

## What is Our Asset Allocation?

Long-Term Investment Pool Asset Allocation*	
Asset Class	Target Weight
Large/Mid Cap US Equity . . . . .	17.5%
Small Cap US Equity . . . . .	8.0%
International Equity . . . . .	15.0%
Emerging Markets Equity . . . . .	4.5%
<b>Total Equity . . . . .</b>	<b>45.0%</b>
US Aggregate Bonds . . . . .	12.0%
Treasury Inflation Protected Securities . . . . .	3.0%
Global Bonds . . . . .	5.0%
High Yield US Bonds . . . . .	5.0%
<b>Total Fixed Income . . . . .</b>	<b>25.0%</b>
Absolute Return . . . . .	7.5%
Hedged Equity . . . . .	7.5%
Commodities . . . . .	5.0%
Private Real Assets . . . . .	5.0%
Private Equities . . . . .	5.0%
<b>Total Alternative Investments . . . . .</b>	<b>30.0%</b>

Socially Responsive Investment Pool Asset Allocation*	
Asset Class	Target Weight
Large/Mid Cap US Equity . . . . .	29.0%
Small Cap US Equity . . . . .	9.0%
International Equity . . . . .	19.0%
Emerging Markets Equity . . . . .	5.0%
US Aggregate Bonds . . . . .	23.0%
Treasury Inflation Protective Securities . . . . .	7.5%
Global Bonds . . . . .	7.5%

\* Excludes Vermont Investments.

## Vermont Investments

The above asset allocations apply to 95% of our pooled funds. The Foundation invests the other 5% of its pools in Vermont investments. These consist of community and housing loans, deposits with local banks and credit unions, loans to community development financial institutions, and venture capital investments targeted toward Vermont businesses. The Foundation seeks opportunities for good investments within the state, believing that careful use of our endowed assets in Vermont will yield social and economic benefits that advance our mission, yield a reasonable return, and strengthen our communities.



## What are the Foundation's Investment Objectives?

We invest our assets to support the community's current needs while providing resources for future generations to address emerging needs. We use a well-diversified asset allocation strategy, executed through highly capable investment managers and index funds.

Our investment objectives aim to:

- Earn a sufficient real rate of return on the Long-Term and Socially Responsive Pools that supports the Foundation's spending guideline and maintains the purchasing power of its assets adjusted for inflation in perpetuity. (For funds that will be granted out in a shorter time horizon, we have alternative options.)
- Control portfolio risk and volatility in order to provide as much year-to-year spending stability as possible and still meet the Foundation's return objective. The Foundation's strategy is designed to achieve its long-term objectives given that there will be both good and challenging years.

## What is Our Investment Strategy?

Our portfolio is constructed with the following in mind:

- Allocate the majority of the portfolio to asset classes with high long-term returns, i.e. equities/alternative asset classes. (Please see back page for asset allocation.)
- 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.
- Over each five-year time period, to earn a rate of return that exceeds its customized benchmark return by 50 basis points (after investment management fees have been deducted).

## Who Manages Our Investments?

Through the Foundation's investment policy, the board of directors delegates investment management decisions to the CEO. The CEO seeks counsel from our Investment Committee and Colonial Consulting, our investment consultant. Colonial Consulting is an institutional investment consulting firm that specializes in advising nonprofit organizations regarding their investments. Colonial has relationships with 98 institutions with aggregate assets of approximately \$22 billion, and it currently works with 27 community foundations with combined assets of nearly \$5 billion.

## What Type of Investment Oversight is Provided?

The Foundation, along with its investment consultant and committee, continually reviews its asset allocation strategy and investment manager selection. To see a list of our current Investment Committee members, please visit [www.vermontcf.org/investment-oversight](http://www.vermontcf.org/investment-oversight) or contact us directly.

## How are Our Investment Managers Chosen?

Drawing on its wide industry contacts and experience, Colonial recommends managers they believe produce above-market returns. Those selected by the Foundation are proven professionals who follow highly disciplined investment approaches. As a group, they complement each other using different investment philosophies and styles of management. Vermont-based managers have been retained when it was determined that they met Colonial's criteria for future success.

### Mission Investing at the Community Foundation

The Vermont Community Foundation believes in using all of its resources to help create healthy and vital Vermont communities. Along with grantmaking, donor education, philanthropic advising, and nonprofit capacity building, we practice mission investing, an effort that is gaining momentum among foundations in this country. For us this means being active shareholders, offering a socially responsive investment pool, and committing 5% of our pooled investments to the Vermont Investments program. As part of our strategy to learn, lead, and grow, we will continue to seek additional mission investing opportunities.

#### Do you want to know more?

Contact Vice President for Finance and CFO Debbie Rooney  
at 802-388-3355 ext. 229 or [drooney@vermontcf.org](mailto:drooney@vermontcf.org)

## What Investment Options Does the Foundation Offer for Your Fund?

Greater Volatility

### If your goal is:

*Maximizing long-term growth while providing for a steady stream of grants*

We offer a **Long-Term Pool**, which is our most diversified pool, expected to produce the highest long-term returns. The investments are a mix of equities, alternatives, and fixed income, with considerable exposure to the equity markets. We believe this exposure is an important quality for strong long-term returns. As assets are exposed to market risks and may experience significant volatility year over year, during shorter periods it is possible for the portfolio to produce lower returns than the Mid-Term or Money Market Pools. Therefore, the Long-Term Pool is particularly appropriate for philanthropic assets with a longer-term horizon (greater than seven years).

### If your goal is:

*Long-term growth that provides for a steady stream of grants while blending social values with investments*

We offer a **Socially Responsive Pool**, which pursues long-term returns while evaluating companies' social criteria. Investments tend to include companies that foster positive relationships with their employees and shareholders, the community, and the environment. This pool also maintains considerable exposure to the equity markets, which we consider an important quality over long periods. As assets are exposed to market risks and may experience significant volatility year over year, during shorter periods it is possible for the portfolio to produce lower returns than the Mid-Term or Money Market Pools. Therefore, the Socially Responsive Pool is particularly appropriate for philanthropic assets with a longer-term horizon (greater than seven years).

### If your goal is:

*Maximizing growth over a 3-7 year time horizon*

We offer a **Mid-Term Pool** which provides for growth at a moderate level of risk, with less volatility than the Long-Term Pool. This pool is most appropriate for assets that will remain invested for at least three years. The investments are a mix of equities, bonds, and treasury inflation protected securities. This pool is structured to have less volatility than the Long-Term and SRI Pools and will produce lower returns during positive market periods, but also lower losses during negative market periods. Nonetheless, this pool is exposed to market risk and may experience significant volatility and principal loss from year to year.

### If your goal is:

*Securing your fund's value while providing a steady stream of grants*

We offer a **Money Market Pool**, which provides limited market risk. This pool will have the lowest risk of capital losses as compared to the other pools, and during periods of market gains this pool's investment return will have the lowest returns as compared to the other VCF investment options.

Lower Volatility

### If your goal is:

*Making periodic gifts to the VCF for immediate grant-making in the community*

We offer the **Passthrough Option**. This option is optimal for those donors who do not maintain a fund balance, but rather continuously gift and grant out the value of their fund. This option is not assessed an investment or custodial fee and the funds are invested in a risk free account.

#### Do you want to know more?

Visit [www.vermontcf.org/investments](http://www.vermontcf.org/investments)  
for current investment performance