
The Vermont Community Foundation

Investment Strategy/Performance Update

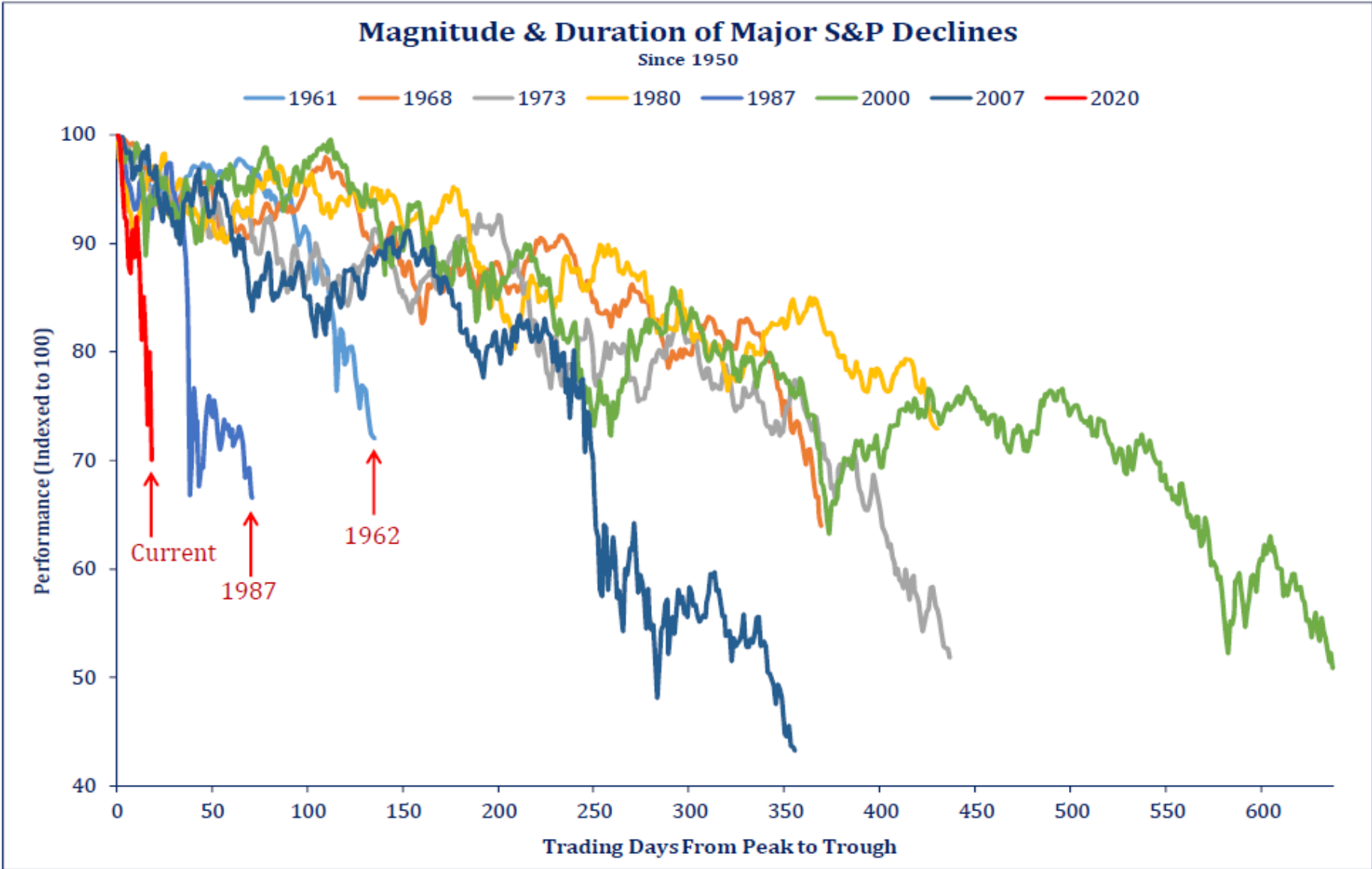
June 4, 2020

We've Been Here Before

Foundation Pool's Double Digit Drawdowns – Recovery Period – Since 2002

<u>Drawdown Period</u>	<u>Drawdown</u>	<u>Return Relative to S&P 500</u>	<u>Time Until High Water Mark Regained</u>	<u>Annualized 5 Year Return From Peak</u>
5-2002 to 9-2002	-16.6%	+ 11.8%	13 Months	+ 8.3%
11-2007 to 2-2009	-34.8%	+ 16.2%	22 Months	+ 2.4%
5-2011 to 9-2011	-11.2%	+ 5.1%	5 Months	+ 5.3%
2-2020 to 3-2020	-19.0%	+ 0.6%	N/A	N/A

A Particularly Sudden Collapse



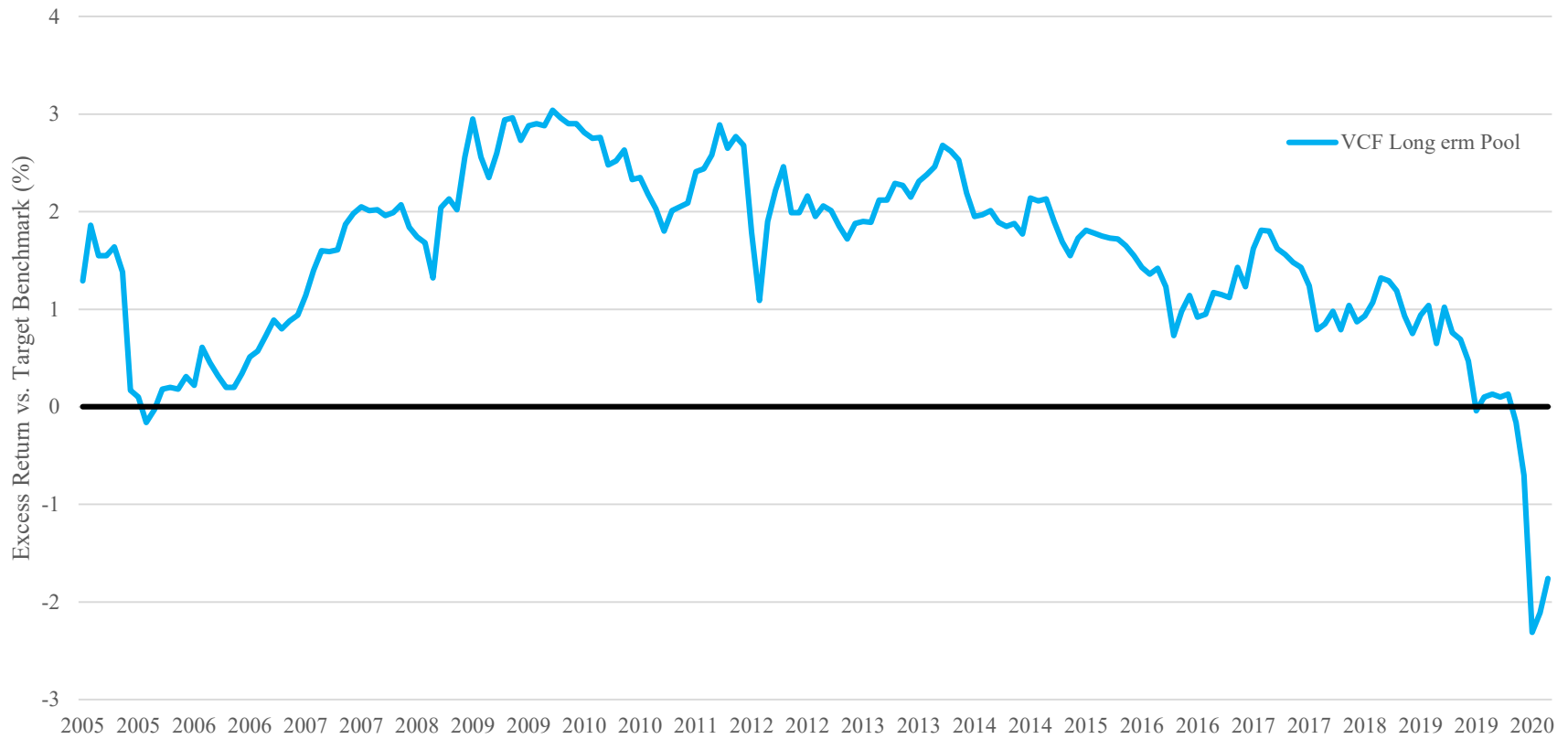
Source: Strategas Research Partners – Through March 17, 2020

Investment Results

Performance Ending 5/31/20* (Net Of Investment Management Fees)	Calendar Year to Date	Latest 3 Years	Latest 5 Years	Latest 7 Years	Latest 10 Years	Latest 15 Years	Since 4/1/02
Long-Term Pool	-9.2%	3.0%	4.2%	5.5%	7.2%	6.5%	6.7%
<i>Long-Term Pool Custom Market Benchmark</i>	<i>-5.0%</i>	<i>4.8%</i>	<i>4.8%</i>	<i>5.4%</i>	<i>6.5%</i>	<i>5.3%</i>	<i>5.4%</i>
Socially Responsive Pool	-6.3%	5.0%	5.4%	6.4%	7.2%	N/A	N/A
<i>SR Pool Custom Market Benchmark</i>	<i>-4.0%</i>	<i>5.4%</i>	<i>5.2%</i>	<i>6.1%</i>	<i>7.5%</i>	<i>N/A</i>	<i>N/A</i>
Mid-Term Pool	-3.6%	4.3%	4.2%	5.1%	N/A		N/A
<i>Mid-Term Pool Custom Market Benchmark</i>	<i>-3.4%</i>	<i>4.4%</i>	<i>4.4%</i>	<i>5.2%</i>	<i>N/A</i>		<i>N/A</i>
* Preliminary Returns - Subject to Change							

Below Benchmark Returns Have Been Rare

Excess Return vs. Market Benchmark/Time
36-Month rolling periods, computed monthly



Performance Compared to Other E&Fs – Ending 3/31/20

Universe	Long-Term Pool Ranking - Ending 3/31/20						
	Calendar YTD	Latest 3 Years	Latest 5 Years	Latest 7 Years	Latest 10 Years	Latest 15 Years	Since 3/31/02
FAOG Community Foundation Quartile	3rd	3rd	2nd	2nd	1st	1st	N/A
InvMetrics Quartile	4th	4th	3rd	2nd	2nd	1st	1st

Views of Market Conditions

- Unusually Wide Range of Economic Outcomes –
 - Markets Reflect Uncertainty

- Markets are More Susceptible to Extreme Volatility –
 - Leverage, Computer Driven Investing, Fewer Fundamental Investors,...

- Exceptionally Difficult Period
 - Health & Economic Concerns plus Isolation

The Foundation's Reaction

- Ensure Portfolio has Sufficient Low Risk Sources of Liquidity
- Portfolio Monitoring - Always Rigorous - Presently More Intense
- Thoughtful, Risk-Aware View of Maintaining Strategy

Investment Process

- Portfolio Strategy and Diversification
 - Always Designed with 100% Certainty of Significant and Unexpected Market Declines

- Colonial Responsible for Day to Day Monitoring
 - Frequent Contact with Managers
 - Frequent Appraisal of Portfolio Exposures vs. Asset Class Targets
 - Continuous Monitoring of Manager/Position Level Performance

- Base Case is 18 to 24+ Month Economic Event – Serves to Ground Analysis and Decisions

Manager Due Diligence – Current Process

- Frequent Check-ins Discuss Opportunity Set & Portfolio
- How are Managers Valuing Businesses?
- Are Managers Maintaining their Composure?
- Pursuing Wish List Managers – Opportunities Beginning to Appear

Investment Manager Reactions

- Investments Always have a Fundamental Value
 - Cash Generated for Shareholders over Time
 - Market Price Reflects this only by Accident

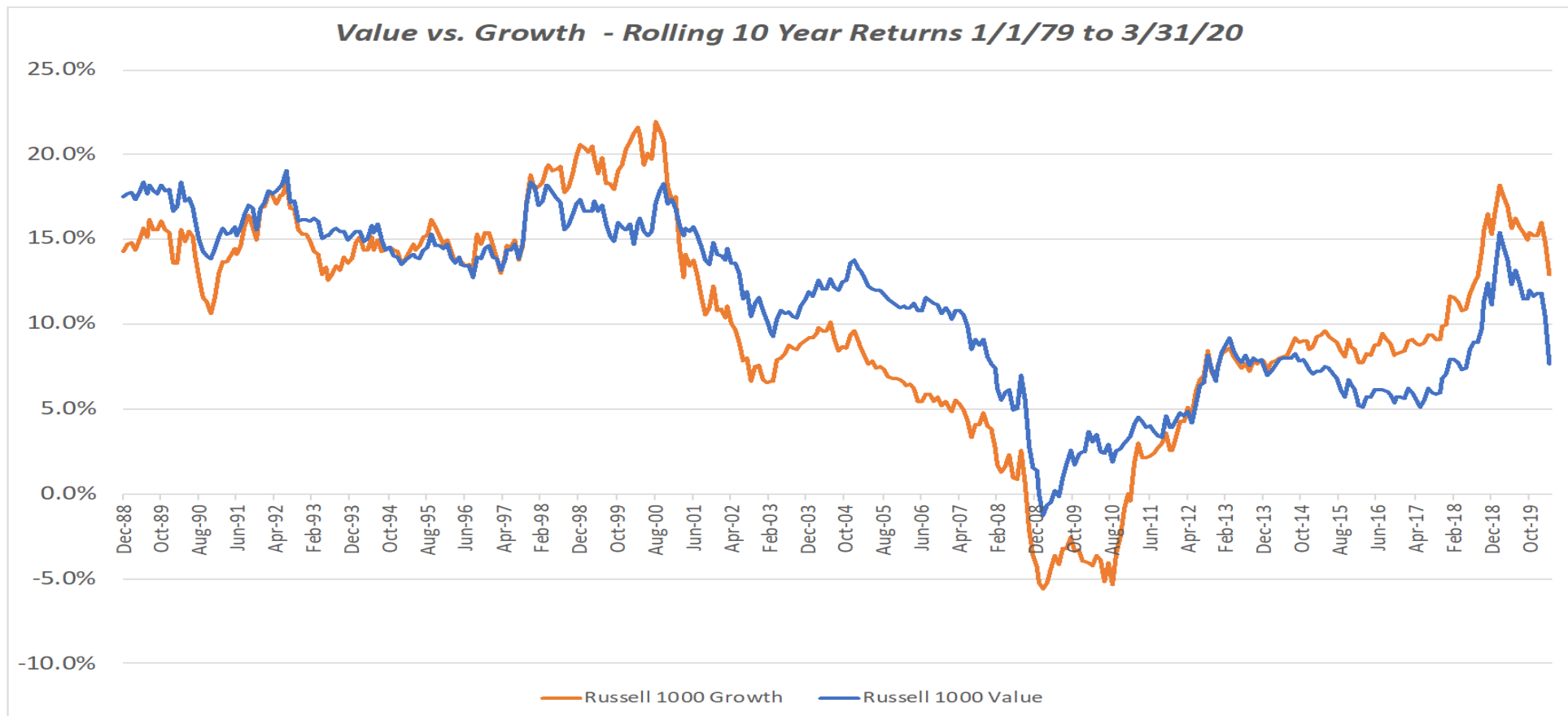
- Update Fundamental Values Given Current Scenario
 - Assume 0% Revenue for 12 Months
 - Can Business Survive? Balance Sheet, Debt Covenants, Impact of Business Interruption
 - Compare to Market Price – In many but not all cases, market prices have dropped 2 to 3x more than fundamental value

- Thoughtfully Adding to Investments with Extraordinary Upside and Limited Long-Term Risk

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%

Difficult Days for Value Investors - Historic Perspective



- Value has out-performed 60% of the rolling ten-year periods
- The standard deviation of 10 returns is 4.9% versus 6.2% for the growth index
- In 7.2% of the rolling ten-year periods, growth stocks produced a negative return. For value stocks this was 1.1% of the time.

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

Long-Term Strategy

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