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PRIVATE INVESTMENT POOL POLICY

Introduction

The primary function of the New Mexico State Investment Council (the "**SIC**") is to manage and invest four permanent funds for the State of New Mexico. The SIC invests these funds in diversified assets in compliance with the Uniform Prudent Investor Act. For accounting purposes, the assets are grouped into investment pools ("**Investment Pools**") organized by asset type.

As a secondary function, the SIC is authorized, pursuant to § 6-8-7.I, NMSA, to provide limited investment management services to New Mexico governmental client agencies ("**Client Agencies**") which have funds available for long term investment. These services do not include investment advice. The SIC memorializes this secondary function in joint powers agreements ("**JPAs**") with Client Agencies. The Client Agencies have historically invested in public-market Investment Pools (collectively, "**Client Pools**"). The Client Pools are diversified collections of publicly traded stocks or bonds.

Pursuant to this Private Investment Pool Policy, the SIC will make certain alternative Investment Pools (collectively, "**Private Pools**") available for qualified Client Agencies. As explained below, the risk profile and liquidity of the Private Pools are significantly different from the Client Pools currently available to the Client Agencies. Accordingly, only Client Agencies with investment assets in excess of $10 million may participate in the Private Pools.

Prior to investing in the Private Pools the Client Agencies will be required to execute this Private Investment Pool Policy — in full and without amendment or modification – as confirmation and acknowledgment that each Client Agency fully accepts and understands the extensive and material risks involved, including limited liquidity, with the Private Pools. As part of signing this policy, qualifying Client Agencies will be required to certify that both their respective board(s) of directors and separate fiduciary financial advisors: (i) have made an independent analysis of the Private Pool investments and, in so doing, (ii) fully understand this policy as well as the investment risks related to the Private Pools, and (iii) are not relying in any manner on the SIC or its members, employees, managers, consultants, or agents.

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In addition, by signing the policy, Client Agencies further confirm, acknowledge and warrant that: (a) the SIC is in no way responsible for Client Agency investment policies, allocation instructions, funding levels, benefits, rates or equivalent; (b) the SIC does not guarantee investment returns, and the Client Agencies shall share proportionally in all gains or losses incurred by the Private Pools; and (c) Client Agency funds are neither insured deposits nor short-term investments.

Upon execution of this policy by a Client Agency, to the extent this policy conflicts with a Client Agency's JPA, or particular terms thereof, this policy shall control.

The Private Pools

The SIC makes investments in a wide variety of funds that are not publicly traded, highly illiquid, and have high minimum investment limits. Due to the restrictions on such investments it may be impractical for a Client Agency to invest in private investment funds directly. In order to make the performance of some private investments available to the Client Agencies, the SIC has decided to allow qualified Client Agencies to participate in the following four Private Pools:

i. **The National Private Equity Pool** contains private equity funds diversified across several sectors of private equity. The objective of the pool is to provide a higher rate of return than the Venture Economics All Private Equity Index. The role of the pool in the SIC portfolio is to provide growth of capital. A copy of the investment policy applicable to this pool, and the investment policies applicable to other Private Pools, are available online at http://www.sic.state.nm.us or from SIC directly. As these investment policies may change from time to time, a Client Agency should review these policies before investing, and routinely thereafter, as part of its own risk analysis.

ii. **The Real Estate Pool** contains primarily open- and closed-end real estate funds. The objective of the pool is to match the rate of return on the NCREIF-ODCE index, plus a small premium from active management. The role of the pool in the SIC portfolios is to provide modest growth of capital, income generation, and to diversify the investment risk of the equity pools.

iii. **The Credit and Structured Pool** invests in various classes of fixed income securities oriented toward credit. The role of this pool is to provide growth of capital and income generation. Investments may include collateralized debt obligations, collateralized loan obligations, credit opportunity funds, leveraged loan portfolios and other complex/synthetic structured finance instruments. Eligible investments may include both rated and non-rated securities. Rated securities may include those rated below investment grade.

iv. **The Absolute Return Pool** is currently managed via a fund-of-funds, hedge structure. The objective of the pool is to provide a rate of return equal to LIBOR plus a 2 to 3 percentage point premium. The role of the pool's asset mix is to preserve capital and volatility diversification.

By executing this policy, Client Agencies confirm, acknowledge and warrant that they have fully researched the Private Pools, including the underlying documentation/policies, and accept the Private Pool asset allocations, restrictions, conditions, embedded fee structures, valuations, and risks.

Liquidity Restrictions

The Private Pools have significant liquidity restrictions. Unlike the Client Pools, each of the Private Pools has its own administrative, accounting, cash-flow, and exit logistics that prevent Client Agencies from redeeming investments for up to two years. Each of the Private Investment Pools includes a "Lockup Period," "Notice Period," and "Liquidity Window."

i. Lockup Period: The Lockup Period is an initial period of time during which funds may not be redeemed, in part to prevent market manipulation. The period commences upon initial investment. For each subsequent investment, the Lockup Period will begin again, but only as to the value of the new investment(s).

ii. Notice Period. The Notice Period is the period of time that the SIC has to deliver the cash after the Client Agency provides the SIC with notice of request for redemption.

iii. Liquidity Window. The Liquidity Window describes the time during which the Client Agency can make a redemption request.

A. National Private Equity Pool

Investments in the National Private Equity Pool will be subject to a twenty-four (24) month Lockup Period and a nine (9) month Notice Period. Further, the National Private Equity Pool will have a semi-annual Liquidity Window, meaning that the Client Agency may request redemption only twice in a calendar year, and no less than three months apart.

B. Real Estate Pool

Investments in the Real Estate Pool will be subject to an eighteen (18) month Lockup Period and a six (6) month Notice Period. Further, the Real Estate Pool will have a similar semi-annual Liquidity Window, with

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only two requested redemptions permitted annually, no less than three months apart.

C. Credit and Structured Pool

Investments in the Credit and Structured Pool will be subject to a twelve (12) month Lockup Period and a three (3) month Notice Period. Further, the Credit and Structured Pool will have a quarterly Liquidity Window, meaning that the Client Agency may request redemption only four times a year, no less than one month apart.

D. Absolute Return Pool

Investments in the Absolute Return Pool also will be subject to a twelve (12) month Lockup Period and a three (3) month Notice Period. Further, the Absolute Return Pool will have a similar quarterly Liquidity Window, (*i.e.*, redemptions may be requested not more than four times a year, no less than one month apart).

At its sole and non-appealable discretion, the SIC may increase or decrease the Lockup Period, Notice Period or Liquidity Window for any or all of the Private Pools. Changes in the Lockup Period will apply to new investments made after the affected Client Agency is notified of the change. Changes in the Notice Period or the Liquidity Window will become effective as soon as the affected Client Agency is notified of the change.

Participation in Private Pools subject to SIC Discretion and Conditions

A. Private Pool Participation May Be Discontinued at Any Time

At its sole discretion, the SIC may discontinue the availability of any or all of the Private Pools at any time for any reason. Further, at its sole discretion, the SIC may terminate the participation of any Client Agency in any or all of the Private Pools at any time for any reason. In the event that the SIC discontinues or terminates participation in a Private Investment Pool, the SIC will transfer to all affected Client Agencies the value of their respective pool shares within the applicable Notice Period.

B. Client Agency Board Resolution

The SIC will not permit any Client Agency to invest in the Private Pools unless the Client Agency has sought and obtained approval from any board overseeing the Client Agency or its investments. Further, by signing this policy qualifying Client Agencies hereby certify that both their respective board(s) of directors and separate fiduciary financial advisors: (i) have made an independent analysis of the Private Pool investments and, in so doing, (ii) have fully considered this policy as well as the investment risks related to the Private Pools, and (iii) are not relying

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in any manner on the SIC or the SIC's members, employees, managers, consultants, or agents.

C. Client Agencies Must Meet Minimum Asset Threshold to Participate in Private Pools

To qualify for investing in the Private Pools, a Client Agency must initially have a minimum of $10 million invested with the SIC pursuant to an applicable JPA.

D. Client Agencies May be Required to Enter a New JPA

Prior to participating in any of the Private Pools a Client Agency may be required by the SIC to enter a new JPA conforming to terms now required by the SIC. In any event, as to the Private Pools, the liquidity restrictions described above supersede the redemption procedures described in any JPA.

The SIC is Not a Financial Advisor for any Client Agency

The SIC has not and will not provide any Client Agency with advice as to whether any of the Private Pools or Client Pools are a proper, appropriate or recommended investment for the Client Agency. The SIC is not responsible for drafting or otherwise creating the Client Agency's investment policy nor for the Client's Agency's decision to invest in the Private Pools or Client Pools.

The SIC does not guarantee investment returns. A Client Agency shall share proportionally in any gains or losses incurred by the Private Pools. A Client Agency's funds invested in the Private Pools are not insured deposits and may lose value.

A Client Agency must consult with an independent fiduciary or a third party financial advisor/consultant prior to investing in the Private Pools. This independent advisor should provide fiduciary advice as to the propriety of the Client Agency investing any funds in the Private Pools.

Further, the SIC is not a financial advisor to any Client Agency with respect to any decision to participate in the Private Pools or Client Pools.

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Risks Associated with the Private Pools

In considering whether to invest in the Private Pools, Client Agencies must consider and acknowledge the special risks and attributes of the Private Pools. These material risks and attributes include, but are not limited to, the following:

A. Risk of Limited Liquidity

The Client Agency must acknowledge that its access to funds invested in the Private Pools will be limited as described in the Liquidity Restrictions section above. In deciding to invest funds in the Private Pools, the Client Agency must consider the impact that this limited access to funds will have on the programs, objectives, funding and/or liabilities of the Client Agency.

B. Risk of Loss of Value

The Client Agency must acknowledge that its funds invested in the Private Pools (or Client Pools) may decrease substantially in value. In deciding to invest funds in the Private Pools, the Client Agency must consider the impact that a substantial loss in value might have on the programs, objectives, funding and/or liabilities of the Client Agency.

C. Risk of Non-Market Valuations

By investing in the Private Pools, the Client Agency is presumed to understand how valuations of the Private Pools are done. Any questions the Client Agency has about valuation methods applicable to the Private Pools must be raised prior to investment. The Client Agency must accept as final the valuations of the Private Pools used by the SIC, which may be dependent upon third-parties.

Among other things, the Client Agency must acknowledge that the valuations of the Private Pools will be based in part upon underlying assets for which there is no public market and no readily obtainable market price. In these cases the valuation of particular assets will be determined by the reasonable estimate of the outside managers responsible for those assets. In making these valuations, managers may operate under a potential conflict of interest because management compensation may be based upon the valuations. This means that at both the time of the Client Agency's original investment and at ultimate redemption the value of the Private Pools will be based upon estimated values provided by outside managers that may be acting under a potential conflict of interest. Nonetheless, by choosing to invest in the Private Pools, the Client Agency must accept these estimates as final in determining the value of any investment in the Private Pools.

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D. The Risk of Limited Diversification within Private Pools

The Client Agency must acknowledge that the Private Pools are based upon the SIC's investment in a limited number of funds and managers. As a result, the aggregate return in the Private Pools may be substantially and adversely affected by the unfavorable performance of any single fund or manager. In deciding to invest funds in the Private Pools (or Client Pools), the Client Agency must consider the impact that limited diversification may have on the investment performance of the pools.

E. Additional Risk Factors Associated with Limited Partnerships

The SIC's investments underlying the Private Pools are generally made through funds organized as limited partnerships. The SIC does not make investment decisions for the funds in which it is a limited partner. Rather, the SIC must entrust all aspects of management and investment decision making to the general partner or fund manager. The discretion provided to the fund manager together with the structure of the limited partnerships creates certain risks factors. Further, the nature of the investments within the funds carry their own risk factors. A Client Agency investing in the Private Pools must acknowledge that the Private Pools are based upon funds and managed assets that have a multitude of risks. These risks include, but are not limited to, the following:

i. Risk of Extended Commitment: Depending on the fund, the SIC may be required to commit capital to a particular fund for approximately ten (10) to fifteen (15) years. SIC may be legally obligated to contribute additional capital during the term of a limited partnership regardless of whether the SIC continues to believe that further investment remains beneficial. Further, for a variety of reasons, the sale of a limited partnership interest is generally impractical. Accordingly, once the SIC commits to a particular fund it may not be able to liquidate its investment for ten years or more.

ii. Risk of Limited Government Regulation: The funds which constitute the Private Pools are sometimes established so that they do not need to register as an investment company under the Investment Company Act of 1940, and accordingly, limited partners like the SIC are not entitled to protections under that act. Further, the investment interests in the funds are generally not registered securities under the Securities Act of 1933, the Securities Act of 1934, or any state securities laws. Accordingly investors are not entitled to the financial disclosures and periodic reporting provided for under those laws.

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iii. Risk of Conflicts of Interest: In entering into limited partnership agreements, the SIC will generally be required to waive certain conflicts of interest that may arise with the general partner or fund managers. Among the conflicts that may be waived are: (1) conflicts with the general partner where fee structure may create an incentive for the general partner to seek out more speculative investments than would otherwise be chosen; (2) conflicts where a particular transaction is structured in such a way as to create tax advantages for some but not all limited partners; and (3) conflicts arising from fees received from underlying transactions that are credited to the general partner but not the partnership as a whole. By investing in the Private Pools, a Client Agency acknowledges and waives all such conflicts.

iv. Risk of Lack of Operating History: Generally, the SIC commits to funds before the funds have commenced operations, and hence the SIC does not have current fund operating history upon which to base an evaluation. Rather, in evaluating funds the SIC must generally rely upon the performance of prior funds operated by the same or similar management team, and this data, as with all performance data, cannot provide assurance of future results.

v. Risk of Unspecified Investments: At the time that the SIC makes a commitment to a fund the fund may not have identified the assets which will be purchased with the SIC's funds. The SIC is dependent upon a fund's ability to find and acquire appropriate investments.

vi. Risk of Non-U.S. Investments: Many of the funds composing the Private Pools invest in assets located outside the United States. This creates a number of additional risks, including but not limited to those risks associated with the following: (1) currency exchange matters; (2) differences in non-U.S. securities markets in terms of volatility, liquidity, and governmental oversight; (3) absence of uniform accounting standards and disclosure requirements; (4) risks of political, economic, and social instability; and (5) the possibility of confiscatory taxation.

vii. Risk of Leverage: The funds that comprise the Private Pools may use leverage to purchase assets. Use of leverage may increase the return rate of capital but it also subjects funds to risk of greater loss, and increases exposure to adverse economic factors such as rising interest rates.

viii. Risks of Investments Longer than Term: Many of the funds in the Private Pools are required by partnership agreements to liquidate all assets after a fixed number of years. Due to this somewhat artificial time constraint, the funds may be forced to dispose of assets at a disadvantageous time.

ix. Risk of Investment in Less Established Companies: The funds composing the Private Pool frequently invest in less established companies or companies in the early stages of development. Investing in such companies involves greater risk than investing in more mature companies.

x. Risk of Investment in Restructuring: The funds composing the Private Pool may invest in companies that are experiencing severe financial difficulties which may never be overcome.

xi. Risk of Indemnification: As part of the partnership agreements limited partners generally agree to indemnify fund managers for a variety of expenses, including any litigation expenses associated with operating the fund. For any particular fund such litigation expenses may be extensive.

xii. Risk of Dilution by Subsequent Closings: Depending on the structure of the fund, other limited partners may be allowed to invest in the fund after the fund has acquired assets and be given a proportionate share of such assets. Given that the value of the underlying assets may be uncertain, there can be no certainty that the payment of subsequent limited partners will represent a fair payment for the interest acquired.

xiii. Risk of Limited Diversification within Each Fund: Many of the funds that make up the Private Pools make a limited number of investments. Accordingly, for any particular fund, the aggregate return may be substantially adversely affected by the unfavorable performance of even a single investment.

xiv. Risk of Highly Competitive Market for Alternative Asset Investment Opportunities: Over the past several years, an ever-increasing number of funds have been created targeting alternative asset investment opportunities resulting in an unprecedented amount of capital being available for the types of investments made in the Private Pools. This available capital creates an intense competition for appropriate investment opportunities. Accordingly, the funds in which the SIC is invested may not be able to find appropriate opportunities or may be compelled to accept terms that are not as favorable as anticipated when setting up and operating the funds.

xv. Risk of Nondisclosure Due to Government Disclosure Requirements: If the general partner of a fund determines that disclosure of certain information to the SIC might result in that information becoming subject to a public records request, which may adversely affect the fund's performance, the general partner may choose not to disclose such information to the SIC. As a result, the SIC may not receive all the information about a particular fund that is released to other limited partners of the fund.

xvi. Risk of Dependence upon Key Individuals: Generally, the success of any particular fund is dependent upon the business acumen of a limited group of key personnel working for the general partner. The loss of services of any key personnel could adversely affect the fund, and may result in dissolution of such fund.

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By signing below, the undersigned on behalf of [~~Client Agency]~~, NMRHCA acknowledges, confirms and agrees to the terms and risks of investment in the Private Pools in full, as described in each page of the Private Pool Investment Policy above.

Client Agency

By: Tom Sullivan Date: 3/3/15

[Name] Tom Sullivan

[Title] Board President

Per Client Agency Board resolution dated December 2, 2014

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