

**The Vermont Community Foundation**  
**Socially Responsible Pool Investment Performance/Strategy**  
**As of June 30, 2024**

***Socially Responsible 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>
<b>Socially Responsible Pool</b>	<b>+0.7%</b>	<b>+2.4%</b>	<b>+7.2%</b>	<b>+7.2%</b>	<b>+ 6.8%</b>
<i>Socially Responsive Pool Benchmark*</i>	+1.3%	+3.0%	+7.5%	+7.4%	+6.6%
<i>60% MSCI ACW/40% Bloomberg Agg</i>	+1.7%	+2.1%	+6.5%	+6.5%	+5.8%

\* 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.

<i>Asset Class</i>	<i>Target/Actual Allocation</i>		<i>Managers</i>
U.S. Large/Mid-Capitalization Equities	19.0%	(23.5%)	KLD iShares/Redwood Grove/Vanguard
U.S. Small Capitalization Equities	5.0%	(5.7%)	Aperio
Non-US Equities	22.0%	(27.1%)	Aperio
Emerging Markets Equities	6.0%	(6.5%)	Boston Common
Global Equity	12.0%	(8.1%)	Generation
Fixed Income	18.0%	(15.0%)	Calvert/RBC
Private Equity	7.0%	(1.5%)	Lyme Forest, At One, Union Square Ventures
Short Duration Bonds	6.0%	(5.8%)	
Cash	0.0%	(6.9%)	

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 outperform 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***

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 Socially Responsible Pool returned +0.7%, underperforming its custom benchmark’s return by 60 basis points. This result was largely the product of the pool’s global equity asset class, which lagged its benchmark for the quarter..

***Individual Asset Class Performance – Q2 2024***

<i>Large/Mid-Capitalization US Equity</i>	+2.8%	(-1.2% vs. <i>Russell 1000</i> )
<i>Small Capitalization US Equity</i>	-3.5%	(-0.4% vs. <i>Russell 2000</i> )
<i>Non-US Equity</i>	-0.3%	(+0.1% vs. <i>MSCI EAFE</i> )
<i>Emerging Markets Equity</i>	+6.2%	(+1.2% vs. <i>MSCI Emerging Markets</i> )
<i>Global Equity</i>	-1.8%	(-4.4% vs <i>MSCI World</i> )
<i>U.S. Investment Grade Fixed Income</i>	+0.1%	(+0.0% vs. <i>Bloomberg Aggregate</i> )
<i>U.S. Short Duration Fixed Income</i>	+1.3%	(+0.2% vs. <i>Bloomberg 1 Year US Treasury</i> )