

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

***Mid-Term Pool 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>	Since 1/31/13 <u>(Pool Inception)</u>
<b>Mid-Term Pool</b>	<b>+2.3%</b>	<b>+8.3%</b>	<b>+4.1%</b>	<b>+5.9%</b>
<i>Mid-Term Pool Benchmark*</i>	+2.5%	+10.3%	+4.1%	+5.9%
<i>50% MSCI ACW/50% Barclays Agg</i>	+2.9%	+8.9%	+3.8%	+5.5%

\* Mid-Term 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 largely through index funds.

<i>Asset Class</i>	<i>Target/Actual Allocation</i>		<i>Managers</i>
U.S. Large/Mid-Capitalization Equities	19.0%	(20.1%)	Vanguard
U.S. Small Capitalization Equities	4.8%	(5.5%)	Vanguard
International Equities	17.0%	(17.1%)	Vanguard
Emerging Markets	6.7%	(5.5%)	Vanguard
Fixed Income	33.2%	(33.3%)	Vanguard
High Yield Fixed Income	4.8%	(4.7%)	Harbor
TIPS	9.5%	(9.0%)	Vanguard
Vermont Investments	5.0%	(4.2%)	
Cash	0.0%	(0.6%)	

The Mid-Term portfolio was constructed with the following concepts in mind:

- 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.
- Utilize index funds as an inexpensive and effective way to execute the strategy until such time as the Pool has sufficient capital to access top institutional managers as is done in other Foundation pools.

***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.

Produced By Colonial Consulting, LLC  
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