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December 13, 2018

**LFC INVESTMENT REPORT FOR THE QUARTER ENDING SEPTEMBER 30, 2018**

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) and the severance tax permanent fund (STPF).<sup>1</sup>

**INVESTMENT PERFORMANCE HIGHLIGHTS**

- For the 12 months ending September 30, 2018, the aggregate value of New Mexico’s combined investment holdings for the pension and permanent funds grew by nearly \$2.3 billion, or 4.6 percent, to end the year at \$51.9 billion. Over the last five years, the state’s combined investment holdings grew \$11.1 billion, of 27.3 percent.
- One-year returns ranged from 6.1 percent (PERA) to 8.2 percent (STPF). Over the last 10 years, average investment returns ranged from 6.7 percent (STPF) to 7.9 percent (ERB).
- ERB and SIC’s funds outperformed their long-term targets for the one-, three-, and five-year periods. Additionally, the LGPF and the ERB fund outperformed their long-term targets for the 10-year period. PERA’s fund underperformed its long-term target for the one-, five-, and 10-year periods.<sup>2</sup>
- When compared with peer funds greater than \$1 billion on a net-of-fee basis, the permanent funds performed in the highest quartile for the quarter and one-year periods and performed above the median for the three- and five-year periods. The ERB fund performed above the median for all periods reported. While the PERA fund performed above the median for the quarter and near median for the 10-year period, the fund performed below the median for all other periods reported.

**Returns as of September 30, 2018 (Net of Fees)<sup>3</sup>**

Returns (%)	<u>PERA</u>		<u>ERB</u>		<u>LGPF</u>		<u>STPF</u>	
	Fund	Policy Index	Fund	Policy Index	Fund	Policy Index	Fund	Policy Index
Quarter	2.26	2.36	2.30	2.80	2.81	2.82	3.03	2.86
1-Year	6.14	5.01	<b>7.50</b>	8.00	<b>7.86</b>	7.62	<b>8.24</b>	7.79
3-Year	<b>8.60</b>	8.50	<b>9.60</b>	9.80	<b>9.60</b>	9.26	<b>9.77</b>	9.37
5-Year	6.71	6.80	<b>7.90</b>	7.50	<b>7.61</b>	7.72	<b>7.66</b>	7.79
10-Year	7.12	7.34	<b>7.90</b>	7.20	<b>7.21</b>	7.38	6.70	7.29

Note: bold indicates returns that exceed the fund’s long-term target

<sup>1</sup> Agency performance and market environment information are derived from the investment performance reports submitted by PERA, ERB, and SIC for the quarter ending September 30, 2018.

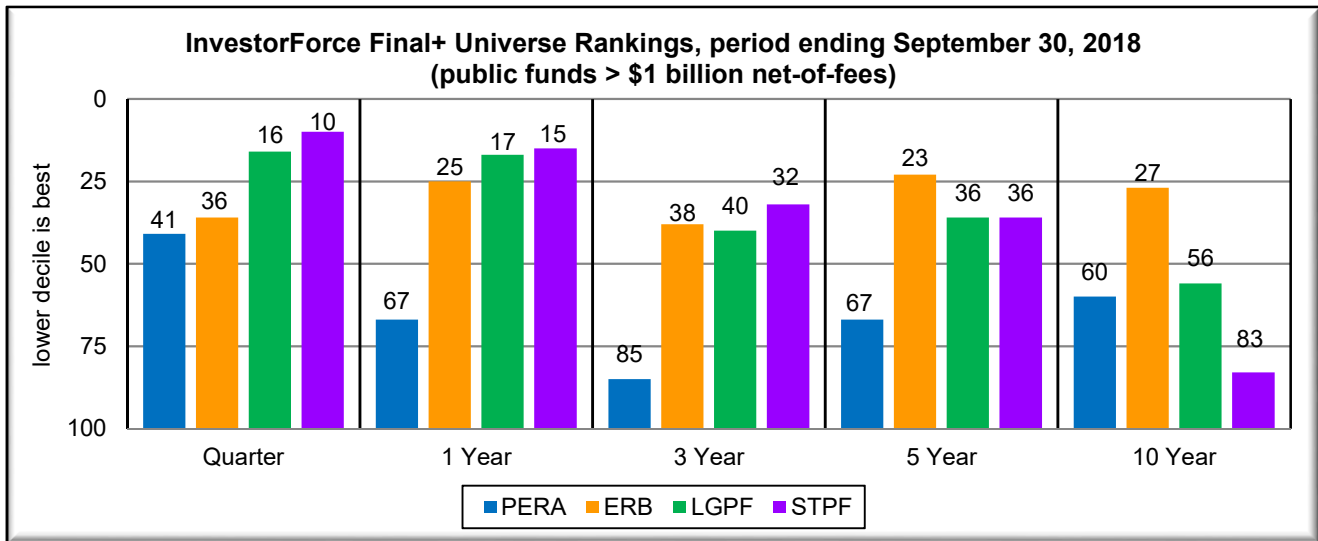
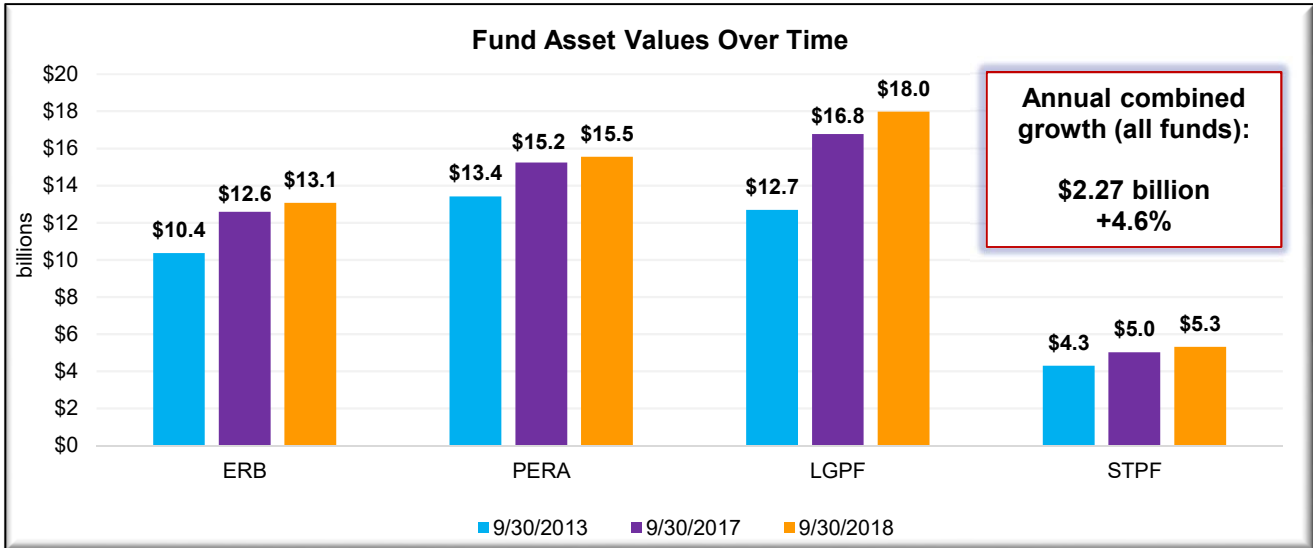
<sup>2</sup> The funds’ long-term return targets are 7.25 percent (PERA), 7.25 percent (ERB), 7 percent (LGPF), and 6.75 percent (STPF).

<sup>3</sup> A fund’s policy index is a custom benchmark that show the returns that would have been generated if a passive investor consistently followed the agency’s asset allocation targets according to their investment policy.

# Investment Agency Performance Dashboard

Quarter Ending September 30, 2018

This report detail 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) and the severance tax permanent fund (STPF).



### Risk Profiles, Five Years Ending 09/30/18, Net of Fees

Fund	ERB	PERA	LGPF	STPF
Standard Deviation*	4.5	5.4	3.9	4.0
Sharpe Ratio**	1.7	1.2	1.8	1.8
Beta***	0.4	0.5	0.5	0.5

\*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.

**Aggregate Value  
of New Mexico  
Investment  
Holdings**

**\$51.9 billion**

Source: Agency  
Investment Reports