The Vermont Community Foundation
Mid-Term Pool Investment Performance/Strategy
As of June 30, 2021

Mid-Term Pool Performance vs. Benchmark- Through 6/30/21, Net of Investment Management Fees

	Latest Quarter	Latest 3 Years	Latest 5 Years	Latest 7 Years
Mid-Term Pool	**+4.1%**	**+9.4%**	**+8.4%**	**+6.5%**
*Mid-Term Pool Benchmark**	*+4.1%*	*+9.5%*	*+8.9%*	*+6.6%*
50% MSCI ACW/50% Bloomberg Agg	*+4.6%*	*+10.3%*	*+9.0%*	*+6.7%*

* 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%	(19.0%)	Vanguard
U.S. Small Capitalization Equities	4.8%	(5.6%)	Vanguard
International Equities	17.0%	(18.7%)	Vanguard
Emerging Markets	6.7%	(7.2%)	Vanguard
Fixed Income	23.7%	(21.6%)	Vanguard
High Yield Fixed Income	4.8%	(5.3%)	Harbor
TIPS	9.5%	(10.6%)	Vanguard
Vermont Investments	5.0%	(5.1%)	
Cash/Short Term Bonds	9.5%	(6.9%)	Vanguard

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

For the quarter ending June 30, markets continued to move sharply higher as the S&P 500 gained 8.5% and has risen 40.8% over the last year. Concerns regarding the COVID-19 pandemic and global growth prospects caused interest rates to decline as the Barclays Aggregate Bond index gained 1.8% for the quarter but has declined 0.3% for the past year.

While most would agree that life remains unusual, difficult, and complex, capital markets seem to be living in a sedate, risk-free alternate universe. Unsurprisingly, the cognitive dissonance between these extremes has led to questions as to how this can be and what comes next.

We too would like to know what the world and markets will look like six or twelve months from now. Yet, we are also at peace with our inability to know that which cannot be known and accept the fact that short-term market conditions are simply a random walk. From this perspective, surprise is off the table and decision-making can be focused on valuation and diversification where the probability of long-term success is far higher. This philosophy is centered on the outsized importance of long-term outcomes with the knowledge that periods of market stress are a key contributor to the successful results of disciplined, experienced investors such as the Foundation.

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