The Vermont Community Foundation

Investment Strategy/Performance Update

August 17, 2023
## Annualized Investment Results

<table>
<thead>
<tr>
<th>Performance Ending 6/30/23 (Net Of Investment Management Fees)</th>
<th>Calendar Year to Date</th>
<th>Latest Year</th>
<th>Latest 3 Years</th>
<th>Latest 5 Years</th>
<th>Latest 10 Years</th>
<th>Latest 20 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-Term Pool</td>
<td>7.8%</td>
<td>9.1%</td>
<td>7.3%</td>
<td>4.6%</td>
<td>6.3%</td>
<td>7.2%</td>
</tr>
<tr>
<td>Long-Term Pool Custom Market Benchmark</td>
<td>8.9%</td>
<td>10.3%</td>
<td>6.9%</td>
<td>5.7%</td>
<td>6.2%</td>
<td>6.3%</td>
</tr>
<tr>
<td>CPI + 5%</td>
<td>4.1%</td>
<td>8.1%</td>
<td>10.9%</td>
<td>9.0%</td>
<td>7.7%</td>
<td>7.6%</td>
</tr>
<tr>
<td>Socially Responsible Pool</td>
<td>9.6%</td>
<td>11.7%</td>
<td>7.2%</td>
<td>6.0%</td>
<td>7.1%</td>
<td>N/A</td>
</tr>
<tr>
<td>SR Pool Custom Market Benchmark</td>
<td>9.0%</td>
<td>11.1%</td>
<td>6.8%</td>
<td>6.1%</td>
<td>6.7%</td>
<td>N/A</td>
</tr>
<tr>
<td>Mid-Term Pool</td>
<td>6.6%</td>
<td>6.9%</td>
<td>4.5%</td>
<td>4.5%</td>
<td>5.3%</td>
<td>N/A</td>
</tr>
<tr>
<td>Mid-Term Pool Custom Market Benchmark</td>
<td>7.1%</td>
<td>8.3%</td>
<td>4.5%</td>
<td>4.5%</td>
<td>5.4%</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Decisions Focused on Long-Term Outcomes
Socially Responsible Returns Relative to Policy Benchmark – 6/30/10 to 6/30/23

<table>
<thead>
<tr>
<th>Key Stats - Socially Responsible Pool</th>
<th>Rolling 3 Year</th>
<th>Rolling 5 Year</th>
<th>Rolling 7 Year</th>
<th>Rolling 10 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Batting Average</td>
<td>71.1%</td>
<td>81.4%</td>
<td>90.4%</td>
<td>89.2%</td>
</tr>
<tr>
<td>Median Outcome</td>
<td>1.0%</td>
<td>2.8%</td>
<td>4.3%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Best Outcome</td>
<td>4.8%</td>
<td>6.7%</td>
<td>9.9%</td>
<td>9.6%</td>
</tr>
<tr>
<td>Worst Outcome</td>
<td>-5.9%</td>
<td>-5.4%</td>
<td>-2.6%</td>
<td>-4.8%</td>
</tr>
</tbody>
</table>

➢ Very High Batting Average – Not Perfect Though!

➢ Median Value Added is Meaningful

➢ Generally Strong Best/Worst Case Outcomes
## High Batting Average & Positive Skew

### Long–Term Pool Returns Relative to Policy Benchmark

3/31/02 to 6/30/23

<table>
<thead>
<tr>
<th>Key Stats - Long Term Pool</th>
<th>Rolling 3 Year</th>
<th>Rolling 5 Year</th>
<th>Rolling 7 Year</th>
<th>Rolling 10 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Batting Average</td>
<td>82.3%</td>
<td>83.2%</td>
<td>88.4%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Median Outcome</td>
<td>5.2%</td>
<td>10.4%</td>
<td>18.1%</td>
<td>30.6%</td>
</tr>
<tr>
<td>Best Outcome</td>
<td>10.6%</td>
<td>19.8%</td>
<td>24.6%</td>
<td>39.2%</td>
</tr>
<tr>
<td>Worst Outcome</td>
<td>-7.1%</td>
<td>-6.5%</td>
<td>-2.7%</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

- Very High Batting Average – Not Perfect Though!
- Median Value Added is Meaningful
- Very Strong Best/Worst Case Outcomes
Balance & Focus on Long-Term Outcomes

Philanthropic Impact - Hypothetical $1 Million in VCF Long-Term Pool
3/31/2002 to 6/30/2023
Even Long-Term Investors Must Worry About Volatility
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>Long-Term Pool 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>19.0</td>
<td>19.0</td>
</tr>
<tr>
<td>US Small Cap Equity</td>
<td>6.5</td>
<td>5.0</td>
<td>4.8</td>
</tr>
<tr>
<td>Non-US Developed Equity</td>
<td>11.0</td>
<td>22.0</td>
<td>17.0</td>
</tr>
<tr>
<td>Non-US Emerging Equity</td>
<td>6.0</td>
<td>6.0</td>
<td>6.8</td>
</tr>
<tr>
<td>Global Equity</td>
<td>12.0</td>
<td>12.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Special Opportunities</td>
<td>14.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td><strong>60.5%</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>18.0</td>
<td>23.8</td>
</tr>
<tr>
<td>Treasury Inflation Protected Securities</td>
<td>4.3</td>
<td>0.0</td>
<td>9.5</td>
</tr>
<tr>
<td>US High Yield Bonds</td>
<td>0.0</td>
<td>0.0</td>
<td>4.8</td>
</tr>
<tr>
<td>Global Bonds</td>
<td>4.8</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Cash/Short Term Bonds</td>
<td>0.0</td>
<td>6.0</td>
<td>9.5</td>
</tr>
<tr>
<td><strong>Total Fixed Income</strong></td>
<td><strong>17.5%</strong></td>
<td><strong>24.0%</strong></td>
<td><strong>47.5%</strong></td>
</tr>
<tr>
<td>Hedge Funds</td>
<td>5.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Private Assets</td>
<td>12.0</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>7.0%</strong></td>
<td><strong>0.0%</strong></td>
</tr>
<tr>
<td><strong>Vermont Investments</strong></td>
<td><strong>5.0%</strong></td>
<td><strong>5.0%</strong></td>
<td><strong>5.0%</strong></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
We Live in a New World

➢ Higher Inflation = Higher Cost and Competition for Capital

➢ Capital Scarcity is GAME CHANGING

➢ Capitalization Weighted Indices (S&P 500) are Increasingly Concentrated
Yields Are Not That High

Source: Strategas Research Partners
A Key Driver of Past and Future Returns

Federal Reserve Assets ($Bn)

CAGR = ‘94−’07: 5.6%  CAGR = ‘07−‘22: 16.3%

Source: Strategas Research Partners
There is No Law that Business Quality and Stock Prices are Correlated!

This is not Sustainable

Source: Strategas Research Partners
Not a Universal Problem

Russell 2000 vs. Apple
Market Cap ($Mn)

Source: Strategas Research Partners
An Unfamiliar Force – Capital Scarcity

US Companies Grouped By Year Of Initial Seed >=$1M, That Raised Post-Seed Funding

- No post-seed funding
- Post-seed funding

crunchbase
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: 66
Number of Clients: 115

Founded: 1980
100% Employee Owned
Client Assets: $28 Billion

Representative Client List:

The San Francisco Foundation
The Philadelphia Foundation
Central NY Community Fdn

Marin Community Foundation
Lasker Foundation