

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

Long-Term Pool Investment 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>	Latest <u>15 Years</u>
Long-Term Pool	+6.7%	+2.5%	+7.2%	+6.3%	+6.7%	+7.8%
<i>Target Benchmark*</i>	+5.4%	+4.2%	+8.7%	+7.6%	+7.2%	+7.5%
<i>60% MSCI ACW/40% Bloomberg Agg</i>	+6.0%	+4.4%	+7.6%	+6.9%	+6.5%	+7.0%

* The market 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	10.0%	(9.9%)	Adage/FPR/Focused
U.S. Small Capitalization Equities	5.5%	(6.4%)	Ashford/Champlain
Global Equity	11.0%	(15.4%)	Generation/Gobi/Theleme/Barker
International Equities	10.0%	(11.2%)	Silchester/Brown Capital
Emerging Markets Equities	5.0%	(7.6%)	Elephant/Westwood
Hedge Funds	5.0%	(5.9%)	Various Direct Funds
Special Opportunities	13.0%	(12.4%)	Ashe/Cevian/Ichigo
Private Assets	12.0%	(14.5%)	Various Direct and Fund of Funds
U.S. Investment Grade Fixed Income	12.5%	(5.5%)	IR&M/Vanguard
TIPS	4.2%	(3.7%)	Vanguard
Global Fixed Income	4.8%	(3.9%)	Colchester
Cash	2.0%	(3.6%)	Transactional

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. equities/alternative 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 who are expected to out-perform 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

Markets ended the quarter on a high note as easing inflation allowed policy makers to shift their focus back towards sustaining growth. Questions about when and by how much the Federal Reserve will cut rates were answered as the Central Bank announced its first rate cut since the Covid pandemic. Negative data mid quarter regarding unemployment and manufacturing activity raised concerns that the US economy may be slowing down and heading towards a hard landing. However, favorable retail sales and inflation data in August, and higher than expected q2 GDP growth raised hopes that the “soft landing” was indeed achievable.

The MSCI EAFE and Emerging Market indices gained 7.3% and 8.7%, respectively, outpacing US large-cap equities, which rose 5.9%. Emerging markets benefited from a late-quarter rally in Chinese equities after authorities in China announced their largest stimulus package since the pandemic aimed at helping the country’s struggling housing sector. The US Treasury yield curve fell in a dramatic bull-steepening fashion during the quarter, with the spread between two- and ten-year bonds returned to a positive slope, increasing by 50 bps (to +15 bps) and ending a record two-year inversion.

In Q3 2024, the Long Term Pool returned +6.7%, outperforming its custom benchmark’s return by 130 basis points. The Pool’s large-cap domestic, international, and global equities were the largest contributors to relative performance.

Individual Asset Class Performance – Q3 2024

<i>Large/Mid-Capitalization US Equity</i>	+10.3%	(+4.2% vs. Russell 1000)
<i>Small Capitalization US Equity</i>	+9.5%	(+0.2% vs. Russell 2000)
<i>Global Equity</i>	+10.2%	(+3.6% vs. MSCI ACWI)
<i>International Developed Markets Equity</i>	+11.1%	(+3.8% vs. MSCI EAFE)
<i>Emerging Markets Equity</i>	+4.1%	(-4.6% vs. MSCI Emerging Markets)
<i>Hedge Funds</i>	+4.7%	(+2.8% vs. HFRI Fund of Funds)
<i>Special Opportunities</i>	+6.5%	(-0.1% vs. MSCI ACWI)
<i>U.S. Investment Grade Fixed Income</i>	+5.1%	(-0.1% vs. Bloomberg Aggregate)
<i>Global Fixed Income</i>	+9.0%	(+2.0% vs. FTSE World Govt Bond)
<i>Treasury Inflation Protected Securities</i>	+4.2%	(+0.1% vs. Bloomberg US TIPS)

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