
The Vermont Community Foundation

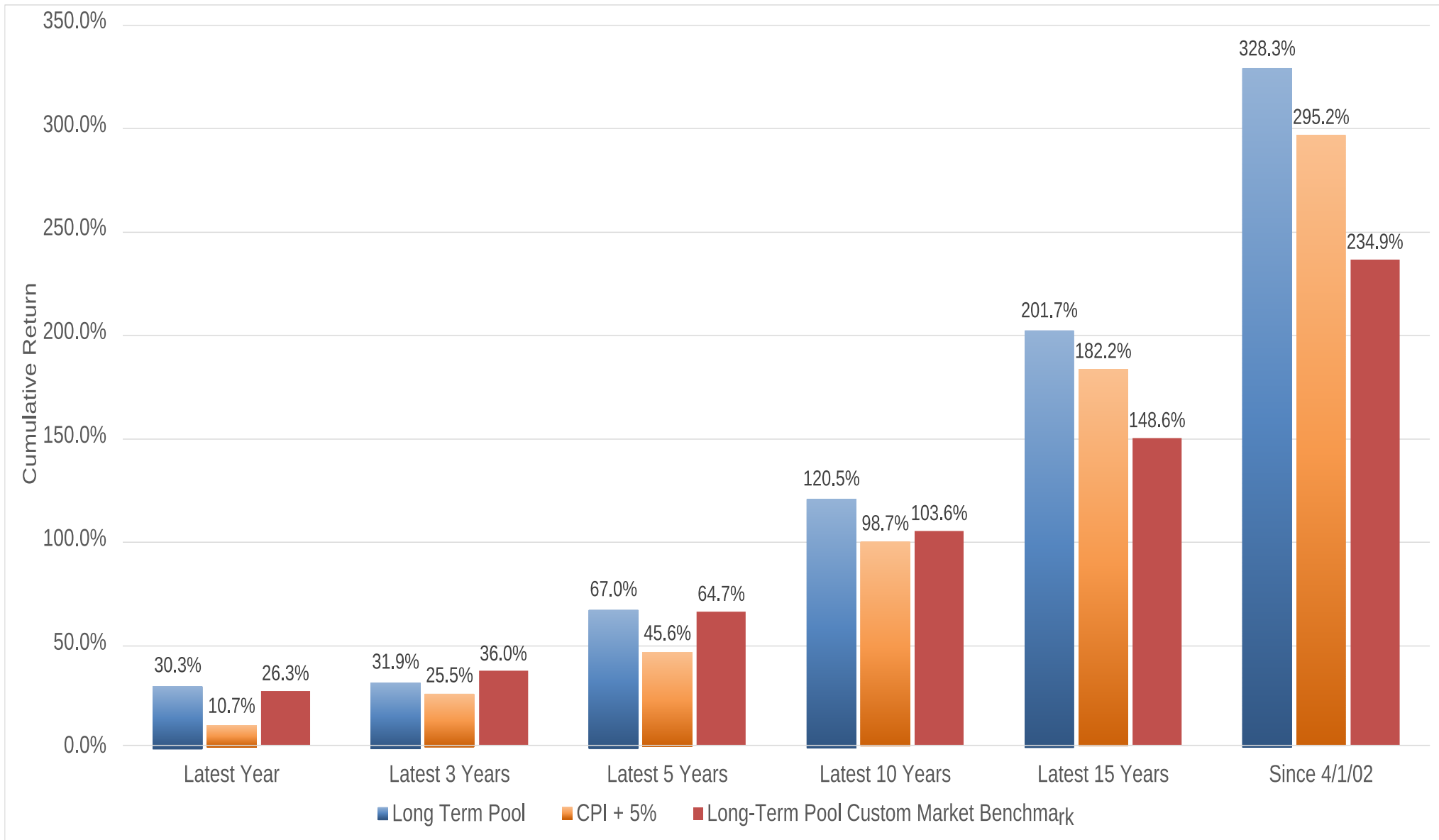
Investment Strategy/Performance Update

September 9, 2021

Annualized Investment Results

Performance Ending 6/30/21 (Net Of Investment Management Fees)	Calendar Year to Date	Latest Year	Latest 3 Years	Latest 5 Years	Latest 10 Years	Latest 15 Years	Since 4/1/02
Long-Term Pool	9.6%	30.3%	9.7%	10.8%	8.2%	7.6%	7.9%
<i>Long-Term Pool Custom Market Benchmark</i>	8.2%	26.3%	10.8%	10.5%	7.4%	6.3%	6.5%
CPI + 5%	6.3%	10.7%	7.9%	7.8%	7.1%	7.2%	7.4%
Socially Responsible Pool	8.8%	28.0%	11.6%	11.1%	8.6%	N/A	N/A
<i>SR Pool Custom Market Benchmark</i>	6.6%	24.0%	10.9%	10.5%	8.1%	N/A	N/A
Mid-Term Pool	6.1%	19.7%	9.4%	8.4%	N/A	N/A	N/A
<i>Mid-Term Pool Custom Market Benchmark</i>	5.9%	19.8%	9.5%	8.9%	N/A	N/A	N/A

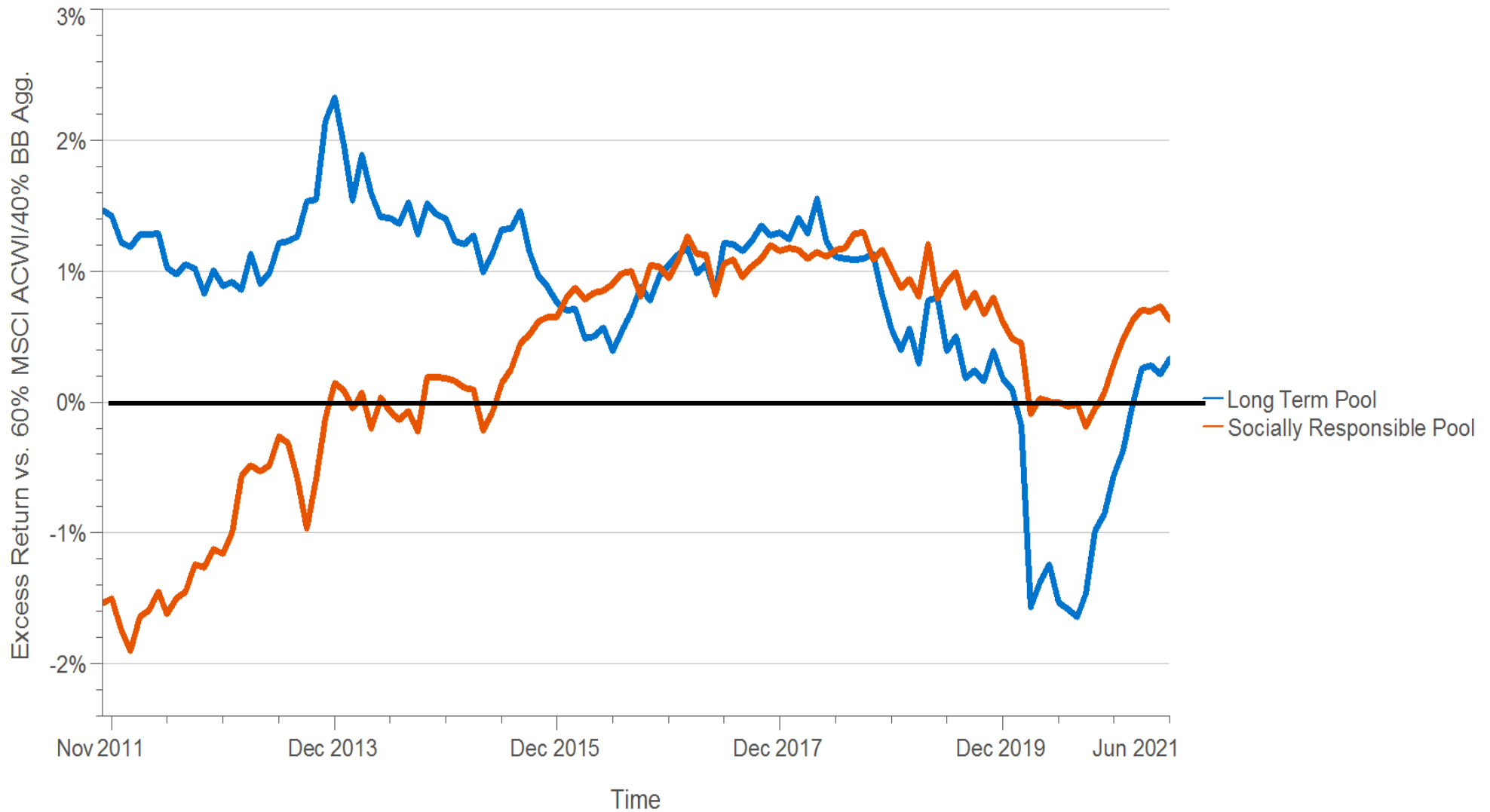
Cumulative Returns – Above Benchmark Outcome Critical



Performance is Cyclical

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

December 2006 - June 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
<i>Total Equity</i>	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
<i>Total Fixed Income</i>	19.5%	30.0%	47.5%
Hedge Funds	7.0	0.0	0.0
Private Assets	10.0	5.0	0.0
<i>Total Alternatives</i>	17.0%	5.0%	0.0%
<i>Vermont Investments</i>	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

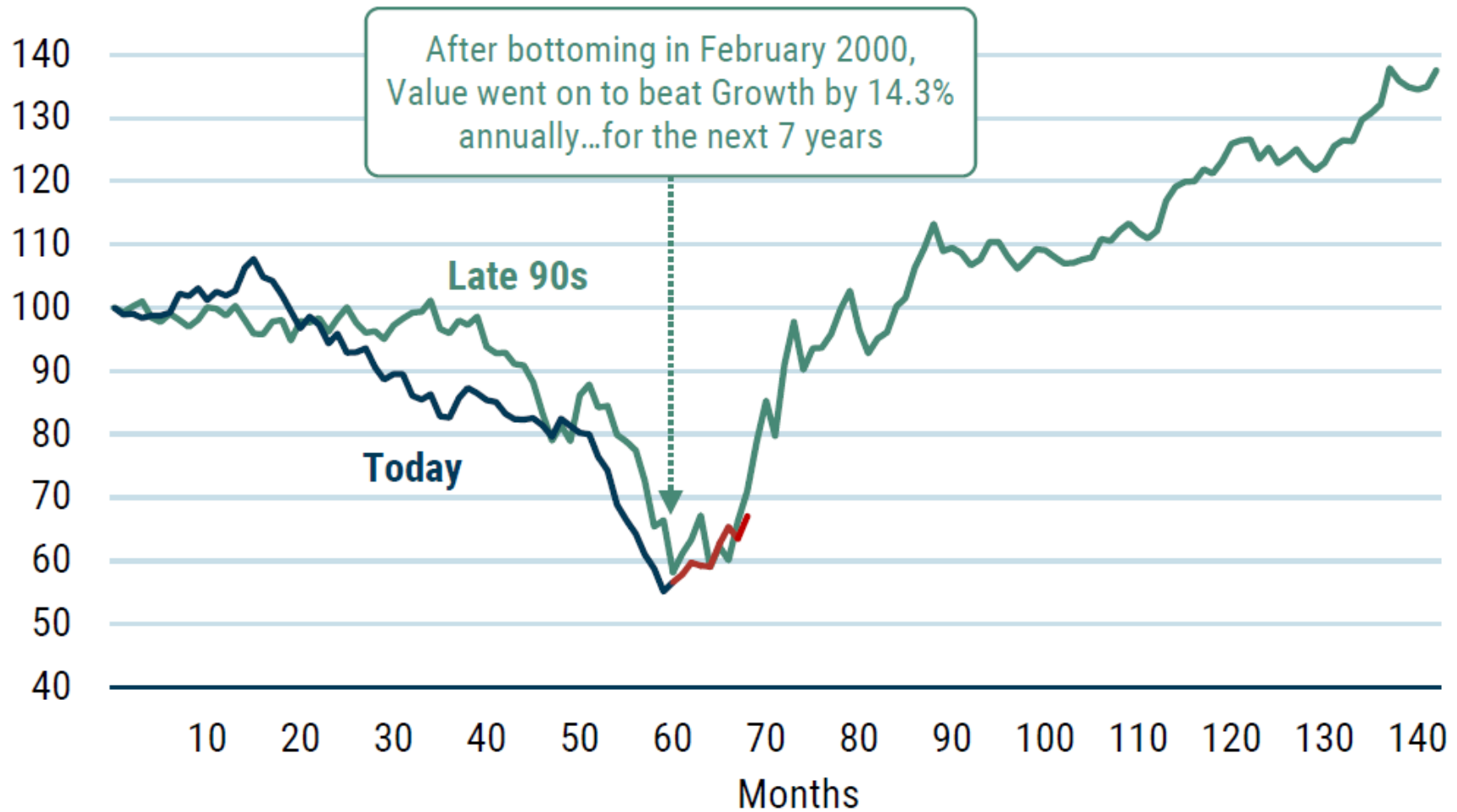
- Prime broker exposure
- Counter party risk
- Financing/borrowing terms
- Client concentration risk
- Back office staffing & infrastructure
- Compliance procedures
- Trading systems
- Valuation procedures
- Disaster Recovery

Key Issues Today

- Markets Offering Extraordinary Opportunities for Patient Capital
- Huge Trap Set for Those Who Ignore Price
- Market Speculation is Frightening

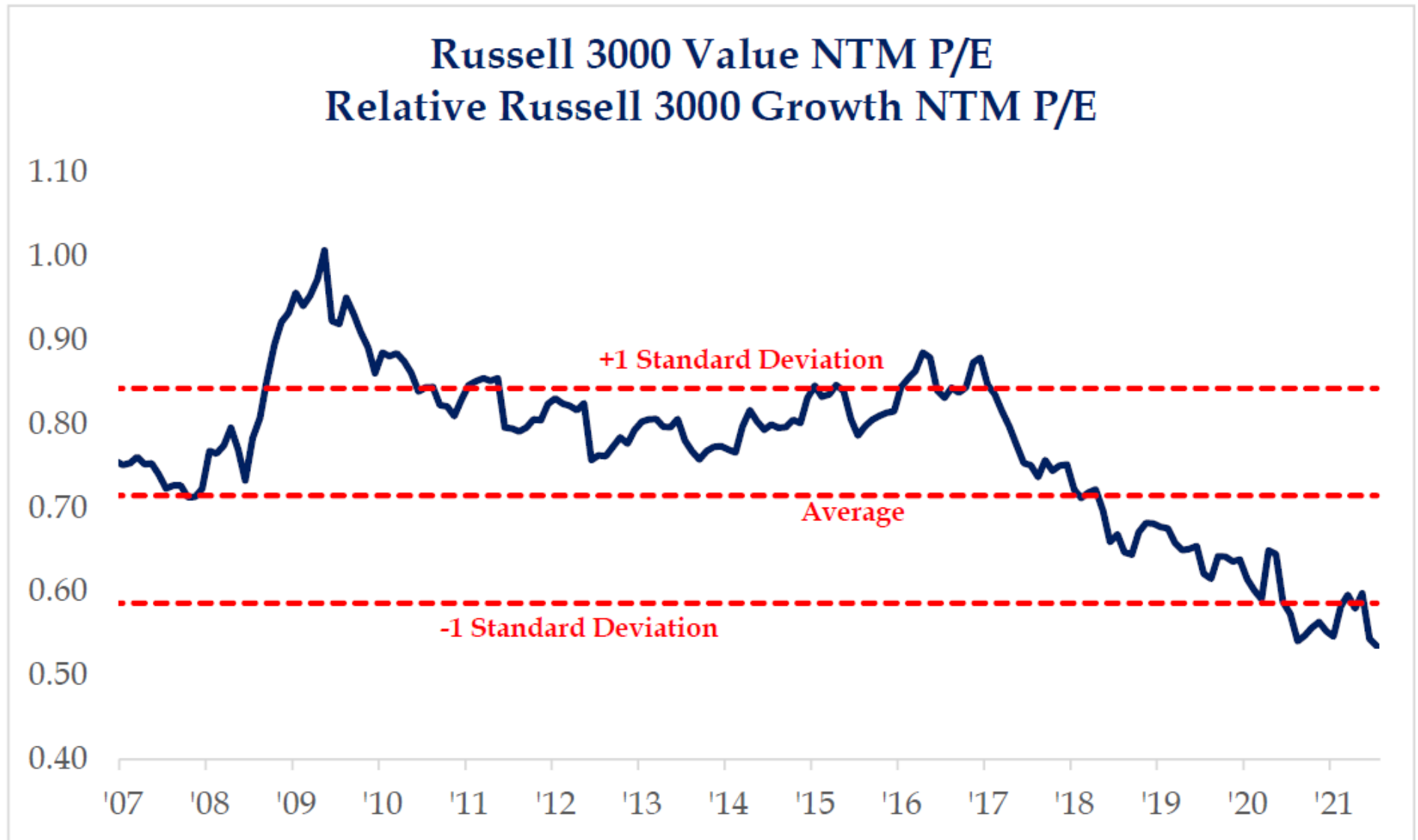
Opportunity or Philanthropic Disaster?

CUMULATIVE RUSSELL 1000 VALUE – RUSSELL 1000 GROWTH



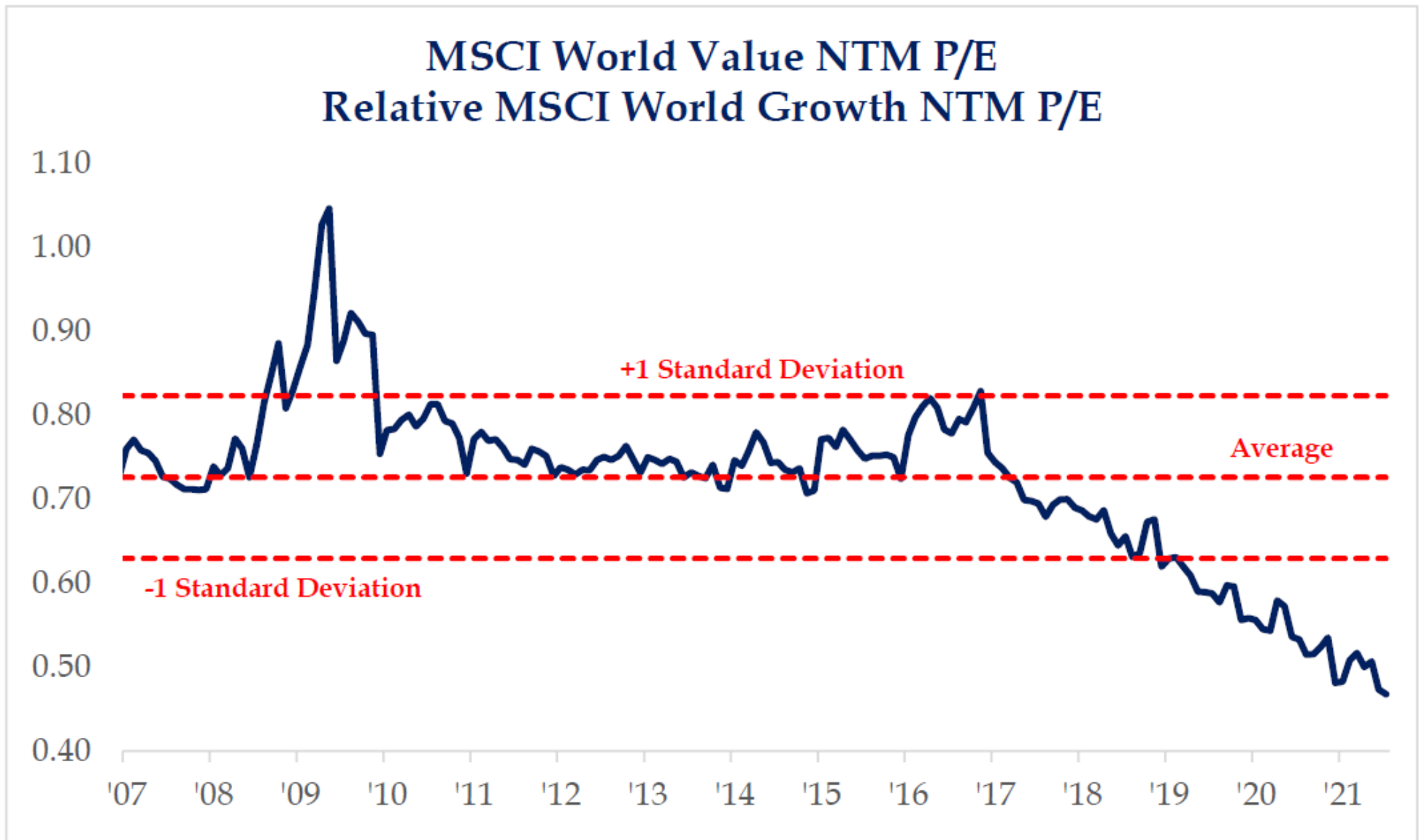
Source: GMO

Looks Like Opportunity to US



Source: Strategas Research Partners

Same Story Globally



Source: Strategas Research Partners

Why Not Pay More for Growth?

Annualized Returns: 12/31/86 to 12/31/19

<u>Index</u>		<u>Price Appreciation</u>		<u>Earnings Growth</u>		<u>Total Return</u>
R1000 Growth	8.9%		7.1%		10.6%	
R1000 Value		7.2%		5.8%		10.3%

Does it make sense to pay nearly twice for every dollar of earnings given the historical figures above?

Dividends Can be Important

Dividend Contribution to Total Return					
Decade	Price Pct. Change	Dividend Contribution	Total Return	Dividends Pct of TR	Avg Payout Ratio
1930s	-41.9%	56.0%	14.1%	N/A	90.1
1940s	34.5%	100.1%	134.6%	74.4	59.4
1950s	257.3%	180.3%	437.7%	41.2	54.6
1960s	53.7%	54.2%	107.9%	50.2	56.0
1970s	17.2%	59.1%	76.4%	77.4	45.5
1980s	227.4%	143.1%	370.5%	38.6	48.6
1990s	315.7%	115.7%	431.5%	26.8	47.6
2000s	-24.1%	15.0%	-9.1%	N/A	35.3
2010s	189.7%	66.9%	256.7%	26.1	35.2
2020s	37.5%	3.8%	41.3%	9.3	41.1
Average	114.4%	87.8%	202.2%	47.8	52.5

Source: Srategas Research Partners

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: 115*

Founded: 1980

100% Employee Owned

Client Assets: \$ 35.4 Billion*

Representative Client List:

The San Francisco Foundation

The Philadelphia Foundation

The Milwaukee Foundation

Marin Community Foundation

Lasker Foundation

New Haven Foundation

* As of 3/31/21