

The Vermont Community Foundation
Long-Term Pool Investment Performance/Strategy
As of June 30, 2023

Long-Term Pool Investment Performance vs. Benchmark- Through 6/30/23, 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	+2.7%	+7.3%	+4.6%	+6.8%	+6.3%	+6.1%
<i>Target Benchmark*</i>	+3.0%	+7.1%	+5.7%	+7.0%	+6.3%	+5.2%
<i>60% MSCI ACW/40% Bloomberg Agg</i>	+3.4%	+5.0%	+5.4%	+6.3%	+6.0%	+5.4%

* 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%	(11.7%)	Adage/FPR/Focused
U.S. Small Capitalization Equities	6.5%	(4.5%)	Ashford/Champlain
Global Equity	12.0%	(13.7%)	Generation/Gobi/Theleme/Barker
International Equities	11.0%	(7.5%)	Silchester/Brown Capital
Emerging Markets Equities	6.0%	(6.6%)	Elephant/Westwood
Hedge Funds	5.0%	(9.6%)	Various Direct Funds
Special Opportunities	14.0%	(13.8%)	Ashe/Cevian/HCIF/Ichigo
Private Assets	12.0%	(12.8%)	Various Direct and Fund of Funds
U.S. Investment Grade Fixed Income	8.5%	(4.9%)	IR&M/Vanguard
TIPS	4.2%	(3.3%)	Vanguard
Global Fixed Income	4.8%	(3.5%)	Colchester
Vermont Investments	5.0%	(5.8%)	
Cash	0.0%	(2.2%)	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

It has been over a year since the Federal Reserve (the Fed) made its historic shift from Quantitative Easing (QE) to Quantitative Tightening (QT), yet the recession highly anticipated by pundits has yet to take hold in the US. Economic growth was positive in the first quarter of 2023 and continued to roll along during the second quarter. However, the US growth story also showed some cracks, as higher borrowing costs have worked their way through the system.

The global equity market climbed higher with the S&P 500, MSCI EAFE, and MSCI Emerging indices posting gains of 9%, 3%, and 1%, respectively. US large-cap equities led; the advance came amid signs of moderating inflation and resiliency despite higher interest rates. Enthusiasm about the impact of AI (artificial Intelligence) boosted technology-related sectors and the tech-heavy Nasdaq had its best first half since 1983. Bonds however posted a moderate loss for the quarter as yields meaningfully increased across the curve.

In Q2 2023, the Long Term Pool gained 2.7%, trailing its custom benchmark's return by 30 basis points. The Pool's global and special opportunities public equity allocations were the largest relative detractors, while the hedge fund portfolio was the largest contributor to relative returns during the quarter.

Individual Asset Class Performance – Q2 2023

<i>Large/Mid-Capitalization US Equity</i>	+7.9%	<i>(-0.7% vs. Russell 1000)</i>
<i>Small Capitalization US Equity</i>	+4.7%	<i>(-0.5% vs. Russell 2000)</i>
<i>Global Equity</i>	+4.6%	<i>(-1.6% vs. MSCI ACWI)</i>
<i>International Developed Markets Equity</i>	+4.1%	<i>(+1.1% vs. MSCI EAFE)</i>
<i>Emerging Markets Equity</i>	+0.9%	<i>(+0.0% vs. MSCI Emerging Markets)</i>
<i>Hedge Funds</i>	+3.5%	<i>(+2.1% vs. HFRI Fund of Funds)</i>
<i>Special Opportunities</i>	+3.3%	<i>(-2.9% vs. MSCI ACWI)</i>
<i>U.S. Investment Grade Fixed Income</i>	-0.9%	<i>(-0.1% vs. Bloomberg Aggregate)</i>
<i>Global Fixed Income</i>	-1.8%	<i>(+0.0% vs. FTSE World Govt Bond)</i>
<i>Treasury Inflation Protected Securities</i>	-1.6%	<i>(-0.2% vs. Bloomberg US TIPS)</i>

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