



Investment Performance Quarterly Report, First Quarter, FY26

State investment balances increased by \$10.6 billion, or 12.2 percent, compared with this time last year. Investment returns were modest in the quarter period, a welcome improvement from FY25 when returns were muted amid turbulent markets. One-year returns were strong, ranging from 9.3 percent (STPF) to 10.4 percent (ECTF), and the state’s allocations performed around the median among peer funds in the one-year period. The fund managed by the Educational Retirement Board (ERB) 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 \$4.3 billion quarter-over-quarter, to an ending balance of \$97.4 billion, with gains bolstered by contributions of excess oil and gas revenues to the ECTF and the STPF. For the year, funds increased by \$10.6 billion, or 12.2 percent. Over the last five years, the state’s combined investment holdings grew by \$43.4 billion, or 80 percent.
- One-year returns were strong for all funds, ranging from 10.4 percent (ECTF) to 9.3 percent (STPF). Average annualized investment returns over the last 10 years ranged from 8.8 percent (ERB) to 7.3 percent (STPF).
- Net inflows of oil and gas taxes and royalties across the LGPF, STPF, and ECTF made up 25 percent, or \$2.6 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.
- Each fund met its long-term return target in the one-, three-, five- and 10-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

\$97.4 billion

Note: does not include general fund investments.

Annual Combined Growth of all Funds

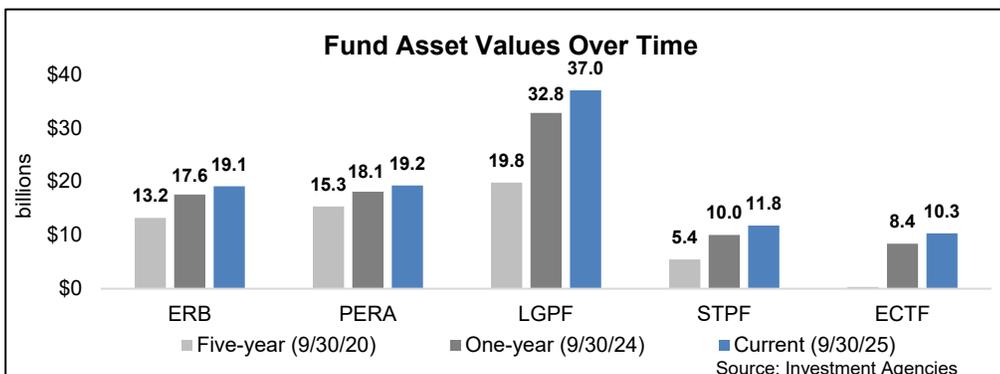
**\$10.6 billion
12.2%**

Note: does not include general fund investments.

Five-Year Annualized Returns

| Fund | Returns |
|------|---------|
| ERB | 10.25 |
| LGPF | 9.32 |
| PERA | 8.41 |
| STPF | 7.61 |

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 \$2.7 billion, or 7.5 percent, over the year. Annualized returns for the ERB and the Public Employees Retirement Association (PERA) were above their long-term targets in every annualized period. ERB allocated more of its assets to U.S. equity and alternatives while PERA allocated more of its portfolio toward fixed income.

ERB. ERB's annualized returns outperformed the fund's long-term target of 7 percent in each period.

The fund outperformed its policy index, a performance benchmark, in each period except the three-year period. The fund's return in the quarter, which is not annualized, was 4.01 percent while the policy index for that period was 3.91 percent. ERB's five-year average Sharpe ratio—a measure of how an investment's risk compares with its returns—was 1.2. A Sharpe ratio above one is generally considered to indicate the investment offers excess returns relative to volatility. ERB was the only large state investment fund with a Sharpe ratio above one, and the fund's Sharpe ratio was in the best performance percentiles among large public funds over \$1 billion, according to InvMetrics. This indicates that the fund is optimizing its risk-to-return profile in the long-term. The agency reports that its above-average performance has produced excess returns equivalent to \$1.2 billion versus the median fund return over the past 10 years.

PERA. PERA's annualized returns outperformed the fund's long-term target of 7.25 percent in each period. The fund underperformed its policy index in each period, although the two measures were effectively equivalent in the 10-year period. The fund's return in the quarter, which is not annualized, was 3.68 percent, significantly below the policy index of 4.73 percent.

Table 1

Pension Funds Asset Values (net of fees)

Period ending 9/30/2025

| Fund | Value as of | | Value Change | Percent Change |
|--------------|-------------------|-------------------|------------------|----------------|
| | 9/30/24 | 9/30/25 | | |
| ERB | \$17,555.6 | \$19,085.5 | \$1,529.9 | 8.7% |
| PERA | \$18,077.1 | \$19,237.1 | \$1,159.9 | 6.4% |
| Total | \$35,632.7 | \$38,322.5 | \$2,689.8 | 7.5% |

Source: ERB, PERA

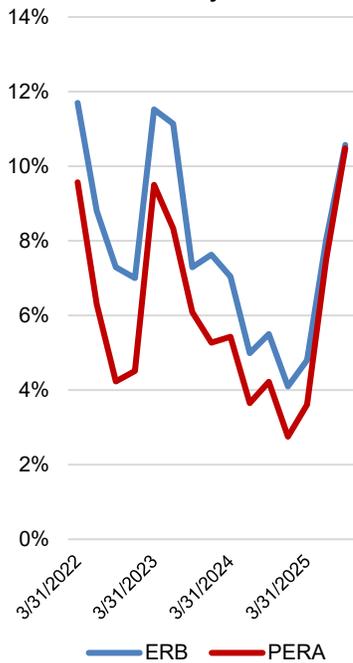
Membership Snapshot

(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 |

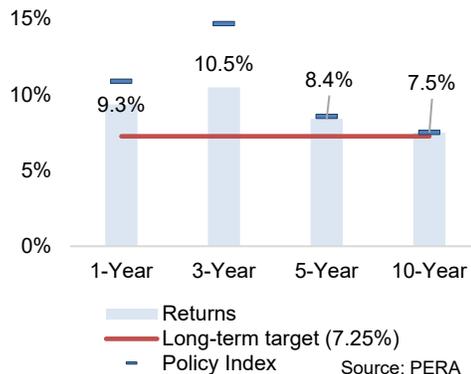
Source: PERA, ERB

Historical Three-Year Annualized Returns calendar year



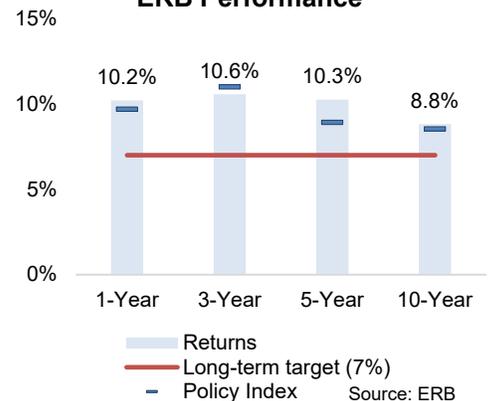
Source: Investment Agencies

PERA Performance



Source: PERA

ERB Performance



Source: ERB

SIC Long-Term Investment Funds

The long-term investment funds managed by the State Investment Council (SIC) grew by \$7.9 billion, or 15.4 percent, over the year. Of the increased value, over one-third—33 percent—was the result of net inflows of oil and gas taxes and royalties. The LGPF and STPF surpassed their long-term targets in each annualized period, although STPF returns lagged LGPF return performance by 1.2 percentage points on average across the annualized periods. The STPF surpassed its long-term target in the 10-year period for first time since the fourth quarter of FY22.

Table 2

| Fund | Value as of | | Value Change | Percent Change |
|--------------|-------------------|-------------------|------------------|----------------|
| | 9/30/24 | 9/30/25 | | |
| LGPF | \$32,773.7 | \$37,000.1 | \$4,226.4 | 12.9% |
| STPF | \$10,021.9 | \$11,761.9 | \$1,740.1 | 17.4% |
| ECTF | \$8,397.7 | \$10,310.8 | \$1,913.1 | 22.8% |
| Total | \$51,193.2 | \$59,072.8 | \$7,879.6 | 15.4% |

Source: SIC

surpassed its policy index in the three- and five-year periods but missed that benchmark in the one- and 10-year periods. The fund distributed \$344 million to the general fund and received \$1.1 billion in oil and gas revenues. STPF returns are lowered by allocations to the in-state private equity program, the New Mexico Small Business Investment Corporation, and the small business recovery loan program. The impact of these allocations may be contrary to the state’s expectation for the STPF to secure New Mexico’s long-term fiscal health. To help address this, SIC recently changed its policy and now requires market-rate returns for its entire private equity portfolio moving forward.

ECTF. The ECTF tracked closely with other SIC-managed funds, exceeding its policy index in each period and performing better in both the one- and three-year period compared with the LGPF and STPF. SIC recently approved a new asset allocation for the fund with a long-term return expectation of 6.8 percent. The ECTF received \$1.8 billion in oil and gas revenues and distributed \$250 million to the general fund.

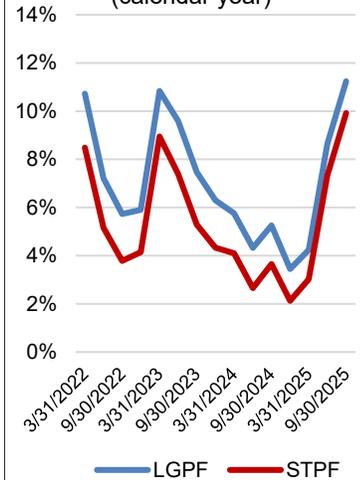
LGPF. The LGPF outperformed its long-term target of 7 percent in each period. The fund surpassed its policy index for each annualized period. Over the year, the fund distributed \$1.5 billion to beneficiaries and received \$2.4 billion in revenues, primarily from royalties from oil and gas extracted on state lands.

STPF. The STPF overperformed its long-term target of 6.75 percent in each period. The fund

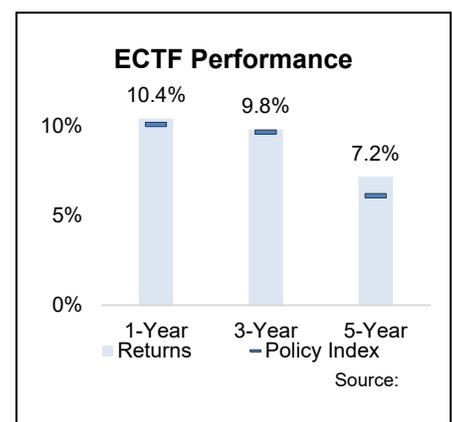
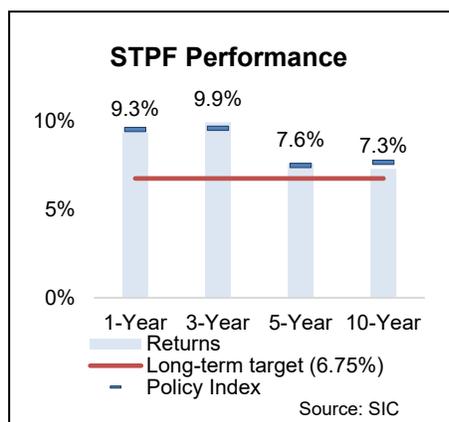
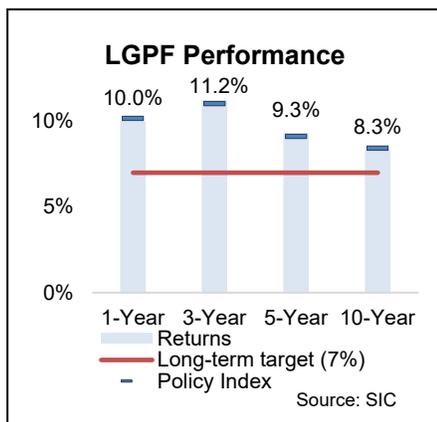
About the Funds

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



Risk Profiles, Five Years Ending

Net of Fees, Period ending 9/30/2025

| Fund | Standard Deviation ¹ | Sharpe Ratio ² | Beta ³ |
|------|---------------------------------|---------------------------|-------------------|
| PERA | 6.9 | 0.8 | 0.4 |
| ERB | 5.8 | 1.2 | 0.3 |
| LGPF | 7.0 | 0.9 | 0.4 |
| STPF | 6.9 | 0.7 | 0.4 |

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

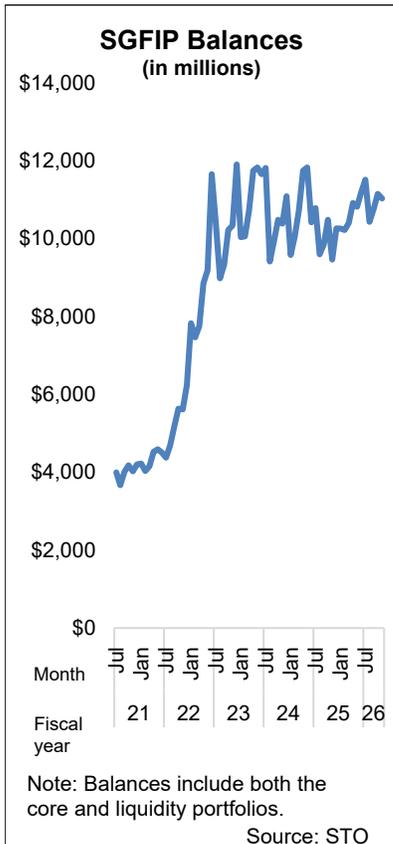
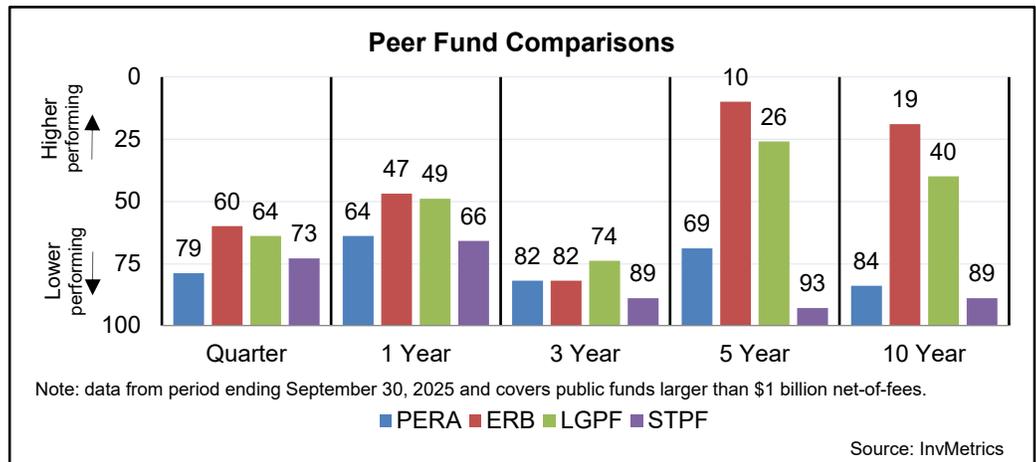
²Higher numbers indicate higher return-to-risk level; a good ratio is 1 or better.

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 over the long-term, with ERB and the LGPF above the median and PERA and the STPF performing below the median. ERB and the LGPF were at or above the median percentile in the one-, five-, and 10-year periods. Most funds performed poorly compared slightly below peers in the quarter and three-year periods. STPF's long-term performance was weak compared with peer funds and perform at the bottom 90th percentile in the three-, five-, and 10-year periods, although it tracked closely with PERA in the quarter and one-year period. STPF performance is moderated by the allocation to differential rate New Mexico investments, which generate lower returns.



General Fund Investment Pool

Table 3

General Fund Investment Pool

Period ending 9/30/2025

| Fund | Value as of | | Value Change | Percent Change |
|---------|-------------|-----------|--------------|----------------|
| | 9/30/24 | 9/30/25 | | |
| GF Core | \$5,898.0 | \$6,372.2 | \$474.2 | 8.0% |

Source: STO

Table 4

General Fund Investment Pool - Core Portfolio

Period ending 9/30/2025

| | Performance | |
|-------------------------------|-------------|--------|
| | Quarter | 1-Year |
| GF Core | 1.20% | 4.15% |
| Benchmark - Treasury 0-5 Year | 1.15% | 3.91% |
| Relative Performance | 0.05% | 0.24% |

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 exceeded its benchmark over the quarter by 0.05 percentage points and by 0.24 percentage points over the year.