



New Mexico Private Equity Investment Program

Q1 2014 Review

August 2014



New Mexico Private Equity Investment Program Overview

- The New Mexico Private Equity Investment Program (“NMPEIP” or “Program”) was established in 1993 to make investments into private equity funds which in turn invest into NM-based companies
- For many years the Program was managed as a differential rate (below market rate) program
- Since 2004, the Program has been managed with financial returns as the primary focus
 - Fiduciary-based approach with economic development benefits as a secondary consideration
 - “Prudent Investor” investment standard vs. differential rate investments
- Financial returns significantly improved since 2004¹
- With Sun Mountain as the Program Advisor no third party marketers or placement agents have been used and no placement fees have been paid



NMPEIP Financial Performance Comparison

1993-2003 vs. 2004-Present

Metric	1993-2003	2004-Present	Difference
Internal Rate of Return	-18.2%	4.4%	+22.6%
Since Inception Returns	-\$56.5M	\$35.6M	\$92.1M
Distributions to the SIC	\$5.0M	\$113.6M	\$108.6M
Non-Program Investment Into NM-based Companies	\$0.5B	\$1.4B	+180%

Source: Invient (SIC's private equity record keeper) as of 3/31/14

Program focused on economic development

Program focused on financial returns
Advisor - Sun Mountain Capital



2014 NMPEIP Allocation and Pacing Plan Overview

- In 2014 the New Mexico State Investment Council approved a target allocation and pacing plan for the New Mexico Private Equity Investment Program
- Approved allocation target for the NMPEIP was 5% of STPF
- Approved pacing plan to achieve 5% allocation target
 - Average annual commitment pacing of \$30-40 million, consistent with historical pacing levels that have produced competitive financial returns for the program
 - Current plan calls for over \$150 million to be invested in New Mexico over the next 5 years
- The plan will be reviewed annually and the target raised or lowered based on the performance of the Program and other factors



NMPEIP Q1 2014 Update Summary

- Program is in compliance with the statute
 - \$248.7 million in net deployed capital versus a statutory cap of \$405.48 million
 - Program’s net deployed capital represents 5.5% of the Severance Tax Permanent Fund (“STPF”), on track to achieve the NMPEIP’s long term target allocation of 5.0%
 - Individual company ownership concentration levels are below statutory caps
- Program financial performance has improved since 2004
 - Program IRR since inception has improved from -18.2% to -0.6%
 - NMPEIP investments have performed in line with national venture benchmarks
- Program funds and their portfolio companies continue to make progress
- Program impact on New Mexico is substantial
 - 29 funds have received commitments and invested in 67 New Mexico-based companies
 - Capital multiplier of 6.5x has resulted in over \$2.0 billion of capital invested into NM companies



NMPEIP Status Overview and Summary of Partnership Commitments

Unaudited Performance Data as of 3/31/14	
Number of Fund Commitments	29
Capital Committed (Total)	\$392.1
Capital Committed (Net of Dist.'s Received)	\$273.5
Capital Drawn	\$367.2
% of Capital Committed (Total)	93.7%
Distributions Received	\$118.6
% of Capital Drawn	32.3%
Outstanding Deployed Capital	\$248.7
Outstanding Deployed Capital as % of STPF	5.5%
Portfolio Carrying Value	\$226.0
Total Portfolio Value	\$344.5
% of Capital Drawn	93.8%
Portfolio Multiple of Invested Capital	0.9x
Portfolio IRR	-0.6%

Note: Returns calculated using reported Carrying Values as of 3/31/14 and data provided by Inviert
 Severance Tax Permanent Fund ("STPF") currently \$4,505.311 million as of 3/31/14

All Fund Commitment Summary as of 3/31/14	Commitment		Funded To Date	Percent Funded	NM Invest ¹	Investment Value (\$) ²			Return ²		Fund Liquidated	
	Vintage	Dollars				% of Fund	Realized	Unrealized ³	Total	Multiple		IRR
ARCH Venture Fund II, L.P.	1993	\$1.2	3.9%	\$1.2	100.0%	\$67.1	\$4.3	\$0.0	\$4.3	3.53x	44.8%	Yes
ARCH Venture Fund III, L.P.	1996	\$4.0	3.7%	\$4.0	100.0%	\$0.0	\$3.7	\$0.1	\$3.8	0.95x	-0.8%	In Process
CVM Equity Fund V	1998	\$3.0	2.6%	\$3.0	100.0%	\$1.1	\$1.7	\$0.0	\$1.7	0.58x	-6.1%	Yes
Murphree Venture Partners IV, L.P.	1998	\$4.0	13.8%	\$4.0	100.0%	\$4.9	\$0.1	\$0.0	\$0.1	0.02x	-71.8%	Yes
Tullis/Dickerson Capital Focus II, L.P. ⁴	1998	\$5.0	10.0%	\$5.0	100.0%	\$10.1	\$2.4	\$1.6	\$4.0	0.79x	-2.0%	Yes
Valley Ventures II, L.P.	1998	\$3.0	50.0%	\$3.0	100.0%	\$18.4	\$2.6	\$0.0	\$2.6	0.87x	-1.6%	Yes
Vestor Partners, L.P.	1998	\$2.5	24.0%	\$2.4	94.0%	\$0.0	\$0.6	\$0.0	\$0.6	0.27x	-16.4%	Yes
International Venture Fund I, L.P.	2000	\$5.0	30.0%	\$5.0	100.0%	\$9.6	\$0.0	\$1.5	\$1.5	0.30x	-9.7%	In Process
Murphree Venture Partners V, L.P.	2000	\$3.0	20.0%	\$3.0	100.0%	\$2.2	\$0.9	\$2.0	\$3.0	1.00x	-0.4%	In Process
Red River Ventures, L.P.	2000	\$7.2	5.5%	\$7.2	100.0%	\$12.8	\$3.6	\$1.8	\$5.4	0.76x	-5.0%	
Tullis/Dickerson Capital Focus III, L.P. ⁴	2001	\$15.0	11.8%	\$15.0	100.0%	\$51.4	\$13.3	\$5.7	\$18.9	1.26x	5.5%	
Wasatch Venture Fund III, LLC	2001	\$8.7	12.4%	\$8.7	100.0%	\$41.3	\$4.0	\$2.5	\$6.4	0.74x	-5.7%	
Altira Technology Fund IV, L.P.	2002	\$10.0	15.6%	\$10.0	100.0%	\$14.3	\$14.1	\$1.7	\$15.8	1.58x	7.8%	
Blue Sage Capital, L.P.	2002	\$10.0	6.9%	\$7.6	76.4%	\$10.0	\$17.7	\$11.1	\$28.9	3.78x	22.8%	
ITU Ventures West I, L.P.	2002	\$15.0	53.6%	\$15.0	100.0%	\$15.3	\$5.9	\$0.1	\$6.0	0.41x	-15.5%	Yes
Valley Ventures III, L.P.	2002	\$6.7	15.0%	\$6.5	98.0%	\$14.9	\$1.0	\$0.9	\$1.9	0.29x	-17.7%	
New Mexico Co-Investment Partners, L.P. ⁵	2003	\$26.0	100.0%	\$62.0	100.0%	\$161.7	\$12.5	\$0.7	\$13.2	0.21x	-22.8%	
vSpring II, L.P. ⁴	2003	\$20.0	23.6%	\$20.0	100.0%	\$91.8	\$0.0	\$6.1	\$6.1	0.31x	-14.1%	
Flywheel I, L.P.	2004	\$15.0	46.9%	\$15.0	100.0%	\$52.4	\$8.0	\$8.3	\$16.2	1.08x	1.2%	
Verge I, L.P.	2004	\$10.0	47.6%	\$10.0	100.0%	\$50.6	\$2.5	\$9.0	\$11.5	1.15x	2.1%	
Wasatch New Mexico Fund, LLC	2004	\$12.0	17.1%	\$12.0	100.0%	\$46.9	\$0.0	\$3.5	\$3.5	0.29x	-18.1%	
ITU Ventures III NM, L.P.	2005	\$2.3	1.9%	\$2.3	100.0%	\$0.0	\$0.1	\$0.0	\$0.1	0.04x	-73.6%	Yes
Psilos Group Partners IIIB, L.P.	2005	\$15.0	5.0%	\$13.8	92.0%	\$28.8	\$8.0	\$11.9	\$20.0	1.45x	8.4%	
Village Ventures Fund II-B, L.P.	2006	\$15.0	10.7%	\$14.5	96.6%	\$3.2	\$5.0	\$26.7	\$31.7	2.19x	17.0%	
NMSIC Co-Investment Fund, L.P. (Classic)	2007	\$30.0	100.0%	\$26.1	87.1%	\$347.2	\$4.2	\$25.1	\$29.3	1.12x	3.6%	
NMSIC Co-Investment Fund, L.P. (Focused)	2007	\$62.5	100.0%	\$60.7	97.0%	\$780.6	\$1.9	\$70.9	\$72.8	1.20x	4.1%	
vSpring III, L.P. ⁴	2007	\$15.0	9.9%	\$15.0	100.0%	\$18.0	\$0.3	\$10.8	\$11.1	0.74x	-6.7%	
EPIC Venture Fund IV, LLC	2008	\$10.0	17.2%	\$7.7	77.0%	\$7.3	\$0.0	\$11.6	\$11.6	1.48x	11.5%	
NMSIC Co-Investment Fund, L.P. (2013)	2013	\$20.0	100.0%	\$7.6	37.9%	\$6.6	\$0.0	\$12.6	\$12.6	1.63x	N/A	
Program Totals		\$392.1	11.1%⁶	\$367.2	93.7%	\$1,868.6	\$118.6	\$226.0	\$344.5	0.9x	-0.6%	10 of 29

Source: Inviert reporting

Notes:

- 1) Includes both direct fund investments and caused to invest dollars into New Mexico companies. Sourced from Inviert reporting, GP reporting and Sun Mountain Capital analysis
- 2) Investment Values and Return calculations based upon asset values from 3/31/14
- 3) Fair Market Value as determined by Fund GPs under FASB 157 as of the report date
- 4) Firm managing the fund has changed name: Tullis/Dickerson is now called Tullis Health Investors, vSpring is now called Signal Peak Capital
- 5) New Mexico Co-Investment Partners, L.P. data includes one SIC direct investment for reporting purposes
- 6) Total NMPEIP commitment as a percentage of combined fund sizes; excludes the co-investment funds



NMPEIP Carrying Value Quarter Over Quarter

NM PEIP Changes in Q4 2013 Reported Value

	<i>Early VC</i>	<i>Later VC</i>	<i>Buyout</i>	<i>Total</i>
Reported Valuation as of Q3 2013	\$121.9	\$83.9	\$13.4	\$219.1
Contributions to General Partners	\$3.4	\$0.2	\$0.0	\$3.6
Distributions from General Partners	(\$2.2)	(\$0.2)	\$0.0	(\$2.4)
Change in Value	\$11.1	\$0.5	(\$0.1)	\$11.5
Reported Valuation as of Q4 2013	\$134.1	\$84.5	\$13.3	\$231.9

Source: Invient reporting

NM PEIP Changes in Q1 2014 Reported Value

	<i>Early VC</i>	<i>Later VC</i>	<i>Buyout</i>	<i>Total</i>
Reported Valuation as of Q4 2013	\$134.1	\$84.5	\$13.3	\$231.9
Contributions to General Partners	\$1.8	\$0.3	\$0.0	\$2.0
Distributions from General Partners	(\$6.1)	\$0.0	\$0.0	(\$6.1)
Change in Value	(\$1.3)	(\$0.2)	(\$0.4)	(\$1.8)
Reported Valuation as of Q1 2014	\$128.5	\$84.5	\$12.9	\$226.0

Source: Invient reporting



Recent NMPEIP Vintages Tracking National Benchmarks

- Since 2004, performance has tracked national venture capital benchmarks
 - 50% of vintages are above median and 83% are in the top three quartiles

<u>2004-Present</u>	<u>Vintage</u>	<u>Cumulative</u>
1 st quartile:	33%	33%
2 nd quartile:	17%	50%
3 rd quartile:	33%	83%
4 th quartile:	17%	100%

NMPEIP v National Benchmarks

Vintage	NMPEIP Net IRR	Cambridge Associates Quartile	Thomson Quartile
1993	44.8%	Second	First
1994	--	N/A	N/A
1995	--	N/A	N/A
1996	(0.8%)	Fourth	Fourth
1997	--	N/A	N/A
1998	(20.7%)	Fourth	Fourth
1999	--	N/A	N/A
2000	(5.6%)	Third	Fourth
2001	1.4%	Second	Second
2002	(2.5%)	Third	Third
2003	(20.2%)	Fourth	Fourth
2004	(4.8%)	Third	Fourth
2005	(1.4%)	Fourth	Third
2006	17.0%	First	First
2007	2.4%	Fourth	Third
2008	11.5%	Second	Second
2009	--	N/A	N/A
2010	--	N/A	N/A
2011	--	N/A	N/A
2012	--	N/A	N/A
2013	N/A	First	First

Source: Invient reporting (as of 3/31/14) and most recently available national benchmarks (Cambridge Associates as of 12/31/13 and Thomson data as of 6/30/13)

Note: No fund commitments were made in years labeled "--"



NMPEIP Activity Highlights

NMPEIP Funds

- **NMSIC Co-Investment Fund (Classic)**
 - In Q1 2014 the Classic Fund made a significant distribution related to the acquisition of Lumidigm
- **New Mexico Co-Investment Partners**
 - In Q1 2014, New Mexico Co-Investment Partners made a significant distribution related to the acquisition of Lumidigm
- **Valley Ventures III**
 - Following the close of Q1 2014, Valley Ventures III completed the IPO of portfolio company Vital Therapies
- **Verge I**
 - Verge I received LP permission to extend the term of the fund life until 2015

New Mexico Portfolio Companies

- **Lumidigm**
 - During Q1 2014 the acquisition of Lumidigm by HID Global was completed.
- **nanoMR**
 - In Q1 2014, the Company submitted a proposal for a grant from the Biomedical Advanced Research Development Authority (BARDA) which was awarded at end of Q2
- **Skorpios Technologies**
 - Skorpios Technologies received its first purchase order in Q1 2014
- **xF Technologies**
 - xF Technologies completed the construction of its pilot plant and began the commissioning process



67 New Mexico Companies

<i>New Mexico Companies as of 3/31/14</i>			
Advent Solar	Elisar Software	MicroOptical Devices	Skorpios Technologies
Altaview Technologies	Enerpulse	MIOX	Southwest Med Tech
Altela	Entrada	Nanocrystal	Sundrop
American Clay	Exagen Diagnostics	NanoMR	Surfact Technologies
Amtech	Figaro	Noribachi	TCI Medical
Aspen Avionics	Growstone	Nuvita	Teucrium Trading
Avasca	Holochip	OnQueue Technologies	Tred
Avisa Pharma	Infantelligence	Patchwork Systems	TriLumina
Bioreason	InnovASIC	Phase-I	TruTouch Technologies
Boomtime	Intellicyt	POSLavu	VeraLight
Comet Solutions	Introbotics	Protalex	Vertical Power
Consolidated Energy	Iosil Energy	ProtoHIT	Vibrant
Controlled Recovery	JackRabbit Systems	Puente Partners	WellKeeper
Desert Power	Kinetisis	Quasar	xF Technologies
Dining Gift Services	Lumidigm	Respira Therapeutics	Zia Laser
Earthstone	Mesofuel	Seattle Fish Company	ZTEC Instruments
Eclipse Aviation	Metaphor	Secularity	

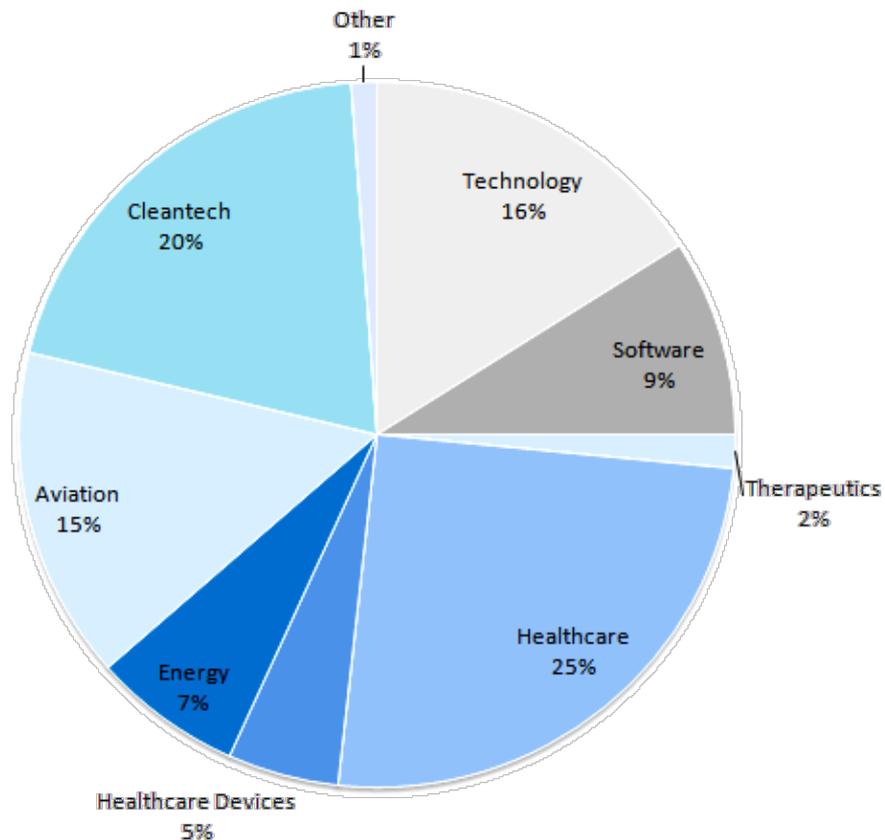
<i>Status Key</i>		
Active (38)	Exited at a Gain (10)	Exited at a Loss (19)

Note: NMPEIP participants and the SIC directly have invested in 65 New Mexico-based companies, with 2 additional companies funded by SIC National Program participants



Capital Invested by Sector: Active NMPEIP Program Sector Concentration

NMPEIP Investment by Sector: Active Companies





Significant Economic Impact

NMPEIP Impact Summary as of 3/31/14		
Total Investment in New Mexico Portfolio Companies		
A) Investment by Funds with NMPEIP Participation		\$282,954,458
B) External Investment Caused by Funds with NMPEIP Participation		\$1,853,246,997
Total VC Investment in NM Companies		\$2,143,633,454
<i>Investment Multiplier (B / A)</i>		6.5x
Categorization of NM Portfolio Companies		
Active Companies	38	56.7%
Companies Exited at a Gain	10	14.9%
Companies Exited at a Loss	19	28.4%
Number of Companies funded	67	100.0%
NM Economic Impact		Q1 2014
NM Purchases		\$29,593,142
NM Payroll		\$22,533,021
NM Economic Impact		\$52,126,163
Total Current Full-Time Jobs		1,379
Average Salary of Jobs Created		\$65,360
Average Salary in New Mexico ¹		\$40,905

Source: Survey of participating NMPEIP fund managers and NM companies

¹ Source: New Mexico wage and salary disbursements and total wage and salary employees from the U.S. Dept. of Commerce, Bureau of Economic Analysis. Average determined by dividing disbursements by employees



Summary of Key Points

- Program is currently in compliance and is evaluating potential new commitments per the approved pacing plan
- Program financial returns are improving steadily
 - Since 2004, NMPEIP investments have performed in line with national benchmarks and have produced a positive financial return for the NMSIC
- Program is having a significant positive impact on the New Mexico economy



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