

Sun Mountain Capital

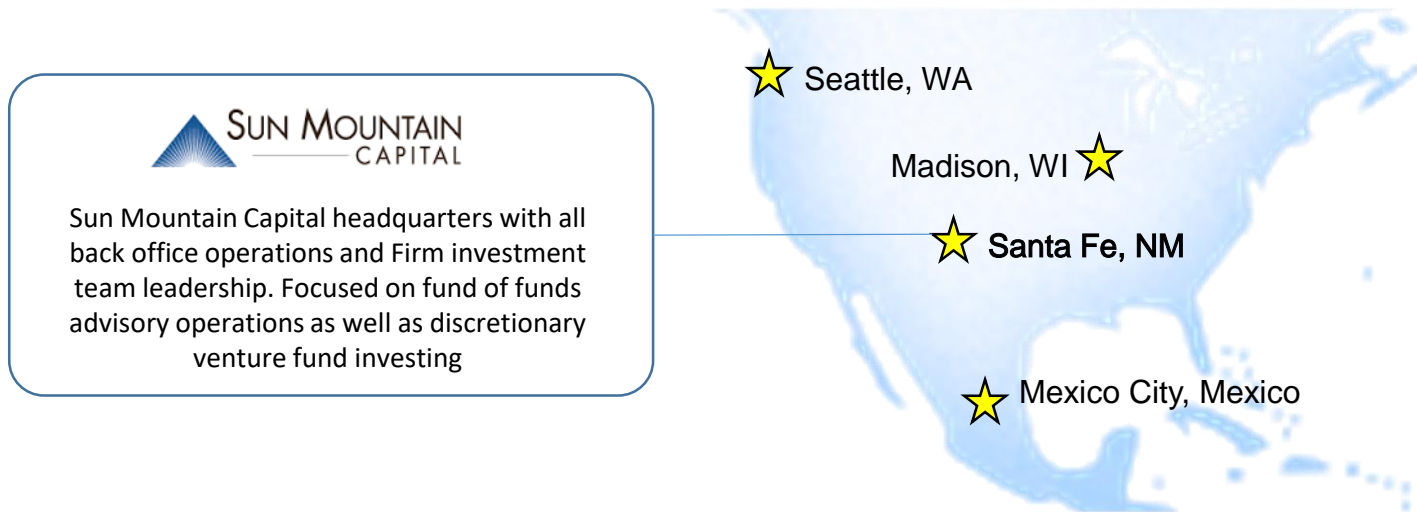


New Mexico Private Equity Program Update
Presented to the Investments and Pensions Oversight Committee

October 2017

Sun Mountain Capital - A New Mexico Success Story

- Founded in 2006 and headquartered in Santa Fe, NM with an expanding North American footprint
- A leading alternative investment manager with over \$750 million* of assets under management and advisement across venture capital, growth capital and mezzanine debt
- SEC Registered Investment Advisor** with operations in Santa Fe, Seattle, Madison and Mexico City
- Actively managing a diversified portfolio of direct investments as well as fund-of-funds vehicles
- Led by an experienced team with global expertise as equity investors, lenders and entrepreneurs



Overview of the New Mexico Private Equity Investment Program

Program Focus and SIC Strategy Since 2004*

- The New Mexico Private Equity Investment Program (NMPEIP) was created by statute in 1993, and is legally authorized to invest up to 9% of the Severance Tax Permanent Fund (STPF) in New Mexico companies
- Prior to 2004 the NMPEIP was focused on economic development which resulted in negative since inception financial returns
- Since 2004 the NMSIC has shifted the NMPEIP focus to generating financial returns, with the economic development as a secondary benefit and a result of successful investments
- The New Mexico State Investment Council (NMSIC) has set a current allocation target for the Program at 5% of the STPF, which targets \$30 to \$35 million in annual commitments**
- Financial performance of the program has improved since 2004

Fund Group	Internal Rate of Return***		
	3 yr	5 yr	Inception
NMPEIP Aggregate	6.3%	7.1%	0.9%
2004 to Present	7.5%	8.0%	5.5%
Prior to 2004	-3.9%	1.9%	-5.7%

* Source: SIC Investments & Portfolio Exposure to New Mexico Companies and Assets; Overview for the Council; April 25, 2017.

** Per the Pacing Plan approved in 2014 by the NMSIC

*** IRR data based on Invient report as of 03/31/2017. Invient manages all of the data on behalf of the NMSIC, and Sun Mountain has access to the data. 3 yr. and 5 yr. IRR data represents the IRR performance of the program for the 3 and 5 years preceding 03/31/2017, respectively. "Prior to 2004" includes all funds that received the initial commitment before 12/31/2003. "2004 to Present" includes all funds that have received the initial commitment after 1/1/2004.

The Program has Three Investment Initiatives

Fund of Funds Program*

- \$335 million of capital deployed into companies active in New Mexico by funds in the program as of March 31, 2017
- An additional \$2 billion invested into New Mexico companies by outside funds participating in investment syndicates with funds in the program
- A total of 73 companies in New Mexico funded through the program, which currently employs over 1,500 full time jobs with an average salary of greater than \$76,000 per year

Co-Investment Funds** (Numbers are included in Fund of Fund Program Totals)

- The Co-Investment Funds have deployed \$124 million of capital into companies active in New Mexico as of March 31, 2017
- The Co-Investment Funds have invested in 30 companies active in New Mexico
- Sun Mountain's Partners have been or are currently active on 24 boards of directors and play an integral role supporting company growth and development in New Mexico

Catalyst Fund

- A recent addition to the NMPEIP specifically designed to expand the reach of the NMSIC investments to a broader set of early stage New Mexico based companies
- The \$20 million Catalyst Fund is expected to result in over \$40 million of investment into New Mexico based companies by its portfolio funds***

* Numbers based on Sun Mountain Capital's internal survey of NMPEIP funds and underlying companies as of 03/31/2017. Only companies that report their data are included. If a company is sold from the NMPEIP, the most recent employment number is used. Data is accurate to the best of Sun Mountain's knowledge. Further, job numbers were corroborated by the New Mexico Economic Development Department in 2015.

** The Co-Investment Funds have been managed by Sun Mountain Capital since 2006.

***The Catalyst Fund requires at least a 50% match by other investors in the new funds created and in many cases the match is closer to 60%.

News in 2016-2017 Reflects Program Momentum

Recent New Mexico Company Investments

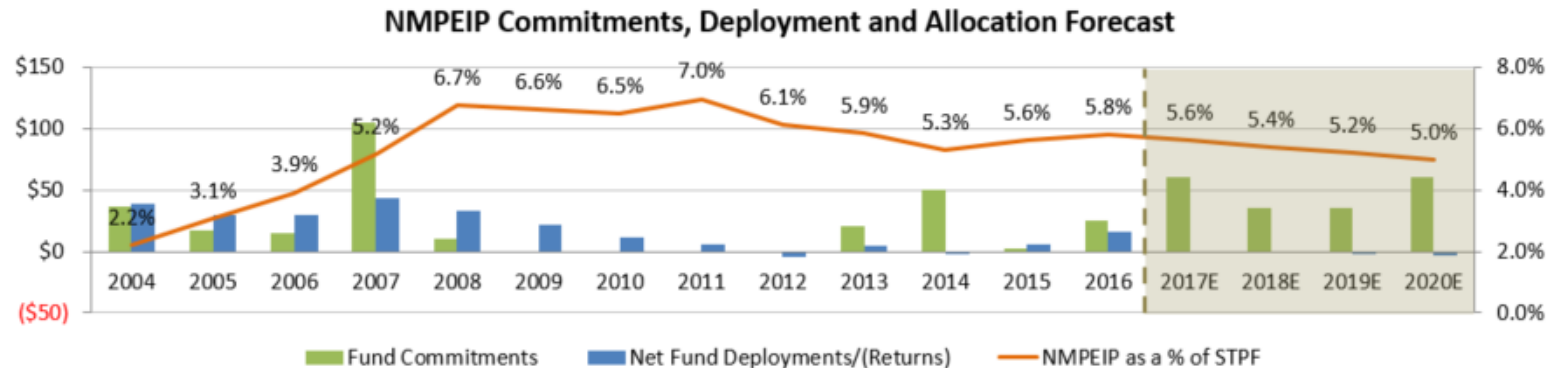
- Armonica – \$1.5M raise
- Bayotech – \$2.0M raise
- Descartes – \$30.0M raise
- Exagen Diagnostics – \$17.0M raise
- Respira – \$7.0M raise
- RiskSense – \$10.0M raise
- Robotic Skies – \$0.7M raise
- Trilumina – \$9.0M raise

A Small Sample of New Mexico Entrepreneurship in the News

- “Respira Therapeutics Announces Collaboration with United Therapeutics to Treat Pulmonary Hypertension” April 2017, prnewswire.com
- “New state Catalyst Fund announces first awards” May 2017, *Albuquerque Journal*
- “Trilumina Obtains \$9M for Sensor, Autonomous Technology Development” May 2017, *Government Technology*
- “Descartes Labs raises \$30 million to better understand Earth with AI” August 2017, *VentureBeat*
- “Robotic Skies Raises Seed Round for Drone Repair Network” August 2017, *Dronelife*
- “RiskSense Wins Four Golden Bridge Business and Innovation Awards” August 2017, prnewswire.com

Current Approved NMPEIP Pacing Plan

- In 2014 the NMSIC approved a pacing plan calling for a 5% allocation of the STPF and annual commitments of \$30-35 million
- The NMSIC has approved commitments averaging \$30.5 million per year since then
- As of March 31, 2017 the program has a net deployed capital of 5.5% of the STPF and is on pace to achieve its long-term allocation of 5.0%



- Due to the change in 2016 to the NMPEIP statute which negated the requirement for a Fund to have a full-time investment professional living in NM, many new and highly qualified funds have been entering the potential investment pipeline
- Based on future guidance from the State Investment Council with regards to returns vs an economic development focus, a new pacing plan for the NMPEIP will be approved in 2018

Next Steps for 2017 & 2018

Update the NMPEIP Investment Pacing Analysis in 2018

- Sun Mountain will look to the NMSIC to set a strategic direction with regards to investment return vs economic development strategy
- Based on this direction, a new investment target and pacing plan will be completed in early 2018 and presented to the NMSIC for approval

Continue Investing in Funds and Directly into Companies

- There is positive investment momentum with commitments being made to both funds and companies active in New Mexico – this will continue
- Look for ways to continue expanding the reach of the NMPEIP to the entrepreneurial ecosystem across the state

Increase Awareness of Attractive Investment Opportunities in NM

- New Mexico has a lot to offer with regards to technology and entrepreneurship
- This wealth of opportunity is often not recognized nationally
- Sun Mountain will continue to focus on broadening the awareness of and appreciation of the New Mexico opportunity in the national private equity investment ecosystem

Thank You for Your Time

