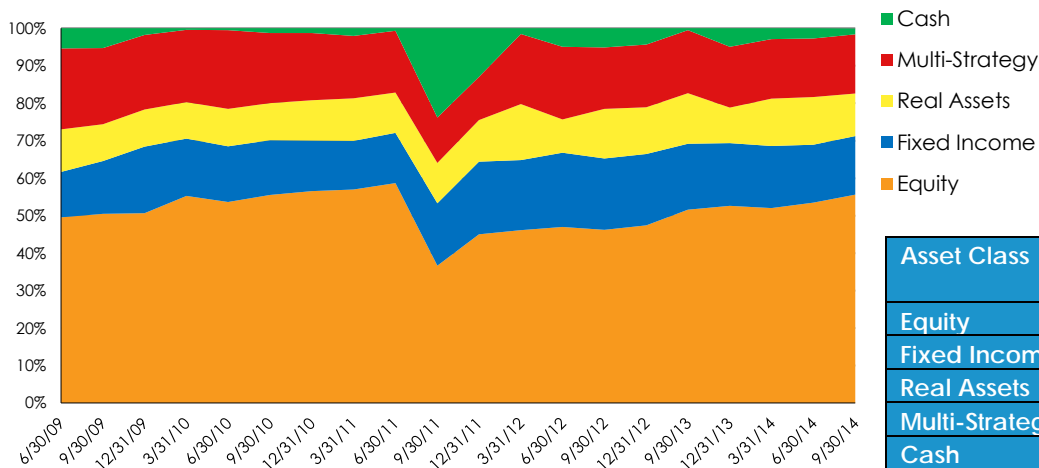


**Asset Allocation**

**Five Year Historical Asset Allocation**



Asset Class	Actual	Target	Over/Under Target
Equity	55.6%	55.0%	+0.6%
Fixed Income	15.6%	15.0%	+0.6%
Real Assets	11.4%	10.0%	+1.4%
Multi-Strategy	15.8%	20.0%	-4.2%
Cash	1.5%	0.0%	+1.5%

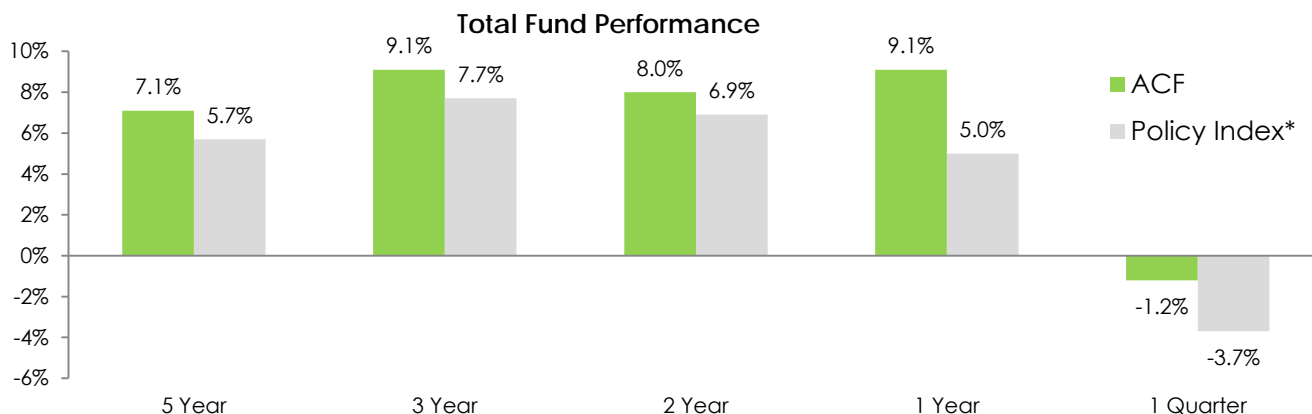
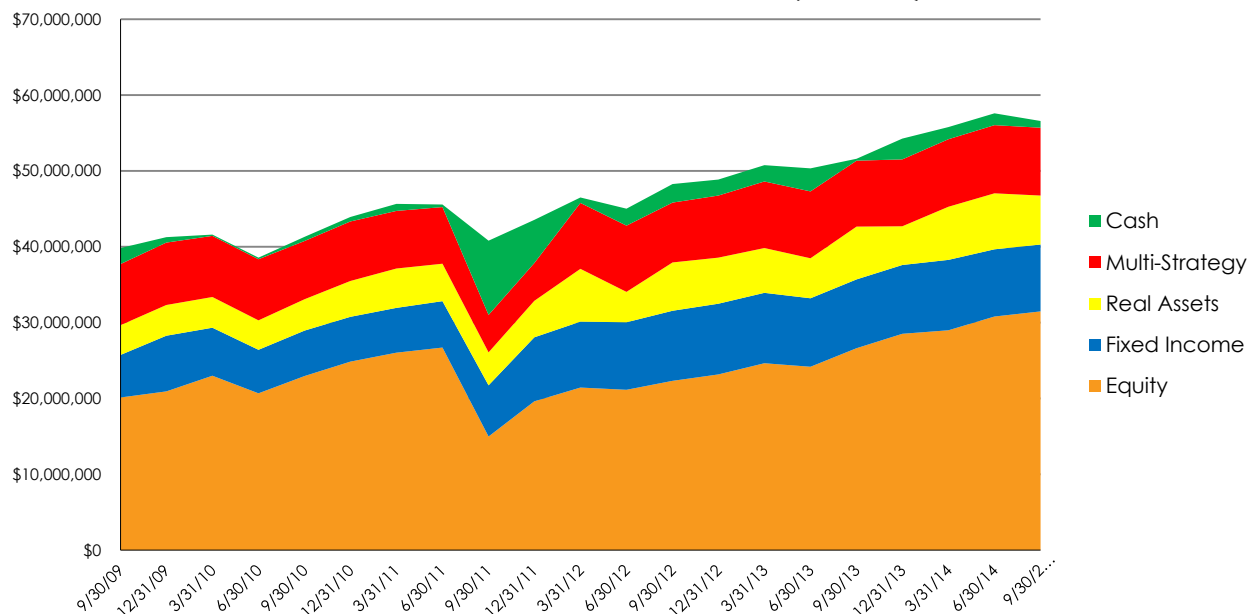
**Investment Objective**

The objective of the total return investment management program is to produce growth and income sufficient to support both donor goals and Foundation objectives. The long-term objective of total return (the sum of earned interest and dividends and realized and unrealized gains or losses less all investment management costs) shall be CPI plus the current spending rate plus the Foundation's average administration fees of 1.2%. Significant emphasis shall be placed upon the preservation and enhancement of the purchasing power of the principal amount of assets in the investment account.

**Consultants Comments**

- The implementation of the new asset allocation, that was approved by the Investment Committee at the May meeting, is currently in progress.
- Slocum is recommending consideration of a proposal to restructure the multi-strategy allocation.

Five Year Historical Market Value (millions)



Consultants Comments

- The ACF portfolio finished the quarter down -1.2%, outpacing its Policy Index by +250 basis points. Since inception, ACF (+5.1%) has outpaced its Policy Index (+4.4%) by +70 basis points. During the quarter, all four asset class composites produced strong relative returns. The quality bias within the active managers and diversification within each asset class contributed to ACF's outperformance relative to its Policy Index during the quarter.
- With the negative returns associated with the market downturn of 2008 rolling off of longer-term performance numbers, the upward-sloping 5-year risk/return trend line is now more indicative of long-term expectations – more volatile asset classes provide a return premium.
- Volatility returned to the market in the third quarter, dampening the bull market's party. The *Chicago Board Options Exchange Market Volatility Index (VIX)* closed below 14 for the entirety of May and June, but closed above that mark sixteen times in the third quarter. Periods of volatility like the one investors are currently navigating serve as reminders to focus on fundamentals, valuations, and long-term expectations and goals.
- Domestically, while the *S&P 500 Index* gained +1.1% for the quarter, the *Russell 2000 Index* shed -7.4%. Global markets had a challenging quarter, with the *MSCI EAFE Index* losing -5.9% and the *MSCI Emerging Markets Index* declining -3.5%.
- Fixed Income markets also finished with a mixed quarter. The *Barclays Aggregate Index* advanced +0.2%, while the *Barclays Global Aggregate Index* decreased -3.1%. Despite rising rates on the horizon, one can still make money owning bonds, but returns are likely to be low and asymmetric risks exist. We recommend considering "unconstrained", long/short credit, direct lending, and distressed managers.

\* The policy index can be thought of as the expected return if the Foundation invested only in passive indices, weighted according to the approved target weights for each asset class, without fees.

Manager	Asset Class	Liquidity	September 30, 2014	Target
<b>Total Portfolio</b>			<b>\$56,583,541</b>	<b>100%</b>
<b>Equity</b>			<b>\$31,463,465</b>	<b>55.6%</b>
<b>Global Equity</b>			<b>\$14,652,734</b>	<b>25.9%</b>
Dodge & Cox	Global Value	Daily	\$7,371,748	13.0%
Dreyfus	Global Equity	Daily	\$7,280,986	12.9%
<b>Large Cap Equity</b>			<b>\$3,004,192</b>	<b>5.3%</b>
Vanguard Dividend Appreciation	U.S. Large Cap Dividend	Daily	\$3,004,192	5.3%
<b>SMID Equity</b>			<b>\$3,765,299</b>	<b>6.7%</b>
DFA	U.S. Small Cap	Daily	\$3,765,299	6.7%
<b>International Emerging Markets Equity</b>			<b>\$1,566,250</b>	<b>2.8%</b>
Eaton Vance	Structured Emerging Markets	Daily	\$1,566,250	2.8%
<b>Long/Short Equity</b>			<b>\$2,604,973</b>	<b>4.6%</b>
Common Sense	Long/Short	Annually	\$49,892	0.1%
Titan	Long/Short	Quarterly	\$2,555,081	4.5%
<b>Private Equity</b>			<b>\$5,870,017</b>	<b>10.4%</b>
Private Equity	Private Equity	Illiquid	\$5,870,017	10.4%
<b>Fixed Income</b>			<b>\$8,835,868</b>	<b>15.6%</b>
PIMCO Bravo II	Global Special Situations P.E.	Illiquid	\$1,543,831	2.7%
Goldman Sachs Strategic Income Fund	Opportunistic Fixed Income	Daily	\$2,229,587	3.9%
Janus	Core Fixed Income	Daily	\$2,662,076	4.7%
Templeton Global Bond Plus	Core Plus Fixed Income	Daily	\$2,400,373	4.2%
<b>Real Asset</b>			<b>\$6,466,362</b>	<b>11.4%</b>
Blackstone Resources Select Offshore Fund	All Cap Real Asset	Monthly	\$2,354,993	4.2%
Atlantic Trust MLP Fund LLC	Other Real Asset	Quarterly	\$2,330,191	4.1%
Bridge Real Estate Opportunity Capital Fund	Real Asset/Real Estate	Illiquid	\$1,781,178	3.1%
<b>Multi-Strategy</b>			<b>\$8,956,814</b>	<b>15.8%</b>
BlackRock Tempus Fund Ltd	Multi-Strategy Hedge Funds	Semi-Annual	\$3,493,845	6.2%
Magnitude International Class A	Multi-Strategy Hedge Funds	Quarterly	\$3,122,090	5.5%
PIMCO All Asset Fund - Institutional	Tactical Asset	Daily	\$1,561,688	2.8%
Silver Creek Low Vol Strategies II, Ltd	Multi-Strategy	Liquidating	\$779,190	1.4%
<b>Cash</b>			<b>\$861,032</b>	<b>1.5%</b>
Cash	Cash Equivalents	Daily	\$861,032	1.5%

\*The totals above may not sum to 100.0% due to rounding.

Asset Class Definitions

- **Equities** can include but is not limited to strategies such as global equities, domestic equities, international equities, and emerging markets equities. It can include structures such as separate accounts, mutual funds and commingled funds for long-only equities, and limited partnerships and mutual funds for long/short equities and private equity.
- **Fixed Income** can include but is not limited to strategies such as global bonds, domestic fixed income securities, international, and emerging markets fixed income. It can include structures such as separate accounts, mutual funds and commingled funds for long-only fixed income, and limited partnerships and mutual funds for long/short fixed income and opportunistic structures. Securities can include, but are not limited to, Treasuries, U.S. government Agency securities, Asset backed securities and other Sovereign bonds, as well as Corporate bonds and other non-agency securities.
- **Real Assets** refers to any investment or investment strategy that is composed of real property, buildings and developments, timber, or commodities (through both public mutual or commingled funds and private partnership structures). The goal of the Albuquerque Community Foundation's investment in real assets is to hedge against unexpected inflation, decrease overall portfolio volatility, and achieve diversification benefits, thereby increasing the overall total portfolio's return.
- **Multi-Strategy Investments** can include Absolute Return Strategies (ARS), and Private Equity. ARS typically include a diversified mix of non-traditional investment strategies that have a goal of lowering the investment program's overall risk (volatility of returns). Absolute Return Strategies refer to investments or investment strategy that at their core are not long-only portfolios of traditional equity or fixed income instruments. These strategies seek to generate the highest possible absolute return within diversified asset classes without the limitations imposed when managing versus a specific benchmark. ARS seek to generate a positive return regardless of the positive or negative performance of the market environment.
- **Cash** can include cash investments, money market securities, and short-term Treasuries.