



## Investment Performance Quarterly Report, Fourth Quarter, FY23

State investments gained value in the fourth quarter of FY23, benefiting from the continued market rally. Moderating inflation, strong corporate earnings, and an improving economic outlook contributed to the healthy growth. Forecasters are much more optimistic of a “soft landing,” where inflation eases without the economy tipping into recession. One-year returns were strong for all funds, a notable improvement from the challenging environment in 2022. The state’s risk-averse investments generally performed worse than peer funds in the quarter and one-year period amid strong markets.

### Investment Performance Highlights

- The value of New Mexico’s combined investment holdings grew by \$1.07 billion quarter-over-quarter, to an ending balance of \$71.94 billion, with across-the-board gains bolstered further by distributions to the ECTF and the STPF. For the year, funds gained \$9 billion, or 14.3 percent. Over the last five years, the state’s combined investment holdings grew \$20.7 billion, or 40.5 percent.
- One-year returns were strong for all funds, ranging from 4.23 percent (PERA) to 7.07 percent (LGPF). Average investment returns over the last 10 years ranged from 6.60 percent (PERA) to 7.98 percent (ERB).
- The LGPF, STPF, and ECTF benefited from distributions from oil and gas taxes and royalties which bolstered their earnings. ERB and PERA earnings were moderated by benefit payments that were greater than contributions. STPF performance is moderated by the allocation to differential rate New Mexico investments.
- Only the LGPF met its return targets for the one-year period, but most funds hit their targets in out-periods, when annualized.<sup>1</sup> Most funds outperformed their policy indices for multiple periods due to a diversified portfolio stack that leans toward private equity and other alternative assets, such as real estate.
- When compared with peer funds greater than \$1 billion on a net-of-fee basis, ERB performance was in the top 10 for the three-year, and five-year periods and at 12 for the 10-year period. The LGPF ranked in the middle quintile—around the median—for the three-year, five-year, and 10-year periods. PERA’s one-year performance was in the bottom ten of comparison funds, but it ranked in the middle quintile in the out years.

**THIS REPORT** details the comparative investment performance of the three investment agencies: the Educational Retirement Board (ERB), the Public Employees Retirement Association (PERA), and the State Investment Council (SIC), which manages the land grant permanent fund (LGPF), the severance tax permanent fund (STPF), and the early childhood education and care trust fund (ECTF).

Agency performance and market environment information are derived from the investment performance reports submitted by PERA, ERB, and SIC.

Returns as of June 30, 2023 (Net of Fees)<sup>1</sup>

Returns (%)	PERA		ERB		LGPF		STPF		ECTF	
	Fund	Policy Index	Fund	Policy Index	Fund	Policy Index	Fund	Policy Index	Fund	Policy Index
Quarter	1.42	2.30	2.64	<b>2.63</b>	2.14	<b>2.03</b>	1.92	2.03	1.09	0.74
1-Year	4.23	6.89	5.62	6.51	<b>7.07</b>	<b>6.58</b>	5.86	<b>5.68</b>	5.00	<b>3.12</b>
3-Year	<b>8.33</b>	<b>5.76</b>	<b>11.14</b>	<b>9.05</b>	<b>9.59</b>	<b>9.49</b>	<b>7.39</b>	8.03		
5-Year	5.90	<b>4.51</b>	<b>7.84</b>	<b>7.26</b>	6.88	7.03	5.34	6.20		
10-Year	6.60	<b>5.91</b>	<b>7.98</b>	<b>7.40</b>	<b>7.40</b>	7.56	6.61	7.17		

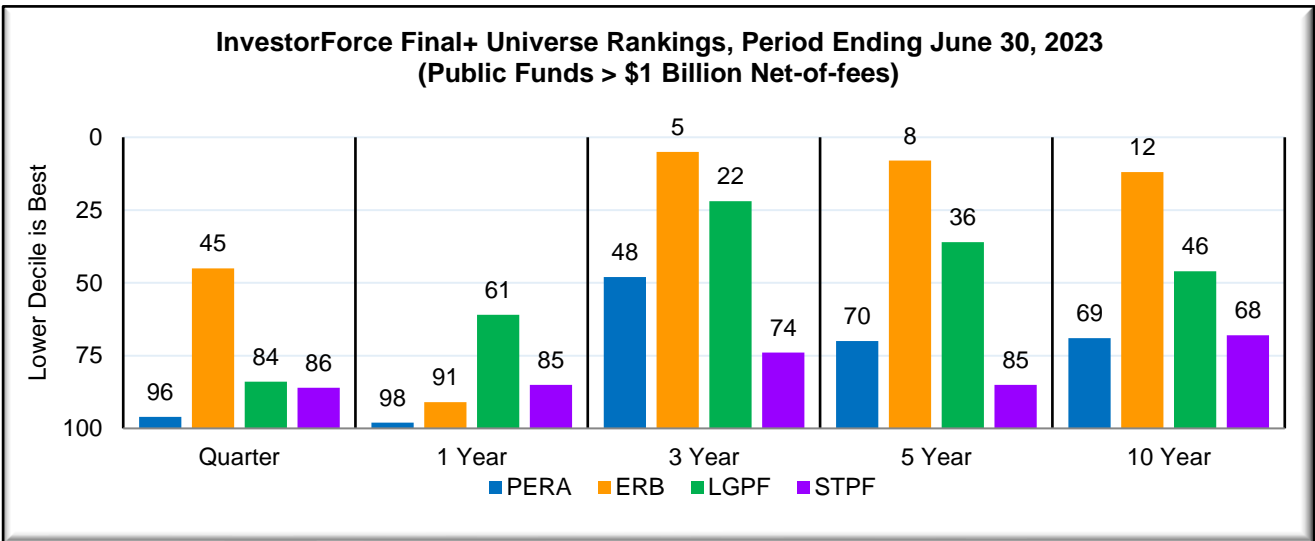
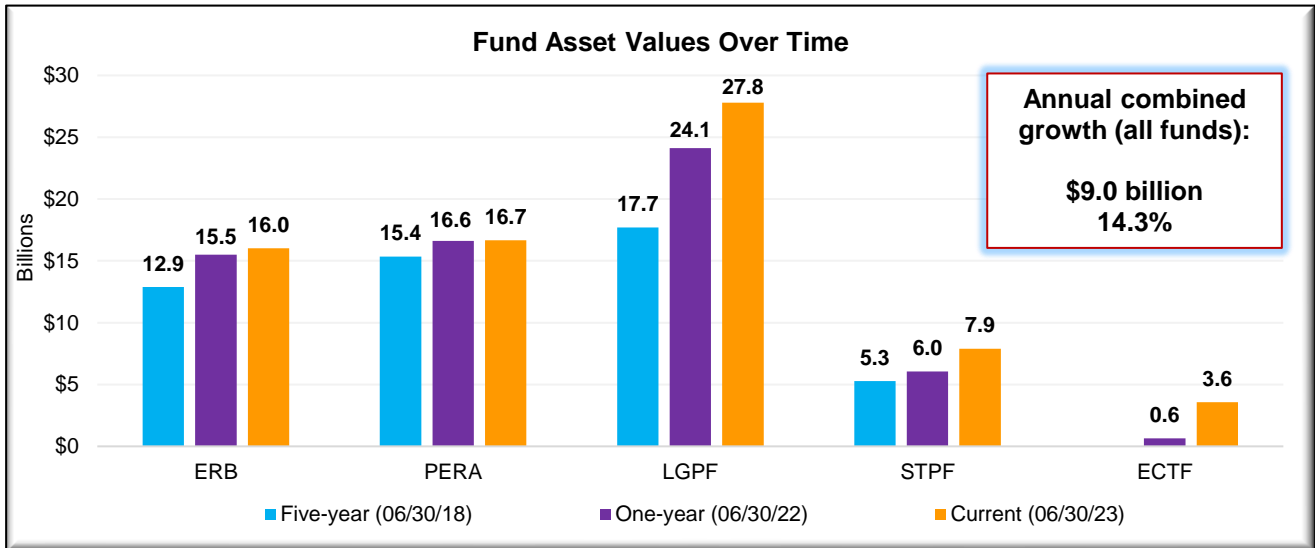
Note: A bolded fund value indicates returns that exceed the fund’s long-term target. A bolded policy index value indicates returns that exceed the policy index. Quarterly data is not annualized.

<sup>1</sup> The funds’ long-term return targets are 7.25 percent (PERA), 7 percent (ERB), 7 percent (LGPF), and 6.75 percent (STPF).

# Investment Agency Performance Dashboard

Quarter Ending June 30, 2023

This report details the investment performance of three investment agencies: the Educational Retirement Board (ERB), the Public Employees Retirement Association (PERA), and the State Investment Council (SIC) which manages the land grant permanent fund (LGPF), the severance tax permanent fund (STPF), and the early childhood education and care trust fund (ECTF).



Risk Profiles, Five Years Ending 6/30/23, Net of Fees				
Fund	ERB	PERA	LGPF	STPF
Standard Deviation*	7.1	8.1	9.4	9.2
Sharpe Ratio**	0.9	0.6	0.6	0.4
Beta***	0.3	0.4	0.4	0.4

**Aggregate Value of New Mexico Investment Holdings**

**\$71.9 billion**

\*measures variability from the mean return; higher is more volatile

\*\*higher numbers indicate higher return-to-risk level; a good ratio is 1 or better

\*\*\*represents the volatility of the portfolio versus the S&P 500. Beta = 1: portfolio moves with the market. Beta < 1: portfolio is less volatile than market. Beta > 1: portfolio is more volatile than the market.

Source: Agency Investment Reports

Note: ECTF not included in some metrics due to insufficient investment duration