The Vermont Community Foundation
Mid-Term Pool Investment Performance/Strategy
As of December 31, 2020

Mid-Term Pool Performance vs. Benchmark- Through 12/31/20, Net of Investment Management Fees

	Latest Quarter	Latest 1 Year	Latest 3 Years	Latest 5 Years	Latest 7 Years
Mid-Term Pool	**+8.0%**	**+11.1%**	**+7.1%**	**+7.8%**	**+6.3%**
*Mid-Term Pool Benchmark**	*+8.5%*	*+11.6%*	*+7.4%*	*+8.4%*	*+6.5%*
50% MSCI ACW/50% Bloomberg Agg	*+7.6%*	*+12.6%*	*+8.1%*	*+8.6%*	*+6.7%*

* 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%	(5.7%)	Vanguard
International Equities	17.0%	(17.0%)	Vanguard
Emerging Markets	6.8%	(7.6%)	Vanguard
Fixed Income	23.8%	(21.9%)	Vanguard
High Yield Fixed Income	4.8%	(5.2%)	Harbor
TIPS	9.5%	(10.3%)	Vanguard
Vermont Investments	5.0%	(4.7%)	
Cash/Short Term Bonds	9.5%	(9.5%)	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

Where does one even begin when discussing 2020? Perhaps we should just say "good riddance" and move on. Yet, buried within all the pain and anxiety was a year that shaped and tested humanity in ways that are rarely seen, with much to acknowledge and carry forward. As investors, many of the lessons of a particular time are best ignored, as it is human nature to review history, identify what worked, and move forward with that playbook. This is unfortunate, as markets are cyclical and the moments that cause us to pay closest attention tend to correlate with the end rather than the beginning of a cycle.

For example, after 2008, it was quite common to hear that equity markets were destined to produce the undesirable combination of high risk and low long-term returns. This was in part a function of recent lived experience but was also built on legitimate fears of the long-lasting implications of a debt deflation cycle. Unfortunately, those who applied this lesson paid a very high price.

Fast forward to today and we see two "lessons" that are also likely to contribute to weaker future returns. The first involves the perception that valuation is not relevant during a turbulent time, as no price is too high for the beneficiaries of change and none too low for those that must adjust. The second is that as long as central banks continue to flood the system with liquidity, interest rates will not rise. While a shift from current thinking is inevitable, the question of when cannot be answered. Regardless, we have little doubt that a decade from now, today's lessons will be relegated to the outsized dustbin of popular ideas that did great and possibly lasting harm to philanthropic capital. The Vermont Community Foundation's investment pools have long been invested in a forward-looking manner that is focused on risk with the ultimate goal of generating strong returns over time.

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