NEW MEXICO STATE INVESTMENT COUNCIL

INVESTMENTS & PENSIONS OVERSIGHT COMMITTEE

SIC STATUS REPORTS & UPDATES

REPRESENTATIVE JIM TRUJILLO, CHAIR
SEPTEMBER 9, 2014

STATE INVESTMENT OFFICER STEVE MOISE
DEPUTY SIO VINCE SMITH

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Investment Performance Summary: 6/30/14

- 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
Wilshire TUCS Ranking							76	62	43	75
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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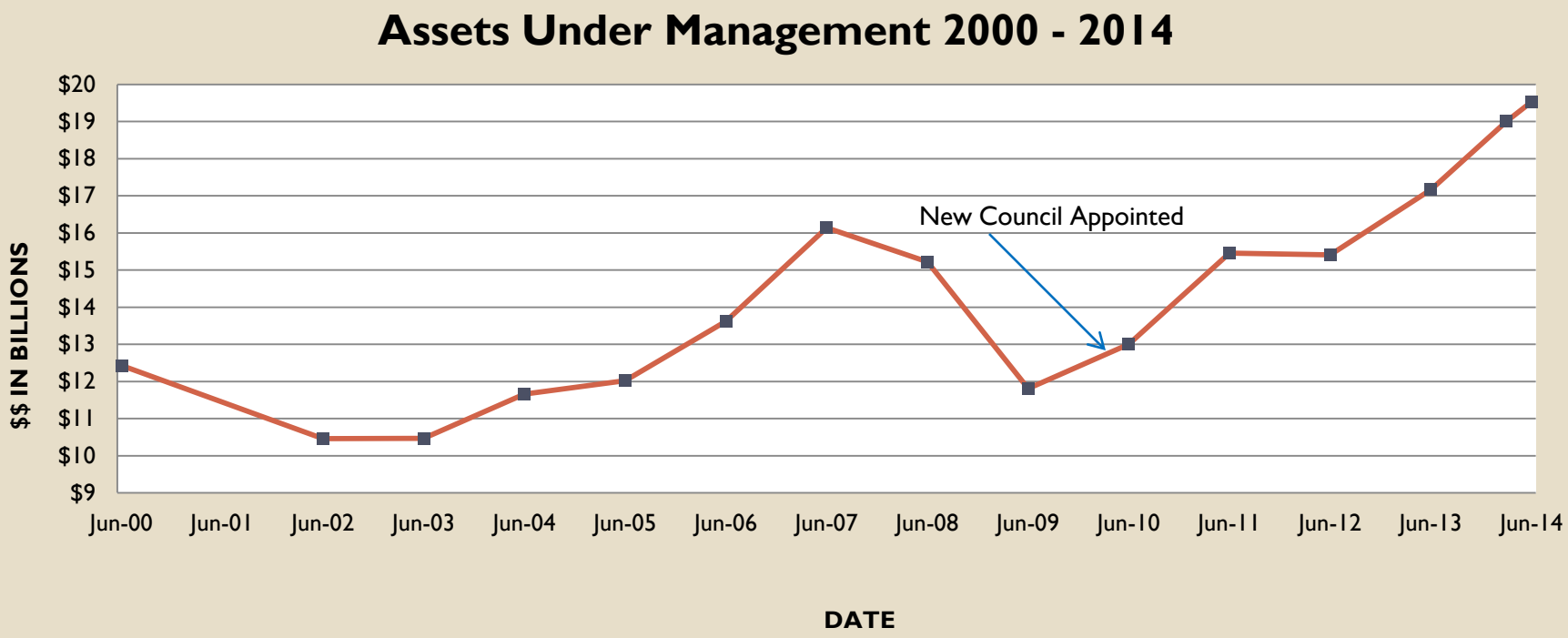
Permanent Fund Growth

- Growth of assets under management
  - From $14 billion (April 2010) to $19.8 billion (July 2014)



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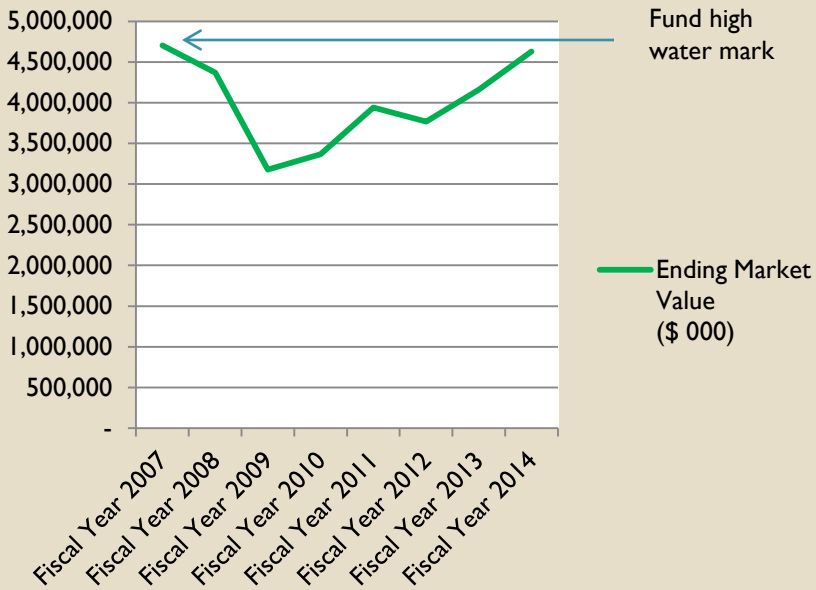
Growth of the Funds

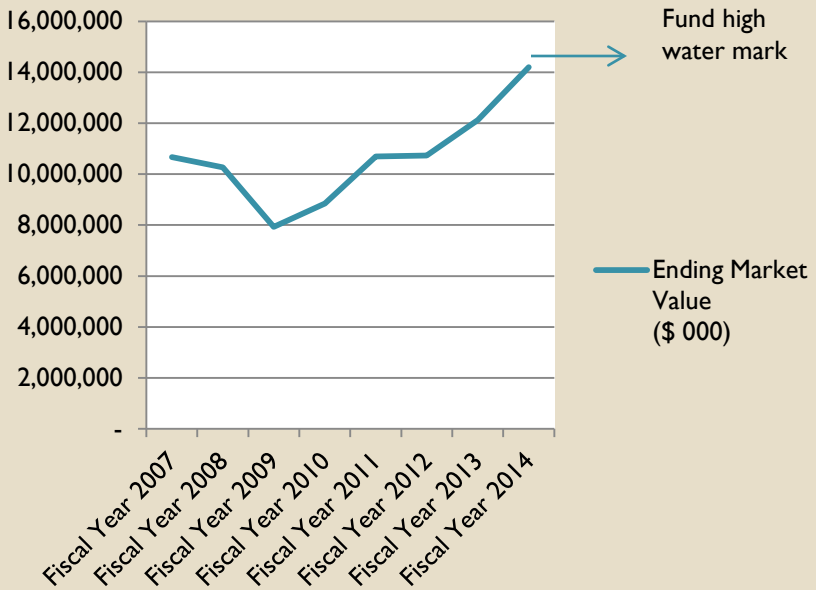
Severance Tax Permanent Fund 2007-2014 assets

2007: $4.7 billion
2014: $4.6 billion
Growth: -$100 million



Land Grant Permanent Fund 2007-2014 assets

2007: $10.7 billion
2014: **$14.2 billion**
Growth: $3.5 billion



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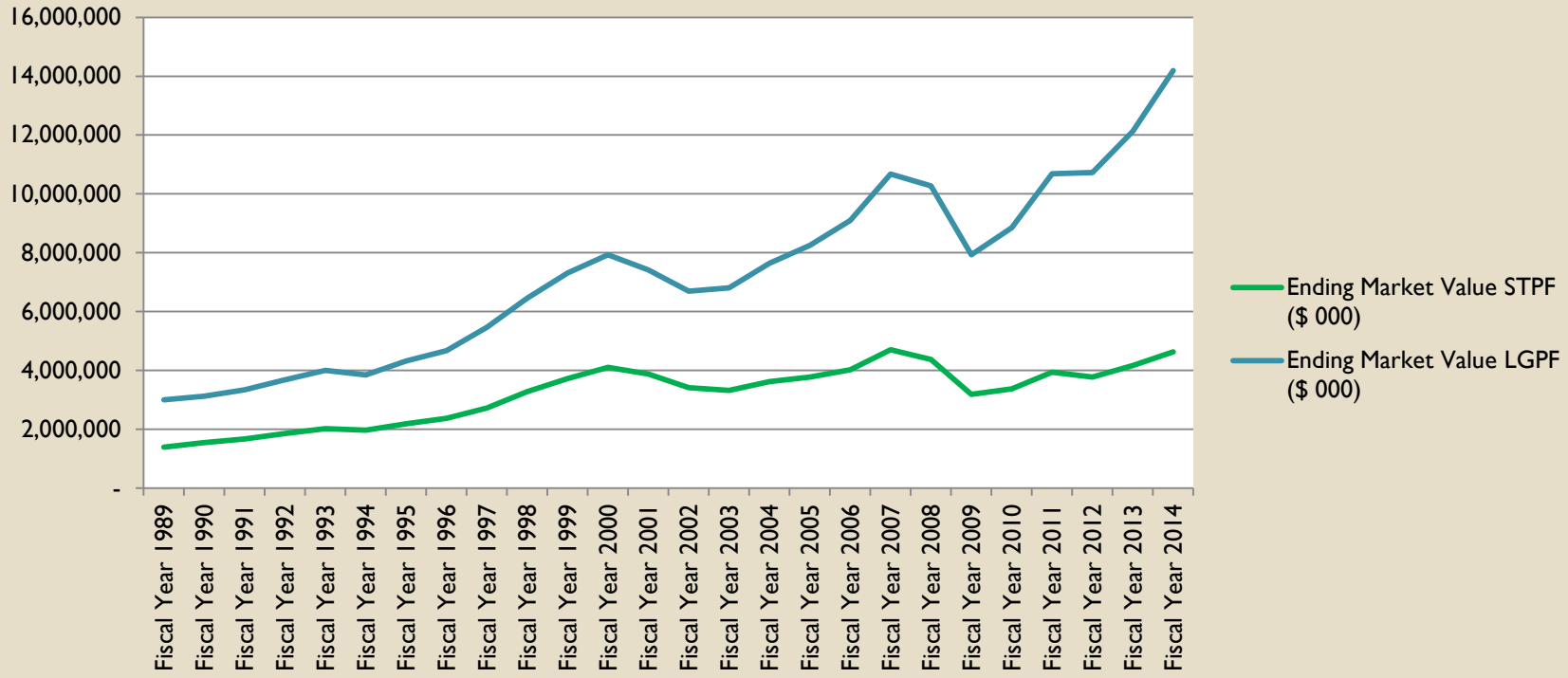
Land Grant vs. Severance Tax Funds

- LGPF: record inflows, record highs
- STPF: inconsistent inflows, delayed recovery



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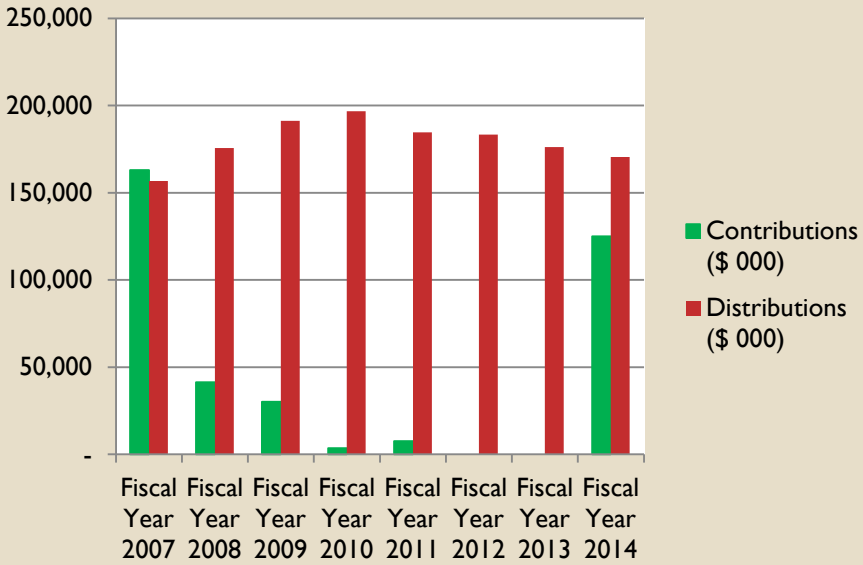
Contributions and Compounding

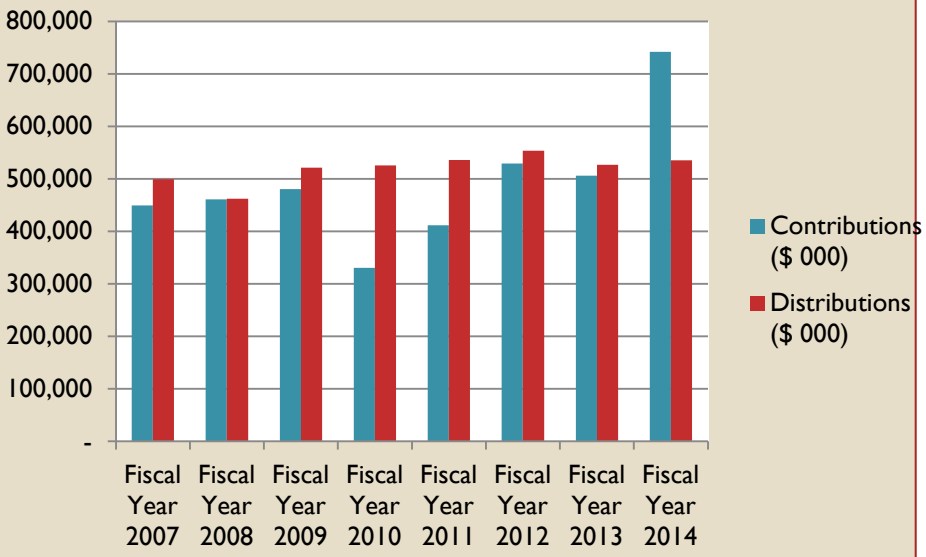
Severance Tax Permanent Fund in & outflows 2007-2014

- Inconsistent contributions for extended market cycles



Land Grant Permanent Fund in & outflows 2007-2014

- Strong contributions every month



- 2014 return assumptions & correlations

Asset Class	Arithmetic Return Assumption	Standard Deviation Assumption
Broad US Equity	7.30	17.80
Broad International Equity	8.55	20.55
Int. Duration Fixed Income	4.00	6.00
Diversified Hedge Funds	6.75	9.75
NMSIC Real Return	7.99	11.76
NMSIC Real Estate	7.75	14.64
Private Equity	11.00	29.00
NMSIC Venture Capital	9.42	23.28
Cash Equivalents	2.25	3.00

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Allocation Comparisons

- Potential portfolio weights considered

	Min	Max	1	2	3	4	5	6	7	8	9	10	Current LGPF	LT Target LGPF	Potential #1	Potential #2
Broad US Equity	**22**	**37**	28	27	27	27	27	27	27	27	29	33	**36**	**31**	**28**	**31**
Broad International Equity	**12**	**13**	12	13	13	13	13	13	13	13	13	13	**14**	**15**	**13**	**13**
Int. Duration Fixed Income	**15**	**25**	25	24	23	22	22	21	20	19	17	15	**23**	**16**	**18**	**17**
Diversified Hedge Funds	**5**	**7**	7	7	7	7	7	7	7	7	7	5	**7**	**8**	**7**	**5**
NMSIC Real Return	**6**	**12**	12	12	12	12	12	12	12	12	12	12	**9**	**10**	**12**	**12**
NMSIC Real Estate	**6**	**10**	10	10	10	10	10	10	10	10	10	10	**7**	**10**	**10**	**10**
Private Equity	**6**	**12**	6	7	8	9	9	10	11	12	12	12	**5**	**10**	**12**	**12**
Cash Equivalents	**0**	**0**	0	0	0	0	0	0	0	0	0	0	**0**	**0**	**0**	**0**
Total			100	100	100	100	100	100	100	100	100	100	**100**	**100**	**100**	**100**
Capital Appreciation			50	50	51	52	53	54	55	56	58	62	**57**	**60**	**57**	**60**
Capital Preservation			26	25	25	24	23	22	21	20	18	16	**24**	**17**	**19**	**18**
Alpha			7	7	7	7	7	7	7	7	7	5	**7**	**8**	**7**	**5**
Inflation			17	17	17	17	17	17	17	17	17	17	**12**	**16**	**17**	**17**
Expected Return			**6.94**	**7.00**	**7.06**	**7.13**	**7.19**	**7.26**	**7.32**	**7.38**	**7.45**	**7.51**	**6.92**	**7.40**	**7.40**	**7.45**
Risk (Standard Deviation)			**10.87**	**11.06**	**11.28**	**11.49**	**11.72**	**11.94**	**12.17**	**12.41**	**12.72**	**13.17**	**11.63**	**12.72**	**12.50**	**12.85**
Return (Compound)			6.39	6.43	6.47	6.52	6.55	6.60	6.64	6.67	6.70	6.71	**6.29**	**6.65**	**6.68**	**6.69**
Return/Risk Ratio			0.64	0.63	0.63	0.62	0.61	0.61	0.60	0.59	0.59	0.57	**0.60**	**0.58**	**0.59**	**0.58**
RVK Expected Eq Beta (LC US Eq = 1)			0.57	0.58	0.59	0.60	0.61	0.62	0.63	0.64	0.66	0.69	**0.63**	**0.66**	**0.64**	**0.67**
RVK Liquidity Metric (T-Bills = 100)			67	67	66	65	65	64	63	63	63	64	**73**	**65**	**63**	**64**

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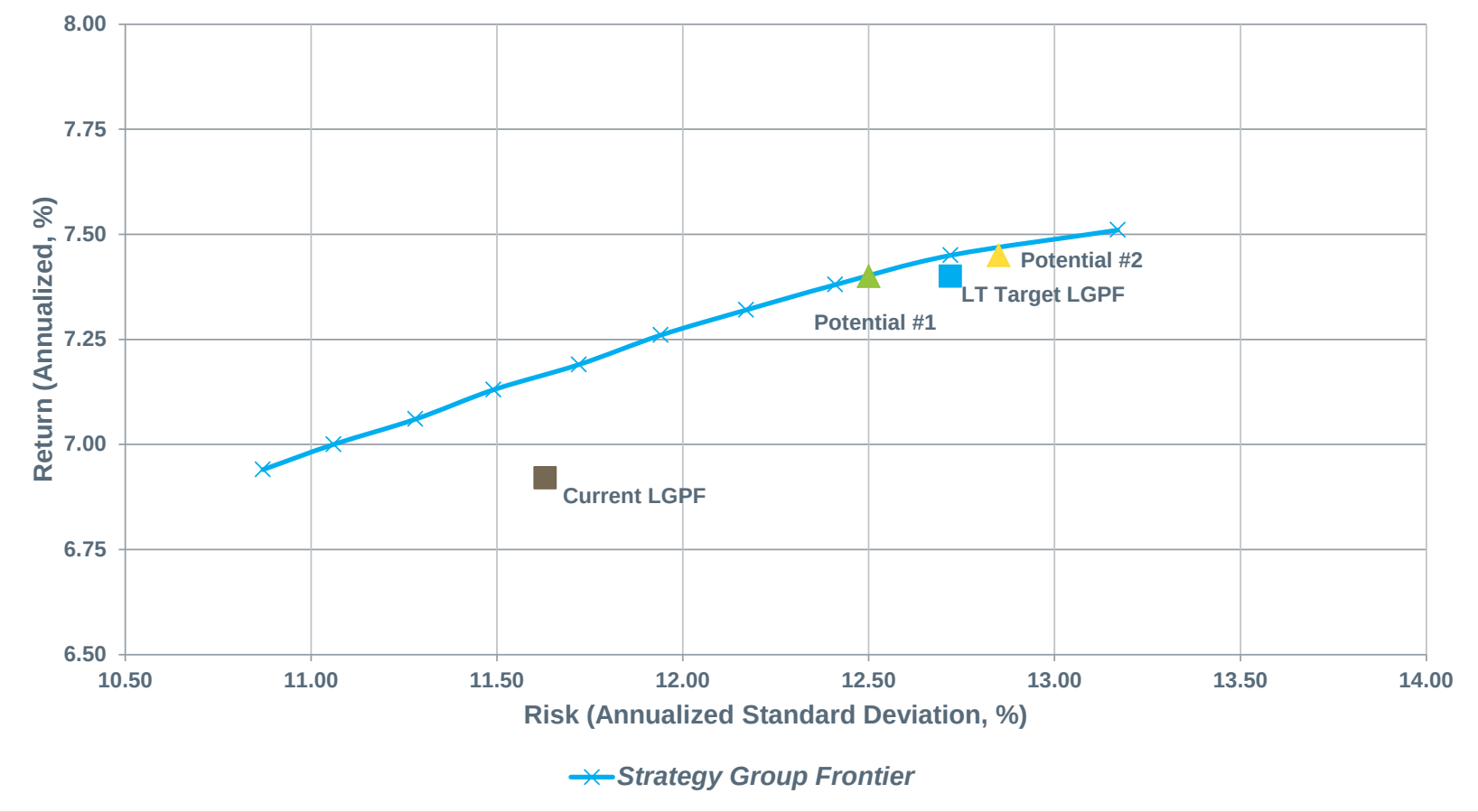
Finding the Most Efficient Portfolio

- Portfolio chosen based on risk/return assumptions