



Investment Performance Quarterly Report, First Quarter, FY23

Markets continued to drop in the first quarter of FY23, with state investments losing value. Volatility has increased due to stubborn inflation, a changing federal funds rate outlook, unpredictable oil prices, geopolitical turmoil in Europe, and an ever-growing recession risk. Quarterly and annual returns are negative for all funds; however, most of the state’s risk-averse investments performed better than peer funds in the near-term amid the increasing uncertainty.

Investment Performance Highlights

- The value of New Mexico’s combined investment holdings grew by \$812 million quarter-over-quarter, to an ending balance of \$63.11 billion, with across-the-board losses offset by large distributions to the new ECTF and the STPF. For the year, funds lost \$1.72 billion, or 2.6 percent. Over the last five years, the state’s combined investment holdings grew \$13.5 billion, or 27.2 percent.
- One-year returns dipped into the negative for all funds, ranging from -8.33 percent (STPF) to -0.85 percent (ECTF). Average investment returns over the last 10 years ranged from 6.4 percent (STPF) to 7.7 percent (ERB).
- ERB’s one-year fund balance dropped more than its annual losses due to excess benefit payments over contributions. Similarly, roughly one-third of PERA’s loss in fund balance is due to benefit payments. 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 funds met their return targets for the quarter or one-year periods; only ERB and the LGPF hit their targets in some out-periods, when annualized.¹ All agencies 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. Both PERA and the STPF performed in the third quartile for 3- through 10-year returns. The LGPF ranked above the median and near the top quartile for long-term returns, a continued improvement from historical performance.

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 September 30, 2022 (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	-4.51	-6.03	-2.95	-2.45	-3.14	-3.43	-3.32	-3.85	-0.75	-2.58
1-Year	-8.21	-16.06	-4.14	-6.80	-6.82	-7.14	-8.33	-8.61	-0.85	-4.95
3-Year	4.23	0.42	7.29	5.93	5.73	6.00	3.78	4.74		
5-Year	4.84	2.38	7.08	6.26	5.77	5.97	4.47	5.25		
10-Year	6.47	5.22	7.70	6.98	7.15	7.25	6.42	6.91		

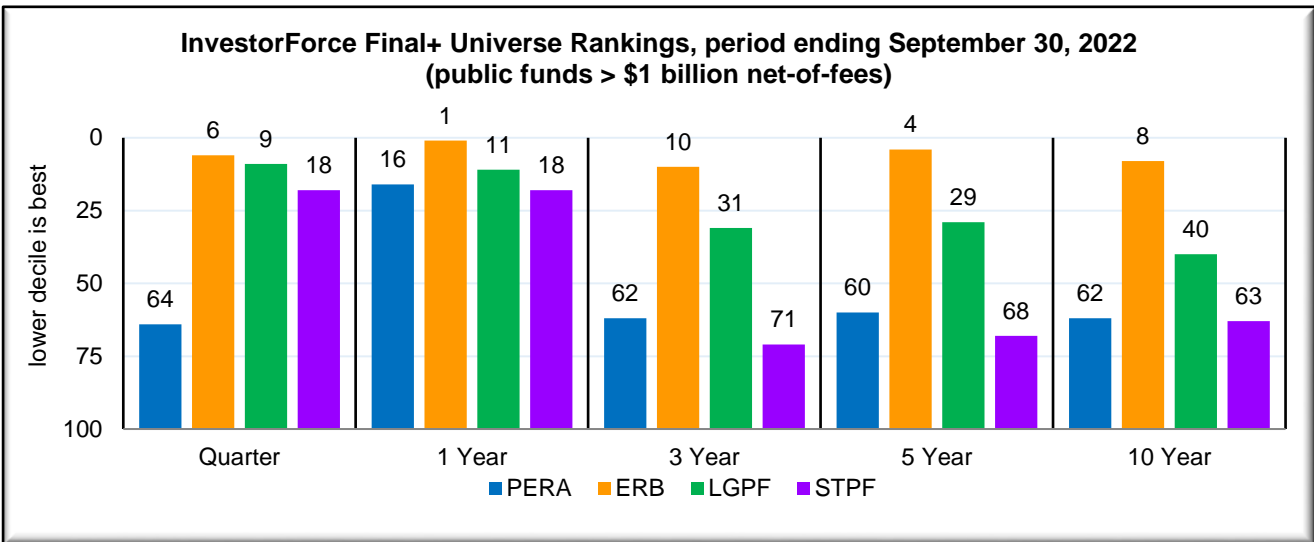
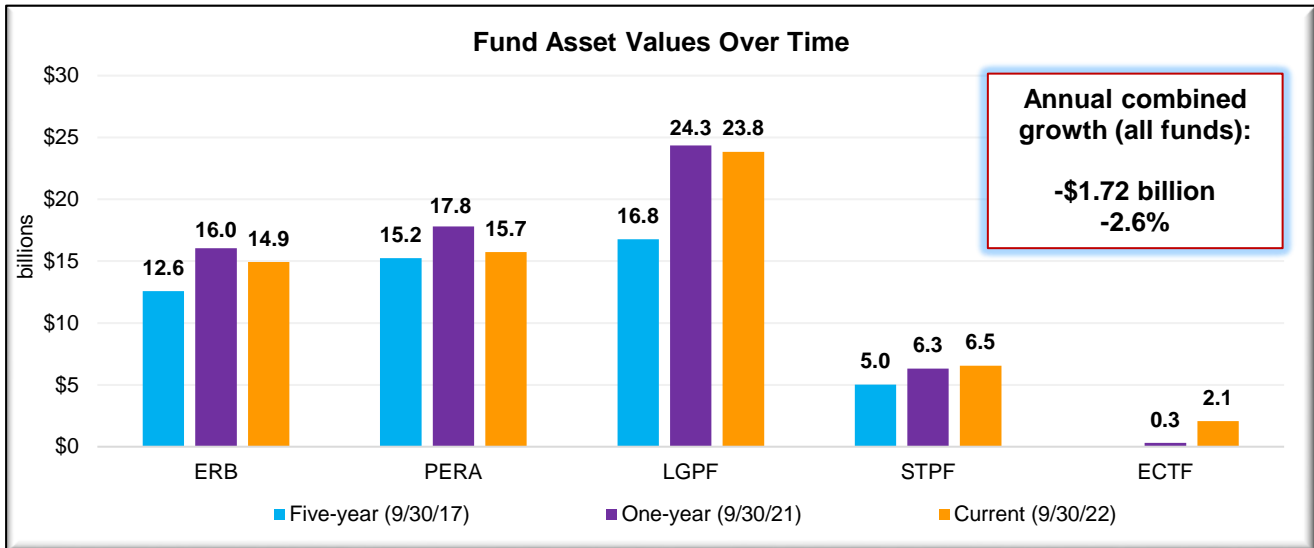
Note: A bolded fund value indicates returns that exceed the fund’s long-term target. A bolded policy index value indicates returns that exceed the policy index. Quarterly data is not annualized.

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 September 30, 2022

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 9/30/22, Net of Fees				
Fund	ERB	PERA	LGPF	STPF
Standard Deviation*	7.0	7.8	9.3	9.1
Sharpe Ratio**	0.9	0.5	0.5	0.4
Beta***	0.3	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
\$63.1 billion

Source: Agency Investment Reports

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