

The Vermont Community Foundation
Mid-Term Pool Investment Performance/Strategy
As of June 30, 2024

Mid-Term Pool Performance vs. Benchmark, Net of Investment Management Fees

	Latest <u>Quarter</u>	Latest <u>3 Years</u>	Latest <u>5 Years</u>	Latest <u>7 Years</u>	Latest <u>10 Years</u>
Mid-Term Pool	+1.2%	+1.1%	+5.4%	+5.4%	+4.9%
<i>Mid-Term Pool Benchmark*</i>	+1.3%	+1.8%	+5.4%	+5.5%	+5.1%
<i>50% MSCI ACW/50% Bloomberg Agg</i>	+1.5%	+1.3%	+5.4%	+5.6%	+5.1%

* Mid-Term 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 largely through index funds.

<i>Asset Class</i>	<i>Target/Actual Allocation</i>		<i>Managers</i>
U.S. Large/Mid-Capitalization Equities	19.0%	(18.3%)	Vanguard
U.S. Small Capitalization Equities	4.8%	(4.3%)	Vanguard
International Equities	17.0%	(17.5%)	Vanguard
Emerging Markets	6.8%	(3.9%)	Vanguard
Fixed Income	23.7%	(23.1%)	Vanguard
High Yield Fixed Income	4.8%	(2.1%)	Harbor
TIPS	9.5%	(8.6%)	Vanguard
Cash/Short Term Bonds	9.5%	(22.1%)	

The Mid-Term portfolio was constructed with the following concepts in mind:

- 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.
- Utilize index funds as an inexpensive and effective way to execute the strategy until such time as the Pool has sufficient capital to access top institutional managers as is done in other Foundation pools.

Current Market/Performance Commentary

Excitement about AI and headlines around it helped a small group of US large capitalization companies lead the markets higher in the first half of 2024. While behind the scenes anticipation about the likelihood, timing and extent of interest rates cuts by the Federal Reserve made for another quarter where the tug-of-war between growth, inflation, and interest rates were a constant. Positive data and an uptick in inflation early in the quarter, raised concerns that the US economy may be overheating. However, data trends later in the quarter regarding inflation and unemployment raised hopes for a slower growth trajectory and cuts in the 2nd half – the “soft landing”.

The S&P 500 and MSCI Emerging indices gained 4.3% and 5.0%, respectively, outpacing the MSCI EAFE, which declined by -0.4%. US markets continued to benefit from the positive sentiment around AI and expectations of rate cuts by the Federal Reserve; meanwhile, late in the quarter, European equities were affected by the unexpected announcement of parliamentary elections in France. In fixed income, core bonds returned -10 bps for the quarter as modest increases in interest rates and credit spreads, were largely offset by coupon payments.

In Q2 2024, the Mid Term Pool returned +1.2%, trailing its custom benchmark’s return by 10 basis points. As the Pool is largely invested in index funds, the return difference was primarily driven by cash movement in the Pool that resulted in temporary deviations from policy asset allocation targets.

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