ASSET ALLOCATION SUPPORT STUDY

for the

SANTA FE CONSERVATION TRUST

PURPOSE

This Asset Allocation Support Study (Study) is a sub-set of the Santa Fe Conservation Trust 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.
- Fund assets should be diversified.
- Investment decisions should be made with the skill and care of a prudent expert.
- Investment expenses should be controlled.

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

- State the Trust'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 Trust'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

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.