

The Vermont Community Foundation
Long-Term Pool Investment Performance/Strategy
As of March 31, 2023

Long-Term Pool Investment Performance vs. Benchmark- Through 3/31/23, Net of Investment Management Fees

| | Latest <u>Quarter</u> | Latest <u>3 Years</u> | Latest <u>5 Years</u> | Latest <u>7 Years</u> | Latest <u>10 Years</u> | Latest <u>15 Years</u> |
|---------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------------|---------------------------|
| Long-Term Pool | +5.0% | +11.1% | +4.2% | +6.6% | +6.1% | +5.9% |
| <i>Target Benchmark*</i> | +4.7% | +10.1% | +5.2% | +6.7% | +5.8% | +5.0% |
| <i>60% MSCI ACW/40% Bloomberg Agg</i> | +5.6% | +8.0% | +4.8% | +6.0% | +5.6% | +5.0% |

* The market 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 using highly capable investment managers combined with index funds.

| <i>Asset Class</i> | <i>Target/Actual Allocation</i> | | <i>Managers</i> |
|--|---------------------------------|---------|----------------------------------|
| U.S. Large/Mid-Capitalization Equities | 11.0% | (11.6%) | Adage/FPR/Focused |
| U.S. Small Capitalization Equities | 6.5% | (4.4%) | Ashford/Champlain |
| Global Equity | 12.0% | (14.2%) | Generation/Gobi/Theleme/Barker |
| International Equities | 11.0% | (7.3%) | Silchester/Brown Capital |
| Emerging Markets Equities | 6.0% | (6.6%) | Elephant/Westwood |
| Hedge Funds | 5.0% | (9.9%) | Various Direct Funds |
| Special Opportunities | 14.0% | (13.5%) | Ashe/Cevian/HCIF/Ichigo |
| Private Assets | 12.0% | (12.6%) | Various Direct and Fund of Funds |
| U.S. Investment Grade Fixed Income | 8.5% | (5.0%) | IR&M/Vanguard |
| TIPS | 4.2% | (3.4%) | Vanguard |
| Global Fixed Income | 4.8% | (3.6%) | Colchester |
| Vermont Investments | 5.0% | (5.9%) | |
| Cash | 0.0% | (2.0%) | Transactional |

The Foundation's portfolio was constructed with the following concepts in mind:

- Allocate the majority of the portfolio to asset classes with high long-term returns, i.e. equities/alternative asset classes
- 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.
- Retain world-class investment managers who are expected to out-perform index funds over most three to five year periods. In areas where the Foundation does not believe meaningful or reliable above benchmark performance is available, index strategies are used.

Current Market/Performance Commentary

The first quarter of 2023 began calm but ultimately careened towards a new crisis. The adage stipulating risk and returns are correlated is equally true when substituting the words “discomfort” or “anxiety” for risk. We frequently remind ourselves that generating strong returns is not supposed to be easy and take solace from history, as complex market climates tend to be correlated with stronger future returns for those willing to prudently embrace uncertainty.

The latest addition to the hall of mirrors was old-fashioned bank solvency although this time the root cause was a simple but powerful crisis of confidence that led depositors to flee, first at Silicon Valley Bank (“SVB”) then radiating to an expanding group of regional banks. While each instance was driven by legitimate concerns, it is important to recognize that a variety of less painful outcomes were likely had it not been for a massive shift in the investment climate due to higher interest rates and the resultant bear market across most major asset classes.

As life inches towards post-COVID normalcy, a whirlwind of swirling geopolitical, economic, and capital-market conditions continuously reminds us that change is inevitable, with inflection points emerging from each new crisis. While such moments are uncomfortable, it is the responsibility of Crewcial and its clients to recognize and act on the opportunities that emerge for long-term investors.

This is far easier said than done, as it demands suspicion of conventional wisdom, extraordinary patience, and a willingness to pursue contrarian ideas born from another reliable force: human nature.

In Q1 2023, the Long Term Pool gained 5.0%, outperforming its custom benchmark’s return by 30 basis points. The Pool’s global and special opportunities public equity allocations and hedge fund portfolio were the largest contributors to results during the quarter.

Individual Asset Class Performance – Q1 2023

| | | |
|--|--------|--|
| <i>Large/Mid-Capitalization US Equity</i> | +2.2% | <i>(-5.3% vs. Russell 1000)</i> |
| <i>Small Capitalization US Equity</i> | +3.8% | <i>(+1.1% vs. Russell 2000)</i> |
| <i>Global Equity</i> | +10.5% | <i>(+3.2% vs. MSCI ACWI)</i> |
| <i>International Developed Markets Equity</i> | +10.9% | <i>(+2.4% vs. MSCI EAFE)</i> |
| <i>Emerging Markets Equity</i> | +0.1% | <i>(-3.9% vs. MSCI Emerging Markets)</i> |
| <i>Hedge Funds</i> | +6.7% | <i>(+6.0% vs. HFRI Fund of Funds)</i> |
| <i>Special Opportunities</i> | +11.7% | <i>(+4.4% vs. MSCI ACWI)</i> |
| <i>U.S. Investment Grade Fixed Income</i> | +3.2% | <i>(+0.2% vs. Bloomberg Aggregate)</i> |
| <i>Global Fixed Income</i> | +2.6% | <i>(-0.9% vs. FTSE World Govt Bond)</i> |
| <i>Treasury Inflation Protected Securities</i> | +3.5% | <i>(+0.2% vs. Bloomberg US TIPS)</i> |