
The Vermont Community Foundation

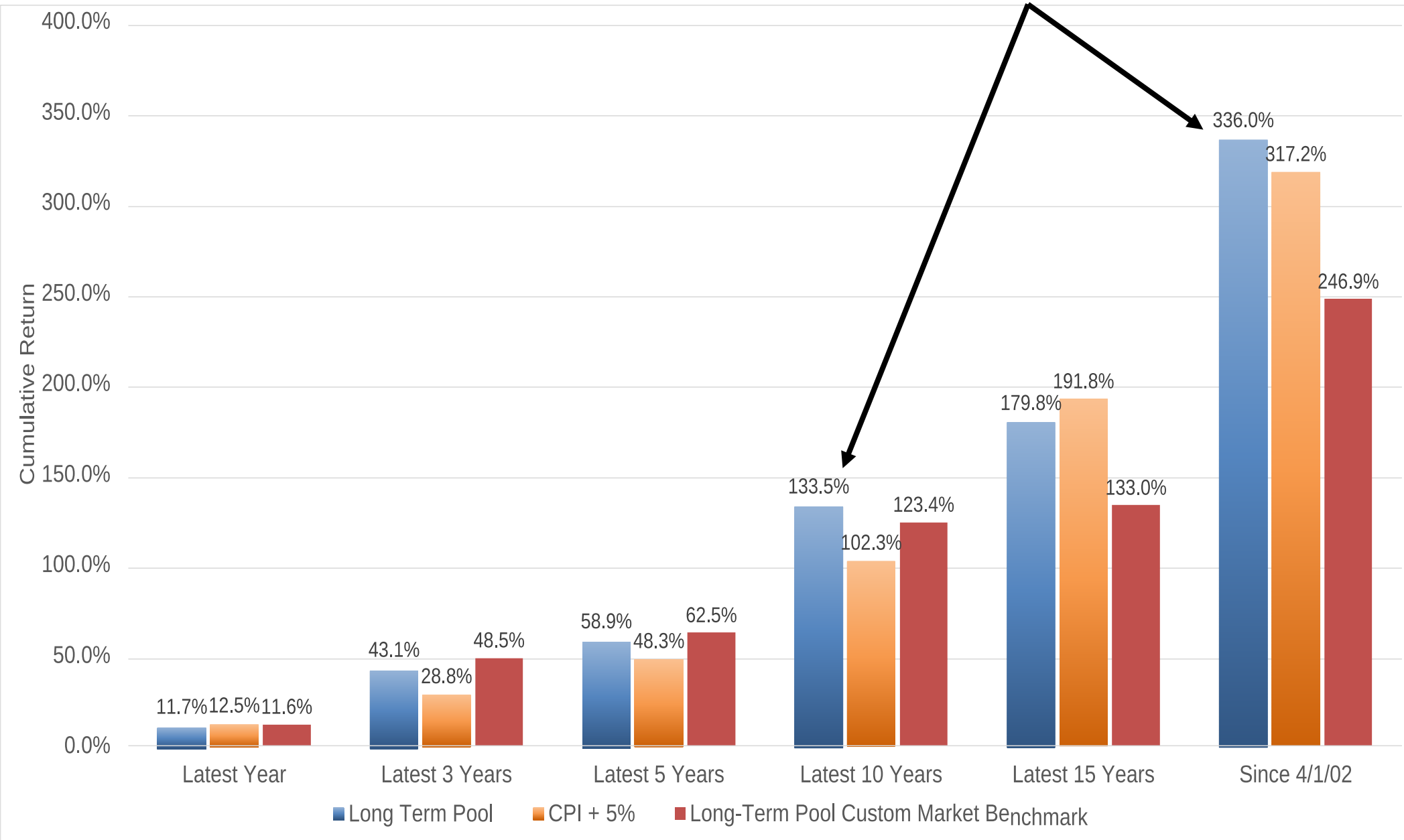
Investment Strategy/Performance Update

February 14, 2022

Annualized Investment Results

Performance Ending 12/31/21 (Net Of Investment Management Fees)	Latest Year	Latest 3 Years	Latest 5 Years	Latest 10 Years	Latest 15 Years	Since 4/1/02
Long-Term Pool	11.7%	12.7%	9.7%	8.9%	7.1%	7.7%
Long-Term Pool Custom Market Benchmark	11.6%	14.1%	10.2%	8.4%	5.8%	6.5%
CPI + 5%	12.5%	8.8%	8.2%	7.3%	7.4%	7.5%
Socially Responsible Pool	11.7%	14.6%	10.9%	9.4%	6.4%	N/A
SR Pool Custom Market Benchmark	10.8%	14.5%	11.1%	9.0%	6.3%	N/A
Mid-Term Pool	8.0%	11.2%	8.2%	N/A	N/A	N/A
Mid-Term Pool Custom Market Benchmark	8.6%	12.1%	8.6%	N/A	N/A	N/A

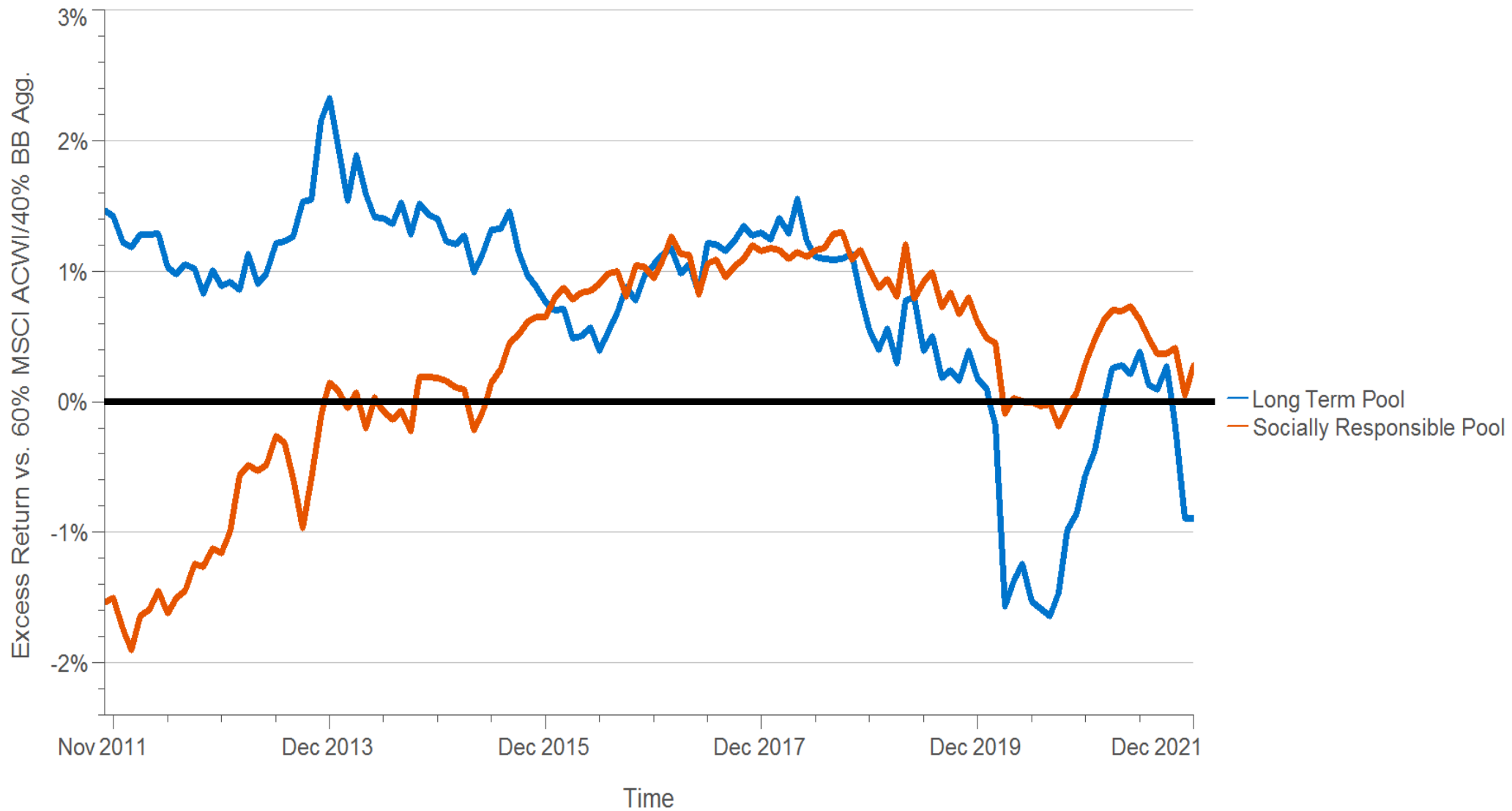
Cumulative Returns – Above Benchmark Outcome Critical



Performance is Cyclical

Excess Return vs. 60% MSCI ACWI/40% BB Agg. / Time

December 2006 - December 2021 (60-Month Moving Windows, Computed Monthly)



The Community Foundation's Approach

- Establish a Strategic Asset Allocation That is Expected to Achieve the Foundation's Long Term Return Objectives (Preserve Foundation Purchasing Power Over Twenty Year+ Periods)
- No Attempt Made to Market Time or Change Strategy Based on Near Term Outlook – Does Not Preclude Opportunistic Allocations Whose Outcome is Not Driven by Timing
- Diversify Portfolio by Asset Class and Strategy. Increases the Likelihood of Achieving Return Objectives Under Different Economic/Market Conditions

Strategic Asset Mix

Asset Class Exposures (% of Total Portfolio)	Long Term Pool	Socially Responsible 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	12.0	17.0	0.0
Special Opportunities	13.5	0.0	0.0
Total Equity	58.5%	60.0%	47.5%
US Aggregate Bonds	8.5	19.0	23.8
Treasury Inflation Protected Securities	4.2	5.0	9.5
US High Yield Bonds	2.0	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	19.5%	30.0%	47.5%
Hedge Funds	7.0	0.0	0.0
Private Assets	10.0	5.0	0.0
Total Alternatives	17.0%	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

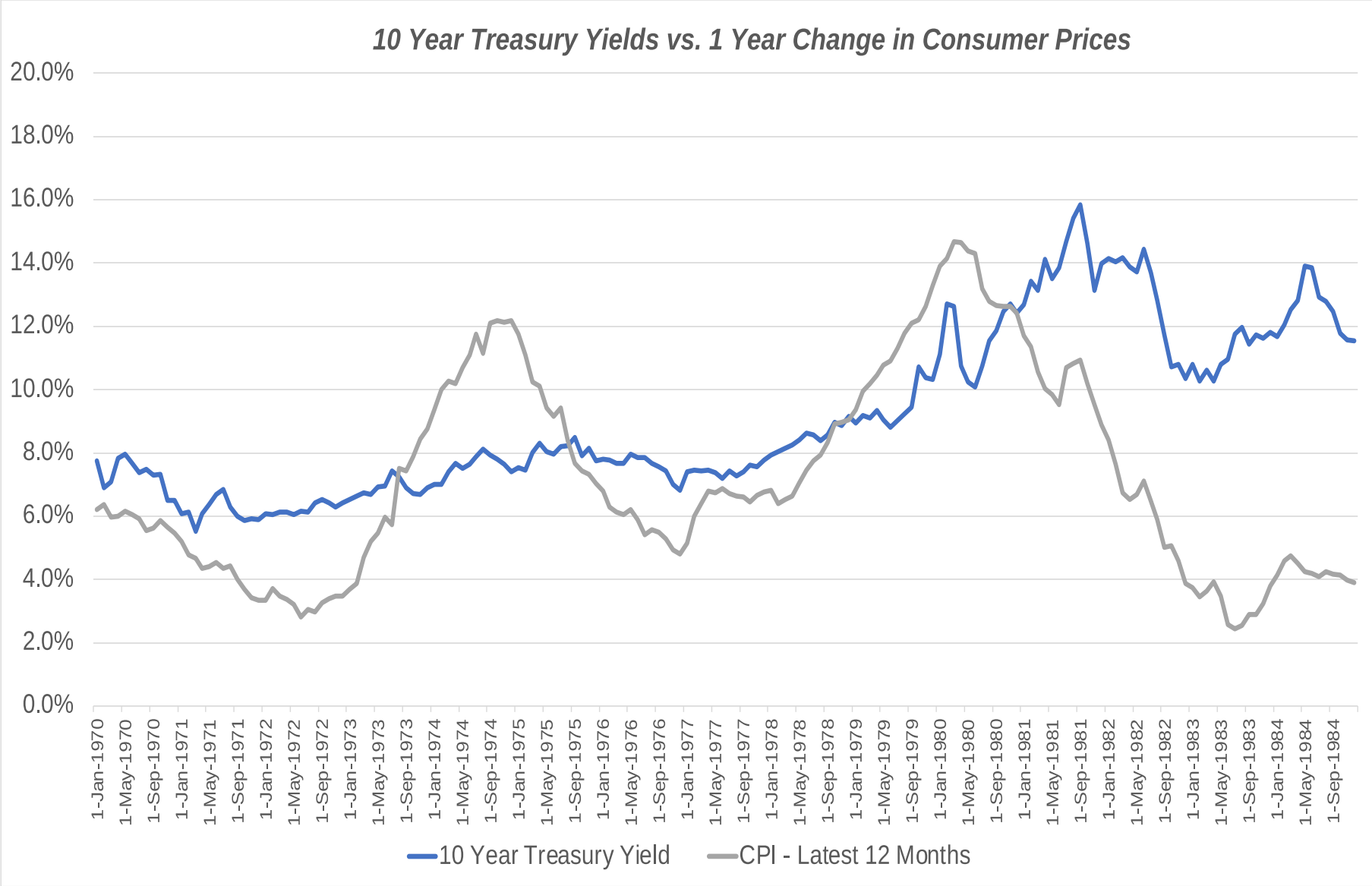
- Prime broker exposure
- Counter party risk
- Financing/borrowing terms
- Client concentration risk
- Back office staffing & infrastructure
- Compliance procedures
- Trading systems
- Valuation procedures
- Disaster Recovery

A Slow Moving Crash

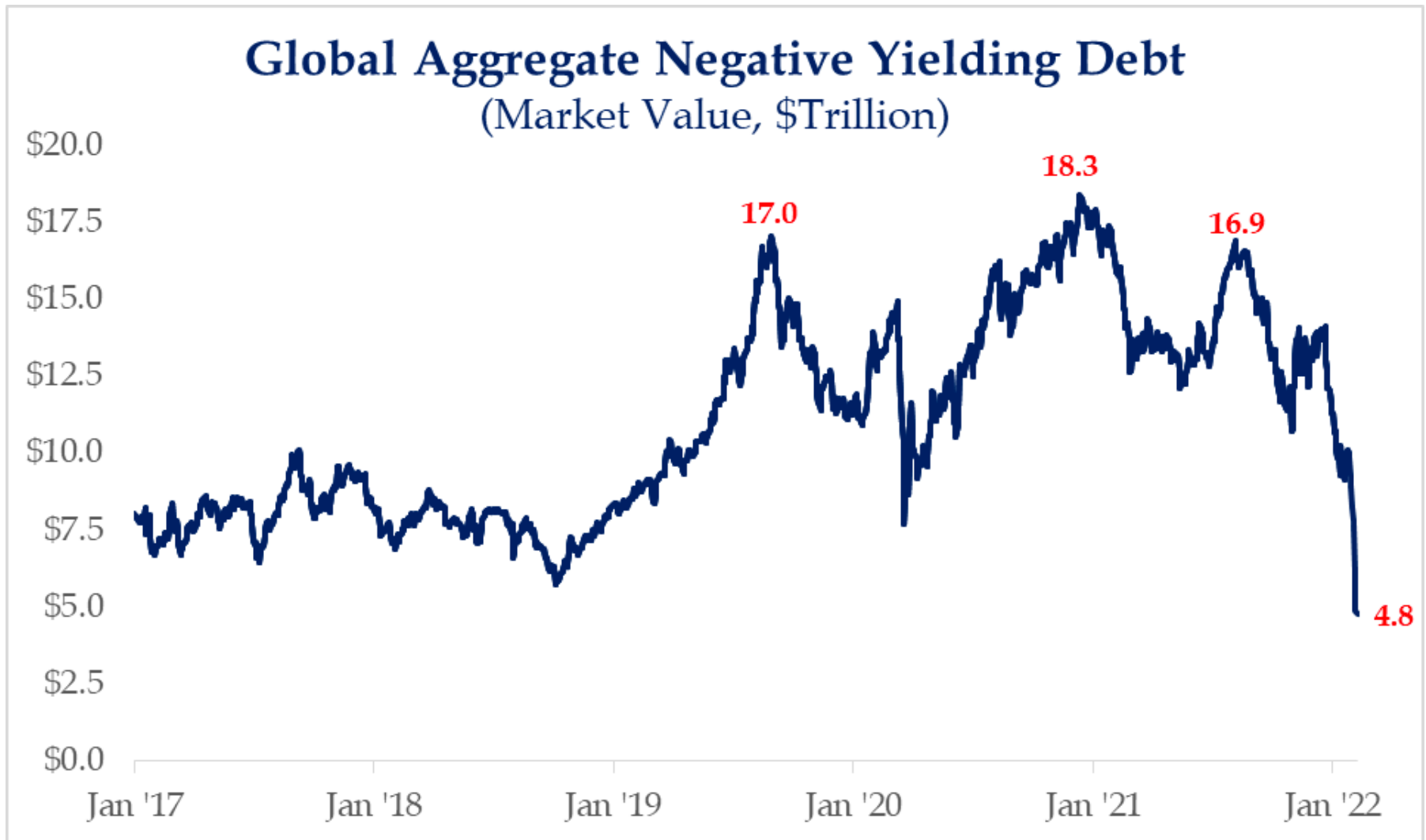
The Worst Risk for Philanthropic Capital

- Rising – Higher Sustained Inflation?
- Low Interest Rates and Very Expensive Equity Index Prices
- Huge Trap Set for Those Who Ignore Price
- Market Speculation Was Frightening – Now Receding

Interest Rates & Inflation



Conditions Have Begun to Change



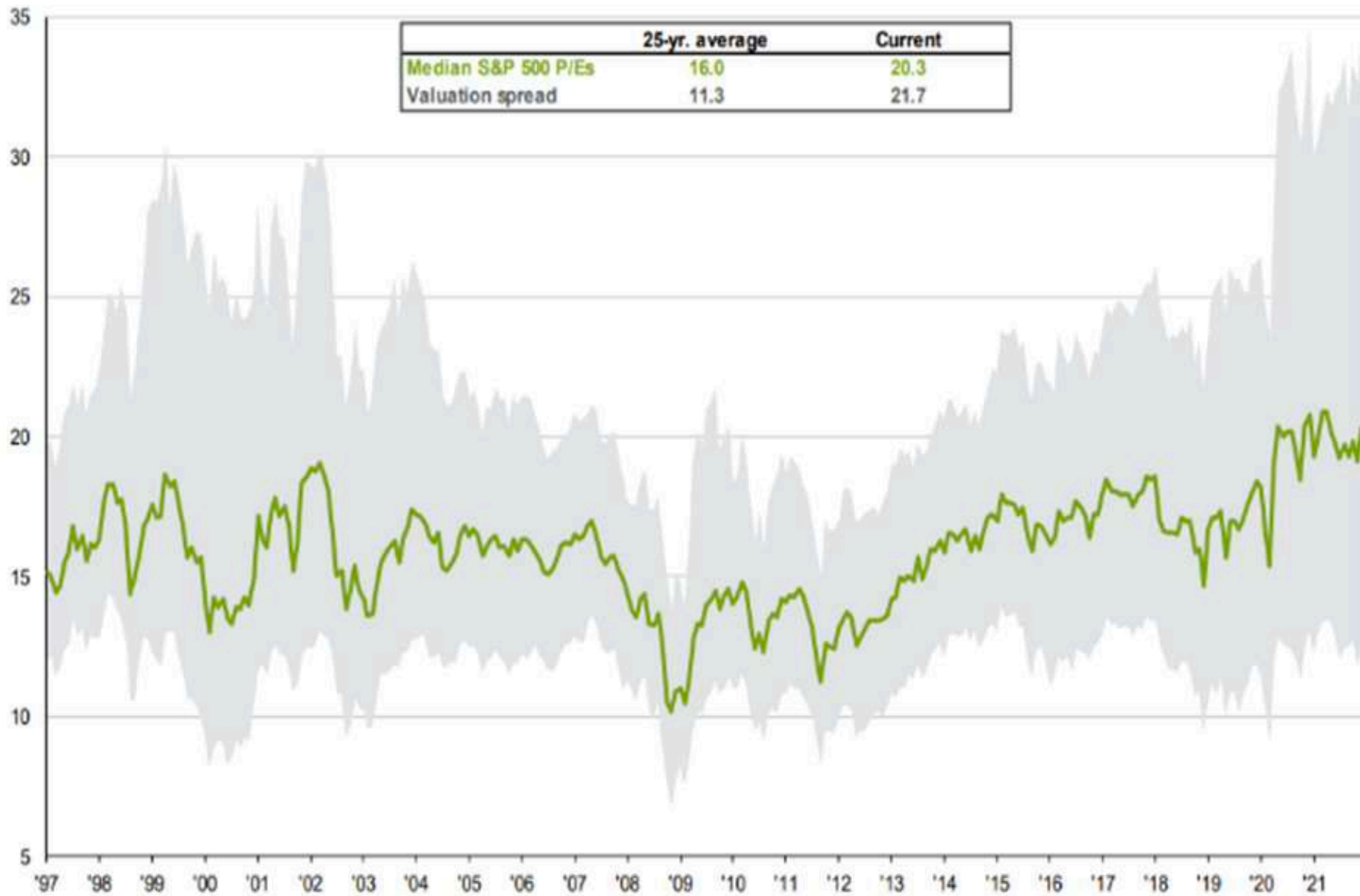
Source: Strategas Research Partners

The S&P 500 is Priced Very Optimistically

S&P 500 - Nominal Returns

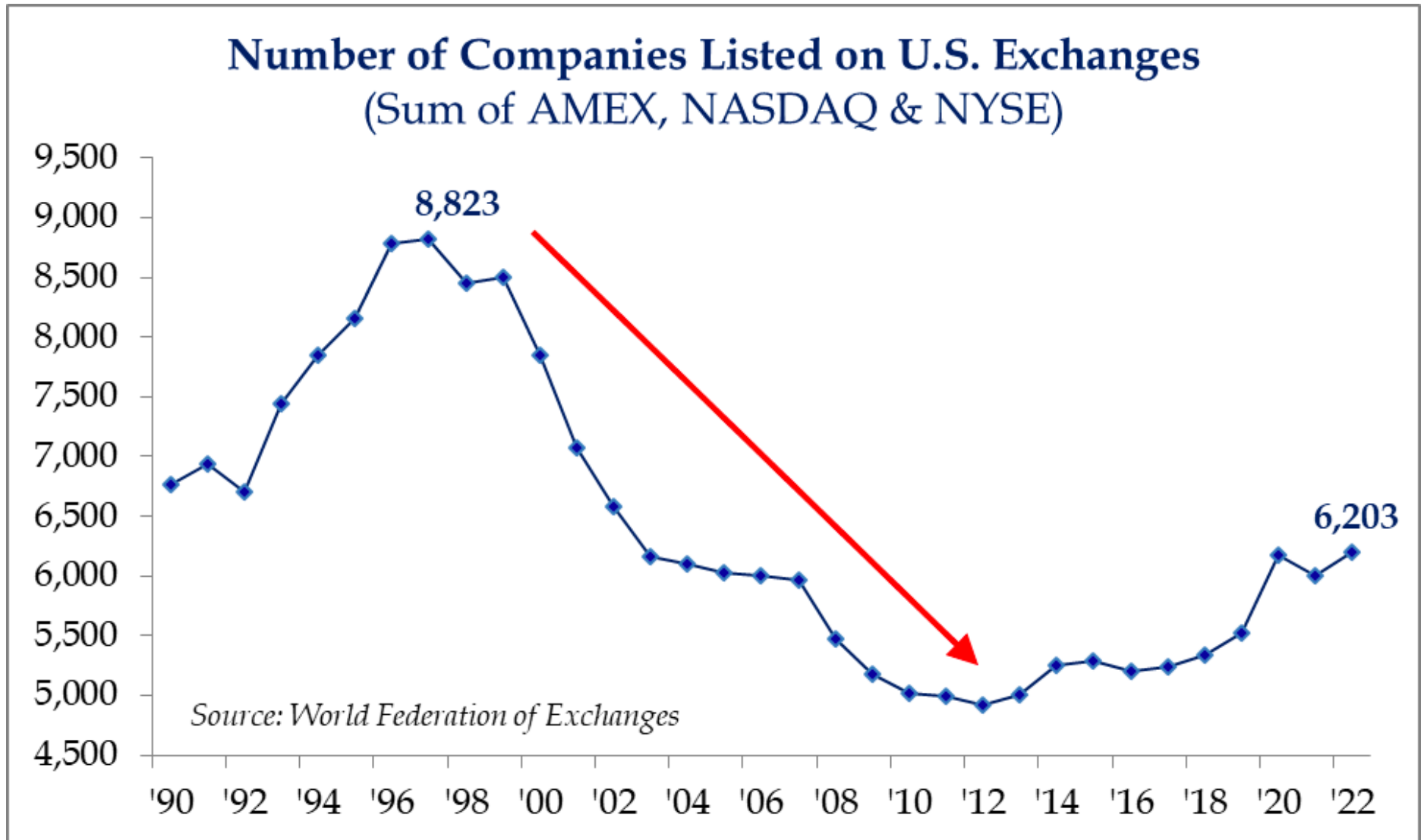
Starting Shiller P/E Range	Number of Observations	Subsequent 10-Year Annualized Total Return (NOMINAL)		
		Max	Min	Median
40.1 - 45	21	-0.2	-3.4	-0.9
35.1 - 40	13	4.7	-1.4	2.6
30.1 - 35	23	7.1	-4.0	3.3
25.1 - 30	81	9.0	-3.4	7.5
20.1 - 25	228	16.2	-2.6	7.0
15.1 - 20	515	19.5	-0.4	8.1
10.1 - 15	465	19.8	2.6	11.9
4.8 - 10	226	21.2	-0.3	15.1

There is Good News



Source: J.P. Morgan Asset Management. Data reflects valuation dispersion between the 20th and 80th Percentiles of S&P 500 stocks. Data as of December 31, 2021.

More Good News



The Foundation's Game Plan

- Overcome headwinds with a properly diversified portfolio oriented to long-term outcomes
- Recognize the ultimate importance of price/valuation and contrarian thinking
- Capitalize on access to top investors around the globe and the exceptional value of different perspectives.

Strategy Looking Forward

- Strict adherence to a strategy that relies on decisions with a high probability of long-term success – time is on our side
- Utilize advantages of scale, stability and time horizon to access atypical investments – strong proponents of index funds balanced with compelling managers
- Over long time periods, intelligently accepting volatility contributes to higher returns

Crewcial Partners Profile

Location: New York, NY

Staff Size: 71

Number of Clients: >120

Founded: 1980

100% Employee Owned

Client Assets: \$ 38 Billion

Representative Client List:

The San Francisco Foundation

The Philadelphia Foundation

The Milwaukee Foundation

Marin Community Foundation

Lasker Foundation

New Haven Foundation