

Market Update

- On Friday, June 24, 2016, equity markets tumbled in reaction to the U.K. vote to leave the European Union. The "Brexit" result was unexpected, as recent polls had suggested the "Remain" campaign would triumph. Friday's severe initial market declines have since reversed. Through Thursday, June 30th, the S&P 500 Index (a measure of U.S. stocks) ended June in positive territory, up +0.3%, although the MSCI EAFE Index (a measure of non-U.S. stocks in developed markets) lost -3.4% in the month. Interestingly, stocks in emerging markets as measured by the MSCI Emerging Markets Index was up +4.0% in the month.
- Fixed Income markets provided some offset to equity market declines and performed well in the month. Both domestic and global fixed income are positive month to date and year to date, with the Barclays Global Aggregate Index up +2.9% in June and the Barclays U.S. Aggregate Index up +1.8% in June.
- Real Assets have performed extraordinarily well in June, with the Bloomberg Commodity Index up +4.1% and the Alerian MLP Infrastructure Index up +5.5%. Global REITs were up +3.7% in June.

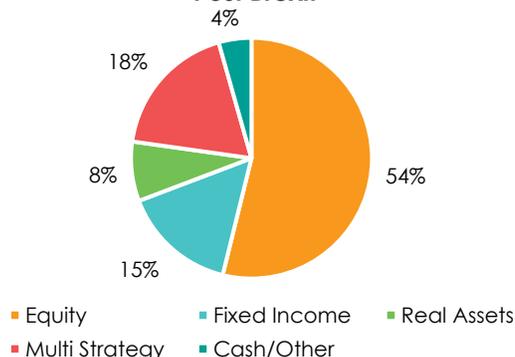
ACF Portfolio Positioning as of Thursday, June 23, 2016 (Prior to Brexit Vote)

- The equity portfolio was recently adjusted prior to the Brexit vote to reduce global exposure and increase exposure to U.S. large capitalization stocks using a low-cost passive S&P 500 Index fund. The timing of the new equity structure in particular proved beneficial.
- The fixed income portfolio was also adjusted to be more defensive, by increasing the allocation to core U.S. fixed income, and decreasing the allocation to the Foundation's global and "unconstrained" bond managers. This adjustment was also helpful to protecting capital in June.

	Market Value \$M ¹	% of Portfolio	Policy Target	Over/Under Weighting
Total Equity	\$31.6	54.3%	55.0%	-0.7%
Global Equity	\$12.2	20.9%	--	--
US Equity	\$9.4	16.2%	--	--
Emerging Markets Equity	\$1.3	2.2%	--	--
Long/Short Equity	\$2.6	4.5%	--	--
Private Equity	\$6.2	10.6%	--	--
Total Fixed Income	\$20.3	15.1%	15.0%	+0.1%
Long-Only Fixed Income	\$12.6	12.3%	--	--
Private Fixed Income	\$1.6	2.8%	--	--
Total Real Assets	\$4.6	7.9%	10.0%	-2.1%
Total Multi Strategy	\$10.7	18.3%	20.0%	-1.7%
Cash	\$2.5	4.3%	--	+4.3%
Grand Total	\$58.3	100.0%	--	--

ACF Portfolio Performance (Highly Preliminary Estimate)

**Estimated Asset Allocation
"Post Brexit"**

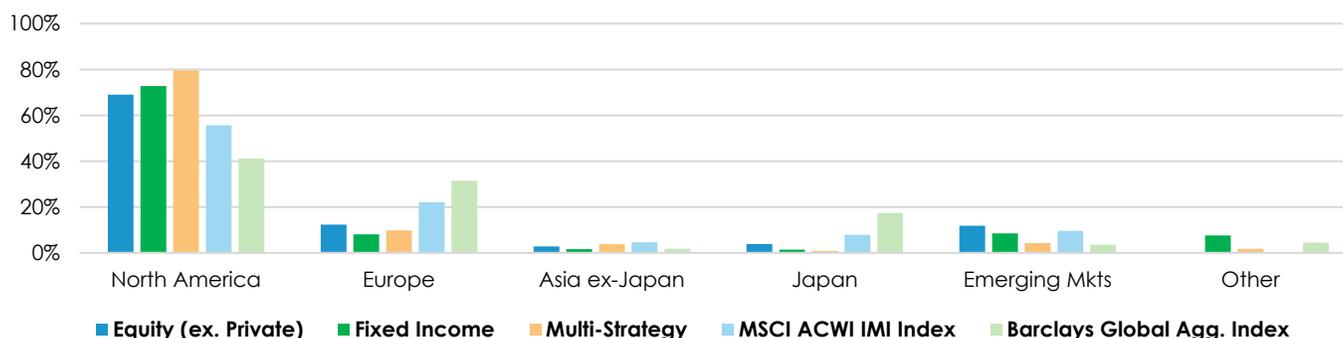


Estimated as of 6/30/2016	June (%)	YTD (%)
Total ACF Portfolio Preliminary Estimate	0.1	1.8
<u>Market Indices:</u>		
S&P 500 (U.S. stocks)	0.3	3.8
MSCI ACWI IMI (global stocks)	-0.7	1.4
Barclays U.S. Aggregate (U.S. bonds)	1.8	5.3
Barclays Global Agg. (global bonds)	2.9	9.0
Bloomberg Commodity (commodities)	4.1	13.3
Alerian MLP Infrastructure (MLPs)	5.5	13.7

Preliminary performance for ACF above is likely to change as performance is finalized, and should be considered an estimate of the general magnitude of performance for June and 2016 YTD.

¹Estimated based on preliminary May 31, 2016 market values adjusted for June restructuring activity.

Current ACF Portfolio Geographic Exposures Across Asset Classes



Equity

The Albuquerque Community Foundation’s public equity portfolio was recently adjusted to tilt more towards North America. The timing of this restructuring activity prior to the Brexit vote proved fortuitous, as domestic equity markets experienced less dramatic declines than their international counterparts. ACF has approximately 20% of the total portfolio invested in global equity (which itself is about half allocated to the U.S.). The portfolio’s defensive long/short equity manager Titan has meaningful exposure to Europe, but this is a small allocation overall which is also designed to mitigate downside through hedges.

Fixed Income

The majority of ACF’s fixed income portfolio is allocated to a “core” U.S. fixed income investment manager. This allocation was raised prior to the Brexit vote. The higher allocation was especially helpful in protecting from further losses. All three of the portfolio’s public fixed income managers have minimal exposure to Europe.

Real Assets

The Foundation’s real asset portfolio is comprised of a commodities manager and private investments, neither of which were directly exposed to risk from the “Brexit” fallout. Many commodities trade in global markets, making geographic classification for some real assets difficult or irrelevant, though the commodities allocation may face headwinds if commodities markets suddenly reverse course.

Multi-Strategy

The Foundation’s multi-strategy investments have little aggregate exposure outside North America, thus we expect direct effects from “Brexit” to be minimal. A few of these investment managers have some exposure to Europe, but those managers comprise a very small portion of ACF’s overall portfolio.

Private Investments

ACF has approximately 18% of the portfolio in private investments across all asset classes. Though the effect of “Brexit” on these holdings is yet to be determined, there is no immediate impact. In the long term, these investments are expected to provide a significant boost to overall portfolio returns.

Outlook

Though the initial reaction to Britain's surprise vote to leave the European Union was perhaps extreme, most markets have regained initial losses. The process of Britain leaving the E.U. is likely to take several years and the terms have yet to be determined; this is uncharted territory for all parties involved. It seems unlikely that the "Brexit" vote will be a trigger for a 2008 type of financial crisis, but the future remains highly uncertain. The only certainty is continued uncertainty, especially with regard to the political resolution to the vote. We expect most of the economic consequences of the "Brexit" vote to be isolated to Britain and Europe, with limited impact globally.

Since the British referendum on June 24th, it has come to light that central banks have been preparing for a Brexit for many months, including coordinated central bank action, expanded financial accommodation, and currency market interventions. All of these measures are expected to further mitigate risk of a major financial crisis, although market overreaction can never be fully prevented.

The Albuquerque Community Foundation portfolio is currently positioned with a domestic bias. Though it has been less than a week since the Brexit vote, ACF's public Equity and Fixed Income managers are doing well so far. The timing of portfolio adjustments prior to the Brexit vote proved beneficial.

A severe drop in value of ACF's public investments is not expected. Losses seen were in line with or better than broad global markets and many markets are now at, or above, where they were at the beginning of the year. We are not taking any immediate action and will continue to monitor the political, economic, and market movements in the coming months.

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