



NEW MEXICO STATE INVESTMENT COUNCIL



REVENUE STABILIZATION & TAX POLICY COMMITTEE

INVESTMENT PERFORMANCE FOR FY14

IMPACT OF CONTRIBUTIONS & DISTRIBUTIONS ON
PERMANENT FUNDS

NM PRIVATE EQUITY OVERVIEW

AUGUST 5, 2014

STATE INVESTMENT OFFICER STEVE MOISE
DEPUTY SIO ROBERT "VINCE" SMITH



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SIC Overview



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- **Total Fund:**
 - Record high close for fiscal year: **\$19,814,031,173**
 - FY 14 investment returns: **15.9%**
- **Fund distributions for FY15:**
 - LGPF: \$596.0 million
 - STPF: \$182.7 million
 - Total: \$778.7 million
- **Projected FY16 total distributions: \$845 million**
- **Fund growth = greater benefits**



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SIC Overview



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- **Asset allocation study in progress**
 - Continue to shift from public equity to diversified portfolio
 - Lower correlation lessens risk, creates long-term benefits
- **Recovery efforts ongoing**
 - Initial discovery phase ends in December
 - Total funds secured \$28M+
- **Strategic planning**
- **Council Committees**
- **Compliance program**



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Permanent Fund Growth



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- Growth of assets under management
 - From \$14 billion (April 2010) to more than \$19.8 billion

Net Asset Value 2000 - 2014





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Investment Performance Summary: 6/30/14



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- Gain since January: \$1 billion+

NMSIC Total Fund - Schedule of Investable Assets

Periods Ending	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	%Return
CYTD	18,751,981,477	21,316,780	1,040,732,916	19,814,031,173	5.54

- Strong short-term investment returns

	Market Value (\$)	%	MTD	QTD	CYTD	FYTD	1 Year	3 Years	5 Years	10 Years
NMSIC Total Fund Composite	19,814,031,173	100.00	1.71	3.45	5.54	15.87	15.87	9.67	12.95	6.96
Land Grant Total Fund Composite	14,194,883,068	71.64	1.72	3.35	5.43	15.67	15.67	9.70	13.08	7.07
Severance Tax Total Fund Composite	4,627,111,497	23.35	1.61	3.48	5.52	15.75	15.75	9.16	12.34	6.41

- Long-term returns still lag 7.5% annual target



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Asset allocation: 6/30/14



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- Portfolio overview & allocation by strategy:

	Asset Allocation (\$)	Asset Allocation (%)	Interim Target (%)	June 2010 Target	2014 Target Differences (%)
Land Grant Total Fund Composite	14,194,883,068	100.00	100.00	100.00	0.00
US Equity	5,115,944,315	36.04	35.00	51.00	-16.00
Non-US Equity	1,963,379,093	13.83	15.00	10.00	5.00
Fixed Income	3,105,806,010	21.88	20.00	15.00	5.00
Absolute Return	1,020,878,113	7.19	7.00	15.00	-8.00
Private Equity	1,164,131,009	8.20	10.00	6.00	4.00
Real Estate	1,009,960,100	7.11	8.00	3.00	5.00
Real Return	658,954,587	4.64	5.00	0.00	5.00
Cash Equivalent	155,829,840	1.10	0.00	0.00	0.00

	Asset Allocation (\$)	Asset Allocation (%)	Interim Target (%)	June 2010 Target	2014 Target Differences (%)
Severance Tax Total Fund (Ex. ETI) (4,362,615,450	100.00	100.00	100.00	0.00
US Equity	1,617,962,811	37.09	35.00	48.00	-13.00
Non-US Equity	682,964,707	15.65	15.00	10.00	5.00
Fixed Income	1,006,194,440	23.06	20.00	12.00	8.00
Absolute Return	310,869,465	7.13	7.00	15.00	-8.00
Private Equity	327,972,794	7.52	10.00	12.00	-2.00
Real Estate	267,866,528	6.14	8.00	3.00	5.00
Real Return	140,248,402	3.21	5.00	0.00	5.00
Cash Equivalent	8,536,303	0.20	0.00	0.00	0.00



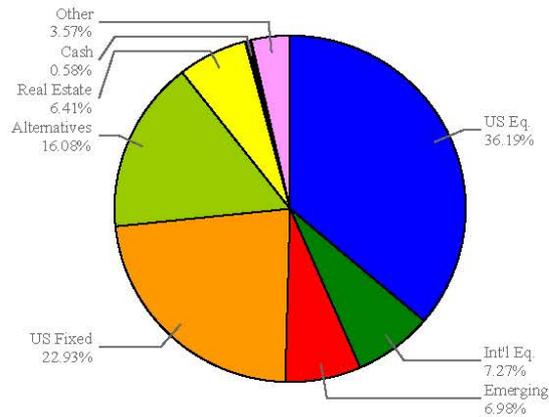
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Current Asset Allocation

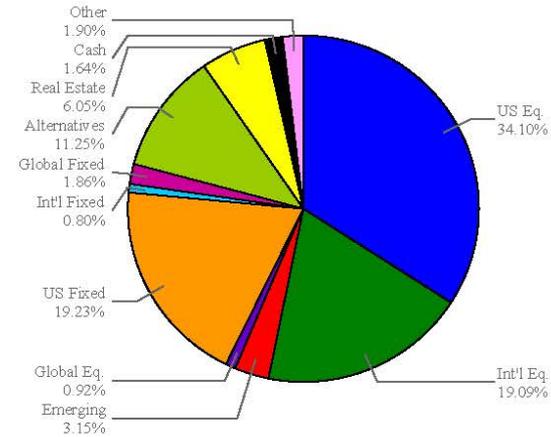


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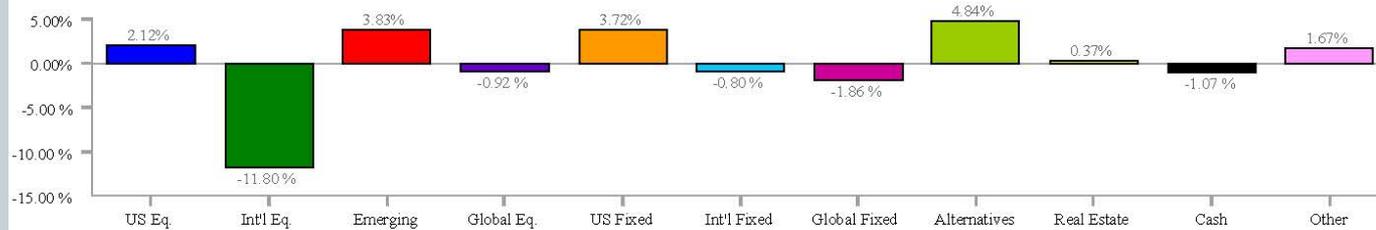
New Mexico State Investment Council



\$10-\$20 Billion



Variance



Allocations shown may not sum up to 100% exactly due to rounding.

RVKuhns



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Permanent Fund Overview



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- **Land Grant Permanent Fund:**
 - Strong oil & gas royalties: outpaced distributions in FY14
 - Even odds to maintain or grow fund inflation adjusted value over next 50 years
- **Severance Tax Permanent Fund:**
 - Fund today \$200 million below 2007 high water mark
 - Statute: 95% of previous year's severance taxes to be bonded
 - Inconsistent contributions to STPF
 - ✦ FY13: \$339 vs. FY14: \$124,995,685
 - ✦ 10-year average \$47 million, \$132 million less than typical distribution
 - ✦ Legislation being crafted



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Permanent Fund Overview



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- **Tobacco Settlement Permanent Fund:**
 - \$193 million 'reserve' fund
 - No new contributions since FY08
 - FY14 court ruling cost \$8.2M distribution from corpus
 - Fund incapable of making significant distributions
- **Water Trust Permanent Fund:**
 - \$45 million fund; no new money since FY07
 - \$4M distributed to Water Trust Board projects annually
 - Fund projected to hit \$0 in 2035



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Economically Targeted Investments



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- **NM private equity investment program**
 - Up to 9% of STPF allowed in statute (\$410 million)
 - Council sets target of 5% for prudent investment
 - Operated since 2004 to seek market-rate returns: job-creation an important, but secondary concern
- **Returns have improved significantly**
 - 1993-2004: **-18.1%**
 - 2004-present: **4.4%**
- **Additional investments:**
 - \$70M in commitments since 2013
 - \$40M/year on average