The Vermont Community Foundation
Mid-Term Pool Investment Performance/Strategy
As of September 30, 2021

Mid-Term Pool Performance vs. Benchmark- Through 9/30/21, Net of Investment Management Fees

	Latest Quarter	Latest 3 Years	Latest 5 Years	Latest 7 Years
Mid-Term Pool	**-0.2%**	**+8.5%**	**+7.8%**	**+6.7%**
*Mid-Term Pool Benchmark**	*-0.3%*	*+8.7%*	*+8.1%*	*+6.8%*
50% MSCI ACW/50% Bloomberg Agg	*-0.5%*	*+9.4%*	*+8.3%*	*+6.8%*

* Mid-Term Pool 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 largely through index funds.

Asset Class	*Target/Actual Allocation*		*Managers*
U.S. Large/Mid-Capitalization Equities	19.0%	(12.9%)	Vanguard
U.S. Small Capitalization Equities	4.8%	(3.7%)	Vanguard
International Equities	17.0%	(12.4%)	Vanguard
Emerging Markets	6.7%	(4.5%)	Vanguard
Fixed Income	23.7%	(14.6%)	Vanguard
High Yield Fixed Income	4.8%	(3.6%)	Harbor
TIPS	9.5%	(7.1%)	Vanguard
Vermont Investments	5.0%	(3.5%)	
Cash/Short Term Bonds	9.5%	(37.7%)	Vanguard

The Mid-Term portfolio was constructed with the following concepts in mind:

- 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.
- Utilize index funds as an inexpensive and effective way to execute the strategy until such time as the Pool has sufficient capital to access top institutional managers as is done in other Foundation pools.

Current Market/Performance Commentary

As we all anxiously look forward to putting COVID-19's worst days in the rear-view mirror, it is worth considering the ways in which markets may react to what is likely to be a more complex climate. The third quarter of 2021 likely provided a preview of what lies ahead, as inflation, labor shortages, rising commodity prices, central bank policies, and the regulatory climate compete for attention. This list, plus countless other items are of considerable significance, begging the question, "What can be done to protect a portfolio from X, Y, and Z?"

In our view, it's important to consider possible transient risks alongside the potential long-term deterioration or destruction of purchasing power as the clearest existential threat to philanthropic capital. From this perspective, prioritization is simple—transient risks where hedging conflicts with the preservation of purchasing power should be approached with great caution.

Fortunately, the factors that drive future returns are complex and investment options exist that offer a variety of results. Equities are at the top of the list, with a broad opportunity set of businesses offering strong growth prospects and/or inexplicably pessimistic valuations. These factors are likely to drive strong long-term returns that address multiple risks – at the same time, subsets of this group can also provide protection against transient risks.

The bottom line is that we are entering a period with an expanded set of risks that cannot be ignored. This is further complicated by large pockets of optimistically priced securities that leave little margin for error. Despite the associated difficulty, investors would be wise to properly prioritize permanent risks over transitory ones, as long-term shortfalls are far more damaging than those over shorter periods.

Produced by Crewcial Partners LLC (formerly Colonial Consulting, LLC)
November 1, 2021