

The Vermont Community Foundation
Socially Responsive Pool Investment Performance/Strategy
As of September 30, 2009

Socially Responsive Pool Performance vs. Benchmark- Through 9/30/09, Net of Investment Management Fees

	Latest <u>Quarter</u>	Calendar <u>Year to Date</u>	Latest <u>1 Year</u>
Socially Responsive Pool	+13.0%	+21.6%	+2.2%
<i>Socially Responsive Pool Benchmark*</i>	+13.3%	+18.2%	+1.4%
<i>60% S&P 500/40% Barclays Capital Aggregate</i>	+10.8%	+14.2%	+0.6%
<i>S&P 500</i>	+15.6%	+19.3%	-6.9%

* Socially Responsive Investment Pool Benchmark: 35% S&P 500/10% Russell 2000/25% MSCI EAFE/30% Barclays Capital Aggregate

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.

<i>95% of Pooled Assets</i>		
<i>Asset Class</i>	<i>Target/Actual Allocation</i>	<i>Managers</i>
U.S. Large/Mid Capitalization Equities	35.0% (35.1%)	Prentiss Smith/Vanguard/KLD iShares
U.S. Small Capitalization Equities	10.0% (7.9%)	Ariel/Winslow Green Growth
International Equities	25.0% (25.7%)	Boston Common/Calvert World Value
Fixed Income	30.0% (27.2%)	Calvert Social Bond
Cash	0.0% (4.1%)	US Trust (BNYMellon)
<i>5% of Pooled Assets – Vermont Investments*</i>		
High Quality Bonds	40.0% (51.9%)	Access Capital
Community Investments	46.0% (40.1%)	Calvert Group
Venture Capital	14.0% (8.0%)	Borealis/CEI/Freshtracks

* Note that actual portfolio differs considerably from target levels due to the pace of investing commitments in venture capital and community investments. Once committed amounts are invested, the portfolio will be much closer to the targets listed above.

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

As markets continue their surprising rebound, it is both interesting and disconcerting to think about the way in which financial harm has been wrought both through changes in market pricing along with the closely related, destructive and expected “human” reaction that accompanies such a period. In essence, there are those who effectively multiplied their misery by selling perfectly good assets in late 2008 or earlier this year.

At the same time, those who were able to maintain patience with last year’s losing strategies must now confront the sobering memories of how quickly and meaningfully market prices can change. To this point, there are many who believe that markets have risen too far and that a significant round of declines lies in wait.

While the next big market move is certainly an interesting topic, we have a difficult time viewing this as anything more than a minor issue as it relates to the ongoing investment strategy for endowment and long-term assets. Of course, as we have all witnessed during the past year, those who take the long view must accept the fact that day-to-day market prices are usually determined with a very different perspective and in that regard, ongoing short run appraisals of performance and market value have little connection with a portfolio’s ability to achieve its multi-generational objectives.

Individual Asset Class Performance

Large/Mid Capitalization US Equity: 2009 YTD Performance: +4.9% vs. S&P 500

- Screened indices tend to have some level of growth bias and this has proved beneficial during 2009 as this segment of the market has produced the largest gains.

Small Capitalization US Equity: 2009 YTD Performance: +17.9% vs. Russell 2000

- After weak returns in 2008, both managers in this area exhibited impressive amounts of discipline in terms of holding on to companies where they believed the markets over-reacted

International Equity: 2009 YTD Performance: +4.3% vs. MSCI EAFE

- Manager Boston Common has out-performed thanks to solid country selection and a modest growth bias.

Fixed Income: 2009 YTD Performance: +4.9% vs. Barclays Capital Aggregate

- Calvert capitalized on continued improvement in the general health of the credit markets.

***Socially Responsive Pool Investment Performance by Asset Class
Through 9/30/09, Net of Investment Management Fees***

	<u>Latest Quarter</u>	<u>Calendar Year To Date</u>	<u>Latest 1 Year</u>
US Large/Mid Cap Equity	+15.9%	+24.2%	-3.4%
<i>S&P 500</i>	+15.6%	+19.3%	-6.9%
US Small Cap Equity	+24.6%	+45.5%	-5.0%
<i>Russell 2000</i>	+23.6%	+27.6%	-7.1%
International Equity	+18.6%	+33.3%	-0.6%
<i>MSCI EAFE</i>	+19.5%	+29.0%	+3.2%
Fixed Income	+5.7%	+10.6%	+6.7%
<i>Barclays Capital Aggregate</i>	+3.7%	+5.7%	+10.6%

Produced By Colonial Consulting, LLC
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