

Butler Family Foundation Investment Committee

Conference Call

August 17, 2022 at 3:00 p.m. CT

- I. Welcome
- II. Approval of Minutes
- III. Portfolio and Performance Update
 - A. Portfolio Summary Statement
 - B. Manager Performance
- IV. Review of Investment Policy Statement (IPS)
- V. Update on Current or New Investments
 - A. Vanguard Total International Stock Fund Index
 - B. J.P. Morgan Update
- VI. Custodian Migration to Principal

Attachments:

- a. Minutes of February 22rd Investment Committee
- b. Principal Summary Statement
- c. Manager Performance
- d. Investment Policy Statement
- e. MFO Quarterly Letter
- f. Vanguard Funds Fact Sheet (06/30)

Call-in Number: 866-705-2554 (Access Code 828154#)

**MINUTES OF THE FEBRUARY 22, 2022
INVESTMENT COMMITTEE MEETING
OF THE
PATRICK AND AIMEE BUTLER FAMILY FOUNDATION**

The Investment Committee meeting of the Patrick and Aimee Butler Family Foundation was held on Tuesday, February 22, 2022, at 4:00 p.m. Central Time via conference call.

The meeting was called to order by Patrick O'Brien, current Chair of the Investment Committee. John K. Butler acted as recording Secretary of the meeting.

Upon call of the Secretary, the following Committee members were present: Patrick O'Brien, Ronald Kaliebe and Andrew B. LeFevour. Also present was Foundation Chief Investment Officer John Butler. Mr. Butler reminded Committee members that Peter K. Butler resigned his position after the last meeting.

The Chair called for consideration of the minutes of the August 17, 2021 meeting of the Investment Committee. Upon motion duly made, seconded and unanimously carried, the minutes of the August 17, 2021 Investment Committee meeting were approved, ratified and confirmed.

The Chair then called on Mr. John Butler, Chief Investment Officer, to provide an overview of the markets in 2021. Mr. Butler commented that while 2021 was another very strong year for the stock market, the difference between growth and value lessened and many of the more speculative investments performed poorly. Much of the performance over the past five years has been driven by the Federal Reserve, which became decidedly more "hawkish" after year-end, up-ending markets.

The committee then reviewed the 2021 year-end summary statement, which is produced by the Foundation's custodian, Wells Fargo. Mr. Butler mentioned to the Committee that despite an increase in its grants payout in both 2020 and 2021 to almost \$7 million, the Foundation still ended the year with total assets of \$110 million, the result of three years of strong markets. Mr. Butler also noted that the custodial migration to Principal is occurring this month.

Mr. Butler next reviewed the performance of the overall Foundation portfolio for the year. The Foundation's total return for 2021 was 12%, a good absolute return, but below that of market averages and that of other foundations. The Foundation's investment performance since it began tracking results remains strong.

Mr. Butler then reviewed the asset allocation of the Foundation and the performance of the Foundation's individual asset managers. As of December 31, 2021, the asset allocation remains within the targets set by the Foundation's Investment Policy Statement. Mr. Butler also reviewed the performance of the individual asset classes and managers.

Next, Mr. Butler reviewed with the Committee the schedule showing the managers of the various asset classes of the Foundation, where the assets are held (i.e., who is the custodian) and the estimated fees paid by the Foundation. Mr. Butler then discussed the total cost of managing the Foundation's assets versus the costs incurred by other foundations and noted that the Butler Foundation's costs remain well below average.

Mr. Butler then updated the Committee on any potential new investments or recent changes. At the August meeting the Committee had discussed and agreed with the recommendation that a portion of the Mondrian Investment be shifted to the Vanguard Total International Stock Index Fund. Mr. Butler had noted at the time that this change would not be immediate and will depend on market conditions. Mondrian has outperformed year-to-date (2022) by a wide margin and Mr. Butler expects that after the migration to Principal is complete he will move an initial \$5 million. He is expecting that this transfer will occur in May. Mr. Butler also mentioned that he is planning to meet with Northstar Capital, who will soon be raising another fund. Northstar has been a solid performer for the Foundation over the years and fits nicely with the portfolio, so Mr. Butler is planning to commit \$3 million to the upcoming fund. Finally, Mr. Butler mentioned that he is planning to meet with representatives of the local J. P. Morgan office to explore their expertise in the alternative area.

The next Committee meeting will be in August of 2022. The meeting will be scheduled in July and materials for the meeting will be sent one week prior to the meeting.

The meeting adjourned at 4:45 p.m. Central Time.

ATTEST: 
Patrick O'Brien, Committee Chair


John K. Butler, Secretary

	<u>COST</u>	<u>MARKET VALUE</u>	<u>ACCRUED INCOME</u>	<u>%GAIN (LOSS)</u>	<u>% MKT</u>	<u>ESTIMATED ANNUAL INCOME</u>	<u>CURRENT YIELD</u>
SETTLED CASH	0.00	0.00	0.00	.0	.0	0.00	.00
RECEIVABLES	294,195.99	294,195.99		.0	.3		
NET CASH	294,195.99	294,195.99		.0	.3		
CASH EQUIVALENTS							
SHORT TERM FUNDS	9,654,074.55	9,654,074.55	9,091.92	.0	9.8	102,938.94	1.07
CASH EQUIVALENTS	9,654,074.55	9,654,074.55	9,091.92	.0	9.8	102,938.94	1.07
FIXED INCOME							
GOVERNMENT AND AGENCIES	5,122,294.48	4,702,360.01	12,601.20	(8.2)	4.8	132,908.58	2.83
BOND FUNDS	5,488,918.06	3,690,720.22	2,237.31	(32.8)	3.8	248,232.72	6.73
MUNICIPAL BONDS	5,211,199.93	4,714,312.35	36,625.22	(9.5)	4.8	160,123.35	3.40
CORPORATE BONDS AND NOTES	3,331,264.39	3,030,748.73	39,274.38	(9.0)	3.1	152,978.69	5.05
ASSET-BACKED SECURITIES	1,699,804.61	1,560,491.12	2,969.61	(8.2)	1.6	43,628.10	2.80
COLLATERALIZED MTG-BACKED	12,298.55	10,699.64	69.37	(13.0)	.0	832.48	7.78
FIXED INCOME	20,865,780.02	17,709,332.07	93,777.09	(15.1)	18.1	738,703.92	4.17
PREFERRED STOCK							
PREFERRED STOCK MISC	124,000.00	121,100.00	0.00	(2.3)	.1	6,095.00	5.03
PREFERRED STOCK	124,000.00	121,100.00	0.00	(2.3)	.1	6,095.00	5.03
COMMON STOCK							
HEALTH CARE	1,295,398.91	4,303,150.00	11,640.00	232.2	4.4	113,680.00	2.64
FINANCIALS	1,352,741.66	2,778,375.26	12,501.51	105.4	2.8	102,006.04	3.67
CONSUMER STAPLES	1,487,988.50	3,394,690.00	0.00	128.1	3.5	86,718.00	2.55
CONSUMER DISCRETIONARY	189,730.00	1,387,730.00	0.00	631.4	1.4	40,080.00	2.89
MATERIALS	572,659.70	1,264,190.00	1,530.00	120.8	1.3	16,320.00	1.29
ENERGY	752,128.71	2,059,850.00	9,100.00	173.9	2.1	93,640.00	4.55
INFORMATION TECHNOLOGY	1,029,778.19	3,369,550.00	0.00	227.2	3.4	75,020.00	2.23
INDUSTRIALS	1,244,598.61	3,611,450.00	0.00	190.2	3.7	111,160.00	3.08
TELECOMMUNICATION SERVICE	597,175.30	913,500.00	0.00	53.0	.9	46,080.00	5.04
ADR'S	1,566,640.75	1,426,750.00	5,440.00	(8.9)	1.5	54,010.00	3.79
COMMON STOCK	10,088,840.33	24,509,235.26	40,211.51	142.9	25.0	738,714.04	3.01

	<u>COST</u>	<u>MARKET VALUE</u>	<u>ACCRUED INCOME</u>	<u>%GAIN (LOSS)</u>	<u>% MKT</u>	<u>ESTIMATED ANNUAL INCOME</u>	<u>CURRENT YIELD</u>
EQUITY FUNDS							
MUTUAL EQUITY FUNDS	<u>12,076,918.94</u>	<u>13,213,361.93</u>	<u>0.00</u>	<u>9.4</u>	<u>13.5</u>	<u>21,738.39</u>	<u>.16</u>
EQUITY FUNDS	12,076,918.94	13,213,361.93	0.00	9.4	13.5	21,738.39	.16
MISCELLANEOUS							
OTHER MISCELLANEOUS	<u>360.00</u>	<u>360.00</u>	<u>0.00</u>	<u>.0</u>	<u>.0</u>	<u>0.00</u>	<u>.00</u>
MISCELLANEOUS	360.00	360.00	0.00	.0	.0	0.00	.00
VENTURE/LMTD PART/CLS HLD							
VENTURE CAPITAL	<u>27,426,038.81</u>	<u>32,584,864.46</u>	<u>0.00</u>	<u>18.8</u>	<u>33.2</u>	<u>0.00</u>	<u>.00</u>
VENTURE/LMTD PART/CLS HLD	27,426,038.81	32,584,864.46	0.00	18.8	33.2	0.00	.00
NET ASSETS	<u>80,530,208.64</u>	<u>98,086,524.26</u>	<u>143,080.52</u>	<u>21.8</u>	<u>100.0</u>	<u>1,608,190.29</u>	<u>1.64</u>

Patrick and Aimee Butler Family Foundation - Individual Manager Performance

<u>Asset Class</u>	<u>Allocation - Jun 30, 2022</u>				<u>Performance Data - Jun 30, 2022</u>			
	<u>Assets</u>	<u>Wgt</u>	<u>Target</u>	<u>Range</u>	<u>6 Mos.</u>	<u>1 YR</u>	<u>5 YR</u>	<u>Incep. Date</u>
Cash	\$8.8	9%	5%	0-10%	0.1%	0.1%	0.9%	NA
Fixed Income								
Sit Investment Assoc.	\$15.9	16%	15%	10-20%	-9.3%	-9.0%	2.2%	12/31/2011
Barclays Aggregate					-10.3%	-10.3%	0.9%	
U.S. Equities	\$32.7	33%	40%	35-45%				
Vanguard Small-Cap Index Fund	\$8.2	8%			-21.7%	-20.8%	6.9%	3/31/2018
Large-Cap Value (Internal)	\$24.5	25%			-8.4%	-1.9%	8.6%	12/31/1999
S&P 500					-20.0%	-10.6%	11.3%	
International Equities	\$28.0	28%	25%	20-30%				
Vanguard Total Int. Stock Index	\$5.0	5%			-18.2%	-18.9%	2.7%	6/30/2022
Mondrian Investment Group	\$23.0	23%			-11.6%	-14.7%	1.9%	6/30/2004
MSCI All-Country World					-18.4%	-19.4%	2.5%	
Alternative Investments								
Miscellaneous	\$12.9	13%	15%	10-20%	-0.4%	-1.1%	4.8%	NA
HFRI Composite					-5.8%	-5.7%	5.1%	
Total Foundation	\$98	100%	100%		-8.5%	-6.5%	5.2%	12/31/1999

Notes:

Mondarian fund was changed from International Equity Fund to All Countries World in January 2012
 Performance for Alternative Investments is an estimate due to manager changes and time lags

Patrick & Aimee Butler Family Foundation

Investment Policy Statement

Investment Objectives

- The Foundation is a private family foundation incorporated in 1951 and based in St. Paul
- It is expected the foundation will be in existence for perpetuity
- The investment objective for the Foundation is Balanced Growth
- Total program expenses are expected to average 5% over rolling periods

Guidelines: Internally Managed Assets

- The Foundation will oversee all cash investments. The Foundation's Chief Investment Officer (CIO) is responsible for this portfolio.
- The Foundation will also manage a domestic equity portfolio consisting of individual securities. The Foundation's CIO is also responsible for all management and trading decisions for this portfolio.

Guidelines: Externally Managed Assets

- The Foundation will utilize a variety of investment advisers to manage other asset classes. These may include: domestic and global fixed income, small-cap domestic equities, international equities, domestic and global real estate, mezzanine debt, infrastructure and commodities. It is expected that many of these investments will be in a fund or partnership format rather than individual securities.
- The Foundation may consider mission related investments (MRIs), assuming that the projected returns of the proposed investment are competitive with non-MRI alternatives and that the investment fits within the overall investment strategy. In addition, illiquid asset classes may be used as long as the total portfolio has adequate liquidity
- The Foundation's CIO is responsible for hiring, monitoring and if necessary, terminating, all external managers and opening any associated custodial accounts.

Communication and Oversight

- While the Foundation's CIO has day-to-day responsibility for the investment portfolio and reports to the Investment Committee, the ultimate responsibility for the investment portfolio lies with the Board of Trustees.
- At least annually, Foundation Trustees will at a minimum receive the following: a Principal Financial Summary Statement, a summary of all current custodians and fee schedules, a summary of performance relative to other foundations, and a current Investment Policy Statement.

ASSET ALLOCATION TARGETS

<u>Asset Class</u>	<u>Target</u>	<u>Range</u>	<u>Benchmark</u>
Cash	5%	0-10%	Not Benchmarked
Fixed Income	15%	10-20%	Barclays Aggregate
Domestic Equities	40%	35-45%	S&P 500
International Equities	25%	20-30%	MSCI ACWI
Alternative Investments	15%	10-20%	HFRI FOF Composite
Total Foundation	100%		COF Foundation Avg. Undiversified Index

General Notes

The Fixed Income portfolio performance only includes the externally managed portion

The performance of the Alternative Investments asset class is an estimate

Index Notes

ACWI stands for All Country World Index (ex U.S.)

HFRI FOF stands for Hedge Fund Research Fund of Funds

Council on Foundation Average is only calculated annually

Adopted by the Butler Family Foundation Board of Trustees on October 4, 2020

MFO MANAGEMENT COMPANY INVESTMENT OFFICE

To Our Clients

July 26, 2022

ECONOMIC OUTLOOK & INVESTMENT STRATEGY

This year has started off poorly for financial markets due to the uncertainty surrounding the United States economy and the continued global slowdown resulting from the Russian war in Europe and the Covid lockdowns in China. Additionally, with the Fed raising interest rates to curtail the highest inflation in decades, both equity and fixed income markets are down providing a double hit to client portfolios. A multitude of the worst possible headwinds for financial markets seem to have hit at once during the first half of 2022. What is ironic is that the U.S. economy, while slowing, is showing little sign of an actual recession and employment remains high with demand exceeding supply in many parts of the economy.

Some have called this the “full-employment recession” since GDP was negative in Q1’22 and likely very low in Q2. The fact is demand re-opened faster than supply could re-open and this is wreaking havoc on prices of all kinds of goods - food, oil, commodities and just about everything derived from them. All of the inflationary issues stem from the Fed supercharging money into the re-opening of the economy, while the supply side is taking much longer than anyone thought to catch up. Transitory inflation is now going on two years but is finally showing signs of slowing in July. The big mystery of this global pandemic seems to be ‘Where did the workers go?’ and why is it taking so long to get supply chains back to pre-pandemic levels. The demand side is already above pre-pandemic levels, so the mismatch is glaring. We think the Fed will continue to raise rates, but inflation looks to be peaking and the economy is slowing for big ticket items like housing and autos. Energy has been the main inflationary input of CPI and is now down 20% in July, so some relief may be on the way. It is possible that with the upcoming July rate hike, the Fed will cool inflation and the economy somewhat allowing them to back off the more aggressive rhetoric (see charts below).

CHART 11: Expectations in 6 Months: Worse Business Conditions

United States: Conference Board Consumer Confidence
(percent of respondents)

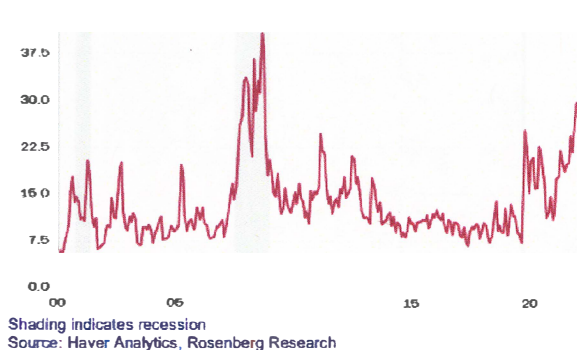


CHART 10: CRB Commodity Price Index

United States
(index)



We have said before that moves happen faster than ever in the stock markets and the economy now. Stocks went from red hot to a bear market in a few months. The economic outlook did the same. It seems to us traditional models of time (i.e. – recessions last 6-12 months) and measurement (i.e. - bear markets must approach 30% down) do not account for the faster paced technological era. High frequency trading, low costs and a connected world has exacerbated market moves, which led to self-fulfilling changes to the economic outlook. Technology is not going away so expect more volatile rides up and down. Layer on geopolitics and it can only get wilder...

Inflation: Inflation hit a 40 year high of 9.1% CPI in June. Oil prices have been a key input to a substantial amount of the rise over the past year. Oil goes into so many goods, manufacturing, and transportation that it affects everything. The rise was well expected, and interest rates actually declined on the report. Why? In July, commodity costs collapsed for many input items, including oil prices which are down 20%. When oil hit \$120 barrel, there were experts calling for \$150 to \$200 barrel. Instead, we are at \$95-\$100 barrel. The fact is that it is harder to predict commodity prices than almost anything else. Supply usually plays a role due to shutdowns, accidents or weather issues, this time it was the Russian invasion as the catalyst for higher prices. Lately, supply is up and demand is down giving some relief to consumers through falling gas prices. Markets are expecting a peak to inflation with the July reading, but prices will remain elevated for some time. Stagflation (higher inflation, lower growth) may be the most searched for term for the rest of the year...

INVESTMENT STRATEGY & REVIEW

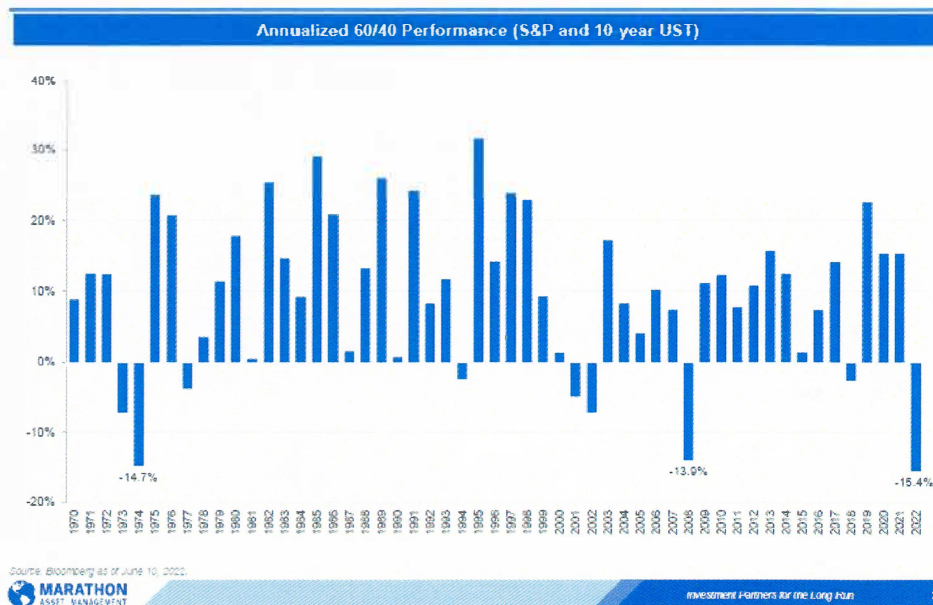
OVERALL ASSET ALLOCATION:

Below is our asset allocation table using three categories – there are currently no changes in our asset allocation. It should be noted that this is the worst start to both 60/40 and 70/30 portfolios in 50 years. MFO manages more to a 70/30 portfolio, but the point is made in the below chart. Typically, fixed income rises and supports a portfolio when equities fall, but not this year, with rising inflation and interest rates at the same time as a bear market in equities.

Asset allocation has worked for 100 years, and while this year is an anomaly, it is still not fun to experience. MFO client accounts are down around 15% YTD thru June, which is better than one might think as clients are benefiting from the hedge fund side of the portfolio and broad diversification. We think this will improve as the year goes on. In the meantime, we are taking tax losses, mainly with fixed income fund swaps, to reduce client tax bills.

We intend to re-allocate the *Vanguard Utility Index* funds into the other equity categories - the small cap index, REIT Index and S&P 500 Index in client accounts, as the need to be more defensive has passed. The *Vanguard Utility Index* is flat year to date, while equities are down over 20%, it did its job for a year. More conservative income-oriented accounts may retain some of the Utility Fund.

Worst Performance for a 60/40 Portfolio in Last Five Decades



ASSET CLASS **	BENCHMARK ASSET ALLOCATION - JULY 2022			
	ALL EQUITY (PERSONAL & TRUSTS) (AGGRESSIVE)	BALANCED OBJECTIVES (PERSONAL & TRUSTS)	INCOME ORIENTED (PERSONAL & TRUSTS)	FOUNDATION MODEL (TOTAL RETURN)
Risk Reduction Assets				
Fixed Income/Money Market	2%	20%	25%	13%
Long/Short Funds *	10%	13%	6%	15%
Sub-total Risk Assets	12%	33%	31%	28%
Real Assets				
Real Estate, REITs, Commodities, Utilities	10%	10%	10%	7%
Growth Assets				
U.S. Large Company Equities	33%	20%	22%	20%
U.S. Small Company Equities	25%	20%	20%	20%
Foreign Developed Equities	10%	10%	10%	10%
Emerging Markets Equities	10%	7%	7%	7%
Venture Capital/Private Equity *	0%	0%	0%	8%
Sub-total Growth Assets	78%	57%	59%	65%
Totals	100%	100%	100%	100%

* subject to account circumstances & size, long/short funds, could be up to 15% and private equity/venture capital could be up to 7% of Equity, Balanced and Income-oriented accounts

**Please remember that at any given date actual individual account values may fluctuate within a few percentage points around these targets.

■ **FIXED INCOME:**

The 10-year Treasury bond yield has been hovering around 3% for the past three months, with most of the Fed rate hikes priced into the market. All fixed income funds have experienced negative returns. As mentioned above it is rare that both fixed income and equities have negative returns. As the Fed continues to hike, we expect the economy to slow and for the Fed to back off some of their more aggressive plans for rate hikes. Inflation should come down some and choke off fears of uncontrollable inflationary spiral.

On the flip side, we do not expect interest rates to fall much, thus we will not recoup our fixed income losses as we might from equities later this year. Fixed income returns are expected to be minimal from here, thus we continue to use long/short hedge funds in lieu of fixed income in accounts where appropriate. The main purpose of fixed income is to provide some income to clients and use it to meet their liquidity needs. We would still rather own high-quality equities than fixed income.

■ **EQUITIES:**

“A hurricane is right out there, down the road coming our way” – Jamie Dimon – CEO JP Morgan

“Today I am starting to behave aggressively. Everything we deal with is significantly cheaper than it was 6-12 months ago” – Howard Marks – Co-founder Oaktree Capital

This year has been very confusing for investors, including us at MFO. At times like this it is sometimes better to do little than take drastic actions in a portfolio. Last year in 2021, we pointed out the “everything rally” was upon us. We mentioned there were some areas that were clearly over-valued and over-hyped including meme stocks, cryptocurrencies and some cloud technology stocks. We have now quickly morphed into the “everything bear market.” The graphs below need no explanation.

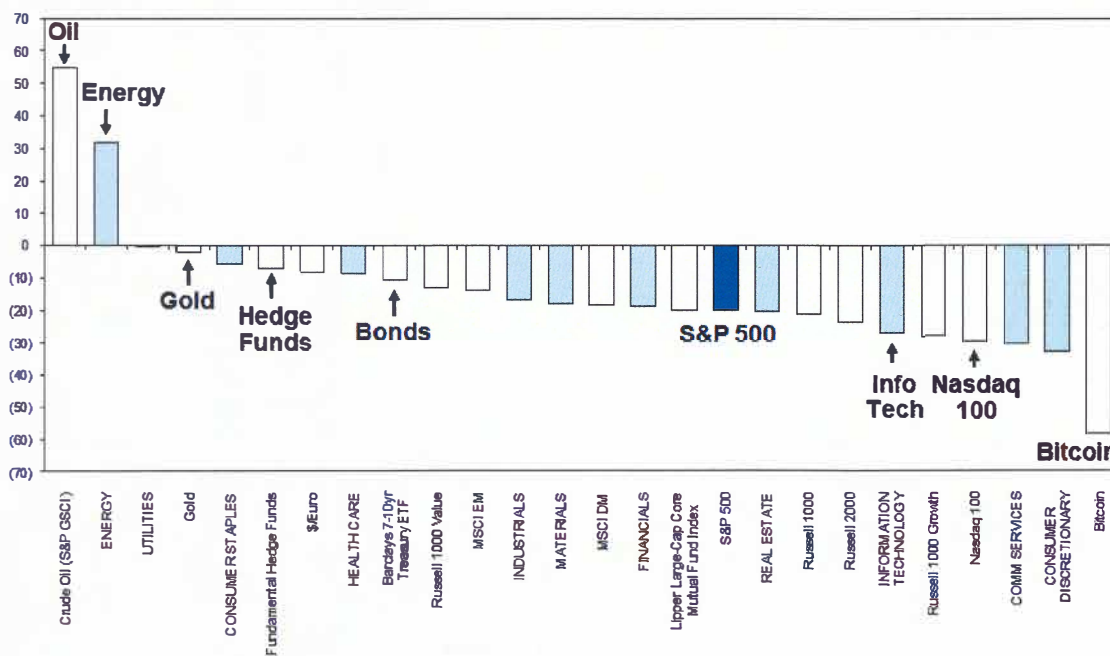


Figure 8: Worst Start after Great Depression in ~100 Years

#	Year	Events	YTD	6/17 to YE
1	1932	Great Depression	-40.5%	43.3%
2	2022	Current	-22.9%	?
3	1962	Kennedy Slide	-21.9%	12.9%
4	1940	World War II	-19.9%	6.0%
5	1970	Vietnam War/Tightening	-17.4%	21.3%
6	1939	World War II	-14.2%	10.5%
7	1982	Oil Crisis	-12.2%	30.7%
8	1931	Great Depression	-11.9%	-39.9%
9	1973	Oil Shock	-11.0%	-7.2%
10	1937	Fiscal & Monetary Contraction	-10.4%	-31.4%

Source: J.P. Morgan Equity Macro Research

2022 Mid-year Outlook - Where some see despair, we see opportunity.

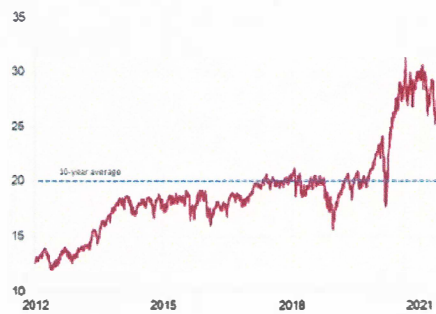
The S&P 500 Index as a market proxy was down 24% at its worst this year peak to trough (see below). It has since recovered a bit. In any case, that type of drawdown is getting close to the average recessionary drawdown which is closer to 30%. What if this is not a typical recession? Jobs are plentiful, supply is still under duress, and it is demand that it is too hot, driving inflation and ultimately the slowdown or technically a recession. What if supply chains continue to improve and inflation falls faster than expected just as inflation shot up faster than expected as the country re-opened. Ultimately the economy should revert to its long-term trend of 2-3% GDP growth rather than this boom and bust of the pandemic. Once there is a hint that this rate hike cycle may be coming to an end, equities should soar.

The equity markets seem to be pricing in some pretty dire news especially in areas like technology stocks and small caps. Technology stocks have collapsed and while we are unlikely to buy crypto for clients, it has also dropped as a proxy for the risk-off bear market we are witnessing. Small cap price to earnings ratios (P/E) are the lowest in decades. The baby has been thrown out with the bathwater as they say. See the graphs below. High quality large cap technology stocks are especially attractive. The cash flows and barriers to entry continue to expand, while the stocks continue to decline. This can also be said for many other areas of the market. S&P 500 earnings are still growing, albeit slower than the past few years. Valuations are now down to very reasonable levels with the S&P 500 trading at 16x forward earnings estimates, down from 20x last year. Corporate balance sheets are stronger than ever and there is no systemic risk in the banking system.

The risk is that the Fed overplays its hand and drives the economy into a deeper recession. As midterm elections are upon us, we doubt that will be the Fed's intention. Regardless, MFO clients will get through whatever comes our way.

CHART 1: Most of The Froth Has Been Removed from Technology Stocks

United States: Nasdaq 100 12-month forward P/E ratio (ratio)



Source: Bloomberg, Rosenberg Research

S&P Returns in Recession

Figure 1: S & P 500 returns in post-war recessions (%)

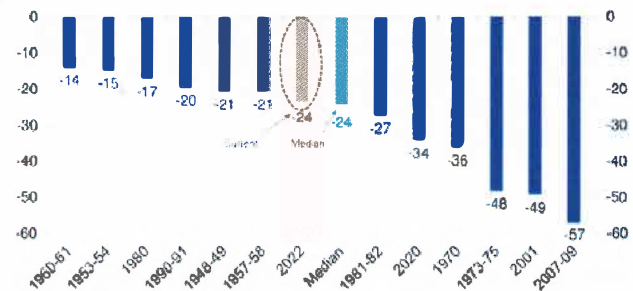


Exhibit 3. Small Cap Valuations at Global Financial Crisis Lows, May 2022, source JP Morgan.

Should you have any questions, please feel free to contact the MFO Investment Office at (248) 723-0050.

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Mary F. Burdett – mburdett@mfo.com

Vanguard Small-Cap Index Fund

Domestic stock fund | Admiral™ Shares

Fund facts

Risk level Low ← → High	Total net assets	Expense ratio as of 04/29/22	Ticker symbol	Turnover rate	Inception date	Fund number
1 2 3 4 5	\$42,827 MM	0.05%	VSMAX	17.0%	11/13/00	0548

Investment objective

Vanguard Small-Cap Index Fund seeks to track the performance of a benchmark index that measures the investment return of small-capitalization stocks.

Investment strategy

The fund employs an indexing investment approach designed to track the performance of the CRSP US Small Cap Index, a broadly diversified index of stocks of smaller U.S. companies. The fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

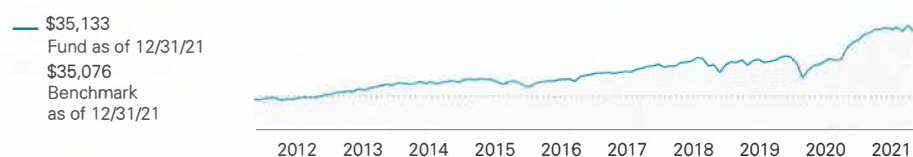
For the most up-to-date fund data, please scan the QR code below.



Benchmark

Spliced Small Cap Index

Growth of a \$10,000 investment : January 31, 2012—December 31, 2021



Annual returns

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Fund	18.24	37.81	7.50	-3.64	18.30	16.24	-9.31	27.37	19.11	17.73
Benchmark	18.20	37.77	7.54	-3.68	18.26	16.24	-9.33	27.35	19.07	17.71

Total returns

	Periods ended June 30, 2022					
	Quarter	Year to date	One year	Three years	Five years	Ten years
Fund	-16.88%	-21.65%	-20.75%	5.40%	6.88%	10.45%
Benchmark	-16.88%	-21.65%	-20.75%	5.37%	6.87%	10.43%

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at [vanguard.com/performance](https://www.vanguard.com/performance). The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. All returns are net of expenses.

Vanguard Small-Cap Index Fund

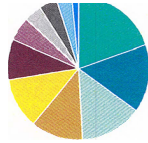
Domestic stock fund | Admiral™ Shares

Ten largest holdings*

1	Quanta Services Inc.	
2	Molina Healthcare Inc.	
3	Atmos Energy Corp.	
4	LPL Financial Holdings Inc.	
5	IDEX Corp.	
6	Bunge Ltd.	
7	Liberty Media Corp-Liberty Formula One	
8	Targa Resources Corp.	
9	Bio-Techne Corp.	
10	Brown & Brown Inc.	
Top 10 as % of total net assets		3.3%

* The holdings listed exclude any temporary cash investments and equity index products.

Sector Diversification



Industrials	19.6%	Energy	5.4
Financials	15.3	Basic Materials	4.0
Consumer Discretionary	14.1	Utilities	4.0
Technology	11.9	Consumer Staples	3.5
Health Care	11.5	Telecommunications	1.6
Real Estate	9.1	Other	0.0

Sector categories are based on the Industry Classification Benchmark system ("ICB"), except for the "Other" category (if applicable), which includes securities that have not been provided an ICB classification as of the effective reporting period.

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Plain talk about risk

An investment in the fund could lose money over short or even long periods. You should expect the fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The fund's performance could be hurt by:

Stock market risk: The chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising stock prices and periods of falling stock prices. The fund's target index may, at times, become focused in stocks of a particular sector, category, or group of companies. Because the fund seeks to track its target index, the fund may underperform the overall stock market.

Investment style risk: The chance that returns from small-capitalization stocks will trail returns from the overall stock market. Historically, small-cap stocks have been more volatile in price than the large-cap stocks that dominate the overall market, and they often perform quite differently.

Note on frequent trading restrictions

Frequent trading policies may apply to those funds offered as investment options within your plan. Please log on to [vanguard.com](https://www.vanguard.com) for your employer plans or contact Participant Services at 800-523-1188 for additional information.

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For more information about Vanguard funds or to obtain a prospectus, see below for which situation is right for you.

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If you receive your retirement plan statement from a service provider other than Vanguard or log on to a recordkeeper's website that is not Vanguard to view your plan, please call 855-402-2646.

Visit [vanguard.com](https://www.vanguard.com) to obtain a prospectus or, if available, a summary prospectus. Investment objectives, risks, charges, expenses, and other important information about a fund are contained in the prospectus; read and consider it carefully before investing.

Financial advisor clients: For more information about Vanguard funds, contact your financial advisor to obtain a prospectus.

Investment Products: Not FDIC Insured • No Bank Guarantee • May Lose Value

Vanguard Total International Stock Index Fund

International stock fund | Institutional Shares

Fund facts

Risk level Low ← High	Total net assets	Expense ratio as of 02/25/22	Ticker symbol	Turnover rate	Inception date	Fund number
2 3 4 5	\$35,331 MM	0.08%	VTSNX	7.8%	11/29/10	1869

Investment objective

Vanguard Total International Stock Index Fund seeks to track the performance of a benchmark index that measures the investment return of stocks issued by companies located in developed and emerging markets, excluding the United States.

Investment strategy

The fund employs an indexing investment approach designed to track the performance of the FTSE Global All Cap ex US Index, a free-float-adjusted market-capitalization-weighted index designed to measure equity market performance of companies located in developed and emerging markets, excluding the United States. The index includes more than 5,300 stocks of companies located in 46 countries. The fund invests substantially all of its assets in the common stocks included in its target index.

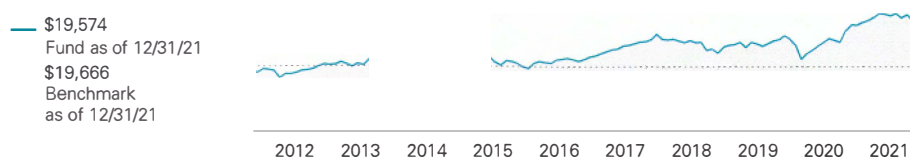
For the most up-to-date fund data, please scan the QR code below.



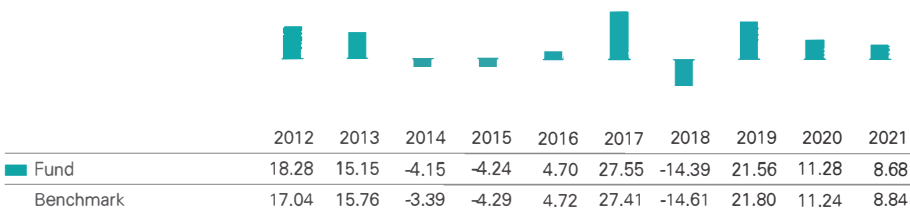
Benchmark

Primary: Spl Total International Stock Index, Fair-valued priced: FTSE Global All Cap ex US FV Ix

Growth of a \$10,000 investment : January 31, 2012—December 31, 2021



Annual returns



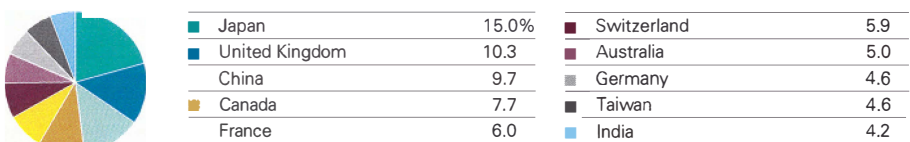
Total returns

	Periods ended June 30, 2022					
	Quarter	Year to date	One year	Three years	Five years	Ten years
Fund	-12.85%	-18.15%	-18.91%	2.03%	2.74%	5.19%
Benchmark	-14.08%	-18.63%	-19.27%	1.92%	2.74%	5.22%
FVP Benchmark	-13.04%		-19.01%	2.04%	2.80%	

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Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. All returns are net of expenses.

Market allocation—stocks



Vanguard Total International Stock Index Fund

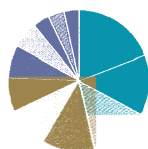
International stock fund | Institutional Shares

Ten largest holdings*

1	Taiwan Semiconductor Manufacturing Co. Ltd.	
2	Nestle SA	
3	Tencent Holdings Ltd.	
4	Roche Holding AG	
5	Samsung Electronics Co. Ltd.	
6	Alibaba Group Holding Ltd.	
7	AstraZeneca plc	
8	Shell plc	
9	Toyota Motor Corp.	
10	ASML Holding NV	
Top 10 as % of total net assets		9.3%

* The holdings listed exclude any temporary cash investments and equity index products.

Sector Diversification



Financials	19.1%	Basic Materials	7.5
Industrials	13.8	Energy	6.0
Consumer Discretionary	13.4	Real Estate	3.7
Technology	12.1	Telecommunications	3.6
Health Care	9.5	Utilities	3.5
Consumer Staples	7.8	Other	0.0

Sector categories are based on the Industry Classification Benchmark system ("ICB"), except for the "Other" category (if applicable), which includes securities that have not been provided an ICB classification as of the effective reporting period.

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Plain talk about risk

An investment in the fund could lose money over short or even long periods. You should expect the fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The fund's performance could be hurt by:

Stock market risk: The chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising stock prices and periods of falling stock prices. The fund's investments in foreign stocks can be riskier than U.S. stock investments. Foreign stocks tend to be more volatile and less liquid than U.S. stocks. The prices of foreign stocks and the prices of U.S. stocks may move in opposite directions. In addition, the fund's target index may, at times, become focused in stocks of a particular market sector, which would subject the fund to proportionately higher exposure to the risks of that sector.

Country/Regional risk: The chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value of securities issued by companies in foreign countries or regions. Because the fund may invest a large portion of its assets in securities of companies located in any one country or region, its performance may be hurt disproportionately by the poor performance of its investments in that area. Country/Regional risk is especially high in emerging markets.

Currency risk: The chance that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates.

Investment style risk: The chance that returns from small- and mid-capitalization stocks, to the extent that the fund invests in them, will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-cap stocks that dominate the overall market, and they often perform quite differently.

Emerging markets risk: The chance that the stocks of companies located in emerging markets will be substantially more volatile, and substantially less liquid, than the stocks of companies located in more developed foreign markets because, among other factors, emerging markets can have greater custodial and operational risks; less developed legal, tax, regulatory, and accounting systems; and greater political, social, and economic instability than developed markets.

Note on frequent trading restrictions

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Visit [vanguard.com](https://www.vanguard.com) to obtain a prospectus or, if available, a summary prospectus. Investment objectives, risks, charges, expenses, and other important information about a fund are contained in the prospectus; read and consider it carefully before investing.

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