

The Vermont Community Foundation
Socially Responsible Pool Investment Performance/Strategy
As of June 30, 2020

Socially Responsible Pool Performance vs. Benchmark- Through 6/30/20, 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>
Socially Responsible Pool	+12.6%	+2.9%	+5.6%	+ 6.2%	+ 7.0%	+7.7%
<i>Socially Responsive Pool Benchmark*</i>	<i>+11.9%</i>	<i>+3.7%</i>	<i>+5.9%</i>	<i>+ 6.0%</i>	<i>+6.7%</i>	<i>+7.9%</i>
<i>60% MSCI ACW/40% Bloomberg Agg</i>	<i>+12.5%</i>	<i>+5.3 %</i>	<i>+6.2%</i>	<i>+5.9%</i>	<i>+6.5%</i>	<i>+7.3%</i>

* 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. Note that the elevated cash balance as of year-end is being deployed.

<i>Asset Class</i>	<i>Target/Actual Allocation</i>		<i>Managers</i>
U.S. Large/Mid-Capitalization Equities	19.0%	(22.9%)	KLD iShares/Redwood Grove/Vanguard
U.S. Small Capitalization Equities	5.0%	(6.4%)	Aperio
Non-US Equities	19.0%	(25.0%)	Aperio
Emerging Markets Equities	5.0%	(5.9%)	Boston Common
Global Equity	12.0%	(5.5%)	Generation
Fixed Income	24.0%	(25.2%)	Calvert/RBC
Global Fixed Income	6.0%	(2.7%)	Colchester
Private Equity	5.0%	(0.4%)	Lyme Forest
Vermont Investments	5.0%	(3.9%)	
Cash	0.0%	(2.1%)	

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

For the quarter ending June 30, markets delivered extraordinary gains and again provided an object lesson regarding their inherently unpredictable nature and the power of momentum that is at best loosely connected to financial reality.

For some, the strong market recovery since mid-March has been surprising and unsettling, particularly given the state of the economy and the fact that we know little more about the ongoing health issues related to COVID-19 than while markets were plunging. Nevertheless, extraordinary intervention by monetary authorities was an important driver of the gains shown above.

As market panic recedes in part due to a reduced level of shock at the implications of the pandemic, the skill of the Foundation's managers and the aggregate approach to portfolio construction has become evident. This was not the case at the end of the first quarter.

Looking ahead, we now face a vastly more complex economic and investment climate. One point of cautious optimism is to note that the rigorous, patient and risk aware investing that is employed across the Foundation's assets should provide a significant return benefit over the next three to five years as uncertainty and change have created very large opportunities.

Individual Asset Class Performance – 2020 Calendar Year to Date

<i>Large/Mid-Capitalization US Equity</i>	<i>-3.0%</i>	<i>(+0.1% vs. Russell 1000)</i>
<i>Small Capitalization US Equity</i>	<i>-19.8 %</i>	<i>(-1.9% vs. Russell 2000)</i>
<i>Non-US Equity</i>	<i>-11.8%</i>	<i>(-0.5% vs. MSCI EAFE)</i>
<i>Emerging Markets Equity</i>	<i>-9.4%</i>	<i>(+0.4 vs. MSCI Emerging Markets)</i>
<i>Global Equity</i>	<i>-4.4%</i>	<i>(+1.4% vs MSCI World)</i>
<i>U.S. Investment Grade Fixed Income</i>	<i>+4.7%</i>	<i>(-1.4% vs. Barclays Capital Aggregate)</i>
<i>Global Fixed Income</i>	<i>+1.4%</i>	<i>(-2.7% vs. Citigroup World Govt Bond)</i>

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