
**INVESTMENT POLICY STATEMENT
OF THE
SANTA FE
CONSERVATION TRUST**



Adopted 04/07/2015

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BACKGROUND & PURPOSE

The Santa Fe Conservation Trust ("SFCT") is a 501(c)(3) nonprofit.

As a matter of policy, SFCT 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, SFCT will adhere to all investment provisions and requirements and other governing structures as established by the Board in order to promote prudent corporate stewardship of SFCT's funds and accountability to investors, donors, and funders. The purpose of this Investment Policy Statement is to assist the Santa Fe Conservation Trust's Board of Directors ("Board") in effectively supervising, monitoring and evaluating the investment of the Trust assets. The 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 Fund assets;
- Setting forth an investment structure for managing all Fund 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 to ensure that SFCT's investment and cash management decisions are employing ESG principles consistent with its mission to the extent possible;
- Providing guidelines for each investment portfolio that control the level of overall risk and liquidity assumed in that portfolio, so that all Fund assets are managed in accordance with stated objectives;
- Encouraging effective oversight by the Board over the various vendors to SFCT;
- 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, and with all applicable laws, rules and regulations from various local, state, federal and international political entities that may impact Fund 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.

ESTABLISHMENT OF POLICY STATEMENT

The Investment Policy Statement serves as the framework for the actively managed Investment Accounts of the Santa Fe Conservation Trust. The Statement acknowledges the Objectives of the Investment Accounts; discusses the Constraints and Guidelines that Investment Managers will follow; describes the specific Action Plan that will be used; and covers the ongoing Evaluation, Modification, and Communication that will occur over the course of the relationship. Endowment funds held by the Santa Fe Community Foundation for the benefit of SFCT are managed exclusively by SFCF and do not fall within the general guidelines of this Policy Statement.

The Board of Directors of the Santa Fe Conservation Trust has the responsibility of establishing and maintaining broad policies and objectives for all aspects of the Trust's operation. The Board has delegated the responsibility for administering the Investment Policy Statement to the Finance and Investment Committee ("Committee"). 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.

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 SFCT's 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 Trust's investments to ensure that such investments remain in accordance with Santa Fe Conservation Trust'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.

OBJECTIVES

The goals of the SFCT relative to investment of its investable assets are to:

- 1) To preserve and increase the overall real purchasing power through asset growth and income returns.
- 2) To provide a relatively stable and (in real terms) constant stream of current income for annual operating needs
- 3) To provide a source of funds if the Investment Committee and Board of Directors deem it necessary for capital expenditures or annual operations.
- 4) To preserve and defend conservation easements and fee title properties, while growing our funds to support monitoring and stewardship obligations

GUIDELINES & INVESTMENT POLICY

SFCT's investment portfolio will consist of three different pools of funds detailed below. For purposes of this policy, the assets will be aggregated into a single strategy.

It is understood that this philosophy does not maximize the return of the investment portfolio. Based upon the needs of the organization, SFCT will manage the investment assets to ensure that the organization can meet anticipated short and long-term obligations.

Long Term Designated and Restricted Funds: The SFCT maintains three funds for stewardship & defense, and special projects, exclusive of the endowments at the Santa Fe Community Foundation, and one general endowment fund, as follows:

- 1) The Special Initiatives Fund is a board designated fund which provides resources to assist in the completion of or the acquisition of conservation properties, and
- 2) The Stewardship & Defense Fund is composed of donor restricted contributions and exists to provide resources for monitoring and stewardship activities as well as the legal defense of existing conservation easements and fee properties, ("the properties") held by SFCT, and
- 3) Conservation Homestead Stewardship Fund is a specific fund for the Conservation Homestead fee property in the Galisteo basin, the proceeds of which can be used for the stewardship and management of the property.
- 4) General Endowment Fund: First contributed to by the Eugene V. and Clare E. Thaw Charitable Trust (Thaw), this fund is held as a separate account, and is subject to the terms of the grant agreement with Thaw dated December 20, 2021.

Santa Fe Conservation Trust management shall maintain a notional record of the balances based on appropriate percentages of funds for the purpose of assuring integrity. Contributions directed to either the Stewardship & Defense or the Special Initiatives Funds will be recorded and the new balances will be maintained in each separate account for balance sheet purposes even though the assets themselves will be commingled for investment purposes. As stated in the SFCT Bylaws, withdrawing funds from any of these accounts requires a two-thirds majority vote of the full Board of Directors.

Operating Reserve: SFCT maintains an unrestricted operating reserve. For investment management purposes, this account shall be managed according to SFCT's primary and secondary objectives of capital preservation and growth which shall be combined with the three Board Designated and Donor Restricted Funds (Long-Term Endowment Funds).

SFCT also maintains operating reserves in highly liquid investments or accounts (money market funds, checking accounts, or similar). These accounts are not comingled for investment purposes. Capital liquidity needs occasionally may require SFCT to liquidate a portion of the operating reserve accounts. SFCT will strive not to incur losses in the liquidation of any investments. SFCT will attempt to maintain at least six months of operating funds between the operating reserve accounts (according to the current year budget).

The unrestricted operating reserve is available to make up any shortfalls in SFCT's annual operating expenses. Disbursements from the Operating Reserve Fund to the Principal Operating Account shall be approved by the Finance Committee.

GUIDELINES & 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, SFCT's strategic asset allocation is based on this long-term perspective.

Risk Tolerances

The Board recognizes the difficulty of achieving SFCT'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 SFCT'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 target rate of return for the Trust has been based upon the assumption that future 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 real rate of return may not be meaningful during some periods.

Over a complete business cycle, SFCT's overall annualized total return, after deducting money management fees, as well as total transaction costs, should perform in accordance with a customized index comprised of market indices weighted by the strategic asset allocation of SFCT.

Evaluation Benchmark:

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

Asset Allocation Constraints

The Board believes that SFCT'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. Based on SFCT's time horizon, risk tolerances, performance expectations and asset class preferences, an efficient or optimal portfolio will be identified. The strategic asset allocation the portfolio will be reviewed annually and attached to this IPS within the appendices. 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		

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 Trust. If there are no cash flows, the allocation of SFCT will be reviewed quarterly.

GUIDELINES & 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

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.
- Venture Capital Investments
- 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.

Environmental, Social, and Governance (ESG)

SFCT believes that, in addition to traditional financial metrics, timely consideration of material environmental, social, and governance (ESG), factors in the investment process for every asset class, has the potential, over the long-term, to positively impact investment returns and help to better manage risks.

GUIDELINES & INVESTMENT POLICY

Selection of Money Managers

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

- Is 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.
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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.
- 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.

GUIDELINES & INVESTMENT POLICY

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 the aggregate fixed income portfolio may be invested in a single sector of the fixed income market, (i.e. Industrials, Financials, or Utilities).
- The market weighted average effective duration of the aggregate fixed income portfolio shall not exceed 125% of the market value weighted average effective duration of the manager's appropriate benchmark 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

- 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

GUIDELINES & INVESTMENT POLICY

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.

Cash/Cash Equivalents:

- 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.

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.

APPROVAL

Approval

The above Investment Policy Statement was adopted by a vote of the Board of Trustees of the Santa Fe Conservation Trust.

Approved and accepted this 25th day of April, 2023.

SANTA FE CONSERVATION TRUST

By: 

Printed Name:

Marianna S Dwyer

By: 

Printed Name:

Brant Goodman

Title: Treasurer

Title: Secretary

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.

