

**The Vermont Community Foundation**  
**Mid-Term Pool Investment Performance/Strategy**  
**As of June 30, 2019**

***Mid-Term Pool Performance vs. Benchmark- Through 6/30/19, Net of Investment Management Fees***

	Latest <u>Quarter</u>	Latest <u>Year</u>	Latest <u>3 Years</u>	Latest <u>5 Years</u>	Since 1/31/13 <u>(Pool Inception)</u>
<b>Mid-Term Pool</b>	<b>+2.6%</b>	<b>+5.2%</b>	<b>+6.4%</b>	<b>+4.6%</b>	<b>+5.8%</b>
<i>Mid-Term Pool Benchmark*</i>	+3.0%	+5.6%	+7.2%	+4.7%	+5.8%
<i>50% MSCI ACW/50% Bloomberg Agg</i>	+3.5%	+7.2%	+7.1%	+4.7%	+5.7%

\* 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. Note that the allocations differed from the targets at year-end due to a large cash flow involving the Pool.

<i>Asset Class</i>	<i>Target/Actual Allocation</i>		<i>Managers</i>
U.S. Large/Mid-Capitalization Equities	19.0%	(15.8%)	Vanguard
U.S. Small Capitalization Equities	4.8%	(4.5%)	Vanguard
International Equities	17.0%	(15.3%)	Vanguard
Emerging Markets	6.7%	(7.3%)	Vanguard
Fixed Income	33.2%	(30.1%)	Vanguard
High Yield Fixed Income	4.8%	(4.7%)	Harbor
TIPS	9.5%	(8.8%)	Vanguard
Vermont Investments	5.0%	(5.3%)	
Cash	0.0%	(8.2%)	

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***

Market volatility picked up during the 2<sup>nd</sup> quarter but ultimately added to the strong gains of 2019. While many seek to make sense of aggregate price changes, we believe that over short to intermediate

time frames, markets merely reflect a mixture of randomness and the worst impulses of participants. This implies that one should never be surprised by that which is inherently unstable.

Nevertheless, in a low interest rate climate, it is clearly quite odd to see strong gains for both stock and bond markets (i.e. falling yields) with gains of just over 16% for global stocks and just over 6% for investment grade U.S. bonds thus far in 2019. The Foundation portfolios have benefited from this dynamic as portfolios are built with a focus on long-term structural diversification and the view that markets create opportunities one can react to rather than predict.

Produced By Colonial Consulting, LLC  
August 1, 2019