The Vermont Community Foundation

Mid-Term Pool Investment Performance/Strategy

As of March 31, 2023

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

	Latest Quarter	Latest 3 Years	Latest 5 Years	Latest 7 Years	Latest 10 Years
Mid-Term Pool	**+4.3%**	**+7.5%**	**+4.2%**	**+5.1%**	**+5.0%**
*Mid-Term Pool Benchmark**	*+4.7%*	*+7.1%*	*+4.1%*	*+5.4%*	*+5.0%*
50% MSCI ACW/50% Bloomberg Agg	*+5.1%*	*+6.2%*	*+4.2%*	*+5.2%*	*+4.9%*

* 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%	(16.9%)	Vanguard
U.S. Small Capitalization Equities	4.8%	(4.3%)	Vanguard
International Equities	17.0%	(15.6%)	Vanguard
Emerging Markets	6.7%	(5.2%)	Vanguard
Fixed Income	23.7%	(19.3%)	Vanguard
High Yield Fixed Income	4.8%	(3.0%)	Harbor
TIPS	9.5%	(8.6%)	Vanguard
Vermont Investments	5.0%	(5.4%)	
Cash/Short Term Bonds	9.5%	(21.6%)	

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 first quarter of 2023 began calmy 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 Mid Term Pool gained 4.3%, trailing its custom benchmark's return by 40 basis points. 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
June 1, 2023