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

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

	Latest Quarter	Latest 3 Years	Latest 5 Years	Latest 7 Years	Latest 10 Years
Mid-Term Pool	**+5.2%**	**+2.9%**	**+6.3%**	**+5.8%**	**+5.6%**
*Mid-Term Pool Benchmark**	*+5.5%*	*+3.8%*	*+6.4%*	*+5.8%*	*+5.8%*
50% MSCI ACW/50% Bloomberg Agg	*+5.9%*	*+3.4%*	*+6.4%*	*+6.1%*	*+5.8%*

* 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.

Asset Class	*Target/Actual Allocation*		*Managers*
U.S. Large/Mid-Capitalization Equities	19.0%	(19.7%)	Vanguard
U.S. Small Capitalization Equities	4.8%	(4.8%)	Vanguard
International Equities	17.0%	(19.1%)	Vanguard
Emerging Markets	6.8%	(4.4%)	Vanguard
Fixed Income	23.7%	(24.8%)	Vanguard
High Yield Fixed Income	4.8%	(2.2%)	Harbor
TIPS	9.5%	(9.1%)	Vanguard
Cash/Short Term Bonds	9.5%	(16.0%)	

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

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 Reverse 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 Mid Term Pool returned +5.2%, trailing its custom benchmark’s return by 30 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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