

Investments & Pensions Oversight Committee

Senator George K. Munoz, Chairman

Representative Patricia Roybal Caballero, Vice-Chair

Steve Moise, NM State Investment Officer
Vince Smith, Deputy SIO & CIO
June 5, 2019



STATE INVESTMENT COUNCIL

Assets Under Management: \$25.06 Billion

- Fund values, April 30, 2019:

Land Grant
Permanent Fund:

\$18.40 billion

Severance Tax
Permanent Fund:

\$5.26 billion

Governmental
Clients:

\$1.16 billion

Tobacco Settlement
Permanent Fund:

\$204.30 million

Water Trust
Permanent Fund:

\$43.35 million

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One Year Asset Growth: \$1.21 billion

- One-year ending April 30, 2019:

LGPF:

April 2018: **\$17.44B**
April 2019: **\$18.40B**
+\$956M

STPF:

April 2018: **\$4.84B**
April 2019: **\$5.26B**
+\$138M

Clients:

April 2018: **\$1.06B**
April 2019: **\$1.16B**
+\$101M

Tobacco:

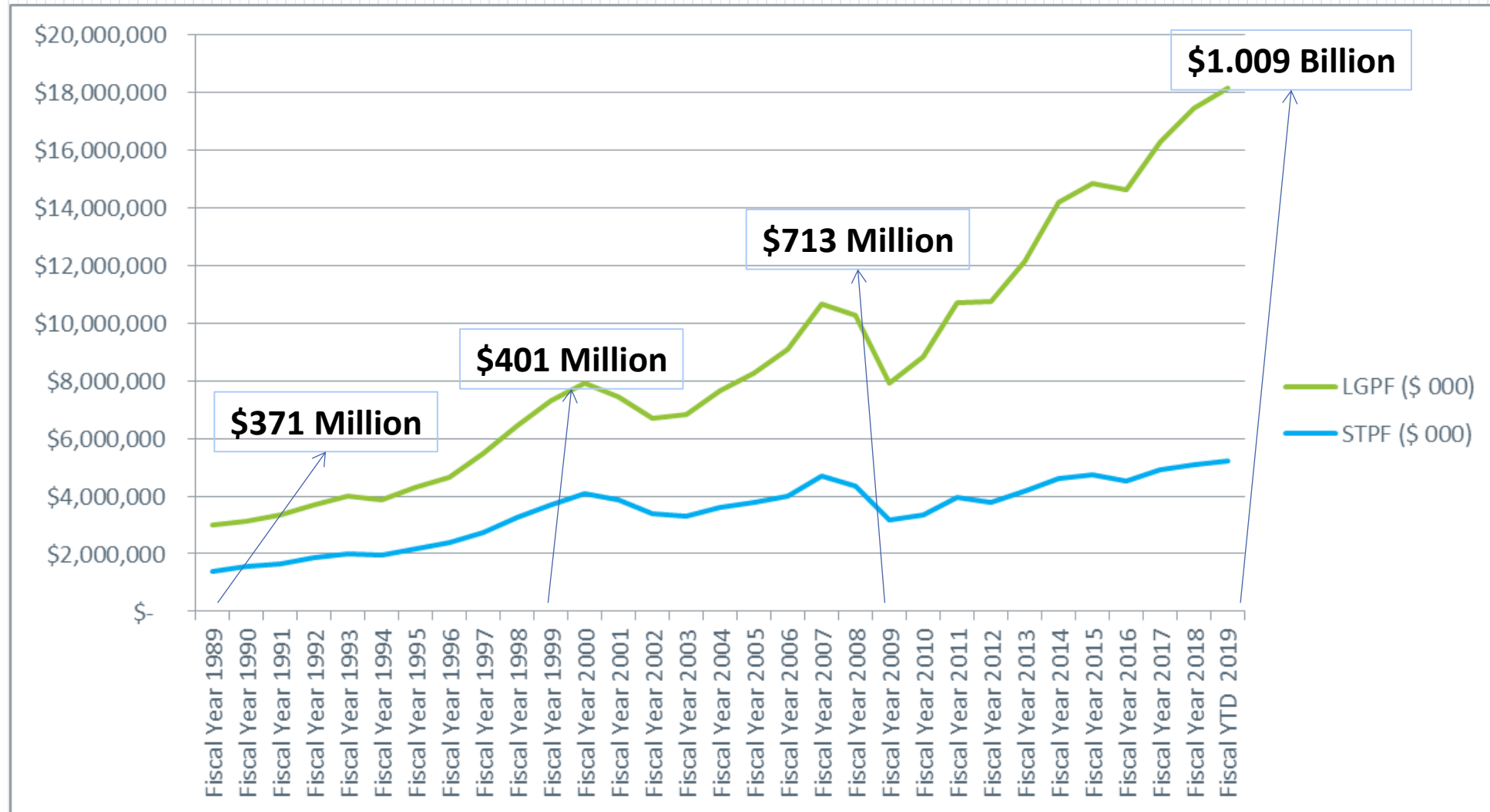
April 2018: **\$191.5M**
April 2019: **\$204.3M**
+12.8M

Water:

April 2018: **\$44.7M**
April 2019: **\$43.4M**
-\$1.3M

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Growing funds, growing benefits



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Investment Performance

- Annualized returns, net of fees, as of April 30, 2019:

	1-year	3-year	5-year	7-year	10-year
Land Grant Permanent Fund	4.86	8.78	6.43	7.87	9.32
<i>Benchmark</i>	5.21	8.21	6.44	7.67	9.78
Difference	-0.35	0.57	-0.01	0.20	-0.41
InvestorForce ranking*	29	37	30	31	65
Severance Tax Permanent Fund	4.66	8.71	6.37	7.75	9.12
<i>Benchmark</i>	5.34	8.35	6.51	7.73	9.72
Difference	-0.68	0.36	-0.14	-0.02	-0.60
InvestorForce ranking*	12	38	33	39	76

- Long-term return targets:
 - LGPF: 7.0%
 - STPF: 6.75%

*Investor Force metrics are only calculated on a quarterly basis. This lfx summary is through 3/31/19

The Rainy Day Fund

Tax Stabilization Reserve (rainy day fund)

- Started receiving money only last year
- Current balance ~\$528 million
- Expected new inflow ~\$120 million
- Can only be called during budget shortfall with approval of legislature and Governor
- SIC to begin managing TSR on July 1
- Conservatively allocated, expected return: 4.5%

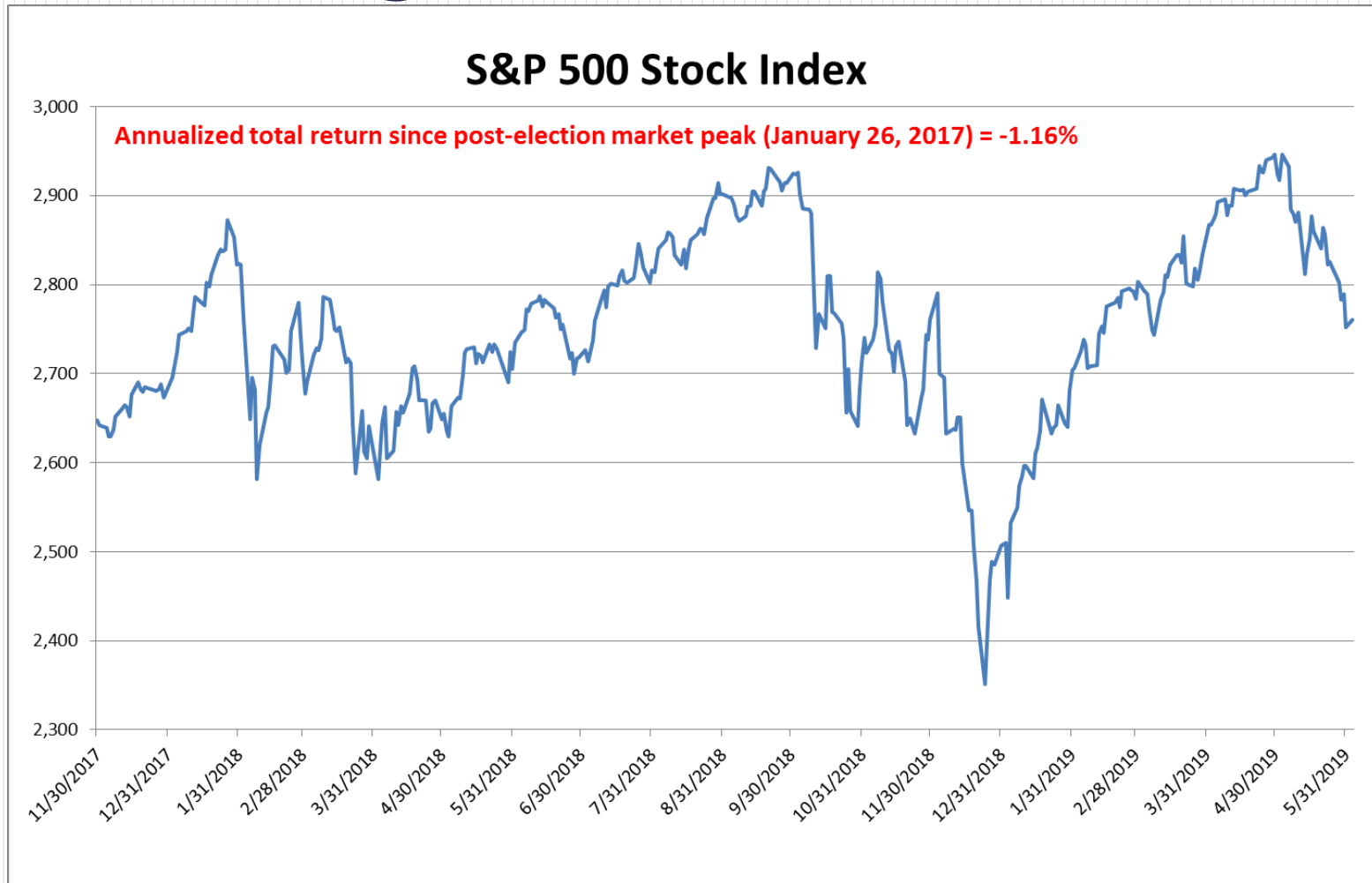
Protecting the Funds

Pay-to-Play litigation

- Filed first lawsuits in 2011
- Settlements with 20+ individuals/entities
- \$51.5 million collected/in escrow, with ~\$5 million pending
- Accountability, collectability key factors

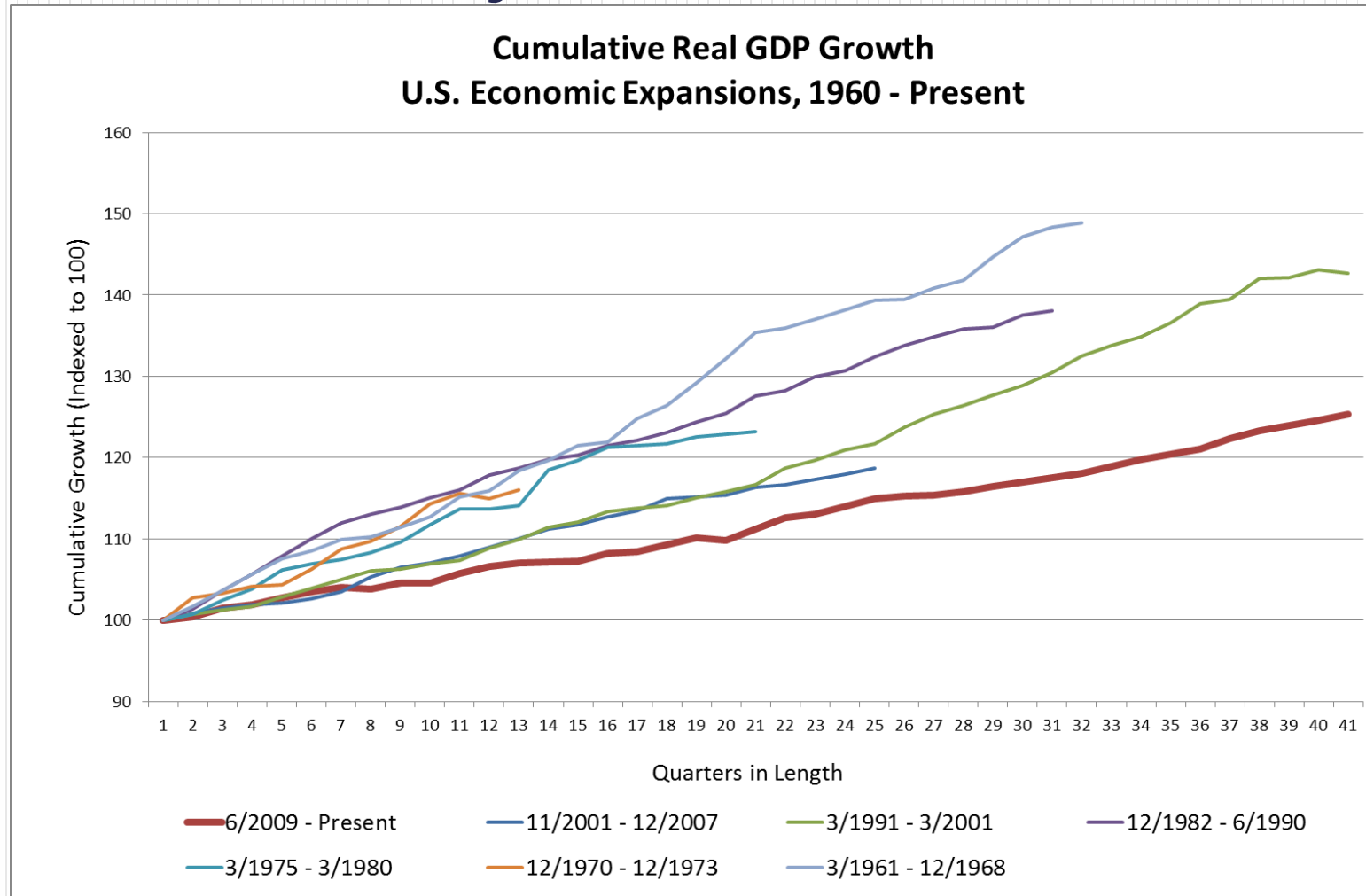
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Late Cycle: Stocks Have Been Low-Returning & Volatile



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Concerns: Length of the Current Economic Cycle



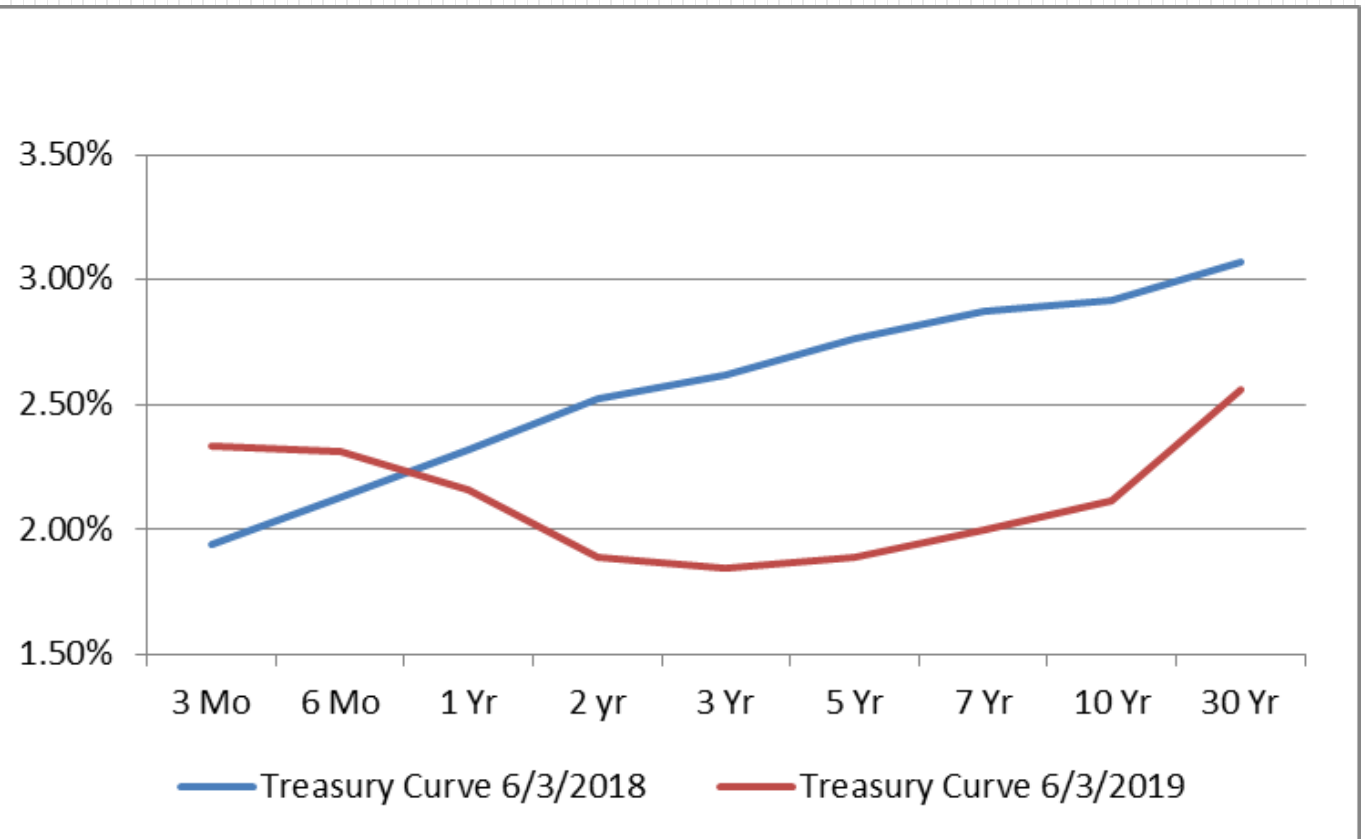
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Late Cycle: The Yield Curve Has “Inverted” (Classic Late-Cycle Event)

U.S. Treasury Rates

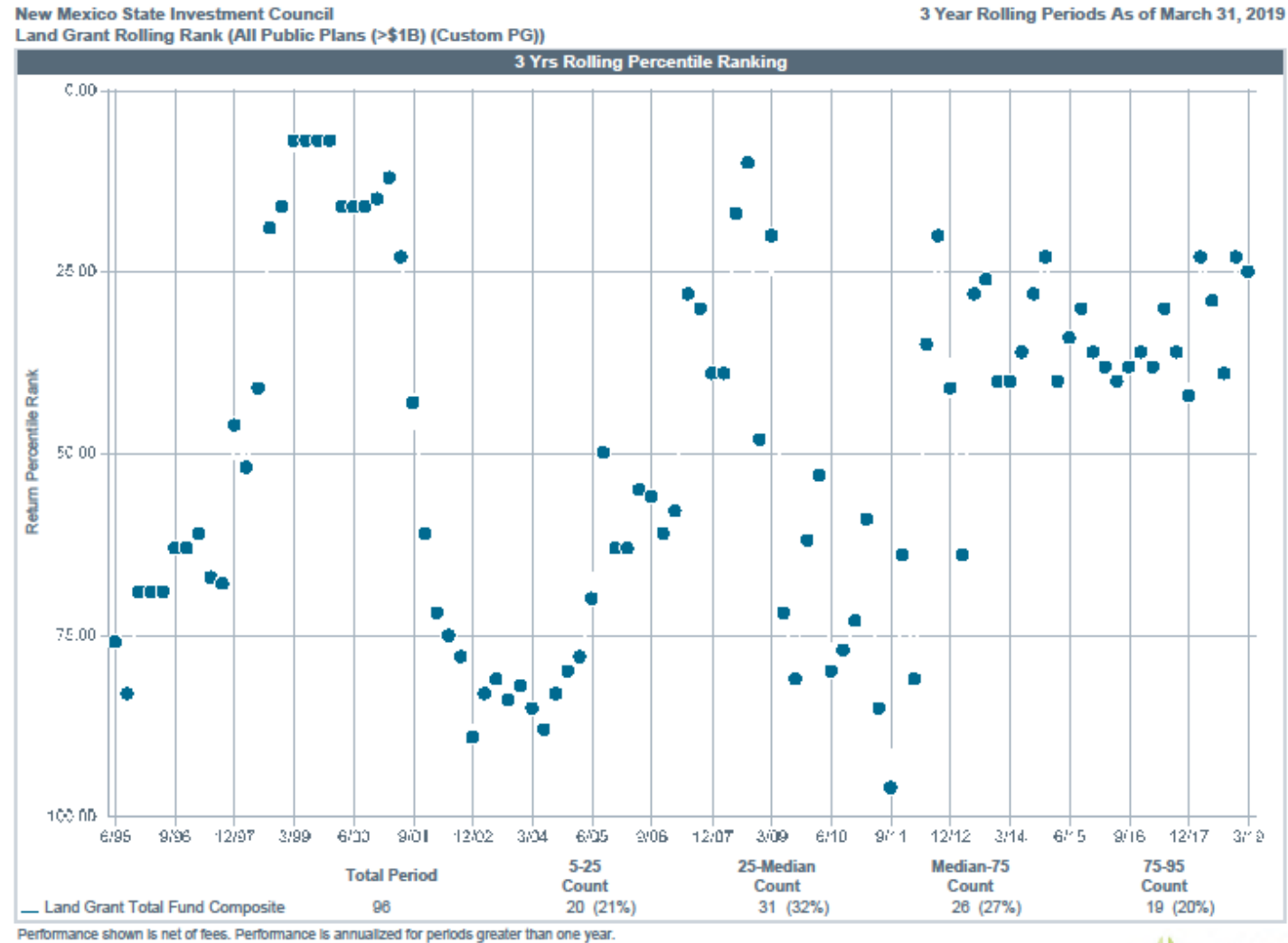
<u>Maturity</u>	<u>Yr Ago</u>	<u>Today</u>
3 Mo	1.94%	2.33%
6 Mo	2.13%	2.31%
1 Yr	2.32%	2.16%
2 yr	2.52%	1.89%
3 Yr	2.62%	1.84%
5 Yr	2.76%	1.89%
7 Yr	2.87%	2.00%
10 Yr	2.92%	2.11%
30 Yr	3.07%	2.56%

Note: As of 6/3/2019



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Investment Strategy: Results (Return)



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Investment Strategy: Results (Risk)

