The Vermont Community Foundation
Socially Responsible Pool Investment Performance/Strategy
As of September 30, 2020

Socially Responsible Pool Performance vs. Benchmark- Through 9/30/20, Net of Investment Management Fees

	Latest Quarter	Latest Year	Latest 3 Years	Latest 5 Years	Latest 7 Years	Latest 10 Years
Socially Responsible Pool	**+5.1%**	**+7.4%**	**+6.3%**	**+8.3%**	**+ 7.1%**	**+ 7.3%**
*Socially Responsive Pool Benchmark**	*+4.6%*	*+7.7%*	*+6.3%*	*+8.2%*	*+ 6.6%*	*+7.4%*
60% MSCI ACW/40% Bloomberg Agg	*+5.1%*	*+9.7%*	*+6.7%*	*+8.1%*	*+6.5%*	*+6.8%*

* 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. Note that the elevated cash balance as of year-end is being deployed.

Asset Class	*Target/Actual Allocation*		*Managers*
U.S. Large/Mid-Capitalization Equities	19.0%	(21.7%)	KLD iShares/Redwood Grove/Vanguard
U.S. Small Capitalization Equities	5.0%	(6.8%)	Aperio
Non-US Equities	19.0%	(22.9%)	Aperio
Emerging Markets Equities	5.0%.	(6.9%)	Boston Common
Global Equity	12.0%	(12.2%)	Generation
Fixed Income	24.0%	(22.3%)	Calvert/RBC
Global Fixed Income	6.0%	(2.4%)	Colchester
Private Equity	5.0%	(0.4%)	Lyme Forest
Vermont Investments	5.0%	(3.5%)	
Cash	0.0%	(0.9%)	

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

Markets continued their solid recovery although for most of the quarter index gains were highly concentrated within a narrow group of technology and consumer stocks. There are two irreversible mistakes that even lengthy time horizons do not heal – unknowingly buying bad businesses or paying too much for even good or great businesses. Investors today are increasingly subject to the risk of falling prey to the latter.

The Foundation owns both quickly growing and significantly undervalued businesses with an emphasis on the latter. This has become an increasingly "out of touch" approach and there is a growing chorus of those who believe that value investing is dead or at least that it should be.

We admit that the case against owning low priced stocks is difficult to argue with in a world where interest rates stay at perpetually low levels while economic activity remains muted due to the pandemic plus the after-effects of extraordinary monetary policy and massive fiscal deficits. Layer on the fact that change and innovation are accelerating, and its case closed.

Across the course of our careers, we've always been struck by the fact that investing, like life, is filled with ironies. In this case, the strength of the story against value investing is in fact its greatest asset as investors increase their risk and lower their expected returns by increasingly embracing growth tilted strategies. Long-term investment excellence has never been built on doing what is comfortable and/or popular. At the moment, we seem to have reached yet another point in time where human nature is about to lead many astray.

Individual Asset Class Performance – 2020 Calendar Year to Date

Large/Mid-Capitalization US Equity	*+5.6%*	*(-0.8% vs. Russell 1000)*
Small Capitalization US Equity	*-17.0%*	*(-1.8% vs. Russell 2000)*
Non-US Equity	*-7.7%*	*(-0.6% vs. MSCI EAFE)*
Emerging Markets Equity	*+2.0%*	*(-3.2 vs. MSCI Emerging Markets)*
Global Equity	*+3.7%*	*(+2.0% vs MSCI World)*
U.S. Investment Grade Fixed Income	*+5.8%*	*(+1.2% vs. Barclays Capital Aggregate)*
Global Fixed Income	*+5.3%*	*(-1.8% vs. Citigroup World Govt Bond)*

Produced By Colonial Consulting, LLC
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