



## Investment Performance Quarterly Report, Second Quarter, FY24

State investments gained value in the second quarter of FY24, benefiting from a resilient economy and strong market conditions. Forecasters are optimistic of a “soft landing,” where inflation eases without the economy tipping into recession. One-year returns were strong for all funds, a notable improvement from the challenging environment throughout FY23. The state’s risk-averse investments generally performed worse than peer funds in the quarter and one-year period amid strong markets. In the three-year and five-year period, state investments largely performed better than peer funds.

### Investment Performance Highlights

- The value of New Mexico’s combined investment holdings grew by \$3.6 billion quarter-over-quarter, to an ending balance of \$77.6 billion, with across-the-board gains bolstered further by contributions of excess oil and gas revenues to the ECTF and the STPF. For the year, funds gained \$13.6 billion, or 21.2 percent. Over the last five years, the state’s combined investment holdings grew \$26.2 billion, or 51 percent.
- One-year returns were strong for all funds, ranging from 7.6 percent (ECTF) to 10.2 percent (LGPF). Average investment returns over the last 10 years ranged from 5.96 percent (PERA) to 7.5 percent (ERB).
- The LGPF, STPF, and ECTF benefited from inflows of oil and gas taxes and royalties. STPF performance is moderated by the allocation to differential rate New Mexico investments. ERB and PERA balances were moderated by benefit payments that were greater than contributions. ERB’s net non-investment outflow improved from the previous quarter.
- All funds met their long-term return targets for the one-year period. ERB outperformed its long-term target in every period. The STPF only met its long-term target in the one-year period.<sup>1</sup>
- When compared with peer funds greater than \$1 billion on a net-of-fee basis, ERB performance was in the top fifth percentile of funds for the three-year and top tenth percentile for the ten-year. The LGPF performed in the top fifteenth percentile in the three-year period and was around the median in the five-year and ten-year periods. STPF was in the bottom ten of comparison funds for the one-year and five-year period, but the fund was around the median for the three-year period.

**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 December 31, 2023 (Net of Fees)<sup>1</sup>

Returns (%)	PERA		ERB		LGPF		STPF		ECTF	
	Fund	Policy Index	Fund	Policy Index	Fund	Policy Index	Fund	Policy Index	Fund	Policy Index
Quarter	5.82	9.82	3.16	4.58	5.29	5.36	5.22	5.04	4.93	6.10
1-Year	<b>9.41</b>	13.51	<b>8.70</b>	10.48	<b>10.17</b>	<b>9.92</b>	<b>8.48</b>	<b>7.55</b>	7.60	8.40
3-Year	5.27	<b>3.24</b>	<b>7.63</b>	<b>5.99</b>	6.30	<b>6.16</b>	4.33	<b>4.03</b>	4.94	<b>3.80</b>
5-Year	<b>7.45</b>	<b>6.81</b>	<b>8.73</b>	<b>8.47</b>	<b>8.45</b>	8.66	6.68	7.41		
10-Year	5.96	<b>5.56</b>	<b>7.51</b>	<b>7.13</b>	<b>6.86</b>	7.05	5.98	6.45		

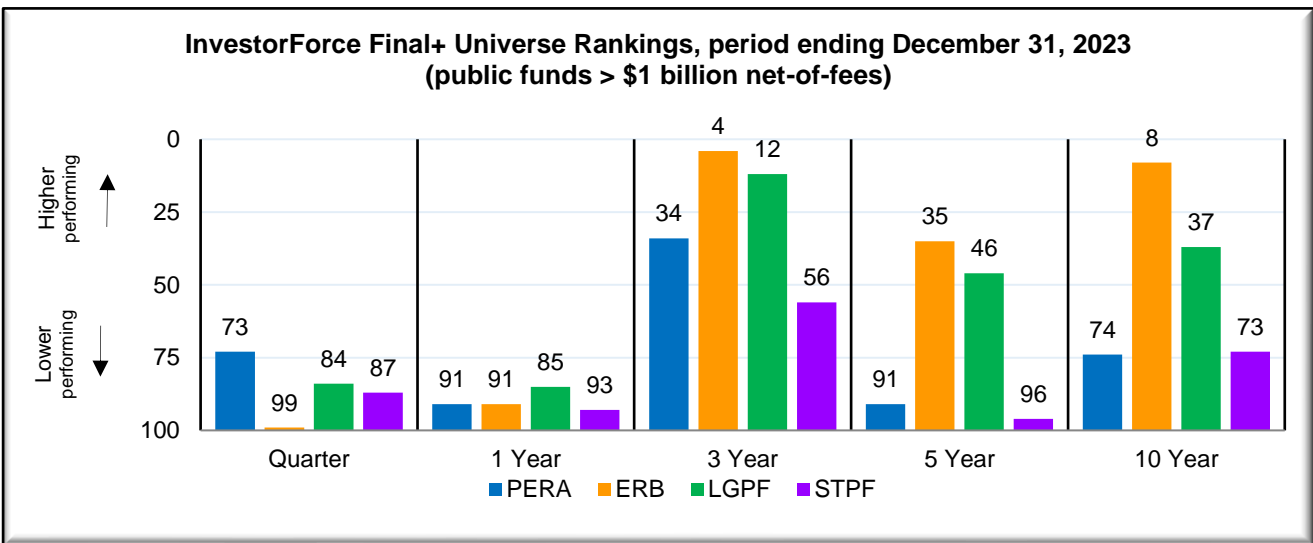
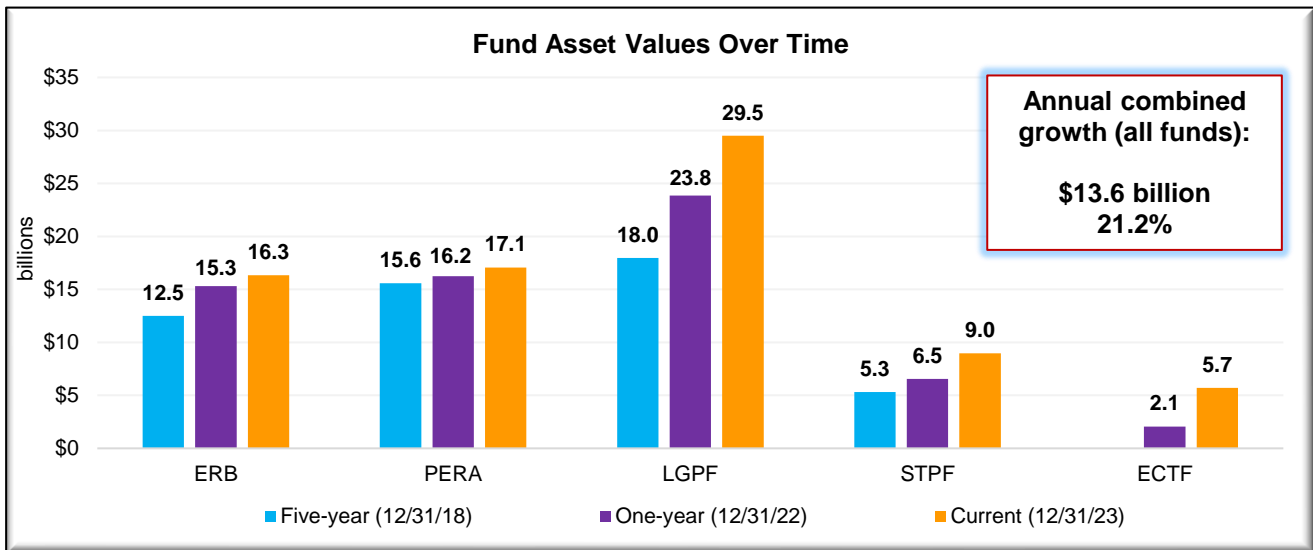
Note: A green fund value indicates returns that exceed the fund’s long-term target. A green policy index value indicates returns that exceed the policy index, which is a performance benchmark. Quarterly data is not annualized.

<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 December 31, 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 12/31/23, Net of Fees				
Fund	ERB	PERA	LGPF	STPF
Standard Deviation*	7.0	8.1	8.9	8.9
Sharpe Ratio**	1.0	0.7	0.7	0.6
Beta***	0.3	-	0.4	0.4

**Aggregate Value of New Mexico Investment Holdings**

**\$77.6 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