



Investment Performance Quarterly Report, Third Quarter, FY22

Markets dropped in the third quarter of FY22, with state investments losing value. Market volatility has increased due to rising and sustained inflation, federal funds rate hikes, unpredictable oil prices, geopolitical turmoil in Europe, and the rise of the omicron Covid-19 variant. Despite a downturn in the quarter, returns remain above-target in the medium- and long-run, bolstered by the previous and sustained strength throughout the last several quarters. Generally, the state’s risk-averse investments performed better than peer funds in the near-term amid the increasing volatility. The state’s funds tend to underperform or perform around the median in the long-run, with the exception of ERB which consistently outperformed. Some state investment portfolios will undergo an asset allocation and risk profile review later this year.

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).

Agency performance and market environment information are derived from the investment performance

Investment Performance Highlights

- For the quarter ending March 2022, the value of New Mexico’s combined investment holdings for the pensions and permanent funds shrunk by \$824.5 million, to an ending balance of \$66.3 billion. For the year, funds grew by \$6.5 billion, or 10.8 percent. Over the last five years, the state’s combined investment holdings grew \$19 billion, or 40 percent.
- One-year returns remain strong, though substantially lower than the previous three quarters, ranging from 7.8 percent (STPF) to 14.8 percent (ERB). Average investment returns over the last 10 years ranged from 7.8 percent (STPF) to 8.9 percent (ERB).
- All funds outperformed their targets for every non-quarterly period, when annualized.¹
- When compared with peer funds greater than \$1 billion on a net-of-fee basis, the state’s investment funds performed well in the quarter and year, with all but one fund ranking in the top quartile. ERB performed in or near the top quartile for all periods, bolstered by private equity and real estate returns of 49 and 35 percent, respectively. The STPF and PERA performed near or in the lowest quartile for 3 through 10-year returns. The LGPF ranked just above the median for long-term returns, an improvement from last quarter.

Returns as of March 31, 2022 (Net of Fees)¹

Returns (%)	PERA		ERB		LGPF		STPF	
	Fund	Policy Index	Fund	Policy Index	Fund	Policy Index	Fund	Policy Index
Quarter	-1.95	-3.04	-1.00	-2.00	-1.33	-0.68	-1.79	-1.14
1-Year	11.54	7.47	14.80	8.50	10.65	11.56	7.77	8.61
3-Year	9.57	8.32	11.70	10.50	10.72	11.18	8.49	9.99
5-Year	8.33	7.40	10.00	9.40	9.34	9.56	8.01	8.89
10-Year	7.91	7.43	8.90	8.20	8.52	8.58	7.77	8.27

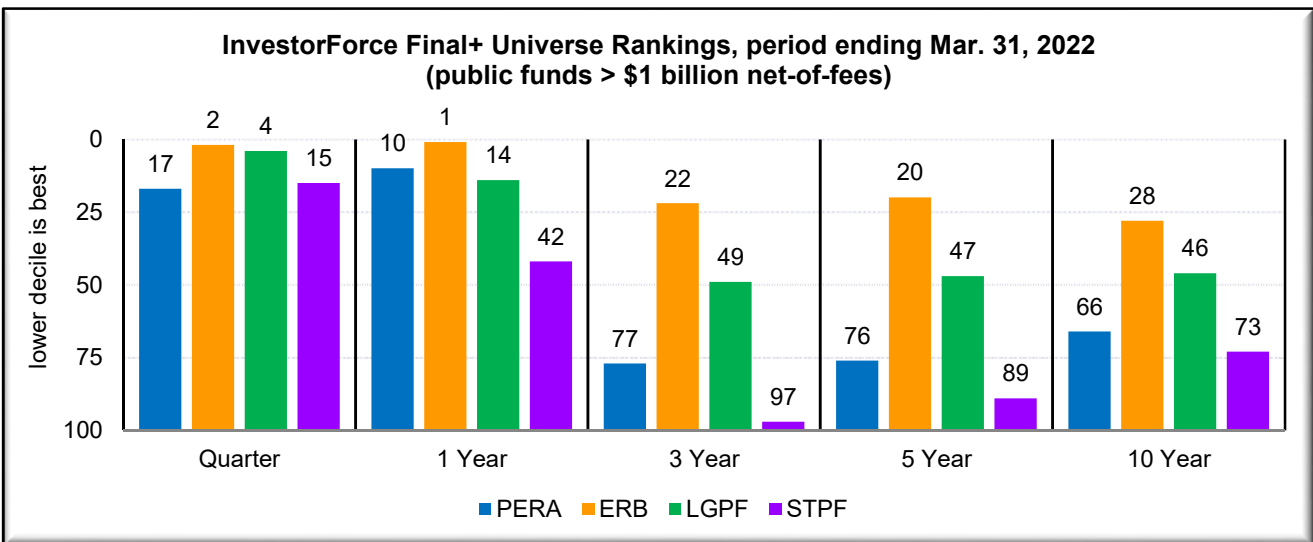
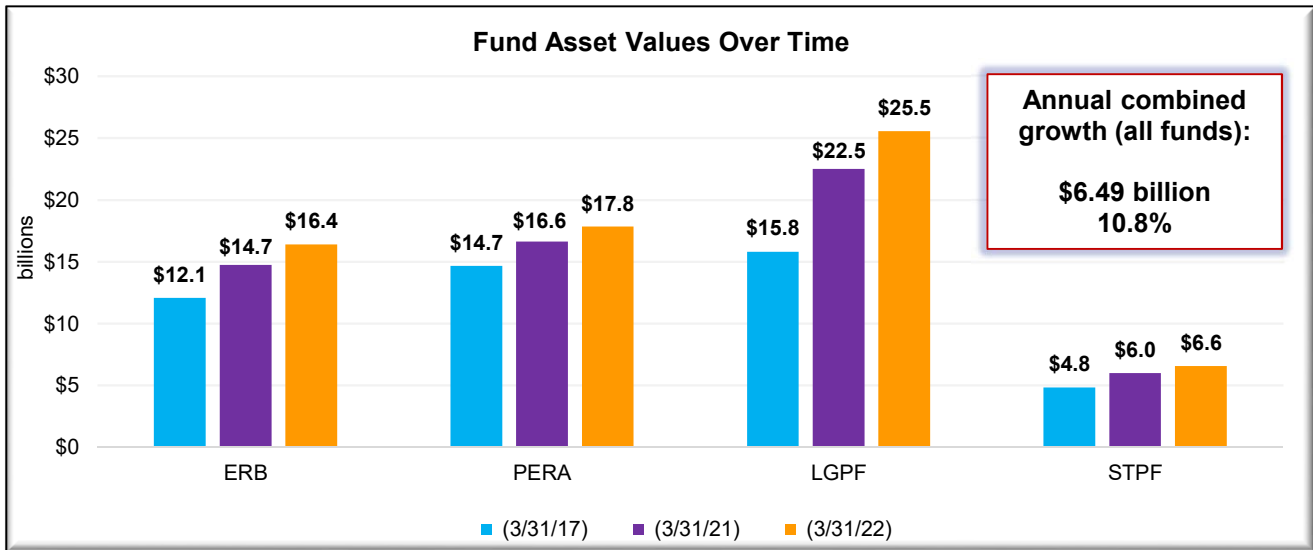
Note: A bolded fund value indicates returns that exceed the fund’s long-term target. A bolded policy index value indicates returns that exceed the policy index. Quarterly data is not annualized.

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, 2022

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).



Risk Profiles, Five Years Ending 3/31/22, Net of Fees				
Fund	ERB	PERA	LGPF	STPF
Standard Deviation*	6.2	6.8	8.2	8.1
Sharpe Ratio**	1.4	1.0	1.0	0.8
Beta***	0.3	0.4	0.4	0.4

Aggregate Value of New Mexico Investment Holdings

\$66.3 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