

# INVESTMENT MANAGEMENT

**Albuquerque Community Foundation** is a public foundation that was established in 1981 to serve a broad range of charitable purposes in the Greater Albuquerque Area. Because we expect to operate in perpetuity, wise stewardship of the funds entrusted to the Foundation is essential to its mission. Therefore, the Board of Trustees of the Foundation has adopted policies and procedures to ensure its accountability to donors, beneficiaries and the Greater Albuquerque Community.

The Foundation structured its investment philosophy around the concept of complementary Investment Managers who are responsible for specific asset categories and management styles. In implementing its philosophy, the Foundation uses separate accounts, commingled funds, and mutual funds to accomplish its objectives. Management of the funds is a long-term responsibility. Therefore, long-term objectives—of at least 20 years' duration—are the standard to be observed.

## Philosophy

The central objective of our investment philosophy is to provide a stable and increasing stream of income for our funds' charitable beneficiaries. Long-term, full diversification through all viable investment categories is desired in order to eliminate dependence on one or two categories, which is an approach that could adversely impact returns.

## Investment Committee

The Investment Committee of the Foundation consists of 10 members, with at least three members appointed from the Board of Trustees. Other Investment Committee members (those not also on the Board) serve at the discretion of the President of the Board of Trustees, who appoints all Investment Committee members. Members serve three-year terms and may serve a maximum of three consecutive terms. The Investment Committee meets at least on a quarterly basis to review investment performance, asset allocation, and all other matters related to fiduciary oversight of investment assets.

## Investment Objective

The objective of the total return investment management program is to produce growth and income sufficient to support both donor goals and fund objectives. Specifically, the long-term objective shall be a total return (the sum of earned interest and dividends and realized and unrealized gains or losses less all investment management costs) greater than or equal to the administration fees plus the product of the current principal amount multiplied by the sum of the rate of inflation (as calculated based on the Consumer Price Index) and 4.0%. Significant emphasis is placed upon the preservation and enhancement of the purchasing power of the amount of principal assets in the investment account.

## Distribution of Funds

Our distribution policy recognizes the inherent conflict between serving current community needs while maximizing the growth of Foundation assets. The current annual distribution percentage is 4.0% of the average balance (during the fiscal year) of each fund.



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## Investment Consultant

The Investment Committee has engaged an independent investment consulting firm to assist the Committee's activities. The Consultant is expected to be proactive in recommending changes in investment strategy, asset allocation, and Investment Managers as situations warrant change.

As of November 1, 2016, the Foundation began utilizing the services of RVK. RVK is registered with the SEC under the Investment Advisors Act of 1940 as an Investment Advisor with no affiliation with any bank, brokerage firm, or money manager.

Established in 1985, RVK is one of the few remaining full-service investment consultants that is 100% employee owned and solely focused on non-discretionary strategic investment consulting. RVK maintains a strict, no-conflict of interest policy that is well known throughout the investment community. Client fees are the only source of revenue for the firm. RVK has extensive experience serving endowment and foundation clients and currently serves several other endowments and foundations in New Mexico, in addition to the Albuquerque Community Foundation. RVK serves as a trusted advisor committed to exceptional and proactive client service with a long-term investment focus.

RVK will work with the Foundation to design and deliver a portfolio tailored to the funds' mission-critical objectives and tolerance for volatility and strives for the portfolio with the highest return for the level of acceptable risk.

## Asset Allocation

The Investment Committee has evaluated the various investment asset classes available, considering the historical rates of return and relative levels of risk associated with each. The Investment Committee recognizes that, over the long-term, the allocation among various asset classes may be the single most important determinant for investment performance. An asset allocation policy was developed using appropriate best practice tools such as a mean/variance optimizer or other tools as appropriate.

Asset Allocation Policy amended June 2021:

	Target	Range
U.S. Equity	26%	16% - 36%
Non-U.S. Equity	17%	7% - 27%
Fixed Income/Cash	10%	0% - 20%
Real Estate	15%	10% - 20%
Real Assets	5%	0% - 15%
Multi-Strategy	14%	4% - 24%
Private Equity	13%	3% - 23%



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# INVESTMENT PERFORMANCE

## Annual Rates of Return

1996	16.2%	2005	8.2%	2014	6.1%
1997	17.0%	2006	9.4%	2015	-4.5%
1998	18.6%	2007	20.3%	2016	7.3%
1999	8.9%	2008	-23.7%	2017	14.8%
2000	10.6%	2009	13.6% (18 mos)*	2018	-2.7%
2001	0.0%	2010	10.2%	2019	17.3%
2002	-7.3%	2011	-1.7%	2020	11.7%
2003	1.2%	2012	9.8%		
2004	16.4%	2013	10.2%		

The Albuquerque Community Foundation changed its fiscal year end from June 30 to December 31 in 2008. From 1990 through 2007, the fiscal year period is July 1 of the previous calendar year through June 30. Beginning in 2008, the fiscal year period is January 1 through December 31.

\*This represents the return for the eighteen-month period of July 1, 2007 through December 31, 2008. The twelve (12) month return for July 1, 2007 through June 30, 2008 was .1%. (The average return for the Foundation's peer group for the same period was -4.2%.) The six (6) month return for July 1, 2008 through December 31, 2008 was -23.8%.

## **Average Returns (through December 31, 2018)**

25.5 year average return	7.5%
15.5 year average return	6.5%
10.5 year average return	6.8%
5.0 year average return	9.7%



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