



THE VERMONT COMMUNITY FOUNDATION Vermont Investments

The Vermont Community Foundation (VCF) Board requires that five percent of the VCF's pooled assets be invested in "Vermont Investments" - investments in Vermont companies, agencies, or intermediaries that support and promote healthy and vital Vermont communities, as outlined in the VCF's Ends Policy. With our Vermont Investments, we seek:

- new kinds of leverage that direct investments in communities can make – jobs, housing, economic development and financial services for low-income Vermonters
- opportunities that create impact now and in the future
- high social return on these investments as well as an investment return
- ways to act as a partner and promoter of Vermont Investments in order to engage other Vermont institutions.

Currently our Vermont Investments are divided among three categories of investments:

- 46% Community Investments
- 40% Community Directed Bond Portfolio
- 14% Venture Capital

Community Investments

The VCF selected the Calvert Foundation to recommend investments, provide due diligence and administer the community investments portfolio. The aim of these investments is to maximize overall social impact in Vermont communities most in need while maintaining a moderate risk profile. The underlying intent is to minimize loss and preserve capital. The benchmark for the Community Investments is the Citigroup 1 Year Treasury Index. The investment time horizon is a three-year term on average.

Asset Allocation:

The community investments portfolio should consist of 40-70% in loans to Community Development Financial Institutions (CDFIs) and like institutions, with the remaining 30-60% in Certificates of Deposit with community and/or CDFI banks and credit unions. The mix of investments should reflect a diversity of geographic and investment types.

Considerations for the CDFI (and like institutions) Loans:

- Seek to support all credit worthy CDFI's in the state;
- Seek full investment positions* based on the financial strength of the organization, the size of the organization and the total size of the VCF's Vermont Investments;
- Seek geographic diversity;
- Seek to support various community-defined objectives;
- Seek to support out-of-state organizations that have Vermont-based programs.

Considerations for CDs with community banks and CDFI banks and credit unions:

- Invest up to but not above the \$100,000 federally insured range;
- Support Vermont based CDFI banks and credit unions;
- Focus on entities that target low- to moderate-income residents and geographic regions;
- Invest only in banks that have “Outstanding” Community Reinvestment Act ratings;
- Invest in entities whose lending activity demonstrates a significant commitment to the communities they serve;
- Select entities that provide geographic diversity for the whole portfolio.

Community Directed Bond Portfolio

The VCF invests this portion of the portfolio with Access Capital Strategies Community Investment Fund. The benchmark for the Community Directed Bond Portfolio is 80% Merrill Lynch Mortgage Master/ 20% Merrill Lynch US Treasury 1-10 Year Index.

Asset Allocation:

- Seek 65-75% of the investment for loans originating outside the traditional banking sector. Seek to be a source of liquidity for originations from revolving loan funds, community development corporations and other community-based organizations in Vermont;
- Seek 25-35% of the investment for loans originating from the most aggressive and borrower friendly community lending programs in the state including the highest impact Community Reinvestment Act programs.

Considerations:

All loans purchased should be loans originated from families with incomes 80% or less than the HUD area median income (the Federal definition of low-and moderate-income) or multifamily loans for affordable rental housing.

Venture Capital

The VCF invests in venture capital firms focused upon Vermont. The benchmark for the Venture Capital segment of the portfolio is Venture Economics Private Equity Performance Database, based on timeframes of seven years or longer.

Considerations:

- Consider all opportunities for investing in professionally managed venture capital funds focused, at least in part, on Vermont;
- Require at least one investment be made in Vermont of an amount greater than or equal to the VCF's investment in the respective venture capital fund;
- Seek funds that provide diversification or support our existing portfolio of investments;
- Seek funds managed by experienced organizations and individuals whom the Foundation believes have the ability and resources to invest successfully.

* Full investment position means no more than 10% of the Foundation's target to Vermont Investments will be placed with a single issuer. If an investment of greater than 10% is desired, staff will only act with the support of the Investment Committee.