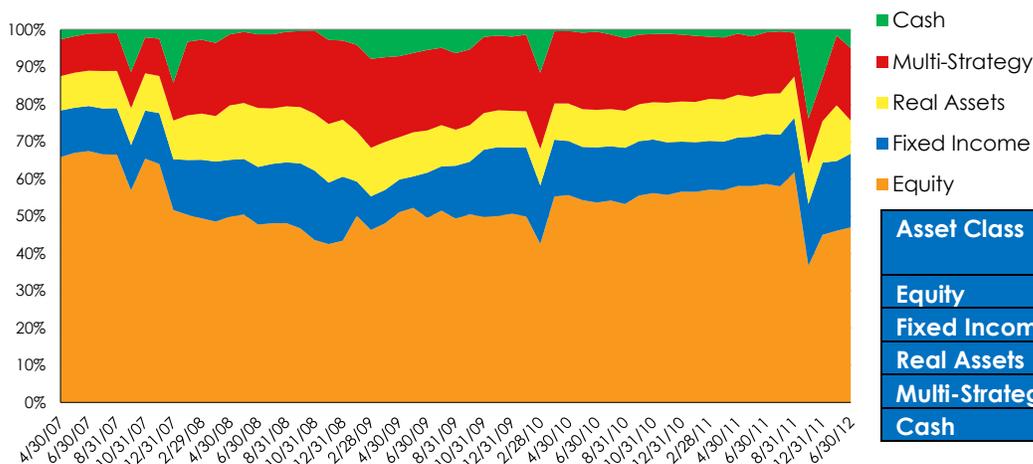


**Asset Allocation**

**Five Year Historical Asset Allocation**



| Asset Class    | Actual | Target | Over/Under Target |
|----------------|--------|--------|-------------------|
| Equity         | 47.0%  | 45%    | +2.0%             |
| Fixed Income   | 19.8%  | 20%    | -0.2%             |
| Real Assets    | 15.0%  | 8.9%   | -6.1%             |
| Multi-Strategy | 19.4%  | 20%    | -0.6%             |
| Cash           | 4.9%   | 0%     | +4.9%             |

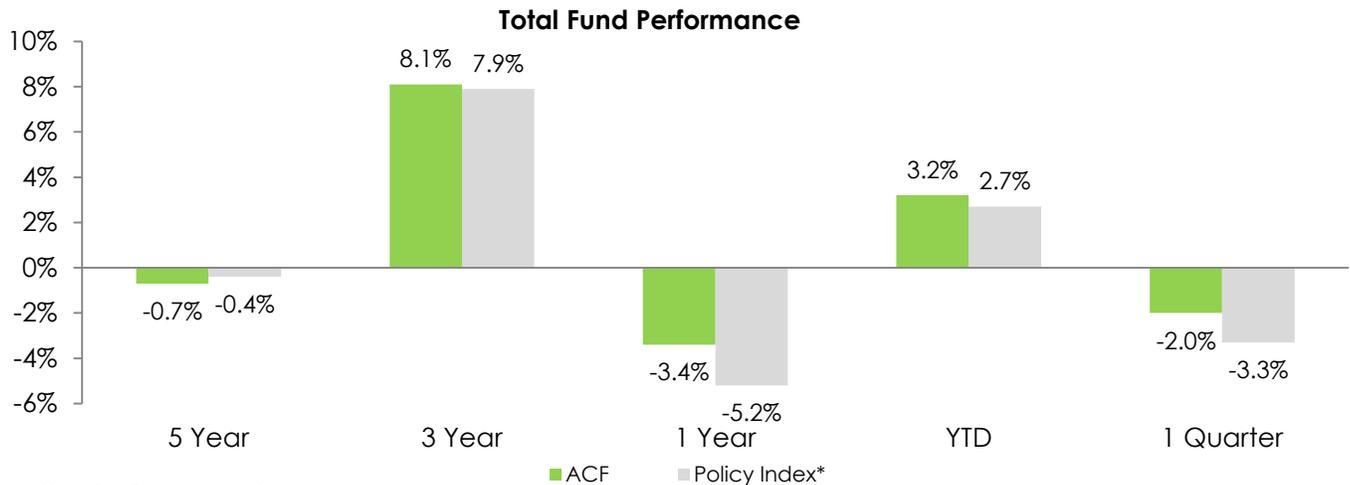
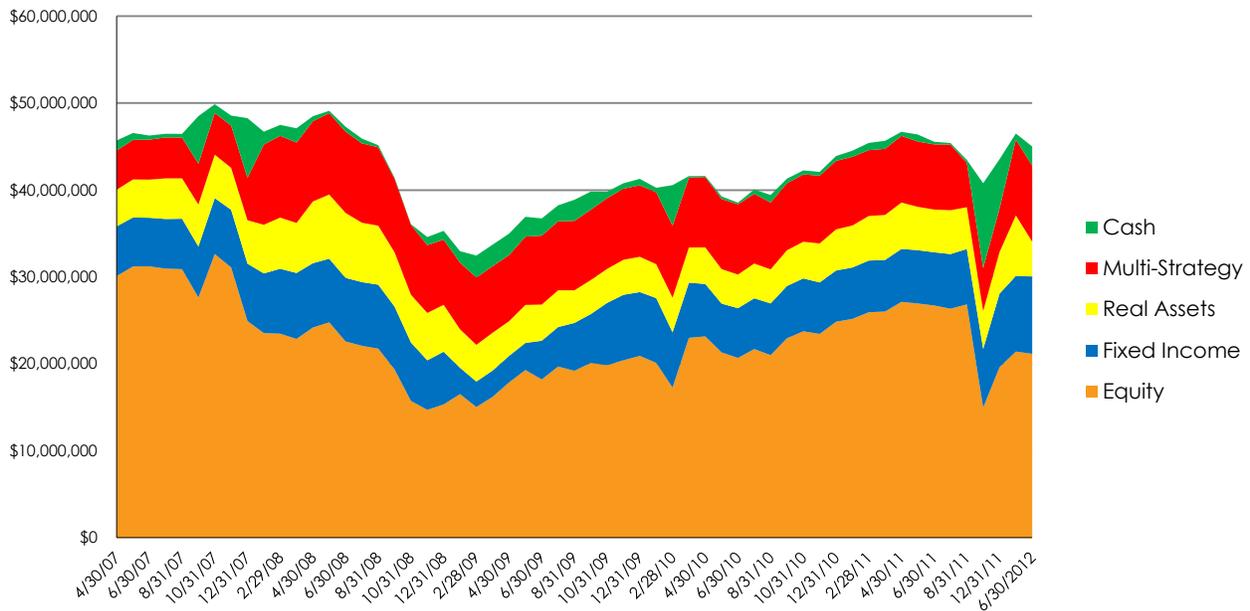
**Investment Objective**

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 of 4.5% 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**

- During the second quarter, Albuquerque approved a \$1,000,000 commitment to Pernal PPEO IV, a secondary private equity vehicle. An initial contribution was made in early July.
- The Foundation is currently underweight to Real Assets and plans to select a manager to complement Blackstone Resources Select in August, with a target of 5%.
- In February, the Foundation has also submitted a redemption request to Corbin. Corbin has limited liquidity and the Foundation will receive redemptions on a quarterly basis throughout 2012. As proceeds are received, funds will be used to increase the portfolio's allocation to multi-strategy managers Magnitude and BlackRock.
- Guggenheim fulfilled the Foundation's redemption request during the second quarter. The Foundation received a partial distribution in April, and the remaining proceeds were distributed in May.
- Slocum believes the Albuquerque policy is properly positioned and broadly diversified between domestic and global mandates which enable it to participate in market rallies, while minimizing losses in down markets.

Five Year Historical Market Value (millions)



**Consultants Comments**

The Albuquerque Community Foundation's total portfolio returned -2.0%, net of fees, during the second quarter. The first half of 2012 had a feeling of déjà vu, playing out in a strikingly similar fashion to 2011. After a euphoric first quarter, European woes flared up once again and continue to be cause for concern, in addition to the looming U.S. "fiscal cliff". As global economic activity slowed and with increased uncertainty surrounding current events, investors became pessimistic during the second quarter, causing major equity indices finishing in negative territory. Amid heightened volatility and struggling equity markets, U.S. Treasuries and similar safe haven debt issues were in high demand. Fixed Income returns outside the U.S. mirrored equity markets, with foreign issues lagging their domestic counterparts. Despite the negative returns, markets received a boost late in the quarter on the backs of a Greek election, in which the pro-austerity party won. Though Greece is not the only problem and much uncertainty remains, it was a positive step in an effort to decrease Eurozone debt levels and spur growth. Going forward, Spain and Italy will be catalysts in the global marketplace; both are bigger players in the Eurozone than Greece, and have debt concerns that will need to be addressed. The Federal Reserve backpedaled slightly from the first quarter, leaving open the possibility for further stimulus actions and announced an extension on its "Operation Twist" program in June.

\* 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.

| LIQUIDITY                       | MANAGER  | MARKET VALUE        | % OF PORTFOLIO |
|---------------------------------|--|---------------------|----------------|
| Daily                           | Dodge & Cox Global Value (DODWX)               | \$4,487,238         | 10.0%          |
| Daily                           | IronBridge (IBSMX)                             | \$3,332,868         | 7.4%           |
| Daily                           | Vanguard Dividend Appreciation (VDAIX)         | \$1,414,916         | 3.1%           |
| Daily                           | Eaton Vance Structured Emerging Markets (EIMX) | \$1,318,235         | 2.9%           |
| Daily                           | Dreyfus Global (DGLRX)                         | \$4,239,870         | 9.5%           |
| Annually <sup>1</sup>           | Common Sense                                   | \$2,358,860         | 5.2%           |
| Illiquid                        | Private Equity                                 | \$4,010,621         | 8.9%           |
|                                 | <b>Total Equity Focused</b>                    | <b>\$21,162,608</b> | <b>47.0%</b>   |
|                                 | <b>Fixed Income</b>                            |                     |                |
| Daily                           | PIMCO Unconstrained (PFIUX)                    | \$2,222,478         | 4.9%           |
| Monthly w/ 10 day notice        | Colchester Global Bond                         | \$2,119,215         | 4.7%           |
| Daily                           | Janus (JFLEX)                                  | \$3,044,782         | 6.8%           |
| Daily                           | T. Rowe Price Emerging Markets (PREMX)         | \$1,507,921         | 3.4%           |
|                                 | <b>Total Fixed Income Focused</b>              | <b>\$8,894,396</b>  | <b>19.8%</b>   |
|                                 | <b>Real Asset</b>                              |                     |                |
| Monthly w/ 35 day notice        | Blackstone Resources Select                    | \$4,001,298         | 8.9%           |
|                                 | <b>Total Real Asset Focused</b>                | <b>\$4,001,298</b>  | <b>8.9%</b>    |
|                                 | <b>Multi-Strategy</b>                          |                     |                |
| Quarterly w/ 65 days notice     | Magnitude International                        | \$1,868,587         | 4.2%           |
| Semi-annual w/ 120 prior notice | BlackRock Tempus                               | \$1,867,166         | 4.1%           |
| Quarterly w/ 100 day notice     | Corbin Pinehurst                               | \$3,658,923         | 8.1%           |
| Liquidating                     | Silver Creek Low Vol II Ltd                    | \$1,348,226         | 3.0%           |
|                                 | <b>Total Multi-Strategy</b>                    | <b>\$8,742,902</b>  | <b>19.4%</b>   |
|                                 | <b>Cash</b>                                    |                     |                |
| Daily                           | Cash   | \$2,209,544         | 4.9%           |
|                                 | <b>Total Foundation</b>                        | <b>\$45,010,748</b> | <b>100.0%</b>  |

<sup>1</sup> Common Sense recently improved the Fund's liquidity terms, allowing 25% partial redemptions on a quarterly basis with a 100 days' notice, with 100% liquidity available at calendar year-end.

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**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.