# The Vermont Community Foundation
## Long-Term Pool Investment Performance/Strategy
## As of March 31, 2022

***Long-Term Pool Investment Performance vs. Benchmark- Through 3/31/22, Net of Investment Management Fees***

| | Latest Quarter | Latest 3 Years | Latest 5 Years | Latest 7 Years | Latest 10 Years | Latest 15 Years |
|---|---|---|---|---|---|---|
| **Long-Term Pool** | **-5.8%** | **+8.2%** | **+7.6%** | **+6.9%** | **+7.5%** | **+6.5%** |
| *Target Benchmark** | *-4.2%* | *+9.9%* | *+8.5%* | *+7.3%* | *+7.2%* | *+5.4%* |
| *60% MSCI ACW/40% Bloomberg Agg* | *-5.6%* | *+9.2%* | *+8.0%* | *+6.8%* | *+7.1%* | *+5.7%* |

* The market benchmark is a blended index using market benchmarks weighted based on the Foundation's asset allocation strategy

***Investment Philosophy/Asset Allocation Strategy***

The Vermont Community Foundation invests its assets to foster strong support of the community's current needs while also providing resources for future generations. The Foundation intends to achieve this objective via a well diversified asset allocation strategy executed using highly capable investment managers combined with index funds.

| *Asset Class* | *Target/Actual Allocation* | | *Managers* |
|---|---|---|---|
| U.S. Large/Mid-Capitalization Equities | 11.0% | (13.7%) | Adage/FPR/Focused |
| U.S. Small Capitalization Equities | 6.5% | (4.1%) | Ashford/Champlain |
| Global Equity | 12.0% | (13.4%) | Generation/Gobi/Theleme/Barker |
| International Equities | 11.0% | (6.9%) | Sanderson/Brown Capital |
| Emerging Markets Equities | 6.0% | (6.2%) | Elephant/Westwood |
| Hedge Funds | 5.0% | (7.7%) | Various Direct Funds |
| Special Opportunities | 14.0% | (13.5%) | Ashe/Cevian/Effissimo/HCIF/Ichigo |
| Private Assets | 12.0% | (9.6%) | Various Direct and Fund of Funds |
| U.S. Investment Grade Fixed Income | 8.5% | (4.2%) | IR&M/Vanguard |
| TIPS | 4.2% | (3.0%) | Vanguard |
| High Yield Fixed Income | 0.0% | (3.0%) | Oak Hill – in redemption for 4/30/22 |
| Global Fixed Income | 4.8% | (4.4%) | Colchester |
| Vermont Investments | 5.0% | (6.1%) | |
| Cash | 0.0% | (4.1%) | Transactional |

The Foundation’s portfolio was constructed with the following concepts in mind:

- Allocate the majority of the portfolio to asset classes with high long-term returns, i.e. equities/alternative asset classes
- Consistently utilize meaningful asset class diversification to achieve return objectives during a variety of economic and market conditions.
- Avoid attempts to predict short-term market behavior via market timing strategies.
- Retain world-class investment managers who are expected to out-perform index funds over most three to five year periods. In areas where the Foundation does not believe meaningful or reliable above benchmark performance is available, index strategies are used.

### *Current Market/Performance Commentary*

Between the horrific events unfolding in Ukraine, the rising probability of a disruptive and inflationary change in the world order, the path away from unusually aggressive central bank policies and optimistically priced core indices such as the S&P 500, conditions are ripe for a much more challenging return climate.

For most people, the phrase “a challenging climate” brings volatility and mark to market losses to mind. 2022 has begun with a moderate version of this scenario as the S&P 500 declined 4.6% in the first quarter while some growth oriented indices and strategies experience double digit losses. Rising interest rates were one of the factors that led to this outcome and also produced a 5.9% decline in the Bloomberg Barclays Aggregate Index.

Given the complexities of the world, we must also ask if this brand of challenging is not about near-term and ultimately fleeting discomfort but instead the far more serious problem of long-term regret caused by lasting damage to the purchasing power of philanthropic capital. Many today hold portfolios that are ill-suited for large economic and market shifts although signs of their arrival abound.

The Foundation pools were designed to thrive in this type of climate as complexity provides an advantage to patient, disciplined investors with in-depth knowledge of the fortunes of individual companies. This plus the Foundation’s diversified strategy will likely be key contributors to overcoming what might at times be fierce headwinds from markets and the world at large.

In Q1 2022, the Long-Term Pool fell 5.8%, a result that fell short of the custom benchmark’s return by 160 basis points. Returns across growth-oriented sectors in both global equities and hedge funds led to the shortfall.

### *Individual Asset Class Performance – Q1 2022*

| | | |
|---|---|---|
| *Large/Mid-Capitalization US Equity* | *-3.2%* | *(+1.9% vs. Russell 1000)* |
| *Small Capitalization US Equity* | *-11.3%* | *(-3.8% vs. Russell 2000)* |
| *Global Equity* | *-13.3%* | *(-7.9% vs. MSCI ACWI)* |
| *International Developed Markets Equity* | *-10.1%* | *(-4.2% vs. MSCI EAFE)* |
| *Emerging Markets Equity* | *+1.2%* | *(+8.2% vs. MSCI Emerging Markets)* |
| *Hedge Funds* | *-9.9%* | *(-7.3% vs. HFRI Fund of Funds)* |
| *Special Opportunities* | *-4.8%* | *(+0.6% vs. MSCI ACWI)* |
| *High Yield* | *-0.5%* | *(+4.0% vs. Merrill Lynch High Yield Bond)* |
| *U.S. Investment Grade Fixed Income* | *-5.8%* | *(+0.1% vs. Bloomberg Aggregate)* |
| *Global Fixed Income* | *-5.3%* | *(+1.2% vs. FTSE World Govt Bond)* |
| *Treasury Inflation Protected Securities* | *-2.7%* | *(+0.3 % vs. Bloomberg US TIPS)* |

Produced by Crewcial Partners LLC (formerly Colonial Consulting, LLC)
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