
The Vermont Community Foundation

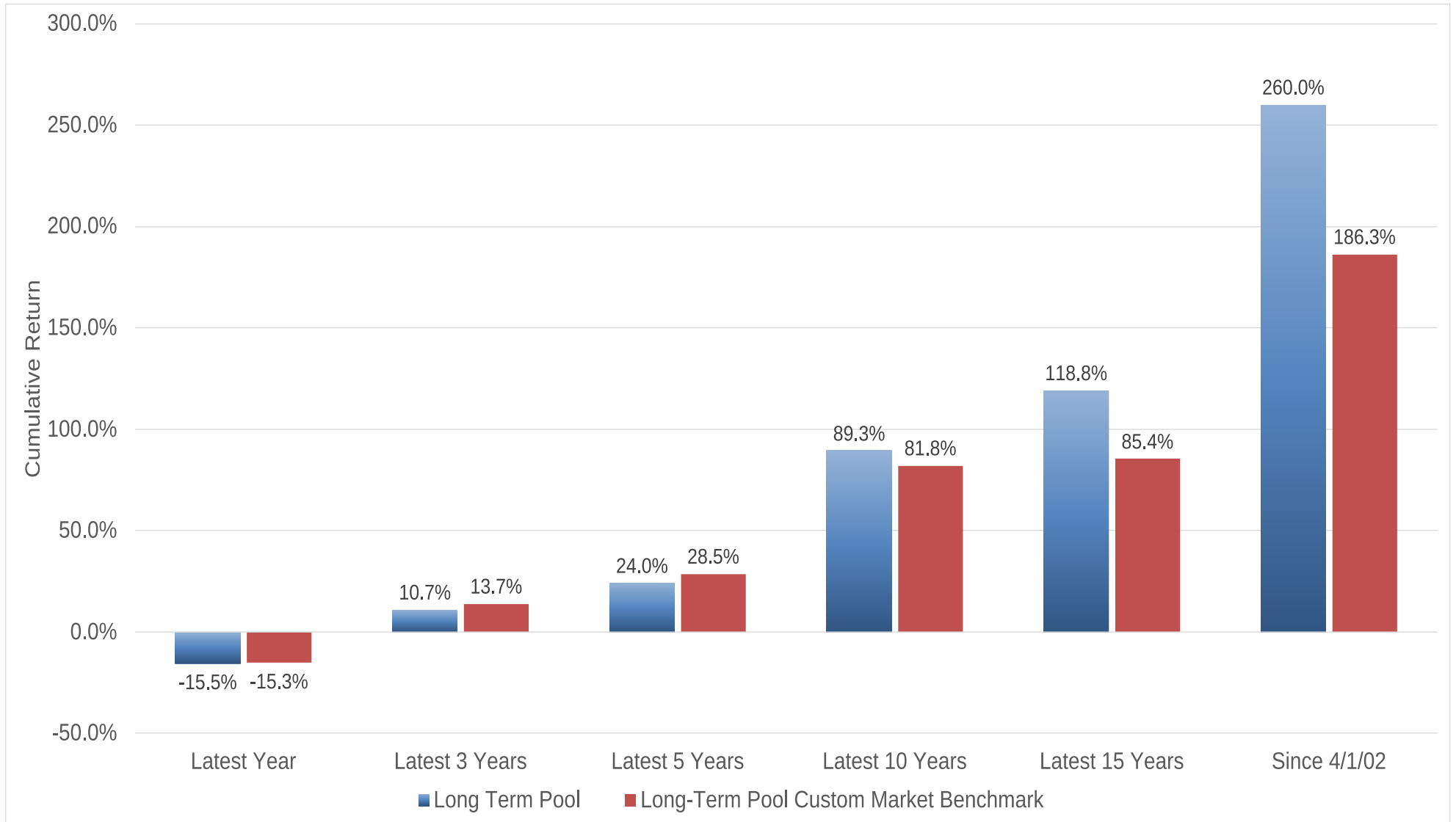
Investment Strategy/Performance Update

August 22, 2022

Annualized Investment Results

Performance Ending 6/30/22 (Net Of Investment Management Fees)	Calendar Year to Date	Latest 3 Years	Latest 5 Years	Latest 10 Years	Latest 15 Years	Since 4/1/02
Long-Term Pool	-15.5%	3.4%	4.4%	6.6%	5.4%	6.7%
Long-Term Pool Custom Market Benchmark	-15.3%	4.4%	5.2%	6.2%	4.2%	5.5%
CPI + 5%	8.0%	10.3%	9.2%	7.8%	7.6%	7.7%
Socially Responsible Pool	-16.4%	4.3%	5.4%	5.9%	7.0%	N/A
SR Pool Custom Market Benchmark	-15.1%	4.5%	5.5%	5.7%	6.7%	N/A
Mid-Term Pool	-12.6%	3.4%	4.2%	N/A	N/A	N/A
Mid-Term Pool Custom Market Benchmark	-13.6%	3.0%	4.0%	N/A	N/A	N/A

Short Term Pain for Long Term Gain



Assessing Returns – Batting Average & Asymmetry

Long-Term Pool – 4/1/2002 to 6/30/22

Key Stats - Long Term Pool	Rolling 3 Year	Rolling 5 Year	Rolling 7 Year	Rolling 10 Year
Batting Average	85.1%	88.6%	93.8%	100.0%
Median Outcome	5.4%	10.8%	18.4%	31.2%
Best Outcome	10.6%	19.8%	24.6%	39.2%
Worst Outcome	-7.1%	-5.4%	-2.9%	5.9%

Socially Responsible Pool – 6/30/10 to 6/30/22

Key Stats - Socially Responsible Pool	Rolling 3 Year	Rolling 5 Year	Rolling 7 Year	Rolling 10 Year
Batting Average	72.5%	89.4%	93.4%	84.0%
Median Outcome	1.2%	2.9%	4.9%	6.6%
Best Outcome	4.8%	6.7%	9.9%	9.6%
Worst Outcome	-5.9%	-5.4%	-2.6%	-4.8%

The Community Foundation's Approach

- Establish a Strategic Asset Allocation That is Expected to Achieve the Foundation's Long Term Return Objectives (Preserve Foundation Purchasing Power Over Twenty Year+ Periods)
- No Attempt Made to Market Time or Change Strategy Based on Near Term Outlook – Does Not Preclude Opportunistic Allocations Whose Outcome is Not Driven by Timing
- Diversify Portfolio by Asset Class and Strategy. Increases the Likelihood of Achieving Return Objectives Under Different Economic/Market Conditions

Strategic Asset Mix

Asset Class Exposures (% of Total Portfolio)	Long-Term Pool Mix	Socially Responsible Pool Mix	Mid-Term Pool Strategic Mix
US Large/Mid Cap Equity	11.0	19.0	19.0
US Small Cap Equity	6.5	5.0	4.8
Non-US Developed Equity	11.0	22.0	17.0
Non-US Emerging Equity	6.0	6.0	6.8
Global Equity	12.0	12.0	0.0
Special Opportunities	14.0	0.0	0.0
Total Equity	60.5%	64.0%	47.5%
US Aggregate Bonds	8.5	18.0	23.8
Treasury Inflation Protected Securities	4.3	0.0	9.5
US High Yield Bonds	0.0	0.0	4.8
Global Bonds	4.8	0.0	0.0
Cash/Short Term Bonds	0.0	6.0	9.5
Total Fixed Income	17.5%	24.0%	47.5%
Hedge Funds	5.0	0.0	0.0
Private Assets	12.0	7.0	0.0
Total Alternatives	17.0%	7.0%	0.0%
Vermont Investments	5.0%	5.0%	5.0%

Manager Due Diligence

- Return always accompanied by risk
- Must understand the strategy, know key personnel, avoid needless complexity.
- Operational issues: independent custodian, credible auditor, outside administrator
- Ongoing – forward looking process

Manager Due Diligence – Qualitative Factors

INVESTMENT PROCESS

- Fundamental/valuation bias
- High conviction in investment ideas
- Defined buy & sell disciplines
- Uniqueness (edge)

ORGANIZATION

- Ownership structure
- Aligned interests & motivation
- Compensation structure & retention
- Succession plan
- Institutional Focus
- SEC violations & legal issues

INVESTMENT PROFESSIONALS

- Portfolio manager/analyst experience
- Assessment of manager/team skill
- Portfolio management/analyst coverage
- Team continuity & ethical concern

PORTFOLIO MANAGEMENT/RISK

- Assets in strategy/capacity
- Position exposure/risk
- Prudent use of leverage
- Hedging strategy
- Liquidity
- Transparency
- Appropriate diversification

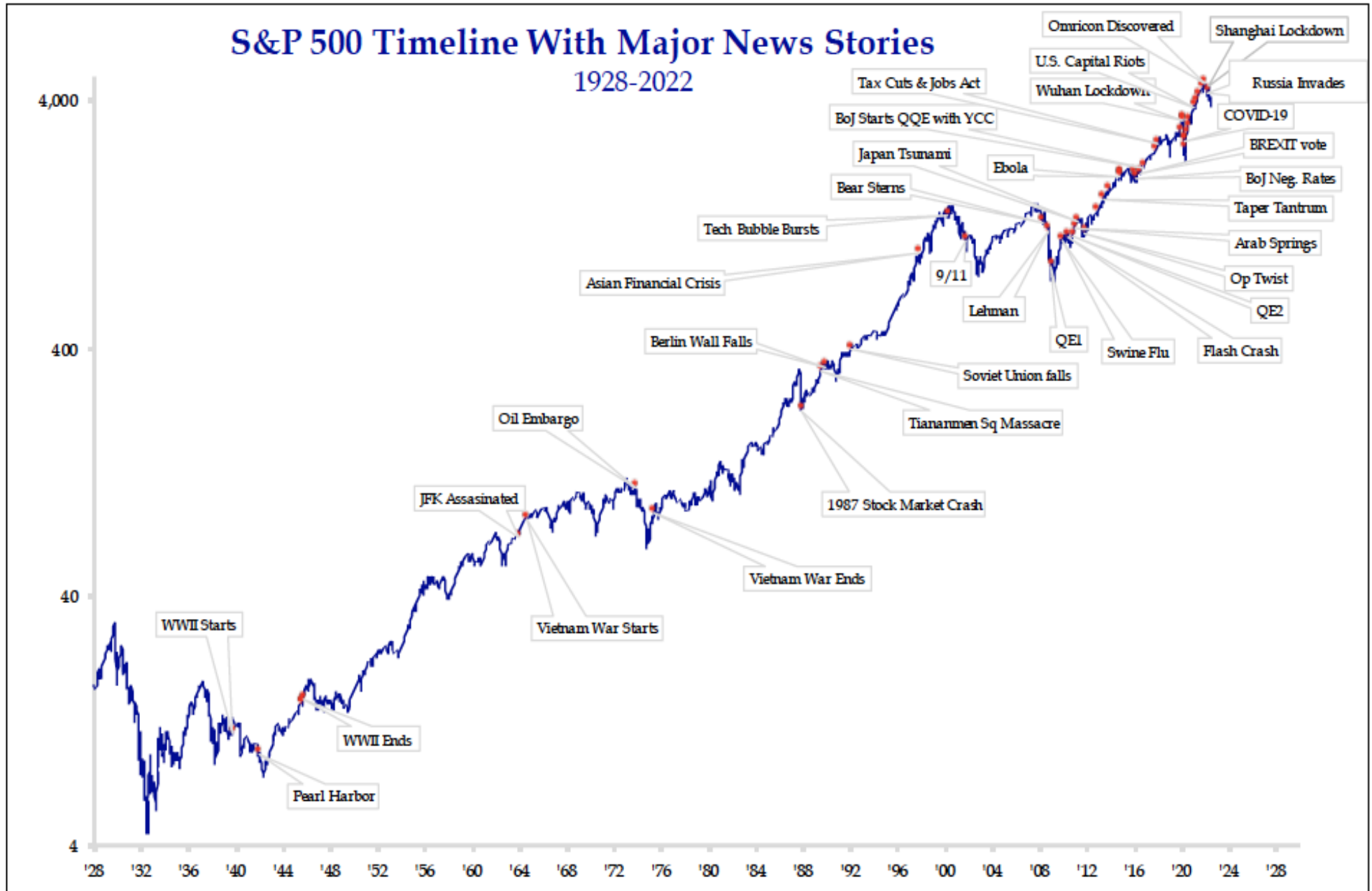
OPERATIONAL/BUSINESS RISK

- Prime broker exposure
- Counter party risk
- Financing/borrowing terms
- Client concentration risk
- Back office staffing & infrastructure
- Compliance procedures
- Trading systems
- Valuation procedures
- Disaster Recovery

Long-Term vs. Short Term Anxiety

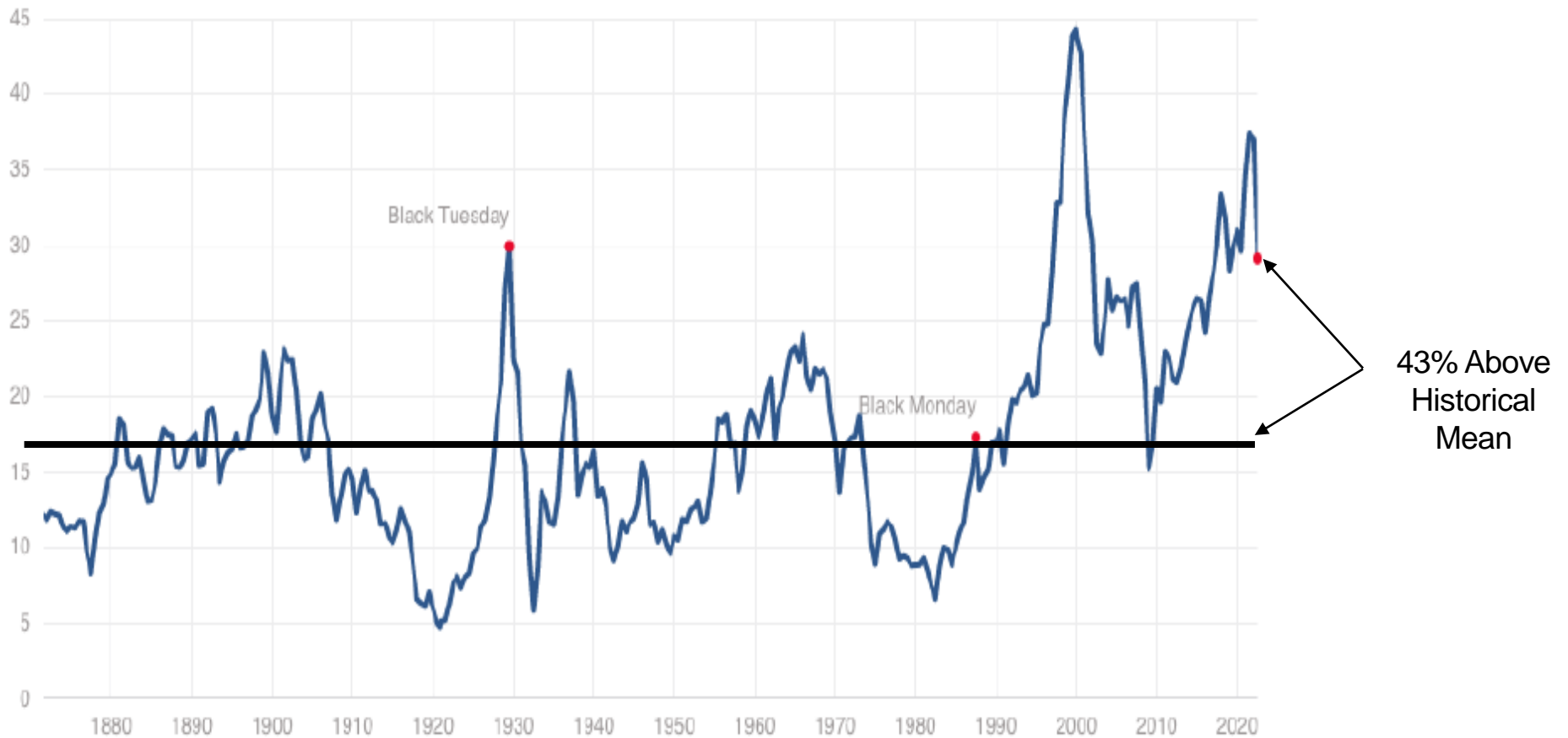
- Rising – Higher Sustained Inflation?
- Low Interest Rates and Very Expensive Equity Index Prices
- Anchoring is Dangerous
- Markets Tend to Change Following Volatile Periods

Interest Rates & Inflation



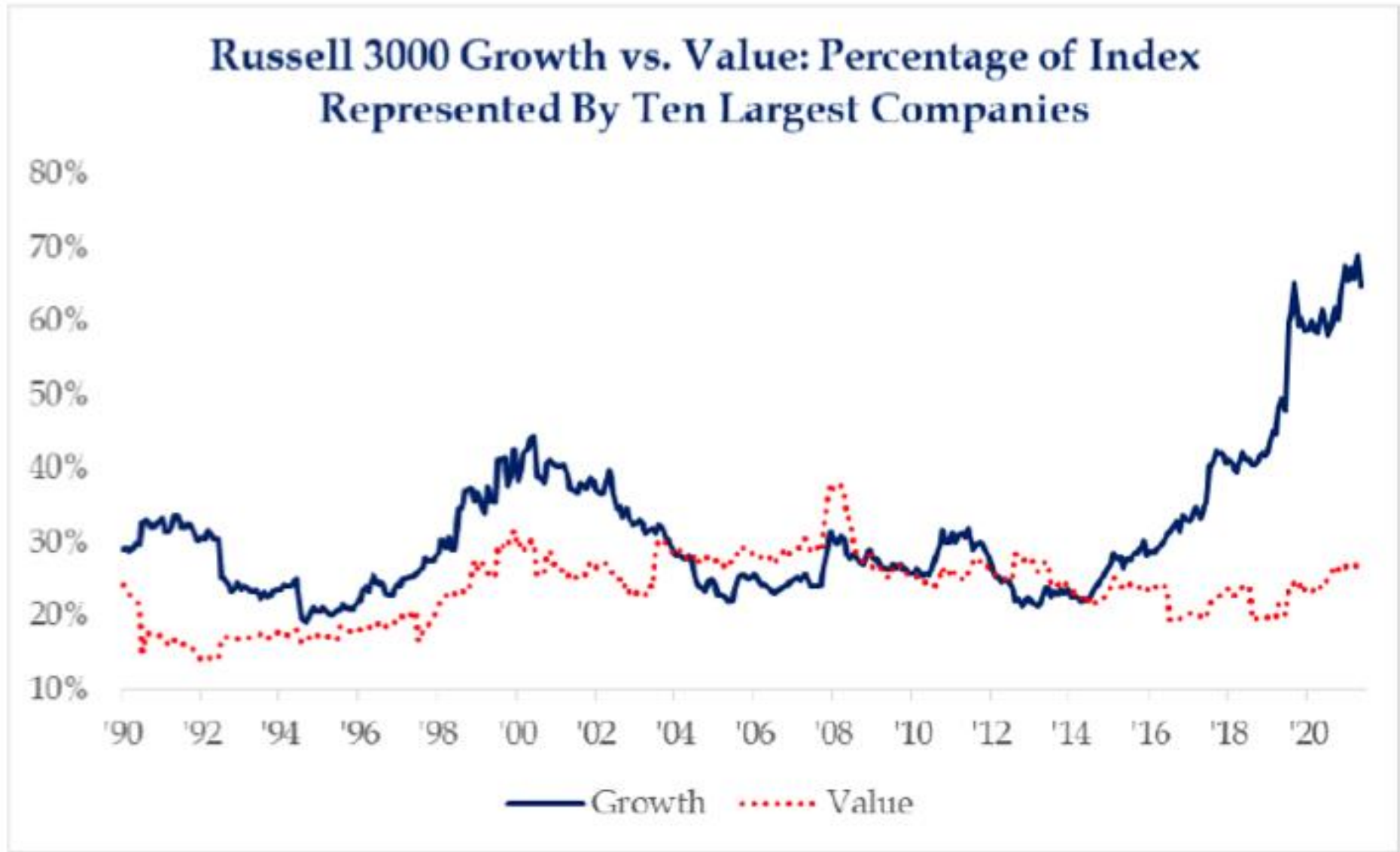
A Long Way Down

Historic Shiller Ratio Through June 30, 2022



Source: Robert Shiller & www.muilpl.com

Winners and Losers



Source: Strategas Research Partners

Some Things Never Change

ARK HAS FOLLOWED THE DOT.COM SCRIPT... BOUNCES CAN BE VICIOUS



Source: Strategas Research Partners

Timing

- Impossible to Know When or Why Markets Will Stop Falling
- Mismatch Between Investments and Appropriate Risk Level is a Major Problem
- For VCF Pools, Prospective Multi-Year Returns are Compelling Today

Strategy Looking Forward

- Strict adherence to a strategy that relies on decisions with a high probability of long-term success – time is on our side
- Utilize advantages of scale, stability and time horizon to access atypical investments – strong proponents of index funds balanced with compelling managers
- **Over long time periods, intelligently accepting volatility contributes to higher returns**

Crewcial Partners Profile

Location: New York, NY

Staff Size: 68

Number of Clients: 118

Founded: 1980

100% Employee Owned

Client Assets: \$ 30 Billion

Representative Client List:

The San Francisco Foundation

The Philadelphia Foundation

New Haven Foundation

Marin Community Foundation

Lasker Foundation