

The Vermont Community Foundation
Mid-Term Pool Investment Performance/Strategy
As of March 31, 2025

Mid-Term 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>
Mid-Term Pool	+1.0%	+3.3%	+7.9%	+5.3%	+5.2%
<i>Mid-Term Pool Benchmark*</i>	+1.3%	+4.1%	+7.7%	+5.4%	+5.3%
<i>50% MSCI ACW/50% Bloomberg Agg</i>	+0.7%	+3.8%	+7.3%	+5.6%	+5.3%
* 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.

<i>Asset Class</i>	<i>Target/Actual Allocation</i>		<i>Managers</i>
U.S. Large/Mid-Capitalization Equities	20.0%	(19.8%)	Vanguard
U.S. Small Capitalization Equities	5.0%	(4.7%)	Vanguard
International Equities	17.9%	(17.9%)	Vanguard
Emerging Markets	7.1%	(6.5%)	Vanguard
Fixed Income	25.0%	(25.3%)	Vanguard
High Yield Fixed Income	5.0%	(2.1%)	Harbor
TIPS	10.0%	(9.5%)	Vanguard
Cash/Short Term Bonds	10.0%	(12.7%)	

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

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 Mid Term Pool returned +1.0%, underperforming 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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