

The Vermont Community Foundation
Long-Term Pool Investment Performance/Strategy
As of March 31, 2024

Long-Term Pool Investment Performance vs. Benchmark, 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	+3.4%	+2.4%	+6.3%	+6.5%	+6.1%	+9.3%
<i>Target Benchmark*</i>	+4.2%	+3.7%	+7.8%	+7.6%	+6.5%	+8.9%
<i>60% MSCI ACW/40% Bloomberg Agg</i>	+4.6%	+3.3%	+6.9%	+6.7%	+6.0%	+8.2%

* 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	10.0%	(10.7%)	Adage/FPR/Focused
U.S. Small Capitalization Equities	5.5%	(6.3%)	Ashford/Champlain
Global Equity	11.0%	(13.8%)	Generation/Gobi/Theleme/Barker
International Equities	10.0%	(10.5%)	Silchester/Brown Capital
Emerging Markets Equities	5.0%	(7.4%)	Elephant/Westwood
Hedge Funds	5.0%	(6.2%)	Various Direct Funds
Special Opportunities	13.0%	(12.1%)	Ashe/Cevian/Ichigo
Private Assets	12.0%	(14.1%)	Various Direct and Fund of Funds
U.S. Investment Grade Fixed Income	12.5%	(5.3%)	IR&M/Vanguard
TIPS	4.2%	(3.6%)	Vanguard
Global Fixed Income	4.8%	(3.8%)	Colchester
Cash	2.0%	(6.2%)	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

Global equity markets continued their ascent with the S&P 500, MSCI EAFE and MSCI Emerging indices gaining 10.6%, 5.8%, and 2.4% respectively. A resilient US economy, steady earnings growth, and expectations around rate cuts by The Federal Reserve and European Central Bank added energy to rally that started in 2023.

US Treasury yields rose during the quarter, walking back some of the steep declines that occurred in the final quarter of 2023, and leading to negative returns for bonds during Q1. The yield curve's shift higher can be attributed to the continuation of solid economic growth and sticky inflation, which have not slowed, defying expectations. Indeed, core inflation appears to be re-accelerating—although the year-over-year rate through February is 2.8%, the six-month trailing annualized rate is 2.9% and the three-month trailing annualized rate is 3.5%.

In Q1 2024, the Long Term Pool returned +3.4%, trailing its custom benchmark's return by 80 basis points. The Pool's global equity and hedge fund allocations were the largest contributors to relative performance, while the international and emerging market equities asset classes were the largest detractors.

Individual Asset Class Performance – Q1 2024

<i>Large/Mid-Capitalization US Equity</i>	+8.0%	(-2.3% vs. Russell 1000)
<i>Small Capitalization US Equity</i>	+2.9%	(-2.3% vs. Russell 2000)
<i>Global Equity</i>	+11.4%	(+3.2% vs. MSCI ACWI)
<i>International Developed Markets Equity</i>	+1.4%	(-4.4% vs. MSCI EAFE)
<i>Emerging Markets Equity</i>	-1.7%	(-4.1% vs. MSCI Emerging Markets)
<i>Hedge Funds</i>	+6.6%	(+2.7% vs. HFRI Fund of Funds)
<i>Special Opportunities</i>	+5.0%	(-3.2% vs. MSCI ACWI)
<i>U.S. Investment Grade Fixed Income</i>	-0.6%	(+0.2% vs. Bloomberg Aggregate)
<i>Global Fixed Income</i>	-4.3%	(-1.9% vs. FTSE World Govt Bond)
<i>Treasury Inflation Protected Securities</i>	-0.2%	(-0.1% vs. Bloomberg US TIPS)

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