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

Mid-Term Pool Performance vs. Benchmark- Through 6/30/23, Net of Investment Management Fees

	Latest Quarter	Latest 3 Years	Latest 5 Years	Latest 7 Years	Latest 10 Years
Mid-Term Pool	**+2.1%**	**+4.5%**	**+4.5%**	**+5.2%**	**+5.3%**
*Mid-Term Pool Benchmark**	*+2.3%*	*+4.5%*	*+4.5%*	*+5.5%*	*+5.4%*
50% MSCI ACW/50% Bloomberg Agg	*+2.7%*	*+3.5%*	*+4.7%*	*+5.4%*	*+5.3%*

* 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%	(17.7%)	Vanguard
U.S. Small Capitalization Equities	4.8%	(4.4%)	Vanguard
International Equities	17.0%	(15.5%)	Vanguard
Emerging Markets	6.7%	(5.1%)	Vanguard
Fixed Income	23.7%	(18.5%)	Vanguard
High Yield Fixed Income	4.8%	(2.9%)	Harbor
TIPS	9.5%	(8.2%)	Vanguard
Vermont Investments	5.0%	(5.2%)	
Cash/Short Term Bonds	9.5%	(22.5%)	

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

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 Mid Term Pool gained 2.1%, trailing its custom benchmark's return by 20 basis points. As the Pool is largely invested in index funds, the return difference was primarily driven by cash movement in the Pool that resulted in temporary deviations from policy asset allocation targets.

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