 Years	Latest 5 Years	Latest 7 Years
Mid-Term Pool	**-3.7%**	**+7.7%**	**+6.8%**	**+5.9%**
*Mid-Term Pool Benchmark**	*-4.7%*	*+7.8%*	*+6.8%*	*+6.0%*
50% MSCI ACW/50% Bloomberg Agg	*-5.6%*	*+8.0%*	*+7.1%*	*+6.0%*

* 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%	(22.2%)	Vanguard
U.S. Small Capitalization Equities	4.8%	(4.6%)	Vanguard
International Equities	17.0%	(19.8%)	Vanguard
Emerging Markets	6.7%	(5.6%)	Vanguard
Fixed Income	23.7%	(19.8%)	Vanguard
High Yield Fixed Income	4.8%	(3.1%)	Harbor
TIPS	9.5%	(8.9%)	Vanguard
Vermont Investments	5.0%	(3.1%)	
Cash/Short Term Bonds	9.5%	(12.9%)	Elevated due to timing of donations

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

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 experience 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 Q1 2022, the Mid Term 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.

Produced by Crewcial Partners LLC (formerly Colonial Consulting, LLC)

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