The Vermont Community Foundation
Socially Responsible Pool Investment Performance/Strategy
As of June 30, 2022

Socially Responsible Pool Performance vs. Benchmark- Through 6/30/22, Net of Investment Management Fees

	Latest Quarter	Latest 3 Years	Latest 5 Years	Latest 7 Years	Latest 10 Years	Latest 15 Years
Socially Responsible Pool	**-11.9%**	**+4.3%**	**+5.4%**	**+ 5.9%**	**+ 7.0%**	**+4.7%**
*Socially Responsive Pool Benchmark**	*-10.8%*	*+4.5%*	*+5.5%*	*+ 5.7%*	*+6.7%*	*+4.8%*
60% MSCI ACW/40% Bloomberg Agg	*-11.4%*	*+3.7%*	*+4.8%*	*+5.0%*	*+6.0%*	*+4.5%*

* Socially Responsive 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 using highly capable investment managers combined with index funds.

Asset Class	*Target/Actual Allocation*		*Managers*
U.S. Large/Mid-Capitalization Equities	19.0%	(22.7%)	KLD iShares/Redwood Grove/Vanguard
U.S. Small Capitalization Equities	5.0%	(6.9%)	Aperio
Non-US Equities	22.0%	(25.4%)	Aperio
Emerging Markets Equities	6.0%.	(6.0%)	Boston Common
Global Equity	12.0%	(8.4%)	Generation
Fixed Income	18.0%	(20.1%)	Calvert/RBC
Private Equity	7.0%	(1.5%)	Lyme Forest, At One
Vermont Investments	5.0%	(4.7%)	
Cash	6.0%	(4.4%)	

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. equity 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 within the socially responsible universe 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

A meaningful and potentially lasting change in the disinflation regime of the past 40 years has led to a more difficult capital market climate thus far this year. While it is natural to focus on the recent damage to portfolio values, we believe the more meaningful issue is the risk that five, seven, or ten years of poor returns for major stock and bond indices has just begun. If true, the difference between one's theoretical time horizon (essentially infinite for endowments) and that of key decision makers will now have great meaning.

The bad news is that the strategies with which many have grown comfortable may now be taking their place in history as victims of the noxious combination of excessive capital and overconfident optimism. Yet, all is not lost, as great opportunities abound. While the journey will be undeniably rocky, time-tested fundamental and behavioral investment principles will provide the confidence and patience needed to persist and thrive in what too many will perceive as a difficult to disastrous period.

While the excesses of the current cycle may have already reached levels that would have led to their demise with or without the withdrawal of central-bank liquidity, rising and what appears to be durably higher inflation has introduced a new dynamic and narrative that suggests an important inflection point has arrived. The days of plentiful and inexpensive capital appear to be over for some time. While we're hesitant to forecast inflation rates or Fed policy decisions, it is useful to remember that capital-market activity and pricing is built on confidence. The last six to twelve months have introduced doubt regarding the mindset that became ingrained over the past five to seven years; this in and of itself is enough to meaningfully shift perception away from the highly speculative climate that had taken hold.

In Q2 2022, the Socially Responsible Pool fell 11.9%, a result that fell short of the custom benchmark's return by 110 basis points. This result is largely the product of the pool's exposure to global growth stocks.

Individual Asset Class Performance – Q2 2022

Large/Mid-Capitalization US Equity	*-16.2%*	*(+0.5% vs. Russell 1000)*
Small Capitalization US Equity	*-14.1%*	*(+3.1% vs. Russell 2000)*
Non-US Equity	*-13.7%*	*(+0.8% vs. MSCI EAFE)*
Emerging Markets Equity	*-10.3%*	*(+1.1% vs. MSCI Emerging Markets)*
Global Equity	*-22.1%*	*(-5.9% vs MSCI World)*
U.S. Investment Grade Fixed Income	*-5.1%*	*(-0.4% vs. Barclays Capital Aggregate)*

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