



Investment Performance Quarterly Report, First Quarter, FY25

State investment balances increased by \$12.9 billion, or 17 percent, compared with this time last year. Investments benefited from an expanding economy and strong market conditions. One-year returns were strong for all funds, but 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 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 \$4.1 billion quarter-over-quarter, to an ending balance of \$86.8 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 \$12.9 billion, or 17 percent. Over the last five years, the state's combined investment holdings grew \$33.9 billion, or 63.9 percent.
- One-year returns were strong for all funds, ranging from 12.8 percent (ERB) to 14.7 percent (PERA). Average investment returns over the last 10 years ranged from 6.23 percent (STPF) to 7.8 percent (ERB).
- Inflows of oil and gas taxes and royalties across the LGPF, STPF, and ECTF made up 26 percent, or \$3.3 billion, of the one-year value increase in those 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.
- All funds met their long-term return targets for the one-year period. ERB outperformed its long-term target in every period except for the three-year period. The STPF and PERA only met their 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

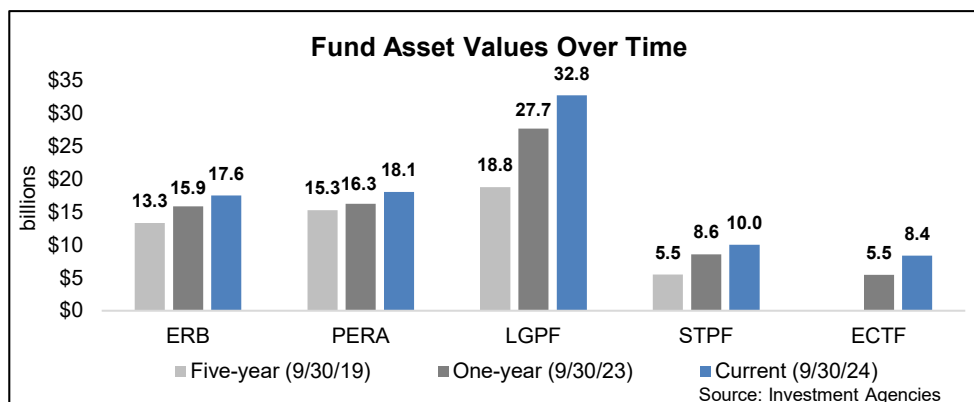
\$86.8 billion

Note: does not include general fund investments.

Annual Combined Growth of all Funds

**\$12.9 billion
17%**

Note: does not include general fund investments.



5-Year Annualized Returns

Fund	Returns
ERB	8.63
LGPF	8.14
PERA	6.90
STPF	6.31

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 10.8 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 9/30/2024

Fund	Value as of		Value Change	Percent Change
	9/30/23	9/30/24		
ERB	\$15,872.8	\$17,555.6	\$1,682.9	10.6%
PERA	\$16,274.3	\$18,077.1	\$1,802.8	11.1%
Total	\$32,147.1	\$35,632.8	\$3,485.7	10.8%

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 for the one-year, where it underperformed its benchmark by 0.83 percentage points. The fund's return in the quarter, which is not annualized, was 3.7 percent while the policy index for that period was 3.49 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 only in the five-year period.

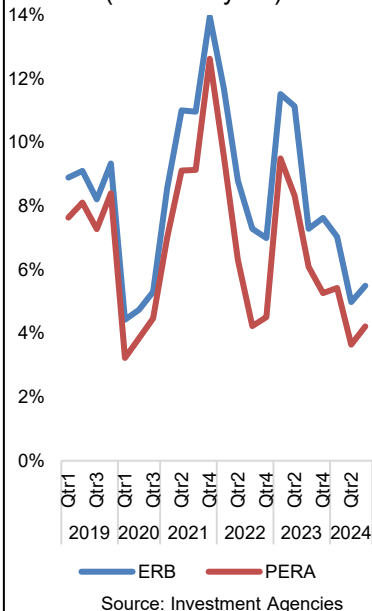
Member Snapshot

(thousands)

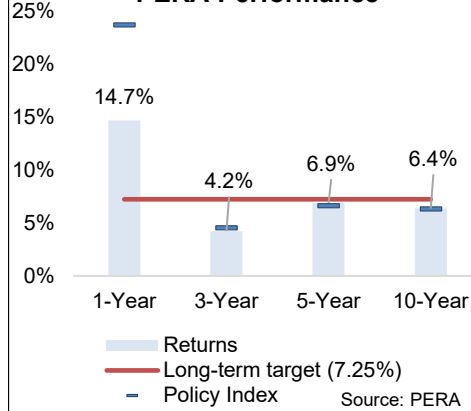
Type	PERA	ERB	Total
Active	55.7	61.5	117.2
Inactive	28.9	54.7	83.7
Retirees	47.1	54.8	101.8
Total	131.7	171.0	302.7

Source: PERA, ERB

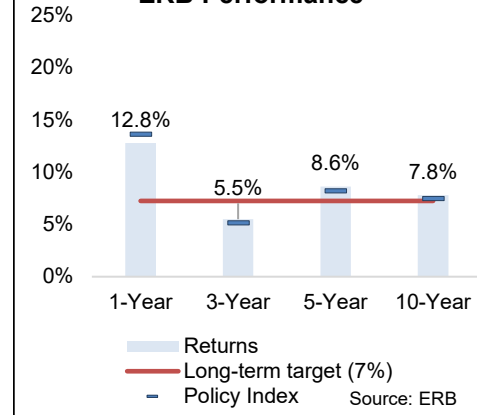
Historical Three-Year Annualized Returns (calendar year)



PERA Performance



ERB Performance



SIC Long-Term Investment Funds

The long-term investment funds managed by the State Investment Council (SIC) grew by \$9.4 billion, or 22.5 percent, over the year. 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.

Table 2

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

Period ending 9/30/2024

Fund	Value as of		Value Change	Percent Change
	9/30/23	9/30/24		
LGPF	\$27,738.6	\$32,773.7	\$5,035.1	18.2%
STPF	\$8,599.9	\$10,021.9	\$1,421.9	16.5%
ECTF	\$5,452.6	\$8,397.7	\$2,945.1	54.0%
Total	\$41,791.1	\$51,193.2	\$9,402.1	22.5%

Source: SIC

STPF. The STPF underperformed its long-term target of 6.75 percent in each period except for the one-year 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 \$300.4 million to the general fund and received \$574.7 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. By FY50, the balance of the STPF is expected to be \$11 billion lower and its general funds distribution \$500 million lower than they would have been had the fund matched LGPF performance.

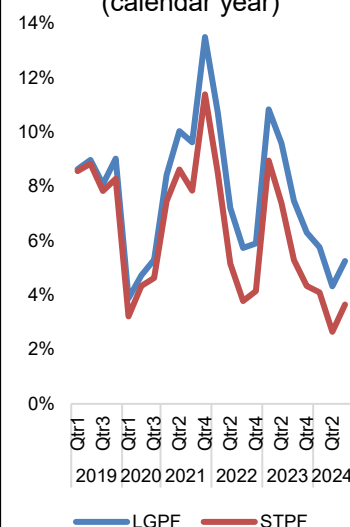
ECTF. The ECTF tracked closely with other SIC-managed funds, exceeding its policy index in the three-year period. SIC recently approved a new asset allocation for the fund with a long-term return expectation of 6.8 percent, which was exceeded in the one-year period but not in the three-year period. Of all funds, the ECTF had the largest net non-investment cashflow, benefitting from \$2.3 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, 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.

LGPF. The LGPF outperformed its long-term target of 7 percent in each period except in the three-year period. The fund 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.

About the Funds

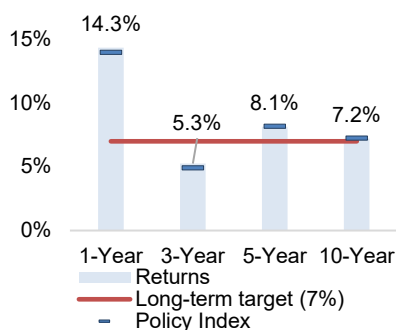
The state's long-term investment funds have a diverse history. The **land grant permanent fund (LGPF)** is a constitutionally protected fund created at statehood to invest proceeds from the use of natural resources on state lands. The fund receives royalties from state lands and makes distributions to 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)



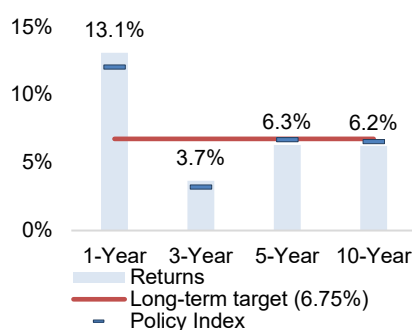
Source: SIC

LGPF Performance



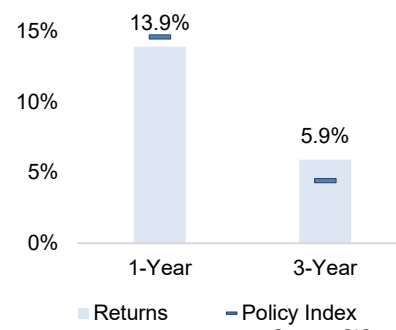
Source: SIC

STPF Performance



Source: SIC

ECTF Performance



Source: SIC

Risk Profiles, Five Years Ending

Net of Fees Period ending 9/30/2024

Fund	Standard Deviation ¹	Sharpe Ratio ²	Beta ³
PERA	8.0	0.6	0.4
ERB	6.8	0.9	0.3
LGPF	8.8	0.7	0.4
STPF	8.7	0.5	0.4

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

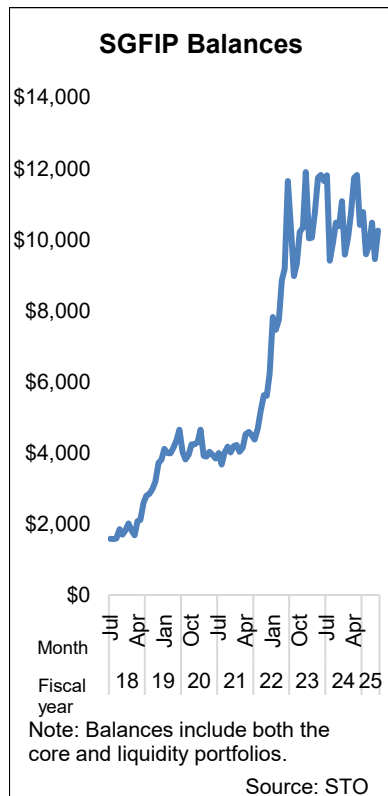
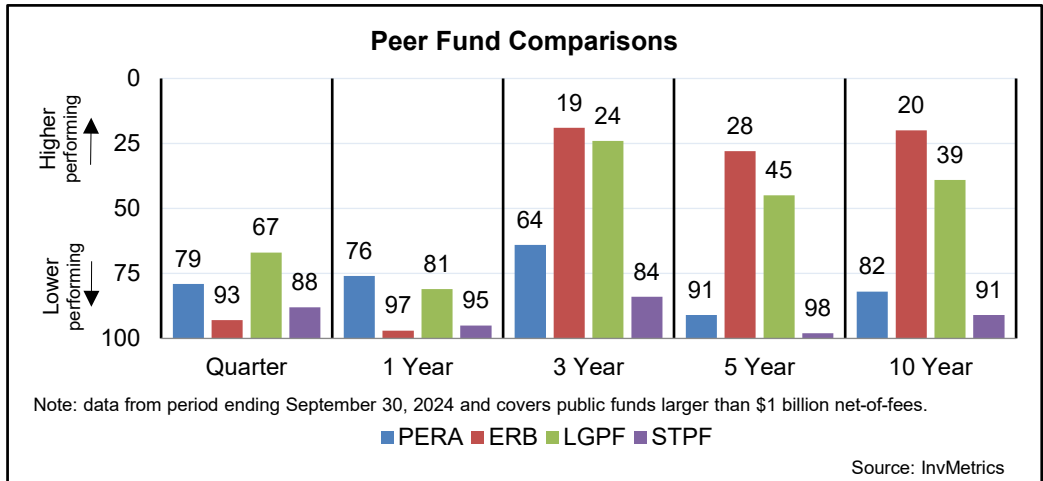
²Higher numbers indicate higher return-to-risk level; a good ratio is 1 or better.

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 LGPF performed the best compared with other large New Mexico investment funds, with ERB coming in at or above the 20th 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 90th percentile for every period. STPF performance is moderated by the allocation to differential rate New Mexico investments, which 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 9/30/2024

Fund	Value as of		Value Change	Percent Change
	9/30/23	9/30/24		
GF Core	\$5,332.7	\$5,898.0	\$565.3	10.6%

Source: STO

Table 4

General Fund Investment Pool – Core Portfolio

Period ending 6/30/2024	Performance	
	Quarter	1-Year
GF Core	2.98%	7.27%
Benchmark - ICE BofA 0-5 US Treasury	2.99%	7.04%
Relative Performance	(0.01%)	0.23%

Source: STO

The general fund core portfolio met its benchmark over the quarter and overperformed it by 0.23 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.