The Vermont Community Foundation
Mid-Term Pool Investment Performance/Strategy
As of September 30, 2023

Mid-Term Pool Performance vs. Benchmark- Through* 9/30/23, *Net of Investment Management Fees

	Latest Quarter	Latest 3 Years	Latest 5 Years	Latest 7 Years	Latest 10 Years
Mid-Term Pool	**-2.0%**	**+2.2%**	**+3.6%**	**+4.5%**	**+4.7%**
*Mid-Term Pool Benchmark**	*-2.5%*	*+2.2%*	*+3.6%*	*+4.6%*	*+4.7%*
50% MSCI ACW/50% Bloomberg Agg	*-3.3%*	*-0.9%*	*+3.6%*	*+4.4%*	*+4.5%*

* 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%	(18.1%)	Vanguard
U.S. Small Capitalization Equities	4.8%	(4.5%)	Vanguard
International Equities	17.0%	(15.6%)	Vanguard
Emerging Markets	6.7%	(5.3%)	Vanguard
Fixed Income	23.7%	(19.0%)	Vanguard
High Yield Fixed Income	4.8%	(3.0%)	Harbor
TIPS	9.5%	(8.6%)	Vanguard
Vermont Investments	5.0%	(5.8%)	
Cash/Short Term Bonds	9.5%	(20.1%)	

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 observe the world in late 2023, major change is clearly underway.

- Geopolitics continue to become increasingly complex.

- Structural inflationary forces continue to build while the Federal Reserve slowly but surely seeks to reduce the size of its balance sheet. While the future is never certain, one should not underestimate the impact of central bank policy not solely focused on growth and stability that must also contend with inflationary forces.

- Capital markets have selectively ignored the sea change underway and seem to be beholden to the formula that worked during the 'free money' climate of the last decade.

In the third quarter, global equity markets declined with the S&P 500, MSCI EAFE and MSCI Emerging indices falling -3.3%, -4.1%, and -2.9% respectively. Investors entered the quarter with optimistic that the era of policy tightening would soon end, however their enthusiasm waned as the prospect of a sustained period of higher rates sank in. Core bonds posted a similar decline (-3.1%) during the quarter as the US Treasury yield curve shifted higher and steepened meaningfully during the period.

In Q3 2023, the Mid Term Pool returned -3.0%, outperforming its custom benchmark's return by 50 basis points. As the Pool is largely invested in index funds, the return difference was primarily driven by cash movement in the Pool that resulted in temporary deviations from policy asset allocation targets.

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