



New Mexico Private Equity Investment Program

Introduction and Discussion for the Investments and Pensions Oversight Committee

August 9, 2013



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New Mexico Private Equity Investment Program Overview

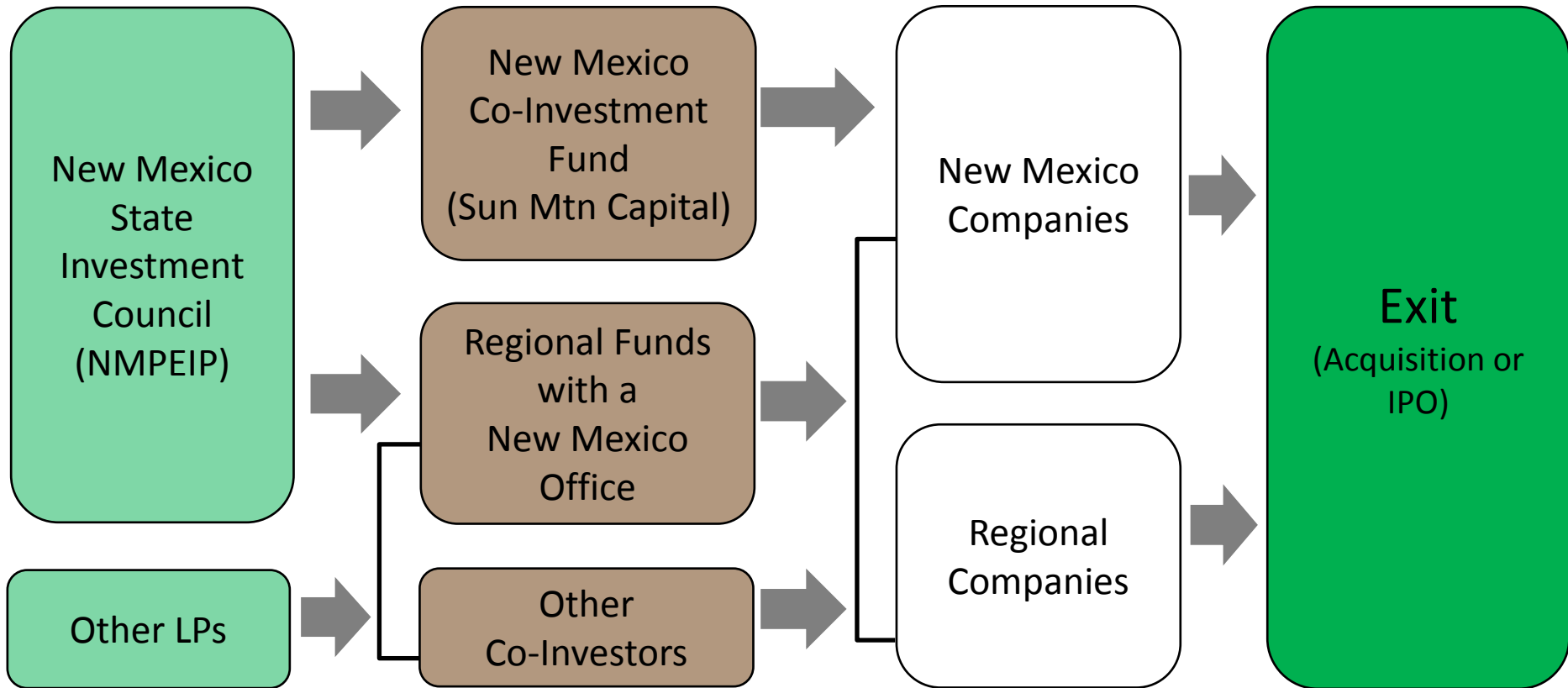
- The New Mexico Private Equity Investment Program was established in 1993 to make investments in private equity funds which in turn invest in NM-based companies
- From 1993-2003, the Program was managed as a differential rate program focused on economic development.
 - As a result, financial returns suffered and the Program performed below national benchmarks
- Since 2004, the Program has been managed with financial returns as the primary focus and returns have improved significantly

	1993 to <u>2003</u>	2004 to <u>Present</u>
Multiple	0.7x	1.0x
Since Inception Returns	-\$56.5M	\$6.5M

- Program returns have improved significantly and economic development goals have also been achieved with the new strategy and new team



NMPEIP Invests Into VC Funds; VC Funds Invest Into Companies





NMPEIP Update Summary

- Over \$350 million has been committed to 28 different venture capital funds which support New Mexico-based companies
- Since inception, these funds have invested or “caused to be invested” over \$2 billion in 62 different companies based in New Mexico
 - On average, every \$1 invested in a NM-based company by a Fund in the Program attracts another \$6.40 of capital from other funds investing in NM-based companies
- Program financial performance has been improving steadily since 2004
 - NMPEIP investments have performed in line with national venture capital benchmarks
 - NMPEIP investments have made money for the State in addition to having a very substantial impact on our economy
- Since 2004, no third party marketers or placement agents have been used



NMPEIP Status Overview and Summary of Partnership Commitments

All Fund Commitment Summary as of 12/31/12	Vintage	Commitment		Funded To Date	Percent Funded	NM Invest ¹	Investment Value (\$) ²			Return ²		Fund Liquidated
		Dollars	% of Fund				Realized	Unrealized ³	Total	Multiple	IRR	
ARCH Venture Fund II, L.P.	1993	\$1.2	3.9%	\$1.2	100.0%	\$67.1	\$4.3	\$0.0	\$4.3	3.53x	44.8%	Yes
ARCH Venture Fund III, L.P.	1996	\$4.0	3.7%	\$4.0	100.0%	\$0.0	\$3.6	\$0.1	\$3.7	0.94x	-1.0%	In Process
CVM Equity Fund V	1998	\$3.0	2.6%	\$3.0	100.0%	\$10.1	\$1.7	\$0.0	\$1.7	0.58x	-6.1%	In Process
Murphree Venture Partners IV, L.P.	1998	\$4.0	13.8%	\$4.0	100.0%	\$4.4	\$0.1	\$0.0	\$0.1	0.02x	-71.8%	Yes
Tullis/Dickerson Capital Focus II, L.P. ⁴	1998	\$5.0	10.0%	\$5.0	100.0%	\$0.0	\$2.1	\$1.6	\$3.7	0.75x	-2.6%	Yes
Valley Ventures II, L.P.	1998	\$3.0	50.0%	\$3.0	100.0%	\$1.1	\$2.6	\$0.0	\$2.6	0.87x	-1.6%	Yes
Vestor Partners, L.P.	1998	\$2.5	24.0%	\$2.4	94.0%	\$4.9	\$0.6	\$0.0	\$0.6	0.25x	-17.8%	Yes
International Venture Fund I, L.P.	2000	\$5.0	30.0%	\$5.0	100.0%	\$9.6	\$0.0	\$1.5	\$1.5	0.30x	-10.8%	In Process
Murphree Venture Partners V, L.P.	2000	\$3.0	20.0%	\$3.0	100.0%	\$2.2	\$0.9	\$2.0	\$3.0	0.96x	-0.5%	
Red River Ventures, L.P.	2000	\$7.2	5.5%	\$7.2	100.0%	\$12.8	\$3.4	\$3.0	\$6.4	0.89x	-2.1%	
Tullis/Dickerson Capital Focus III, L.P. ⁴	2001	\$15.0	11.8%	\$15.0	100.0%	\$49.8	\$13.3	\$4.8	\$18.1	1.21x	4.9%	
Wasatch Venture Fund III, LLC ⁴	2001	\$8.7	12.4%	\$8.3	95.0%	\$288.3	\$3.9	\$2.9	\$6.8	0.82x	-3.7%	
Altira Technology Fund IV, L.P.	2002	\$10.0	15.6%	\$10.0	100.0%	\$14.3	\$8.7	\$6.5	\$15.1	1.51x	7.6%	
Blue Sage Capital, L.P.	2002	\$10.0	6.9%	\$7.6	76.4%	\$10.0	\$14.1	\$14.9	\$29.1	3.81x	24.7%	
ITU Ventures West I, L.P.	2002	\$15.0	11.1%	\$15.0	100.0%	\$15.3	\$3.4	\$3.5	\$6.9	0.46x	-13.4%	In Process
Valley Ventures III, L.P.	2002	\$6.7	15.0%	\$6.5	98.0%	\$14.9	\$1.0	\$1.0	\$2.0	0.31x	-18.6%	
New Mexico Co-Investment Partners, L.P. ⁵	2003	\$62.0	100.0%	\$62.0	100.0%	\$165.0	\$10.0	\$3.4	\$13.4	0.22x	-24.5%	
vSpring II, L.P. ⁴	2003	\$20.0	23.6%	\$20.0	100.0%	\$118.4	\$0.0	\$6.8	\$6.8	0.34x	-15.1%	
Flywheel I, L.P.	2004	\$15.0	46.9%	\$15.0	100.0%	\$48.2	\$8.0	\$6.7	\$14.6	0.98x	-0.4%	
Verge I, L.P.	2004	\$10.0	47.6%	\$9.7	96.5%	\$50.7	\$0.4	\$8.8	\$9.2	0.94x	-1.1%	
Wasatch New Mexico Fund, LLC ⁴	2004	\$12.0	17.1%	\$11.8	98.0%	\$289.1	\$0.0	\$3.6	\$3.6	0.31x	-20.6%	
ITU Ventures III NM, L.P.	2005	\$2.3	0.8%	\$2.3	100.0%	\$26.8	\$0.1	\$0.0	\$0.1	0.04x	-73.6%	Yes
Psilos Group Partners IIIB, L.P.	2005	\$15.0	12.5%	\$12.8	85.0%	\$0.0	\$8.0	\$10.9	\$19.0	1.45x	10.1%	
Village Ventures Fund II-B, L.P.	2006	\$15.0	10.7%	\$14.5	96.6%	\$6.3	\$5.0	\$16.6	\$21.6	1.49x	10.9%	
NMSIC Co-Investment Fund, L.P. (Classic)	2007	\$30.0	100.0%	\$19.4	64.7%	\$285.9	\$0.4	\$23.5	\$24.0	1.23x	7.3%	
NMSIC Co-Investment Fund, L.P. (Focused)	2007	\$62.5	100.0%	\$56.4	90.2%	\$775.0	\$1.7	\$57.0	\$58.7	1.04x	1.2%	
vSpring III, L.P. ⁴	2007	\$15.0	9.9%	\$14.9	99.6%	\$25.6	\$0.3	\$10.2	\$10.4	0.70x	-10.8%	
EPIC Venture Fund IV, LLC ⁴	2008	\$10.0	17.2%	\$6.4	63.7%	\$6.7	\$0.0	\$8.2	\$8.3	1.29x	9.0%	
Program Totals		\$372.1	10.5% ⁶	\$345.2	92.8%	\$2,302.3	\$97.9	\$197.6	\$295.5	0.9x	-2.4%	10 of 28

Source: Inviert reporting

Notes:

- 1) Includes both direct fund investments and caused to invest dollars into New Mexico companies. Sourced from Inviert reportin, GP reporting and Sun Mountain Capital analysis
- 2) Investment Values and Return calculations based upon asset values from 12/31/12
- 3) Fair Market Value as determined by Fund GPs under FASB 157 as of the report date
- 4) Firm managing the fund has changed name: Tullis/Dickerson is now called Tullis Health Investors, Wasatch and EPIC are now called Tommorrow Ventures, vSpring is now called Signal Peak Capital
- 5) New Mexico Co-Investment Partners, L.P. data includes one SIC direct investment for reporting purposes
- 6) Total NMPEIP commitment as a percentage of combined fund sizes; excludes the co-investment funds

Unaudited Performance Data as of 12/31/12	
Number of Fund Commitments	28
Capital Committed (Total)	\$372.1
Capital Committed (Net of Dist.'s Received)	\$274.2
Capital Drawn	\$345.2
% of Capital Committed (Total)	92.8%
Distributions Received	\$97.9
% of Capital Drawn	28.4%
Outstanding Deployed Capital	\$247.4
Outstanding Deployed Capital as % of STPF	6.1%
Portfolio Carrying Value	\$197.6
Total Portfolio Value	\$295.5
% of Capital Drawn	85.6%
Portfolio Multiple of Invested Capital	0.9x
Portfolio IRR	-2.4%

Note: Returns calculated using reported Carrying Values as of 12/31/12 and data provided by Inviert.

Severance Tax Permanent Fund ("STPF") currently \$4,033 million



NMPEIP Actively Making New Investments

- 2008 market crash caused program to be put on hold
 - Drop in value of Severance Tax Permanent Fund put NMPEIP very close to its statutory cap from 2008-2010 (statutory cap is 9% of the STPF)
- Improving financial performance and strong distributions from funds like Tullis Dickerson and Blue Sage Capital have replenished the NMPEIP and it is now making new commitments
- Council has approved investments in two new funds in 2013 and a number of additional funds are currently in the due diligence process
 - Sun Mountain fund review process is very rigorous so it takes time
 - On average, 30 funds are evaluated for every 1 investment made
- Council has set an initial pacing target of 5% of the STPF , to be reviewed annually, which can be raised or lowered based on Program performance in the future
- Sun Mountain continued making investments in NM companies during hiatus as the NMPEIP had committed to the co-investment fund prior to the economic downturn



Significant Economic Impact

NMPEIP Impact Summary as of 12/31/12		
Total Investment in New Mexico Portfolio Companies		
A) Investment by Funds with NMPEIP Participation		\$270,051,256
B) External Investment Caused by Funds with NMPEIP Participation		\$1,738,697,854
Total VC Investment in NM Companies		\$2,008,749,110
<i>Investment Multiplier (B / A)</i>		6.4x
Categorization of NM Portfolio Companies		
Active Companies	39	60.9%
Companies Exited at a Gain	8	12.5%
Companies Exited at a Loss	17	26.6%
Number of Companies funded	64	100.0%
NM Economic Impact		
2012 NM Purchases		\$98,136,172
2012 NM Payroll		\$89,859,766
2012 NM Economic Impact		\$187,995,938
Total Current Full-Time Jobs		1,318
Average Salary of Jobs Created		\$68,179
Average Salary in New Mexico ¹		\$35,079

Source: Survey of participating NMPEIP fund managers and NM companies

¹ Source: New Mexico per capita personal income from the U.S. Dept. of Commerce, Bureau of Economic Analysis.



Active NMPEIP Company Investments by Sector – Q4 2012

Technology

Innovasic Semiconductor

Holochip

Lumidigm

Nanocrystal

Nuvita

Skorpios Technologies

TriLumina

TruTouch Technologies

ZTEC Instruments

Software

Boomtime

CoMet Solutions

Dining Gift Services

JackRabbit Systems

OnQueue Technologies

Vibrant

Healthcare

Exagen Diagnostics

ProtoHIT

Puente Partners

Southwest Med Tech

Healthcare Devices

Intellicyt

NanoMR

VeraLight

Therapeutics

Protalex

Energy

Altela

Consolidated Energy

Incitor

Iosil Energy

Sundrop Fuels

WellKeeper

Cleantech

American Clay

Earthstone

Enerpulse

Growstone

MIOX

Noribachi

Aviation

Aspen Avionics

Vertical Power

Other

Figaro Systems

Teucrium Trading



NMPEIP Investment Amounts by Sector – Q4 2012

- NMPEIP supports a diversified range of innovative New Mexican companies across many sectors

NMPEIP Investment Amounts by Sector (Active Companies)

