



New Mexico State Investment Council



NM PRIVATE EQUITY INVESTMENT PROGRAM OVERVIEW

**SCIENCE, TECHNOLOGY AND
TELECOMMUNICATIONS COMMITTEE
NOVEMBER 8, 2012**



NM Private Equity Investment Program

Basic Overview of NMPEIP

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- **Program created by statute in 1993**
 - 7-27-5.15 NMSA 1978
- **One of several ‘differential rate’ (below market-rate) programs legislatively authorized for investment**
 - Economically Targeted Investments (ETIs)
 - Only from Severance Tax Permanent Fund
 - Others: SBIC; film loans; bonds for state capitol buildings, universities, correctional facilities
- **Goal: to invest in private equity funds, which then invest in NM-based companies**
 - NMPEIP focus: tech transfer from universities & National Labs



NM Private Equity Investment Program

Shift in investment approach

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- Early years of NMPEIP, it was seen as a catalyst to help build a venture community in NM
 - Focus was not on returns, but stimulating NM economy & industry/job creation
 - Returns prior to 2004 were poor, -18%
- NMPEIP investment *can be below* “market rate”, but current Council does not want it operated that way
 - Investment returns are paramount. If an investment is a good one, economic development benefits will follow
- By statute, SIC “*may*” make these investments, not “*shall*”



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Program growth & impact on returns

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- **Program has grown significantly since inception**
 - Expanded from 3% of STPF to 6% in 2003; to 9% in 2006
 - ✦ 9% of STPF today = \$360M
- **NMPEIP operated under Uniform Prudent Investor Act standard since 2004**
 - Investment returns have improved significantly
 - Demonstrable positive economic development impact
- **Negative impact of ETI's on STPF returns:**
 - 9/30/12 LGPF CYTD performance 12.19% (2nd percentile)
 - 9/30/12 STPF CYTD performance 11.18% (26th percentile)
 - 1% on \$4B fund = \$40M



NM Private Equity Investment Program

Program improvement & future approach

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- **Dollar target for NMPEIP being considered**
 - Council assessing appropriate allocation for portfolio
 - Council has advised Sun Mountain to bring new fund investments for consideration
- **Program still deploying funds to NM companies, primarily through the NM Co-Investment Fund**
 - Operated by Sun Mountain Capital since 2006
 - Returns since that time, slightly positive; program since inception now -3% returns overall