

The Vermont Community Foundation

Long-Term Pool Investment Performance/Strategy

As of March 31, 2025

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	+0.2%	+3.8%	+10.6%	+5.7%	+6.2%	+7.3%
<i>Target Benchmark*</i>	+0.2%	+4.1%	+10.6%	+6.8%	+6.8%	+7.0%
<i>60% MSCI ACW/40% Bloomberg Agg</i>	+0.3%	+4.5%	+8.9%	+6.3%	+6.1%	+6.5%

* 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	10.5%	(8.0%)	Adage/FPR/Focused
U.S. Small Capitalization Equities	5.8%	(6.3%)	Ashford/Champlain
Global Equity	11.6%	(13.2%)	Generation/Gobi/Theleme/Barker
International Equities	10.5%	(11.4%)	Silchester/Brown Capital
Emerging Markets Equities	5.3%	(7.4%)	Elephant/Westwood
Hedge Funds	5.3%	(5.3%)	Various Direct Funds
Special Opportunities	13.7%	(13.6%)	Ashe/Cevian/Ichigo
Private Assets	12.6%	(15.4%)	Various Direct and Fund of Funds
U.S. Investment Grade Fixed Income	13.2%	(9.1%)	IR&M/Vanguard
TIPS	4.5%	(4.0%)	Vanguard
Global Fixed Income	5.0%	(4.0%)	Colchester
Cash	2.1%	(2.2%)	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

U.S. equity markets reversed course in the first quarter of 2025, with the S&P 500 declining 4.3%. Intra-quarter volatility was high, as the quarter began with markets climbing to record highs in late February before correcting as the new administration's trade policies and escalating trade tensions caused market sentiment to turn negative. Mega-cap tech stocks suffered the largest declines, with the Magnificent 7 declining by 15.6% for the quarter, while value stocks generated a modest positive return (+2.1%).

Conversely, foreign assets delivered strong absolute results during the quarter, buoyed by a weaker dollar and sharp rally in European equities. The MSCI EAFE returned +6.9% while the MSCI Emerging Markets Index returned +2.9%. The challenging market backdrop resulted in a flight to safety, as bond yields fell, resulting in a 2.8% return for the Barclays Aggregate Bond Index.

In Q1 2025, the Long Term Pool returned +0.2%, performing in-line with its custom benchmark's return. The Pool's hedge funds were the largest contributor to both absolute and relative performance. Small-cap equities and global fixed income were also positive contributors to relative performance, while international and emerging markets equities were the largest detractors.

Individual Asset Class Performance – Q1 2025

<i>Large/Mid-Capitalization US Equity</i>	<i>-2.6%</i>	<i>(+1.9% vs. Russell 1000)</i>
<i>Small Capitalization US Equity</i>	<i>-5.3%</i>	<i>(+4.2% vs. Russell 2000)</i>
<i>Global Equity</i>	<i>+0.3%</i>	<i>(+1.6% vs. MSCI ACWI)</i>
<i>International Developed Markets Equity</i>	<i>+0.5%</i>	<i>(-6.4% vs. MSCI EAFE)</i>
<i>Emerging Markets Equity</i>	<i>-1.8%</i>	<i>(-4.7% vs. MSCI Emerging Markets)</i>
<i>Hedge Funds</i>	<i>+8.7%</i>	<i>(+9.1% vs. HFRI Fund of Funds)</i>
<i>Special Opportunities</i>	<i>-1.5%</i>	<i>(-0.2% vs. MSCI ACWI)</i>
<i>U.S. Investment Grade Fixed Income</i>	<i>+2.8%</i>	<i>(+0.0% vs. Bloomberg Aggregate)</i>
<i>Global Fixed Income</i>	<i>+5.1%</i>	<i>(+2.5% vs. FTSE World Govt Bond)</i>
<i>Treasury Inflation Protected Securities</i>	<i>+4.1%</i>	<i>(-0.1% vs. Bloomberg US TIPS)</i>

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