The Vermont Community Foundation
Socially Responsible Pool Investment Performance/Strategy
As of December 31, 2020

Socially Responsible 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	Latest 10 Years
Socially Responsible Pool	**+12.0%**	**+12.9%**	**+9.0%**	**+10.0%**	**+ 8.1%**	**+ 8.1%**
*Socially Responsive Pool Benchmark**	*+9.8%*	*+12.1%*	*+8.4%*	*+9.5%*	*+ 7.3%*	*+7.8%*
60% MSCI ACW/40% Bloomberg Agg	*+9.0%*	*+13.5%*	*+8.6%*	*+9.4%*	*+7.2%*	*+7.3%*

* Socially Responsive 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 using highly capable investment managers combined with index funds. Note that the elevated cash balance as of year-end is being deployed.

Asset Class	*Target/Actual Allocation*		*Managers*
U.S. Large/Mid-Capitalization Equities	19.0%	(21.3%)	KLD iShares/Redwood Grove/Vanguard
U.S. Small Capitalization Equities	5.0%	(7.1%)	Aperio
Non-US Equities	19.0%	(21.9%)	Aperio
Emerging Markets Equities	5.0%	(6.6%)	Boston Common
Global Equity	12.0%	(11.3%)	Generation
Fixed Income	24.0%	(24.0%)	Calvert/RBC
Global Fixed Income	6.0%	(2.0%)	Colchester
Private Equity	5.0%	(0.7%)	Lyme Forest/At One
Vermont Investments	5.0%	(3.3%)	
Cash	0.0%	(1.8%)	

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. equity 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 within the socially responsible universe 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

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.

Individual Asset Class Performance – 2020 Calendar Year to Date

Large/Mid-Capitalization US Equity	*+23.0%*	*(+2.0% vs. Russell 1000)*
Small Capitalization US Equity	*+8.7%*	*(-2.6% vs. Russell 2000)*
Non-US Equity	*+7.0%*	*(-0.8% vs. MSCI EAFE)*
Emerging Markets Equity	*+24.3%*	*(+6.0 vs. MSCI Emerging Markets)*
Global Equity	*+21.1%*	*(+5.2% vs MSCI World)*
U.S. Investment Grade Fixed Income	*+6.9%*	*(-0.6% vs. Barclays Capital Aggregate)*
Global Fixed Income	*+10.9%*	*(+0.8% vs. Citigroup World Govt Bond)*

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