



New Mexico State Investment Council



INVESTMENTS & PENSIONS OVERSIGHT COMMITTEE

INVESTMENT PERFORMANCE THROUGH SEPTEMBER 30, 2013 & LEGISLATIVE AGENDA

NOVEMBER 7, 2013



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Permanent Fund Values

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- SIC assets under management \$17.837 billion as of September 30, 2013

NMSIC Total Fund - Schedule of Investable Assets

Periods Ending	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	%Return
CYTD	16,272,051,380	-138,166,009	1,703,931,897	17,837,817,268	10.52

- Calendar year to date investment returns: 10.5% outpacing 7.5% annual target
- Investment gains of \$1.7B in 2013
- Fund distributions exceed contributions by \$138M – primarily due to limited STPF in-flows



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Permanent Fund Values

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- AUM up approximately \$375 million since 9/30/13
- Est. Fund values as of 11/5/13: \$18.21 billion
- LGPF: \$12.93 billion
- STPF: \$4.37 billion
- Tobacco: \$187.6 million
- Water: \$46.7 million
- NM Clients: \$ 675.7 million



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Asset Allocation & Strategic Shift

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- **2011 allocation study: diversify, create income**
 - Decrease public equity exposure, decrease volatility
 - Invest in income-producing strategies:
 - ✦ Real assets: energy, infrastructure, timber, etc.
 - ✦ Real estate: core & value-add
 - ✦ Credit: distressed & floating-rate debt

	9/30/13 Asset Allocation (\$)	Asset Allocation (%)	Interim Target (%)	Current Differences (%)	Long-term Target (%)
Land Grant Total Fund Composite	12,679,695,187	100.00	100.00	0.00	100.00
US Equity	4,473,052,495	35.28	35.00	0.28	31.00
Non-US Equity	1,812,979,846	14.30	15.00	-0.70	15.00
Fixed Income	2,862,259,229	22.57	20.00	2.57	16.00
Absolute Return	864,074,971	6.81	7.00	-0.19	8.00
Private Equity	1,201,593,994	9.48	10.00	-0.52	10.00
Real Estate	820,743,528	6.47	8.00	-1.53	10.00
Real Return	435,018,207	3.43	5.00	-1.57	10.00
Cash Equivalent	209,972,918	1.66	0.00	1.65	0.00



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Investment Returns as of 9/30/13

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- Investment returns improving against policy index and benchmarks over time

	MTD	QTD	FYTD	CYTD	1 Year	3 Years	5 Years	10 Years
NMSIC Total Fund Composite	3.00	4.37	4.37	10.52	12.82	10.34	6.85	7.00
Land Grant Total Fund Composite	3.01	4.39	4.39	10.63	12.86	10.35	7.03	7.13
<i>Land Grant Policy Index</i>	<i>3.12</i>	<i>4.19</i>	<i>4.19</i>	<i>10.27</i>	<i>12.56</i>	<i>11.40</i>	<i>7.90</i>	<i>7.04</i>
Difference	-0.11	0.20	0.20	0.36	0.30	-1.05	-0.87	0.09
Severance Tax Total Fund Composite	2.91	4.24	4.24	9.86	12.17	9.94	5.96	6.44
<i>Severance Tax Policy Index</i>	<i>3.12</i>	<i>4.19</i>	<i>4.19</i>	<i>10.27</i>	<i>12.56</i>	<i>11.40</i>	<i>7.67</i>	<i>7.12</i>
Difference	-0.21	0.05	0.05	-0.41	-0.39	-1.46	-1.71	-0.68

- STPF performance lag attributable primarily to Economically Targeted Investments (ETIs)



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Investments Versus Benchmarks, 9/30/13

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- Wilshire Trust Universe Comparison Service (TUUCS)
- Public Funds larger than \$1B
- Returns for period & ranking among peer funds

<u>Percentile Rankings</u>	<u>1 Qtr</u>	<u>2 Qtrs</u>	<u>3 Qtrs</u>	<u>1 Year</u>	<u>2 Years</u>	<u>3 Years</u>	<u>4 Years</u>	<u>5 Years</u>	<u>7 Years</u>	<u>10 Years</u>
LAND GRANT	4.39 (65)	5.39 (35)	10.64 (39)	12.86 (46)	15.44 (26)	10.35 (45)	10.90 (26)	7.03 (84)	5.28 (68)	7.13 (78)
SEVERANCE TAX	4.24 (75)	5.07 (48)	9.85 (61)	12.16 (62)	14.20 (50)	9.94 (63)	10.14 (62)	5.96 (97)	4.40 (97)	6.44 (97)

- LGPF 1-4 year track records above median
- Longer investment periods, 3rd/4th quartile, but improving
- 10-year annualized returns of 7.13% below long-term 7.5% target



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SIC Legislation for 2014

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- **Constitutional Amendment**
 - Increases standard of care requirement for LGPF
 - Removes dated cap of 15% international stocks
 - ✦ Permissive & does not *require* additional international investment
 - ✦ Allows Council as fiduciaries to invest prudently under Uniform Prudent Investor Act
 - Brings SIC statute into better alignment with PERA, ERB & nearly all institutional investors
- **STPF Inflows**
 - Draft being finalized
 - Working group: LFC, LCS, DFA & SIC staff