

New Mexico State Investment Council

Quarterly Investment Summary

For the Quarter Ending September 30, 2010

The permanent funds performance for the quarter ending September 2010 was 8.5% for the Land Grant Permanent Fund (LGPF) and 9.0% for the Severance Tax Permanent Fund (STPF). The LGPF matched its 8.5% benchmark, and the STPF outperformed its benchmark by 0.9%. Both funds materially outperformed the peer group median return of 6.8%. For the one year ended September 2010, LGPF returned 12.6%, 0.80% ahead of the policy benchmark and ranking in the 11th percentile of peer funds. The STPF returned 12.8% for the year, 1.3% ahead of its policy benchmark and ranking in the 10th percentile relative to peers. Total assets under management in the LGPF came to \$9.5 billion, up from \$8.8 billion at the beginning of the quarter. Assets under management in the STPF totaled \$3.6 billion, up from \$3.4 billion at the start of the quarter. Total assets under management by the SIC at the end of the September quarter came to \$13.8 billion.

Weight	New Mexico State Investment Council	Market Value (\$ in Millions)	Calendar														
			Quarter	Rank	YTD	Rank	1 Year	Rank	3 Years	Rank	5 Years	Rank	10 Years	Rank	15 Years		
69%	Land Grant Permanent Fund ¹	\$9,548	8.5%	20	6.9%	31	12.6%	11	(3.0)%	76	3.1%	82	3.1%	77	6.8%		
	Land Grant Allocation Index ²		8.6%	19	6.7%	36	11.2%	29	(3.4)%	85	2.6%	88	3.0%	78	n/a		
	Land Grant Policy Index ³		8.5%	20	6.5%	41	11.8%	27	(3.6)%	85	2.6%	87	2.8%	81	6.2%		
26%	Severance Tax Permanent Fund ¹	\$3,591	8.1%	26	5.5%	76	10.7%	33	(4.5)%	93	2.1%	94	2.3%	87	6.3%		
	Severance Tax w/o ETI ⁴	\$3,292	9.0%	16	6.3%	49	12.8%	10	(4.0)%	88	2.6%	87	1.7%	92	n/a		
	Severance Tax Allocation Index ²		8.3%	23	6.3%	49	11.1%	29	(4.5)%	93	2.2%	93	3.1%	77	n/a		
	Severance Tax Policy Index ³		8.1%	25	6.3%	47	11.5%	28	(3.9)%	87	2.7%	86	2.8%	80	6.4%		
	60% S&P500 / 40% BC Aggregate Index		7.9%		5.9%		9.9%		(1.0)%		3.2%		2.6%		6.8%		
	90 Day T-Bills		0.0%		0.1%		0.1%		1.1%		2.6%		2.5%		3.5%		
	ICC Endowments / Foundations > \$250 M Median		6.8%		6.2%		9.9%		(1.7)%		4.5%		4.2%		---		
5%	All Other Funds	\$655															
100%	Total NMSIC Investments	\$13,794															
	Land Grant Permanent Fund ⁵	\$9,666	8.5%	21	6.4%	43	11.6%	28	(2.6)%	68	3.3%	78	3.3%	73	6.8%		
	Severance Tax Permanent Fund ⁵	\$3,619	8.1%	27	5.1%	80	10.1%	48	(4.2)%	91	2.3%	91	2.4%	86	6.3%		

1 Performance reflects unrealized gain/loss due to securities lending. Rank is versus the ICC Endowment & Foundations > \$250 M Universe.

2 Allocation Index is calculated by taking the actual manager allocations and multiplying by the return of the respective manager's benchmark.

3 Policy Index is calculated by taking the investment policy target asset class weights and multiplying the return of the respective investment policy benchmarks.

4 Performance and market values reflects Severance Tax Permanent Fund without ETI & State PE allocation.

5 Performance does not reflect unrealized gain/loss due to securities lending.

Note: Returns are gross of fees

As of September 30, 2010, Source: NEPC

Performance for the quarter and over the last year have been driven by the funds' exposure to the publicly-traded equity markets. The rebound in stocks, underway since the first quarter of 2009, has driven both absolute and relative performance of the LGPF and the STPF funds (next page):

S&P500 index of Large Capitalization Domestic Equity



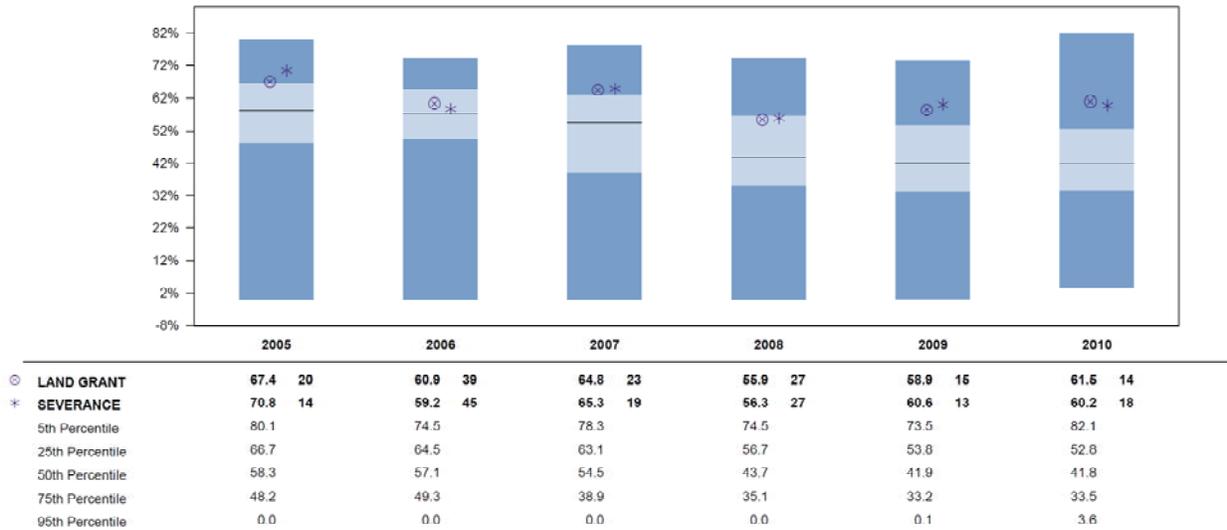
Source: Bloomberg

Relative to the peer group used for performance comparisons, SIC-managed portfolios historically maintain high exposures to publicly-traded equity:

NEW MEXICO SIC

Total Fund Allocation - Universe: E&F Funds Above \$250 Million
 Period Ending September 30, 2010

Commitment to Equity (%)



Source: NEPC

Asset Allocation

The strong performance of the equity markets, particularly over the last quarter, has moved the actual allocation of the LGPF and the STPF away from the target allocations to publicly-traded equity. This is particularly pronounced in the STPF. Staff is working on plans to rebalance these portfolios back toward the target allocations.

At September 30, 2010	Large Cap US Eq	Small/Mid Cap US Eq	Non-US Eq
LGPF	35.1%	11.6%	14.7%
STPF	38.9%	9.1%	17.6%
Target	33.0%	7.0%	15.0%
LGPF – Target	2.1%	4.6%	-0.3%
STPF -- Target	5.9%	2.1%	2.6%

Total Fund Asset Growth

The strength of the financial markets since the first quarter of 2009 continue to increase the value of both the LGPF and the STPF. Below is a chart from NEPC detailing this growth:

	Last Quarter	Calendar Year-to-Date	1 Year	3 Years	5 Years
Beginning Market Value	\$12,945,341,092	\$13,421,591,572	\$12,874,988,322	\$16,326,046,418	\$12,422,641,477
Contributions	\$94,409,447	\$350,081,180	\$418,637,981	\$1,549,343,878	\$3,018,295,062
Distributions	(\$303,222,614)	(\$791,703,000)	(\$963,920,678)	(\$2,406,963,333)	(\$3,937,754,171)
Net Transfers	(\$208,813,167)	(\$441,621,820)	(\$545,282,697)	(\$857,619,455)	(\$919,459,109)
Fees ¹	(\$9,762,915)	(\$41,537,175)	(\$47,007,273)	(\$99,838,810)	(\$151,164,145)
Income	\$77,012,624	\$220,811,441	\$290,443,880	\$989,543,429	\$1,825,586,157
Capital Appreciation	\$997,250,963	\$583,967,376	\$1,135,779,406	(\$2,403,043,735)	\$777,483,467
Sec. Lending Unrealized Gain / Lo	(\$7,480,111)	\$50,337,093	\$84,626,848	(\$161,539,361)	(\$161,539,361)
Net Investment Gains	\$1,057,020,561	\$813,578,734	\$1,463,842,861	(\$1,674,878,477)	\$2,290,366,118
Ending Market Value	\$13,793,548,486	\$13,793,548,486	\$13,793,548,486	\$13,793,548,486	\$13,793,548,486