The Vermont Community Foundation
Socially Responsive Pool Investment Performance/Strategy
As of March 31, 2017

Socially Responsive Pool Performance vs. Benchmark- Through 3/31/17, Net of Investment Management Fees

	Latest Quarter	Latest Year	Latest 3 Years	Latest 5 Years	Latest 7 Years	Latest 10 Years
Socially Responsive Pool	**+4.8%**	**+10.3%**	**+5.9%**	**+7.6%**	**+ 7.0%**	**+ 4.5%**
*Socially Responsive Pool Benchmark**	*+4.3%*	*+10.2%*	*+ 4.7%*	*+6.8%*	*+7.1%*	*+4.5%*
60% MSCI ACW/40% Barclays Capital	*+4.4%*	*+9.0%*	*+4.3%*	*+6.1%*	*+6.3%*	*+4.5%*

* Socially Responsive 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 using highly capable investment managers combined with index funds.

95% of Pooled Assets

Asset Class	*Target/Actual Allocation*		*Managers*
U.S. Large/Mid-Capitalization Equities	29.0%	(29.6%)	Vanguard/KLD iShares
U.S. Small Capitalization Equities	9.0%	(8.4%)	Ariel/Aperio
International Equities	19.0%	(17.7%)	Boston Common/Generation
Emerging Markets	5.0%	(4.9%)	DFA Emerging
Fixed Income	23.0%	(23.1%)	Calvert Social Bond
Global Fixed Income	7.5%	(6.6%)	Colchester
TIPS	7.5%	(6.7%)	Vanguard
Cash	0.0%	(3.0%)	

5% of Pooled Assets – Vermont Investments**

High Quality Bonds	29.0%	(27.0%)	Access Capital
Community Investments	46.0%	(42.6%)	Various
Private Equity/Venture Capital	25.0%	(21.0%)	Various
Cash	0.0%	(9.4%)	

** Note that actual portfolio differs from target levels due to the pace of investing commitments in private equity/venture capital and community investments. High Quality Bonds provide liquidity to fund the outstanding commitments in private equity/venture capital and community investments.

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. equity 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 within the socially responsible universe 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

Early March marked the eighth anniversary of the U.S. equity bull market that began during the depths of the financial crisis. Thinking back to eight years ago, we do not recall widespread interest in large allocations to index funds such as the S&P 500. Instead, terrible economic conditions, pessimism about future conditions and seemingly endless equity market declines drove many to elevate concern regarding risk above the goal of generating return.

Today, at least as it relates to U.S. markets, returns are again the top priority. There is nothing inherently wrong with this as long as one does not lose sight of the critical role of price. While current economic conditions have clearly improved, the price one must pay to own an index such as the S&P 500 has done the same and then some. As a result, risk has risen considerably. While not surprising, the irony is inescapable – investors prioritize returns when their perception of risk is lower. Yet, their comfort and ability to think long-term is largely the product of improved economic conditions and stable/rising markets which in turn imply higher risk as prices are generally expensive more often than not.

Individual Asset Class Performance – 2017 Calendar Year to Date

Large/Mid-Capitalization US Equity	*+6.2%*	*(+0.2% vs. Russell 1000)*
Small Capitalization US Equity	*+4.1%*	*(+1.6% vs. Russell 2000)*
International Developed Markets Equity	*+10.8%*	*(+3.6% vs. MSCI EAFE)*
Emerging Markets Equity	*+13.9%*	*(+2.5% vs. MSCI Emerging Markets)*
U.S. Investment Grade Fixed Income	*+1.2%*	*(+0.4% vs. Barclays Capital Aggregate)*
Global Fixed Income	*+3.3%*	*(+1.7% vs. Citigroup World Govt Bond)*
Treasury Inflation Protected Securities	*+1.4%*	*(+0.0% vs. Citigroup Inflation Linked)*

Produced By Colonial Consulting, LLC
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