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August 25, 2020

**LFC INVESTMENT REPORT FOR THE QUARTER ENDING JUNE 30, 2020**

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 fiscal year 2020, the value of New Mexico's combined investment holdings for the pension and permanent funds declined by \$1.1 billion, or 2.1 percent, to end the year at \$51.729 billion. Over the last five years, the state's combined investment holdings grew \$6.4 billion, or 14.1 percent.
- One-year returns ranged from a drop of -1.5 percent (PERA) to a gain of 0.24 percent (LGPF). Over the last 10 years, average investment returns ranged from 7.49 percent (PERA) to 7.99 percent (LGPF).
- With recent market volatility following the onset of the COVID-19 pandemic, all funds underperformed their targets for the one-, three-, and five-year periods. However, all funds outperformed their target rates for the 10-year period.
- When comparing to peer funds greater than \$1 billion on a net of fees basis, all funds performed in or near the lowest quartile for the quarter and one-year period and below the median for the three-year period. Due to lower-risk profiles, the funds performed well relative to peers last quarter when the market was in a downturn, but conversely, when riskier assets rally as they did in the second quarter of 2020, the funds do not participate in the market run-up in the same magnitude as peer funds. The ERB fund and permanent funds performed at or near the median for the five-year period, and all funds performed at or near the median for the 10-year period. The PERA fund was the worst performing, with returns in the lowest quartile for every period other than the 10-year.

**Returns as of June 30, 2020 (Net of Fees)<sup>2</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	4.74	11.97	3.69	7.31	5.66	5.92	6.43	5.94
1-Year	-1.52	-1.50	-0.97	1.89	0.24	1.08	-0.60	1.15
3-Year	3.85	3.52	4.74	5.87	4.72	4.93	4.34	5.03
5-Year	4.57	4.77	5.71	6.21	5.38	5.34	5.14	5.43
10-Year	<b>7.49</b>	7.32	<b>7.75</b>	7.72	<b>7.99</b>	8.20	<b>7.70</b>	8.24

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

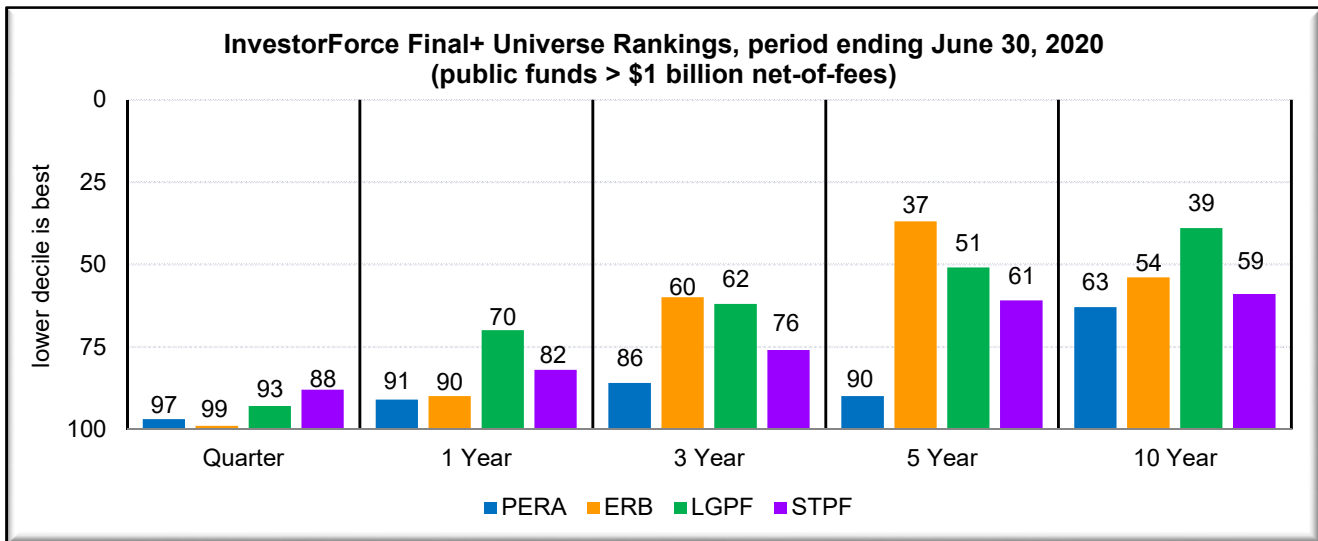
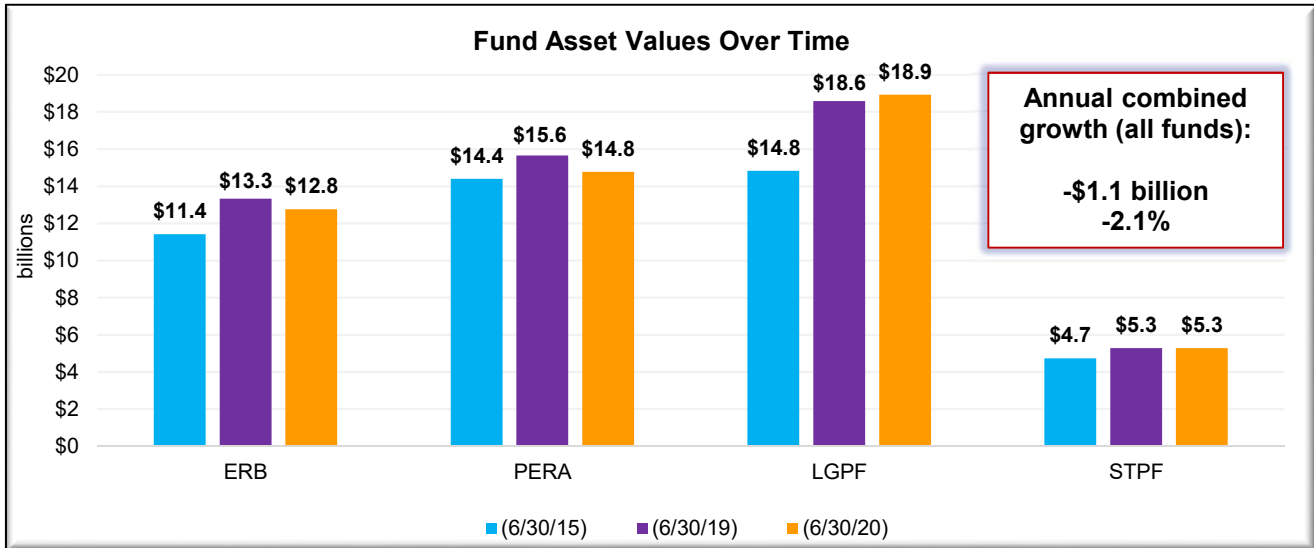
<sup>1</sup> Agency performance and market environment information are derived from the investment performance reports submitted by PERA, ERB, and SIC for the quarter ending June 30, 2020.

<sup>2</sup> A fund's policy index is a custom benchmark that shows 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 June 30, 2020

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 6/30/20, Net of Fees				
Fund	ERB	PERA	LGPF	STPF
Standard Deviation*	5.9	6.8	7.6	7.7
Sharpe Ratio**	0.8	0.5	0.6	0.5
Beta***	0.4	0.4	0.4	0.4

\*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**  
  
**\$51.7 billion**

Source: Agency  
Investment Reports