



## Investment Performance Quarterly Report, First Quarter, FY24

State investments gained value in the first quarter of FY24 as large distributions offset moderate quarter-over-quarter investment losses. The national economic outlook has continued to improve, and equity markets, which soared in recent periods, pulled back in the first quarter of FY24, benefiting the state’s conservative positioning relative to peer funds. One-year returns were positive but weak relative to peer funds because the state’s risk-averse investments underperformed amid strong markets.

### Investment Performance Highlights

- The value of New Mexico’s combined investment holdings grew by \$1.99 billion quarter-over-quarter, to an ending balance of \$73.94 billion, with moderate quarter-over-quarter losses offset by large distributions to the ECTF, STPF, and ECTF. For the year, funds gained \$10.8 billion, or 17.2 percent. Over the last five years, the state’s combined investment holdings grew \$22.05 billion, or 42.45 percent.
- One-year returns were strong for all funds, ranging from 5.22 percent (ECTF) to 9.45 percent (LGPF). Average investment returns over the last 10 years ranged from 5.91 percent (PERA) to 7.61 percent (ERB).
- Over the year, net cash flows—contributions to the funds from members or oil and gas taxes and royalties minus distributions out of the funds to beneficiaries—were positive for the LGPF, STPF, and ECTF, while both ERB and PERA had negative net cash flows. Cumulatively, the LGPF, STPF, and ECTF had a net cash inflow of \$6.35 billion. PERA had a net cash outflow of \$617.1 million and ERB had a net cash outflow of \$364.0 million.
- The LGPF, STPF, and ECTF met return targets for the one-year period. Most funds hit their targets in the one-, three-, five-, and 10-year periods, when annualized.<sup>1</sup> STPF performance is moderated by the allocation to differential rate New Mexico investments.
- When compared with peer funds greater than \$1 billion on a net-of-fee basis, the state’s investment funds performed well for the quarter, with all funds ranking above the median, but performed below the median for the one-year period because the state’s risk-averse investments performed worse than peer funds in strong markets. ERB performed in the top five of all funds for the quarter, three-, five-, and 10-year periods.

**THIS REPORT** details the comparative investment performance of the three investment agencies: the Educational Retirement Board (ERB), the Public Employees Retirement Association (PERA), and the State Investment Council (SIC), which manages the land grant permanent fund (LGPF), the severance tax permanent fund (STPF), and the early childhood education and care trust fund (ECTF).

Agency performance and market environment information are derived from the investment performance reports submitted by PERA, ERB, and SIC.

Returns as of September 30, 2023 (Net of Fees)

Returns (%)	PERA		ERB		LGPF		STPF		ECETF	
	Fund	Policy Index	Fund	Policy Index	Fund	Policy Index	Fund	Policy Index	Fund	Policy Index
Quarter	-1.49	<b>-3.32</b>	-0.11	<b>-0.20</b>	-0.98	-0.94	-1.89	<b>-2.56</b>	-0.54	<b>-0.95</b>
1-Year	<b>7.53</b>	9.97	<b>8.77</b>	9.76	<b>9.45</b>	<b>9.31</b>	<b>7.42</b>	<b>7.10</b>	5.22	<b>4.83</b>
3-Year	6.09	<b>3.21</b>	<b>9.44</b>	<b>7.16</b>	<b>7.47</b>	<b>7.30</b>	5.29	<b>5.28</b>	3.97	<b>2.26</b>
5-Year	5.11	<b>3.32</b>	<b>7.33</b>	<b>6.63</b>	6.08	6.23	4.31	5.05		
10-Year	5.91	<b>5.05</b>	<b>7.61</b>	<b>7.09</b>	6.84	7.01	5.97	6.45		

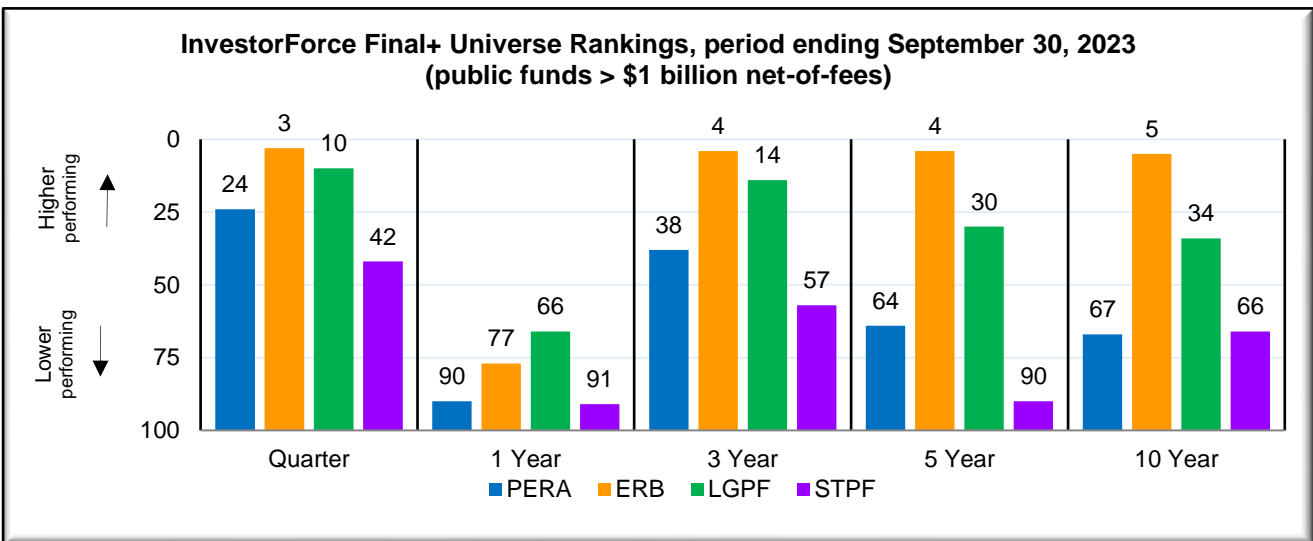
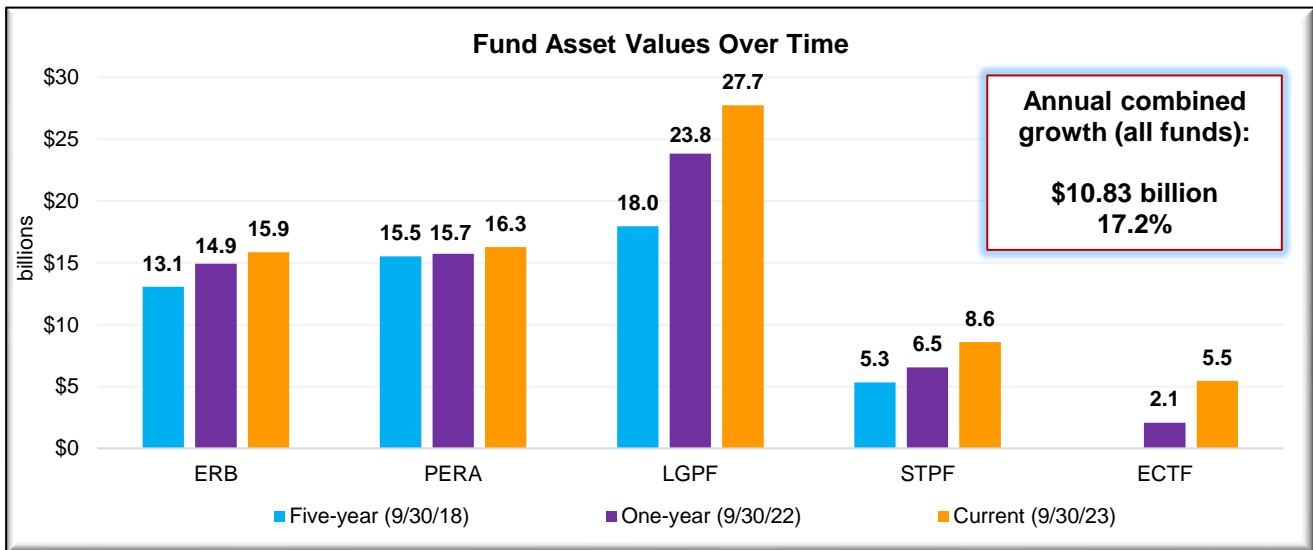
Note: A bolded fund value indicates returns that exceed the fund’s long-term target. A bolded policy index value indicates returns that exceed the policy index. Quarterly data is not annualized.

<sup>1</sup> The funds’ long-term return targets are 7.25 percent (PERA), 7 percent (ERB), 7 percent (LGPF), and 6.75 percent (STPF).

# Investment Agency Performance Dashboard

Quarter Ending September 30, 2023

This report details the investment performance of three investment agencies: the Educational Retirement Board (ERB), the Public Employees Retirement Association (PERA), and the State Investment Council (SIC) which manages the land grant permanent fund (LGPF), the severance tax permanent fund (STPF), and the early childhood education and care trust fund (ECTF).



Risk Profiles, Five Years Ending 9/30/23, Net of Fees				
Fund	ERB	PERA	LGPF	STPF
Standard Deviation*	7.2	8.2	9.4	9.3
Sharpe Ratio**	0.8	0.4	0.5	0.3
Beta***	0.3	-	0.4	0.4

**Aggregate Value of New Mexico Investment Holdings**

**\$73.9 billion**

\*measures variability from the mean return; higher is more volatile

\*\*higher numbers indicate higher return-to-risk level; a good ratio is 1 or better

\*\*\*represents the volatility of the portfolio versus the S&P 500. Beta = 1: portfolio moves with the market. Beta < 1: portfolio is less volatile than market. Beta > 1: portfolio is more volatile than the market.

Source: Agency Investment Reports

Note: ECTF not included in some metrics due to insufficient investment duration