

Investments & Pensions Oversight Committee

Senator George K. Munoz, Chairman

Representative Patricia Roybal Caballero, Vice-Chair

Steve Moise, NM State Investment Officer
Vince Smith, Deputy SIO & CIO
October 6, 2020



STATE INVESTMENT COUNCIL

Assets Under Management: \$28.2 billion

Fund Valuations (\$Millions)	<u>12/31/2019</u>	<u>3/31/2020</u>	<u>6/30/2020</u>	<u>9/30/2020 est.</u>
Land Grant Permanent Fund (LGPF)	\$ 19,724.2	\$ 17,915.7	\$ 18,982.2	\$ 19,620.0
Severance Tax Permanent Fund (STPF)	\$ 5,630.3	\$ 5,018.4	\$ 5,283.8	\$ 5,440.0
Tobacco Settlement Permanent Fund	\$ 237.0	\$ 223.1	\$ 241.3	\$ 245.0
Water Trust Fund	\$ 41.7	\$ 39.4	\$ 39.6	\$ 38.0
Tax Stabilization Reserve	\$ 538.6	\$ 1,085.5	\$ 1,210.4	\$ 1,250.0
Rural Libraries Endowment	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0
Government Clients	\$ 1,272.0	\$ 1,185.3	\$ 1,282.7	\$ 1,360.0
Early Childhood Trust Fund	\$ -	\$ -	\$ -	\$ 300.0
Total Assets under management	\$ 27,444.8	\$ 25,468.5	\$ 27,041.0	\$ 28,230.0

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Fund Contributions & Distributions 2020

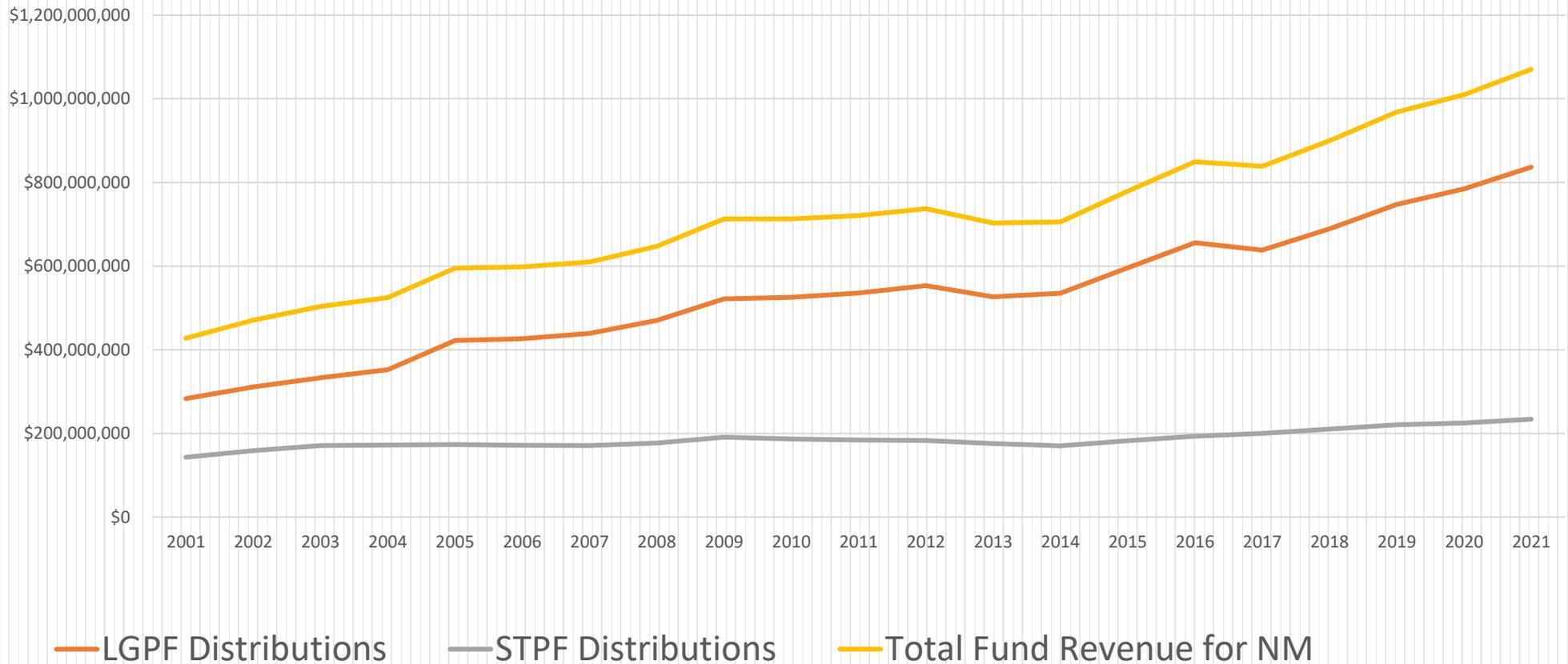
- SIC Permanent Fund Inflows & Outflows CYTD

	LGPF Contributions (Inflows)	LGPF Distributions to Beneficiaries	STPF Contributions (inflows)	STPF Distributions to General Fund
Jan-20	\$101,431,089	(\$65,354,160)	\$0	(\$18,771,537)
Feb-20	\$109,853,929	(\$65,354,160)	\$0	(\$18,771,537)
Mar-20	\$101,085,221	(\$65,354,160)	\$0	(\$18,771,537)
Apr-20	\$107,098,526	(\$65,354,160)	\$0	(\$18,771,537)
May-20	\$93,559,742	(\$65,354,160)	\$0	(\$18,771,537)
Jun-20	\$50,705,652	(\$65,354,160)	\$0	(\$18,771,537)
Jul-20	\$37,243,500	(\$69,700,812)	\$0	(\$19,503,342)
Aug-20	\$28,992,874	(\$69,700,812)	\$0	(\$19,503,342)
Sep-20	\$55,189,974	(\$69,700,812)	\$0	(\$19,503,342)
Oct-20	TBD	(\$69,700,812)	TBD	(\$19,503,342)
Nov-20	TBD	(\$69,700,812)	TBD	(\$19,503,342)
Dec-20	TBD	(\$69,700,812)	TBD	(\$19,503,342)

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Permanent Fund Distributions

LGPF & STPF Distribution Growth



Pandemic Stimulus – STPF business loans

SIC New Mexico Recovery Fund (\$100 million)

- Number of applications received – 131
- Number qualifying through initial diligence – 67
- Submitted Applications for Funding – 45
- Term sheets issued – 29
- Term sheets accepted – 22
- Completed final due diligence/legal process underway – 21
- Funded – 13 loans to med/larger-sized employers (\$36mm)
- Pipeline: \$120m, with \$80m “probable”; ongoing applicants

Pandemic Stimulus – STPF business loans

Other loan programs

- Main Street Priority Lending Facility: federal \$600 billion refinancing loan program for medium-sized business
 - Banks originate loans, federal government to repurchase notes
 - Collateral required, rigid terms and conditions
 - To date, only 0.3% deployed
- Other STPF small business loans through NMFA
 - Up to \$400 million allocated for loans of up to \$75k
 - SIC furnished NMFA with \$100 million to date
 - Criteria may need adjustment

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SIC Annual Investment Plan

- Council approved the plan in September
 - Puts in place guidelines for coming year, based on market expectations over next 7-10 years
 - Sets return targets, asset allocations for LGPF, STPF, Tobacco and Water permanent funds and Early Childhood Education/Care Fund
 - Taking a cautious approach, given equity valuations and market conditions

SIC Annual Investment Plan

- Macroeconomic environment & broad investment strategy
 - Pandemic fallout
 - Massive Central Bank stimulus
 - Economic implications
 - Growth & worker demographics
 - Inflation risk
 - Interest rates

SIC Annual Investment Plan

- Financial market implications
 - Slow recovery
 - Low investment return environment
- Broad Investment Strategy
 - Reduce publicly-traded exposure
 - Structure portfolio for liquidity, flexibility
 - Generate income for stability

SIC Annual Investment Plan

- Key Points:
 - Continue to be cautious of US stock market & risk assets generally
 - Liquidity & flexibility are important
 - In a low-interest rate environment, income becomes more valuable
 - Shift our strategy to reduce “core” fixed income assets when appropriate