



Investment Performance Quarterly Report, Fourth Quarter, FY24

State investment balances increased by \$10.7 billion, or 15 percent, compared with this time last year. Investments benefited from a resilient economy and strong market conditions with forecasters cautiously optimistic for 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 allocations generally performed worse than peer funds in the one-year period amid strong markets. ERB continues to demonstrate strong performance, with higher 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 \$1.5 billion quarter-over-quarter, to an ending balance of \$82.71 billion, with across-the-board gains bolstered by contributions of excess oil and gas revenues to the ECTF and the STPF. For the year, funds increased by \$10.7 billion, or 15 percent. Over the last five years, the state’s combined investment holdings grew \$30.3 billion, or 57.7 percent.
- One-year returns were strong for all funds, ranging from 6.9 percent (STPF) to 8.66 percent (PERA). Average investment returns over the last 10 years ranged from 5.78 percent (STPF) to 8.6 percent (ERB).
- The LGPF, STPF, and ECTF benefited from inflows of oil and gas taxes and royalties. 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.
- All funds met their long-term return targets for the one-year period. ERB outperformed its long-term target in every period and continues to be the top-performing large investment fund in most short- and long-term periods. The STPF 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

\$82.7 billion

Note: does not include general fund investments.

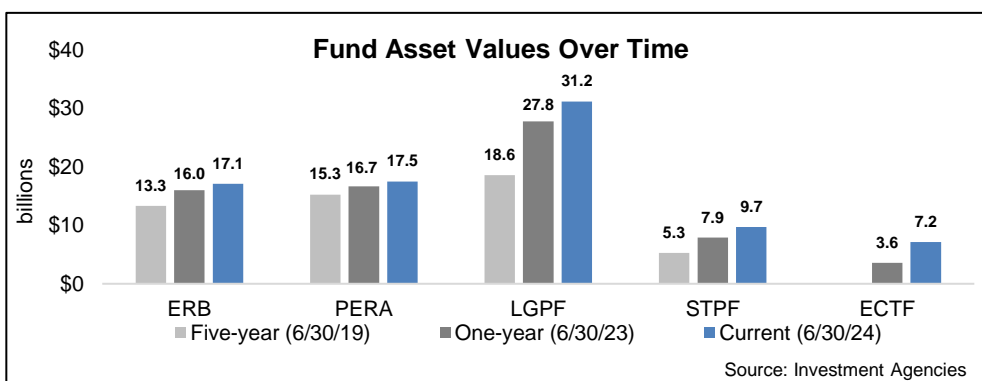
Annual Combined Growth of all Funds

**\$10.7 billion
15%**

Note: does not include general fund investments.

5-Year Annualized Returns

Fund	Returns
ERB	8.09
LGPF	7.43
PERA	6.35
STPF	5.64



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 \$1.9 billion, or 5.9 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 6/30/2024

Fund	Value as of		Value Change	Percent Change
	6/30/23	6/30/24		
ERB	\$16,020.8	\$17,118.7	\$1,097.9	6.9%
PERA	\$16,657.8	\$17,501.6	\$843.8	5.1%
Total	\$32,678.5	\$34,620.2	\$1,941.7	5.9%

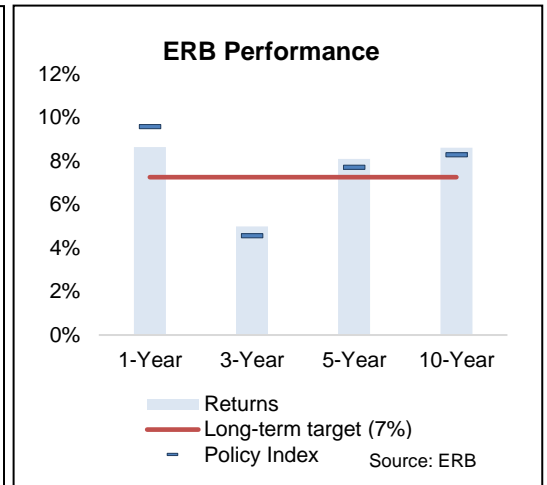
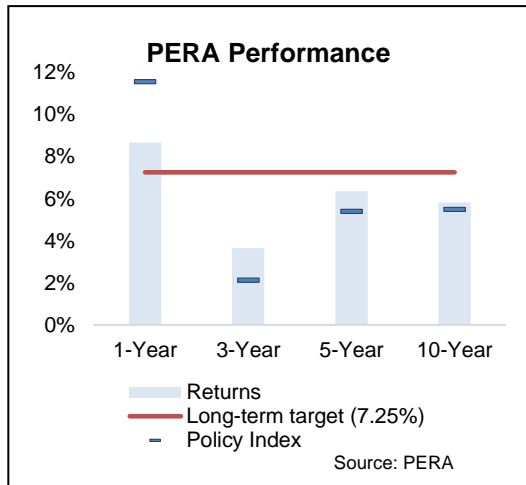
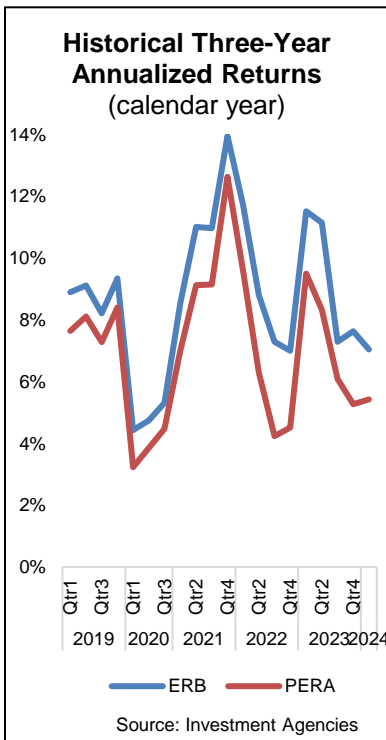
Source: ERB, PERA

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 period except the one year, where it underperformed its benchmark by 0.9 percentage points. The fund's return in the quarter, which is not annualized, was 2.4 percent while the policy index for that period was 1.5 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 each period except the one-year, where it underperformed its benchmark by 2.9 percentage points.

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



SIC Long-Term Investment Funds

The long-term investment funds managed by the State Investment Council (SIC) grew by \$8.8 billion, or 22.5 percent, between the fourth quarter of FY23 and the fourth quarter of FY24. Annualized returns were above the long-term targets of the LGPF and the STPF for the one-year period.

The LGPF surpassed its long-term target in the three-year period. Asset allocations were similar among funds, although the ECTF had 16 percent of its assets in cash equivalents, the highest of any investment fund and 6 percentage points higher than the fund’s target allocation. Large cash balances are likely because of large contributions to the fund in January as well as additional appropriations made from the fund in the last two years.

Table 2

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

Period ending 6/30/2024

Fund	Value as of		Value Change	Percent Change
	6/30/23	6/30/24		
LGPF	\$27,799.6	\$31,201.4	\$3,401.8	12.2%
STPF	\$7,896.0	\$9,735.0	\$1,839.0	23.3%
ECTF	\$3,569.5	\$7,150.6	\$3,581.1	100.3%
Total	\$39,265.1	\$48,087.1	\$8,821.9	22.5%

Source: SIC

LGPF. The LGPF outperformed its long-term target of 7 percent in the one-year and five-year periods but missed the target in the three- and 10-year periods. The fund tracked very closely to its policy index, a performance benchmark, for each period. Over the year, the fund distributed \$1.3 billion to beneficiaries and received \$2.3 billion in revenues, primarily from royalties paid on the value of oil and gas extracted on state lands.

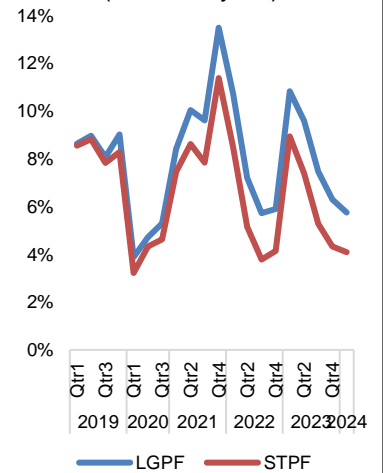
STPF. The STPF underperformed its long-term target of 6.75 percent in each period except for the one-year period. The fund continued to underperform its policy index in the five- and 10-year periods but overperformed its policy index in the one-year and three-year periods. The fund distributed \$289.6 million to the general fund and received \$1 billion in oil and gas revenues.

ECTF. The ECTF tracked closely with other SIC-managed funds, exceeding its policy index in the one- and three-year 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 \$3.2 billion in oil and gas revenues and distributing \$150 million to the general fund.

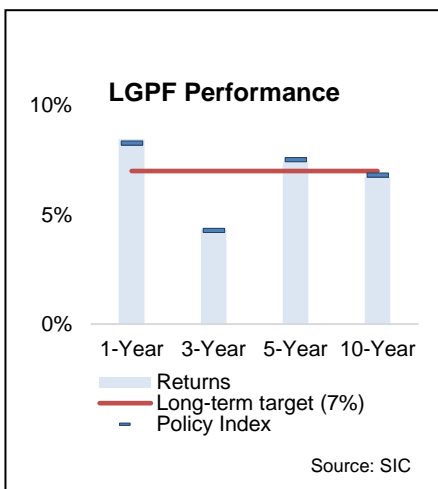
About the Funds

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.

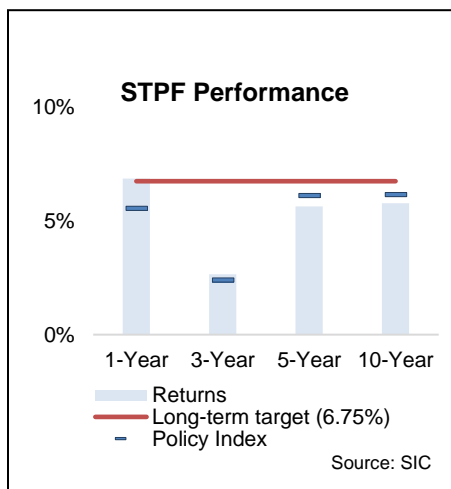
Historical Three-Year Annualized Returns (calendar year)



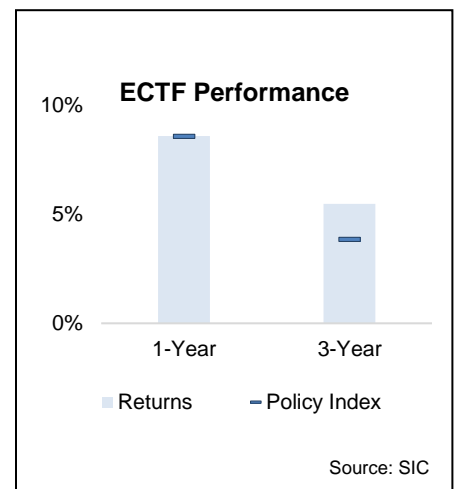
Source: Investment Agencies



Source: SIC



Source: SIC



Source: SIC

Risk Profiles, Five Years Ending

Net of Fees Period ending 6/30/2024

Fund	Standard Deviation ¹	Sharpe Ratio ²	Beta ³
PERA	7.9	0.5	0.4
ERB	6.8	0.9	0.3
LGPF	8.7	0.6	0.4
STPF	8.6	0.4	0.4

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

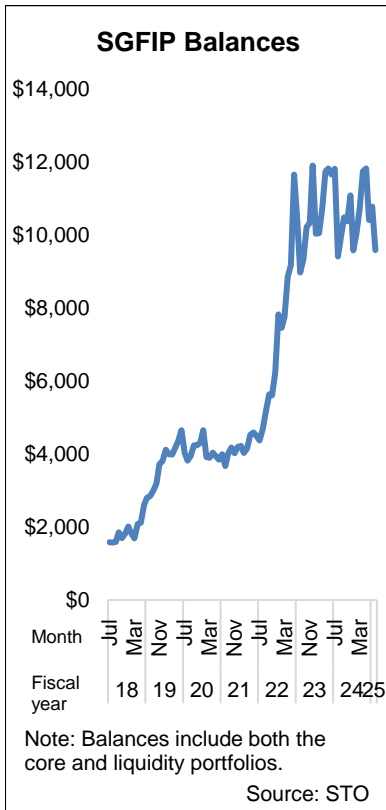
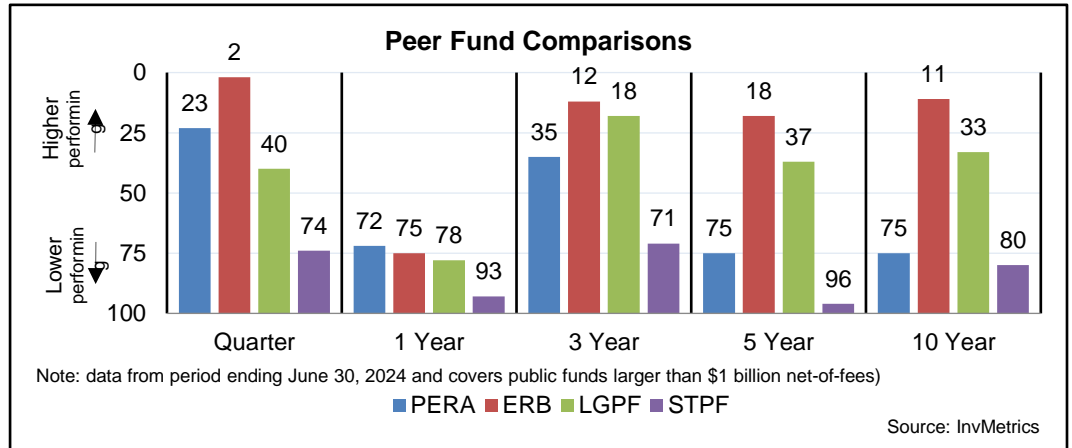
²Higher numbers indicate higher return-to-risk level; a good ratio is 1 or better.

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 performed in or near the bottom quartile in the one-year period across all funds. In general, ERB and the LFPF performed the best compared with other large New Mexico investment funds, with ERB coming in as among the best performing funds in the quarter period and near the 10th percentile for the three-, five-, and 10-year periods. The STPF performed poorly compared with peer funds and was the only fund to perform near or below the 75th percentile for every period. STPF performance is moderated by the allocation to differential rate New Mexico investments, which typically generate lower returns.



General Fund Investment Pool

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.

Table 3

General Fund Investment Pool

Period ending 6/30/2024

Fund	Value as of		Value Change	Percent Change
	6/30/23	6/30/24		
GF Core	\$5,505.5	\$5,847.6	\$342.1	6.2%

Source: STO

Table 4

General Fund Investment Pool – Core Portfolio

Fund	Performance	
	Quarter	1-Year
GF Core	0.95%	4.77%
Benchmark - ICE BofA 0-5 US Treasury	0.93%	4.45%
Relative Performance	0.02%	0.32%

Period ending 6/30/2024

Source: STO

The general fund core portfolio outperformed its benchmark by 0.02 percentage points over the quarter and by 0.32 percentage points over the year. As a result of aggressive rate increases from the Federal Reserve, the liquidity portfolio share was increased to preserve principal and take advantage of reinvestments at higher interest rates. The core portfolio duration ended the quarter at nearly 99.5 percent of the benchmark.