

Presentation to the:

**INVESTMENTS AND PENSIONS OVERSIGHT COMMITTEE**

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Education Trust Board

# New Mexico 529 Programs – Performance Detail

## SUMMARY COMMENTS

- PCA was asked to provide additional detail on 5-year performance of the Education Plan (TEP) and Scholar's Edge Plan (SE) 18+ Portfolios
  - Data is sourced from the Morningstar Direct database for Peer Universes
  - Data for the NM 529 Programs provided by Oppenheimer
- TEP 18+ 5-year annualized performance\* *trailed* its median peer by 4.44% per year
  - Underperformance primarily due to results of Core Bond Fund during 2008/2009
  - TEP 18+ 12-month performance ending 9/30/2009 *trailed* median peer by 17.68%
  - Portfolio held a 50% allocation to Core Bond Fund for part of that period
- SE 18+ 5-year annualized performance\* *trailed* its median peer by 1.02% per year
  - Underperformance also due to results of Core Bond Fund during 2008/2009
  - SE 18+ 12-month performance ending 9/30/2009 *trailed* peers by 8.59%
  - Portfolio held a 25% allocation to Core Bond Fund for part of that period
- Both TEP and SE have improved performance relative to peers in 2011 and 2012

\*As of 9/30/2012

# New Mexico 529 Programs – Performance Detail

## THE EDUCATION PLAN

### Annualized Performance Ending 9/30/2012

|                          | 1 Year | 3 Year | 5 Year |
|--------------------------|--------|--------|--------|
| <b>NM TEP 18+</b>        | 4.76   | 3.83   | -1.27  |
| <b>Median Peer</b>       | 5.04   | 4.69   | 3.17   |
| <b><i>Difference</i></b> | -0.28  | -0.86  | -4.44  |

- During the 5-year period ending 9/30/2012, TEP 18+ trailed the median peer by 4.44%

### 12-Month Performance Ending 9/30

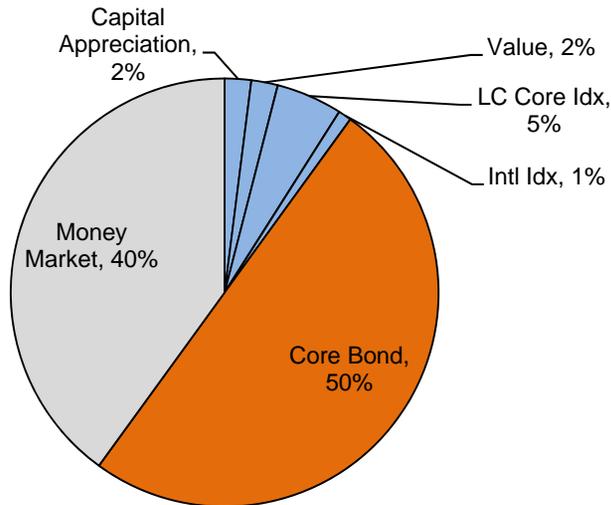
|                          | 2008  | 2009   | 2010  | 2011 | 2012  |
|--------------------------|-------|--------|-------|------|-------|
| <b>NM TEP 18+</b>        | -3.87 | -12.81 | 4.34  | 2.39 | 4.76  |
| <b>Median Peer</b>       | 0.75  | 4.87   | 5.63  | 1.93 | 5.04  |
| <b><i>Difference</i></b> | -4.62 | -17.68 | -1.29 | 0.46 | -0.28 |

- Performance differences are primarily attributed to the 12-month period ending 9/30/2009
- During that period, TEP 18+ trailed its median peer by 17.68%

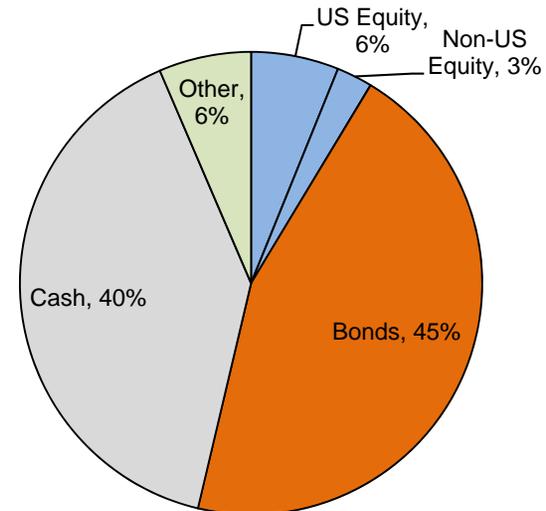
Source: Morningstar Direct/Oppenheimer

# New Mexico 529 Programs – Performance Detail

## THE EDUCATION PLAN



**TEP 18+  
Allocation as of Q4 2008**



**Morningstar 19+ Direct  
Allocation as of Q4 2008\***

- Asset allocation between TEP and median plan were similar
- TEP had 5% higher allocation to Bonds (50% vs. 45%)
- Oppenheimer Core Bond held a 50% allocation for two of the four quarters ending 9/30/2009
  - Core Bond experienced a return of -33.5% during those two quarters (Q4 2008, Q1 2009)
  - Underperformance during the period entirely attributable to Core Bond, partially offset by its replacement, Dreyfus Bond Market Fund
  - Core Bond was removed from the Program as of 3/2/2009

\*Using best information available

# New Mexico 529 Programs – Performance Detail

## SCHOLAR'S EDGE PLAN

### Annualized Performance Ending 9/30/2012

|                          | 1 Year      | 3 Year      | 5 Year       |
|--------------------------|-------------|-------------|--------------|
| <b>NM SE 18+</b>         | 6.54        | 4.76        | 0.84         |
| <b>Median Peer</b>       | 5.40        | 4.46        | 1.86         |
| <b><i>Difference</i></b> | <i>1.14</i> | <i>0.30</i> | <i>-1.02</i> |

- During the 5-year period ending 9/30/2012, SE 18+ trailed the median peer by -1.02%

### 12-Month Performance Ending 9/30

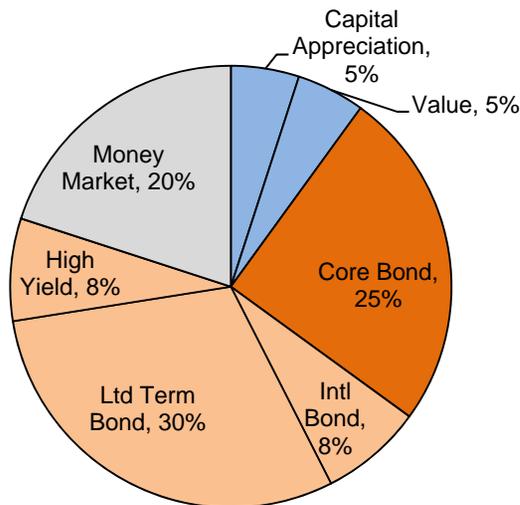
|                          | 2008         | 2009         | 2010        | 2011        | 2012        |
|--------------------------|--------------|--------------|-------------|-------------|-------------|
| <b>NM SE 18+</b>         | -5.33        | -3.93        | 6.22        | 1.33        | 6.54        |
| <b>Median Peer</b>       | -4.24        | 4.66         | 5.78        | 1.10        | 5.40        |
| <b><i>Difference</i></b> | <i>-1.09</i> | <i>-8.59</i> | <i>0.44</i> | <i>0.23</i> | <i>1.14</i> |

- Performance differences are primarily attributed to the 12-month period ending 9/30/2009
- During that period, SE 18+ trailed its median peer by 8.58%

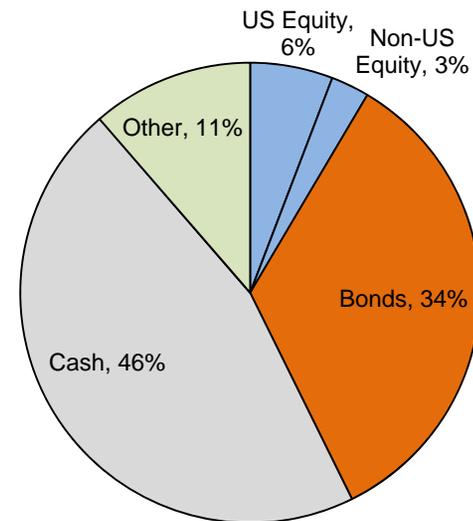
Source: Morningstar Direct/Oppenheimer

# New Mexico 529 Programs – Performance Detail

## SCHOLAR'S EDGE PLAN



**SE 18+  
Allocation as of Q4 2008**



**Morningstar 19+ Advisor  
Allocation as of Q4 2008\***

- SE had a much higher allocation to bonds versus median peer(71% vs. 34%)
- Oppenheimer Core Bond held a 25% allocation between April 2008 and February 2009
  - Impact of Core Bond underperformance to SE was less than TEP
  - Bond portfolio was diversified across Core, International, High Yield, Limited Term
  - Core Bond was removed form the Program as of 2/17/2009

\*Using best information available