



NEW MEXICO STATE INVESTMENT COUNCIL



SCIENCE TECHNOLOGY & TELECOMMUNICATION COMMITTEE

STATE PRIVATE EQUITY INVESTING FOR
TECHNOLOGY COMMERCIALIZATION

NMSU, LAS CRUCES
SEPTEMBER 4, 2014

STATE INVESTMENT OFFICER STEVE MOISE
DIR. COMMUNICATIONS CHARLES WOLLMANN



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SIC Overview



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- **Total assets under management:**
 - Record high close for fiscal year: **\$19,814,031,173**
 - FY 14 total assets 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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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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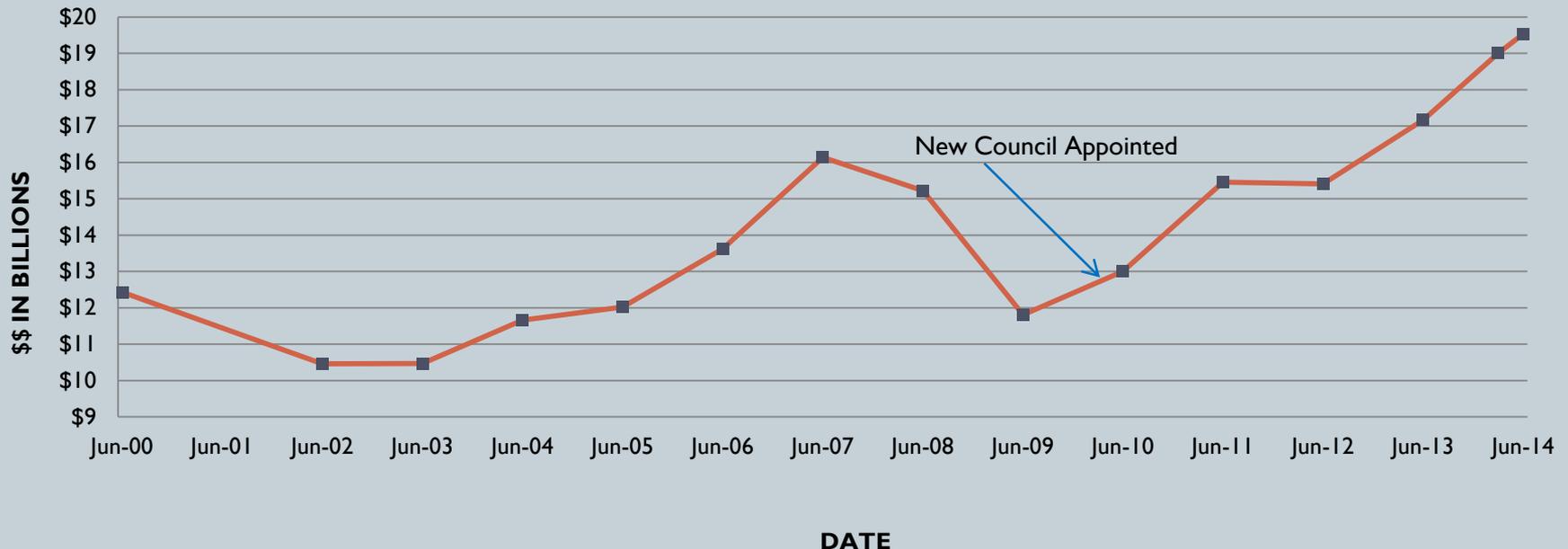
Permanent Fund Growth



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

Assets Under Management 2000 - 2014





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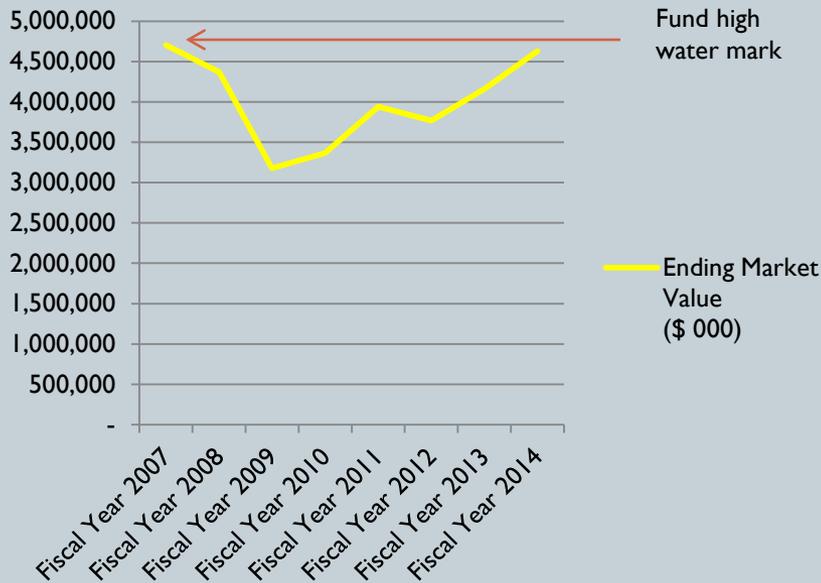
Growth of the Funds



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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





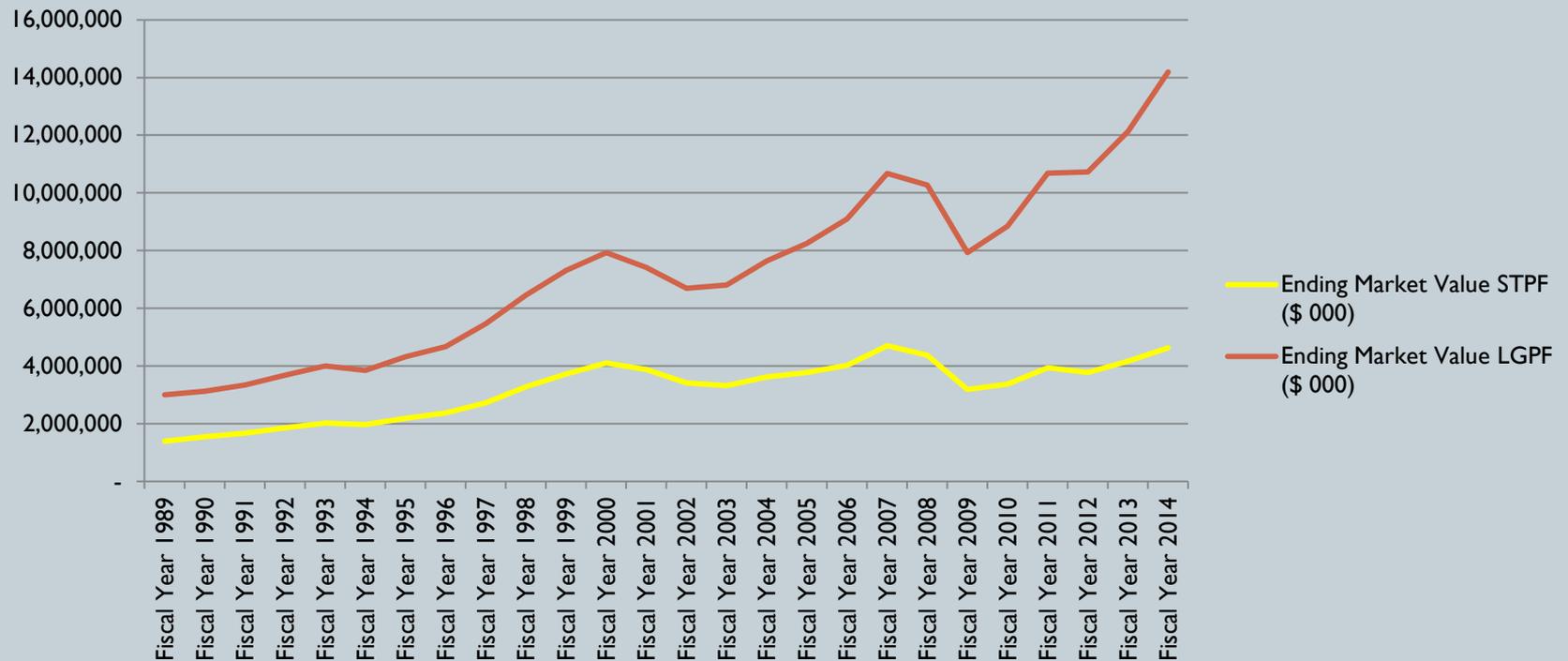
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Land Grant vs. Severance Tax Funds



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





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Contributions and Compounding

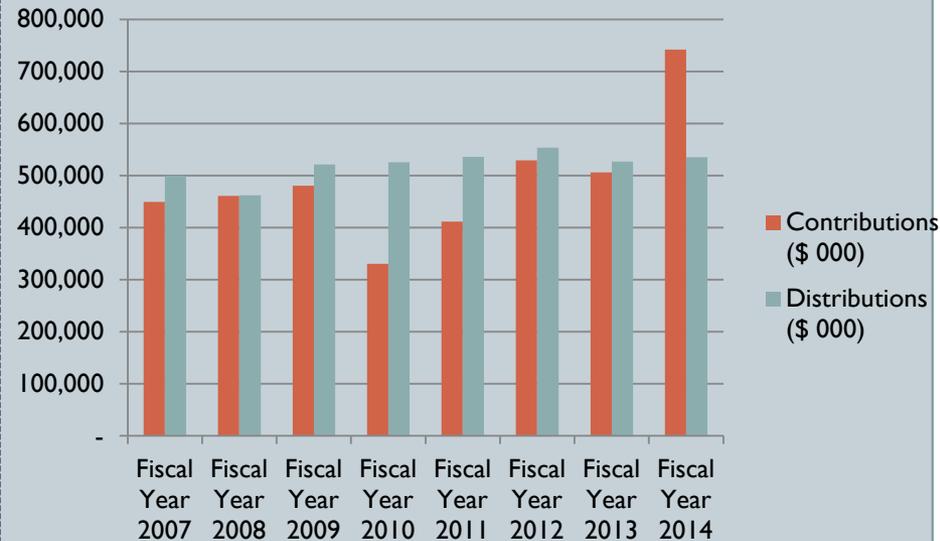
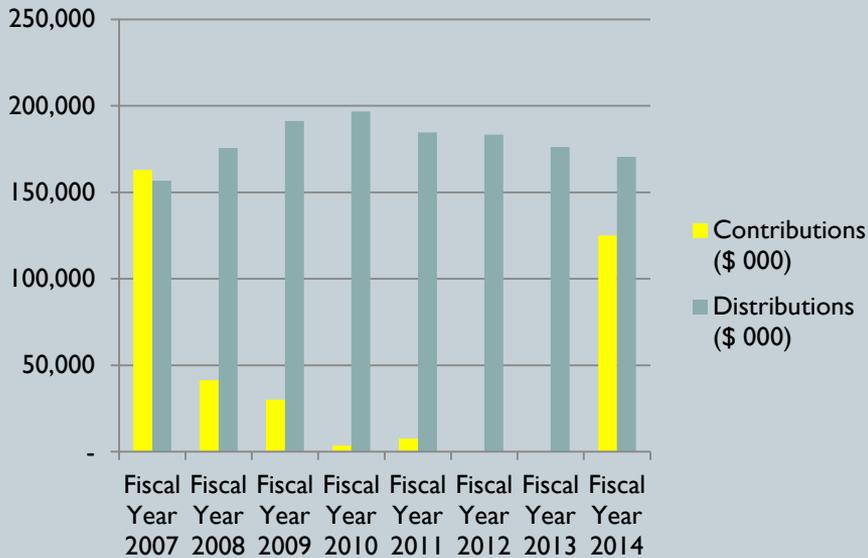


Severance Tax Permanent Fund in & outflows 2007-2014

Land Grant Permanent Fund in & outflows 2007-2014

- Inconsistent contributions for extended market cycles

- Strong contributions every month





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Severance Tax Returns



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- Impact of Economically Targeted Investments on returns
 - LFC: up to 1% opportunity cost/year (\$40 million)
 - Today, less impact, fewer ETIs deployed, change of focus
 - ✦ No new film loans since 2008
 - ✦ SBIC: no new venture investments, no additional losses
 - ✦ NM Private Equity Program: seeking market rates of return





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Severance Tax Statute



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- **NMSA 1978, § 7-27-5**
 - Allows for differential (below market) rate of return on investments which also create jobs/benefit NM's economy
- **Most prominent ETI Investments**
 - **NM Private Equity**
 - ✦ 1994-present: \$392M committed; 67 NM companies; 39 still active;
 - ✦ Returns: 1994-2004: -18%; 2004-present: 4.4%; \$70M committed since 2013
 - **Film Investments**
 - ✦ 2001-2008: 25 loans, \$239M; \$0 losses or defaults
 - ✦ Returns: \$1.5M in income on 2 films
 - **Small Business Investment Corp.**
 - ✦ \$47.1M in funding directed by legislative mandate in 2007; no Council discretion
 - ✦ Returns: \$0; Current value \$37M after \$9M in early-stage venture write offs



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NM ETI Summary



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- **More than 70% of STPF legislatively authorized for ETIs**
 - Majority of programs no longer viable, active, or financially attractive
 - Mortgages, R&D bonds for education, prison & state building bonds
 - Other ETI proposals: solar/clean energy; fine art/music instruments
- **All ETIs at fiduciary discretion of the Council**
 - Excluding SBIC: board of 6 appointed by Governor, and one STO designee
- **Council pacing \$30M-\$40M/year to NM private equity**
 - Recent program history shows growing promise of positive returns with longer-term job creation
 - Council to revisit NM PE investment target annually
 - Sun Mountain Capital to manage co-investments