

The Vermont Community Foundation
Socially Responsible Pool Investment Performance/Strategy
As of June 30, 2019

Socially Responsible 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>	Latest <u>7 Years</u>	Latest <u>10 Years</u>
Socially Responsible Pool	+3.5%	+5.7%	+8.7%	+6.3%	+ 8.2%	+ 8.6%
<i>Socially Responsible Pool Benchmark*</i>	+3.6%	+6.2%	+8.5%	+5.5%	+ 7.6%	+8.7%
<i>60% MSCI ACW/40% Bloomberg Agg</i>	+3.5%	+7.0%	+8.0%	+5.1%	+7.1%	+7.9%

* Socially Responsible 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%	(32.2%)	Vanguard/KLD iShares/Redwood Grove
U.S. Small Capitalization Equities	5.0%	(5.4%)	Ariel/Aperio
International Equities	19.0%	(22.2%)	Boston Common/Aperio
Emerging Markets	0.0%	(3.2%)	DFA Emerging
Global Equity	17.0%	(8.5%)	Generation
Fixed Income	19.0%	(14.5%)	Calvert Social Bond
Global Fixed Income	6.0%	(4.1%)	Colchester
TIPS	5.0%	(4.1%)	Vanguard
Private Equity	5.0%	(0.2%)	Lyme Forest
Vermont Investments	5.0%	(4.4%)	
Cash	0.0%	(1.2%)	

* Portfolio allocations are actively being shifted towards the Target Mix.

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

Market volatility picked up during the 2nd 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.

Individual Asset Class Performance – 2019 Calendar Year to Date

<i>Large/Mid-Capitalization US Equity</i>	+19.8%	(+1.0% vs. <i>Russell 1000</i>)
<i>Small Capitalization US Equity</i>	+16.0 %	(-1.0% vs. <i>Russell 2000</i>)
<i>International Developed Markets Equity</i>	+14.0%	(0.0% vs. <i>MSCI EAFE</i>)
<i>Emerging Markets Equity</i>	+10.2%	(-0.4% vs. <i>MSCI Emerging Markets</i>)
<i>Global Equity</i>	+18.9%	(+1.9% vs <i>MSCI World</i>)
<i>U.S. Investment Grade Fixed Income</i>	+6.1%	(0.0% vs. <i>Barclays Capital Aggregate</i>)
<i>Global Fixed Income</i>	+5.2%	(-0.2% vs. <i>Citigroup World Govt Bond</i>)
<i>Treasury Inflation Protected Securities</i>	+6.1%	(-0.3% vs. <i>Citigroup Inflation Linked</i>)

Produced By Colonial Consulting, LLC
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