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December 3, 2020

LFC INVESTMENT REPORT FOR THE QUARTER ENDING SEPTEMBER 30, 2020

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).¹

INVESTMENT PERFORMANCE HIGHLIGHTS

- In the four quarters ending September 30, 2020, the value of New Mexico’s combined investment holdings for the pension and permanent funds grew by \$393 million, or 0.7 percent, to end at \$53.7 billion, recovering \$2 billion, or 3.9 percent, from the previous quarter. Over the last five years, the state’s combined investment holdings grew \$10.6 billion, or 24.5 percent.
- Characterized by market losses associated with the global pandemic, the investment funds’ one-year returns ranged from 1.94 percent (PERA) to 4.26 percent (LGPF). Over the last 10 years, average investment returns ranged from 7.01 percent (PERA) to 7.65 percent (LGPF).
- ERB and SIC’s funds outperformed their long-term targets for the five- and ten-year periods. All funds underperformed their respective long-term targets for the quarter, one- and three-year periods.²
- For peer funds greater than \$1 billion, the only fund to perform above the median was the LGPF for the ten-year period, on a net of fees basis. All funds performed in or near the lowest quartile for the one-year period. The PERA fund and the STPF also performed in the lowest quartile for the three- and five-year periods.

Returns as of September 30, 2020 (Net of Fees)³

Returns (%)	PERA		ERB		LGPF		STPF	
	Fund	Policy Index	Fund	Policy Index	Fund	Policy Index	Fund	Policy Index
Quarter	4.86	4.12	4.64	5.15	5.03	5.20	4.11	5.24
1-Year	1.94	1.30	2.44	5.97	4.26	5.41	2.89	5.51
3-Year	4.47	4.01	5.31	6.50	5.30	5.62	4.64	5.72
5-Year	6.59	6.47	7.43	8.18	7.34	7.39	6.96	7.49
10-Year	7.01	6.80	7.38	7.40	7.65	7.79	7.31	7.83

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

¹ 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, 2020.

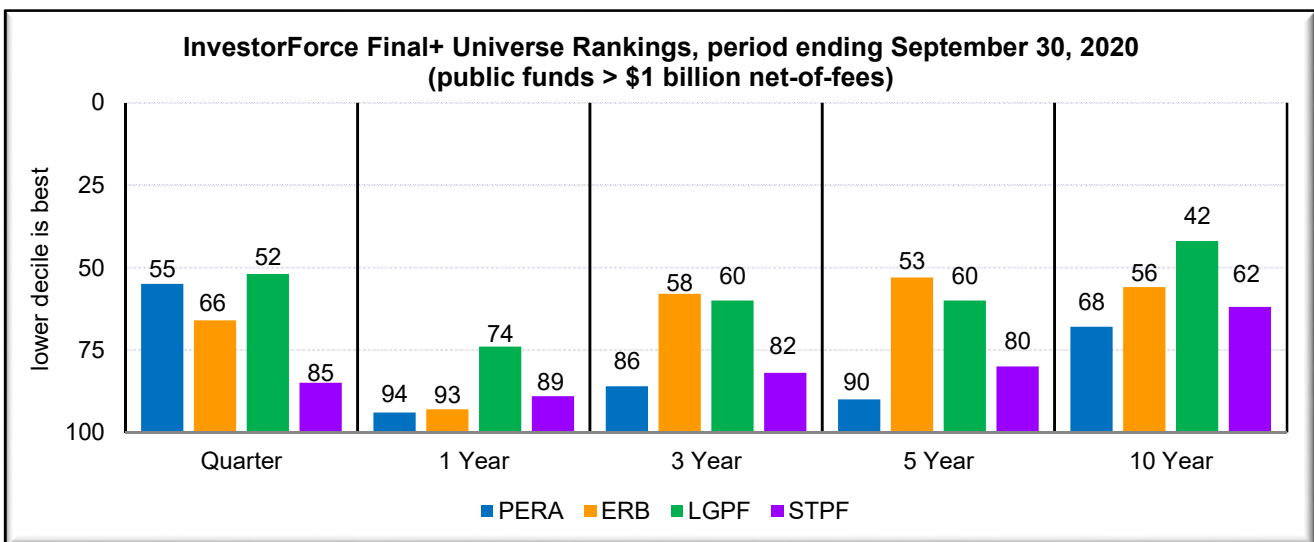
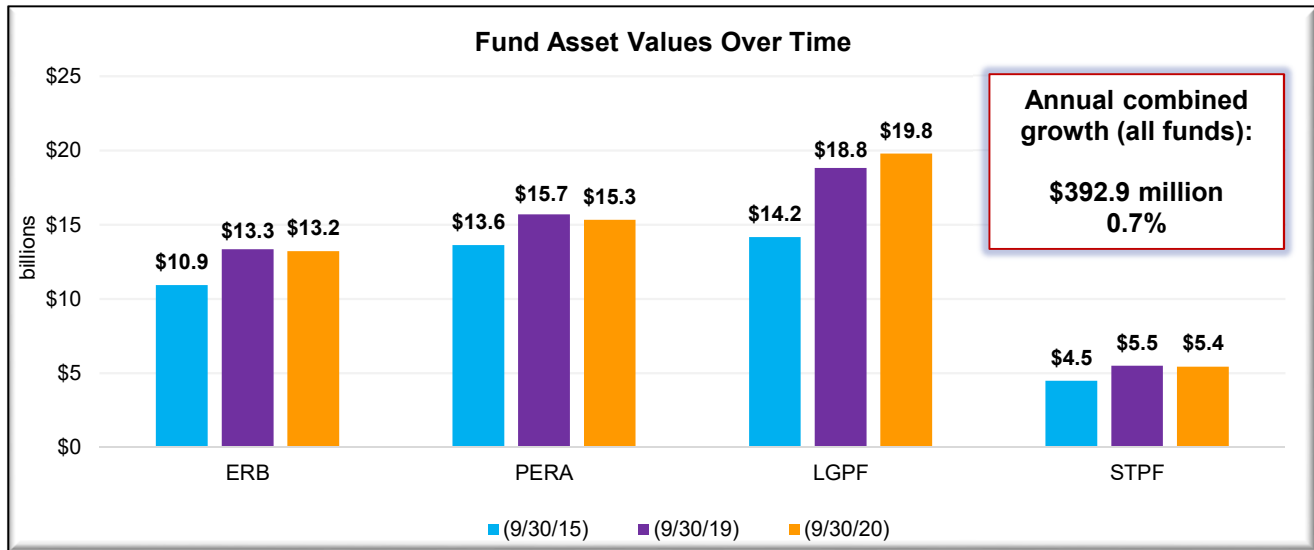
² The funds’ long-term return targets are 7.25 percent (PERA), 7.25 percent (ERB), 7 percent (LGPF), and 6.75 percent (STPF).

³ 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, 2020

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 9/30/20, Net of Fees				
Fund	ERB	PERA	LGPF	STPF
Standard Deviation*	5.9	6.7	7.3	7.3
Sharpe Ratio**	1.1	0.8	0.8	0.8
Beta***	0.3	0.4	0.4	0.4

Aggregate Value of New Mexico Investment Holdings

\$53.7 billion

*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.

Source: Agency Investment Reports