
The Vermont Community Foundation

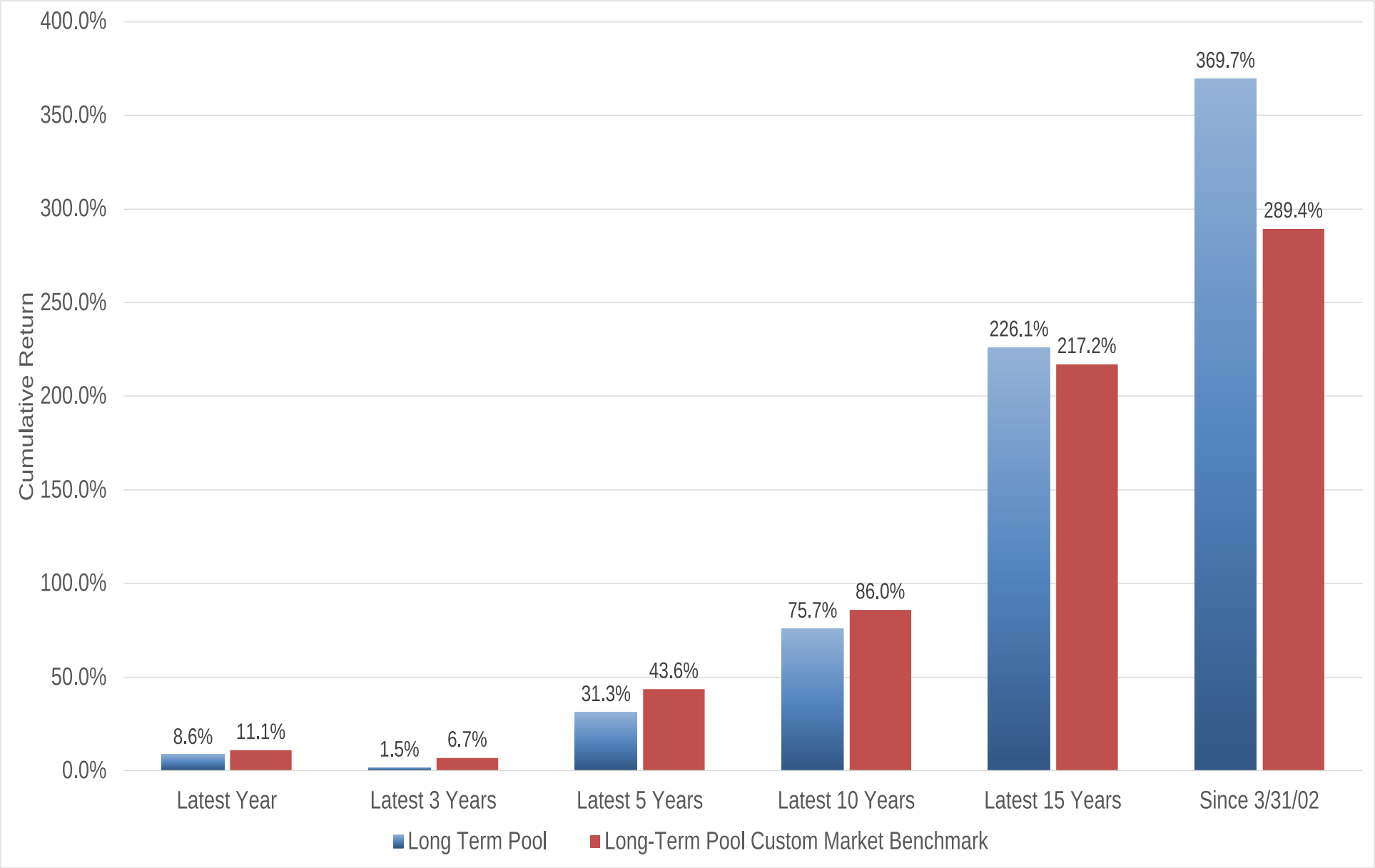
Investment Strategy/Performance Update

August 15, 2024

Annualized Investment Results

Performance Ending 6/30/24 (Net Of Investment Management Fees)	Latest Year	Latest 3 Years	Latest 5 Years	Latest 10 Years	Latest 15 Years	Since 3/31/02
Long-Term Pool	8.6%	0.5%	5.6%	5.8%	8.2%	7.2%
Long-Term Pool Custom Market Benchmark	11.1%	2.2%	7.5%	6.4%	8.0%	6.3%
CPI + 5%	8.0%	10.1%	9.3%	7.8%	7.6%	7.6%
Socially Responsible Pool	11.6%	2.4%	7.2%	6.8%	8.2%	N/A
SR Pool Custom Market Benchmark	12.4%	3.0%	7.5%	6.6%	8.4%	N/A
Mid-Term Pool	8.7%	1.1%	5.4%	4.9%	N/A	N/A
Mid-Term Pool Custom Market Benchmark	10.1%	1.8%	5.4%	5.1%	N/A	N/A

Decisions Focused on Long-Term Outcomes



High Batting Average & Positive Skew

Socially Responsible Returns Relative to Policy Benchmark – 6/30/10 to 6/30/24

Key Stats - Socially Responsible Pool	Rolling 3 Year	Rolling 5 Year	Rolling 7 Year	Rolling 10 Year
Batting Average	67.7%	74.3%	85.9%	91.8%
Median Outcome	0.6%	2.3%	3.7%	6.4%
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 6/30/24

3/31/02 to

	Rolling 3 Year	Rolling 5 Year	Rolling 7 Year	Rolling 10 Year
Batting Average	78.9%	78.8%	79.3%	93.9%
Median Outcome	5.0%	10.1%	17.8%	30.2%
Best Outcome	10.6%	20.6%	25.1%	39.1%
Worst Outcome	-6.8%	-9.1%	-11.1%	-3.8%

- Very High Batting Average – Not Perfect Though!
- Median Value Added is Substantial
- Very Strong Best/Worst Case Outcome Ratio

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

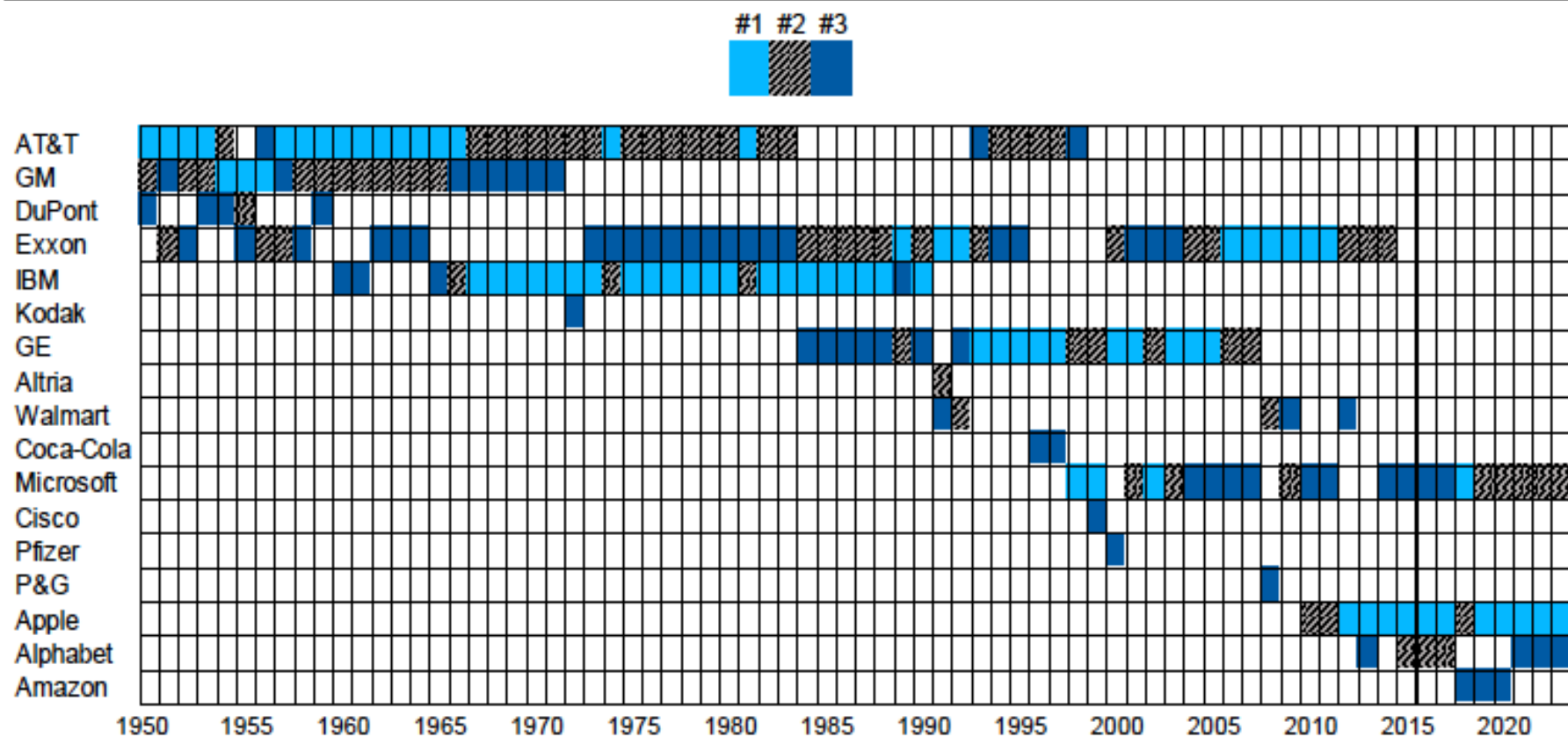
Index Concentration Levels are Astounding!



Source: Strategas Research Partners

Is This Time Different?

Stocks with the Largest Market Capitalizations in the U.S., 1950-2023



Source: FactSet and Counterpoint Global.

Note: Market capitalizations reflect calendar year-end; Some of these companies have varied their names over time; GM=General Motors; P&G=Procter & Gamble; Exxon=ExxonMobil; IBM=International Business Machines; GE=General Electric; Altria was previously known as Philip Morris.

Is the Reward Sufficient?

S&P 500

Starting Shiller P/E Range	Number of Observations	Subsequent 10-Year Annualized Total Return (NOMINAL)		
		<u>Max</u>	<u>Min</u>	<u>Median</u>
40.1 - 45	21	-0.2	-3.4	-0.9
35.1 - 40	13	4.7	-1.4	2.6
30.1 - 35	23	7.1	-4.0	3.3
25.1 - 30	81	9.0	-3.4	7.5
20.1 - 25	253	16.5	-2.6	7.5
15.1 - 20	515	19.5	-0.4	8.1
10.1 - 15	465	19.8	2.6	11.9
4.8 - 10	226	21.2	-0.3	15.1

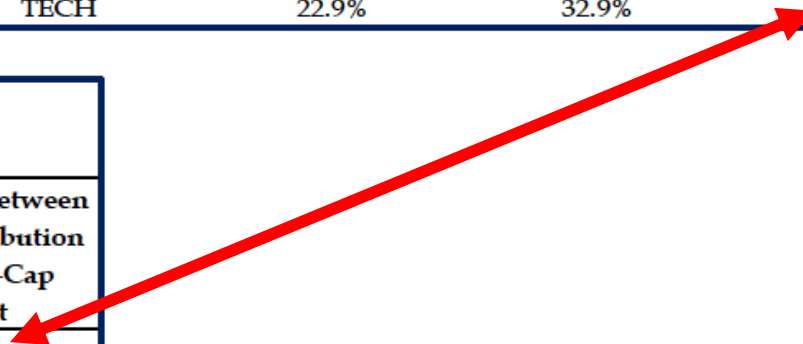
Current CAPE: 34.3

- History and Logic are Clear Regarding the Future
- Is it Prudent to Assume This Time is Different?

Market Pricing Even Within Tech Sector is Strange

S&P 500 Sector Earnings Contribution & Market Cap Weight			
Sector	Next 12-Months Net Income Weight	Market-Cap Weight	Difference Between NTM Contribution & Market-Cap Weight
FIN	17.6%	12.4%	5.1%
ENE	6.4%	3.5%	2.8%
HC	13.0%	11.6%	1.4%
COMM	10.1%	9.1%	1.0%
UTL	3.0%	2.3%	0.7%
CS	6.1%	5.7%	0.5%
IND	8.5%	8.0%	0.4%
MAT	2.4%	2.2%	0.2%
RE	1.3%	2.2%	-0.9%
CD	8.7%	10.1%	-1.3%
TECH	22.9%	32.9%	-10.0%

S&P 500 Eql-Wtd Sector Earnings Contribution & Market Cap Weight			
Sector	Next 12-Months Net Income Weight	Market-Cap Weight	Difference Between NTM Contribution & Market-Cap Weight
TECH	22.5%	13.6%	9.0%
COMM	10.8%	3.8%	6.9%
FIN	18.1%	14.6%	3.6%
ENE	6.2%	4.4%	1.7%
HC	12.3%	12.3%	0.0%
CS	6.4%	7.5%	-1.0%
CD	9.1%	10.4%	-1.3%
MAT	2.3%	5.5%	-3.2%
UTL	2.8%	6.2%	-3.4%
RE	1.3%	6.2%	-4.9%
IND	8.2%	15.6%	-7.4%



Near Term Outlook

- Extreme nature of current valuations is unstable – NVIDIA's size recently approached 12% of US GDP!
- Foundation's safer/more diversified strategy beginning to pay major dividends
- Foundation continues to capitalize on market extremes via contrarian/opportunistic decisions

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: 54

Number of Clients: >100

Founded: 1980

100% Employee Owned

Client Assets: \$ 28 Billion

Representative Client List:

The San Francisco Foundation

The Philadelphia Foundation

Community Foundation for

Greater Buffalo

Marin Community Foundation

Lasker Foundation