THE Vermont Community Foundation

June 2022 Performance Summary

Global equity markets moved lower in June, with most markets experiencing high single digit declines for the month. Following its 50 basis point rate increase in May, the Federal Open Market Committee (FOMC) accelerated its pace of tightening and raised rates by an additional 75 basis points in June. The Fed's actions and rhetoric coupled with weak economic data caused investors to price-in an increasing likelihood of an economic recession. Equities and bonds experienced their worst first half of the year since the 1970s, as concerns over high inflation and the economic impact of central banks' efforts at curbing it caused investors to favor short-duration assets

A meaningful and potentially lasting change in the disinflation regime of the past 40 years has led to a more difficult capital market climate thus far this year. While it is natural to focus on the recent damage to portfolio values, we believe the more meaningful issue is the risk that five, seven, or ten years of poor returns for major stock and bond indices has just begun. If true, the difference between one's theoretical time horizon (essentially infinite for endowments) and that of key decision makers will now have great meaning.

The bad news is that the strategies with which many have grown comfortable may now be taking their place in history as victims of the noxious combination of excessive capital and overconfident optimism. Yet, all is not lost, as great opportunities abound. While the journey will be undeniably rocky, time-tested fundamental and behavioral investment principles will provide the confidence and patience needed to persist and thrive in what too many will perceive as a difficult to disastrous period.

In June, the Long-Term Pool declined by 5.7%, underperforming the policy benchmark by 30 basis points. Thus far in 2022, the Pool is down 15.5% or 1.2% behind the benchmark. Returns across growth-oriented sectors in both global equities and hedge funds have led to the shortfall year-to-date.

The Socially Responsible Pool declined by 6.4% for the month, underperforming its policy benchmark return by 60 basis points. Thus far in 2022, the Pool is down 16.4% or 130 basis points behind the benchmark. This result is largely the product of the pool's exposure to global growth stocks.

The Mid-Term Pool declined by 5.0% for the month, in-line with its policy benchmark. Thus far in 2022, the Pool is down 12.6% or 1.0% above its benchmark. 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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