



**TOWNSEND
GROUP**

The New Mexico State Investment Council ("NMSIC")

First Quarter 2016: Real Estate Performance Measurement Report

Proprietary & Confidential
July 2016

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1. Real Estate Market Updates



United States Real Estate Market Update (1Q16)

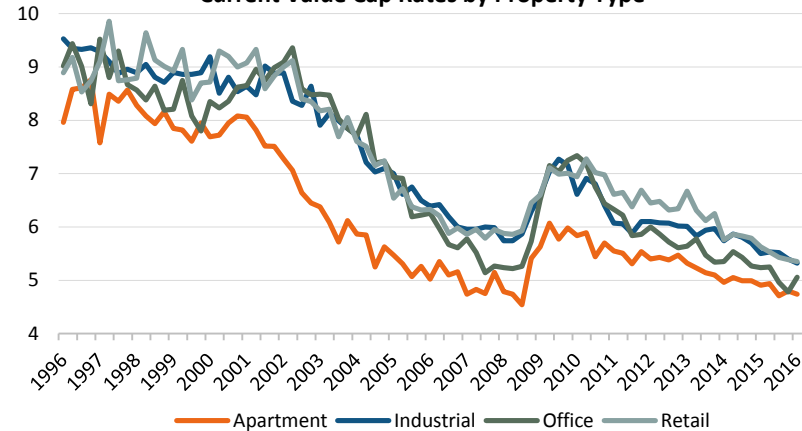
General

- Economic activity increased during the first quarter of 2016 at an annual rate of 0.8%, 30 bps above initial estimates and 2% over 1Q15 levels. Growth during the quarter was supported by positive contributions by the consumer and government sectors. Business investment and net trade however, subtracted from growth during the quarter.
- The consumer sector remained a bright spot in 1Q16, with goods and services expenditure broadly rising at moderate rates. The labor market also remained relatively upbeat during the quarter. Wages held at about 2.4% y/y growth and employment growth as at 1Q was 3% with a declining trend in initial jobless claims. The same cannot be said for the business sector as capital investment saw a 19% decline from prior year levels. Contracting industrial activity and tighter credit made for a subdued industrial and investment growth environment as reflected in measures of industrial activity such as the PMI (49.8 with 50 as baseline of no sequential growth), Industrial Production Index (-1.07% y/y), and manufacturing orders (-1.8% y/y).
- Macro indicators for real estate remained solid during 1Q16 however, with residential housing starts and total construction investment rising 17% and 9% y/y respectively although building permits decelerated to a 5.2% y/y growth rate.

Commercial Real Estate

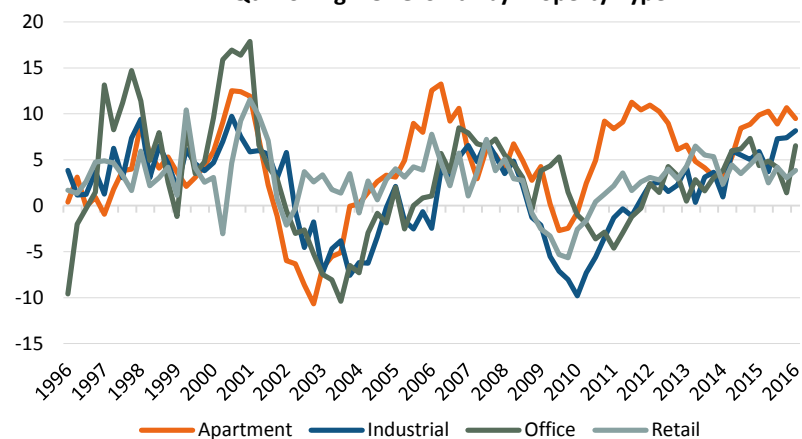
- 1Q16 saw \$58.5 billion in commercial real estate transaction volume or 44% of global activity. While solid, this represented a 16% drop vs. 1Q15 which was a cycle high and thus offered a difficult comparison. The U.S. decline was in line with the broad moderating of transaction activity globally during the quarter.
- CMBS issuances declined to \$38.7 billion in 1Q16 from 4Q15's \$44.9 billion and 11% down from year ago levels. Credit conditions continue to tighten as The Fed's survey of senior loan officers points to stronger demand but tighter standards for commercial real estate loans.
- The U.S. continues to be a top target for transactions activity. Three of the top five cities in transaction volume (New York, Los Angeles, and Washington DC) accounted for 14% of global transactions. Foreign investment represented approximately 9% of total U.S. activity, a 10 percentage point decrease from 1Q15 with office properties making up about half of all foreign acquisitions during the quarter.
- Transaction cap rates for all traditional property sectors declined between 11 and 32 bps y/y, except for the hotel sector that saw a 29 bps expansion. On a per square foot basis, transaction pricing was mixed with retail and hotel properties seeing double digit price declines whilst industrial and multifamily logged mid single digit increases.

Current Value Cap Rates by Property Type



Source: NCREIF

4-Qtr Rolling NOI Growth by Property Type



Source: NCREIF

United States Property Matrix (1Q16)

INDUSTRIAL

- Net absorption for 1Q16 was 7.3% higher than new construction causing the vacancy rate to decline 6.2%, 10 bps lower than year-end 2015 and now represents a 16-year low.
- First quarter y/y investment volumes were down 52.5%, however removing the largest transaction in segment history, volumes were only down 11.4% and still remain 10.2% above the 10-year average for the first-quarter.
- Investment strategies have undergone a complete shift from portfolio transactions to single-asset acquisitions which now represent 74% of investment volume.
- Only 2.9% of deals exceeded \$150 million in 1Q16 compared to 56.4% for 2015. The scarcity of large-scale portfolio availability has caused cross-border investors to fall from 40.5% of total volume in 2015 to 5.3% in 1Q16.
- As of 1Q16, industrial properties returned 2.96% and outperformed the NPI by 75 bps.

MULTIFAMILY

- Investment for 1Q16 totaled \$35.4 billion, 8.6% above 1Q15 and represents the largest 1Q volume on record.
- Vacancy finished the year at 4.4%, lower than the previous cycle peak of 5.7% from 2005 and 2007. Rents growth increased 80 bps y/y nationally to 4.7%, despite supply beginning to soften in select markets.
- A pullback in multifamily construction is indicated by the six-month trend of construction starts falling at or below the 12-month rolling average. The seasonally adjusted annualized rate was down for the third consecutive month and 12.4% lower y/y.
- The apartment sector delivered a 1.87% return during the quarter, underperforming the NPI by 34 bps.

OFFICE

- The office segment experienced 1.0% y/y growth, with \$35.4 billion in reported capital markets activity, making 1Q16 the second most active quarter in the last five years.
- Development volume increased by 9.7 million square feet, which represents a 31.8% sequential increase, bringing the total development pipeline to 96.8 million square feet.
- With 7.7 million square feet of absorption and rents increasing by 3.2%, real estate fundamentals remain strong. The slowdown from 2015 in absorption activity is primarily from supply constraints caused by a lack of expansionary activity.
- Cap rates continue to compress, with nearly 94% of markets seeing compressing or stabilizing yields. Cap rates have declined 30 bps in the last 12 months from 4.8% to 4.5%
- The office sector returned 1.72% in 1Q16, 49 bps below the NPI.

RETAIL

- Retail activity decreased 25.8% y/y to \$17.4 billion. Full-year activity is expected to increase with development activity increasing by 18.1% to 29.4 million square feet from 4Q15.
- Macroeconomic factors and high prices are shifting investor focus from primary to secondary markets for urban retail. Investment volumes in primary markets declined by 68.6% to \$1.3 billion from 1Q15, while secondary markets increased by 186.7%, reaching \$388.7 million.
- Grocery-anchored investment volume has steadily increased since 2012 to a cycle peak of \$5.9 billion in 2015. Despite this trend, grocery-anchored sale volumes were down 27.6% from 4Q15.
- As of 1Q16, the retail sector delivered a quarterly return of 2.96%, beating the NPI by 75 bps.



Global Real Estate Market Update (1Q16)

Global

- Global investment activity cooled broadly in 1Q16 to \$133 billion, down 14% y/y coming off a record 2015. Global equity market and geopolitical uncertainty surrounding China and Emerging Markets in general, as well as events such as 'Brexit' and the U.S. Elections contributed to the dampening in investment during the quarter.
- New York City saw the highest transaction volume (\$9.9 bn) with London dropping to third place behind Los Angeles at \$6.1 bn and \$5.8 bn respectively. Washington DC and Hong Kong rounded out the top five cities during the quarter.

Europe

- First Quarter commercial real estate transaction volume in Europe was €50.3 billion. This represents a decrease of 16.9% compared to 1Q15.
- 1Q16 also saw a decline in foreign investment capital (-26% y/y), most notably from North America (-56% y/y), with U.S. investment falling from €8.3 million in 1Q15 to €4.3 million in 1Q16. Non-European buyers represented only 19% of the market, compared to 27% in 1Q15.
- There is a high level of cross-border investment within the top ten European cities. A prime example is London, where 60% of investments came from foreign buyers. These top ten cities also accounted for 69% of all Asian investment keeping with the theme of foreign investors favoring primary markets.
- Subsequent to quarter end, the Brexit vote has created volatility and uncertainty.

Asia

- Asia Pacific investment ended the first quarter at \$24 billion, down 4% compared to the prior year. Investment in China was up 10% y/y to \$2.8 billion with continued divergence between primary and secondary cities. While institutional capital generally seeks core stabilized assets in primary cities, opportunities exist in distressed and secondary market assets.
- Investment in Australia grew 33% y/y to \$3.3 billion, driven by foreign capital within the region looking for high quality, relatively high yielding, and stable markets. Investment in Japan ended the quarter in contraction (-26% y/y) as its economy stalls despite continued central bank stimulus, although low costs of credit could support future transaction demand.
- Hong Kong recorded \$2.9 billion in investment during 1Q, more than double year ago levels while Singapore saw increased vacancies and new supply dampen investor outlook.
- India continues to experience year-over-year contraction in transaction activity as investors deem debt and development preferable to direct investment primarily due to a lack of quality assets.

Direct Commercial Real Estate Investment - Regional Volumes, 2014-2016

\$ US Billions	Q4 15	Q1 16	% Change		YTD 2014	YTD 2015	% Change	YTD 2015 - YTD 2016
			Q4 15 - Q1 16	Q1 15				
Americas	85	61	-28%	73	-16%	302	314	4%
EMEA	90	48	-47%	57	-16%	279	267	-4%
Asia Pacific	36	24	-33%	25	-4%	131	123	-6%
Total	211	133	-37%	155	-14%	712	704	-1%

Source: Jones Lang LaSalle, June 2016

Global Outlook - GDP (Real) Growth % pa, 2015-2017

	2015	2016	2017
Global	3.1	3.0	3.2
Asia Pacific	4.8	4.7	4.7
Australia	2.5	2.6	2.9
China	6.9	6.5	6.3
India	7.3	7.5	7.6
Japan	0.6	0.5	0.5
North America	2.3	1.8	2.3
US	2.4	1.8	2.3
MENA*	3.4	2.5	2.9
European Union	2.0	1.8	1.9
France	1.3	1.4	1.5
Germany	1.7	1.6	1.6
UK	2.3	1.9	2.1

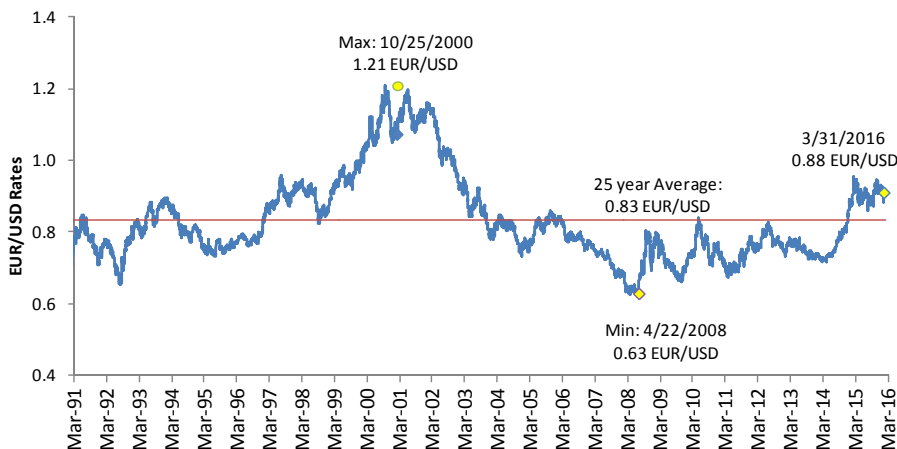
*Middle East North Africa

Source: Bloomberg LP, June 2016

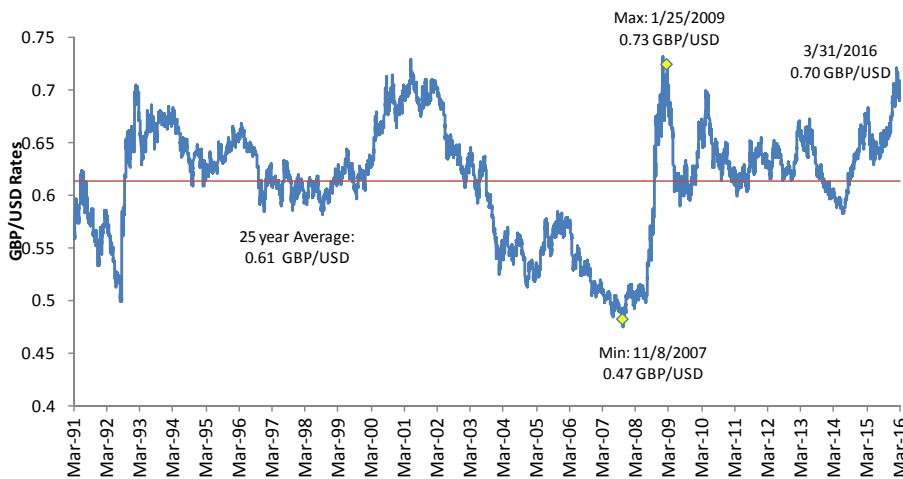
Currency Effects - Market Trends (1Q16)

- Since the end of the GFC, the U.S. market has experienced strong economic expansion galvanized by favorable macro fundamentals and rising FDI volumes, given the lagging recovery experienced across Europe. As a result, the continuous growth of the U.S. market has been reflected in global currency movements characterized by a steady rise in USD compared to other major currencies since 2H14.
- The U.S. Dollar has been experiencing fast growth since 2H14. At quarter-end the British Pound (GBP)/USD and Euro (EUR)/USD exchange rates were 13% and 6% higher than their 25-year average, respectively.
- The USD appreciation is negatively correlated with the cost of imports and has been favorable to local investors and consumers. The decrease in oil prices has been influenced to some extent by the rise in USD and had similar effects to a tax-break on U.S consumers.
- Worries continue in Great Britain due to the recent decision to leave the European Union. Volatility is expected to be the norm while uncertainty remains. In the meantime, the British Pound continues to weaken against the U.S. dollar and has fallen to 0.75 GBP/USD as of 2Q16 (post Brexit vote). As of 2Q16, the Euro has also sharply weakened against the U.S. dollar to 0.90 EUR/USD.
- U.S. investors with foreign investments have been experiencing short-term fluctuations on their international returns when translated into USD. This trend continued during 1Q16 with the U.S. dollar increasing in value against the British Pound while weakening against the Euro, Australian Dollar and Brazilian Real.

EURO-USD Rates over 25 Years



GBP-USD Rates over 25 Years



2. Performance Measurement Highlights: 1Q 2016



Portfolio Highlights

- New Mexico State Investment Council's (NMSIC) current target allocation to real estate is 10.0%. NMSIC's 1Q16 real estate market value represents 8.6% of total fund assets.
- The real estate portfolio continues to grow and provide positive performance. As of 1Q16, NMSIC outperformed the NFI-ODCE Index on a net basis over the quarter, one-, and three-year periods. Net underperformance over the five-year was primarily due to underperformance by the Legacy Portfolio; however, five-year net performance has improved considerably from last year (180 bps above 1Q15) compared to the NFI-ODCE (120 bps below 1Q15).

As of 1Q16	Quarter		One-Year		Three-Year		Five-Year	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
NMSIC*	2.4	2.0	17.9	15.1	16.4	13.7	14.2	11.9
NFI-ODCE Value Weight*	2.2	2.0	13.7	12.6	13.6	12.6	13.3	12.2
Over/ Under Performance	0.2	0.0	4.2	2.5	2.8	1.1	1.0	-0.3

*Time Weighted Returns over the quarter, one-, three-, and five-year periods.

- While the portfolio outperforms the benchmark over the short and medium term periods on a net basis, underperformance over the five-year period can be attributed to the legacy portfolio including:
 - Underexposure to high quality core investments over the long term;
 - Poor quality and high risk manager selection;
 - Overexposure to higher risk, non-core investments including non-strategic JVs; and
 - Investment concentration in poor performing vintage years.
- NMSIC real estate commitments made since 2011 (inception of rebalancing) have been accretive to the real estate portfolio, resulting in a net time weighted return of **16.6% (versus 12.6% NFI-ODCE)** over the one-year period.

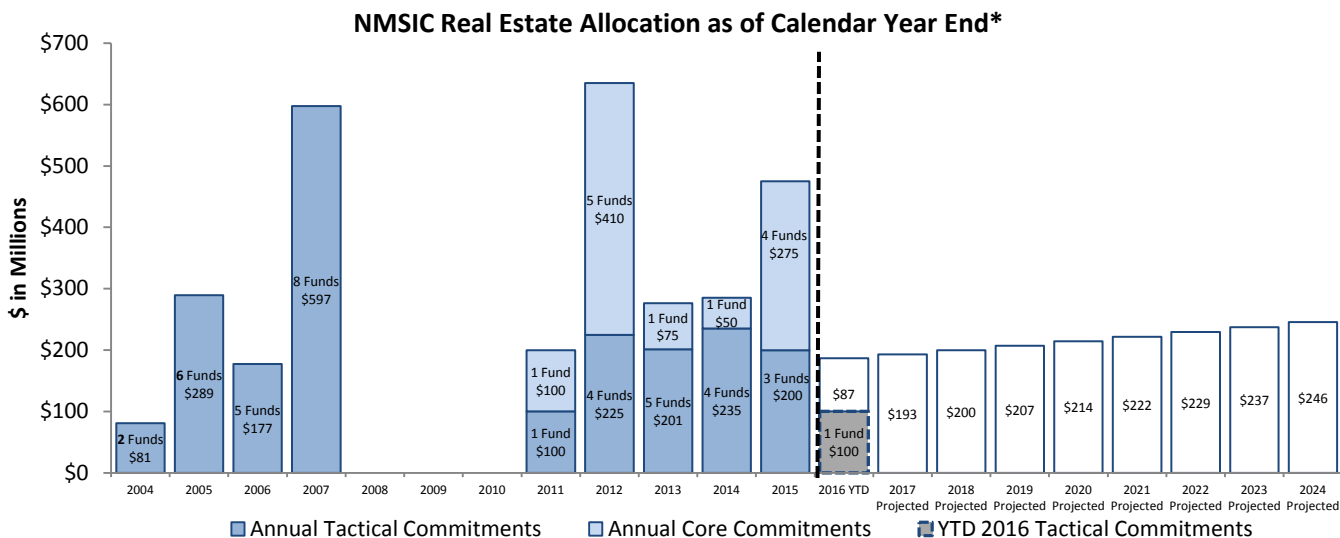
Portfolio Highlights

- As of 1Q16, NMSIC's portfolio consisted of 58% exposure to core investments and 42% exposure to tactical investments, on a NAV basis.
- During the quarter, managers called approximately \$33.6 million across the core and tactical investments; return-of-capital combined with income distributions totaled \$45.1 million, bringing total distributions to \$213.8 million over the last 12 months.
- Strategic Core Portfolio
 - Since December 2011, eight strategic core commitments have been made, totaling \$910.0 million.
 - Per the pacing model and NMSIC's investment requirements, no additional core commitments will be required in the future, unless modifications occur in NMSIC's allocation policy. Townsend will continue to consider rebalancing initiatives.
- Tactical Portfolio
 - Since December 2011, approximately \$1.1 billion has been committed to 18 tactical investments, including \$200.0 million to three tactical investments in 2015 and approximately \$100.0 million to one Europe focus tactical investment in 2016.

Real Estate Portfolio Allocation

Portfolio Status

- Since the 2004 inception, NMSIC has committed approximately \$3.1 billion to real estate across seven joint ventures and 40 funds with 27 different managers.
- Investment activity from 2004-2007 focused exclusively on tactical investments.
- In 2011, NMSIC began to implement its portfolio repositioning through commitments to core open end funds as well as tactical strategies in order to maintain vintage year exposure and capitalize on market opportunities, while divesting of non-strategic JV relationships.
- The pacing model does not call for any future core commitments, but calls for approximately \$187 million of non-core commitments in 2016. Subsequent to quarter end, one commitment was made to a Europe-focused investment. Follow-on investment opportunities and new managers to the SIC portfolio are being evaluated for the remaining available capital.

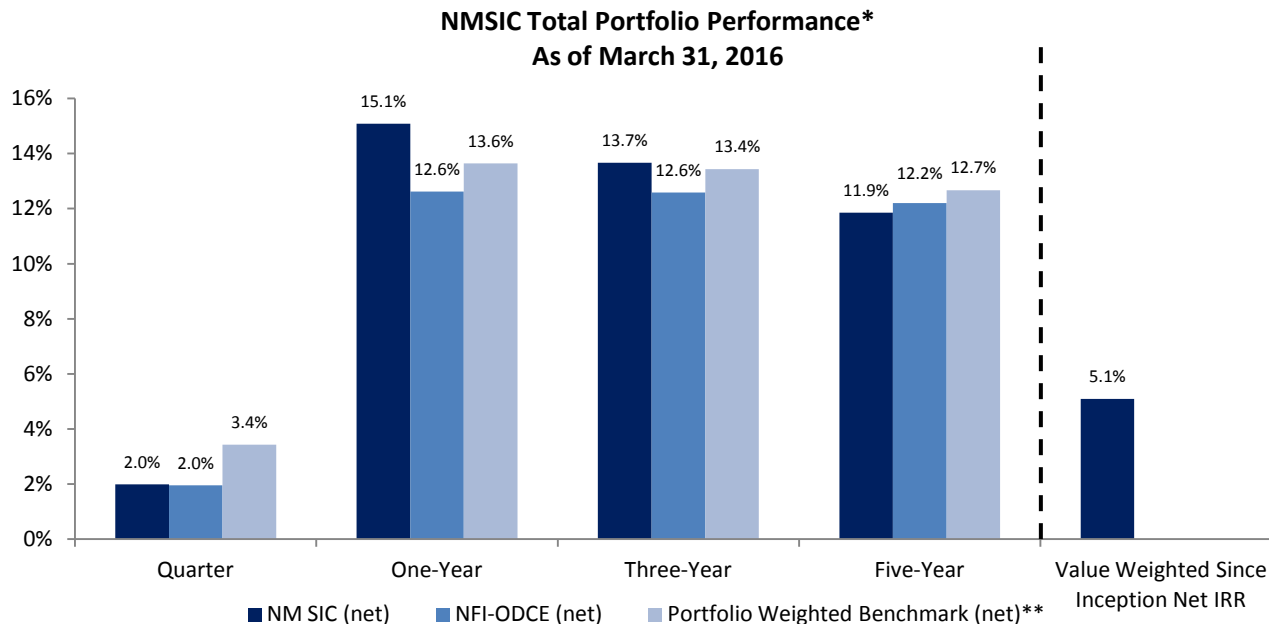


*In 2011, NMSIC increased its real estate allocation from 5% to 10% of total assets.

Real Estate Portfolio Performance

Performance

- The NMSIC real estate portfolio seeks to outperform the NFI-ODCE (net of fees) on a time weighted return basis over a rolling five-year period.
- Underperformance over the five-year timeframe has been impacted by vintage year exposure and investment selection in NMSIC Legacy Holdings¹.



*Time Weighted Returns over the quarter, one-, three-, and five-year periods.

**Portfolio Weighted Benchmark is a market weighted combination of the ODCE, Townsend Value-Added Fund Index, and Townsend Opportunistic Fund Index based on NMSIC's market weights. 4Q15 data is used for the Portfolio Weighted Benchmark due to timing of this report.

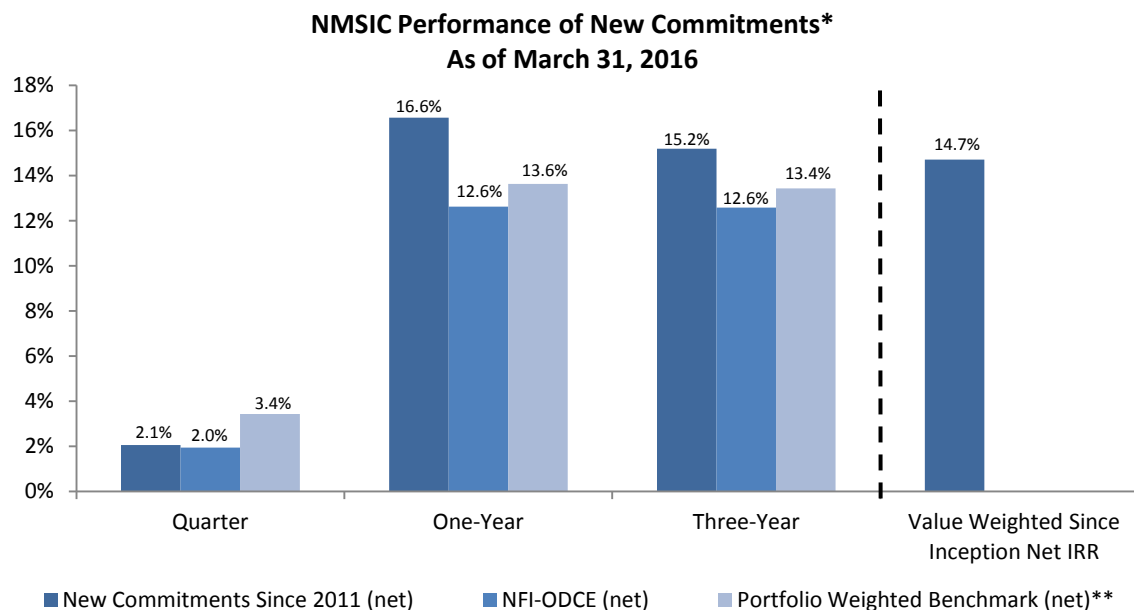
¹NMSIC Legacy Holdings represent investments made prior to the rebalancing initiative beginning 1Q 2011.



Real Estate Portfolio Performance – New Commitments Since 2011

Performance

- New commitments made since 2011 are positively contributing to portfolio performance. As of 1Q16, these investments represent approximately 89% of NMSIC real estate NAV.
- Over the past one and three-year periods, new commitments have generated net time-weighted returns of 16.6% and 15.2%, respectively, outperforming the benchmark by 400 and 260 basis points, respectively. Overall, new investments have generated a 14.7% net IRR compared to a -0.4% net IRR from the legacy portfolio, over the since inception period.
- The total portfolio's one and three-year returns were negatively affected by NMSIC's legacy holdings, detracting approximately -1.5% of total performance, for each period.



*Time Weighted Returns over the quarter, one-, three-, and five-year periods.

**Portfolio Weighted Benchmark is a market weighted combination of the ODCE, Townsend Value-Added Fund Index, and Townsend Opportunistic Fund Index based on NMSIC's market weights. 4Q15 data is used for the Portfolio Weighted Benchmark due to timing of this report.

Appendix A: Additional 1Q 2016 Performance Attribution



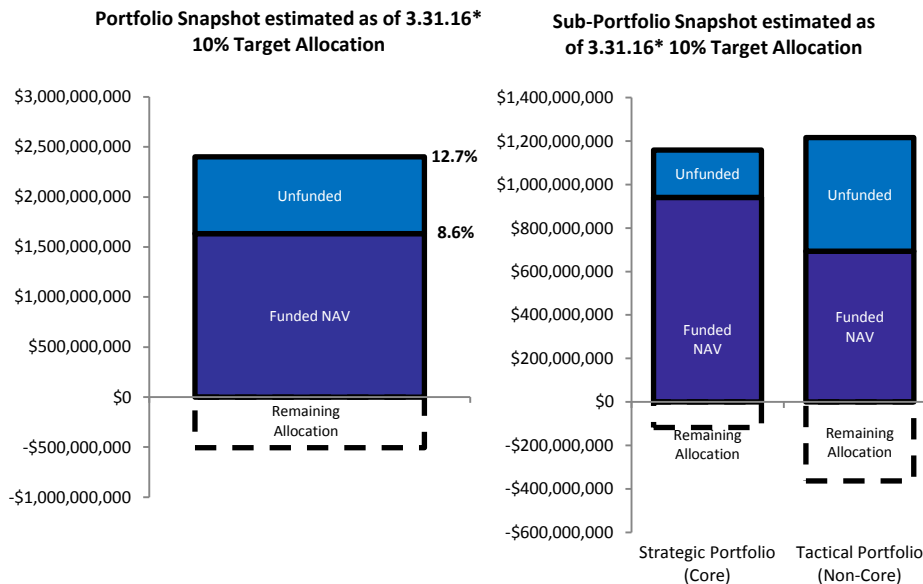
Real Estate Portfolio Performance

Portfolio Status

- As of 1Q16, NMSIC had \$1.6 billion invested in real estate representing 8.6% of total fund assets.**
- Including new commitments made YTD 2016 and reducing existing unfunded commitments that managers have indicated they will not require, total unfunded commitments are \$768.9 million.
- At the 10% target, the tactical real estate allocation is over-committed by approximately \$363.1 million, reflecting an over commitment factor of 1.4x, slightly above the over-commitment target of 1.3x.
- Over-commitment to tactical is the result of the ongoing regeneration process taking place in the portfolio, with new tactical investments (74% of the portfolio) actively drawing capital and Legacy investments (26% of the Portfolio) expecting near-term liquidation.

(\$ in millions)
as of 3/31/16

SIC's Target Allocation	10.0%	\$1,894.6
Current Market Value	8.6%	\$1,633.2
Market Value + Unfunded Commitments*	12.7%	\$2,402.0



*Unfunded Commitments account for commitments made through March 31, 2016 which have been reduced by existing manager estimates for capital not expected to be called.

**NMSIC's total real estate portfolio value as of 1Q16 includes 4Q15 NAV values of Landmark V.

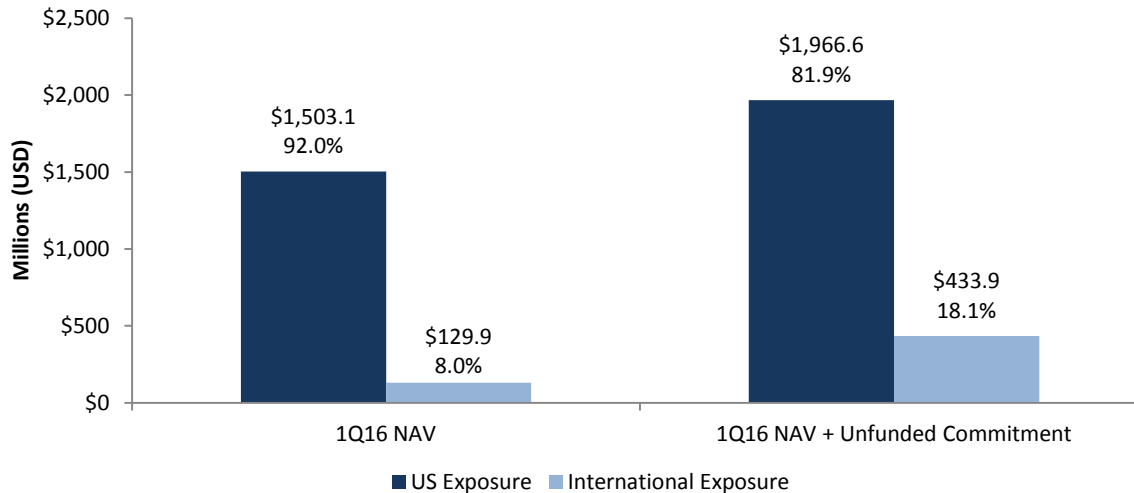
Note: The charts above reflect the allocation at a point in time and do not take into account total plan growth, real estate sector NAV growth, or the projected timing of capital calls/distributions. The pacing model presented as part of the Real Estate Investment Plan takes into account all of these factors.

Real Estate Portfolio Domestic and International Exposure

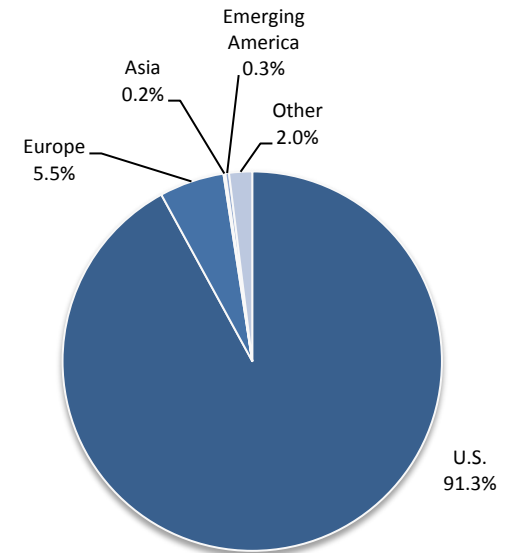
Portfolio Status

- As of 1Q16, NMSIC's U.S. exposure is approximately \$1.5 billion on a NAV basis, representing 92% of the total portfolio vs. 8% of international exposure. On a NAV plus unfunded basis, NMSIC's U.S. exposure is approximately \$2.0 billion, representing 82% vs. 18% of international exposure.
- As of 1Q16, NMSIC committed approximately \$476.2 million to seven dedicated international investments over the last two years. These investments currently represent approximately 5.4% of the portfolio's NAV and have approximately \$376.0 million of unfunded commitments.

U.S. vs. International Exposure



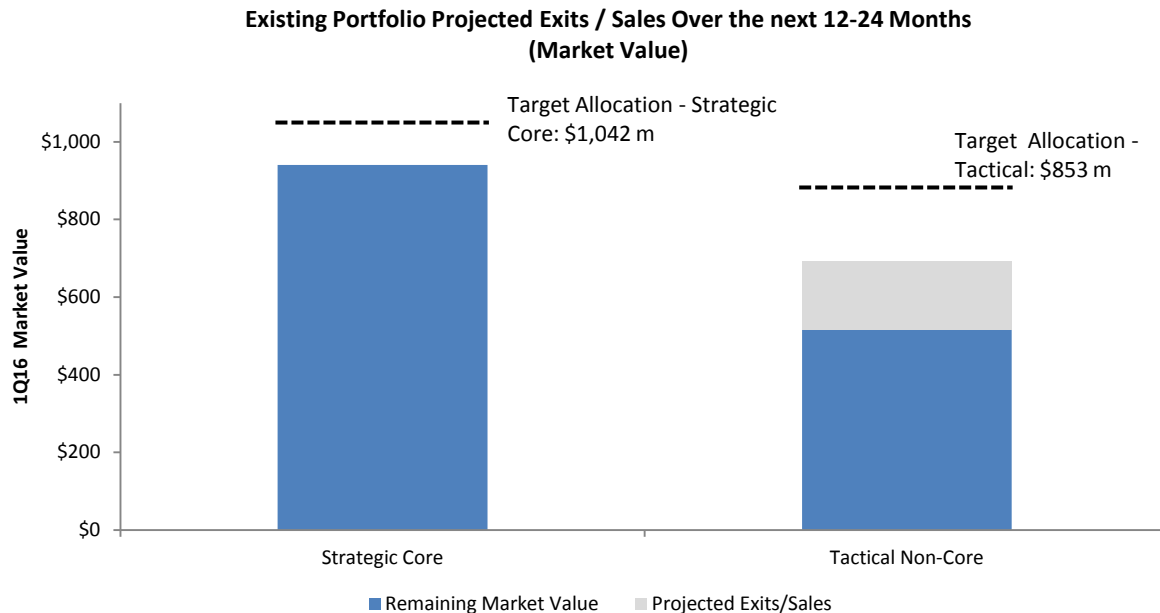
Global Geographic Diversification on NAV Basis



Real Estate Portfolio Performance

Portfolio Status

- Included in the pacing model presented as part of the Real Estate Investment Plan, a number of NMSIC’s existing investments are selling assets and are projecting to be fully realized over the next 12 to 24 months (see slide 18-19 for more details on Legacy Investments).
- Based on 1Q16 market values, the chart below provides a projection of how much capital NMSIC is likely to receive over this time frame. The projections rely on individual manager feedback as well as life of fund assumptions.
- Based on current market values, approximately 30% of Value-Added investments and 22% of Opportunistic investments are projected to be distributed over the next two years, totaling an estimated value between \$150-200 million.

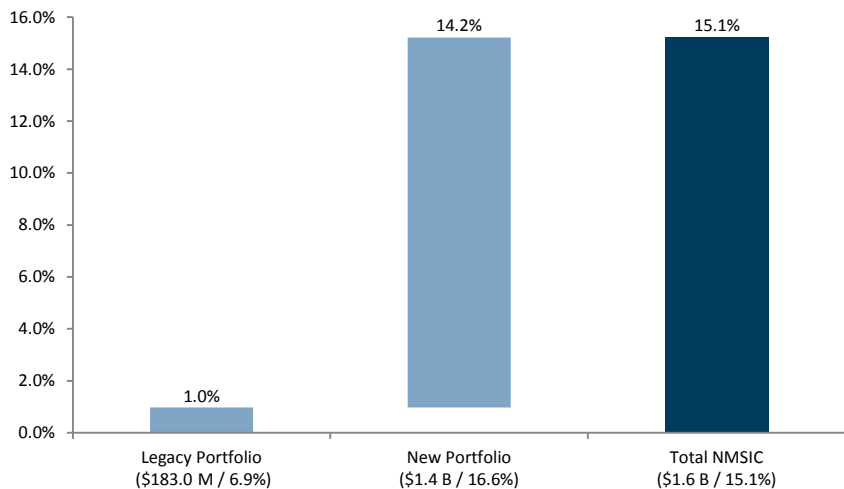


Real Estate Portfolio Performance – Portfolio One-Year Attribution

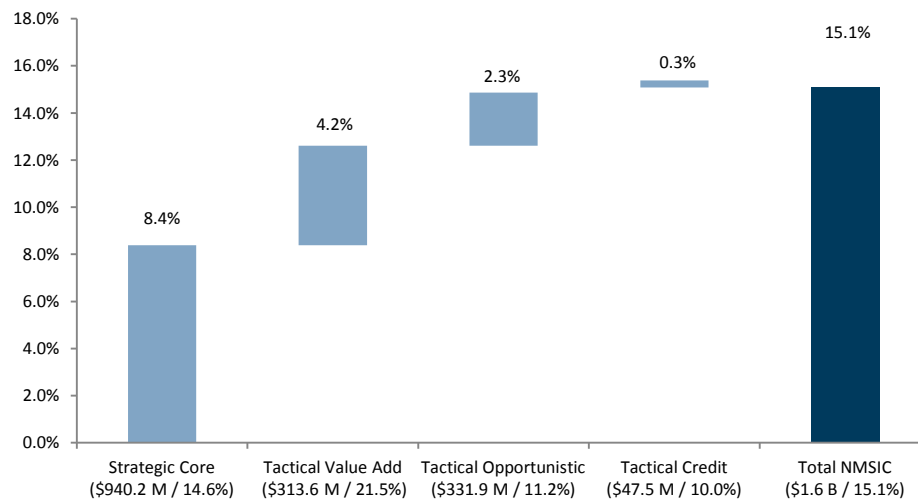
One-Year Time Weighted Return Performance

- The charts below show the contribution of each the New Portfolio and the Legacy Portfolio to the total one-year net return, as well as the return contribution of each portfolio by asset risk type.
- Over the one-year period, the New Portfolio was the main driver of NMSIC’s total net return. The New Portfolio’s share of return was 14.2% vs. 1.0% from the Legacy Portfolio. The New Portfolio continues to grow as new commitments are made, which further minimize the effects of the Legacy Portfolio on shorter-term returns.
- Over the one-year period, the Strategic Core Portfolio represented 8.4% of NMSIC’s one-year net return and had the largest impact on the portfolio shorter-term returns due to its weight combined with strong returns.

1Q16 One-Year Net Contribution Legacy and New Investments



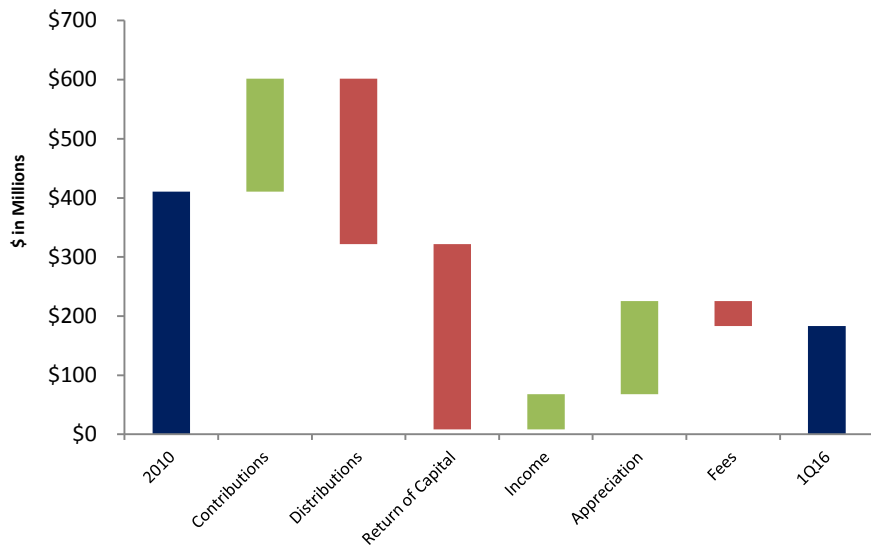
1Q16 One-Year Net Contribution by Risk Type



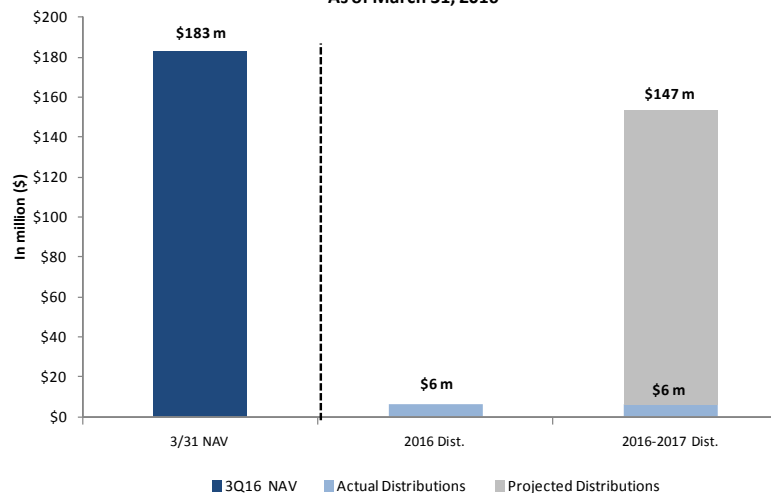
Real Estate Portfolio Performance – Legacy Investment Distributions

- The charts below illustrate changes in the Legacy Investments since 2010, as well as expected distributions from the Legacy Investments from 2015 to 2017*.
- Out of nine remaining investments, two are expected to be fully liquidated by year-end 2016.

2010 - 1Q16 NAV Components - Real Estate Legacy Portfolio



Legacy Portfolio Expected Distribution - 2016
As of March 31, 2016

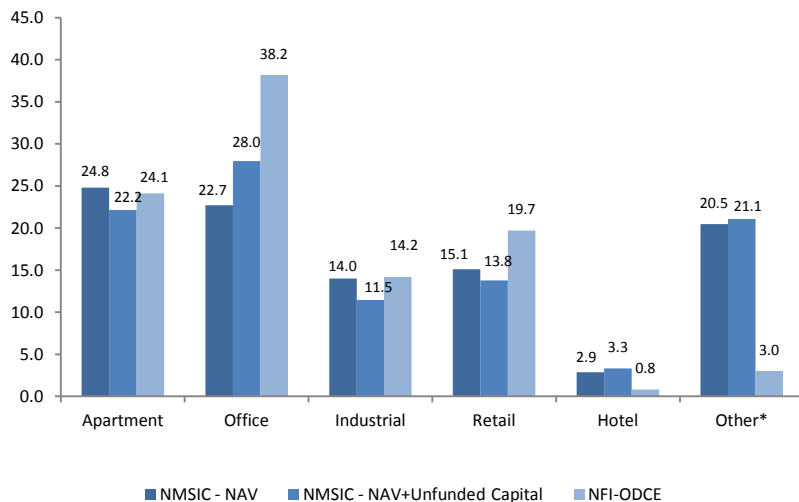


*Charts based on managers' projections.

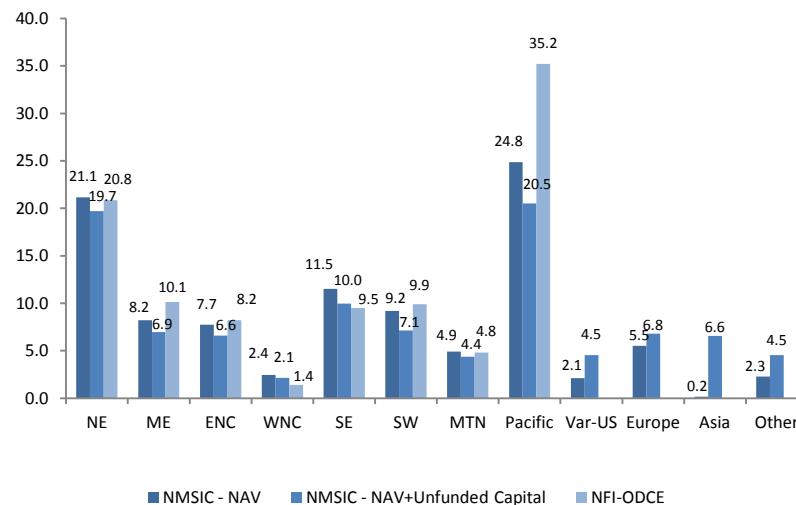
Real Estate Portfolio Performance – Diversification

- The portfolio is well diversified, although underweighted to office and retail on a NAV basis due to a significant overweight to hotel and “Other” property type (including for sale residential, student housing, self storage etc...). Recent new commitments should continue to reduce the “Other” exposure.
- The portfolio is also well diversified by geographic location within the U.S.
- The international exposure is highly concentrated in Europe and Asia with the remaining international exposure primarily in Latin America (through a legacy investment).
- The diversification charts below will change when adding the unfunded commitments. Some of these commitments target specific property types or geographic areas.

Property Type Diversification (%)



Geographic Diversification (%)



Appendix B: Definitions



New Mexico State Investment Council

Definitions:

Townsend classifies risk into two main groups – Strategic Core and Tactical Non-Core Real Estate. Within Tactical Non-Core we utilize the sub-categories of Value-Added and Opportunistic. The definitions of these classifications for the NMSIC's program are noted below:

- Strategic Core – Operating and substantially leased (typically 80% or higher at the time of acquisition) properties; typically included in this category are the traditional asset types including office, retail, industrial, and multifamily residential, although as the real estate asset class matures, we are beginning to see alternative property types being included in this category (e.g., hotels, self-storage). Leverage is usually limited to less than 30% of value although in some instances, leverage can be as high as 50%.
- Tactical Non-Core – Consists of both Value-Added and Opportunistic Return strategies and includes leasing and/or development risk, asset repositioning, distressed assets, and/or specialty property types; NMSIC's program allows for an international component up to 30% of the real estate program. Tactical Non-Core investments can be made through a variety of structures.
 - Value-Added – Properties that take on moderate additional risk from one or more of the following sources: leasing, redevelopment, repositioning, and require certain specialized operating expertise. Leverage is usually limited to less than 50% of value although in some instances, leverage can be as high as 65%.
 - Opportunistic – Investments include direct real estate assets (such as development or major redevelopment of office, retail, industrial, residential or specialized property types). Other forms of investment are also included such as land plays, operating companies, distressed debt/properties, and other specialized investments (e.g., brown fields). Leverage is usually 75% of value or greater.
 - Credit – Investments include debt focused strategies with real estate serving as collateral. Typical investments include mezzanine financing, recapitalizations, legacy debt instruments, listed debt securities, and preferred equity.

New Mexico State Investment Council

Definitions (continued):

- Townsend Portfolio Weighted Index – This Index is a combination of the equal weighted ODCE, Townsend Value Added Fund Index, Townsend Opportunistic Return Fund Index. The equal weighted Index provides a comparison of the investable universe since the NMSIC initiated its real estate portfolio.
- The NCREIF Property Index (NPI) – The NCREIF Property Index represents data collected from the Data Contributing Members of the National Council of Real Estate Investment Fiduciaries (NCREIF). The NPI is an unlevered domestic index, gross of fees, that aggregates the returns of approximately 7,225 privately owned institutional investment properties valued at \$471.7 billion. All properties have been acquired, at least in part, on behalf of tax-exempt institutions and held in a fiduciary environment. The properties are wholly owned and joint venture investments consisting of operating properties only – no development projects. It is not possible for investors to invest in or duplicate the NPI.
- NFI-ODCE – The NFI-ODCE, like the NCREIF Property Index and other stock and bond indices, is a capitalization-weighted index based on each fund's Net Invested Capital. The NFI-ODCE is a gross of fee and net of fee time-weighted return index consisting of Open-end Core Funds. Open-end Funds are defined as infinite-life vehicles consisting of multiple investors who have the ability to enter or exit the fund on a periodic basis, subject to contribution and/or redemption requests, thereby providing a degree of potential investment liquidity.
- We believe that given the inherent valuation lag and lack of leverage in the NPI that the Townsend Indices provide the proper comparison to Investors' Real Estate Portfolios. The composition of these respective Indices represents the investable universe of funds in each sector and includes leverage.

New Mexico State Investment Council

Definitions (continued):

- Internal Rate of Return (“IRR”) – IRR is the average rate earned by each and every dollar invested during the period. This rate is influenced not only by movements in financial markets and decisions made by portfolio managers, but also by the timing and size of cash inflows and outflows and the beginning and ending market values.
- Time-Weighted Return (“TWR”) – A rate-of-return measure of portfolio performance that gives equal weight to each period regardless of any differences in amounts invested in each period. TWR are designed to eliminate the effect that the size and timing of cash flows has on the IRR since the pattern of cash flows varies significantly among funds.

New Mexico State Investment Council

Definitions (continued):

Geographic Diversification								
Developed Americas (2)	Developed Europe (21)	Developed Asia (5)	Developed Middle East and Africa (1)	Emerging Americas (6)	Emerging Europe (5)	Emerging Asia (8)	Emerging Middle East and Africa (3)	Frontier* (151)
United States	Austria	Australia	Israel	Brazil	Czech Republic	China	Egypt	Other Developing and Third World countries
Canada	Belgium	Hong Kong		Chile	Hungary	India	South Africa	
	Denmark	Japan		Colombia	Morocco	Indonesia	Turkey	
	England	New Zealand		Mexico	Poland	South Korea		
	Finland	Singapore		Peru	Russia	Malaysia		
	France			Puerto Rico		Philippines		
	Germany					Taiwan		
	Greece					Thailand		
	Ireland							
	Italy							
	Luxembourg							
	Netherlands							
	Northern Ireland							
	Norway							
	Portugal							
	Scotland							
	Spain							
	Sweden							
	Switzerland							
	United Kingdom							
	Wales							

*Frontier is comprised of 151 countries mainly consisting of other developing countries not listed in the Emerging regions as well as Third World countries.



Appendix C: 1Q 2016 Flash Report





Portfolio Composition (\$)								
Total Plan Assets	Allocation		Market Value		Unfunded Commitments		Remaining Allocation	
18,946,052,526	1,894,605,253	10.0%	1,633,174,985	8.6%	813,583,809	4.3%	-552,153,541	-2.9%

Performance Summary	Quarter (%)		1 Year (%)		3 Year (%)		5 Year (%)	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
New Mexico State Investment Council	2.4	2.0	17.9	15.1	16.4	13.7	14.2	11.9
NFI-ODCE Value Weight	2.2	2.0	13.7	12.6	13.6	12.6	13.3	12.2

Funding Status (\$)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
Strategic Core Investments								
Strategic Core Investments	2011	910,000,000	737,229,794	218,968,015	72,552,761	940,164,148	57.6	47.4
Tactical Value-Added Investments								
Tactical Value-Added Investments	2004	858,346,674	677,451,057	206,595,022	487,292,266	313,638,800	19.2	21.3
Tactical Opportunistic Investments								
Tactical Opportunistic Investments	2005	705,547,981	530,315,398	228,782,967	318,425,450	331,912,981	20.3	22.9
Tactical Credit								
Tactical Credit	2014	210,664,449	49,891,473	159,237,805	5,904,885	47,459,056	2.9	8.4
Total Tactical	2004	1,774,559,104	1,257,657,928	594,615,794	811,622,601	693,010,837	42.4	52.6
Total Current Portfolio								
New Mexico State Investment Council	2004	2,684,559,104	1,994,887,722	813,583,809	884,175,362	1,633,174,985	100.0	100.0

Returns (%)	Market Value (\$)	Quarter				1 Year				3 Year				5 Year				Inception		TWR Calculation Inception	Net IRR	Equity Multiple
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	TGRS	TNET			
Strategic Core Investments																						
Strategic Core Investments	940,164,148	1.2	1.2	2.4	2.2	4.8	11.0	16.2	14.6	4.9	9.9	15.2	13.8	5.1	9.8	15.3	13.8	15.3	13.8	2Q11	13.4	1.3
Tactical Value-Added Investments																						
Tactical Value-Added Investments	313,638,800	1.3	1.5	2.8	2.1	5.8	19.6	26.3	21.5	5.8	13.0	19.4	15.5	6.7	8.1	15.2	12.3	8.7	5.6	3Q04	3.2	1.1
Tactical Opportunistic Investments																						
Tactical Opportunistic Investments	331,912,981	-1.8	3.8	2.1	1.5	-0.9	15.4	15.1	11.2	1.7	15.5	17.7	12.9	1.8	12.9	15.0	11.1	5.8	2.8	2Q05	1.6	1.1
Tactical Credit																						
Tactical Credit	47,459,056	3.4	-0.5	2.9	0.8	13.7	-0.3	13.4	10.0									8.7	6.2	1Q14	7.8	1.1
Total Tactical	693,010,837	1.3	5.4	6.7	5.6	8.7	9.8	19.1	14.9	5.8	11.6	17.9	13.7	5.6	8.8	14.8	11.6	7.2	4.1	3Q04	2.4	1.1
Total Portfolio																						
New Mexico State Investment Council	1,633,174,985	0.7	1.8	2.4	2.0	4.2	13.2	17.9	15.1	4.6	11.4	16.4	13.7	5.0	8.9	14.2	11.9	7.0	4.4	3Q04	5.1	1.2
Indices																						
NFI-ODCE Value Weight		1.1	1.1	2.2	2.0	4.7	8.7	13.7	12.6	5.0	8.3	13.6	12.6	5.1	7.8	13.3	12.2	8.1	7.1	3Q04		
NCREIF Property Index "NPI"		1.2	1.0	2.2		4.9	6.7	11.8		5.3	6.4	11.9		5.5	6.2	11.9		9.2		3Q04		
FTSE EPRA/NAREIT Developed Index in USD				5.4				1.3				6.3				8.5		8.5		3Q04		

Returns (%)	Market Value (\$)	Quarter				1 Year				3 Year				5 Year				Inception		TWR Calculation Inception	Net IRR	Equity Multiple
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	TGRS	TNET			
Legacy Portfolio																						
Legacy Portfolio	183,026,868	-3.2	4.9	1.7	1.4	-3.7	10.3	8.4	6.9	2.6	7.2	10.6	8.6	3.7	5.8	10.1	8.1	5.4	2.9	3Q04	-0.4	1.0
New Portfolio 2011 Inception																						
New Portfolio 2011 Inception	1,450,148,117	1.1	1.4	2.5	2.1	4.8	14.3	19.6	16.6	4.6	13.2	18.2	15.2	4.9	11.7	17	14.5	17.0	14.5	2Q11	14.7	1.3
Total Portfolio																						
New Mexico State Investment Council	1,633,174,985	0.7	1.8	2.4	2.0	4.2	13.2	17.9	15.1	4.6	11.4	16.4	13.7	5.0	8.9	14.2	11.9	7.0	4.4	3Q04	5.1	1.2
Indices																						
NFI-ODCE Value Weight		1.1	1.1	2.2	2.0	4.7	8.7	13.7	12.6	5.0	8.3	13.6	12.6	5.1	7.8	13.3	12.2	8.1	7.1	3Q04		
NCREIF Property Index "NPI"		1.2	1.0	2.2		4.9	6.7	11.8		5.3	6.4	11.9		5.5	6.2	11.9		9.2		3Q04		
FTSE EPRA/NAREIT Developed Index in USD				5.4				1.3				6.3				8.5		8.5		3Q04		



Advisory Disclosures and Definitions

Disclosure

Proprietary information prepared for the use of The New Mexico State Investment Council.

Past performance is not indicative of future results.

Investing involves risk, including the possible loss of principal.

Returns are presented on a time weighted basis and shown both gross and net of underlying third party fees and expenses and may include income, appreciation and/or other earnings. In addition, investment level Net IRR's and equity multiples are reported.

The Townsend Group, on behalf of its client base, collects quarterly limited partner/client level performance data based upon inputs from the underlying investment managers. Data collection is for purposes of calculating investment level performance as well as aggregating and reporting client level total portfolio performance. Quarterly limited partner/client level performance data is collected directly¹ from the investment managers via a secure data collection site.

¹In select instances where underlying investment managers have ceased reporting limited partner/client level performance data directly to The Townsend Group via a secure data collection site, The Townsend Group may choose to input performance data on behalf of its client based upon the investment managers quarterly capital account statements which are supplied to The Townsend Group and the client alike.

Benchmarks

The potential universe of available real asset benchmarks are infinite. Any one benchmark, or combination thereof, may be utilized on a gross or net of fees basis with or without basis point premiums attached. These benchmarks may also utilize a blended composition with varying weighting methodologies, including market weighted and static weighted approaches.