The Vermont Community Foundation

Investment Strategy/Performance Update

May 17, 2022
# Annualized Investment Results

<table>
<thead>
<tr>
<th>Performance Ending 3/31/22 (Net Of Investment Management Fees)</th>
<th>Calendar YTD</th>
<th>Latest 3 Years</th>
<th>Latest 5 Years</th>
<th>Latest 10 Years</th>
<th>Latest 15 Years</th>
<th>Since 4/1/02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-Term Pool</td>
<td>-5.8%</td>
<td>8.2%</td>
<td>7.6%</td>
<td>7.5%</td>
<td>6.5%</td>
<td>7.4%</td>
</tr>
<tr>
<td>Long-Term Pool Custom Market Benchmark</td>
<td>-4.4%</td>
<td>9.7%</td>
<td>8.4%</td>
<td>7.2%</td>
<td>5.4%</td>
<td>6.2%</td>
</tr>
<tr>
<td>CPI + 5%</td>
<td>3.9%</td>
<td>9.5%</td>
<td>8.7%</td>
<td>7.5%</td>
<td>7.5%</td>
<td>7.6%</td>
</tr>
<tr>
<td>Socially Responsible Pool</td>
<td>-5.0%</td>
<td>10.0%</td>
<td>8.8%</td>
<td>8.2%</td>
<td>5.9%</td>
<td>N/A</td>
</tr>
<tr>
<td>SR Pool Custom Market Benchmark</td>
<td>-4.9%</td>
<td>9.7%</td>
<td>8.6%</td>
<td>7.7%</td>
<td>5.8%</td>
<td>N/A</td>
</tr>
<tr>
<td>Mid-Term Pool</td>
<td>-3.7%</td>
<td>7.7%</td>
<td>6.8%</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Mid-Term Pool Custom Market Benchmark</td>
<td>-4.7%</td>
<td>7.8%</td>
<td>7.1%</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Above Benchmark Outcomes Can Be Critical
Performance is Cyclical

Excess Return vs. 60% MSCI ACWI/40% BB Agg. / Time
December 2006 - March 2022 (12-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

<table>
<thead>
<tr>
<th>Asset Class Exposures (% of Total Portfolio)</th>
<th>Prior Long-Term Pool Strategic Mix</th>
<th>Long-Term Pool Mix</th>
<th>Prior Socially Responsible Pool Strategic Mix</th>
<th>Socially Responsible Pool Mix</th>
<th>Mid-Term Pool Strategic Mix</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Large/Mid Cap Equity</td>
<td>11.0</td>
<td>11.0</td>
<td>19.0</td>
<td>19.0</td>
<td>19.0</td>
</tr>
<tr>
<td>US Small Cap Equity</td>
<td>5.5</td>
<td>6.5</td>
<td>5.0</td>
<td>5.0</td>
<td>4.8</td>
</tr>
<tr>
<td>Non-US Developed Equity</td>
<td>11.0</td>
<td>11.0</td>
<td>19.0</td>
<td>22.0</td>
<td>17.0</td>
</tr>
<tr>
<td>Non-US Emerging Equity</td>
<td>5.5</td>
<td>6.0</td>
<td>5.0</td>
<td>6.0</td>
<td>6.8</td>
</tr>
<tr>
<td>Global Equity</td>
<td>12.0</td>
<td>12.0</td>
<td>12.0</td>
<td>12.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Special Opportunities</td>
<td>13.5</td>
<td>14.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td><strong>58.5%</strong></td>
<td><strong>60.5%</strong></td>
<td><strong>60.0%</strong></td>
<td><strong>64.0%</strong></td>
<td><strong>47.5%</strong></td>
</tr>
<tr>
<td>US Aggregate Bonds</td>
<td>8.5</td>
<td>8.5</td>
<td>24.0</td>
<td>18.0</td>
<td>23.8</td>
</tr>
<tr>
<td>Treasury Inflation Protected Securities</td>
<td>4.3</td>
<td>4.3</td>
<td>0.0</td>
<td>0.0</td>
<td>9.5</td>
</tr>
<tr>
<td>US High Yield Bonds</td>
<td>2.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>4.8</td>
</tr>
<tr>
<td>Global Bonds</td>
<td>4.8</td>
<td>4.8</td>
<td>6.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Cash/Short Term Bonds</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>6.0</td>
<td>9.5</td>
</tr>
<tr>
<td><strong>Total Fixed Income</strong></td>
<td><strong>19.5%</strong></td>
<td><strong>17.5%</strong></td>
<td><strong>30.0%</strong></td>
<td><strong>24.0%</strong></td>
<td><strong>47.5%</strong></td>
</tr>
<tr>
<td>Hedge Funds</td>
<td>7.0</td>
<td>5.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Private Assets</td>
<td>10.0</td>
<td>12.0</td>
<td>5.0</td>
<td>7.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total Alternatives</strong></td>
<td><strong>17.0%</strong></td>
<td><strong>17.0%</strong></td>
<td><strong>5.0%</strong></td>
<td><strong>7.0%</strong></td>
<td><strong>0.0%</strong></td>
</tr>
<tr>
<td>Vermont Investments</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0%</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
</tbody>
</table>
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 vs. Short Term Anxiety

- Rising – Higher Sustained Inflation?
- Low Interest Rates and Very Expensive Equity Index Prices
- Huge Trap Set for Those Who Ignore Price
Risks of Higher Concentration

Combined Weight of 5 Largest S&P 500 Weights

Source: Strategas Research Partners
The Problem is Not Universal

Russell 3000 Growth vs. Value: Percentage of Index Represented By Ten Largest Companies

Source: Strategas Research Partners
# The Top 5 Names Are Priced Very Optimistically*  

<table>
<thead>
<tr>
<th>Company</th>
<th>Market Cap</th>
<th>P/E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apple</td>
<td>$2.6 Trillion</td>
<td>25.7x</td>
</tr>
<tr>
<td>Microsoft</td>
<td>$2.1 Trillion</td>
<td>29.0x</td>
</tr>
<tr>
<td>Alphabet</td>
<td>$1.5 Trillion</td>
<td>20.8x</td>
</tr>
<tr>
<td>Amazon</td>
<td>$1.3 Trillion</td>
<td>59.6x</td>
</tr>
<tr>
<td>Tesla</td>
<td>$0.9 Trillion</td>
<td>117.7x</td>
</tr>
</tbody>
</table>

* Information as of 4/29/22
Competition From Fixed Income?

% of S&P 500 Stocks with Dividend Yields Greater than the 10-Year U.S. Treasury Yield

Source: Strategas Research Partners as of 4/29/22
Interest Rates & Inflation

10 Year Treasury Yields vs. 1 Year Change in Consumer Prices
A Long Way Down

Historic Shiller Ratio Through April 29, 2022

Source: Robert Shiller & www.multpl.com
A Lot of Optimistic Pricing Still Around

Russell 3000: Percent of Index with Price to Sales Ratios > 10X

Source: Strategas Research Partners as of 5/13/22
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: 69
Number of Clients: >120

Founded: 1980
100% Employee Owned
Client Assets: $34 Billion

Representative Client List:
The San Francisco Foundation
The Philadelphia Foundation
Greater Milwaukee Foundation

Marin Community Foundation
Lasker Foundation
New Haven Foundation