

# State Investment Council & Permanent Fund Update

Revenue Stabilization & Tax Policy Committee

Senator Benny Shendo Jr., Chair

Representative Javier Martinez, Vice-Chair

Steve Moise, State Investment Officer

Charles Wollmann, Dir. Communications, Legislative & Client Matters

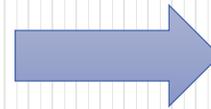
August 9, 2021



STATE INVESTMENT COUNCIL

# Fund Valuations & Impact, FY22

Land Grant  
Permanent Fund  
\$23,960,460,647



LGPF Beneficiary  
Distributions  
FY22: \$908.38M

Severance Tax  
Permanent Fund  
\$6,331,179,895



General Fund  
Distributions  
FY22: \$246.40M

# Other Funds Under SIC Management

Tax Stabilization  
Reserve:  
**\$1.796 billion**

Early Childhood  
Education & Care:  
**\$314 million**

Water Trust  
Permanent Fund:  
**\$43.9 million**

Tobacco  
Settlement  
Permanent Fund:  
**\$280 million**

Rural Libraries  
Endowment:  
**\$3.2 million**

23 Governmental  
Clients:  
**\$1.682 billion**

\*As of June 30, 2021

## STATE INVESTMENT COUNCIL

# Assets Under Management: \$34.4 billion

- Fund values over the last 15 months, as of June 30, 2021

<b>Fund Values (\$Millions)</b>	<b>3/31/2020</b>	<b>6/30/2020</b>	<b>12/31/2020</b>	<b>6/30/2021</b>
Land Grant Permanent Fund (LGPF)	\$ 17,915.7	\$ 18,982.2	\$ 21,599.2	\$ 23,960.5
Severance Tax Permanent Fund (STPF)	\$ 5,018.4	\$ 5,283.8	\$ 5,849.5	\$ 6,331.2
Tobacco Settlement Permanent Fund	\$ 223.1	\$ 241.3	\$ 262.2	\$ 280.4
Water Trust Fund	\$ 39.4	\$ 39.6	\$ 39.7	\$ 43.9
Tax Stabilization Reserve	\$ 1,085.5	\$ 1,210.4	\$ 1,768.2	\$ 1,795.5
Rural Libraries Endowment	\$ 1.0	\$ 1.0	\$ 3.1	\$ 3.2
Government Clients	\$ 1,185.3	\$ 1,282.7	\$ 1,515.6	\$ 1,682.4
Early Childhood Ed. & Care Fund	\$ -	\$ -	\$ 306.1	\$ 313.8
<b>Total Assets under management</b>	<b>\$ 25,468.5</b>	<b>\$ 27,041.0</b>	<b>\$ 31,344.0</b>	<b>\$ 34,410.8</b>

## STATE INVESTMENT COUNCIL

# Investment Performance

- Returns, net of fees, as of 5/31/21

	1-year	3-year	5-year	7-year	10-year
<b>Land Grant Permanent Fund</b>	<b>22.69</b>	<b>9.36</b>	<b>9.91</b>	<b>7.73</b>	<b>8.01</b>
<i>Benchmark</i>	<i>23.63</i>	<i>9.56</i>	<i>9.71</i>	<i>7.85</i>	<i>8.14</i>
<b>Severance Tax Permanent Fund</b>	<b>20.10</b>	<b>8.04</b>	<b>9.11</b>	<b>7.15</b>	<b>7.48</b>
<i>Benchmark</i>	<i>22.60</i>	<i>9.36</i>	<i>9.64</i>	<i>7.80</i>	<i>8.11</i>

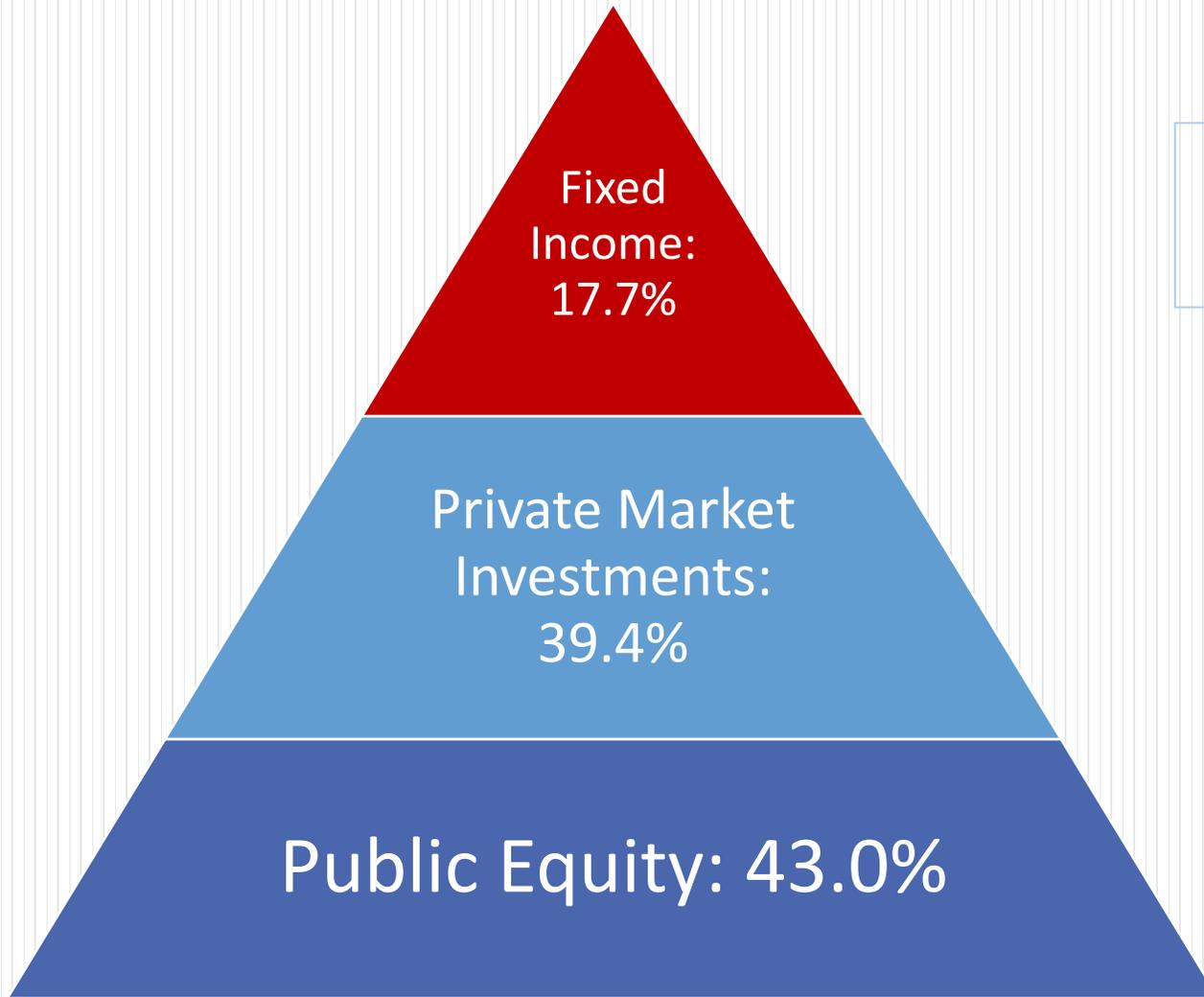
**Long-term return targets:**

**LGPF: 7.0%**

**STPF: 6.75%**

# STATE INVESTMENT COUNCIL

## Investment Allocation as of 6/30/21:



Core Bonds:	6.0%
Core Plus Bonds:	6.2%
Short Duration/Cash:	5.5%

Real Estate:	9.0%
Real Return:	7.7%
Private Equity (Natl./NM):	11.4%
Non-Core Fixed Income:	11.3%

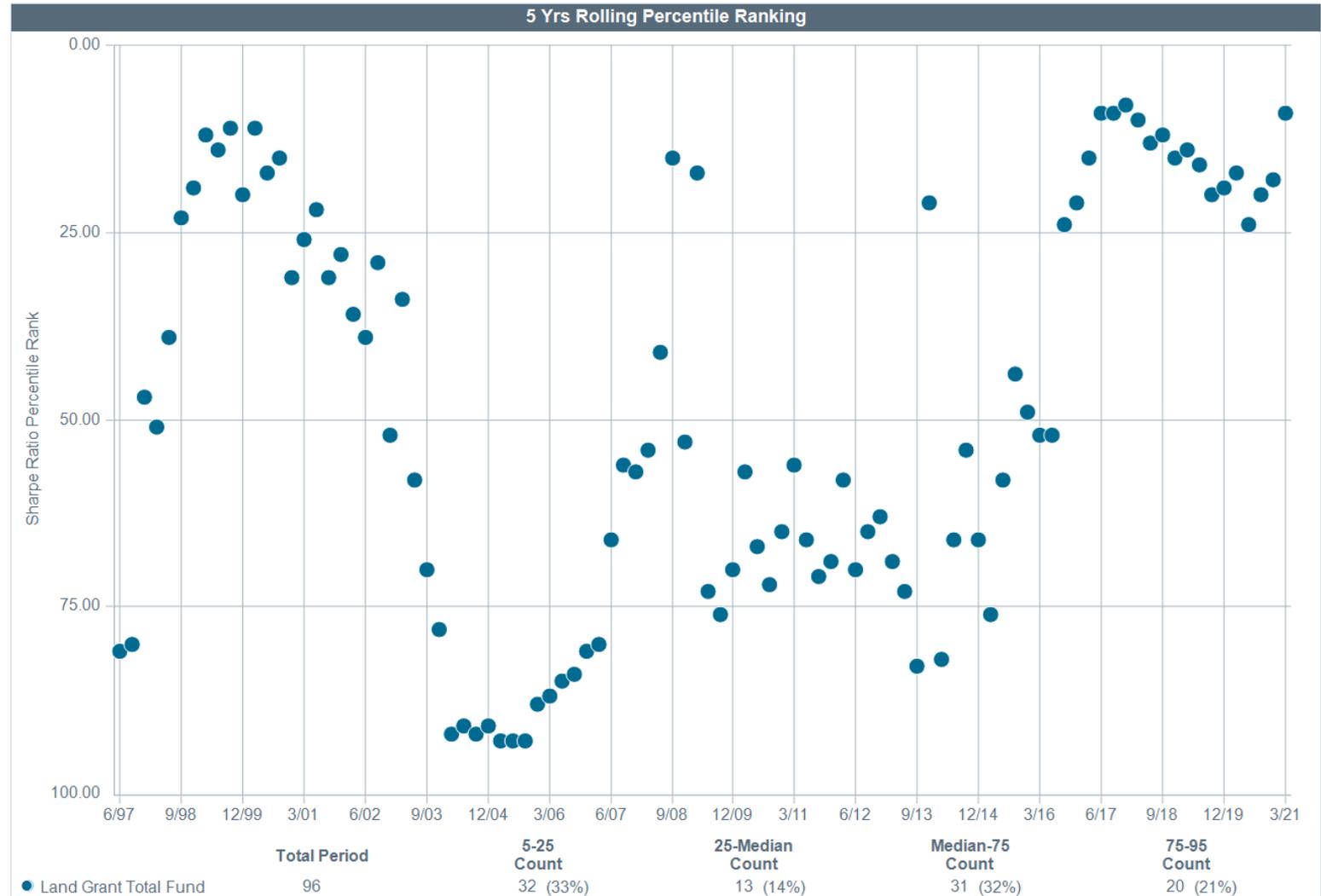
US Stocks:	22.4%
International Stocks:	20.6%

# STATE INVESTMENT COUNCIL

# LGPF Rolling 5-Year Sharpe Ratio Ranks

New Mexico State Investment Council  
 Land Grant Rolling Rank (All Public Plans > \$1B-Total Fund vs. ICE BofAML 3 Mo US T-Bill Index)

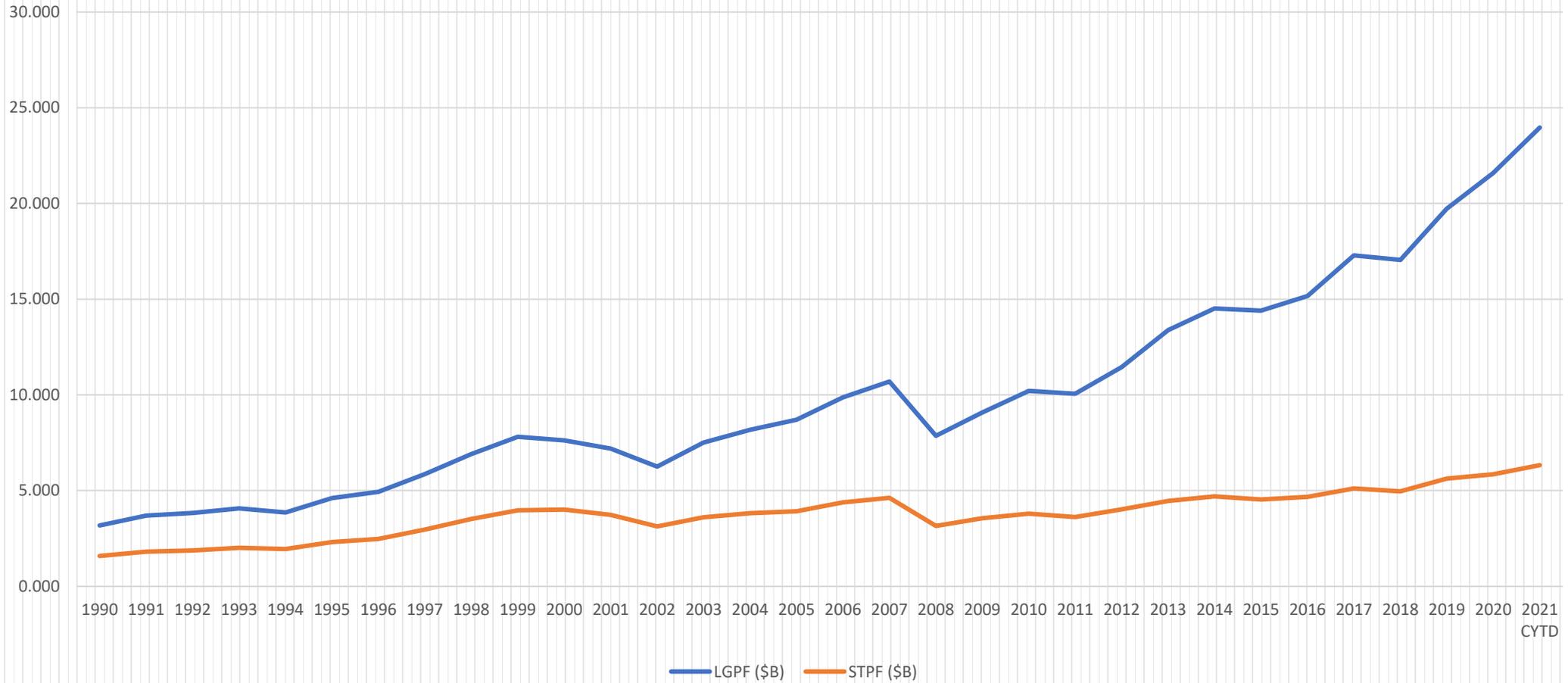
5 Year Rolling Periods As of March 31, 2021



# STATE INVESTMENT COUNCIL

## Permanent Fund Growth

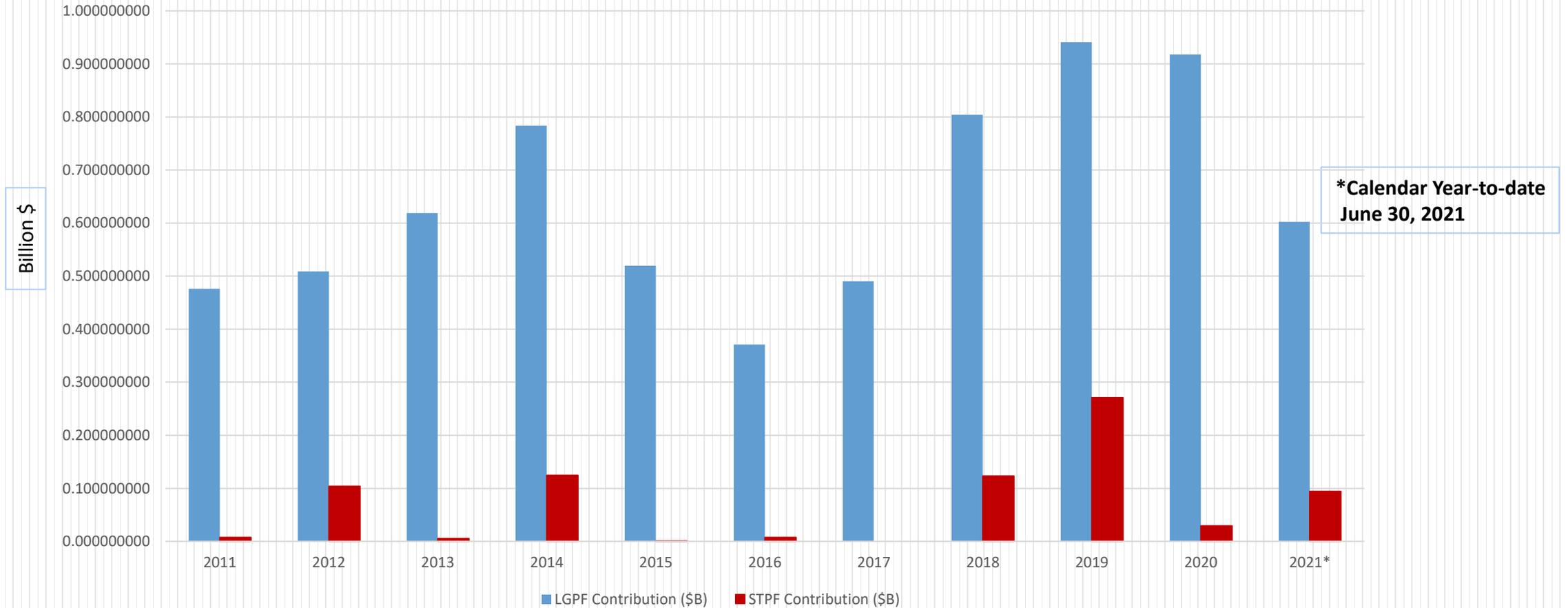
Permanent Fund Asset Value 1990-Present



# STATE INVESTMENT COUNCIL

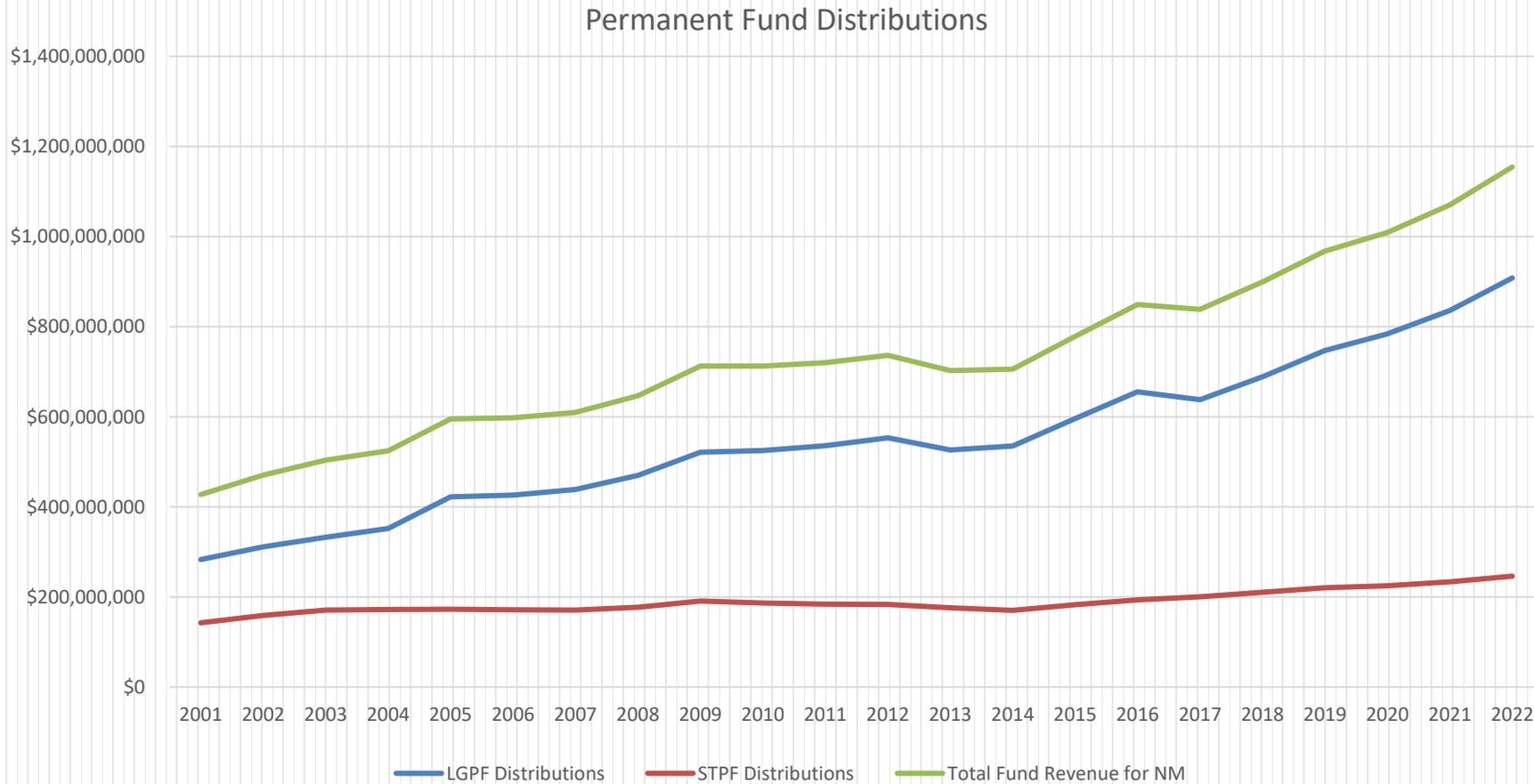
## Permanent Fund Inflows

Fund Inflows 2011-Present\*



# STATE INVESTMENT COUNCIL

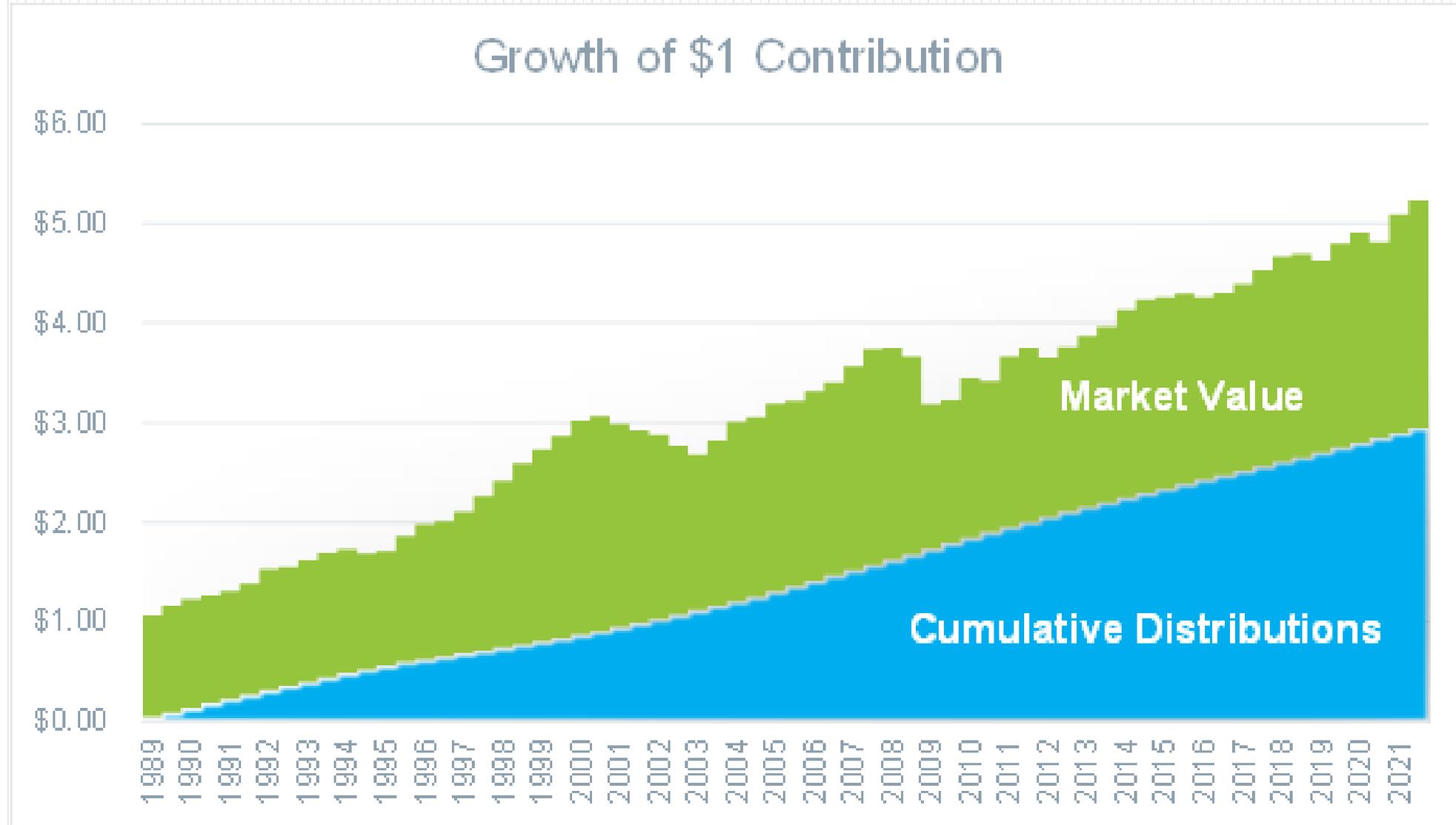
## Permanent Fund Distributions



Fiscal Year	Total Fund Distributions	LGPF %
2001	\$427,702,980	4.7%
2002	\$470,648,040	
2003	\$503,739,000	
2004	\$524,960,075	
2005	\$595,448,111	5.8%
2006	\$598,241,175	
2007	\$609,917,645	
2008	\$647,170,080	
2009	\$712,813,476	
2010	\$712,584,889	
2011	\$720,473,734	
2012	\$736,841,814	
2013	\$703,019,232	5.5%
2014	\$705,629,255	
2015	\$778,716,882	
2016	\$849,295,109	
2017	\$838,516,785	5.0%
2018	\$899,568,368	
2019	\$968,164,465	
2020	\$1,009,508,364	
2021	\$1,070,449,847	
2022	\$1,154,773,165	

# STATE INVESTMENT COUNCIL

## \$1 in LGPF +30 years = \$5 impact



# Pandemic Stimulus & Other NM Programs

- Severance Tax Permanent Fund Loan Programs
  - NM Recovery Fund (SIC): \$87.75 million
  - SBIC Loans/PPP loans: 1500+ loans, \$48.9 million
  - NM Recovery Act small business loans: Up to \$500 million loan program, administered by NM Finance Authority; ~\$101 million drawn down so far by NMFA
- Other NM Programs funded by STPF:
  - SBIC – 2% of the STPF for small business loans
  - NM Private Equity Program (~\$500 million in investments)

## STATE INVESTMENT COUNCIL

# NM Recovery Fund loans funded by SIC

- Differential rate loans via NMSA 1978 7-27-5.15
- Medium/larger NM employers with minimum of 40 NM employees & substantial negative impact from COVID
  - Twenty-nine borrowers
  - \$87.75 Million loaned
- Economic impact delivered by borrowing businesses
  - Over 1400 full time jobs
  - \$48 million in current annualized payroll
  - Estimated \$107 million in annual NM spending

## STATE INVESTMENT COUNCIL

# NM Recovery Fund loans funded by SIC

Sector (Based on NAICS)	\$ Funded Loans	% of Funded
Accommodation and Food Services	\$ 37,450,000	42.7%
Administrative and Support and Waste Management and Remediation Services	\$ 3,000,000	3.4%
Construction	\$ 4,400,000	5.0%
Health Care and Social Assistance	\$ 4,900,000	5.6%
Manufacturing	\$ 10,000,000	11.4%
Mining, Quarrying and Oil and Gas Extraction	\$ 10,000,000	11.4%
Professional, scientific and technical services	\$ 3,000,000	3.4%
Retail Trade	\$ 15,000,000	17.1%
<b>Total</b>	<b>\$ 87,750,000</b>	<b>100.0%</b>

## Fund Outlook & Risks

Economic uncertainty, high market valuations today

- Stock valuations boosted by stimulus spending
- Economic momentum tempered by COVID variants
- Bond market yields low, valuations also high
- Inflation risks ahead?
- Future investment returns may have already been realized
- Future fund inflows likely to fall as the world transitions away from oil and gas
- Impact of increased fund distributions

## Final update items

### Pending Council Matters, current considerations

- Annual Investment Plan (August meeting)
- Environmental, Social & Governance (ESG) Policy
- Investment fees & audit
- Clients adding capital, diversifying portfolios
- New Council appointments
  - Catherine Allen
  - John Bingaman
- Q&A