

The Vermont Community Foundation
Mid-Term Pool Investment Performance/Strategy
As of December 31, 2016

Mid-Term Pool Performance vs. Benchmark- Through 12/31/16, 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>
Mid-Term Pool	-0.1%	+6.2%	+4.0%	+5.5%
<i>Mid-Term Pool Benchmark*</i>	+0.3%	+7.2%	+3.6%	+5.1%
<i>50% MSCI ACW/50% Barclays Agg</i>	-0.9%	+5.4%	+3.3%	+4.4%

* 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 provide annual grants to foster strong communities 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>95% of Pooled Assets</i>			
<i>Asset Class</i>	<i>Target/Actual Allocation</i>		<i>Managers</i>
U.S. Large/Mid-Capitalization Equities	22.5%	(21.0%)	Vanguard
U.S. Small Capitalization Equities	7.5%	(7.1%)	Vanguard
International Equities	15.0%	(14.8%)	Vanguard
Emerging Markets	5.0%	(5.0%)	Vanguard
Fixed Income	35.0%	(35.2%)	Vanguard
High Yield Fixed Income	5.0%	(3.6%)	Harbor
TIPS	10.0%	(9.5%)	Vanguard
Cash	0.0%	(3.8%)	
<i>5% of Pooled Assets – Vermont Investments**</i>			
High Quality Bonds	29.0%	(30.4%)	Access Capital
Community Investments	46.0%	(43.6%)	Various
Private Equity/Venture Capital	25.0%	(21.0%)	Various
Cash	0.0%	(5.0%)	

** 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 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

2016 provided a powerful example of market complexity as political turbulence on a global scale registered only briefly as a clearly significant factor. Does this suggest that these events were not meaningful or is the market merely having a delayed reaction to prospective political/economic conditions?

Unsatisfying as the answer may be, the fact is that we cannot know what will happen next. Fortunately, we do not need to know in order to allocate the Foundation's capital effectively. Far more important is to remain focused on strong underwriting of specific investment situations, on the long-term significance of the price one pays for securities and on intelligent diversification geared towards each Pool's objectives.

Produced By Colonial Consulting, LLC
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