

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

Socially Responsible Pool 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>
Socially Responsible Pool	-3.2%	+4.3%	+4.8%	+ 6.1%	+ 6.3%	+6.4%
<i>Socially Responsive Pool Benchmark*</i>	-2.8%	+4.1%	+4.9%	+6.1%	+5.9%	+6.4%
<i>60% MSCI ACW/40% Bloomberg Agg</i>	-3.3%	+2.1%	+4.2%	+5.3%	+5.2%	+5.9%

* 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%	(20.6%)	KLD iShares/Redwood Grove/Vanguard
U.S. Small Capitalization Equities	5.0%	(5.5%)	Aperio
Non-US Equities	22.0%	(25.9%)	Aperio
Emerging Markets Equities	6.0%	(6.2%)	Boston Common
Global Equity	12.0%	(7.2%)	Generation
Fixed Income	18.0%	(15.6%)	Calvert/RBC
Private Equity	7.0%	(1.7%)	Lyme Forest, At One, Union Square Ventures
Vermont Investments	5.0%	(5.5%)	
Short Duration Bonds	6.2%	(6.0%)	
Cash	0.0%	(5.6%)	

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

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 Socially Responsible Pool returned -3.2%, trailing its custom benchmark’s return by 40 basis points. This result was largely the product of the pool’s above target public equity exposure and weak relative returns within the emerging markets and global equity asset classes for the quarter.

Individual Asset Class Performance – Q3 2023

<i>Large/Mid-Capitalization US Equity</i>	<i>-3.5%</i>	<i>(-0.4% vs. Russell 1000)</i>
<i>Small Capitalization US Equity</i>	<i>-4.4%</i>	<i>(+0.5% vs. Russell 2000)</i>
<i>Non-US Equity</i>	<i>-4.5%</i>	<i>(-0.4% vs. MSCI EAFE)</i>
<i>Emerging Markets Equity</i>	<i>-6.6%</i>	<i>(-3.7% vs. MSCI Emerging Markets)</i>
<i>Global Equity</i>	<i>-5.4%</i>	<i>(-1.9% vs MSCI World)</i>
<i>U.S. Investment Grade Fixed Income</i>	<i>-2.8%</i>	<i>(+0.4% vs. Bloomberg Aggregate)</i>
<i>U.S. Short Duration Fixed Income</i>	<i>+1.2%</i>	<i>(-0.1% vs. Bloomberg 1 Year US Treasury)</i>

Produced by Crewcial Partners LLC