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*State of New Mexico*  
**LEGISLATIVE FINANCE  
COMMITTEE**

325 Don Gaspar, Suite 101 • Santa Fe, NM 87501  
Phone (505) 986-4550 • Fax: (505) 986-4545

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May 31, 2019

**LFC INVESTMENT REPORT FOR THE QUARTER ENDING MARCH 31, 2019**

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).<sup>1</sup>

**INVESTMENT PERFORMANCE HIGHLIGHTS**

- In the last year, the state’s combined aggregate value of investment holdings for the pension and permanent funds grew by \$986.7 million, or 2.0 percent, to end the year at \$51.6 billion. Over the last five years, the state’s combined investment holdings grew \$8.4 billion, or 19.4 percent.
- One-year returns ranged from 3.9 percent (LGPF) to 5.4 percent (ERB); however, average investment returns over the last 10 years ranged from 9.2 percent (STPF) to 10.7 percent (ERB).
- PERA, ERB, and SIC’s funds outperformed their long-term targets for the three- and ten-year periods. All funds underperformed their long-term target for the one- and five-year periods.<sup>2</sup>
- With the rebound of the equities market in the first quarter of 2019, each of the investment agencies’ investment returns were in the lowest quartile when compared with peer funds greater than \$1 billion on a net-of-fee basis. However, the diversified asset allocations that mitigated losses in the stock market decline of late 2018 resulted in each of the funds performing at the highest quartile for the one-year period.

**Returns as of March 31, 2019 (Net of Fees)<sup>3</sup>**

Returns (%)	<u>PERA</u>		<u>ERB</u>		<u>LGPF</u>		<u>STPF</u>	
	Fund	Policy Index	Fund	Policy Index	Fund	Policy Index	Fund	Policy Index
Quarter	6.50	8.99	5.10	5.80	6.27	6.52	6.29	6.62
1-Year	4.04	4.77	5.40	5.30	3.89	4.09	4.73	4.18
3-Year	<b>7.64</b>	7.75	<b>8.90</b>	9.00	<b>8.63</b>	7.97	<b>8.56</b>	8.08
5-Year	5.43	5.71	6.90	6.50	6.18	6.18	6.16	6.25
10-Year	<b>10.02</b>	9.53	<b>10.70</b>	9.80	<b>9.50</b>	10.29	<b>9.17</b>	10.20

Note: bold indicates returns that exceed the fund’s long-term target

<sup>1</sup> Agency performance and market environment information are derived from the investment performance reports submitted by PERA, ERB, and SIC for the quarter ending March 31, 2019.

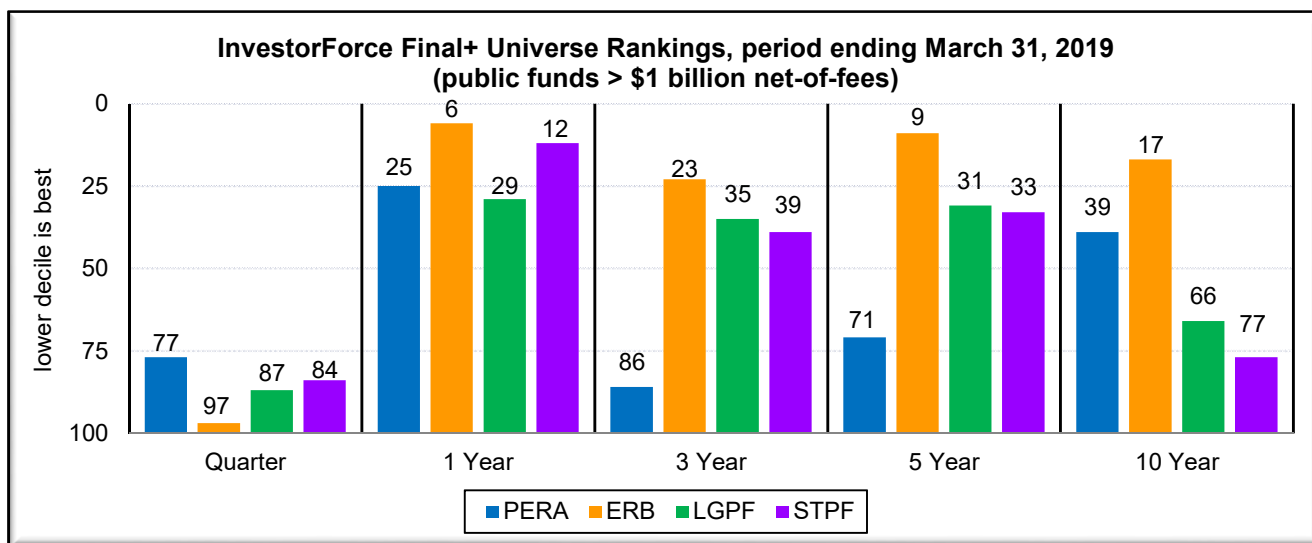
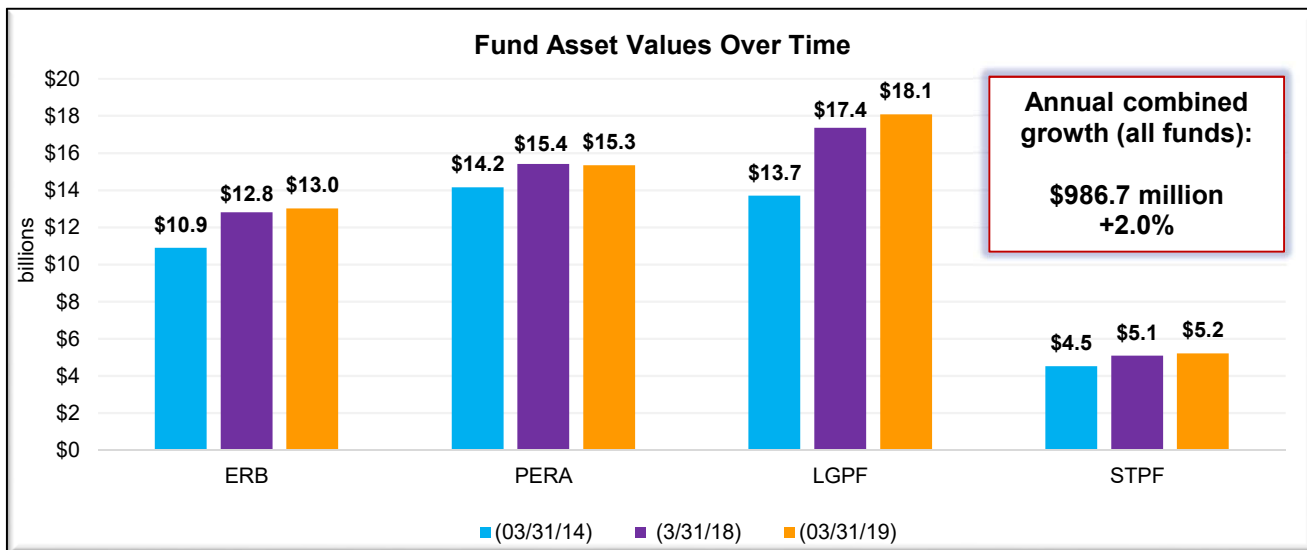
<sup>2</sup> The funds’ long-term return targets are 7.25 percent (PERA), 7.25 percent (ERB), 7 percent (LGPF), and 6.75 percent (STPF).

<sup>3</sup> A fund’s policy index is a custom benchmark that show the returns that would have generated if a passive investor consistently followed the agency’s asset allocation targets according to their investment policy.

# Investment Agency Performance Dashboard

Quarter Ending March 31, 2019

This report detail 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 03/31/19, Net of Fees				
Fund	ERB	PERA	LGPF	STPF
Standard Deviation*	4.8	5.7	5.3	5.4
Sharpe Ratio**	1.3	0.9	1.0	1.0
Beta***	0.4	0.5	0.5	0.5

\*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**  
**\$51.6 billion**

Source: Agency Investment Reports