



# New Mexico State Investment Council

## **International Equity Restrictions**

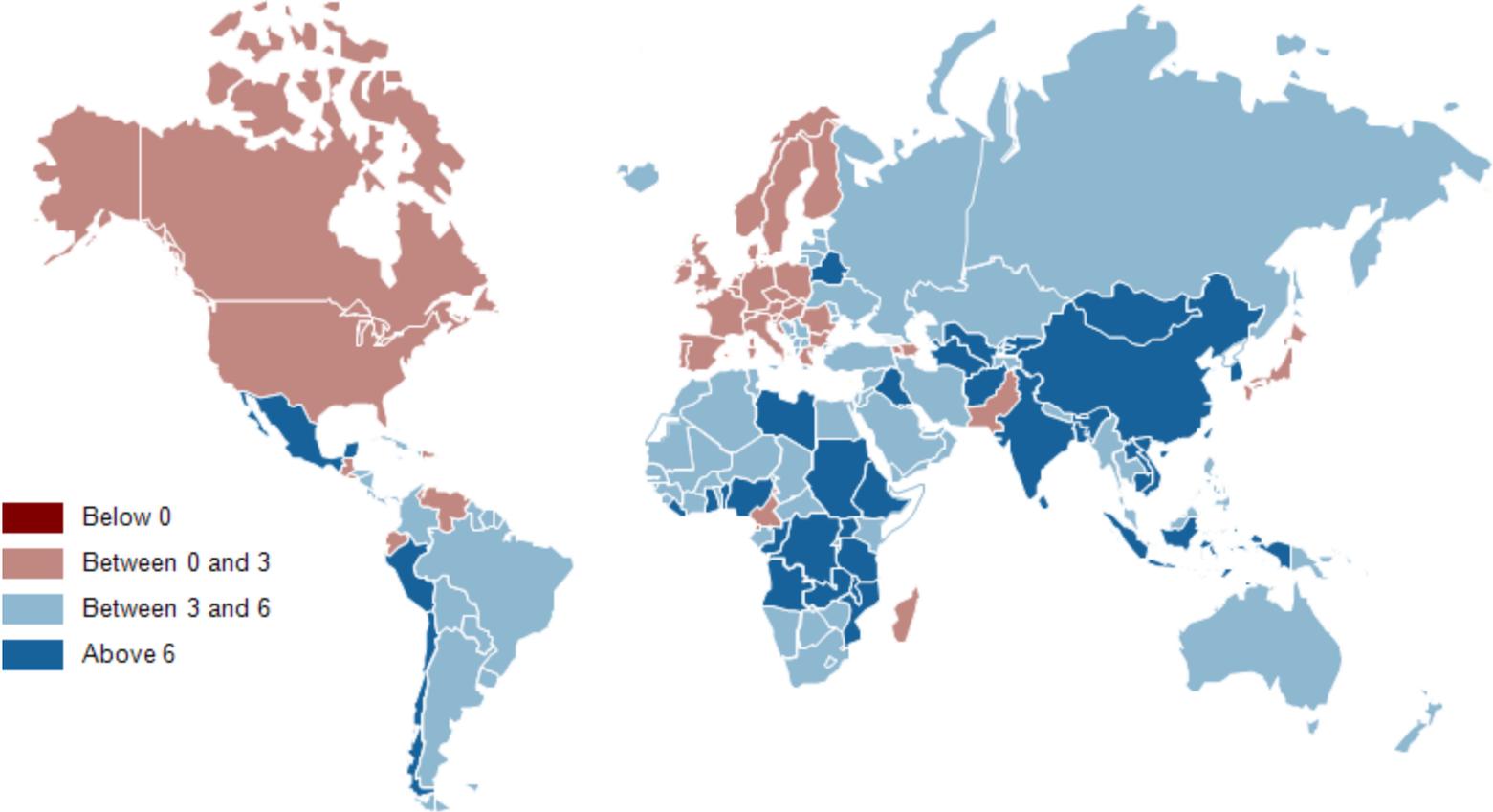
*Investments and Pensions Oversight Committee • December 2, 2011*

# International Investments

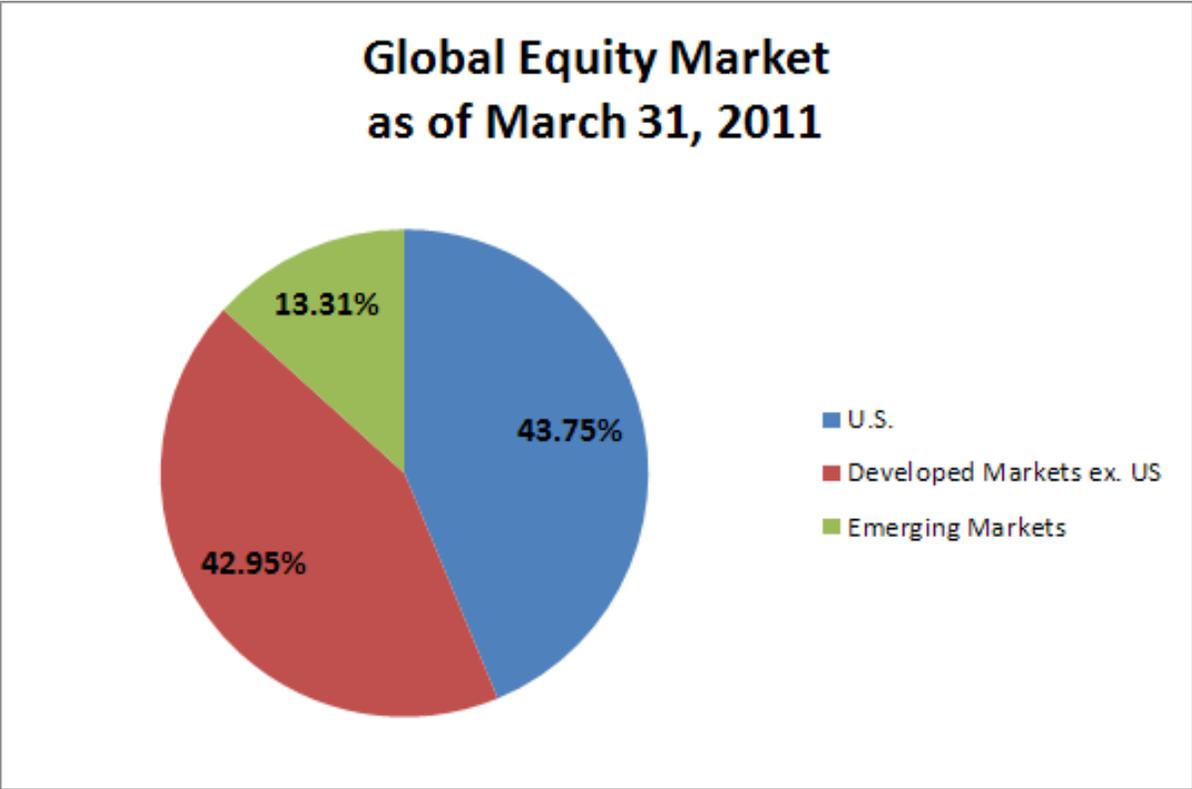
- Institutional investing is a “global” endeavor, long-term in nature, and requires patience and steadfastness.
- The rise of China, India, Brazil and other emerging economies has helped reshape and define the “global economy” over the past decade.
- GDP growth will drive investment returns as US enters likely “slow growth” period.
- International developed and emerging markets are an important component of portfolio diversification for institutional investors like the SIC.
- The current restriction of 15% on international equity investments in the Land Grant Permanent Fund no longer prudent due to changes in global economy.
- Out legislative request is only for the “option” to increase amount of international investments; it is not a requirement.
- Removing the 15% cap would bring the LGPF into alignment with other pensions, endowments & institutional investors.

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Average Real GDP Growth Forecasted for 2011 (Percent)



*Global equity market share*



*International investments vs. other investment strategies*

**Calendar Year Returns**

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
37.05%	33.36%	28.58%	66.42%	31.84%	12.35%	25.91%	62.14%	33.16%	34.54%	35.97%	39.78%	8.44%	79.02%	28.60%
23.17%	22.36%	20.34%	27.31%	31.04%	8.44%	16.56%	56.28%	31.27%	26.65%	32.59%	16.23%	5.24%	58.21%	26.86%
22.96%	19.66%	16.43%	24.69%	16.16%	7.89%	14.81%	47.25%	25.95%	21.40%	26.86%	16.05%	2.06%	47.32%	22.40%
17.38%	17.65%	11.77%	24.35%	14.26%	7.28%	10.25%	39.17%	20.70%	21.36%	19.67%	11.63%	-2.35%	32.46%	19.20%
16.49%	15.12%	8.69%	21.26%	13.15%	6.61%	5.55%	36.18%	18.33%	14.02%	18.37%	11.63%	-10.00%	28.60%	16.84%
11.71%	14.52%	5.23%	21.04%	12.40%	5.62%	3.58%	28.97%	13.06%	13.82%	16.32%	9.91%	-20.47%	27.18%	16.36%
11.35%	12.76%	3.94%	20.19%	11.63%	5.28%	3.12%	28.68%	11.13%	6.75%	15.79%	6.97%	-26.16%	26.46%	15.12%
6.34%	9.65%	3.75%	13.17%	6.18%	4.42%	1.78%	23.93%	10.88%	5.33%	11.85%	6.60%	-33.79%	18.91%	15.06%
6.04%	5.33%	1.87%	4.85%	-3.02%	2.49%	-1.41%	11.93%	9.15%	4.91%	9.85%	5.49%	-35.65%	11.41%	10.16%
5.30%	2.05%	-2.55%	2.40%	-5.86%	-2.37%	-6.00%	9.27%	8.56%	4.55%	4.85%	5.00%	-37.00%	9.72%	8.21%
3.63%	-3.39%	-17.01%	2.39%	-7.22%	-11.89%	-7.44%	8.39%	8.46%	3.07%	4.33%	1.87%	-39.20%	5.93%	6.54%
0.14%	-11.60%	-25.33%	-0.82%	-9.10%	-12.11%	-15.66%	5.87%	6.79%	2.84%	2.71%	1.79%	-43.06%	1.92%	6.31%
N/A	N/A	-27.03%	-2.58%	-13.96%	-19.51%	-20.48%	4.10%	4.34%	2.74%	2.07%	-1.57%	-46.78%	0.21%	4.75%
N/A	N/A	N/A	-7.65%	-30.61%	-21.21%	-22.10%	1.15%	1.33%	2.43%	0.41%	-17.55%	-53.18%	-29.76%	0.13%

S&P 500 - US Large Cap	R 2000 - US Small Cap	MSCI EAFE (Gross) - Int'l Dev.	MSCI EAFE SC (Gross) - Int'l SC	MSCI EM (Gross) - Int'l Emg Mkts	BC US Agg Bond - FI	BC US Corp: Hi Yield - FI	BC US Trsy: US TIPS - FI	BC US Gov't/Credit: Lng - FI	NCREIF ODCE (Gross) - Real Estate	Wilshire US REIT - REITs	HFN FOF Multi-Strat (Net) - ARS	DJ-UBS Comdty (TR) - Commodities	BofA ML 3 Mo T-Bill - Cash Equiv
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