



Investment Performance Quarterly Report, Fourth Quarter, FY22

Markets continued to drop in the fourth quarter of FY22, with state investments losing value. Market volatility has increased due to stubborn inflation, federal funds rate hikes, unpredictable oil prices, geopolitical turmoil in Europe, and a growing recession risk. Despite a strong first half of the fiscal year, annual returns have turned negative for all funds except ERB; however, the state’s risk-averse investments performed better than peer funds in the near-term amid the increasing volatility. Some state investment portfolios will undergo an asset allocation and risk profile review later this year.

Investment Performance Highlights

- For the quarter ending June 2022, the value of New Mexico’s combined investment holdings shrunk by \$4.04 billion, to an ending balance of \$62.3 billion. For the year, funds lost \$1.18 billion, or 1.9 percent. Over the last five years, the state’s combined investment holdings grew \$13.9 billion, or 28.6 percent.
- One-year returns dipped negative for most funds, ranging from -4.39 percent (STPF) to 1.0 percent (ERB). Average investment returns over the last 10 years ranged from 7.2 percent (STPF) to 8.5 percent (ERB).
- ERB’s 1-year fund balance dropped despite having positive annual returns due to about \$500 million, about three to four percent of the fund balance, of excess benefit payments over contributions. Similarly, roughly 75 percent of PERA’s loss in fund balance is due to benefit payments. Conversely, the LGPF saw their fund balance grow despite annual losses due to contributions from royalty payments.
- No funds met their return targets for the quarter or year, but ERB and LGPF hit their targets in the out-periods, when annualized.¹ Both ERB and PERA consistently outperformed their policy indices.
- When compared with peer funds greater than \$1 billion on a net-of-fee basis, the state’s investment funds performed well in the quarter and year, with all funds ranking in the top quartile. ERB performed in the top ten percent for all periods. STPF performed near or in the lowest quartile for 3- through 10-year returns, while PERA performed near the median, an improvement from years of underperformance. The LGPF ranked above the median and near the top quartile for long-term returns, an improvement from last quarter.

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) and the severance tax permanent fund (STPF).

Agency performance and market environment information are derived from the investment performance reports submitted by PERA, ERB, and SIC.

Returns as of June 30, 2022 (Net of Fees)¹

Returns (%)	PERA		ERB		LGPF		STPF	
	Fund	Policy Index	Fund	Policy Index	Fund	Policy Index	Fund	Policy Index
Quarter	-5.85	-11.28	-4.70	-6.00	-6.84	-7.05	-6.84	-6.93
1-Year	-1.67	-10.51	1.00	-2.80	-2.22	-1.72	-4.39	-3.73
3-Year	6.30	3.03	8.80	7.20	7.21	7.54	5.16	6.43
5-Year	6.44	4.26	8.40	7.50	7.14	7.37	5.85	6.75
10-Year	7.48	6.38	8.50	7.70	7.99	8.07	7.21	7.77

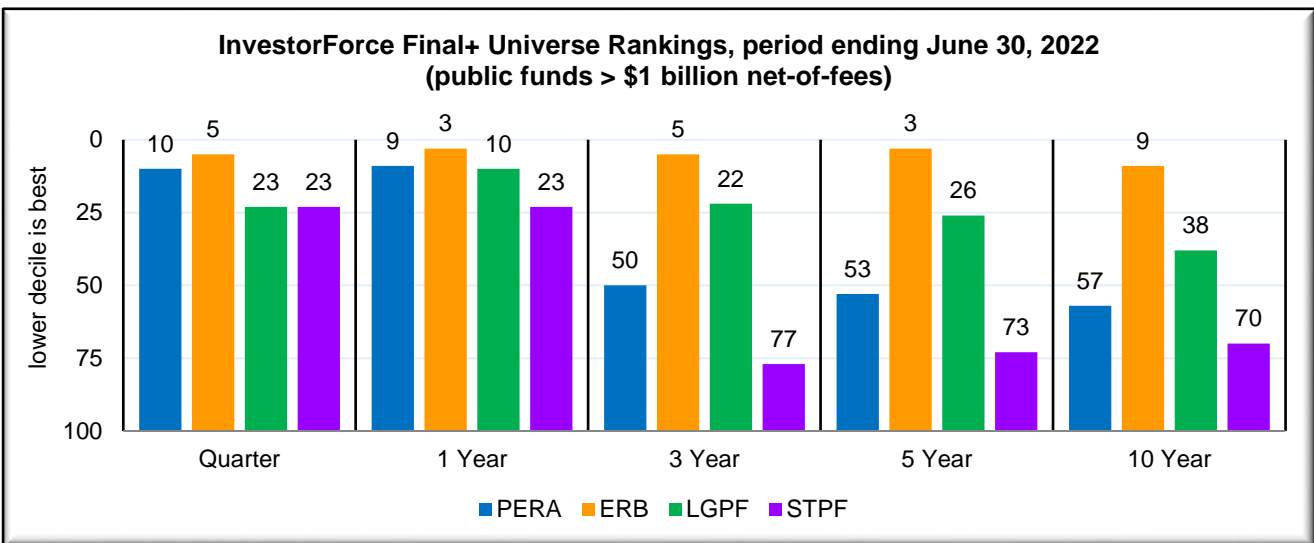
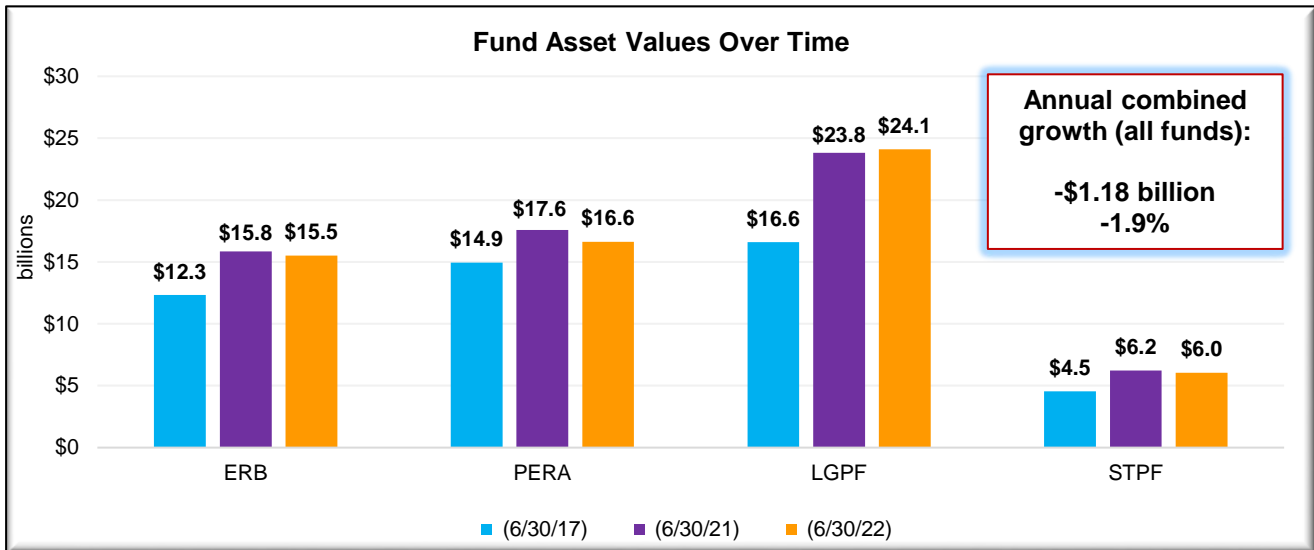
Note: A bolded fund value indicates returns that exceed the fund’s long-term target. A bolded policy index value indicates returns that exceed the policy index. Quarterly data is not annualized.

¹ 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 June 30, 2022

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), and the severance tax permanent fund (STPF).



Risk Profiles, Five Years Ending 6/30/22, Net of Fees				
Fund	ERB	PERA	LGPF	STPF
Standard Deviation*	6.5	7.3	9.1	8.9
Sharpe Ratio**	1.1	0.7	0.7	0.6
Beta***	0.3	0.4	0.4	0.4

*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.

**Aggregate Value
of New Mexico
Investment
Holdings**

\$62.3 billion

Source: Agency
Investment Reports