



Investment Performance Quarterly Report, Second Quarter, FY25

State investment balances increased by \$9.6 billion, or 12.4 percent, compared with this time last year. Investments benefited from resilient market conditions continuing several months of growth through 2024. One-year returns remained strong despite some volatility in the quarter for the state’s pension funds. The state’s risk-averse allocations generally performed worse than peer funds in the one-year period amid strong markets. The fund managed by the Educational Retirement Board 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 \$383.4 million quarter-over-quarter, to an ending balance of \$87.2 billion, with gains bolstered by contributions of excess oil and gas revenues to the ECTF and the STPF. For the year, funds increased by \$9.6 billion, or 12.4 percent. Over the last five years, the state’s combined investment holdings grew by \$32.1 billion, or 58.3 percent.
- One-year returns were strong for all funds, ranging from 9.9 percent (ERB) to 6.6 percent (STPF). Average investment returns over the last 10 years ranged from 7.7 percent (ERB) to 6.0 percent (STPF).
- Inflows of oil and gas taxes and royalties across the LGPF, STPF, and ECTF made up 41 percent, or \$3.96 billion, of the one-year value increase across all funds. STPF performance is lowered by the allocation to 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.
- Only STPF failed to meet its long-term return target for the one-year period. ERB and LGPF outperformed their long-term targets in every period except for the three-year period. PERA only met its long-term target in the one-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

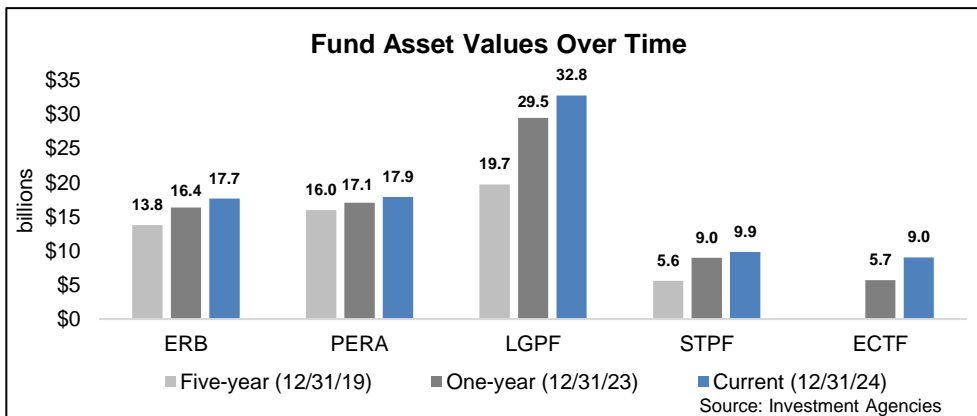
\$87.2 billion

Note: does not include general fund investments.

Annual Combined Growth of all Funds

**\$9.6 billion
12%**

Note: does not include general fund investments.



5-Year Annualized Returns

Fund	Returns
ERB	7.91
LGPF	7.14
PERA	6.20
STPF	5.99

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 \$2.1 billion, or 6.4 percent, over the year. Annualized returns for both funds were above their long-term targets in the one-year period, but only the Educational Retirement Board (ERB) exceeded that target in the five- and 10-year periods. ERB allocated more of its assets to U.S. equity and alternatives while the Public Employees Retirement Association (PERA) allocated more of its portfolio toward fixed income.

Table 1

Pension Funds Asset Values (net of fees)

Period ending 12/31/2024

Fund	Value as of		Value Change	Percent Change
	12/31/23	12/31/24		
ERB	\$16,364.5	\$17,660.1	\$1,295.7	7.9%
PERA	\$17,063.3	\$17,906.2	\$842.9	4.9%
Total	\$33,427.8	\$35,566.3	\$2,138.6	6.4%

Source: ERB, PERA

ERB. ERB's annualized returns outperformed the fund's long-term target of 7 percent in each period except for the three-year period. The fund outperformed its policy index, a performance benchmark, in each annualized period. The fund's return in the quarter, which is not annualized, was 0.59 percent while the policy index for that period was 0.67 percent. The fund also had the best risk-to-return measures among all investment funds, with the lowest standard deviation, the best Sharpe ratio, and lowest Beta.

PERA. PERA annualized returns outperformed the fund's long-term target of 7.25 percent only in the one-year period. The fund outperformed its policy index in the three-, five-, and 10-year periods. The fund's return in the quarter, which is not annualized, was -0.18 percent, significantly above the policy index of -1.6 percent.

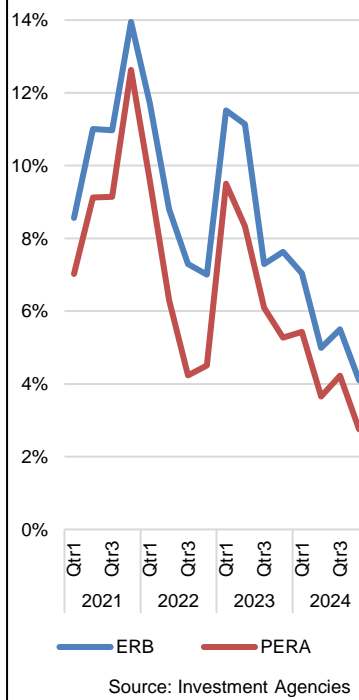
Member Snapshot

(thousands)

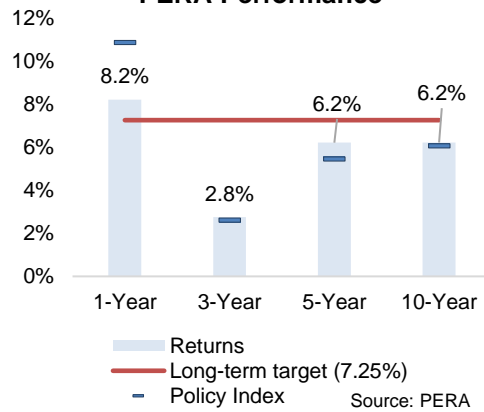
Type	PERA	ERB	Total
Active	55.7	61.5	117.2
Inactive	28.9	54.7	83.7
Retirees	47.1	54.8	101.8
Total	131.7	171.0	302.7

Source: PERA, ERB

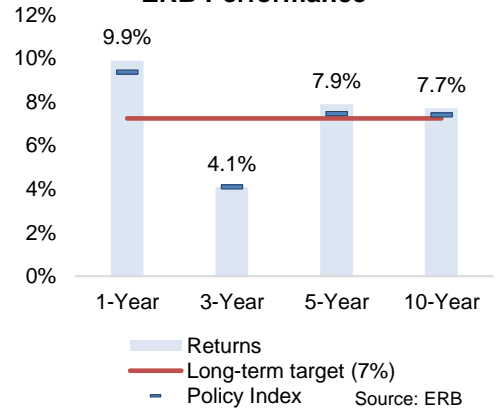
Historical Three-Year Annualized Returns (calendar year)



PERA Performance



ERB Performance



SIC Long-Term Investment Funds

The long-term investment funds managed by the State Investment Council (SIC) grew by \$7.5 billion, or 16.9 percent, over the year. Of the increased value, about half—53 percent—was the result of inflows of oil and gas taxes and royalties. The LGPF surpassed its long-term target in the one- and five-year period and met it in the 10-year period. The STPF failed to meet its long-term target in any period. The fund’s performance in the long-term period has failed to meet its targets for ten consecutive quarters.

Table 2

Long-term Investment Funds Asset Values (net of fees)

Period ending 12/31/2024

Fund	Value as of		Value Change	Percent Change
	12/31/23	12/31/24		
LGPF	\$29,493.2	\$32,776.6	\$3,283.4	11.1%
STPF	\$8,970.5	\$9,850.7	\$880.1	9.8%
ECTF	\$5,721.2	\$9,015.8	\$3,294.5	57.6%
Total	\$44,185.0	\$51,643.1	\$7,458.1	16.9%

Source: SIC

LGPF. The LGPF met or surpassed its long-term target of 7 percent in each period except in the three-year period. The fund either surpassed or tracked very closely to its policy index, a performance benchmark, for each period. Over the year, the fund distributed \$1.4 billion to beneficiaries and received \$2.3 billion in revenues, primarily from royalties from oil and gas extracted on state lands.

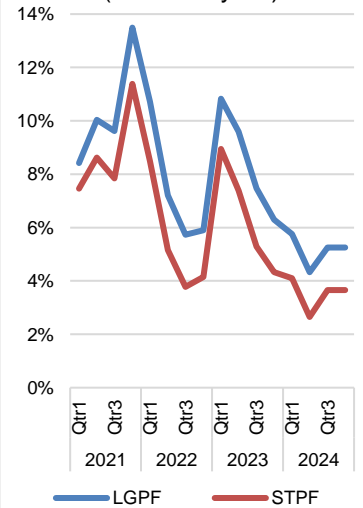
STPF. The STPF underperformed its long-term target of 6.75 percent in each period. The fund underperformed its policy index in the five- and 10-year periods but overperformed its policy index in the one-year and three-year periods. The fund distributed \$311.2 million to the general fund and received \$618.6 million in oil and gas revenues. STPF returns are lowered by an allocation to the in-state private equity program, the New Mexico Small Business Investment Corporation, and the small business recovery loan program, which all have lower returns compared to traditional investments. This policy concern runs contrary to the state’s expectation for the STPF to secure New Mexico’s long-term fiscal health.

ECTF. The ECTF tracked closely with other SIC-managed funds, exceeding its policy index in each period. SIC recently approved a new asset allocation for the fund with a long-term return expectation of 6.8 percent, which was exceeded in the one-year period but not in the three-year period. Of all funds, the ECTF had the largest net non-investment cashflow, benefitting from \$2.99 billion in oil and gas revenues and distributing \$250 million to the general fund. Investing cash quickly and prudently remains the fund’s most significant short-term challenge. For example, in the first quarter of FY25, ECTF had 17 percent of its assets in cash equivalents, but about three-quarters of that cash was received by SIC shortly before its liquidity window opened.

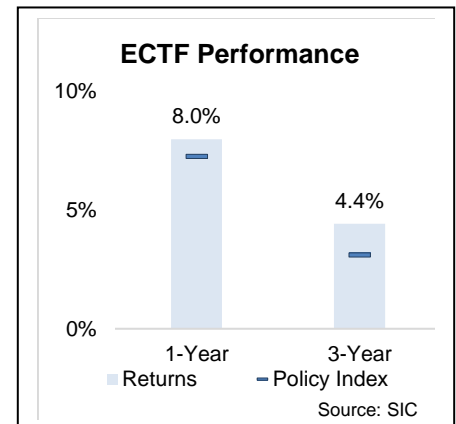
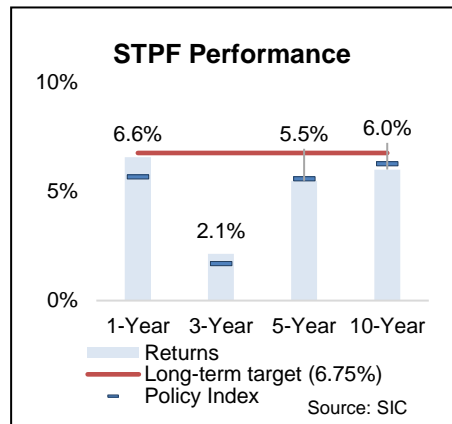
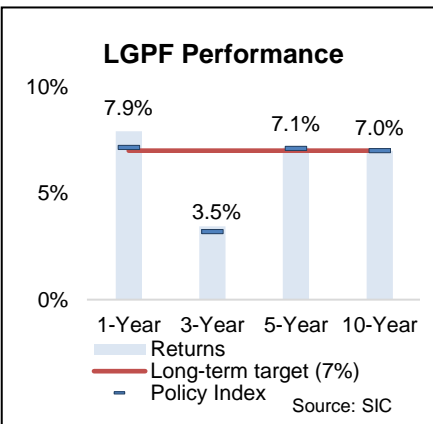
About the Funds

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 12/31/2024

Fund	Standard Deviation ¹	Sharpe Ratio ²	Beta ³
PERA	8.0	0.5	0.4
ERB	6.9	0.8	0.3
LGPF	8.8	0.6	0.4
STPF	8.7	0.4	0.4

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

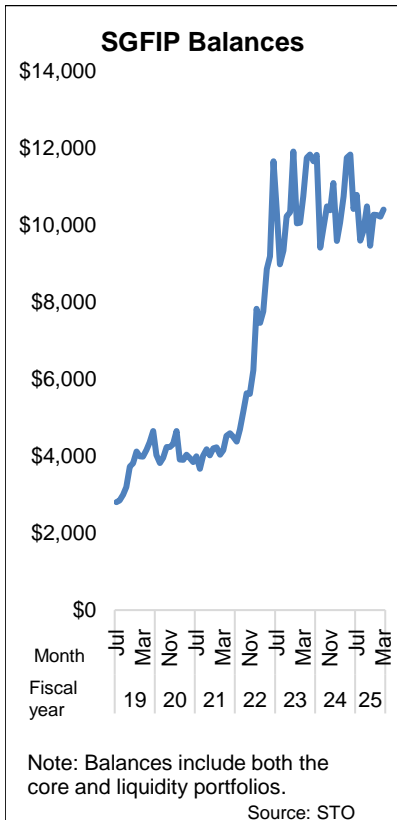
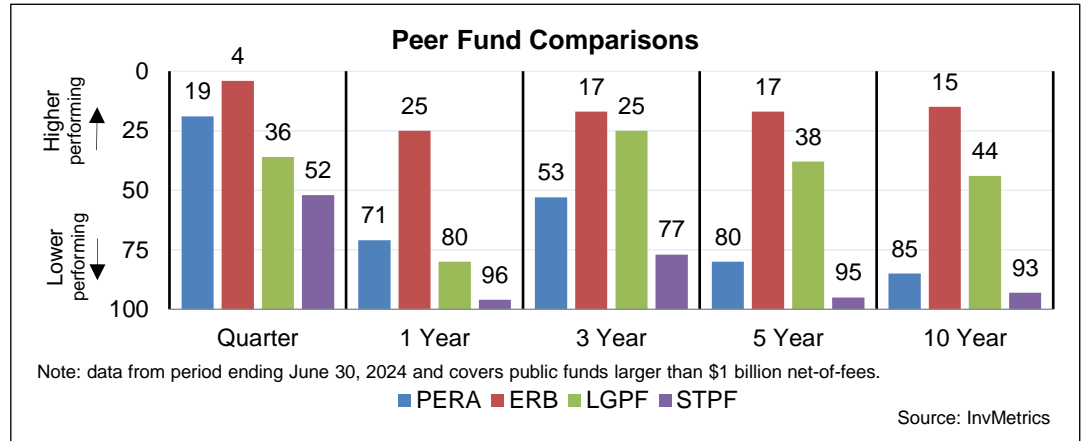
²Higher numbers indicate higher return-to-risk level; a good ratio is 1 or better.

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

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, with ERB and the LFPF above the median and PERA and the STPF performing below the median. ERB was at or above the 25th percentile in all periods. STPF performed poorly compared with peer funds and was the only fund to perform near or below the 75th percentile for each period except the quarter. STPF performance is moderated by the allocation to differential rate New Mexico investments, which generate lower returns. PERA performed well compared with peers in the quarter and was at the median of peer funds in the three-year period. However, the fund was at or below the 70th percentile in the one-, five-, and 10-year periods. All investments performed well compared to peer funds in the quarter period, where the state's investments benefitted from an overall risk-averse portfolio.



General Fund Investment Pool

Table 3

General Fund Investment Pool

Period ending 12/31/2024

Fund	Value as of		Value Change	Percent Change
	12/31/23	12/31/24		
GF Core	\$5,481.5	\$5,968.2	\$486.7	8.9%

Source: STO

Table 4

General Fund Investment Pool - Core Portfolio

Period ending 12/31/2024

	Performance	
	Quarter	1-Year
GF Core	-0.24%	4.10%
Benchmark - Treasury 0-5 Year	-0.37%	3.82%
Relative Performance	0.13%	0.28%

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 met its benchmark over the quarter and overperformed it by 0.28 percentage points over the year.