
The Vermont Community Foundation

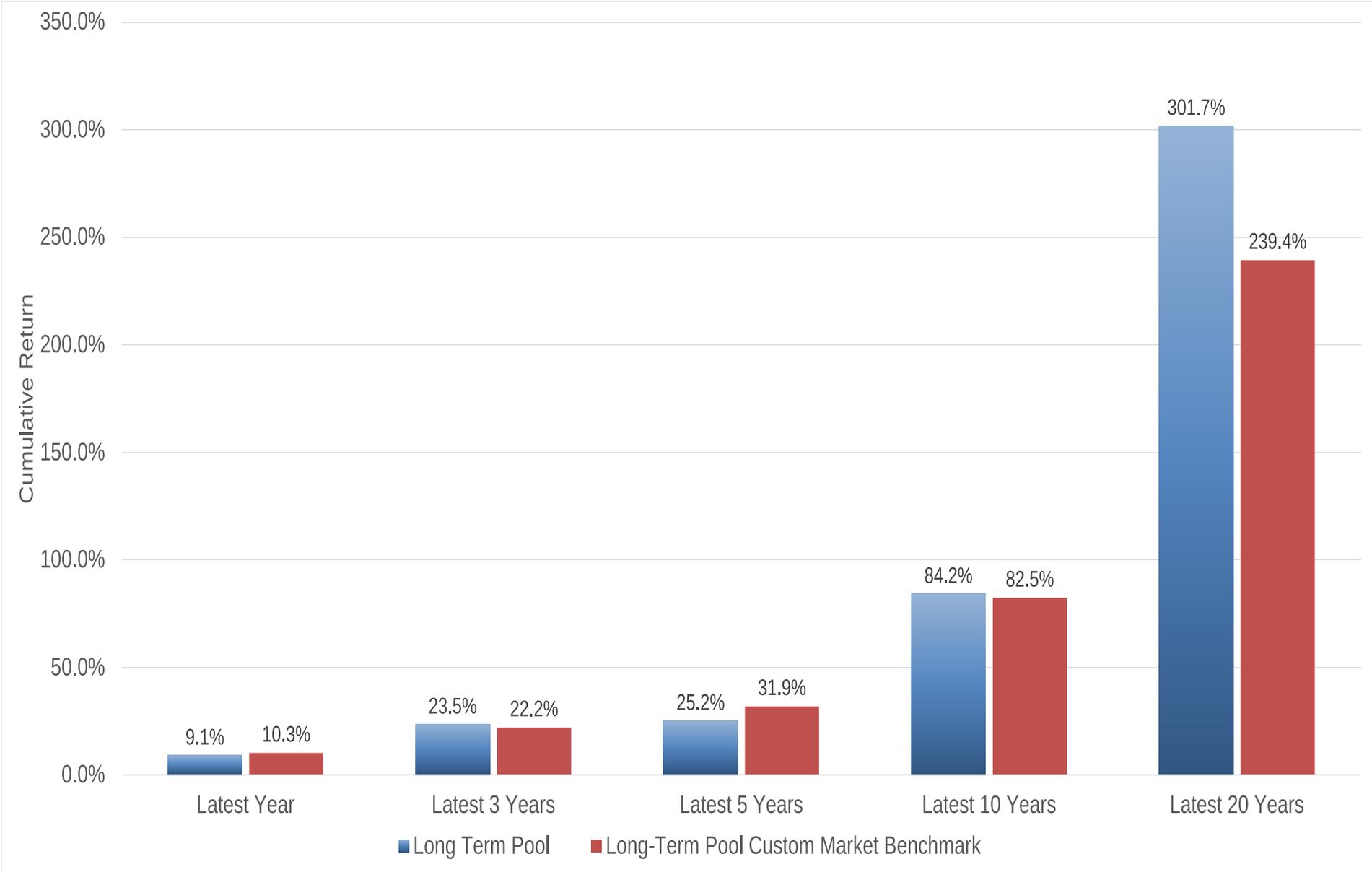
Investment Strategy/Performance Update

August 17, 2023

Annualized Investment Results

Performance Ending 6/30/23 (Net Of Investment Management Fees)	Calendar Year to Date	Latest Year	Latest 3 Years	Latest 5 Years	Latest 10 Years	Latest 20 Years
Long-Term Pool	7.8%	9.1%	7.3%	4.6%	6.3%	7.2%
Long-Term Pool Custom Market Benchmark	8.9%	10.3%	6.9%	5.7%	6.2%	6.3%
CPI + 5%	4.1%	8.1%	10.9%	9.0%	7.7%	7.6%
Socially Responsible Pool	9.6%	11.7%	7.2%	6.0%	7.1%	N/A
SR Pool Custom Market Benchmark	9.0%	11.1%	6.8%	6.1%	6.7%	N/A
Mid-Term Pool	6.6%	6.9%	4.5%	4.5%	5.3%	N/A
Mid-Term Pool Custom Market Benchmark	7.1%	8.3%	4.5%	4.5%	5.4%	N/A

Decisions Focused on Long-Term Outcomes



High Batting Average & Positive Skew

Socially Responsible Returns Relative to Policy Benchmark – 6/30/10 to 6/30/23

Key Stats - Socially Responsible Pool	Rolling 3 Year	Rolling 5 Year	Rolling 7 Year	Rolling 10 Year
Batting Average	71.1%	81.4%	90.4%	89.2%
Median Outcome	1.0%	2.8%	4.3%	6.3%
Best Outcome	4.8%	6.7%	9.9%	9.6%
Worst Outcome	-5.9%	-5.4%	-2.6%	-4.8%

- Very High Batting Average – Not Perfect Though!
- Median Value Added is Meaningful
- Generally Strong Best/Worst Case Outcomes

High Batting Average & Positive Skew

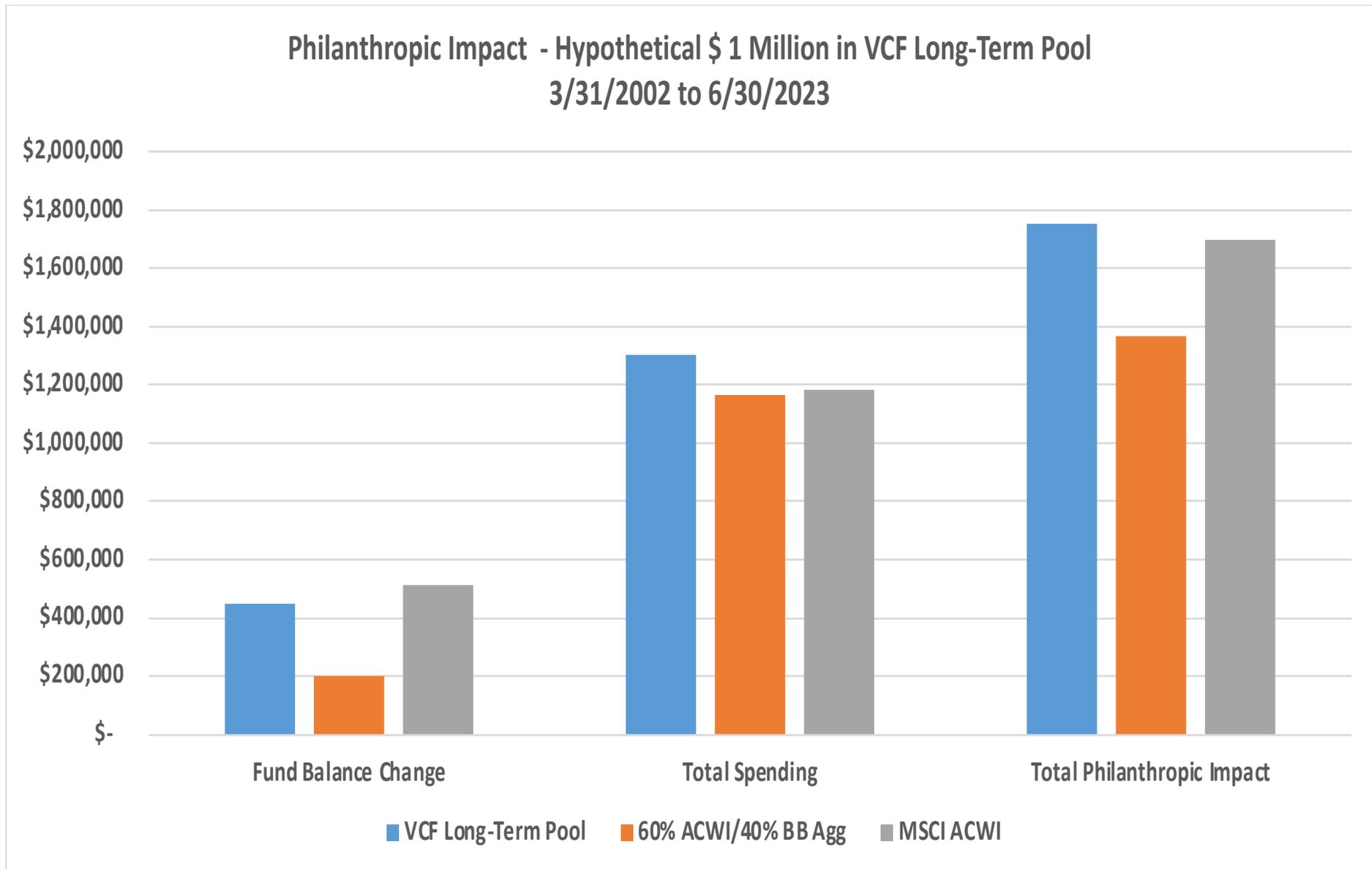
**Long-Term Pool Returns Relative to Policy Benchmark
6/30/23**

3/31/02 to

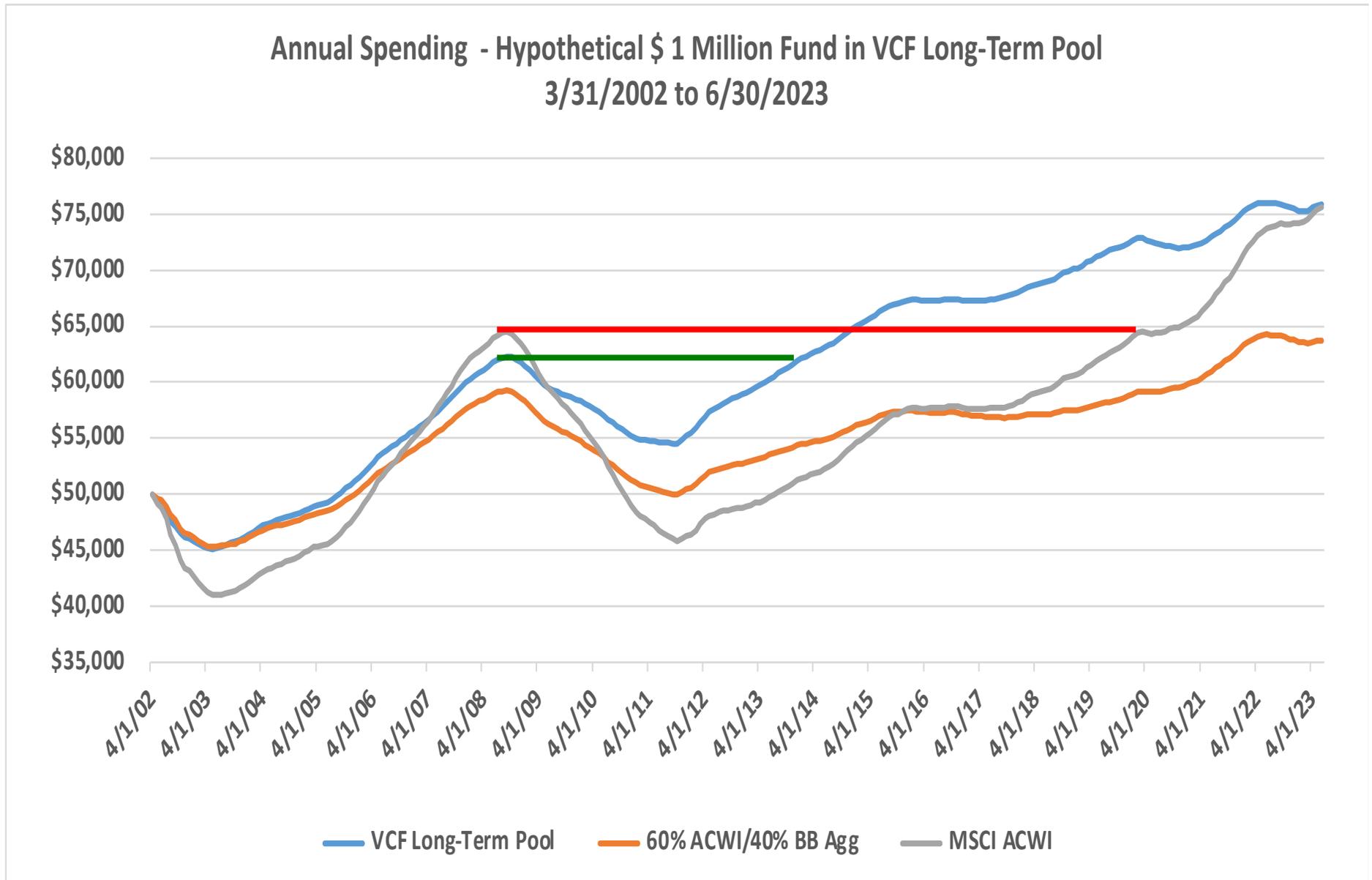
Key Stats - Long Term Pool	Rolling 3 Year	Rolling 5 Year	Rolling 7 Year	Rolling 10 Year
Batting Average	82.3%	83.2%	88.4%	100.0%
Median Outcome	5.2%	10.4%	18.1%	30.6%
Best Outcome	10.6%	19.8%	24.6%	39.2%
Worst Outcome	-7.1%	-6.5%	-2.7%	2.4%

- Very High Batting Average – Not Perfect Though!
- Median Value Added is Meaningful
- Very Strong Best/Worst Case Outcomes

Balance & Focus on Long-Term Outcomes



Even Long-Term Investors Must Worry About Volatility



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

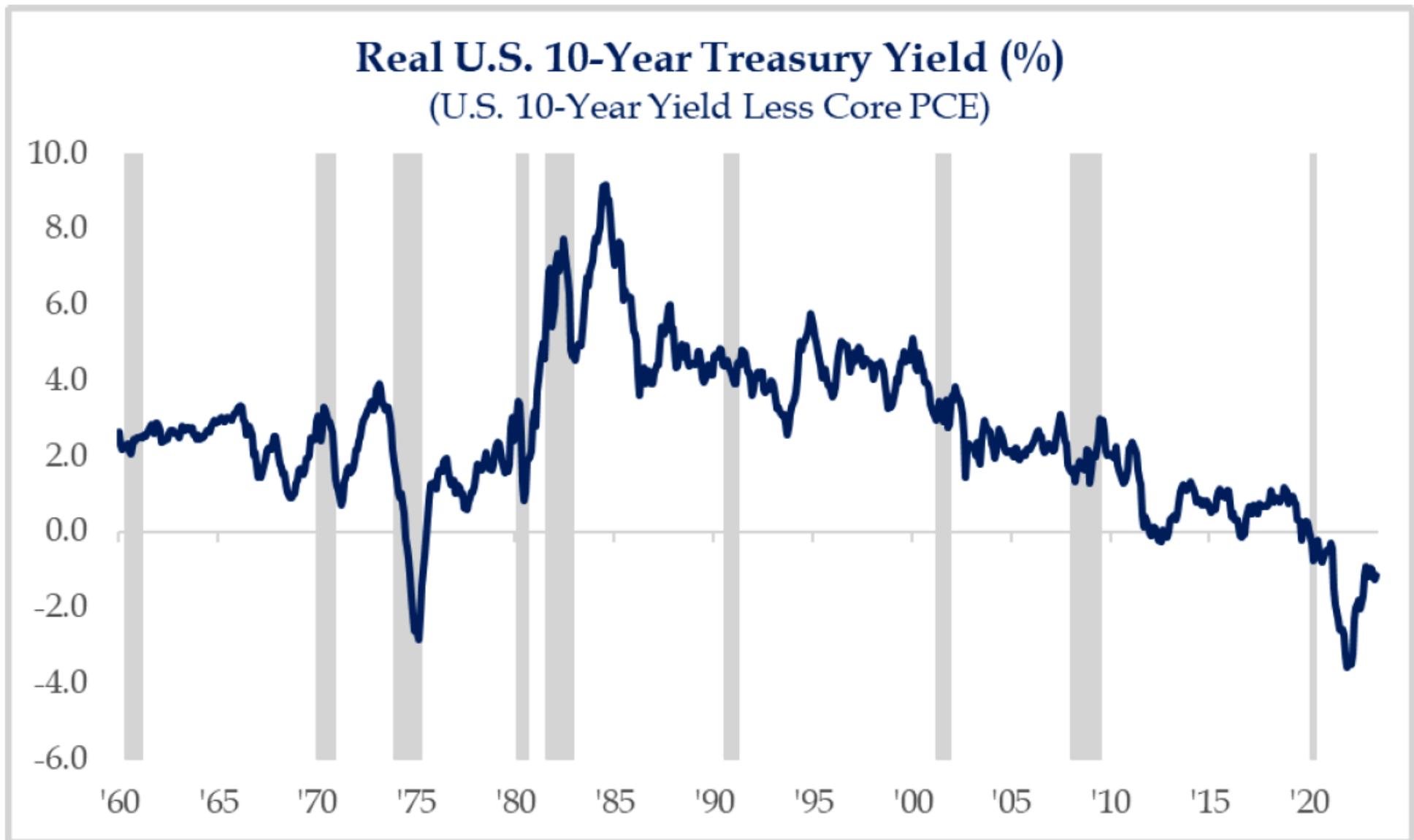
OPERATIONAL/BUSINESS RISK

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

We Live in a New World

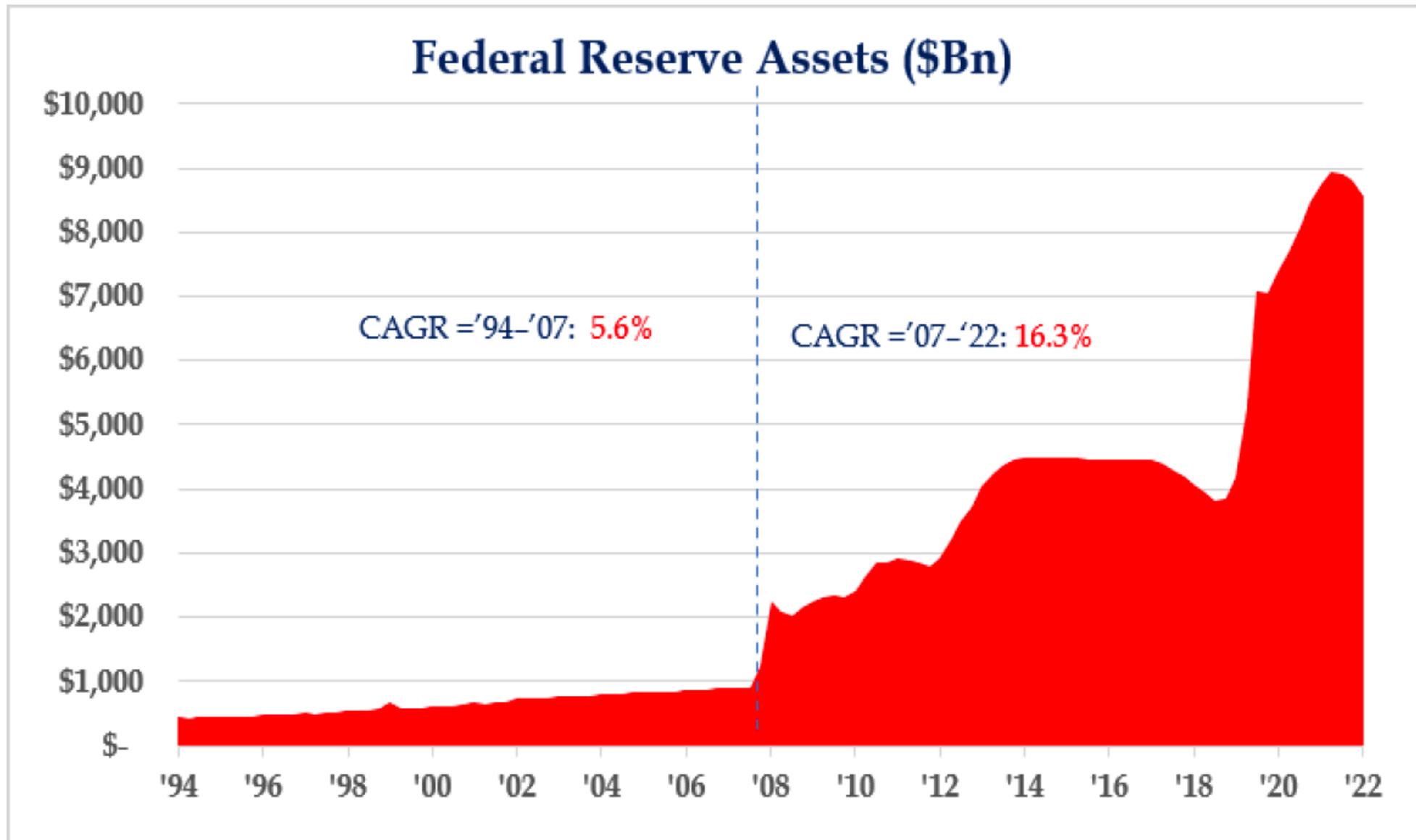
- Higher Inflation = Higher Cost and Competition for Capital
- Capital Scarcity is GAME CHANGING
- Capitalization Weighted Indices (S&P 500) are Increasingly Concentrated

Yields Are Not That High



Source: Strategas Research Partners

A Key Driver of Past and Future Returns



Source: Strategas Research Partners

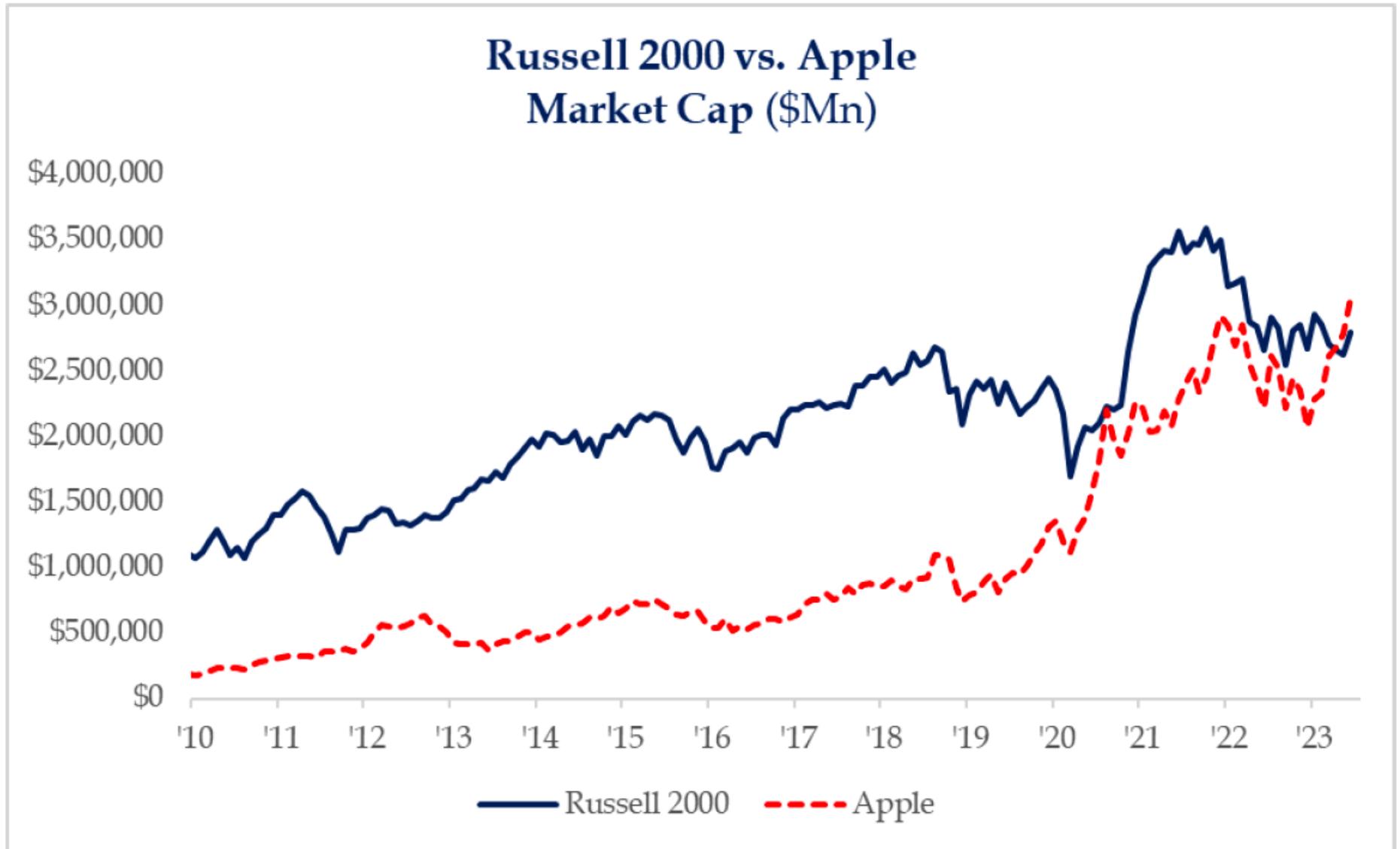
Comfort → Concentration → Risk



Source: Strategas Research Partners

- There is No Law that Business Quality and Stock Prices are Correlated!
- This is not Sustainable

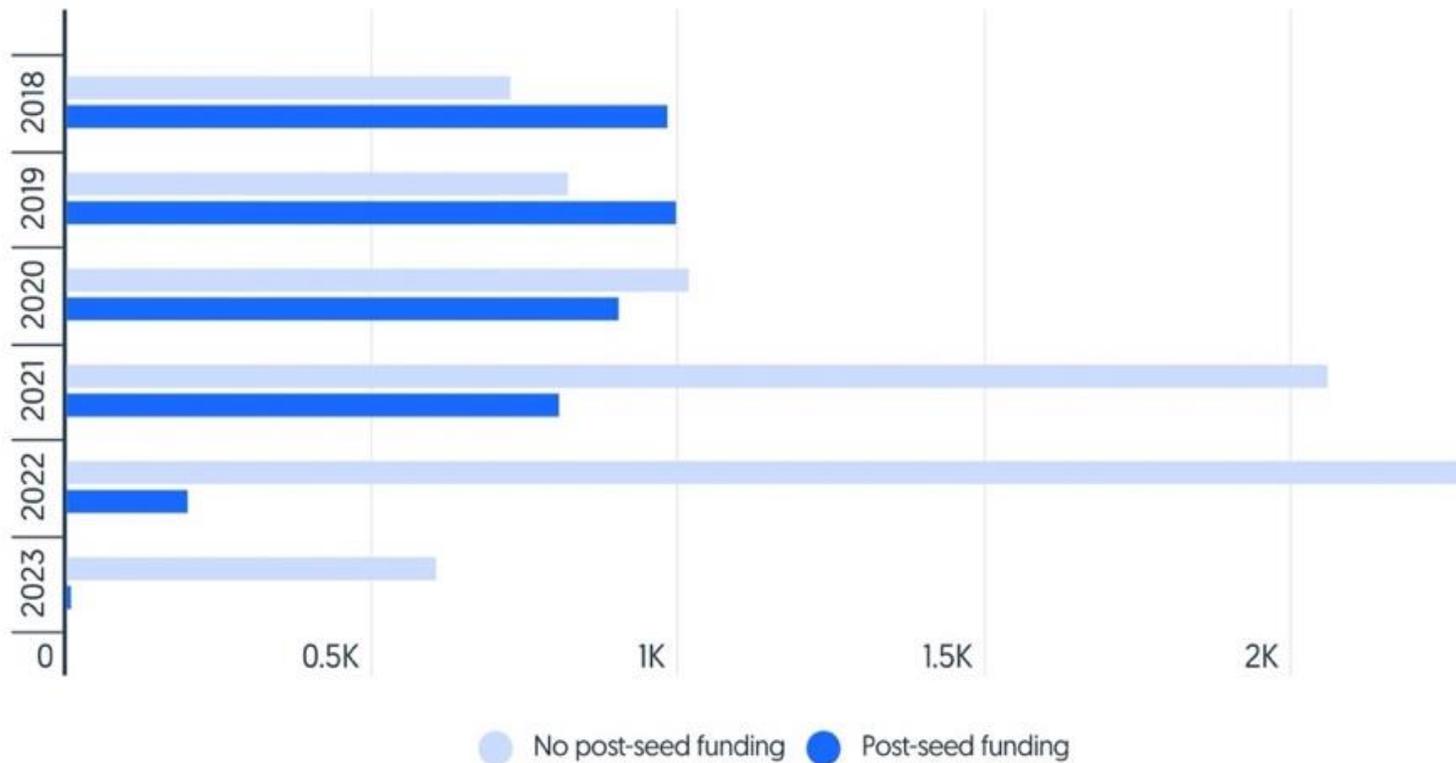
Not a Universal Problem



Source: Strategas Research Partners

An Unfamiliar Force – Capital Scarcity

US Companies Grouped By Year Of Initial Seed \geq \$1M, That Raised Post-Seed Funding



crunchbase

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: 66

Number of Clients: 115

Founded: 1980

100% Employee Owned

Client Assets: \$ 28 Billion

Representative Client List:

The San Francisco Foundation

The Philadelphia Foundation

Central NY Community Fdn

Marin Community Foundation

Lasker Foundation