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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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January 20, 2020

**LFC INVESTMENT REPORT FOR THE QUARTER ENDING SEPTEMBER 30, 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 year ending September 30, 2019, the value of New Mexico's combined investment holdings for the pension and permanent funds grew by \$2.2 billion, or 4.3 percent, to end the year at \$53.3 billion. Over the last five years, the state's combined investment holdings grew \$8.7 billion, or 19.4 percent.
- One-year returns ranged from 2.87 percent (STPF) to 6.09 percent (ERB). Over the last 10 years, average investment returns ranged from 7.99 percent (PERA) to 8.43 percent (ERB and LGPF).
- ERB, PERA, and SIC's funds outperformed their long-term targets for the three- and ten-year periods. All funds underperformed their respective long-term targets for the quarter, one- and five-year periods.<sup>2</sup>
- For peer funds greater than \$1 billion, all funds performed above the median for the quarter and ten-year period, on a net of fees basis. In the three- and five-year periods, the PERA fund performed worse than the median, while the STPF performed worse than the median in the one-year period. The ERB fund performed above the highest quartile for the quarter, one-, and five-year periods.

**Returns as of September 30, 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	1.31	1.17	1.17	1.25	0.98	0.88	0.58	0.90
1-Year	5.39	5.76	6.09	5.77	3.83	3.87	2.87	3.91
3-Year	<b>7.28</b>	7.18	<b>8.21</b>	8.40	<b>8.08</b>	7.60	<b>7.83</b>	7.73
5-Year	5.83	6.03	6.98	6.77	6.29	6.26	6.16	6.34
10-Year	<b>7.99</b>	7.60	<b>8.43</b>	7.86	<b>8.43</b>	8.36	<b>8.05</b>	8.42

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 September 30, 2018.

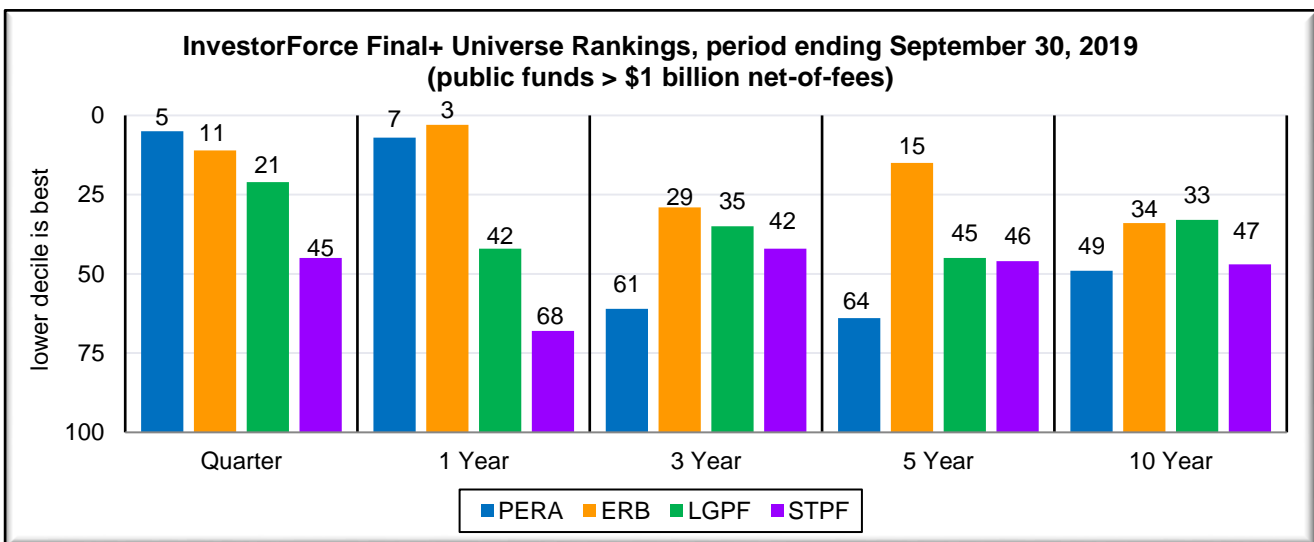
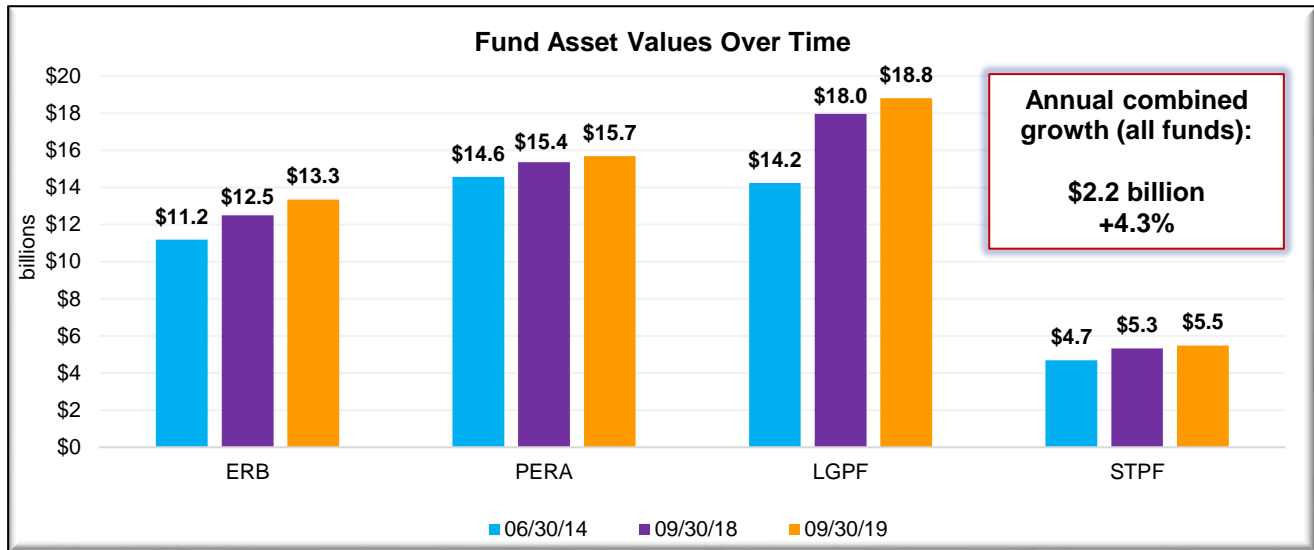
<sup>2</sup> The funds' long-term return targets are 7.25 percent (PERA), 7.25 percent (ERB), 7 percent (LGPF), and 6.75 percent (STPF).

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

## Investment Agency Performance Dashboard

Quarter Ending September 30, 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 09/30/19, Net of Fees

Fund	ERB	PERA	LGPF	STPF
Standard Deviation*	4.8	5.6	5.2	5.3
Sharpe Ratio**	1.2	0.9	1.0	1.0
Beta***	0.4	0.4	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**

**\$53.3 billion**

Source: Agency  
Investment Reports