

The Vermont Community Foundation
Socially Responsible Pool Investment Performance/Strategy
As of June 30, 2023

Socially Responsible Pool 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>
Socially Responsible Pool	+3.6%	+7.2%	+6.0%	+ 7.2%	+ 7.1%	+6.0%
<i>Socially Responsive Pool Benchmark*</i>	+3.3%	+6.8%	+6.1%	+7.1%	+6.7%	+6.0%
<i>60% MSCI ACW/40% Bloomberg Agg</i>	+3.4%	+5.0%	+5.4%	+6.3%	+6.0%	+5.4%

* 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.

<i>Asset Class</i>	<i>Target/Actual Allocation</i>		<i>Managers</i>
U.S. Large/Mid-Capitalization Equities	19.0%	(21.3%)	KLD iShares/Redwood Grove/Vanguard
U.S. Small Capitalization Equities	5.0%	(5.8%)	Aperio
Non-US Equities	22.0%	(27.1%)	Aperio
Emerging Markets Equities	6.0%	(6.6%)	Boston Common
Global Equity	12.0%	(7.6%)	Generation
Fixed Income	18.0%	(15.9%)	Calvert/RBC
Private Equity	7.0%	(1.7%)	Lyme Forest, At One, Union Square Ventures
Vermont Investments	5.0%	(5.2%)	
Short Duration Bonds	6.0%	(6.0%)	
Cash	0.0%	(2.8%)	

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

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 Socially Responsible Pool gained 3.6%, outperforming its custom benchmark's return by 30 basis points. This result is largely the product of the pool's above target public equity exposure and strong active manager performance for the quarter.

Individual Asset Class Performance – Q2 2023

<i>Large/Mid-Capitalization US Equity</i>	+8.1%	<i>(-0.5% vs. Russell 1000)</i>
<i>Small Capitalization US Equity</i>	+3.3%	<i>(-0.1% vs. Russell 2000)</i>
<i>Non-US Equity</i>	+4.5%	<i>(+1.5% vs. MSCI EAFE)</i>
<i>Emerging Markets Equity</i>	+1.9%	<i>(+1.0% vs. MSCI Emerging Markets)</i>
<i>Global Equity</i>	+5.5%	<i>(-1.3% vs MSCI World)</i>
<i>U.S. Investment Grade Fixed Income</i>	-0.5%	<i>(+0.3% vs. Barclays Capital Aggregate)</i>
<i>U.S. Short Duration Fixed Income</i>	+0.7%	<i>(+0.2% vs. Bloomberg 1 Year US Treasury)</i>

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