

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

Long-Term Pool Investment Performance vs. Benchmark- Through 9/30/23, 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	-2.4%	+4.6%	+3.4%	+5.6%	+5.5%	+6.7%
<i>Target Benchmark*</i>	-2.8%	+4.3%	+4.7%	+5.9%	+5.5%	+5.8%
<i>60% MSCI ACW/40% Bloomberg Agg</i>	-3.3%	+2.1%	+4.2%	+5.3%	+5.2%	+5.9%

* 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%	(9.9%)	Adage/FPR/Focused
U.S. Small Capitalization Equities	6.5%	(5.3%)	Ashford/Champlain
Global Equity	12.0%	(13.6%)	Generation/Gobi/Theleme/Barker
International Equities	11.0%	(8.9%)	Silchester/Brown Capital
Emerging Markets Equities	6.0%	(6.7%)	Elephant/Westwood
Hedge Funds	5.0%	(8.7%)	Various Direct Funds
Special Opportunities	14.0%	(13.5%)	Ashe/Cevian/HCIF/Ichigo
Private Assets	12.0%	(13.0%)	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%	(3.4%)	Colchester
Vermont Investments	5.0%	(6.1%)	
Cash	0.0%	(2.6%)	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

As we observe the world in late 2023, major change is clearly underway.

- Geopolitics continue to become increasingly complex.
- Structural inflationary forces continue to build while the Federal Reserve slowly but surely seeks to reduce the size of its balance sheet. While the future is never certain, one should not underestimate the impact of central bank policy not solely focused on growth and stability that must also contend with inflationary forces.
- Capital markets have selectively ignored the sea change underway and seem to be beholden to the formula that worked during the ‘free money’ climate of the last decade.

In the third quarter, global equity markets declined with the S&P 500, MSCI EAFE and MSCI Emerging indices falling -3.3%, -4.1%, and -2.9% respectively. Investors entered the quarter with optimistic that the era of policy tightening would soon end, however their enthusiasm waned as the prospect of a sustained period of higher rates sank in. Core bonds posted a similar decline (-3.1%) during the quarter as the US Treasury yield curve shifted higher and steepened meaningfully during the period.

In Q3 2023, the Long Term Pool returned -2.4%, outperforming its custom benchmark’s return by 40 basis points. The Pool’s emerging markets and special opportunities public equity allocations were the largest relative contributors to outperformance, while domestic large and small-cap equities were the largest detractors.

Individual Asset Class Performance – Q3 2023

<i>Large/Mid-Capitalization US Equity</i>	<i>-5.9%</i>	<i>(-2.8% vs. Russell 1000)</i>
<i>Small Capitalization US Equity</i>	<i>-6.6%</i>	<i>(-1.5% vs. Russell 2000)</i>
<i>Global Equity</i>	<i>-3.1%</i>	<i>(+0.3% vs. MSCI ACWI)</i>
<i>International Developed Markets Equity</i>	<i>-3.8%</i>	<i>(+0.3% vs. MSCI EAFE)</i>
<i>Emerging Markets Equity</i>	<i>-1.0%</i>	<i>(+1.9% vs. MSCI Emerging Markets)</i>
<i>Hedge Funds</i>	<i>+0.7%</i>	<i>(+0.2% vs. HFRI Fund of Funds)</i>
<i>Special Opportunities</i>	<i>-2.2%</i>	<i>(+1.2% vs. MSCI ACWI)</i>
<i>U.S. Investment Grade Fixed Income</i>	<i>-2.9%</i>	<i>(+0.3% vs. Bloomberg Aggregate)</i>
<i>Global Fixed Income</i>	<i>-5.2%</i>	<i>(-0.9% vs. FTSE World Govt Bond)</i>
<i>Treasury Inflation Protected Securities</i>	<i>-2.6%</i>	<i>(+0.0% vs. Bloomberg US TIPS)</i>

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