
INVESTMENT POLICY STATEMENT
of the
NEW MEXICO COMMUNITY FOUNDATION
5-10 YEAR LONG-TERM POOL



NEW MEXICO
Community Foundation
TOGETHER WE THRIVE.

Adopted August 2007

Updated February 2008

Updated March 2010

Updated May 2011

Amended July 2012

Updated February 2014

Amended May 2014

Amended May 2015

Amended August 2017

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Approval 19

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EXECUTIVE SUMMARY

Type of Organization: Public Charitable Community Foundation 501(c)(3), 509(a)(1)

Current Total Net Assets (06/30/2017) ... ~\$16,812,900

Spending Policy Overview Spend 3.5% - 5% of corpus based on rolling 20 quarter
..... (5-year) average as of previous year end.

Return Objective..... Maximize returns within reasonable and prudent levels of risk as
..... outlined in the attached asset allocation study, preserve
..... the principal value over market cycles and maintain
..... purchasing power of current assets and future contributions

Planning Time Horizon:..... Greater than 5 years

Expected Return: 6.3% (based on 10-Yr. Geometric Mean Return)
..... (based on 2013 Capital Market Projections)

Risk Tolerance: Above Average, Losses not to exceed -20% per year,
based on a statistical confidence level of 99%

Asset Class	Strategic Allocation	Upper Limit
Cash or Equivalents	2.0%	20.0%
Domestic Fixed Income	17.0%	30.0%
Non U.S. Fixed Income	3.0%	6.0%
High Yield Fixed Income	3.0%	6.0%
Large Cap U.S. Equity	23.0%	35.0%
Small/Mid Cap U.S. Equity	10.0%	20.0%
International Equity	17.0%	30.0%
Real Assets	15.0%	20.0%
Alternative Investments	10.0%	15.0%

Evaluation Benchmark:

The policy benchmark will be based upon the strategic asset allocation of the Fund to various broad asset classes, with an appropriate benchmark being assigned to each of these broad asset classes.

BACKGROUND & PURPOSE

The New Mexico Community Foundation (“NMCF” or the “Foundation”) is a statewide endowment building and grant-making organization that serves and invests in New Mexico’s communities and their greatest asset . . . people. As a steward of community resources, we support a quality of life that reflects the diverse values, traditions, beauty and dreams of New Mexico. Building community wealth and relationships, maximizing community capacity and self-reliance are at the heart of our work. It is the objective of the New Mexico Community Foundation to maintain its endowment funds in perpetuity and to minimize the volatility of its annual distributions from those funds. In so doing, it seeks to balance the need to preserve assets with the need to fulfill its charitable mission.

As a matter of policy, the Foundation is committed to fully investing available funds in a manner that will maximize investment returns while maintaining an acceptable risk profile according to the provisions of this Investment Policy Statement (“IPS”). Also, the Foundation will adhere to all investment provisions and requirements and other governing structures as established by the Board.

The purpose of this Investment Policy Statement is to assist the New Mexico Community Foundation’s Board of Directors (“Board”) in effectively supervising, monitoring and evaluating the investment of the Foundation’s Fund (“Fund”) assets. The Fund's investment program is defined in the various sections of the IPS by:

- Stating in a written document, the Board's attitudes, expectations, objectives and guidelines for the investment of all Foundation assets;
- Setting forth an investment structure for managing all Foundation assets. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the long-term;
- Providing guidelines for each investment portfolio that control the level of overall risk and liquidity assumed in that portfolio, so that all Foundation assets are managed in accordance with stated objectives;
- Encouraging effective oversight by the Board over the various vendors to the Foundation;
- Establishing formalized criteria to monitor, evaluate and compare the performance results achieved by the money managers on a regular basis; and
- Complying with all applicable fiduciary, prudence and due diligence requirements that experienced investment professionals would utilize, including the New Mexico Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) and with all applicable laws, rules and regulations from various local, state, federal and international political entities that may impact Foundation assets.

This IPS has been formulated, based upon consideration by the Board of the financial implications of a wide range of policies, and describes the prudent investment process that the Board deems appropriate based on its review of the appended Asset Allocation Support Study.

ORGANIZATIONAL INFORMATION

Name of Foundation: New Mexico Community Foundation

Incorporated: 1983

CUSTODIAN	Bank of Albuquerque	Sean Walker
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INVESTMENT	Ulrich Consulting Group, LLC	John Ulrich
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CONSULTANT		
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AS OF SEPTEMBER 2017 – SUBJECT TO CHANGE

ESTABLISHMENT OF POLICY STATEMENT

The Board of Directors of the New Mexico Community Foundation has the responsibility of establishing and maintaining broad policies and objectives for all aspects of the Foundation's operation. The Board has delegated the responsibility for administering the Investment Policy Statement to the Investment Committee ("Committee").

This document will:

- Set forth the investment policies and objectives which the Committee judges to be appropriate, prudent and in accordance with the Board's fiduciary responsibilities;
- Establish the roles and responsibilities of Staff, the Committee and the Board as well as external Investment Consultants ("Consultant"), Investment Managers ("Manager") and Custodial Institutions ("Custodian") responsible for the safekeeping of NMCF assets.
- Communicate the investment objectives, policies and guidelines to the aforementioned parties;
- Serve as a review document to guide the Board, Committee and Staff in their ongoing supervision of the Foundation's investments to ensure that such investments remain in accordance with NMCF's strategic investment planning and this Investment Policy and Guidelines Statement; and
- Establish the investment performance measurement criteria against which the total fund and investment managers retained by the Committee are to be evaluated.

SPENDING POLICY

Endowment funds invested in the 5-10 year Long-Term Pool are subject to the Foundation's Spending Policy for Endowment Funds. As set forth in that Policy, it is anticipated that, barring extraordinary circumstances, the maximum annual spending rate will be between 3.5 percent and 5 percent and that the annual increase or decrease in the maximum spending rate will not be greater than .5 percent.

GUIDELINES AND INVESTMENT POLICY

Time Horizon

The investment guidelines are based upon an investment horizon of greater than five years, so that interim fluctuations should be viewed with appropriate perspective. Similarly, the Foundation's strategic asset allocation is based on this long-term perspective.

Risk Tolerances

The Board recognizes the difficulty of achieving the Foundation's investment objectives in light of the uncertainties and complexities of contemporary investment markets. The Board also recognizes that some risk must be assumed to achieve the Foundation's long-term investment objectives. In establishing the risk tolerances of the IPS, the ability to withstand short and intermediate term variability were considered.

Performance Expectations

The desired investment objective is a long-term rate of return on assets that is at least 6.3%, which is approximately 4% greater than the anticipated rate of inflation as measured by the Consumer Price Index (CPI). The target rate of return for the Foundation has been based upon the assumption that future real returns will approximate the long-term rates of return experienced for each asset class in the IPS.

The Board realizes that market performance varies and that a 6.3% rate of return may not be meaningful during some periods.

Over a complete business cycle, the Foundation's overall annualized total return, after deducting money management fees, as well as total transaction costs, should perform equal to or greater than the median Fund in the Council on Foundations Community Foundations Survey database and above a customized index comprised of market indices weighted by the strategic asset allocation of the Fund.

Asset Allocation Constraints

The Board believes that the Foundation's risk and liquidity posture is, in large part, a function of asset class mix. The Board has reviewed the long-term performance characteristics of various asset classes, focusing on balancing the risks and rewards of market behavior. The following asset classes were selected:

- Cash or Equivalents
- Domestic Fixed Income
- Non U.S. Fixed Income
- High Yield Fixed Income
- Large Capitalization U.S. Equities
- Small-Mid Capitalization U.S. Equities
- International Equities
- Real Assets
- Alternative Investments

GUIDELINES AND INVESTMENT POLICY

Based on the Foundation's time horizon, risk tolerances, performance expectations and asset class preferences, an efficient or optimal portfolio was identified. The strategic asset allocation of the Foundation is as follows:

Asset Class	Strategic Allocation	Upper Limit
Cash or Equivalents	2.0%	20.0%
Domestic Fixed Income	17.0%	30.0%
Non U.S. Fixed Income	3.0%	6.0%
High Yield Fixed Income	3.0%	6.0%
Large Cap U.S. Equity	23.0%	35.0%
Small/Mid Cap U.S. Equity	10.0%	20.0%
International Equity	17.0%	30.0%
Real Assets	15.0%	20.0%
Alternative Investments	10.0%	15.0%

Rebalancing of Strategic Allocation

When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation of the Fund. If there are no cash flows, the allocation of the Fund will be reviewed quarterly.

GUIDELINES AND INVESTMENT POLICY

Securities Guidelines

The guidelines below are designed to govern the overall investment portfolio. It is acceptable for a particular investment strategy to deviate from these guidelines provided the overall portfolio guidelines are monitored and maintained to be in compliance with this policy. Non-approved investments may not be made unless specifically allowed as outlined in the following section.

It should also be noted that some strategies and/or securities may have different characteristics particularly when they are used in conjunction with each other in a particular way. As such, assets that may normally be considered fixed income, and/or equities on a stand-alone basis may be accounted for in a different manner than might normally be considered customary. For example, Treasury Inflation Protected Securities (“TIPS”) would typically be considered a fixed income security. However, if TIPS are used as a part of a Real Asset strategy, it would be considered as a part of the alternative investment allocation for asset guideline purposes.

Non-Approved Investments

- Venture Capital Investments

The following securities and transactions are not authorized, unless used within an investment vehicle pursuant to its prospectus or offering memorandum:

- Letter stock and other unregistered securities; commodities or other commodity contracts (investments in commodity index investments are permitted)
- Short sales or margin transactions except when utilized as a part of a diversified alternative investment strategy as outlined within this policy.
- Securities lending, pledging or hypothecating securities unless such lending of securities is pursuant to a separate, written agreement.
- Investments in futures, use of margin or investments in any derivatives not explicitly permitted in this Statement.
- Private Placements (except marketable 144(a) securities and the investment manager’s commingled investments vehicles.)
- Non-publicly traded Real Estate Investments except those specifically outlined in the investment policy statement.
- Puts, calls, straddles, or other option strategies except when utilized as a part of a diversified alternative investment strategy as outlined within this policy.
- Any other security transaction not specifically authorized in this Statement, unless approved in writing.

Equities:

- Equity holdings in any one company should not exceed more than 10% of the market value of the portfolio. The maximum allocation to any single economic sector (i.e. Technology, Financials, etc.) shall not exceed the greater of 25% of the market value of the equity portfolio or 200% of the sector weighting in the benchmark index except when sector-specific managers/vehicles with 100% allocated to a defined sector/industry are utilized.
- Equity holdings shall be primarily restricted to readily marketable securities of major corporations that are actively traded on the major global exchanges.

GUIDELINES AND INVESTMENT POLICY

- Large Capitalization U.S. Equities — generally stocks of companies with market capitalization greater than \$10 billion.
- Small-Mid Capitalization U.S. Equities — generally stocks of companies with market capitalization between \$400 million and \$10 Billion.
- International Equities — generally stocks of companies based in or with primary operations conducted in foreign countries external to the United States. The fund or funds may be geographic-specific, may span both developed and emerging markets, and can include all capitalizations as defined above. American Depositary Receipts or other depository securities of non-U.S. based companies traded in the U.S. by foreign corporations are also permitted.
- Both a broad market benchmark and a “style” index may be utilized to evaluate an equity manager’s portfolio.

Fixed Income:

- The fixed income portfolio assets may invest in any and all securities that are included in the designated benchmark index.
- The exposure of the portfolio to any one issuer, other than securities of the U.S. government or agencies or major foreign governments, shall not exceed 10% of the market value of the fixed income portfolio. No more than 30% of the market value of an investment manager’s portfolio may be invested in a single sector of the corporate fixed income market, (i.e. Industrials, Financials, or Utilities).
- The maximum effective maturity of any single security shall not exceed 30 years. The market weighted average effective duration of any manager’s portfolio shall not exceed 25% of the market value weighted average effective duration of the manager’s appropriate index.
- Holdings of individual securities shall be large enough for easy liquidation.
- Private Placement Securities (marketable 144A securities) are permitted provided the ratings and credit quality are within the stated ranges of this policy.
- Both a broad market benchmark and a “style” index may be utilized to evaluate a fixed income manager’s portfolio.

Domestic Fixed Income

- The minimum dollar weighted average credit quality of the U.S. fixed income portfolio shall be “A” or its equivalent, or higher, by Moody’s, Standard and Poor’s and/or Fitch’s credit quality rating. U.S. Treasury and U.S. Government agencies, which are unrated, are qualified for inclusion in the portfolio and will be assumed to be “AAA” for the purpose of rating the portfolio.
- In addition, the manager may invest up to 40% in "non-benchmark" securities which otherwise satisfy the quality and risk characteristics of approved securities.
- Yankee Bonds and Asset Backed Securities may be used provided they satisfy the quality and risk characteristics as outlined in this policy at the time of purchase

High Yield Fixed Income

GUIDELINES AND INVESTMENT POLICY

- The high yield portion of the portfolio must maintain an average credit quality of “B” or higher and may not exceed 20% of the overall portfolio.

Non-U.S. Fixed Income Securities

- The minimum dollar weighted average credit quality of the non-US fixed income portfolio shall be “A” or its equivalent, or higher, by Moody’s, Standard & Poor’s and/or Fitch’s credit quality rating. Securities of Foreign Governments their agencies and instrumentalities, obligations of other foreign issuers rated “BB” or better and supranational organizations, such as the World Bank, the European Investment Bank, and European Economic Community are qualified for inclusion in the portfolio.
- The exposure of the portfolio to Emerging Market fixed income securities will not be more than 25% of the fixed income portfolio.

Real Assets

Inflation erodes purchasing power cumulatively and exponentially by increasing the cost of future spending. Certain asset types have demonstrated that they can be an effective hedge against inflation. While many asset classes perform poorly in an inflationary environment, a portfolio of real assets provides a hedge for inflation-driven liabilities and protects against losses in rising or high inflation scenarios.

- Unless explicitly defined below, or unless specifically agreed to in writing by the investment committee, all Real Assets investment strategies will be made through investments in publicly traded mutual funds, ETFs and ETNs which are priced and traded on a public exchange and which operate under the Investment Advisors Act of 1940. Collective Trust Funds that maintain appropriate transparency and liquidity are also acceptable investment vehicles. If non-publicly traded vehicles are to be utilized, approval will be subject to a thorough due diligence process by the Investment Committee and final approval by the Board. Strategies which may require periodic capital calls beyond the initial investment are not allowed unless the total amount of investment is agreed to at the time of purchase.
- Treasury Inflation-Protected Securities (TIPS)—Notes and bonds issued by the U.S. Treasury as “inflation-linked” debt whose principal and interest are adjusted for actual or realized inflation.
- Real Estate Investments may include Public or Private Real Estate Investments Trusts (REITs) limited partnerships, limited liability companies, pooled investments, with experienced management and proven track records (at least five years) which are diversified across multiple properties. Mutual Funds investing in real estate or REIT shares may also be used.
- Commodities investments may include managers or mutual funds that invest in broadly diversified commodities futures indexes (such as the Dow Jones-AIG Commodities Index (DJ-AIGCI), hedged or unhedged, for the purpose of providing long-term positive returns and low correlation alternatives to stocks and bonds. Individual non-portfolio commodities investments shall not be allowed. Exchange Traded Funds and indexed funds traded on major exchanges may also be used.
- Natural Resources Funds — Broadly diversified strategies that can be accessed through Open end Mutual Funds, Exchange Traded Funds and or indexed funds traded on major exchanges may also be used. No direct investments in natural resources are allowed. (i.e. direct investments in gold or other precious metals.)
- Global Infrastructure Investments — comprised of the basic physical and organizational structures needed for the orderly operation of a society. Infrastructure assets include transportation (e.g. toll roads, ports, and

GUIDELINES AND INVESTMENT POLICY

airports), energy and utilities, communications and social facilities; entities that typically display monopoly-like characteristics (tend to be long-lived assets with limited competition, high barriers to entry, and high operating margins) with low elasticity of demand.

- Floating Rate Debt — instruments that have a variable coupon that resets periodically with interest payments determined by a representative interest rate index (e.g. LIBOR or the federal funds rate) plus a fixed spread. Types of floating rate debt include floating rate loans, also commonly referred to as bank loans, syndicated loans, or leveraged loans. Investments may be made through Business Development Companies (BDC) which is either a publicly traded security or through an SEC-registered non traded fund. The structure should exhibit a well defined and diversified investment objective. The aggregate total in these types of investments shall not exceed 25% of the maximum target percentage weighting of the fixed income portfolio.
- Master Limited Partnerships (MLPs) — engaged in the transportation, storage, processing, refining, marketing, exploration, production, or mining of any mineral or natural resource.

Alternative Investments

The investment objective of the use of alternative investments is to help the overall portfolio achieve consistent positive real returns and to maximize long-term total return within prudent levels of risk. Historically certain types of alternative investments have been shown to provide long-term positive returns and low correlation alternatives to stocks and bonds. The basis for utilizing these strategies is that they should reduce overall portfolio volatility and risk.

Permissible Alternative Strategies

- The primary implementation vehicle for Alternative Investment strategies will be made through investments in publicly traded mutual funds, ETFs and ETNs which are priced and traded on a public exchange and which operates under the Investment advisors act of 1940. Collective Trust Funds that maintain appropriate transparency and liquidity are also acceptable investment vehicles. If non-publicly traded vehicles are to be utilized, approval will be subject to a thorough due diligence process by the Investment Committee and final approval by the Board.
- Absolute Return — investment strategies that employ an absolute return philosophy which seek to achieve maximum real return (total return less inflation) in excess of inflation consistent with real-capital preservation and prudent investment management. These strategies may employ a wide variety of techniques and asset classes including long and short positions in both conventional and alternative market sectors.
- Market-Neutral — strategies which seek long-term capital appreciation while attempting to eliminate market risk (i.e. zero beta and R-squared) achieved by taking offsetting long and short positions to balance exposure and achieve sector-, market-, currency-, and style-neutrality. Also called “portable alpha” strategies. Seek to generate positive results regardless of market direction.
- Hedging/Option Strategies — seek to reduce downside risk and overall volatility by employing covered call option-writing, long put option, and/or short strategies to capture premium income and a degree of market upside while limiting exposure to dramatic market downside events.
- Strategies which may require periodic capital calls beyond the initial investment are not allowed unless the total amount of investment is agreed to at the time of purchase.

Cash/Cash Equivalents:

GUIDELINES AND INVESTMENT POLICY

- Cash equivalent reserves shall consist of cash instruments having a quality rating of A-1, P-1 or higher. Time deposits and repurchase agreements are also acceptable investment vehicles. Certificates of deposit and time deposits with banks, credit unions or other thrift organizations shall be limited to those fully insured by the Federal Deposit Insurance Corporation (FDIC).
- Any idle cash not invested by the investment managers shall be invested daily through an automatic interest bearing sweep vehicle or money market fund managed by the custodian.

CONTROL PROCEDURES

Selection of Money Managers

The Board will select appropriate money managers to manage the Foundation assets. Managers must meet the following minimum criteria:

- Be a bank, insurance company, investment management company, or investment adviser as defined by the Registered Investment Advisers Act of 1940.
- Separate account managers should present performance in compliance with Global Investment Performance Standards (GIPS®) as set forth by the CFA Institute. Verification of the Firm's claim of compliance with GIPS® by an independent third party is preferred.
- Provide historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style, and reported net and gross of fees.
- Provide performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the manager relative to other managers of like investment style.
- Provide detailed information on the history of the firm, key personnel, key clients, fee schedule, and support personnel.
- Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
- Selected firms shall have no outstanding legal judgments or past judgments, which may reflect negatively upon the firm.

Duties and Responsibilities of the Board of Directors and the Investment Committee

The Board has the responsibility of establishing and maintaining broad policies and objectives for all aspects of the Foundation's operation. The Board is responsible for prudent utilization of the Foundation's assets. Specifically with regard to investments, the Board, in fulfilling its duties, delegates to the Investment Committee, the management and oversight of the Foundation's investment security portfolio. In keeping with their obligation to serve as governing fiduciaries, changes to any one of the following will require the Investment Committee to notify and obtain approval from the Board:

- The Investment Policy and Guidelines Statement;
- The Strategic Asset Allocation Policy;
- Performance objectives for the Asset Allocation Policy;
- Selection of the Investment Consultant;
- Any other issues of investment policy not specifically enumerated above; and
- Any changes to the Investment Policy Statement will require approval by the Investment Committee and the Board of Directors.

The Investment Committee is responsible for the overall governance of the investment portfolio and related activities including compliance with policies, business practices, rules and regulations and delegation to qualified professional investment advisors. At each quarterly meeting, the Investment Committee reviews investment performance and portfolio holdings and will furnish the report to the Board at the next scheduled Board of

CONTROL PROCEDURES

Directors' meeting. Additionally, the Investment Committee will review the Investment Policy and Guidelines Statement at least annually and in the event of any substantive amendment shall make such recommendation to the full Board prior to its implementation.

The Investment Committee may delegate certain responsibilities to the Foundation Staff and Investment Consultant. The external resources will report directly to the Investment Committee and will provide information, analysis and recommendations directly to the Committee on an as needed basis.

Duties and Responsibilities of the Foundation Staff

The Foundation staff oversees the services provided to the Foundation by the Consultant. The primary functions of the Staff, in conjunction with the Consultant, include:

- Maintaining the proper liquidity necessary to meet spending needs and disbursement requirements;
- Serving as a liaison between the full Board and the Investment Committee;
- Informing and advising the Investment Committee and the Board on financial, economic, and political developments that may affect the Foundation; and
- Monitoring of custodial and brokerage activity.

The frequency and content of reports from the Staff to the Investment Committee and the Board will be dictated by the requirements of this Investment Policy as well as directives from the Investment Committee.

Duties and Responsibilities of the Investment Consultant

The Investment Committee will recommend, select and contract with an Investment Consultant ("Consultant"). The Consultant's duties are to work with Committee and Staff to review the investment program on an as needed basis. This includes the following responsibilities:

- Assisting and facilitating in the management and monitoring of Foundation investments consistent with this IPS, including the selection, acquisition and sale of securities for the portfolio not under the discretion of money managers;
- Determining the suitability of each investment vehicle (separate account, mutual fund, commingled fund or private partnership) consistent with the stated policies and business practices included herein;
- Identifying a suitable Custodian;
- Monitoring the activities of the Custodian;
- Presenting periodic reports and having periodic meetings with the Investment Committee to provide an independent perspective on the Foundation's goals, structure, performance;
- Reviewing asset allocations, manager structure, investment policy, and performance;
- Providing comprehensive performance measurement reports which compare actual asset and manager allocations versus IPS targets and total fund and manager performance relative to appropriate benchmarks and peer groups on a quarterly basis;
- Serving as the primary liaison between Managers;

CONTROL PROCEDURES

- Promptly informing the Investment Committee in writing regarding all significant and/or material matters and changes pertaining to the Foundation investments including but not limited to: investment strategy, portfolio structure, tactical approaches, ownership, organizational structure, financial condition, professional staff, recommendations for guideline changes, material legal, Securities Exchange Commission and other regulatory agency proceedings affecting the Investment Consultant and/or any of the managers/investment vehicles or any investment in the portfolio;
- Providing research and educational services to the Board of Trustees, Investment Committee and Staff; and
Reviewing this investment policy statement annually and recommend changes and updates as appropriate.

Duties and Responsibilities of Money Managers

The duties and responsibilities of each money manager retained by the Board include the following:

- Managing the Foundation assets under its care, custody and/or control in accordance with the IPS objectives and guidelines set forth herein and also expressed in separate written agreements when deviation is deemed prudent and desirable by the Board;
- Exercising investment discretion [including holding cash equivalents as an alternative] within the IPS objectives and guidelines set forth herein, or in the organizational documents of the vehicle;
- Promptly voting all proxies and related actions in a manner consistent with the long-term interests and objectives of the Foundation set forth herein. Each manager shall keep detailed records of said voting of proxies and related actions and will comply with all regulatory obligations related thereto;
- Utilizing the same care, skill, prudence and due diligence under the circumstances then prevailing that experienced, investment professionals acting in a like capacity and fully familiar with such matters would use in like activities for like Foundation and Endowment Funds with like aims in accordance and compliance with all applicable laws, rules and regulations from local, state, federal and international political entities as it pertains to fiduciary duties and responsibilities; and
- When appropriate, acknowledging its fiduciary status in writing.

Duties and Responsibilities of the Custodian

The Investment Committee will select the appropriate custodian(s) for the Foundation assets on the basis of the total fiduciary relationship, considering existing or potential conflicts of interest, the level of service the custodian can deliver to the Foundation and the competitiveness of the custodian's fees.

- The custodian is responsible for the custody and safekeeping of assets including the collection and accounting of investment earnings of the investment portfolio, to properly settle trades, to furnish accurate consolidated financial reports, and to provide other such services to the Foundation as may be deemed appropriate.
- Provide a detailed list of all activity and a detailed list of all assets as well as the performance of the investment portfolio to the Foundation on a monthly basis.

CONTROL PROCEDURES

Brokerage Policy

All transactions effected for the Foundation will be "subject to the best price and execution". If a manager utilizes brokerage to effect "soft dollar" transactions, the manager must attest that such transactions are in compliance with Section 28(e) of the Securities and Exchange Act of 1934. Detailed records will be kept and communicated to the Board. To the extent possible, all 12B-1 and/or other compensation received by the custodian, consultant, and/or mutual fund or money management firm above the normal stated fee per their agreement, should be disclosed and applied toward stated fees.

Performance Objectives

Investment performance will be reviewed at least annually to determine the continued feasibility of achieving the investment objectives and the appropriateness of the IPS for achieving those objectives.

It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

Monitoring of Money Managers/Vehicles

Quarterly performance will be evaluated to test progress toward the attainment of longer-term targets. It is understood that there are likely to be short-term periods during which performance deviates from market indices. During such times, greater emphasis shall be placed on peer-group performance comparisons with managers employing similar styles.

On a quarterly basis, the Investment Committee will meet with respect to investments to focus on:

- All manager's/vehicle's adherence to relative guidelines, including this IPS;
- Material changes in the manager's/vehicle's organization, investment philosophy and/or personnel;
- Comparisons of the manager's/vehicle's results to appropriate indices and peer groups. The risk associated with each portfolio, as measured by the variability of quarterly returns (standard deviation), should not exceed that of the benchmark index and the peer group without a corresponding increase in performance above the benchmark and peer group;
- All manager's/vehicle's performance relative to other managers/vehicles of like investment style or strategy. Each manager/vehicle is expected to perform in the upper median of the manager's/vehicle's respective style universe;
- In addition to the information covered during the quarterly reviews, the Board will be provided a report at least annually by the Investment Consultant which details all of the expenses of the plan.

The Board is aware that the ongoing review and analysis of money managers is just as important as the due diligence implemented during the manager selection process.

Accordingly, a thorough Review and Analysis of a Money Manager will be conducted, if:

CONTROL PROCEDURES

- A manager/vehicle performs in the bottom quartile (75th percentile) of their peer group over a quarterly or annual period.
- A manager/vehicle falls in the southeast quadrant of the risk/return scatter plot for 3- and/or 5-year time periods within the appropriate peer group.
- A manager/vehicle has a 5-year risk adjusted return that falls below that of the median manager within the appropriate peer group.

Furthermore, performances which may require the replacement of a Manager include:

- Managers/vehicles that consistently perform below the median (50th percentile) of their peer group over rolling three-year periods.
- Managers/vehicles that perform below the median (50th percentile) of their peer group over a five-year period.
- Managers/vehicles with negative alphas for 3- and/or 5-year time periods.

Major organizational changes also warrant immediate review of the manager, including:

- Change in investment professionals
- Change in ownership
- Legal/Regulatory issues

The performance of the Foundation's investment managers will be monitored on an ongoing basis and it is at the Board's discretion to take corrective action by replacing a manager if they deem it appropriate at any time.

APPROVAL

Approval

The above Investment Policy Statement was adopted by a vote of the Board of Trustees of the New Mexico Community Foundation.

Approved and accepted this _____ day of, _____ 2014.

NEW MEXICO COMMUNITY FOUNDATION

By:	_____	By:	_____
Printed Name:	_____	Printed Name:	_____
Title:	_____	Title:	_____

ASSET ALLOCATION SUPPORT STUDY

for the

NEW MEXICO COMMUNITY FOUNDATION

5-10 YEAR LONG-TERM POOL

ASSET ALLOCATION STUDY

PURPOSE

This Asset Allocation Support Study (Study) is a sub-set of the New Mexico Community Foundation Investment Policy Statement (IPS). The purpose of this report is to set forth the various design features that were considered by the Board. This report is intended to communicate the prudent process followed in constituting the portfolio:

- An Investment Policy should be established and should be in writing.
- Foundation assets should be diversified.
- Investment decisions should be made with the skill and care of a prudent expert.
- Investment expenses should be controlled.

The Foundation's investment policy is set forth in various sections of the IPS which:

- State the Foundation's objectives, guidelines and constraints in the investment of all assets.
- Describe the diversified investment portfolio to be offered.
- Establish guidelines for the portfolio that impact the assumed level of risk and return.
- Establish formal criteria to enable the Board to regularly monitor, evaluate and compare the performance results achieved by the money managers.

DESIGN OF INVESTMENT POLICY AND GUIDELINES

The foundation of the IPS is the Asset Allocation Study (Study), which was conducted in three phases. At its conclusion, the Study provided the Board with the single most "optimal" asset allocation guideline that will result in the highest expected rate of return for a given level of risk.

To accomplish this objective, the Study first carefully evaluated and established the required rate of return and risk suitable to achieve the Foundation's stated objectives. As part of this process, the Study considered all appropriate investment opportunities within applicable legal and fund guidelines, projected the future range of financial results from such opportunities (individually and in combination), and integrated projected results of future contributions and distributions.

Phase One: Assumptions

Phase One established the risk and return assumptions for the various asset classes to be considered. At a minimum, generally five such asset classes, including large and small capitalization common stocks, long and intermediate term bonds, foreign investments and cash equivalents are included.

Assumptions on risk and return were set in the context of historical performance data for each asset class in addition to the historical interrelationships of the capital markets, and current projections for interest rates and inflation.

Phase Two: Range of Allocation Configurations

ASSET ALLOCATION STUDY

In Phase Two, the Study determined the complete range of "efficient" asset allocation configurations. In doing so, the selected asset classes were combined with their risk and return assumptions, and computerized optimization process determined all efficient portfolios. Of course, all policy or legal restrictions were incorporated into both Phase One and Phase Two.

Each allocation configuration was "efficient" in terms of having the lowest level of risk for a given level of return (or, alternatively, has the highest expected return for a given risk level).

Phase Three: Investment Policy Statement

Phase Three defined discrete portfolio components for which investment managers/mutual funds were to be selected. The completed Study permitted the Board to translate the established risk/reward characteristics of each component and for the portfolio as a whole, into specific, written "job descriptions" and performance benchmarks for each investment manager. Additionally, similar objectives were established for the composite portfolio. The IPS will provide a foundation for regular measurement and evaluation of performance results in the future as well as a basis for measuring the performance of each investment manager according to the expected return and risk for the portfolio.

ASSET ALLOCATION STUDY

PORTFOLIO MODELING

for the

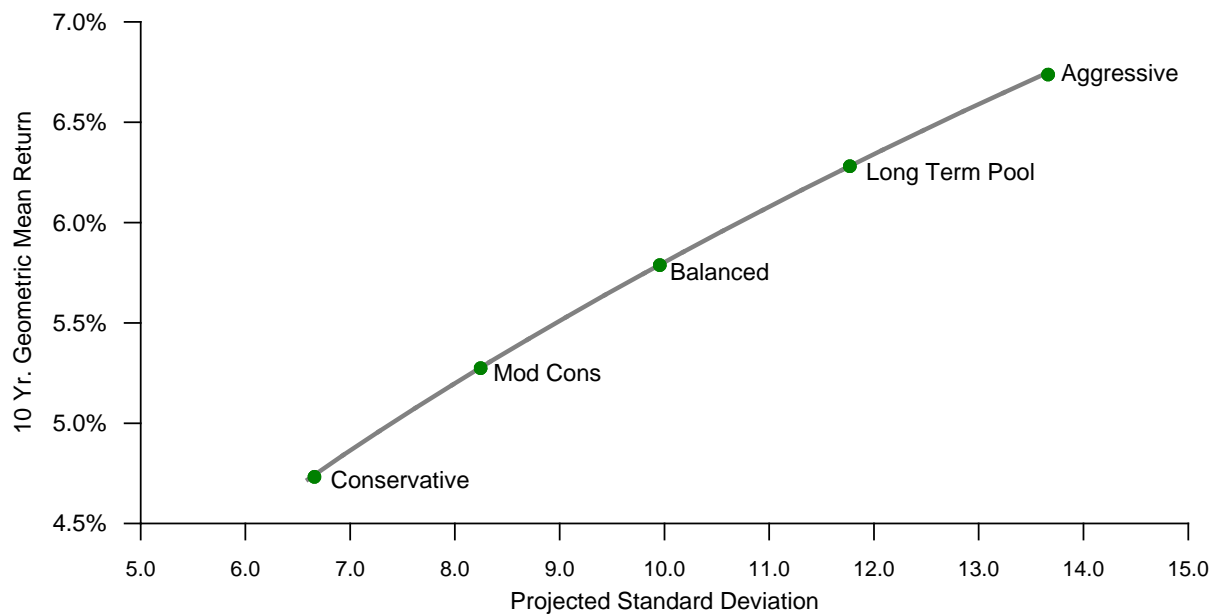
NEW MEXICO COMMUNITY FOUNDATION

5-10 YEAR LONG-TERM POOL

ASSET ALLOCATION STUDY

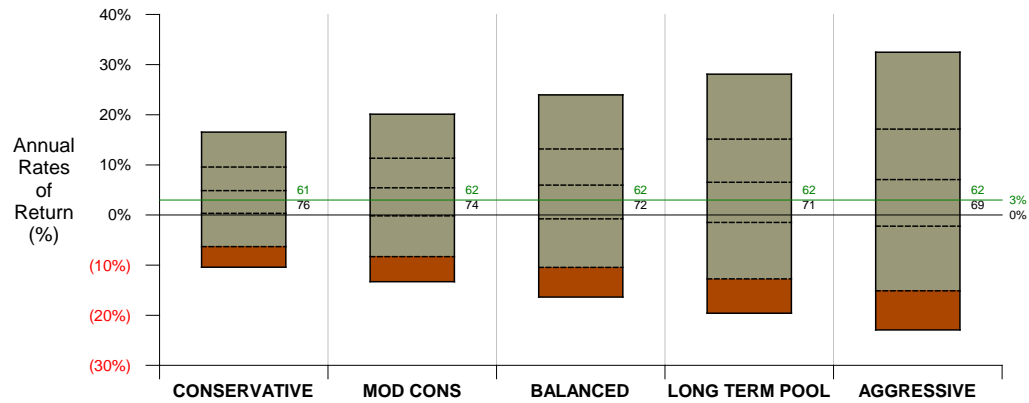
Portfolio Component	Conservative	Mod Cons	Balanced	Long Term Pool	Aggressive
Capital Growth	20%	30%	40%	50%	60%
Income	55%	45%	35%	25%	15%
Real Assets	10%	15%	18%	15%	10%
Volatility Hedge	15%	10%	7%	10%	15%
Cash Equivalents	0%	0%	0%	0%	0%
Totals	100%	100%	100%	100%	100%
10 Yr. Geometric Mean Return	4.7%	5.3%	5.8%	6.3%	6.7%
Projected Standard Deviation	6.7%	8.2%	10.0%	11.8%	13.7%
10 Yr. Simulated Sharpe Ratio	0.3%	0.3%	0.3%	0.3%	0.3%

Efficient Frontier



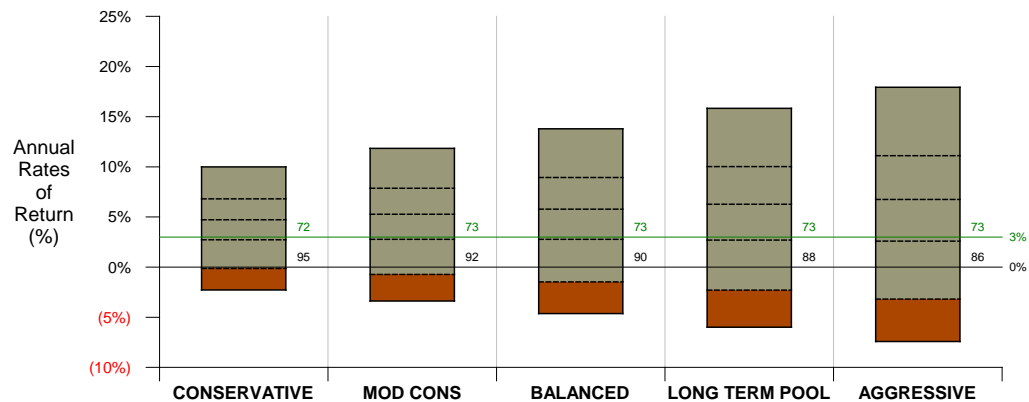
ASSET ALLOCATION STUDY

Range of Projected Rates of Return Projection Period: 1 Year



5th Percentile	16.5%	20.1%	23.9%	28.1%	32.5%
25th Percentile	9.6%	11.3%	13.2%	15.1%	17.1%
Median	4.9%	5.4%	6.0%	6.5%	7.1%
75th Percentile	0.3%	(0.2%)	(0.8%)	(1.5%)	(2.2%)
95th Percentile	(6.3%)	(8.3%)	(10.5%)	(12.7%)	(15.1%)
99th Percentile	(10.4%)	(13.3%)	(16.4%)	(19.6%)	(22.9%)
Prob > 0%	76.1%	74.5%	72.3%	70.6%	69.4%
Prob > 3%	61.1%	61.8%	62.0%	62.1%	61.9%

Range of Projected Rates of Return Projection Period: 5 Years



5th Percentile	10.0%	11.8%	13.8%	15.8%	17.9%
25th Percentile	6.8%	7.9%	8.9%	10.0%	11.1%
Median	4.7%	5.3%	5.8%	6.3%	6.7%
75th Percentile	2.7%	2.8%	2.8%	2.7%	2.6%
95th Percentile	(0.1%)	(0.7%)	(1.5%)	(2.3%)	(3.2%)
99th Percentile	(2.3%)	(3.4%)	(4.6%)	(6.0%)	(7.4%)
Prob > 0%	94.6%	91.9%	90.3%	87.9%	86.0%
Prob > 3%	71.7%	72.7%	72.9%	72.9%	72.7%