



Investment Performance Quarterly Report, Second Quarter, FY26

State investment balances increased by \$13.1 billion, or 15 percent, compared with this time last year. Investment returns were healthy in the quarter period, a welcome improvement from FY25 when returns were muted amid turbulent markets. One-year returns were strong, ranging from 12.2 percent (ERB) to 13.6 percent (ECTF), and the state’s allocations performed around and below the median among peer funds in the one-year period. The fund managed by ERB continued to demonstrate strong performance, with the state’s best long-term returns and a more optimized risk profile than other large state investments.

Investment Performance Highlights

- The value of New Mexico’s combined investment holdings grew by \$2.9 billion quarter-over-quarter, to an ending balance of \$100.3 billion, with gains bolstered by contributions of excess oil and gas revenues to the ECTF and the STPF. For the year, funds increased by \$13.1 billion, or 15 percent. Over the last five years, the state’s combined investment holdings grew by \$42.1 billion, or 72.3 percent.
- One-year returns were strong for all funds, ranging from 12.2 percent (ERB) to 13.6 percent (ECTF). Average annualized investment returns over the last 10 years ranged from 7.2 percent (STPF) to 8.8 percent (ERB).
- Net inflows of oil and gas taxes and royalties across the LGPF, STPF, and ECTF made up 20 percent, or \$2.5 billion, of the one-year value increase across all funds. STPF performance is lowered by the allocation to active and legacy differential rate New Mexico investments, which typically provide a lower return. ERB and PERA balances were moderated by benefit payments greater than contributions typical for pension funds.
- Each fund met its long-term return target in the one-, three-, five- and 10-year period, except for STPF, which missed its target in the five-year period.¹

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.

Aggregate Value of New Mexico Investment Holdings

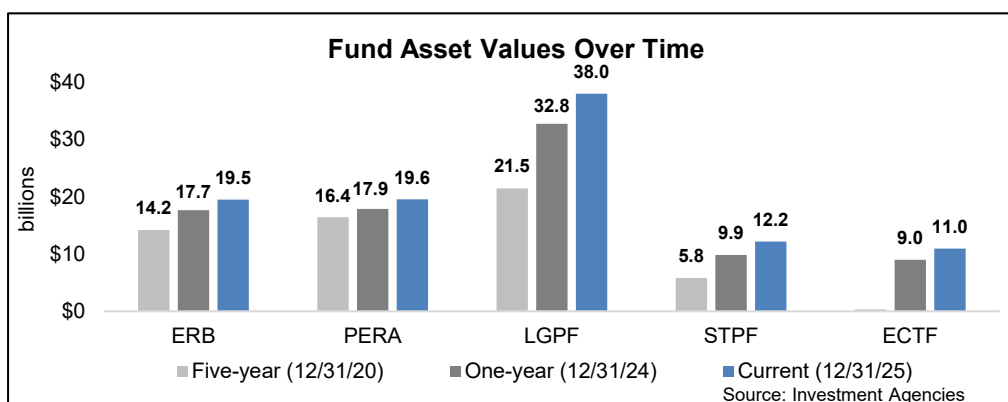
\$100.3 billion

Note: does not include general fund investments.

Annual Combined Growth of all Funds

**\$13.1 billion
15.0%**

Note: does not include general fund investments.



Five-Year Annualized Returns

Fund	Returns
ERB	9.00
LGPF	8.01
PERA	7.17
STPF	6.43

Source: Investment Agencies

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

About the Funds

PERA and ERB manage state pension funds that offer members guaranteed life-long monthly benefits after retirement. Both members and employers make contributions. PERA members are New Mexico public employees. ERB members are New Mexico public education employees. The pension funds are invested to generate income that covers the gap between contributions and benefit payments. Pension funds offer a major benefit to state employees and are often cited as a major benefit of a career in the public sector. However, they also represent one of the state's largest long-term liabilities, and the health of the funds is important to monitor.

Pension Fund Agencies

Pension fund investments grew by \$3.5 billion, or 9.9 percent, over the year. Annualized returns for the ERB and the Public Employees Retirement Association (PERA) were above their long-term targets in every annualized period. ERB allocated more of its assets to U.S. equity and alternatives while PERA allocated more of its portfolio to fixed income.

ERB. ERB's annualized returns outperformed the fund's long-term target of 7 percent in each period.

The fund outperformed its policy index, a performance benchmark, in each period except the three-year period, where it narrowly missed. The fund's return in the quarter, which is not annualized, was 2.47 percent while the policy index for that period was 3.91 percent. ERB's five-year average Sharpe ratio—a measure of how an investment's risk compares with its returns—was 1.1. A Sharpe ratio above one is generally considered to indicate the investment offers excess returns relative to volatility. ERB was the only large state investment fund with a Sharpe ratio above one, and the fund's Sharpe ratio was in the best performance percentiles among large public funds over \$1 billion, according to InvMetrics. This indicates the fund is optimizing its risk-to-return profile in the long-term. The agency recently reported that its above-average performance has produced excess returns equivalent to \$1.2 billion versus the median fund return over the past 10 years.

PERA. PERA's annualized returns outperformed the fund's long-term target of 7.25 percent in each period except the five-year period. The fund overperformed its policy index in the one-, three-, and 10-year period but missed the index in the five-year period. The fund's return in the quarter, which is not annualized, was 2.25 percent, above the policy index of 1.9 percent.

Table 1

Pension Funds Asset Values (net of fees)

Period ending 12/31/2025

Fund	Value as of		Value Change	Percent Change
	12/31/24	12/31/25		
ERB	\$17,660.1	\$19,537.8	\$1,877.7	10.6%
PERA	\$17,906.2	\$19,564.0	\$1,657.8	9.3%
Total	\$35,566.3	\$39,101.8	\$3,535.5	9.9%

Source: ERB, PERA

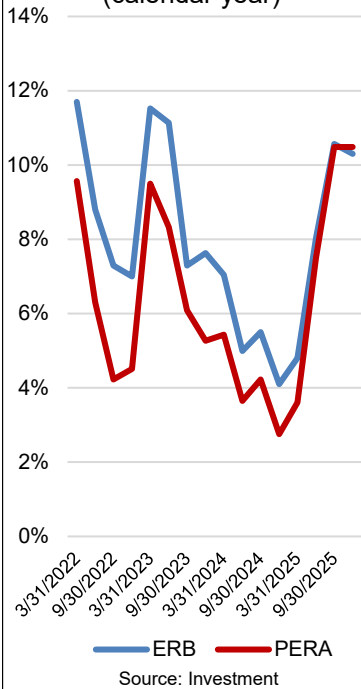
Membership Snapshot

(thousands)

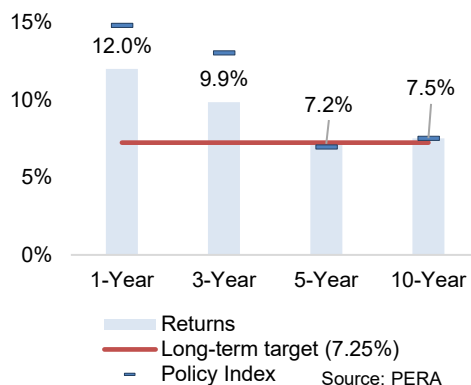
Type	PERA	ERB	Total
Active	55.7	61.5	117.2
Inactive	28.9	54.7	83.7
Retirees	47.1	54.8	101.8
Total	131.7	171.0	302.7

Source: PERA, ERB

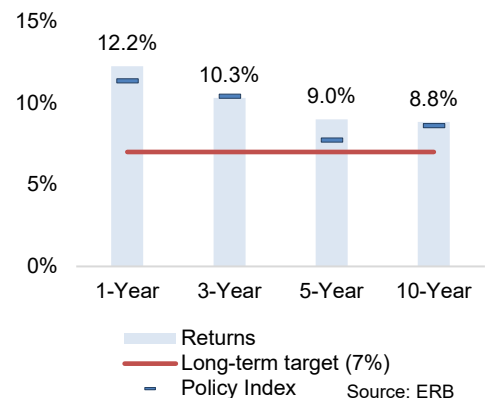
Historical Three-Year Annualized Returns (calendar year)



PERA Performance



ERB Performance



SIC Long-Term Investment Funds

The long-term investment funds managed by the State Investment Council (SIC) grew by \$9.6 billion, or 18.6 percent, over the year. Of the increased value, over one-fourth—26.7 percent—was the result of net inflows of oil and gas taxes and royalties. The LGPF surpassed its long-term targets in each annualized period. The STPF surpassed its long-term targets in each annualized period except the five-year period.

Table 2

Long-term Investment Funds Asset Values (net of fees)				
Period ending 12/31/2025				
Fund	Value as of		Value Change	Percent Change
	12/31/24	12/31/25		
LGPF	\$32,776.6	\$38,047.7	\$5,271.1	16.1%
STPF	\$9,850.7	\$12,185.5	\$2,334.8	23.7%
ECTF	\$9,015.8	\$10,992.7	\$1,976.9	21.9%
Total	\$51,643.1	\$61,225.9	\$9,582.8	18.6%

Source: SIC

surpassed its policy index in each period except the five-year period. The fund distributed \$408 million to the general fund and received \$1.4 billion in oil and gas revenues. STPF returns are lowered by allocations to the New Mexico Small Business Investment Corporation and two legacy programs: the small business recovery loan program and the New Mexico Private Equity Investment Program (NMPEIP). While neither legacy program is active, past allocations still drag on STPF performance. SIC recently replaced the NMPEIP with the Strategic Venture Capital Program, which requires market-rate returns for its commitments.

ECTF. The ECTF tracked closely with other SIC-managed funds, exceeding its policy index in each period and performing better in both the one- and three-year period compared with the LGPF and STPF. Last year, SIC approved a new asset allocation for the fund with a long-term return expectation of 6.8 percent. The ECTF received \$1.2 billion in oil and gas revenues and distributed \$500 million to the general fund.

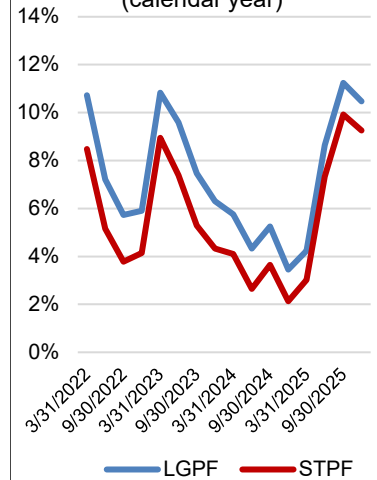
LGPF. The LGPF outperformed its long-term target of 7 percent in each period. The fund surpassed its policy index for each annualized period. Over the year, the fund distributed \$1.6 billion to beneficiaries and received \$2.4 billion in revenues, primarily from royalties from oil and gas extracted on state lands.

STPF. The STPF overperformed its long-term target of 6.75 percent in each period. The fund

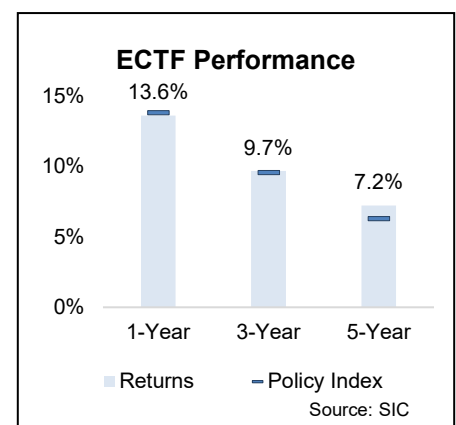
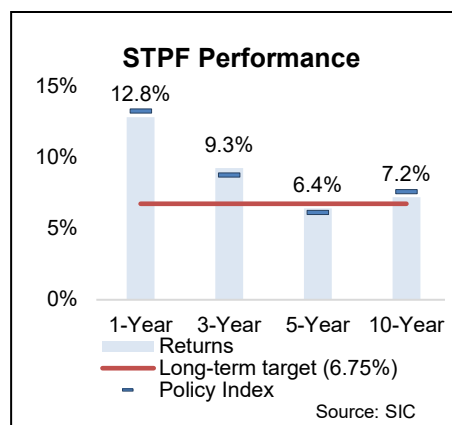
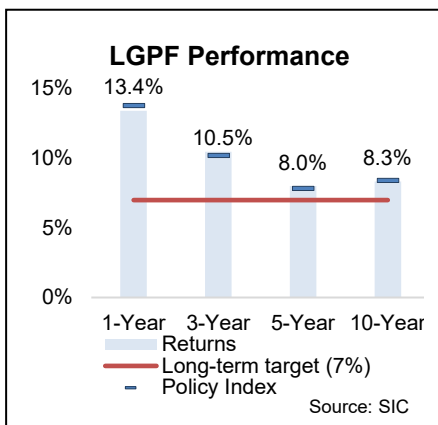
About the Funds

The state's long-term investment funds have a diverse history. The **land grant permanent fund (LGPF)** is a constitutionally protected fund created at statehood to invest proceeds from the use of natural resources on state lands. The fund receives royalties from state lands and makes distributions to the general fund earmarked for use in public schools. The **severance tax permanent fund (STPF)** is a constitutionally protected fund that receives severance taxes—taxes levied against the extraction of natural resources—not required for bond maintenance. The STPF makes distributions to the state general fund. The **early childhood education and care trust fund (ECTF)** is a statutorily created fund that receives above-trend oil and gas revenues and supports funding for education and early childhood.

Historical Three-Year Annualized Returns (calendar year)



Source: Investment Agencies



Risk Profiles, Five Years Ending

Net of Fees, Period ending 12/31/2025

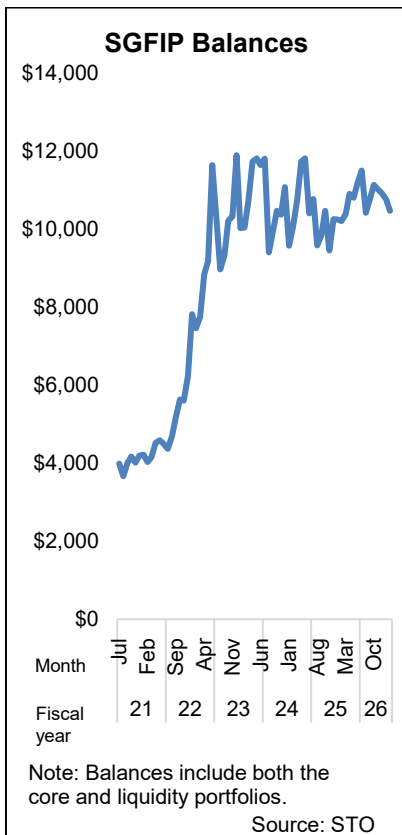
Fund	Standard Deviation ¹	Sharpe Ratio ²	Beta ³
PERA	6.9	0.8	0.4
ERB	5.5	1.1	0.3
LGPF	6.3	0.8	0.4
STPF	6.2	0.6	0.4

¹Measures variability from the mean return; higher is more volatile.

²Higher numbers indicate higher return-to-risk level; a good ratio is 1 or better.

³Represents 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.

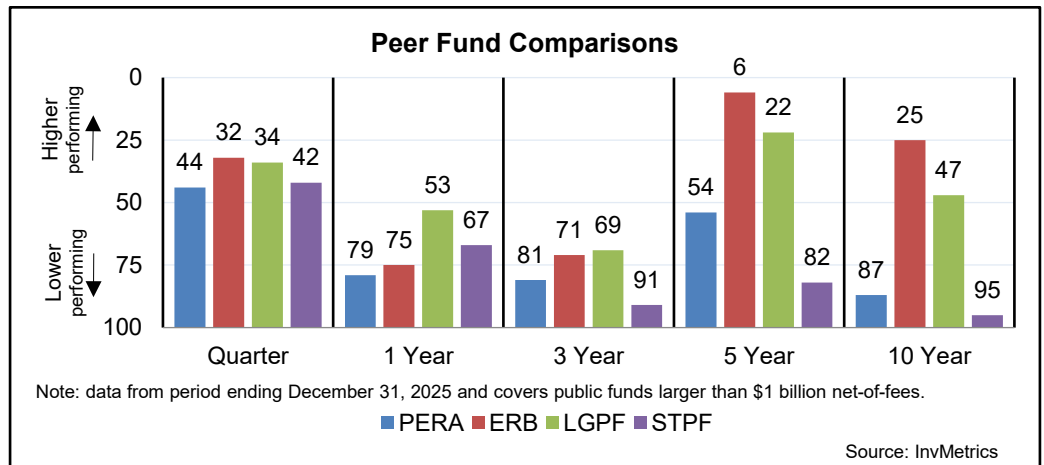
Source: Investment Agencies



LFC Performance Reports

Comparison with Peer Funds

When compared with peer funds greater than \$1 billion on a net-of-fee basis, New Mexico's large investment funds had varied performance over the long-term, with ERB and the LGPF above the median and PERA and the STPF performing below the median. All funds performed well compared with peer funds in the quarter. Most funds performed poorly compared with peers in the three-year periods. STPF's long-term performance was weak compared with peer funds and performed at the bottom 80th percentile in the three-, five-, and 10-year periods, although it tracked closely with PERA in the quarter and one-year period. STPF performance is moderated by active and legacy allocations to differential rate New Mexico investments, which generate lower returns.



General Fund Investment Pool

Table 3

General Fund Investment Pool

Period ending 12/31/2025

Fund	Value as of		Value Change	Percent Change
	12/31/24	12/31/25		
GF Core	\$5,968.2	\$6,446.2	\$478.1	8.0%

Source: STO

Table 4

General Fund Investment Pool - Core Portfolio

Period ending 12/31/2025

	Performance	
	Quarter	1-Year
GF Core	1.16%	5.62%
Benchmark - Treasury 0-5 Year	1.10%	5.44%
Relative Performance	0.06%	0.18%

Source: STO

The State Treasurer's Office (STO) acts as the state's bank when receipts are deposited and later pooled into a statewide investment fund, known as the state general fund investment pool (SGFIP). The SGFIP has a liquidity portfolio, structured to meet the immediate cash needs of the state, and the core portfolio, which invests balances not necessary to meet the state's short-term cash flow needs over a longer time horizon.

The general fund core portfolio exceeded its benchmark over the quarter by 0.06 percentage points and by 0.18 percentage points over the year.