
The Vermont Community Foundation

Investment Strategy/Performance Update

February 13, 2023

Annualized Investment Results

Performance Ending 1/31/23 (Net Of Investment Management Fees)	Latest Year	Latest 3 Years	Latest 5 Years	Latest 10 Years	Latest 20 Years
Long-Term Pool	-6.0%	4.0%	3.7%	6.4%	7.7%
Long-Term Pool Custom Market Benchmark	-5.8%	4.9%	4.4%	5.9%	6.7%
CPI + 5%	11.7%	10.4%	9.1%	7.8%	7.7%
Socially Responsible Pool	-6.1%	4.8%	4.9%	6.9%	N/A
SR Pool Custom Market Benchmark	-5.5%	4.9%	4.9%	6.5%	N/A
Mid-Term Pool	-5.9%	3.5%	3.6%	5.2%	N/A
Mid-Term Pool Custom Market Benchmark	-5.5%	3.2%	3.5%	5.2%	N/A

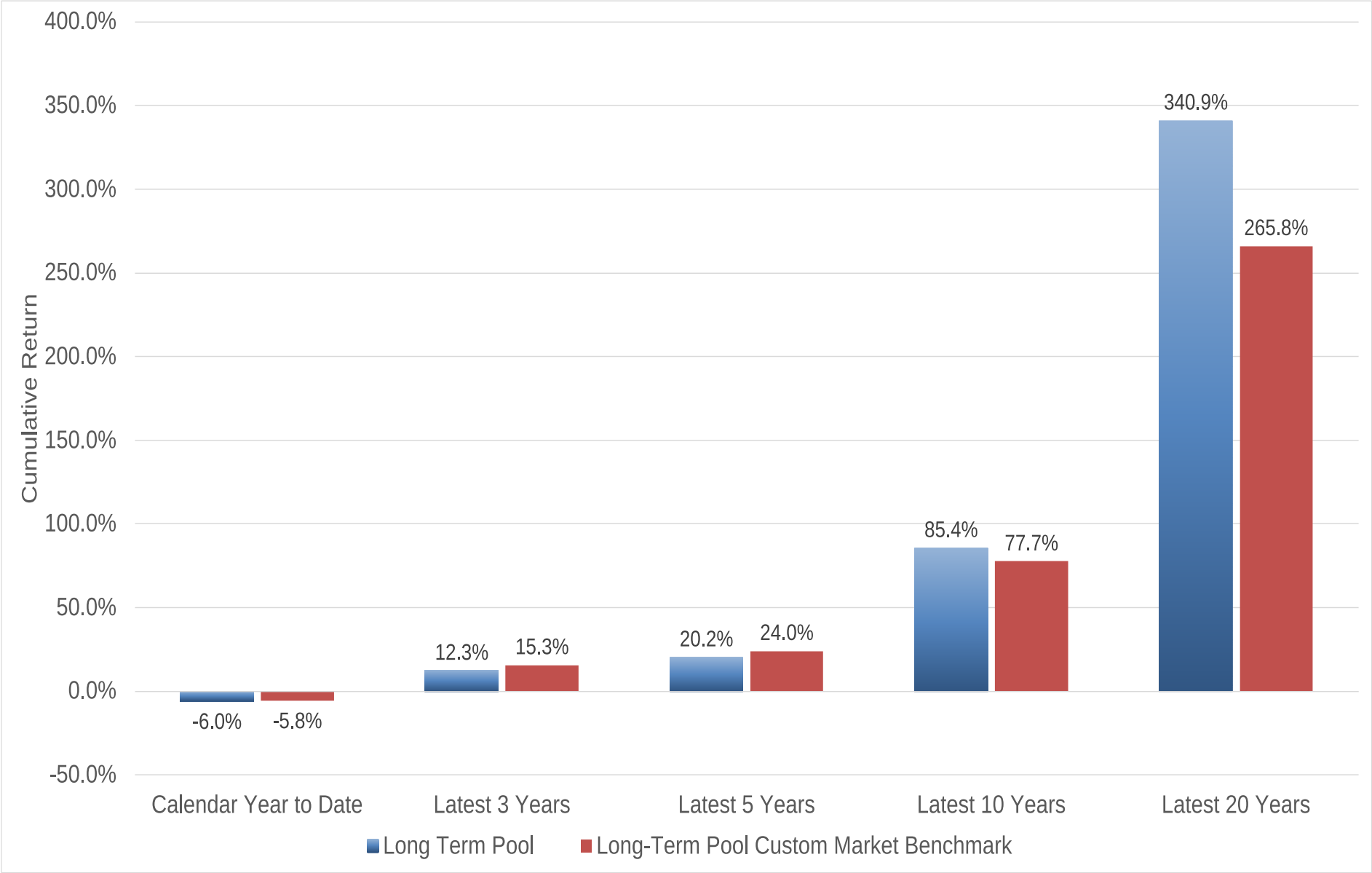
Temporary Losses

- Since April 1, 2002, the Long-Term Pool has lost 10% or more from its prior peak 24 times
- For Nearly 20 Years, Subsequent Returns Were Positive

LT Pool RORs Following 10%+ Losses – 4/1/02 to 1/31/22

Annualized Return from >=10% Drawdown	1 Year Forward	3 Years Forward	5 Years Forward	10 Years Forward
Median Outcome	19.5%	11.5%	11.6%	8.9%
Worst Case Outcome	5.4%	5.5%	9.0%	7.2%
Best Outcome	41.2%	19.0%	15.9%	10.7%

Decisions Focused on Long-Term Outcomes



High Batting Average & Positive Skew

Socially Responsible Returns Relative to Policy Benchmark – 6/30/10 to 1/31/23

Key Stats - Socially Responsible Pool	Rolling 3 Year	Rolling 5 Year	Rolling 7 Year	Rolling 10 Year
Batting Average	69.0%	84.8%	91.2%	87.5%
Median Outcome	1.0%	2.8%	4.5%	6.2%
Best Outcome	4.8%	6.7%	9.9%	9.6%
Worst Outcome	-5.9%	-5.4%	-2.6%	-4.8%

- Very High Batting Average – Not Perfect Though!
- Median Value Added is Meaningful
- Generally Strong Best/Worst Case Outcomes

High Batting Average & Positive Skew

Long-Term Pool Returns Relative to Policy Benchmark 1/31/23

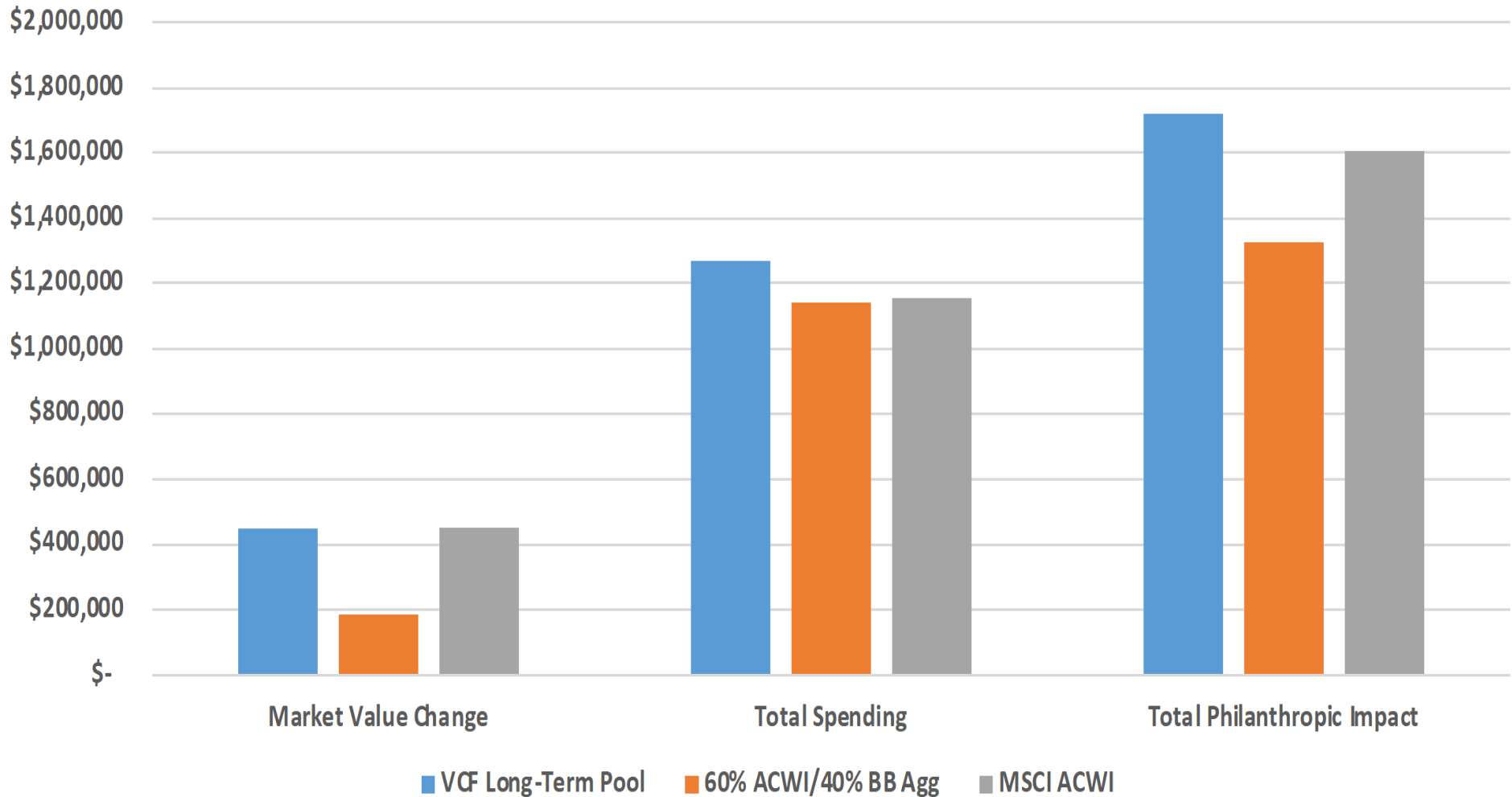
3/31/02 to

Key Stats - Long Term Pool	Rolling 3 Year	Rolling 5 Year	Rolling 7 Year	Rolling 10 Year
Batting Average	82.3%	85.3%	90.4%	100.0%
Median Outcome	5.3%	10.7%	18.3%	30.8%
Best Outcome	10.6%	19.8%	24.6%	39.2%
Worst Outcome	-7.1%	-5.4%	-2.7%	5.6%

- Very High Batting Average – Not Perfect Though!
- Median Value Added is Meaningful
- Very Strong Best/Worst Case Outcomes

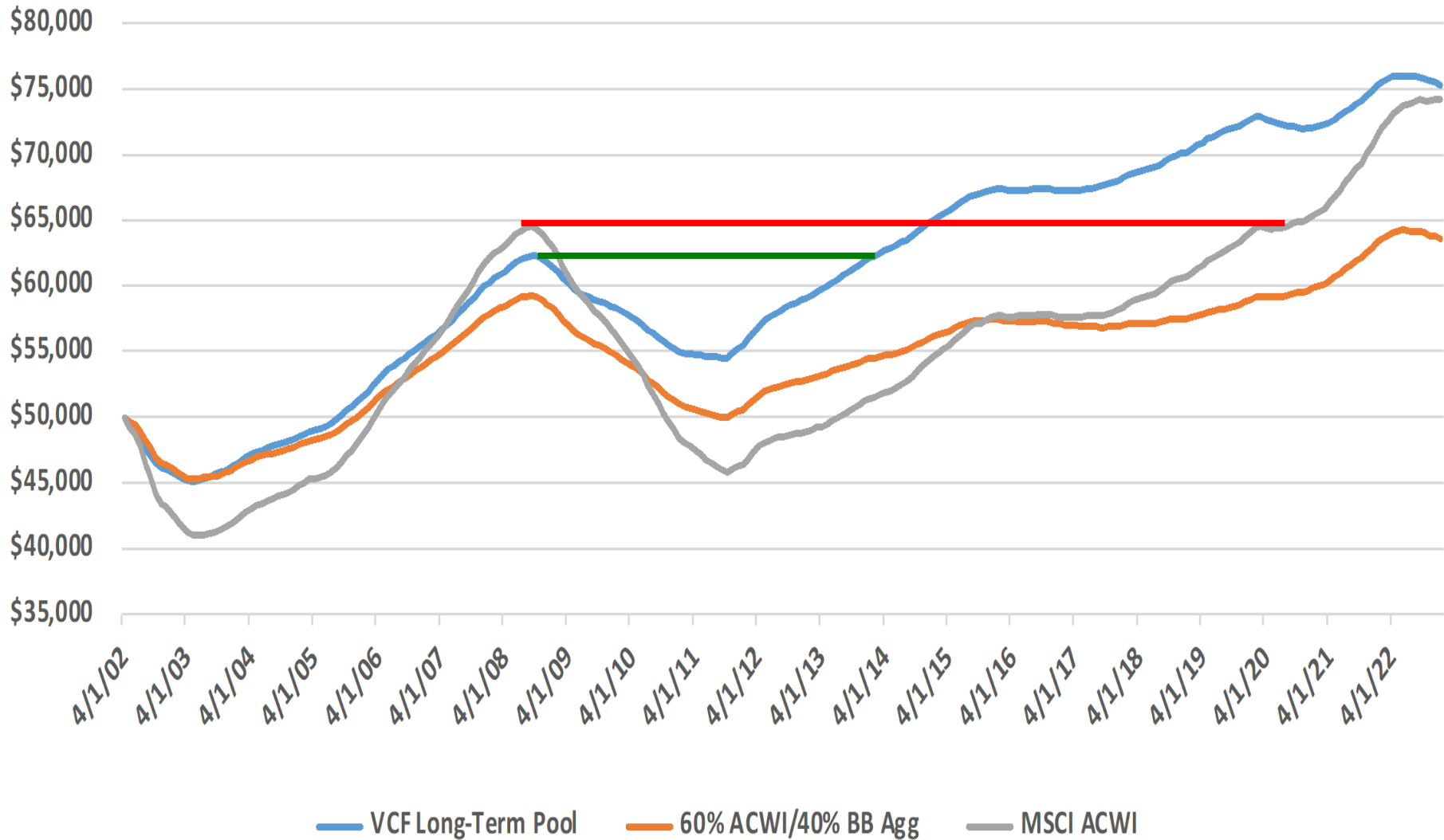
Balance & Focus on Long-Term Outcomes

Philanthropic Impact - Hypothetical \$ 1 Million in VCF Long-Term Pool
3/31/2002 to 1/31/2023



Even Long-Term Investors Must Worry About Volatility

Annual Spending - Hypothetical \$ 1 Million Fund in VCF Long-Term Pool
3/31/2002 to 1/31/2023



The Community Foundation's Approach

- Establish a Strategic Asset Allocation That is Expected to Achieve the Foundation's Long Term Return Objectives (Preserve Foundation Purchasing Power Over Twenty Year+ Periods)
- No Attempt Made to Market Time or Change Strategy Based on Near Term Outlook – Does Not Preclude Opportunistic Allocations Whose Outcome is Not Driven by Timing
- Diversify Portfolio by Asset Class and Strategy. Increases the Likelihood of Achieving Return Objectives Under Different Economic/Market Conditions

Strategic Asset Mix

Asset Class Exposures (% of Total Portfolio)	Long-Term Pool Mix	Socially Responsible Pool Mix	Mid-Term Pool Strategic Mix
US Large/Mid Cap Equity	11.0	19.0	19.0
US Small Cap Equity	6.5	5.0	4.8
Non-US Developed Equity	11.0	22.0	17.0
Non-US Emerging Equity	6.0	6.0	6.8
Global Equity	12.0	12.0	0.0
Special Opportunities	14.0	0.0	0.0
Total Equity	60.5%	64.0%	47.5%
US Aggregate Bonds	8.5	18.0	23.8
Treasury Inflation Protected Securities	4.3	0.0	9.5
US High Yield Bonds	0.0	0.0	4.8
Global Bonds	4.8	0.0	0.0
Cash/Short Term Bonds	0.0	6.0	9.5
Total Fixed Income	17.5%	24.0%	47.5%
Hedge Funds	5.0	0.0	0.0
Private Assets	12.0	7.0	0.0
Total Alternatives	17.0%	7.0%	0.0%
Vermont Investments	5.0%	5.0%	5.0%

Manager Due Diligence

- Return always accompanied by risk
- Must understand the strategy, know key personnel, avoid needless complexity.
- Operational issues: independent custodian, credible auditor, outside administrator
- Ongoing – forward looking process

Manager Due Diligence – Qualitative Factors

INVESTMENT PROCESS

- Fundamental/valuation bias
- High conviction in investment ideas
- Defined buy & sell disciplines
- Uniqueness (edge)

ORGANIZATION

- Ownership structure
- Aligned interests & motivation
- Compensation structure & retention
- Succession plan
- Institutional Focus
- SEC violations & legal issues

INVESTMENT PROFESSIONALS

- Portfolio manager/analyst experience
- Assessment of manager/team skill
- Portfolio management/analyst coverage
- Team continuity & ethical concern

PORTFOLIO MANAGEMENT/RISK

- Assets in strategy/capacity
- Position exposure/risk
- Prudent use of leverage
- Hedging strategy
- Liquidity
- Transparency
- Appropriate diversification

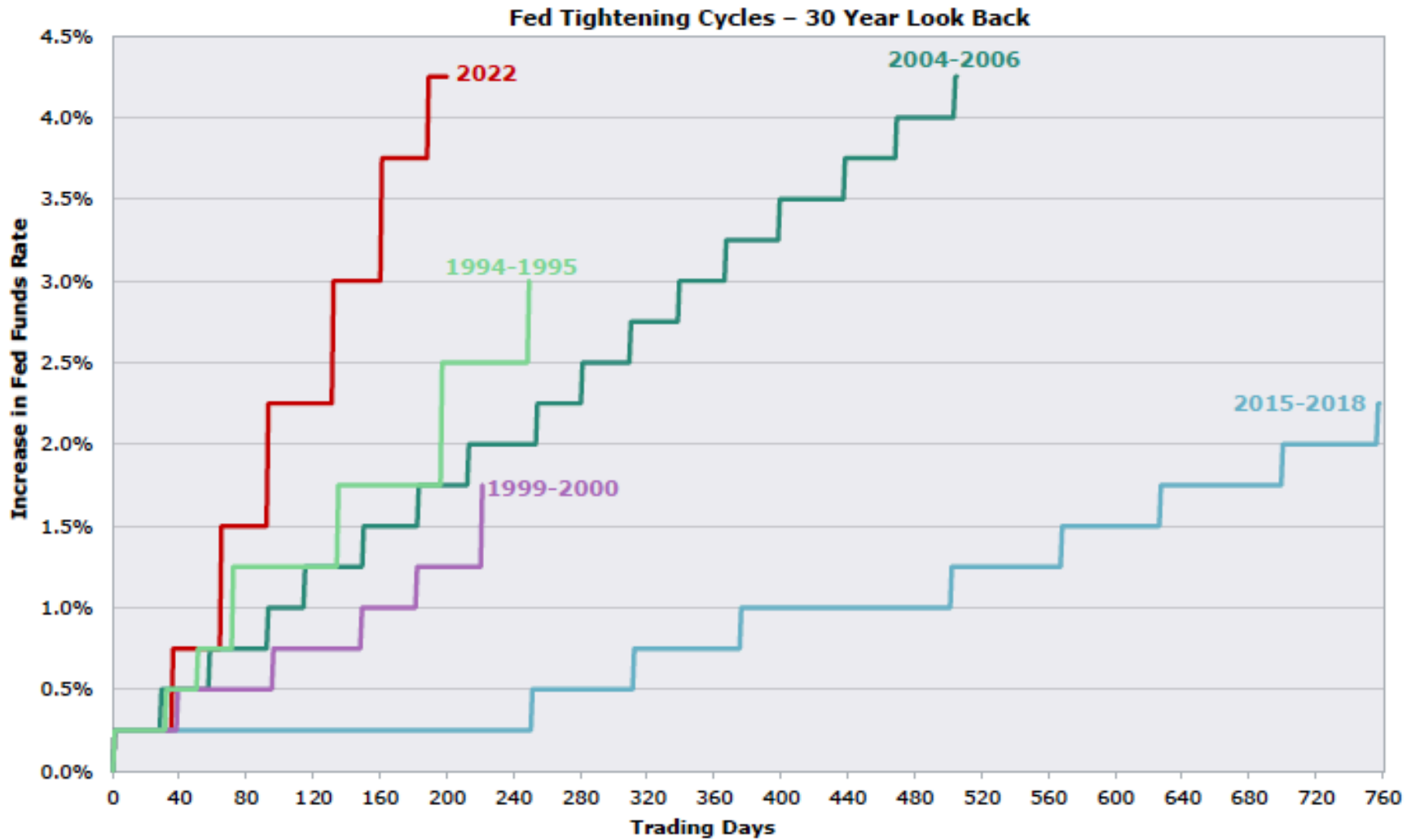
OPERATIONAL/BUSINESS RISK

- Prime broker exposure
- Counter party risk
- Financing/borrowing terms
- Client concentration risk
- Back office staffing & infrastructure
- Compliance procedures
- Trading systems
- Valuation procedures
- Disaster Recovery

Long-Term vs. Short Term Anxiety

- Radical Shift in Investment Climate?
- Dangerous to Carry Lessons of Last Decade Forward
- Core/Growth Equity Indices Are Still Very Expensive
- Markets Tend to Change Following Volatile Periods

Massive Shift in Monetary Policy



Source: Baird

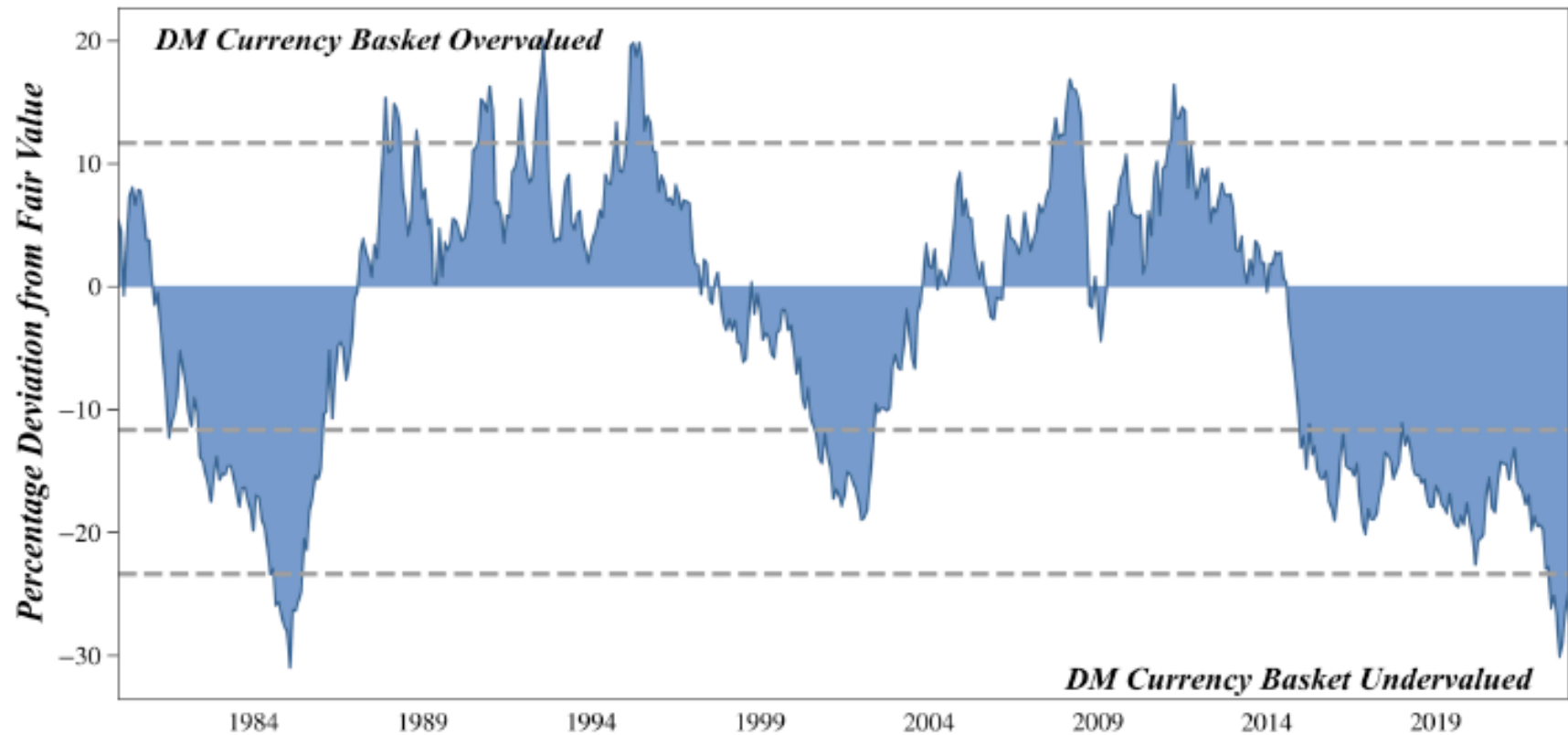
Unusual Relationship in Down Market

<u>MSCI Indices</u>	2022 ROR <u>in USD</u>	2022 ROR <u>in Local Currency</u>
US	-19.9%	-19.9%
Europe	-15.1%	-8.5%
Japan	-16.7%	-4.5%
China	-21.9%	-20.7%
EM x/China	-19.3%	-12.9%

Symbolic Distortion

PURCHASING POWER PARITY ESTIMATES

DM Currency Basket - United States Dollar Real Exchange Rate



To end December 2022

Note: The grey bands represent multiples of the standard deviation, with the innermost bands representing 1 and -1 standard deviation.

DM Currency Basket is the equally weighted real exchange estimate of the Euro, Japanese Yen, British Pound, Canadian Dollar, Norwegian Krone.

Source: Colchester Global Investors, individual Central Bank CPI and PPI data, Bloomberg and WMReuters exchange rates

Strategy Looking Forward

- Strict adherence to a strategy that relies on decisions with a high probability of long-term success – time is on our side
- Utilize advantages of scale, stability and time horizon to access atypical investments – strong proponents of index funds balanced with compelling managers
- **Over long time periods, intelligently accepting volatility contributes to higher returns**

Crewcial Partners Profile

Location: New York, NY

Staff Size: 68

Number of Clients: 118

Founded: 1980

100% Employee Owned

Client Assets: \$ 30 Billion

Representative Client List:

The San Francisco Foundation

The Philadelphia Foundation

New Haven Foundation

Marin Community Foundation

Lasker Foundation