
The Vermont Community Foundation

Investment Strategy/Performance Update

December 13, 2017

Investment Results

Performance Ending 10/31/17 (Net Of Investment Management Fees)	Latest Year	Latest 3 Years	Latest 5 Years	Latest 7 Years	Latest 10 Years	Latest 15 Years
Long-Term Pool	17.6%	7.6%	9.0%	8.3%	5.7%	8.7%
<i>Long-Term Pool Custom Market Benchmark</i>	15.1%	6.1%	7.4%	6.6%	3.7%	7.1%
70% MSCI All Country World/30% Barclays Aggregate	16.1%	6.4%	8.2%	7.3%	4.2%	7.7%
Socially Responsive Pool	14.5%	7.2%	8.8%	7.7%	4.5%	N/A
<i>SR Pool Custom Market Benchmark</i>	14.9%	6.4%	8.1%	7.6%	4.5%	N/A
Mid-Term Pool	11.0%	5.4%	N/A	N/A	N/A	N/A
<i>Mid-Term Pool Custom Market Benchmark</i>	12.4%	5.6%	N/A	N/A	N/A	N/A

Performance Compared to Other E&Fs

Universe	Investment Pool Pool Quartile Ranking				
	Latest Year	Latest 3 Years	Latest 5 Years	Latest 7 Years	Latest 10 Years
MSCI InvestorForce E&F Quartile	1st*	1st*	1st	1st	1st
Long Term Pool Return	17.6%	7.6%	9.0%	8.3%	5.7%
InvestorForce E&F Median Return	12.0%	5.7%	7.5%	7.5%	4.7%

*Top 5%

How Was This Accomplished?

- Strict adherence to a strategy that relies on decisions with a high probability of long-term success

- Collaborative approach:
 - > Investment Committee
 - > Foundation Management
 - > Colonial Consulting

- Utilize advantages of scale, stability and time horizon to access atypical investments – strong proponents of index funds when compelling managers are not available

Fundamental Principles

- Maintain a mix of stocks, bonds and some alternative investments driven by each Pool's objectives
- Deploy fee dollars efficiently – focus on net outcomes and likelihood of success
- Control portfolio risk through diversification and rebalancing

Executed Through Strategic Asset Mix

Asset Class Exposures (Total Portfolio)	Long-Term Pool	SR Pool	Mid-Term Pool
US Large/Mid Cap Equity	13.3	19.0	19.0
US Small Cap Equity	5.7	5.0	4.8
Non-US Developed Equity	12.4	19.0	17.0
Non-US Emerging Equity	5.7	0.0	6.8
Global Equity	6.7	17.0	0.0
Special Opportunities	6.8	0.0	0.0
Total Equity	50.6%	60.0%	47.5%
US Aggregate Bonds	9.5	19.0	23.75
Treasury Inflation Protected Securities	4.2	5.0	9.5
US High Yield Bonds	4.8	0	4.75
Global Bonds	4.8	6.0	0
Cash/Short Term Bonds	0.0	0	9.5
Total Fixed Income	23.3%	30.0%	47.5%
Hedge Funds	10.0	0	0
Private Real Assets	4.8	0	0
Private Equity	6.3	5.0	0
Commodities (Liquid Real Assets)	0	0	0
Total Alternatives	21.1%	5.0%	0.0%
Vermont Investments	5.0%	5.0%	5.0%

Manager Due Diligence

- Return always accompanied by risk
- Must understand the strategy, know key personnel, avoid needless complexity.
- Operational issues: independent custodian, credible auditor, outside administrator
- Ongoing – forward looking process

Manager Due Diligence – Qualitative Factors

INVESTMENT PROCESS

- Fundamental/valuation bias
- High conviction in investment ideas
- Defined buy & sell disciplines
- Uniqueness (edge)

ORGANIZATION

- Ownership structure
- Aligned interests & motivation
- Compensation structure & retention
- Succession plan
- Institutional Focus
- SEC violations & legal issues

INVESTMENT PROFESSIONALS

- Portfolio manager/analyst experience
- Assessment of manager/team skill
- Portfolio management/analyst coverage
- Team continuity & ethical concern

PORTFOLIO MANAGEMENT/RISK

- Assets in strategy/capacity
- Position exposure/risk
- Prudent use of leverage
- Hedging strategy
- Liquidity
- Transparency
- Appropriate diversification

OPERATIONAL/BUSINESS RISK

- Prime broker exposure
- Counter party risk
- Financing/borrowing terms
- Client concentration risk
- Back office staffing & infrastructure
- Compliance procedures
- Trading systems
- Valuation procedures
- Disaster Recovery

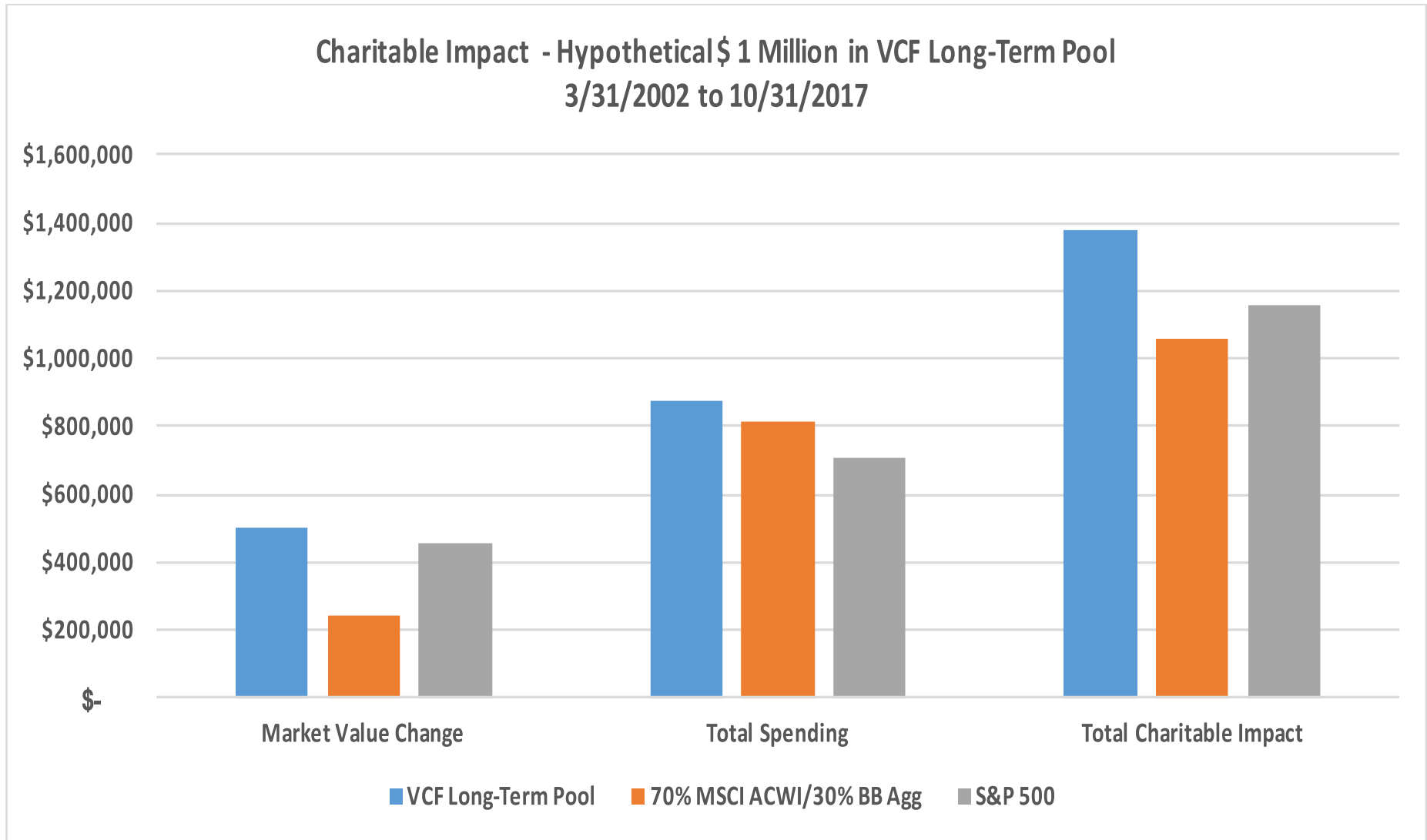
Balancing Risk

The Foundation's long time horizon pools seek to balance two competing priorities.

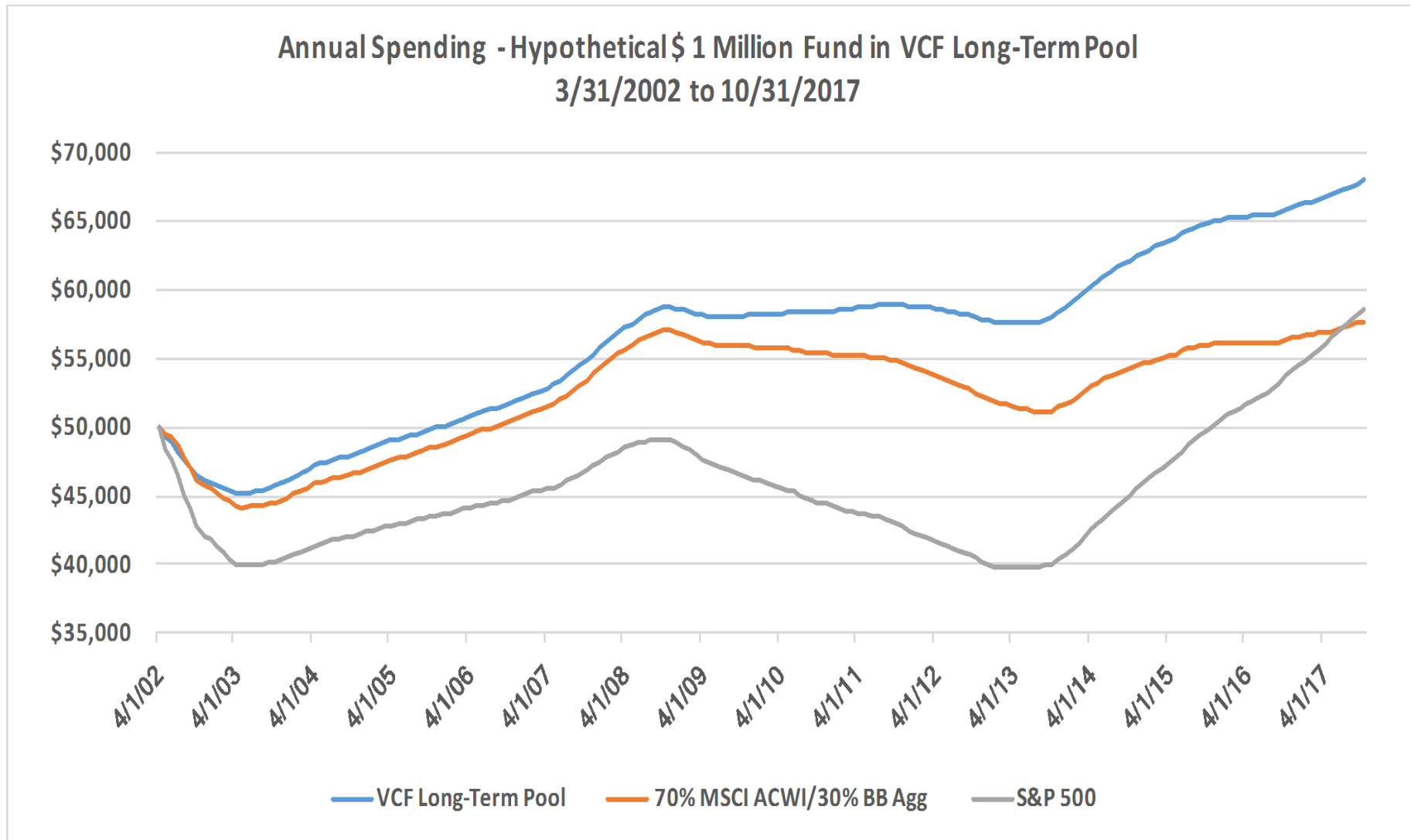
- Importance of preserving purchasing power over decades
- Sensitivity to current needs and importance of NOT converting market volatility into capital destruction.

The key issue is to strike the right balance between these two issues and this is accomplished largely, but not exclusively through asset mix decisions.

Impact of Higher Volatility on Charitable Outcomes



Impact of Higher Volatility on Charitable Outcomes

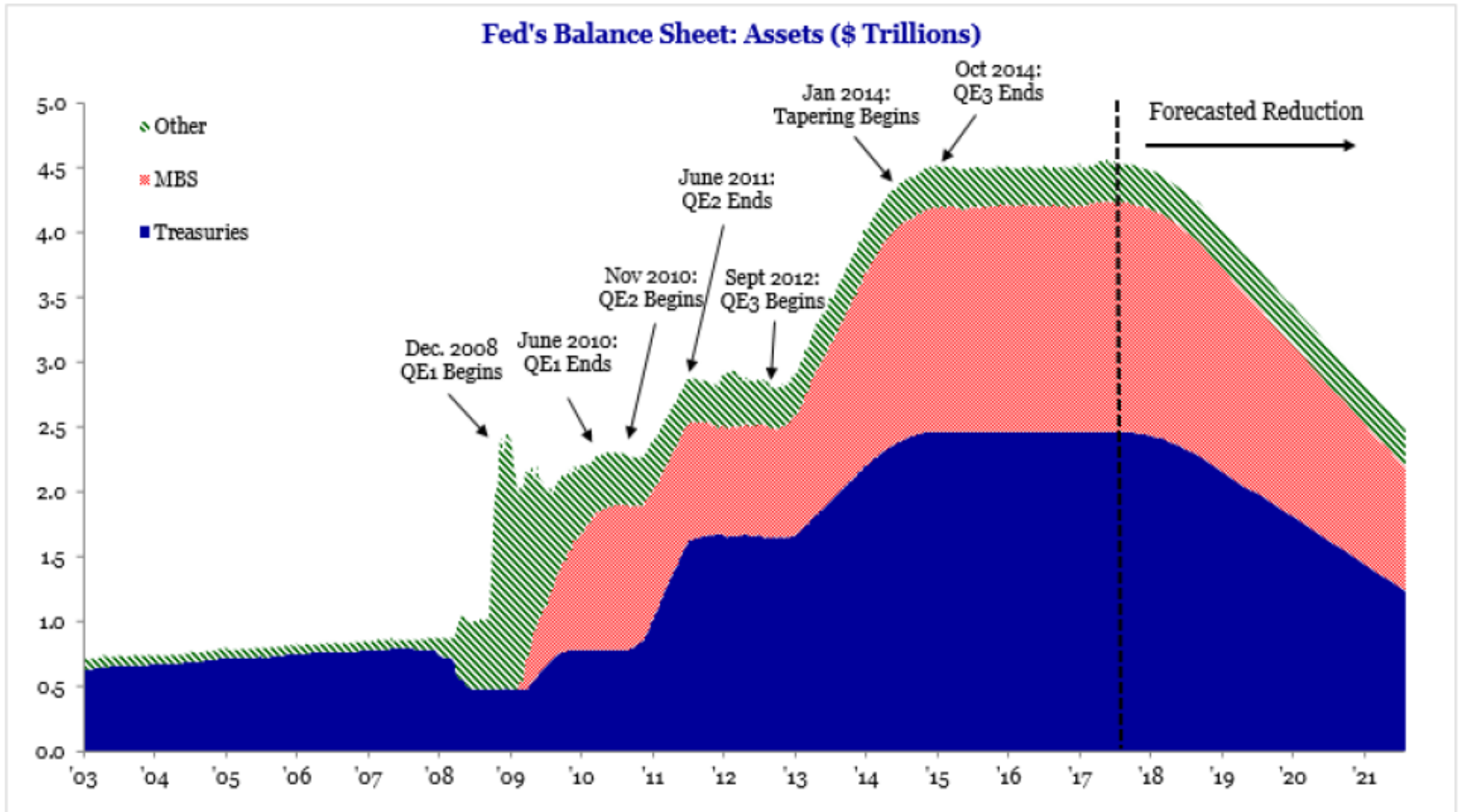


Many Difficult Days for Bond Investors

Global Yields						
	3 Month	1 Year	2 Year	5 Year	10 Year	30 Year
Australia	1.66	1.78	2.26	2.26	2.76	-
Belgium	-0.72	-0.58	-0.57	-0.18	0.72	1.80
Canada	0.87	1.35	1.46	1.70	2.04	2.39
France	-0.68	-0.59	-0.53	0.00	0.88	1.85
Germany	-0.79	-0.71	-0.70	-0.25	0.48	1.34
Italy	-0.40	-0.32	-0.24	0.74	2.03	3.17
Japan	-0.19	-0.16	-0.14	-0.08	0.07	0.87
Netherlands	-0.68	-0.71	-0.70	-0.31	0.58	1.35
Norway	0.37	3.00	0.54	1.04	1.68	-
Spain	-0.43	-0.36	-0.29	0.32	1.64	2.88
Sweden	-0.67	-0.65	-0.71	-0.03	0.90	-
Switzerland	-	-0.82	-0.82	-0.47	0.00	0.50
U.K.	0.40	0.47	0.50	0.85	1.41	1.95
U.S.	1.11	1.41	1.60	2.05	2.44	2.95

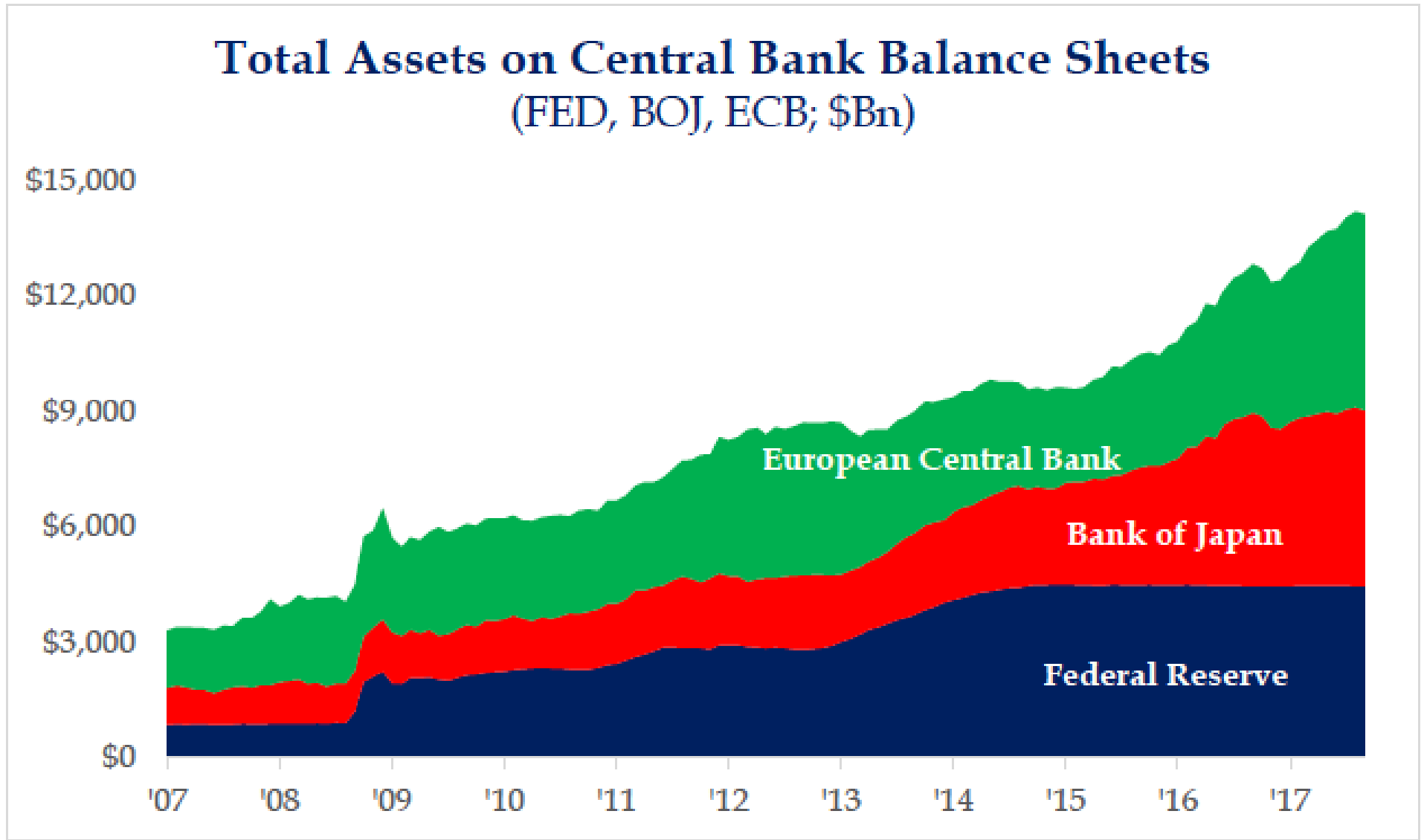
Source: Strategas Research Partners

Is Change on the Way?



Source: Strategas Research Partners

Global Perspective



Source: Strategas Research Partners

Strategy Looking Forward

- Maintain consistent risk exposure
- Utilize volatility/emotions of others as an asset
- Capitalize on Foundation's scale to invest opportunistically and to access top managers across a diversified asset mix

Profile of Colonial Consulting

Location: New York, NY

Staff Size: 65

Number of Clients: 137

Founded: 1980

100% Employee Owned

Client Assets: \$ 34 Billion

Representative Client List:

The San Francisco Foundation

The Philadelphia Foundation

Silicon Valley Community Fdn

Medical College of Wisconsin

Marin Community Foundation

Lasker Foundation

The Milwaukee Foundation

The Minneapolis Foundation