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

Socially Responsible Pool Performance vs. Benchmark, Net of Investment Management Fees

	Latest Quarter	Latest 3 Years	Latest 5 Years	Latest 7 Years	Latest 10 Years
Socially Responsible Pool	**+6.1%**	**+4.9%**	**+8.4%**	**+7.6%**	**+ 7.5%**
*Socially Responsive Pool Benchmark**	*+5.8%*	*+5.1%*	*+8.6%*	*+7.8%*	*+7.4%*
60% MSCI ACW/40% Bloomberg Agg	*+6.0%*	*+4.4%*	*+7.6%*	*+6.9%*	*+6.5%*

* 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.

Asset Class	*Target/Actual Allocation*		*Managers*
U.S. Large/Mid-Capitalization Equities	19.0%	(23.1%)	KLD iShares/Redwood Grove/Vanguard
U.S. Small Capitalization Equities	5.0%	(5.8%)	Aperio
Non-US Equities	22.0%	(27.1%)	Aperio
Emerging Markets Equities	6.0%.	(6.7%)	Boston Common
Global Equity	12.0%	(8.2%)	Generation
Fixed Income	18.0%	(14.7%)	Calvert/RBC
Private Equity	7.0%	(1.4%)	Lyme Forest, At One, Union Square Ventures
Short Duration Bonds	6.0%	(5.5%)	
Cash	0.0%	(7.4%)	

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 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 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 Socially Responsible Pool returned +6.1%, outperforming its custom benchmark's return by 30 basis points. This result was largely the product of the pool's above target exposure to equities, and stock selection within the global equity asset class.

Individual Asset Class Performance – Q3 2024

Large/Mid-Capitalization US Equity	*+5.4%*	*(-0.7% vs. Russell 1000)*
Small Capitalization US Equity	*+9.3%*	*(+0.0% vs. Russell 2000)*
Non-US Equity	*+7.1%*	*(-0.2% vs. MSCI EAFE)*
Emerging Markets Equity	*+9.9%*	*(+1.2% vs. MSCI Emerging Markets)*
Global Equity	*+9.7%*	*(+3.3% vs MSCI World)*
U.S. Investment Grade Fixed Income	*+5.1%*	*(-0.1% vs. Bloomberg Aggregate)*
U.S. Short Duration Fixed Income	*+2.2%*	*(+0.2% vs. Bloomberg 1 Year US Treasury)*

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