

The Vermont Community Foundation
Long-Term Pool Investment Performance/Strategy
As of June 30, 2017

Long-Term Pool Investment Performance vs. Benchmark- Through 6/30/17, Net of Investment Management Fees

	Latest <u>Quarter</u>	Latest <u>Year</u>	Latest <u>3 Years</u>	Latest <u>5 Years</u>	Latest <u>7 Years</u>	Latest <u>10 Years</u>
Long-Term Pool	+3.9%	+16.7%	+5.6%	+8.8%	+9.4%	+5.8%
<i>Target Benchmark*</i>	+2.8%	+12.3%	+3.8%	+7.2%	+7.6%	+3.7%
<i>60% MSCI ACW/40% Barclays Capital</i>	+3.1%	+10.8%	+4.0%	+7.3%	+7.7%	+4.4%

* The market 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.

<i>Asset Class</i>	<i>Target/Actual Allocation</i>		<i>Managers</i>
U.S. Large/Mid-Capitalization Equities	13.3%	(17.6%)	Focused/McClain/Adage
U.S. Small Capitalization Equities	5.7%	(5.2%)	Champlain Partners/Ashford
Global Equity	6.7%	(8.7%)	Generation/Gobi
International Equities	12.4%	(13.3%)	Marathon/Sanderson/Barker
Emerging Markets Equities	5.7%	(6.6%)	Westwood/Highclere
Hedge Funds	10.0%	(10.7%)	Various Direct Funds
Special Opportunities	6.8%	(7.3%)	Ashe/Cevian/Effissimo
Private Assets	11.1%	(6.5%)	Various Direct and Fund of Funds
U.S. Investment Grade Fixed Income	9.5%	(7.6%)	IR&M/Baird
TIPS	4.2%	(2.3%)	Vanguard
High Yield Fixed Income	4.8%	(4.6%)	Oak Hill
Global Fixed Income	4.8%	(4.2%)	Colchester
Vermont Investments	5.0%	(5.0%)	
Cash	0.0%	(0.4%)	

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. equities/alternative 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 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

Despite a nearly daily deluge of political drama, markets continued to exhibit a surprisingly pleasant combination of modest gains that were quite dull in terms of day to day price changes. These periods remind us that capital markets, which are inherently unpredictable in the short to intermediate term, should never be described as surprising.

From a longer-term perspective, markets are somewhat easier to understand. First, current conditions will change and even the most skillful and hardworking prognosticators will not be able to predict when or even how this will happen. Yet, there is no question that the supply and demand for securities will be what it will be and this will change through time.

Second, price is a major and often over-looked part of the investment return equation. As we have pointed out previously, US equities from an index perspective are richly priced today whereas those elsewhere are far less expensive and actually quite compelling.

Individual Asset Class Performance – 2017 Calendar Year to Date

<i>Large/Mid-Capitalization US Equity</i>	+9.8%	(+0.5% vs. <i>Russell 1000</i>)
<i>Small Capitalization US Equity</i>	+10.1%	(+5.1% vs. <i>Russell 2000</i>)
<i>Global Equity</i>	+20.7%	(+9.2% vs. <i>MSCI ACWI</i>)
<i>International Developed Markets Equity</i>	+13.4%	(-0.4% vs. <i>MSCI EAFE</i>)
<i>Emerging Markets Equity</i>	+15.6%	(-2.8% vs. <i>MSCI Emerging Markets</i>)
<i>Hedge Funds</i>	+8.5%	(+5.9% vs. <i>HFRI Fund of Funds</i>)
<i>Special Opportunities</i>	+10.5%	(-1.0% vs. <i>MSCI ACWI</i>)
<i>High Yield</i>	+3.7%	(-1.2% vs. <i>Merrill Lynch High Yield Bond</i>)
<i>U.S. Investment Grade Fixed Income</i>	+2.5%	(+0.2% vs. <i>Barclays Capital Aggregate</i>)
<i>Global Fixed Income</i>	+5.9%	(+1.4% vs. <i>Citigroup World Govt Bond</i>)
<i>Treasury Inflation Protected Securities</i>	+0.9%	(+0.0% vs. <i>Citigroup Inflation Linked</i>)

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