The Vermont Community Foundation
Mid-Term Pool Investment Performance/Strategy
As of December 31, 2019

Mid-Term Pool Performance vs. Benchmark- Through 12/31/19, Net of Investment Management Fees

	Latest Quarter	Latest Year	Latest 3 Years	Latest 5 Years	Since 1/31/13 (Pool Inception)
Mid-Term Pool	**+4.5%**	**+14.5%**	**+7.3%**	**+5.6%**	**+6.1%**
*Mid-Term Pool Benchmark**	*+4.7%*	*+16.3%*	*+7.7%*	*+5.8%*	*+6.2%*
50% MSCI ACW/50% Bloomberg Agg	*+4.5%*	*+17.6%*	*+8.4%*	*+5.9%*	*+6.1%*

* 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.

Asset Class	*Target/Actual Allocation*		*Managers*
U.S. Large/Mid-Capitalization Equities	19.0%	(20.1%)	Vanguard
U.S. Small Capitalization Equities	4.8%	(5.1%)	Vanguard
International Equities	17.0%	(18.2%)	Vanguard
Emerging Markets	6.7%	(6.9%)	Vanguard
Fixed Income	23.7%	(23.3%)	Vanguard
High Yield Fixed Income	4.8%	(4.6%)	Harbor
TIPS	9.5%	(9.0%)	Vanguard
Vermont Investments	5.0%	(3.6%)	
Cash/Short Term Bonds	9.5%	(9.2%)	

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

In what now seems like a distant memory, it was only twelve months ago that plunging markets led us to observe – “This climate evokes two distinct reactions beginning with the anxiety that most experience in reaction to losses but soon shifts to one of enthusiasm as difficulties extend and deepen. Experience has taught us that such times are nothing less than a gift to long-term investors.”

It is now clear that the difficult conditions of late 2018 proved to be a gift to all investors as nearly every asset class advanced quite sharply. While we reject the idea of providing simple explanations, the fact that the financial system is awash in liquidity is likely to be an important contributor to the near universal nature of 2019’s gains.

Importantly, as markets rise seemingly continuously and signs of excessive optimism grow, it is important to distinguish between securities that have solid expected returns due to the intersection of quality, future cash flows and price versus those that have far weaker prospects as their most important quality is popularity. In our view, the Foundation’s Pools are heavily allocated to the former.

Produced By Colonial Consulting, LLC
February 2, 2020