



Investment Performance Quarterly Report, Third Quarter, FY23

Markets continued their rebound in the third quarter of FY23, with state investments gaining value. However, volatility remains due to stubborn inflation, a changing federal funds rate outlook, unpredictable oil prices, bank failures, and a lingering recession risk. Quarterly returns turned positive while annual returns remain negative after a challenging 2022 environment. The state’s risk-averse investments performed worse than peer funds in the quarter amid strong markets, but annual returns beat peer funds. Outyear returns also generally performed worse than peers because of the state’s risk-averse philosophy.

Investment Performance Highlights

- The value of New Mexico’s combined investment holdings grew by \$3.51 billion quarter-over-quarter, to an ending balance of \$70.84 billion, with across-the-board gains bolstered further by distributions to the ECTF and the STPF. For the year, funds gained \$5.07 billion, or 7.7 percent. Over the last five years, the state’s combined investment holdings grew \$20.2 billion, or 39.8 percent.
- One-year returns remained negative for most funds, ranging from -3.24 percent (PERA) to 0.06 percent (ECTF). Average investment returns over the last 10 years ranged from 6.43 percent (PERA) to 7.7 percent (ERB).
- ERB and PERA’s one-year fund balance dropped more than its annual investment losses due to excess benefit payments over contributions. Conversely, the LGPF, the STPF, and the ECTF’s balances benefited from distributions from oil and gas taxes and royalties which positively offset their losses.
- No fund met its return targets for the one-year period, but most hit their targets in out-periods, when annualized.¹ 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, the state’s investment funds performed well for the year, with all funds ranking in the top quartile. ERB performed in the top ten percent for all periods except the three-year. PERA performed below the median for all periods except the one-year period, and the STPF ranked in the bottom quartile for those same periods. The LGPF ranked above the median for the five- and ten-year periods.

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 March 31, 2023 (Net of Fees)¹

Returns (%)	PERA		ERB		LGPF		STPF		ECTF	
	Fund	Policy Index	Fund	Policy Index	Fund	Policy Index	Fund	Policy Index	Fund	Policy Index
Quarter	3.50	4.49	2.76	3.29	3.46	3.22	3.11	2.99	1.99	2.40
1-Year	-3.24	-7.32	-1.97	-2.43	-2.34	-2.91	-3.23	-3.60	0.06	-2.39
3-Year	9.50	8.97	11.52	10.74	10.84	10.84	8.95	9.37		
5-Year	5.77	4.25	7.57	6.92	6.61	6.83	5.29	6.00		
10-Year	6.43	5.66	7.68	7.15	7.27	7.39	6.49	7.00		

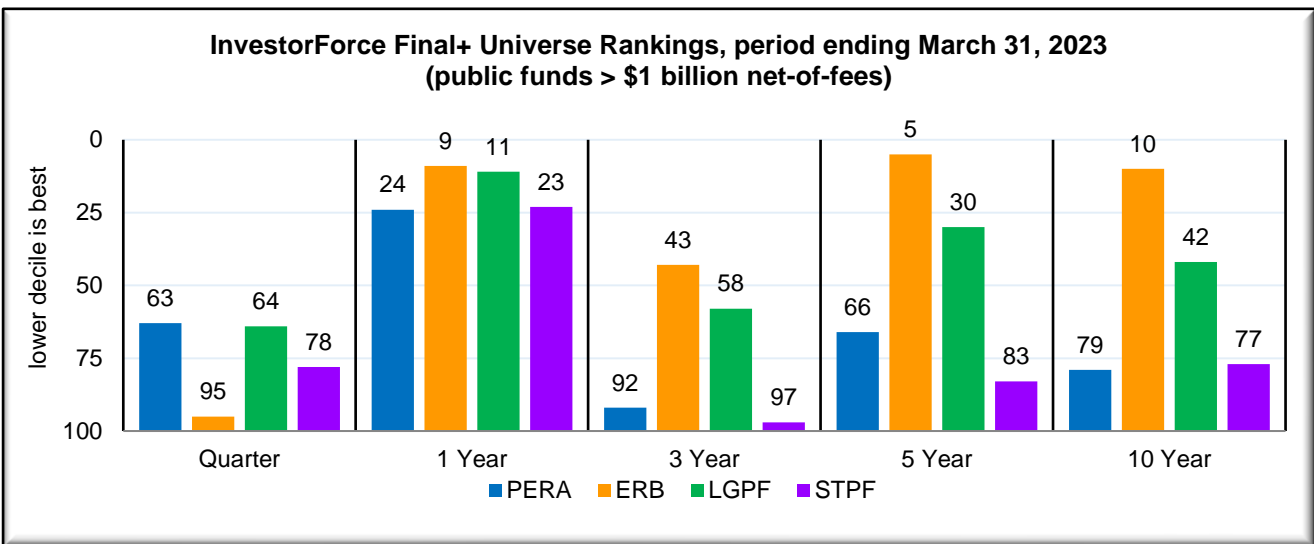
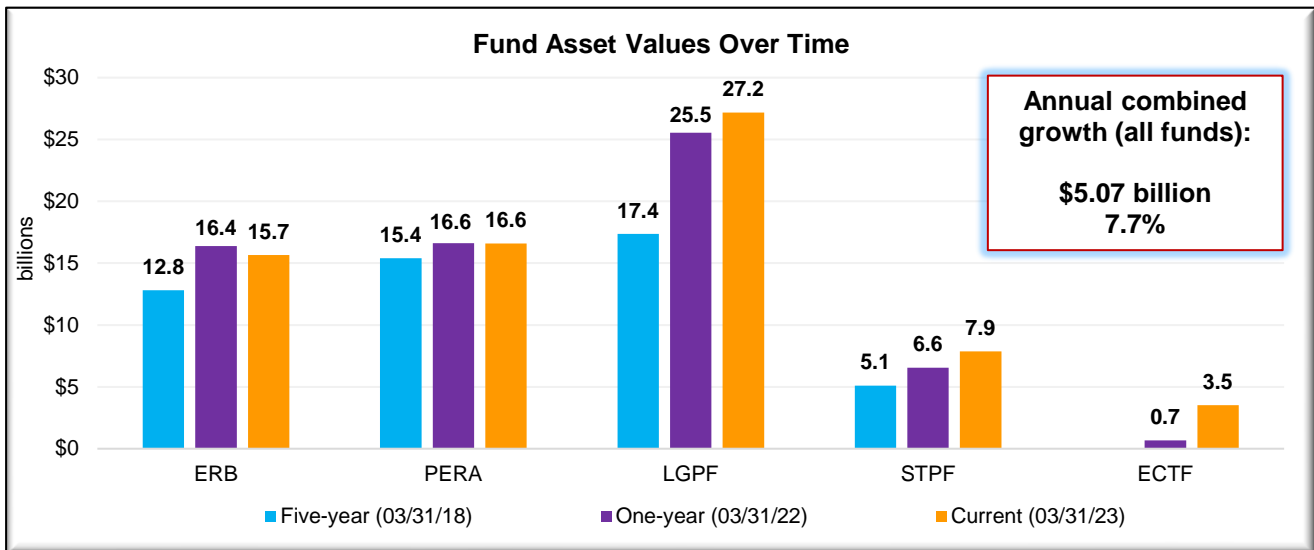
Note: A bolded fund value indicates returns that exceed the fund’s long-term target. A bolded policy index value indicates returns that exceed the policy index. Quarterly data is not annualized.

¹ 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 March 31, 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 3/31/23, Net of Fees				
Fund	ERB	PERA	LGPF	STPF
Standard Deviation*	7.1	8.0	9.4	9.2
Sharpe Ratio**	0.9	0.6	0.6	0.5
Beta***	0.3	0.4	0.5	0.5

Aggregate Value of New Mexico Investment Holdings
\$70.8 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