



Investment Performance Quarterly Report, First Quarter, FY22

Coming out of a record-breaking FY21, markets remain strong at the outset of FY22, although gains are slowing slightly. Continued economic recovery buoyed asset values and confidence in the economic outlook. As markets experienced the first negative month-end since January 2021, the state’s risk-averse investments performed better than peer funds in the quarter, although they generally underperform or perform around the median in the long-run.

Investment Performance Highlights

- For the year ending September 2021, the value of New Mexico’s combined investment holdings for the pensions and permanent funds grew by \$9.8 billion, or 17.9 percent, to an ending balance of \$64.5 billion. Over the last five years, the state’s combined investment holdings grew \$18.8 billion, or 41.1 percent.
- One-year returns have remained robust, though slightly lower than the previous quarter, ranging from 18.5 percent (STPF) to 25.8 percent (ERB). Average investment returns over the last 10 years ranged from 9 percent (STPF) to 9.8 percent (ERB).
- All funds outperformed their targets for every period, when annualized.¹
- Over the last year, markets have grown at record rates driven by higher risk assets. As the state’s investments seek to minimize risk, investments have lagged behind peer funds. In the quarter ending September, markets experienced the first negative month-end since January 2021, boosting the state’s performance relative to more risk-allocated peer funds in shorter-term periods.
- When compared with peer funds greater than \$1 billion on a net-of-fee basis, only ERB performed above the median for all periods, ranking near the top for the quarter. Similarly, PERA’s private equity returns of 62 percent supported top quartile rankings for the quarter, though PERA’s rankings for all other periods remain below the median. The STPF performed near or in the lowest quartile for all periods except for the quarter. The LGPF performed near or below the median in all periods except the quarter, for which it ranked in the top quartile.

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).

Agency performance and market environment information are derived from the investment performance reports submitted by PERA, ERB, and SIC.

Returns as of September 30, 2021 (Net of Fees)¹

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	2.29	0.05	2.21	1.72	1.64	2.21	0.83	1.29
1-Year	20.97	19.32	25.78	20.28	21.71	21.68	18.53	19.19
3-Year	9.14	8.53	10.97	10.42	9.62	10.05	7.84	9.34
5-Year	8.78	8.28	10.29	10.15	9.87	9.89	8.86	9.53
10-Year	9.05	8.62	9.75	9.36	9.70	9.73	8.96	9.55

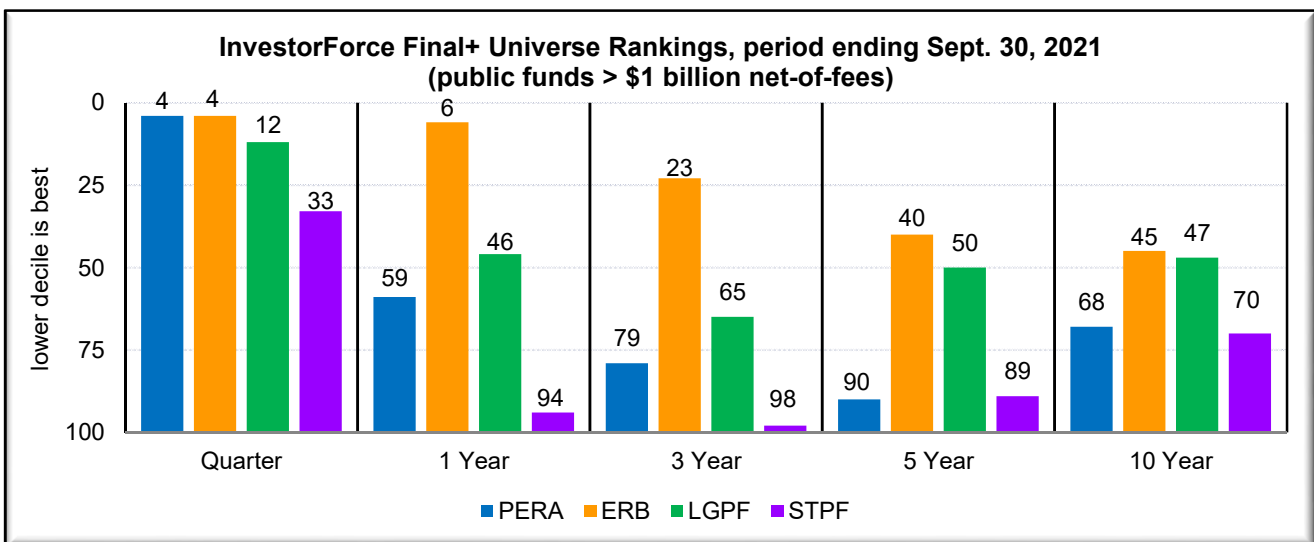
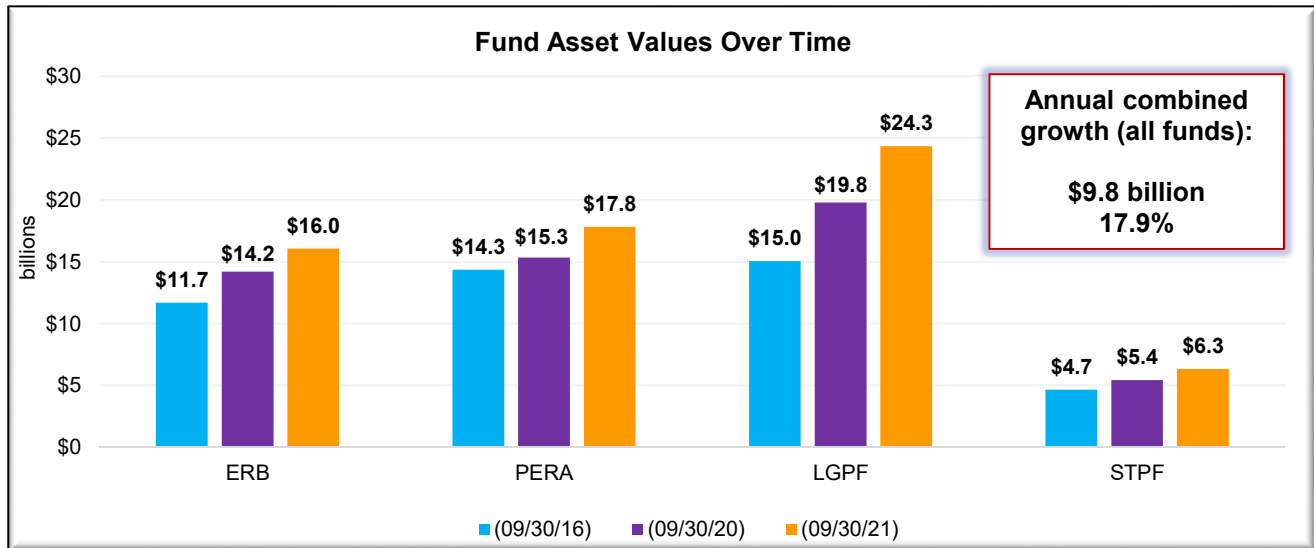
Note: bold indicates returns that exceed the fund’s long-term target. Quarterly data is not annualized.

¹ The funds’ long-term return targets are 7.25 percent (PERA), 7 percent (ERB), 7 percent (LGPF), and 6.75 percent (STPF).

Investment Agency Performance Dashboard

Quarter Ending September 30, 2021

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 09/30/21, Net of Fees				
Fund	ERB	PERA	LGPF	STPF
Standard Deviation*	6.0	6.7	8.0	7.9
Sharpe Ratio**	1.5	1.1	1.1	1.0
Beta***	0.3	0.4	0.4	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**

\$64.5 billion

Source: Agency
Investment Reports