
The Vermont Community Foundation

Investment Strategy/Performance Update

March 4, 2020

Investment Results

Performance Ending 12/31/19 (Net Of Investment Management Fees)	Calendar Year to Date	Latest 3 Years	Latest 5 Years	Latest 7 Years	Latest 10 Years	Since 4/1/02
Long-Term Pool	17.1%	9.1%	7.0%	8.0%	8.1%	7.4%
<i>Long-Term Pool Custom Market Benchmark</i>	17.9%	8.8%	6.5%	6.9%	6.8%	5.8%
70% MSCI All Country World/30% Barclays Aggregate	21.2%	10.0%	7.0%	7.7%	7.5%	6.6%
CPI + 5%	7.5%	7.4%	7.0%	6.8%	6.9%	7.3%
Socially Responsive Pool	19.6%	9.9%	7.4%	8.4%	7.7%	N/A
<i>SR Pool Custom Market Benchmark</i>	20.2%	9.4%	6.9%	7.7%	7.7%	N/A
Mid-Term Pool	14.5%	7.3%	5.6%	N/A	N/A	N/A
<i>Mid-Term Pool Custom Market Benchmark</i>	16.3%	7.7%	5.8%	N/A	N/A	N/A

Performance Compared to Other E&Fs – Ending 12/31/19

Universe	Community Foundation Ranking - Ending 12/31/19					
	Latest Year	Latest 3 Years	Latest 5 Years	Latest 7 Years	Latest 10 Years	Since 4/1/02
InvMetrics E&F Quartile	3rd	2nd	1st	2nd	1st	1st
InvMetrics Percentile (1 to 100)	67%	41%	20%	28%	24%	4%
Community Foundation Return	17.1%	9.1%	7.0%	8.0%	8.1%	7.4%
InvMetrics E&F Median Return	18.7%	8.8%	6.2%	7.4%	7.6%	6.3%

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 (% of Total Portfolio)	Long-Term Pool	SR Pool	Mid-Term Pool
US Large/Mid Cap Equity	11.0	19.0	19.0
US Small Cap Equity	5.5	5.0	4.8
Non-US Developed Equity	11.0	19.0	17.0
Non-US Emerging Equity	5.5	0.0	6.8
Global Equity	9.0	17.0	0.0
Special Opportunities	10.5	0.0	0.0
Total Equity	52.5%	60.0%	47.5%
US Aggregate Bonds	9.5	19.0	23.8
Treasury Inflation Protected Securities	4.2	5.0	9.5
US High Yield Bonds	3.0	0.0	4.8
Global Bonds	4.8	6.0	0.0
Cash/Short Term Bonds	0.0	0.0	9.5
Total Fixed Income	21.5%	30.0%	47.5%
Hedge Funds	13.0	0.0	0.0
Private Assets	8.0	5.0	0.0
Total Alternatives	21.0%	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

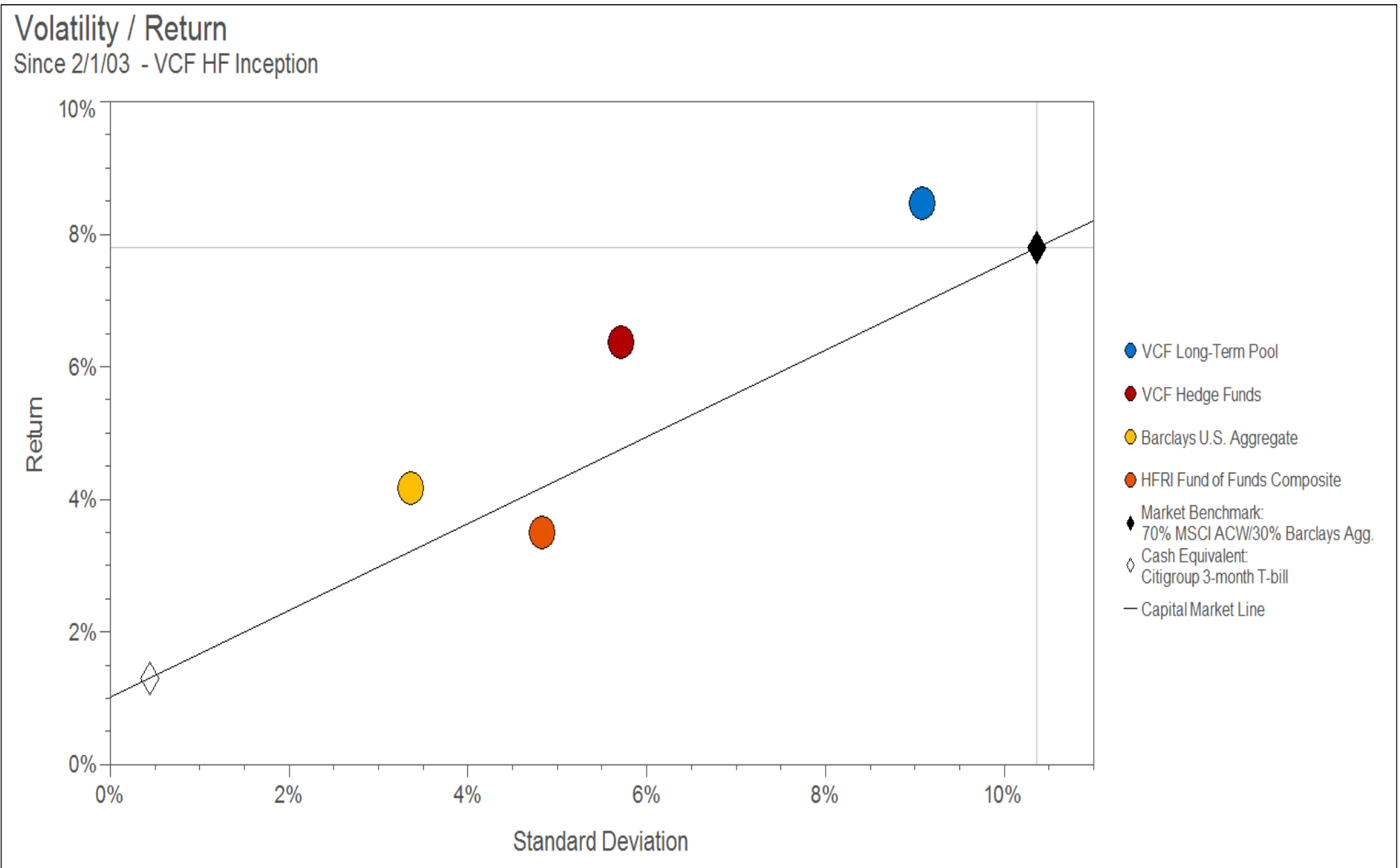
PORTFOLIO MANAGEMENT/RISK

- 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

Long Term Hedge Fund Results – Through 12/31/19



Tenets of Strategy – Particularly Important in Volatile Markets

- Preparation – Maintain Diversified Approach Consistently
- Diligence – Make Sure Managers are Acting Rationally
- Opportunity – Press Increased Value of Patient/Disciplined Capital

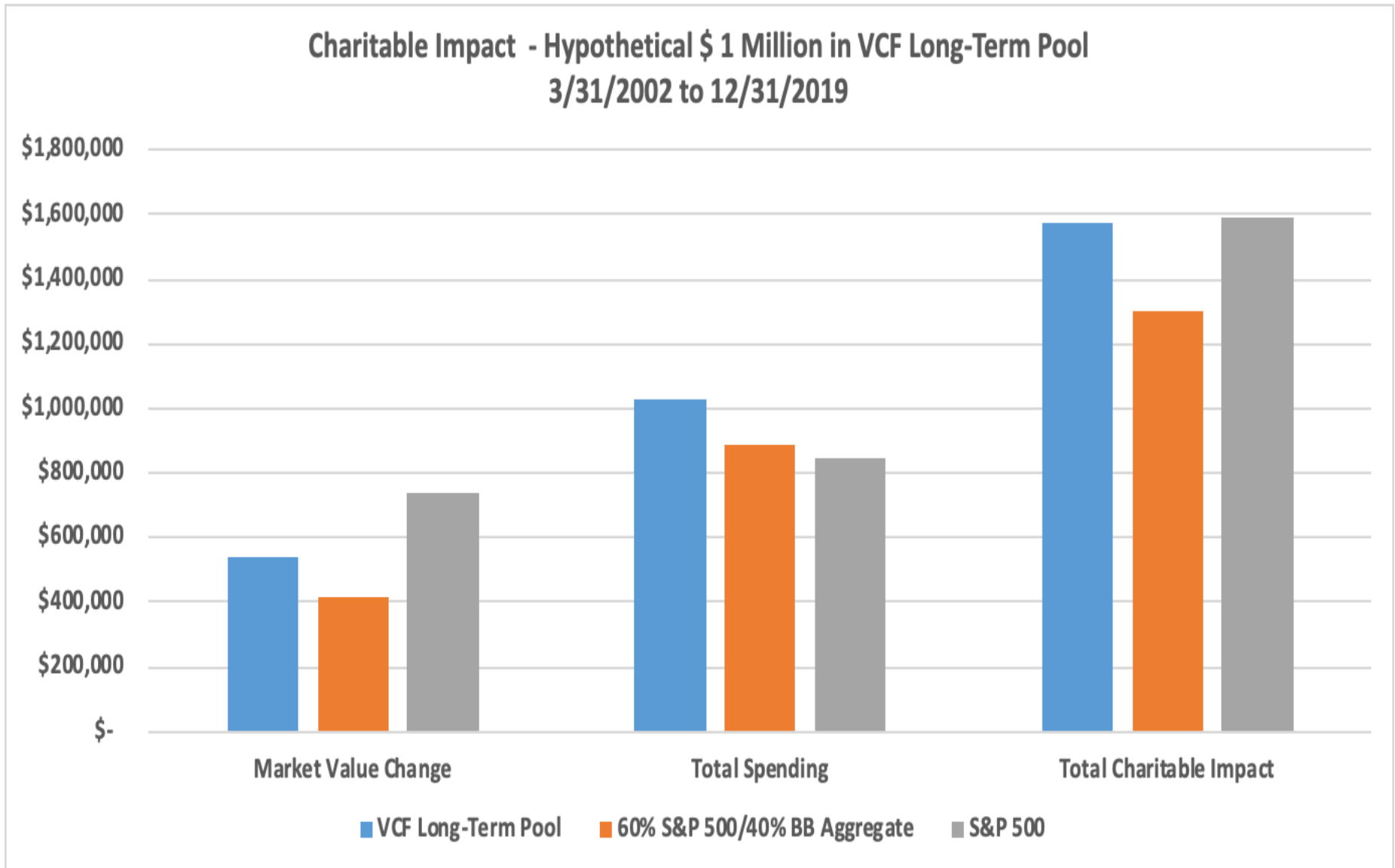
Balancing Risk

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

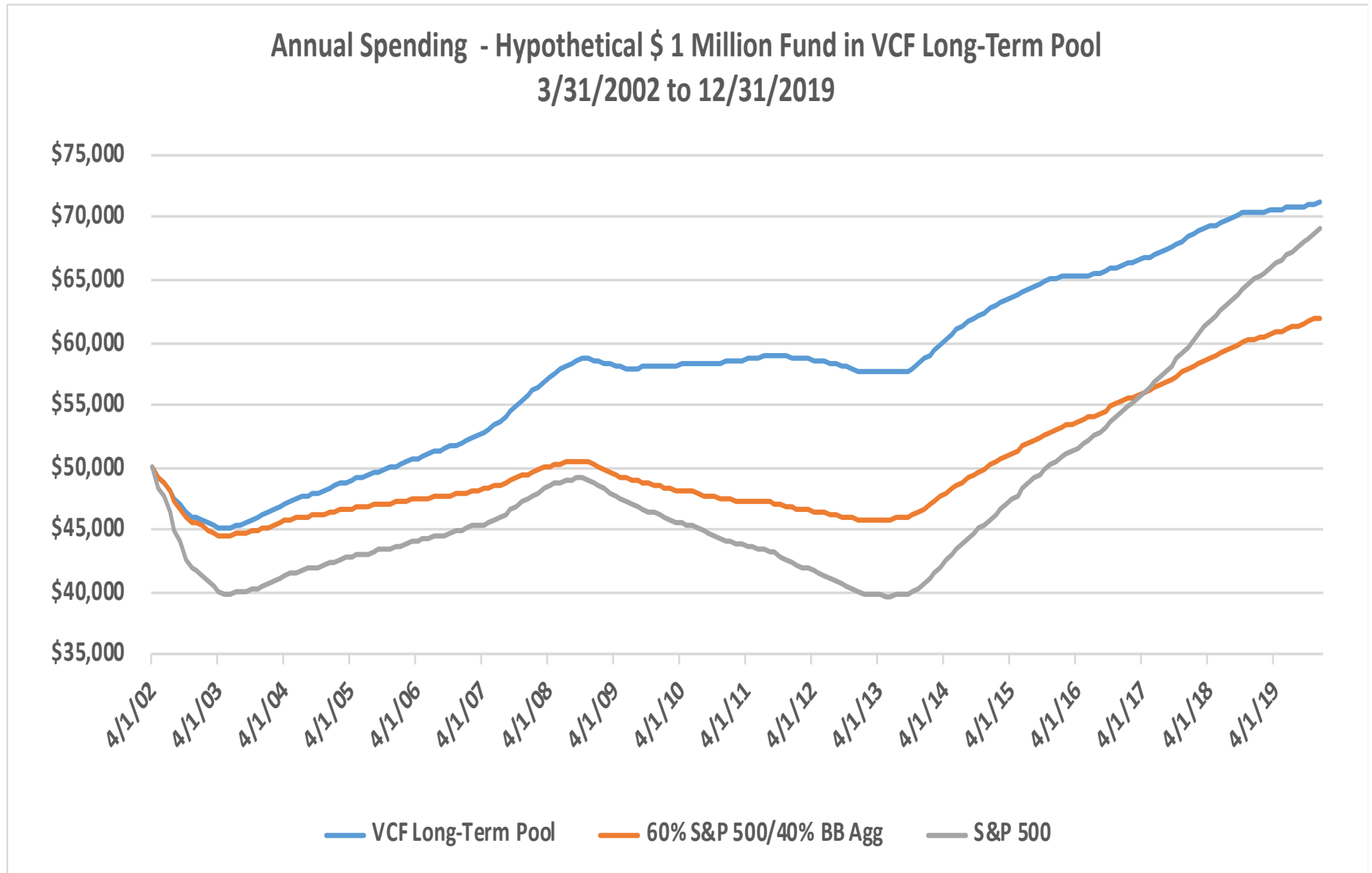
- Importance of preserving purchasing power over decades
- Sensitivity to current needs and importance of NOT converting market volatility into capital destruction.

The key issue is to strike the right balance between these two issues as they can drive portfolios in opposite directions

Impact of Higher Volatility on Charitable Outcomes



Impact of Higher Volatility on Charitable Outcomes



Key Issues Today

- Balance and Patience are Essential
- Markets Offering Extraordinary Opportunities for Patient Capital
- Huge Trap Set for Those Who Ignore Price
- Ignore Noise – Bad News Delivers Asymmetric Opportunities

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: 63

Number of Clients: 144

Founded: 1980

100% Employee Owned

Client Assets: \$ 38 Billion

Representative Client List:

The San Francisco Foundation

The Philadelphia Foundation

Samuel H. Kress Foundation

Medical College of Wisconsin

Marin Community Foundation

Lasker Foundation

The Milwaukee Foundation

Greater Buffalo Community Fdn