

The Vermont Community Foundation
Long-Term Pool Investment Performance/Strategy
As of June 30, 2020

Long-Term Pool Investment Performance vs. Benchmark- Through 6/30/20, Net of Investment Management Fees

	Latest <u>Quarter</u>	Latest <u>Year</u>	Latest <u>3 Years</u>	Latest <u>5 Years</u>	Latest <u>7 Years</u>	Latest <u>10 Years</u>
Long-Term Pool	+14.2%	-2.0%	+3.2%	+4.7%	+5.9%	+7.5%
<i>Target Benchmark*</i>	+11.7%	+2.6%	+5.4%	+5.5%	+6.0%	+6.9%
<i>60% MSCI ACW/40% Bloomberg Agg</i>	+12.5%	+5.3%	+6.2%	+5.9%	+6.5%	+7.3%

* 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%	(11.4%)	Adage/FPR/Focused
U.S. Small Capitalization Equities	5.5%	(6.7%)	Ashford/Champlain
Global Equity	9.0%	(10.0%)	Generation/Gobi
International Equities	11.0%	(12.5%)	Barker/Marathon/Sanderson
Emerging Markets Equities	5.5%	(5.2%)	Highclere/Westwood
Hedge Funds	13.0%	(13.5%)	Various Direct Funds
Special Opportunities	10.5%	(9.9%)	Ashe/Cat Rock/Cevian/Effissimo
Private Assets	8.0%	(5.7%)	Various Direct and Fund of Funds
U.S. Investment Grade Fixed Income	9.5%	(7.3%)	IR&M/Vanguard
TIPS	4.2%	(2.8%)	Vanguard
High Yield Fixed Income	3.0%	(3.9%)	Oak Hill
Global Fixed Income	4.8%	(4.8%)	Colchester
Vermont Investments	5.0%	(5.7%)	
Cash	0.0%	(0.6%)	

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

For the quarter ending June 30, markets delivered extraordinary gains and again provided an object lesson regarding their inherently unpredictable nature and the power of momentum that is at best loosely connected to financial reality.

For some, the strong market recovery since mid-March has been surprising and unsettling, particularly given the state of the economy and the fact that we know little more about the ongoing health issues related to COVID-19 than while markets were plunging. Nevertheless, extraordinary intervention by monetary authorities was an important driver of the gains shown above.

As market panic recedes in part due to a reduced level of shock at the implications of the pandemic, the skill of the Foundation's managers and the aggregate approach to portfolio construction has become evident. This was not the case at the end of the first quarter.

Looking ahead, we now face a vastly more complex economic and investment climate. One point of cautious optimism is to note that the rigorous, patient and risk aware investing that is employed across the Foundation's assets should provide a significant return benefit over the next three to five years as uncertainty and change have created very large opportunities.

Individual Asset Class Performance – 2020 Calendar Year to Date

<i>Large/Mid-Capitalization US Equity</i>	<i>-10.0%</i>	<i>(-7.2% vs. Russell 1000)</i>
<i>Small Capitalization US Equity</i>	<i>+4.0%</i>	<i>(+17.0% vs. Russell 2000)</i>
<i>Global Equity</i>	<i>-4.2%</i>	<i>(+2.1% vs. MSCI ACWI)</i>
<i>International Developed Markets Equity</i>	<i>-13.6%</i>	<i>(-2.3% vs. MSCI EAFE)</i>
<i>Emerging Markets Equity</i>	<i>-20.9%</i>	<i>(-11.1% vs. MSCI Emerging Markets)</i>
<i>Hedge Funds</i>	<i>-13.1%</i>	<i>(-11.1% vs. HFRI Fund of Funds)</i>
<i>Special Opportunities</i>	<i>-13.1%</i>	<i>(-6.8% vs. MSCI ACWI)</i>
<i>High Yield</i>	<i>-3.8%</i>	<i>(+0.9% vs. Merrill Lynch High Yield Bond)</i>
<i>U.S. Investment Grade Fixed Income</i>	<i>+7.3%</i>	<i>(+1.2% vs. Bloomberg Aggregate)</i>
<i>Global Fixed Income</i>	<i>+1.4%</i>	<i>(-2.7% vs. FTSE World Govt Bond)</i>
<i>Treasury Inflation Protected Securities</i>	<i>+6.0%</i>	<i>(-0.4% vs. FTSE Inflation Linked)</i>

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