The Vermont Community Foundation
Socially Responsible Pool Investment Performance/Strategy
As of December 31, 2023

Socially Responsible Pool Performance vs. Benchmark, Net of Investment Management Fees

	Latest Quarter	Latest 3 Years	Latest 5 Years	Latest 7 Years	Latest 10 Years	Latest 15 Years
Socially Responsible Pool	**+9.2%**	**+3.4%**	**+8.4%**	**+ 7.5%**	**+ 6.7%**	**+8.3%**
*Socially Responsive Pool Benchmark**	*+8.5%*	*+3.4%*	*+8.4%*	*+7.4%*	*+6.3%*	*+8.1%*
60% MSCI ACW/40% Bloomberg Agg	*+9.4%*	*+2.2%*	*+7.7%*	*+6.7%*	*+5.7%*	*+7.4%*

* 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.

Asset Class	*Target/Actual Allocation*		*Managers*
U.S. Large/Mid-Capitalization Equities	19.0%	(21.4%)	KLD iShares/Redwood Grove/Vanguard
U.S. Small Capitalization Equities	5.0%	(6.0%)	Aperio
Non-US Equities	22.0%	(26.6%)	Aperio
Emerging Markets Equities	6.0%.	(6.2%)	Boston Common
Global Equity	12.0%	(7.9%)	Generation
Fixed Income	18.0%	(15.5%)	Calvert/RBC
Private Equity	7.0%	(1.5%)	Lyme Forest, At One, Union Square Ventures
Vermont Investments	5.0%	(5.1%)	
Short Duration Bonds	6.0%	(5.8%)	
Cash	0.0%	(4.0%)	

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

Whew – what a relief! 2023 proved to be a very profitable year for most public market investors across the geographical, size, and style spectrum. The dominance of the "Magnificent 7" has been well documented, although it is interesting to observe the degree to which a strong year-end advance left many areas with solid gains for the year.

A pessimistic mindset following 2022's losses was clearly the wrong perspective for the year ahead. Should we be similarly suspicious of any optimism born from 2023's gains?

Due to the simple fact that we base investment decisions on rigor, history, and patience to produce a high probability of longer-term success, engaging in the admittedly attention-grabbing matters of near-term market-direction speculation has never been of interest. To be blunt, we are afraid to risk making a forecast where our odds of success are at best the same as a coin toss.

When we reflect on the current market environment, we see a tale of two markets. On one hand, we have the Magnificent 7 priced at nearly 40x trailing earnings—this is the ultimate "what can go wrong?" valuation. On the other, we have scores of beaten-down stocks both inside and outside the US trading at what seem to be exceptionally low valuations.

On balance, we continue to believe that monetary policy is on a slow yet undoubtedly erratic path towards normalization thanks to higher structural inflation. This introduces many less familiar but well-documented risks that investors will have to face whether they like it or not. Given that everyone, including us, lack foresight into the future, the primary factor worth considering is the strong tendency of low valuations to create a wider array of scenarios in which equities produce acceptable returns.

In Q4 2023, the Socially Responsible Pool returned +9.2%, outperforming its custom benchmark's return by 70 basis points. This result was largely the product of the pool's above target public equity exposure and strong relative returns within the global equity asset class for the quarter.

Individual Asset Class Performance – Q4 2023

Large/Mid-Capitalization US Equity	*+12.1%*	*(+0.1% vs. Russell 1000)*
Small Capitalization US Equity	*+15.4%*	*(+0.3% vs. Russell 2000)*
Non-US Equity	*+10.4%*	*(+0.0% vs. MSCI EAFE)*
Emerging Markets Equity	*+7.6%*	*(-0.3% vs. MSCI Emerging Markets)*
Global Equity	*+18.0%*	*(+6.6% vs MSCI World)*
U.S. Investment Grade Fixed Income	*+6.9%*	*(+0.1% vs. Bloomberg Aggregate)*
U.S. Short Duration Fixed Income	*+2.1%*	*(+0.1% vs. Bloomberg 1 Year US Treasury)*

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