The Vermont Community Foundation
Long-Term Pool Investment Performance/Strategy
As of December 31, 2020

Long-Term Pool Investment Performance vs. Benchmark- Through 12/31/20, Net of Investment Management Fees

	Latest Quarter	Latest 1 Year	Latest 3 Years	Latest 5 Years	Latest 7 Years	Latest 10 Years	Latest 15 Years
Long-Term Pool	**+12.4%**	**+8.4%**	**+6.4%**	**+9.0%**	**+6.9%**	**+7.6%**	**+7.2%**
*Target Benchmark**	*+10.1%*	*+12.1*	*+7.9%*	*+9.3%*	*+6.9%*	*+6.9%*	*+6.0%*
60% MSCI ACW/40% Bloomberg Agg	*+9.0%*	*+13.5*	*+8.6%*	*+9.4%*	*+7.2%*	*+7.3%*	*+6.5%*

* 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.

Asset Class	*Target/Actual Allocation*		*Managers*
U.S. Large/Mid-Capitalization Equities	11.0%	(13.2%)	Adage/FPR/Focused
U.S. Small Capitalization Equities	5.5%	(5.8%)	Ashford/Champlain
Global Equity	9.0%	(8.6%)	Generation/Gobi
International Equities	11.0%	(13.2%)	Barker/Marathon/Sanderson
Emerging Markets Equities	5.5%	(6.4%)	Highclere/Westwood
Hedge Funds	13.0%	(11.1%)	Various Direct Funds
Special Opportunities	10.5%	(12.3%)	Ashe/Cat Rock/Cevian/Effissimo
Private Assets	8.0%	(5.6%)	Various Direct and Fund of Funds
U.S. Investment Grade Fixed Income	9.5%	(6.9%)	IR&M/Vanguard
TIPS	4.2%	(2.8%)	Vanguard
High Yield Fixed Income	3.0%	(2.9%)	Oak Hill
Global Fixed Income	4.8%	(4.9%)	Colchester
Vermont Investments	5.0%	(5.0%)	
Cash	0.0%	(1.3%)	

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

Where does one even begin when discussing 2020? Perhaps we should just say "good riddance" and move on. Yet, buried within all the pain and anxiety was a year that shaped and tested humanity in ways that are rarely seen, with much to acknowledge and carry forward. As investors, many of the lessons of a particular time are best ignored, as it is human nature to review history, identify what worked, and move forward with that playbook. This is unfortunate, as markets are cyclical and the moments that cause us to pay closest attention tend to correlate with the end rather than the beginning of a cycle.

For example, after 2008, it was quite common to hear that equity markets were destined to produce the undesirable combination of high risk and low long-term returns. This was in part a function of recent lived experience but was also built on legitimate fears of the long-lasting implications of a debt deflation cycle. Unfortunately, those who applied this lesson paid a very high price.

Fast forward to today and we see two "lessons" that are also likely to contribute to weaker future returns. The first involves the perception that valuation is not relevant during a turbulent time, as no price is too high for the beneficiaries of change and none too low for those that must adjust. The second is that as long as central banks continue to flood the system with liquidity, interest rates will not rise. While a shift from current thinking is inevitable, the question of when cannot be answered. Regardless, we have little doubt that a decade from now, today's lessons will be relegated to the outsized dustbin of popular ideas that did great and possibly lasting harm to philanthropic capital. The Vermont Community Foundation's investment pools have long been invested in a forward-looking manner that is focused on risk with the ultimate goal of generating strong returns over time.

Individual Asset Class Performance – 2020 Calendar Year to Date

Large/Mid-Capitalization US Equity	*+12.1%*	*(-8.9% vs. Russell 1000)*
Small Capitalization US Equity	*+44.4%*	*(+24.4% vs. Russell 2000)*
Global Equity	*+21.6%*	*(+5.4% vs. MSCI ACWI)*
International Developed Markets Equity	*+14.8%*	*(+7.0% vs. MSCI EAFE)*
Emerging Markets Equity	*+4.2%*	*(+14.1% vs. MSCI Emerging Markets)*
Hedge Funds	*+0.1%*	*(-10.2% vs. HFRI Fund of Funds)*
Special Opportunities	*-0.5%*	*(-16.8% vs. MSCI ACWI)*
High Yield	*+4.5%*	*(-1.7% vs. Merrill Lynch High Yield Bond)*
U.S. Investment Grade Fixed Income	*+8.8%*	*(+1.3% vs. Bloomberg Aggregate)*
Global Fixed Income	*+10.9%*	*(+0.8% vs. FTSE World Govt Bond)*
Treasury Inflation Protected Securities	*+11.0%*	*(-0.6% vs. FTSE Inflation Linked)*

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