

The Vermont Community Foundation
Mid-Term Pool Investment Performance/Strategy
As of September 30, 2018

Mid-Term Pool Performance vs. Benchmark- Through 9/30/18, 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>
Mid-Term Pool	+2.1%	+4.9%	+7.1%	+5.8%	+6.0%
<i>Mid-Term Pool Benchmark*</i>	+1.8%	+4.5%	+7.9%	+5.8%	+6.0%
<i>50% MSCI ACW/50% Barclays Agg</i>	+2.1%	+4.2%	+7.3%	+5.5%	+5.6%

* 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.

<i>Asset Class</i>	<i>Target/Actual Allocation</i>		<i>Managers</i>
U.S. Large/Mid-Capitalization Equities	19.0%	(22.4%)	Vanguard
U.S. Small Capitalization Equities	4.8%	(5.7%)	Vanguard
International Equities	17.0%	(17.4%)	Vanguard
Emerging Markets	6.7%	(5.3%)	Vanguard
Fixed Income	33.2%	(30.6%)	Vanguard
High Yield Fixed Income	4.8%	(4.4%)	Harbor
TIPS	9.5%	(8.4%)	Vanguard
Vermont Investments	5.0%	(5.1%)	
Cash	0.0%	(0.7%)	

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

As of the end of September, calm continued to rule markets with both domestic stocks and the dollar producing solid returns thus far in 2018. Outside of the U.S., markets were considerably weaker as

macroeconomic and political events have dominated the narrative. The list of issues is quite lengthy but is led by changes to U.S. trade policy and by the crisis of confidence occurring in various emerging markets.

Writing in October, a meaningful upward shift in global interest rates has altered market conditions on a global basis. While no one enjoys negative returns, periods of market stress and turmoil have long provided outsized opportunities for patient investors such as the Foundation. This time is no different with the largest challenge being the vast array of areas that now seem well on their way to becoming attractively priced.

Produced By Colonial Consulting, LLC
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