



**TOWNSEND**  
GROUP

# **The New Mexico State Investment Council ("NMSIC")**

## **First Quarter 2017: Real Estate Performance Measurement Report**

August 2017

# Table of Contents

- 1) Real Estate Market Updates
- 2) Performance Measurement Highlights 1Q 2017

## **Appendix:**

- A. Additional 1Q 2017 Performance Attribution
- B. Definitions
- C. Flash Report: 1Q 2017

# 1. 1Q17 Economic Dashboard – Market Outlook



# United States Real Estate Market Update (1Q17)

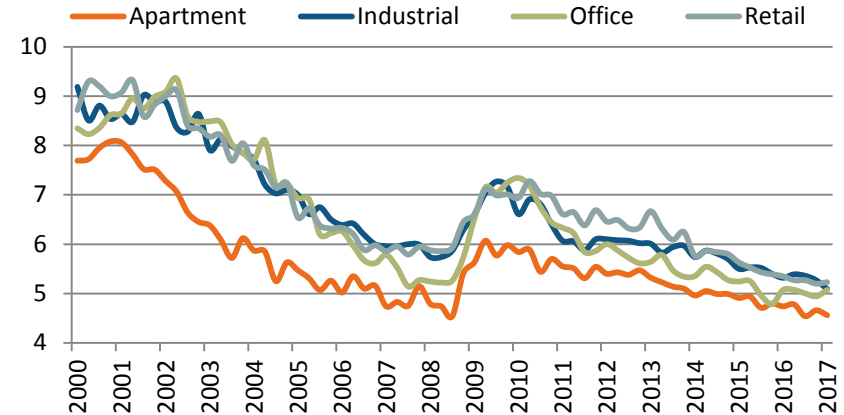
## General

- Equities continued to rally during the Quarter; the S&P 500 produced a total gross return in excess of 6%. Consumer Sentiment decreased during the Quarter, with a final value of 96.9 in March, but remains elevated relative to the months preceding the election (November – 93.8). Bond yields remained elevated during the Quarter – decreasing only 6 Bps – but have subsequently declined since Quarter end.
- Macro indicators for U.S. real estate remained moderate and consistent during the 1<sup>st</sup> Quarter of 2017. During the Quarter, corporate earnings continued to drive the equity markets to record highs. During the Quarter, Real GDP increased at an annualized rate of 1.2% (revised upward from initial estimates of 0.7%). The Federal reserve raised rates by 0.25% during the quarter, and, given continued economic momentum, is expected to raise rates again in 2Q17.

## Commercial Real Estate

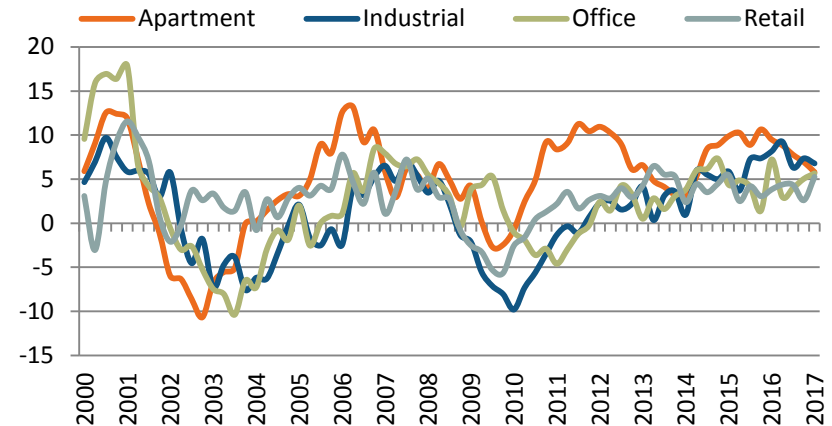
- In 2016, \$72.2bn of aggregate capital was raised by US real estate funds. During the 1<sup>st</sup> quarter of 2017, an additional \$16.3Bn was raised indicating strong demand for US real estate investment.
- Debt costs for borrowers have declined over the Quarter as treasury yields declined from post election peaks. The credit environment in 2017 will be particularly interesting due to CMBS maturities and the tightening of banks' lending standards. Non-Bank Financing Companies are expected to fill lending gaps in 2017.
- 2017 YTD investment activity in the US is down 17% Year-over-Year. While the apartment market continues to witness cap rate compression (as noted below), investment and transaction activity in multifamily has declined to the greatest extent relative to the other major asset classes.
- Transaction cap rates on average compressed minimally during the 1<sup>st</sup> Quarter of 2017 across major sectors. Multifamily and Industrial experienced a 10 bps and 18 bps of compression respectively, while retail and office began expanding by 3 bps and 13 bps respectively.

### Current Value Cap Rates by Property Type



Source: NCREIF

### 4-Qtr Rolling NOI Growth By Property Type



Source: NCREIF





# United States Property Matrix (1Q17)



## INDUSTRIAL

- As of 1Q17, Industrial properties returned 2.83% and outperformed the NPI by 129 bps.
- Despite consistent new construction in a majority of markets, overall US vacancy declined an additional 30 basis points to 5.3%.
- New deliveries still remain below total net absorption, with an 11.9% year-over-year increase totaling over 58 million sqft in the first quarter alone. The three markets of Philadelphia, Dallas and Atlanta accounted for 34% of total US absorption.
- Existing development pipeline is estimated at 247.2 million sqft, led by a 29% increase from the fourth quarter in built-to-suit construction. By 2018, the market is expected to have added 1 billion sqft of inventory cumulatively since 2013, representing 8.1% of total inventory.
- With speculative development accounting for 71.5% of new construction, speculative preleasing rates increased 320 basis points for 26.9%.

## MULTIFAMILY

- Sales volume for the Quarter totaled \$25.5 billion, representing a decrease of 44% relative to the previous quarter. This is the lowest volume since 1<sup>st</sup> Quarter 2014.
- As of Quarter end, the current Homeownership Rate is 63.7% suppressed by continued tightening of lending standards and mortgages rates, which have rebounded post election to 4.2% for a 30 year fixed rate.
- TTM Single-Family starts were up 6% and represent a potential headwind for the industry as housing development ramps up.
- The rate of completions as a percent of inventory is expected to remain elevated. TTM Multifamily starts were up 26% and Apartment REIT development pipelines remain relatively large.
- The apartment sector delivered a 1.30% return during the Quarter, underperforming the NPI by 25 bps.

## OFFICE

- The Office sector returned 1.26% in 1Q17, 28 bps below the NPI.
- With delivery of 16 million sqft of office space to the market in the first three months of the year, occupancy growth slowed to 3.6 million sqft even as rents rose rapidly.
- Renewals and relocations with no significant change in footprint represented 34.3% and 29.3% of leasing activity, respectively. Technology remains the primary driver of leasing activity representing 24.2% of the Quarterly activity.
- For the first time since 2010, total vacancy rose 20 basis points to 14.7%, with all asset classes registering some degree of increase.
- Driving vacancy increases in the pace of completions, with 16 million sqft of deliveries entering the market in the first three months of the year. This represent the largest volume of new supply this cycle, with an average expected to remain elevated at 15.3 million sqft through the end of 2018.

## RETAIL

- First quarter retail sales volumes declined 3% to 16 billion relative to the 4<sup>th</sup> Quarter 2016.
- Retail REITs were down 4.8% to begin the year and 17.2% over the trailing twelve month period. There continues to be a growing divergence between public implied cap rates and private cap rates, indicating either private markets are too expensive or public markets are priced inefficiently and thus a better value.
- Trailing 4 Quarter NOI Growth was 5.3%, the lowest of any major property type. In addition, REIT data has indicated same-store sales growth and tenant occupancy costs have reached an inflection point indicating future NOI Growth will be limited.
- At the end of 2016, E-commerce had grown to represent 8.1% of Total Retail Sales.
- As of 1Q17, the retail sector delivered a quarterly return of 1.56%, performing in line with the NPI.



# Global Real Estate Market Update (1Q17)

## Global

- Global investment activity stabilized during 1Q 2017 totaling \$136 billion, -1% below 1Q 2016 levels. Economic trends remain positive, although some political uncertainties remain. London remained the top global destination for investment with \$8.2 billion, followed by Tokyo (\$5.8 billion) and New York City (\$5.6 billion).

Direct Commercial Real Estate Investment - Regional Volumes, 2015 - 2017

\$ US Billions	% Change			% Change			% Change	
	Q4 16	Q1 17	Q4 16 - Q1 17	Q1 16	Q1 16 - Q1 17	2015	2016	YTD 2015 - YTD 2016
Americas	78	58	-26%	61	-5%	314	285	-9%
EMEA	85	52	-39%	51	2%	267	247	-7%
Asia Pacific	44	25	-43%	25	0%	123	131	7%
<b>Total</b>	<b>207</b>	<b>135</b>	<b>-35%</b>	<b>137</b>	<b>-1%</b>	<b>704</b>	<b>663</b>	<b>-6%</b>

Source: Jones Lang LaSalle, April 2017

## Europe

- European investment was up 3% y/y in 1Q 2017 to \$52 billion. The U.K. saw a 7% y/y decline while Germany, accounting for approximately 10% of global transactions, posted a strong 32% y/y growth for 1Q 2017. Excluding the U.K., the region saw an 8% y/y increase in investment volumes. Central and Eastern Europe remains a significant contributor to regional growth, posting a 28% y/y increase in investment, led by the Czech Republic, Poland, and Hungary respectively.

## Asia

- Asia Pacific investment during the Quarter remained flat at \$25 billion, with Hong Kong and Australia driving underperformance in the region. Transaction volume in Australia fell 28% while Japan contributed positively with 16% y/y growth during the Quarter. Investment in China during the quarter was concentrated in Tier 1 cities and core office assets. Cross border transactions accounted for 35% of transactions.

Global Outlook - GDP (Real) Growth % pa, 2016-2018

	2016	2017	2018
<b>Global</b>	<b>3.0</b>	<b>3.4</b>	<b>3.7</b>
<b>Asia Pacific</b>	<b>5.4</b>	<b>5.3</b>	<b>5.2</b>
Australia	2.5	2.8	2.4
China	6.7	6.5	6.1
India	7.5	7.2	7.5
Japan	1.0	1.4	1.3
<b>North America</b>	<b>0.7</b>	<b>1.8</b>	<b>1.6</b>
US	1.6	2.1	2.6
<b>MENA*</b>	<b>2.7</b>	<b>2.6</b>	<b>3.7</b>
<b>European Union</b>	<b>1.9</b>	<b>1.9</b>	<b>1.8</b>
France	1.1	1.4	1.6
Germany	1.8	1.8	1.4
UK	1.8	1.9	1.3

\*Middle East North Africa

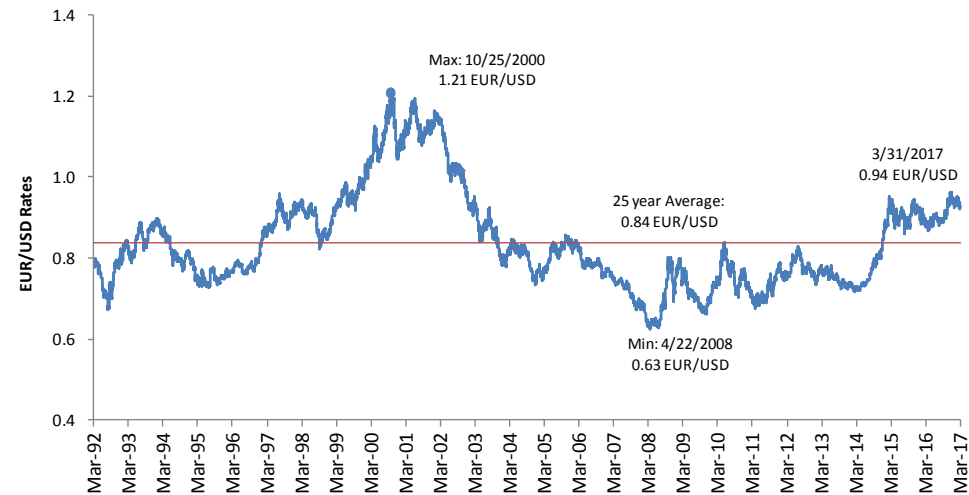
Source: Jones Lang LaSalle (Oxford Economics), April 2017



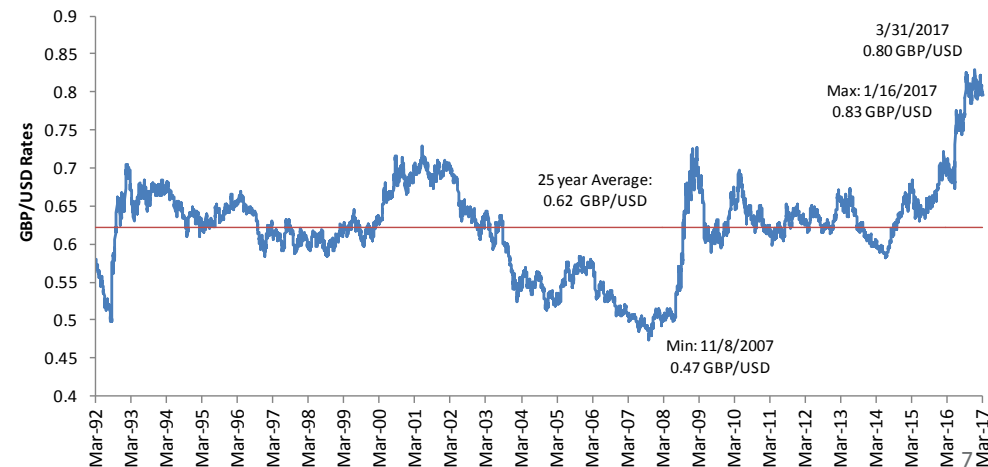
## Currency Effects – Market Trends (1Q17)

- 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 28.0% and 11.9% 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. One of the key concerns influencing global markets going forward is the pace of inflation and the impact on interest rate expectations.
- Worries continue in Great Britain due to the recent decision to leave the European Union (“EU”) as Article 50 outlining the process of leaving the EU was triggered at the end of March 2017. While volatility has slowed down, it is still expected to be the norm while uncertainty remains. In the meantime, the British Pound continues its unstable ways against the U.S. dollar but has risen to 0.77 GBP/USD as of 06/30/17 (post Brexit vote). The Euro has also been largely affected against the U.S. dollar and rose to 0.88 EUR/USD as of 6/30/17.

**EURO-USD Rates over 25 Years**



**GBP-USD Rates over 25 Years**



## 2. Performance Measurement Highlights: 1Q 2017





## Portfolio Highlights

- New Mexico State Investment Council's (NMSIC) current target allocation to real estate is 10.0%. NMSIC's 1Q17 real estate market value represents 9.1% of total fund assets.
- The real estate portfolio continues to grow and provide positive performance. As of 1Q17, NMSIC outperformed the NFI-ODCE Index on a net basis over all standard measurement periods.

As of 1Q17	Quarter		One-Year		Three-Year		Five-Year	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
NMSIC*	2.3	1.8	10.1	8.1	14.5	12.0	13.9	11.4
NFI-ODCE*	1.8	1.5	8.3	7.4	11.8	10.8	12.0	10.9
Over/ <b>Under</b> Performance	0.5	0.3	1.8	0.7	2.7	1.2	1.9	0.4

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

- NMSIC real estate commitments made since 2011 (inception of rebalancing) have been accretive to the real estate portfolio, resulting in net time weighted returns of **9.2%**, **13.1%** and **13.1%** over the one, three and five- year periods, outperforming the ODCE benchmark by approximately 180 bps, 230 bps, and 220 bps over these respective time measurements.
- As of 1Q17, the Legacy Portfolio only represented approximately 7% of the portfolio NAV.

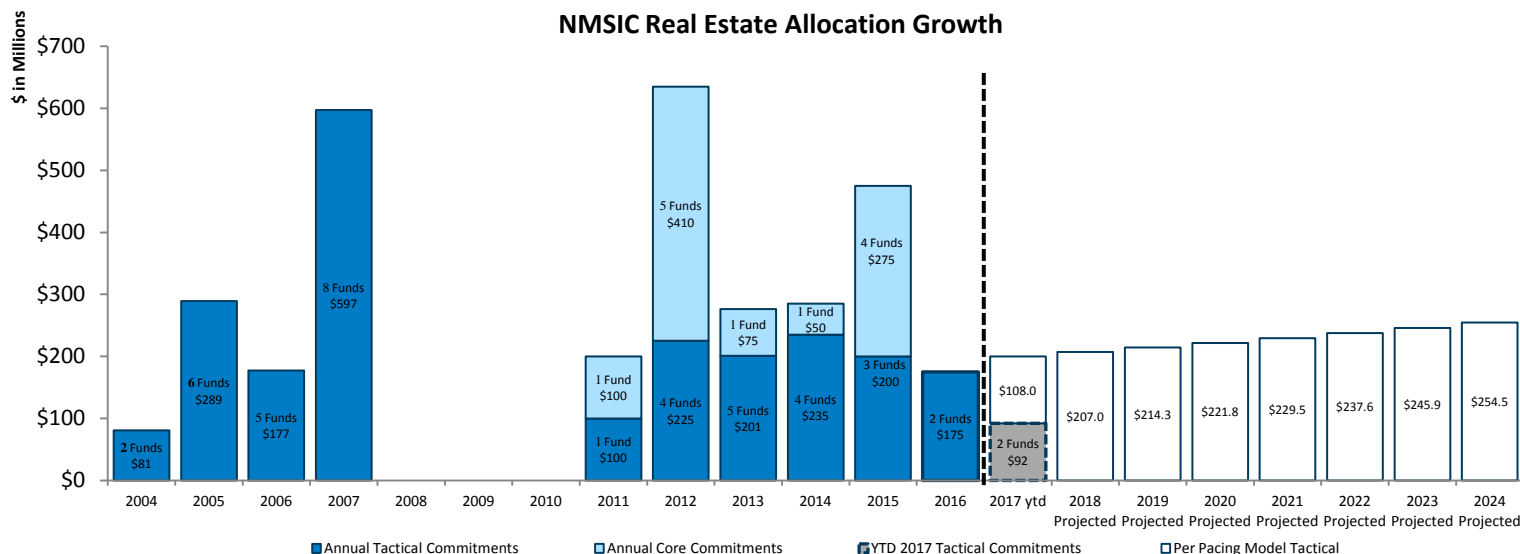
## Portfolio Highlights

- As of 1Q17, NMSIC's portfolio consisted of 59% exposure to core investments and 41% exposure to tactical investments, on a NAV basis.
- During the quarter, managers called approximately \$135 million across the core and tactical investments; return-of-capital combined with income distributions totaled \$36 million, bringing total distributions to \$238.3 million over the last 12 months.
- Strategic Core Portfolio
  - Since December 2011, eight strategic core commitments have been made, totaling \$912.0 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.
  - As of March 31, 2017, approximately \$76 million remains unfunded.
- Tactical Portfolio
  - Since December 2011, approximately \$1.2 billion has been committed to 21 tactical investments, including two commitments in 2017 of approximately \$42 million to a US industrial fund and \$50 million to a US multifamily fund.

# Real Estate Portfolio Allocation

## Portfolio Status

- Since the 2004 inception, NMSIC has committed approximately \$3.3 billion to real estate across seven joint ventures and 43 funds with 28 different managers.\*
- Investment activity from 2004-2007 focused exclusively on tactical investments.
- In 2011, NMSIC and Townsend 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 strategic core commitments, but calls for approximately \$200 million of non-core commitments in 2017. Follow-on investment opportunities and new managers to the SIC portfolio are being evaluated for the remainder of the 2017 vintage year.



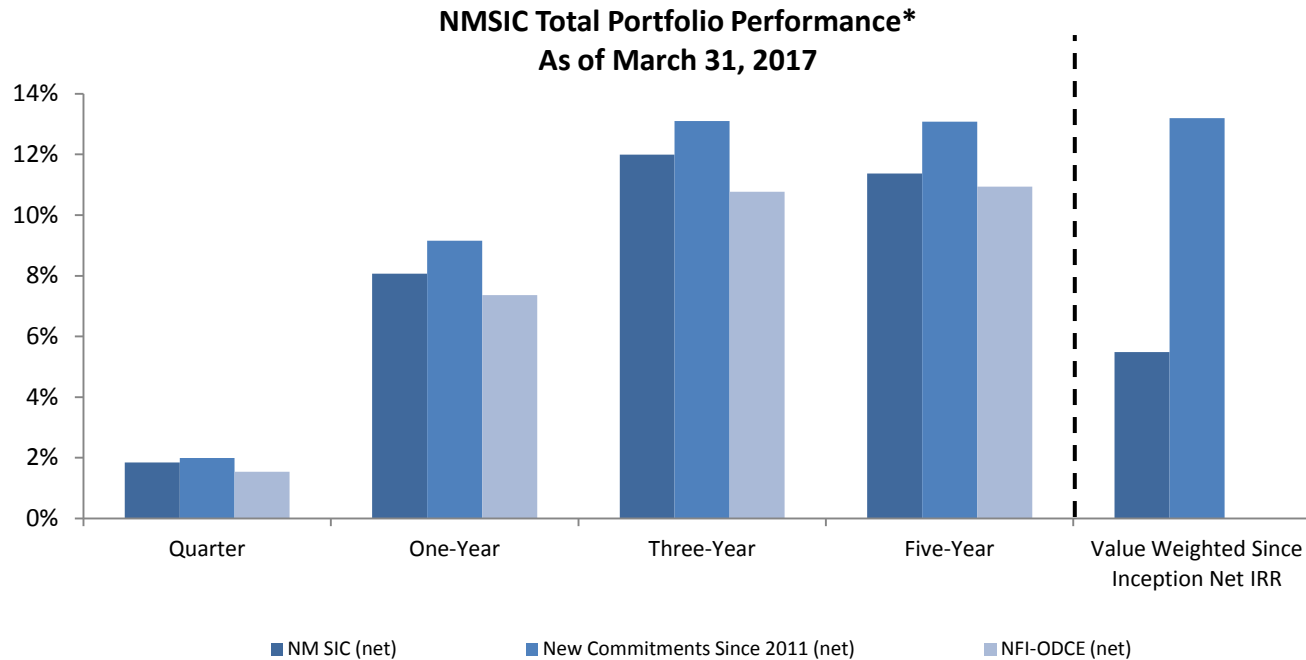
In 2011, NMSIC increased its real estate allocation from 5% to 10% of total assets.

\*Includes a \$50 million commitment that occurred post quarter end.

# 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.
- Recent total performance is strong. NMSIC outperforms over all standard measurement time periods.
- Performance of the rebalanced portfolio and corresponding commitments made since 2011 remains compelling, with significant outperformance reported against the ODCE benchmark over all measured periods.



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

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



# Appendix A: Additional 1Q 2017 Performance Attribution





# Real Estate Portfolio Performance

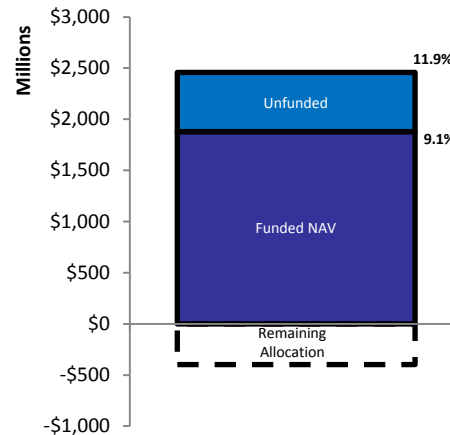
## Portfolio Status

- As of 1Q17, NMSIC had \$1.9 billion invested in real estate representing 9.1% of total fund assets.
- Including new commitments made post quarter end, total unfunded commitments are \$630.4 million.
- The Tactical portfolio currently represents 41% of the portfolio on a funded basis. At the 55% / 45% target core/non-core blend, the tactical real estate allocation is over-committed by approximately \$254 million on a funded and committed basis, reflecting an over commitment factor of 1.3x<sup>1</sup>, consistent with 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 (83% of the portfolio) actively drawing capital and Legacy investments (17% of the Portfolio) expecting near-term liquidation.
- The charts 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.

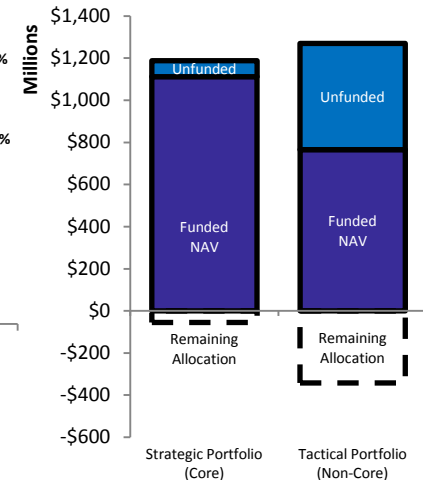
(\$ in millions)  
as of 3/31/17

SIC's Target Allocation	10.0%	\$2,061.1
Current Market Value	9.1%	\$1,877.8
Market Value + Unfunded Commitments	11.9%	\$2,458.3

Portfolio Snapshot estimated as of 3.31.17  
10% Target Allocation



Sub-Portfolio Snapshot estimated as of 3.31.17 10% Target Allocation



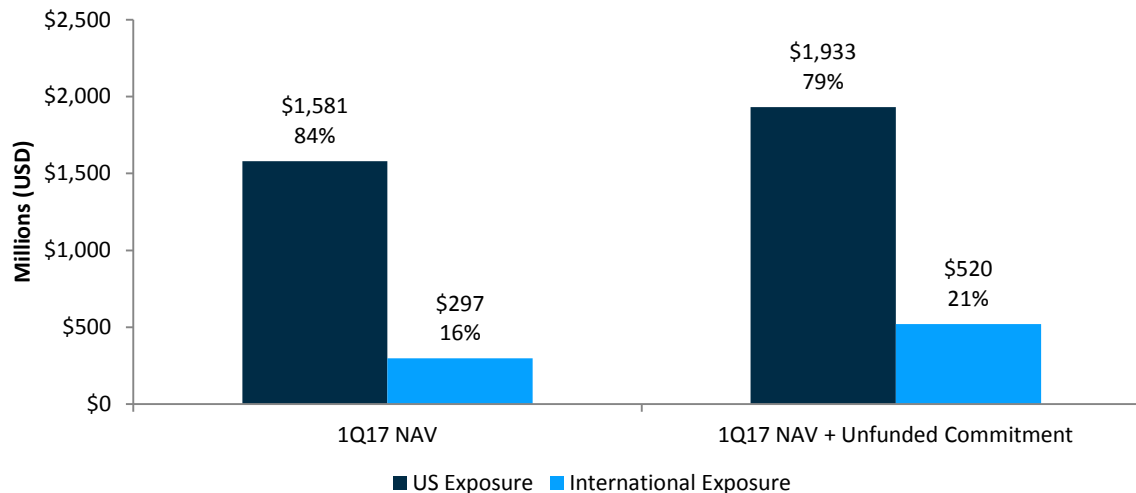
<sup>1</sup> Unfunded commitments is based on 75% of all outstanding commitments to closed-end tactical funds to approximate the prolonged exposure.

# Real Estate Portfolio Domestic and International Exposure

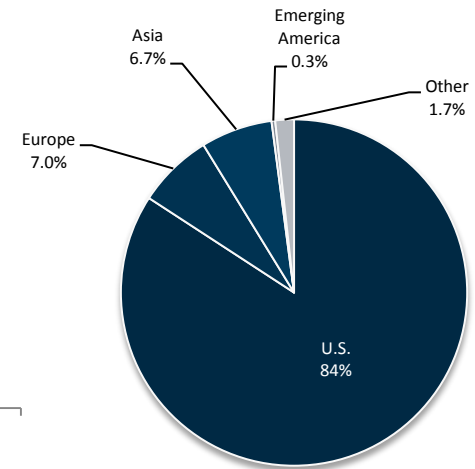
## Portfolio Status

- As of 1Q17, NMSIC's U.S. exposure is approximately \$1.6 billion on a NAV basis, representing 84% of the total portfolio vs. 16% of international exposure. On a NAV plus unfunded basis, NMSIC's U.S. exposure is approximately \$1.9 billion, representing 79% vs. 21% of international exposure.
- As of 1Q17, NMSIC committed approximately \$476.7 million to seven dedicated international investments over the last two years. These investments currently represent approximately 13% of the portfolio's NAV and have approximately \$150 million of unfunded commitments.

### U.S. vs. International Exposure



### Global Geographic Diversification on NAV Basis

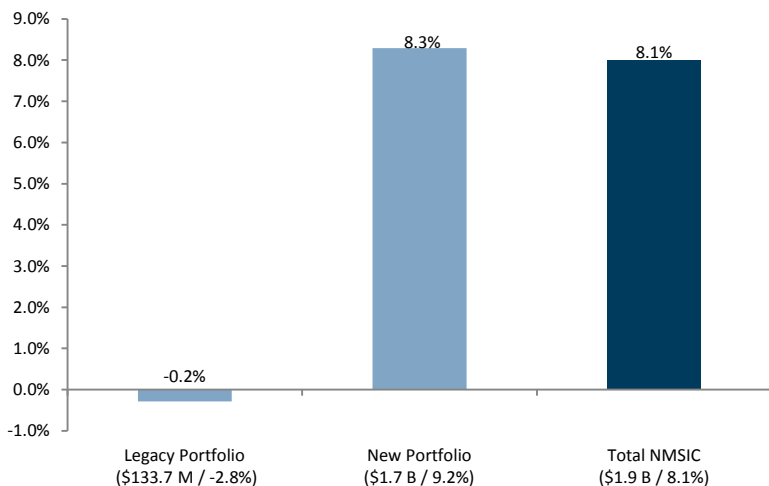


# Real Estate Portfolio Performance – Portfolio One-Year Attribution

## One-Year Time Weighted Return Performance

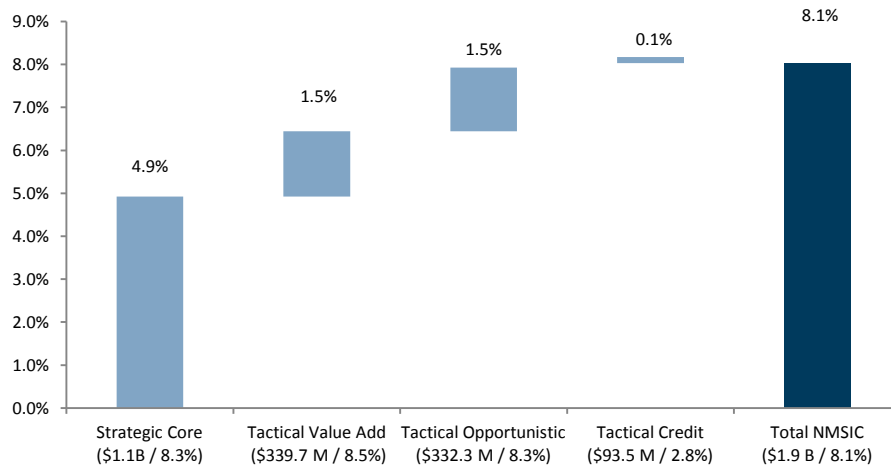
- The charts below show the contribution of each the New Portfolio and the Legacy Portfolio to the total one-year net return, as well as the return contribution of each portfolio by asset risk type.
- Over the one-year period, the New Portfolio continues to be the main driver of NMSIC’s total net return. The New Portfolio’s share of return was 8.3% vs. -0.2% 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 4.9% 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.

1Q17 One-Year Net Contribution Legacy and New Investments



NAV/One-Year net TWR

1Q17 One-Year Net Contribution by Risk Type

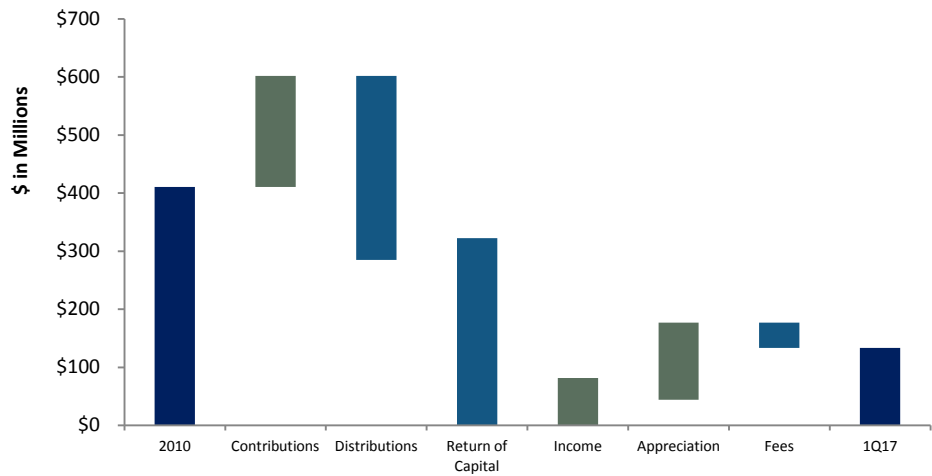


NAV/One-Year net TWR

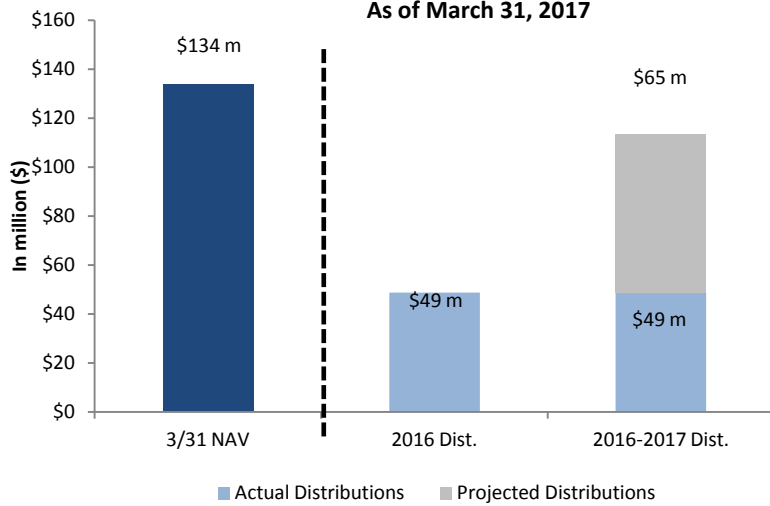
# Real Estate Portfolio Performance – Legacy Investment Distributions

- 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 eight remaining investments, three are expected to be fully liquidated by year-end 2017.

2010 - 1Q17 NAV Components - Real Estate Legacy Portfolio



Legacy Portfolio Expected Distribution - 2017  
As of March 31, 2017



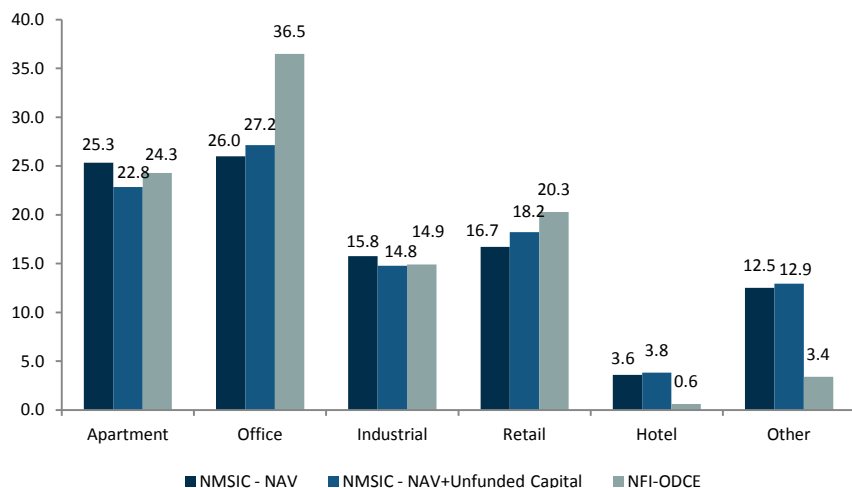
\*Charts based on managers' projections.



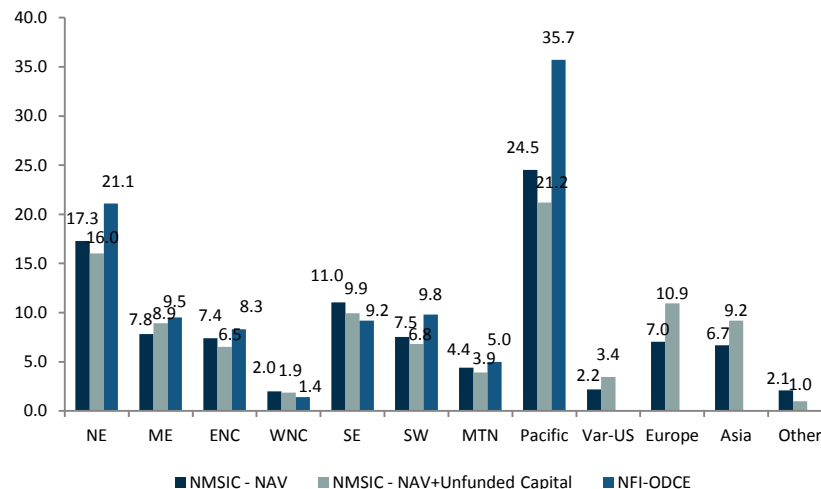
# Real Estate Portfolio Performance – Diversification

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

Property Type Diversification (%)



Geographic Diversification (%)





## Investment Guidelines & Compliance

- The Real Estate portfolio's objectives are: portfolio diversification and volatility reduction, inflation hedging, income generation, attractive risk adjusted returns, and capital preservation.

Category	Strategic Plan Requirement	Compliance
<b>Funding Status</b>		
Allocation target (and range)	10% of total Plan Assets (\$1.9 billion)	✓
<b>Return Targets/Benchmark</b>		
Private Real Estate	ODCE net over a rolling five years	✓
<b>Investment Style Allocations</b>		
Private (Core, Non-Core)	Core (40%-70%), Non-Core (30%-60%)	✓
Public	REITs (0%-10%)	✓
<b>Risk Policies</b>		
Manager/Fund Diversification	35% to one manager	✓
Max LP share of fund	25%	✓
Property Type Diversification	Core +/- 15% from ODCE	✓
Property Location Diversification	None. Portfolio strives to be well diversified by location	✓
International Exposure	30% max ex-US	✓
Leverage	Core 50% / Non-Core 75%	✓

## 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 over 7,000 privately owned institutional investment properties valued at over \$500 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 D: 1Q 2017 Flash Report





New Mexico State Investment Council Real Estate

First Quarter 2017

Portfolio Composition (\$)								
Total Plan Assets	Allocation		Market Value		Unfunded Commitments		Remaining Allocation	
20,611,157,007	2,061,115,701	10.0%	1,877,844,741	9.1%	580,430,962	2.8%	-397,160,002	-1.9%

Performance Summary	Quarter (%)		1 Year (%)		3 Year (%)		5 Year (%)	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
New Mexico State Investment Council	2.3	1.9	10.1	8.1	14.5	12.0	13.9	11.4
NCREIF Fund Index – Open End Diversified Core Equity “NFI-ODCE Value Weight”	1.8	1.5	8.3	7.4	11.8	10.8	12.0	10.9

Funding Status (\$)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
<b>Strategic Core Investments</b>								
Berkshire Multifamily Income Realty Fund	2015	75,000,000	77,850,186	0	2,850,186	91,420,468	4.9	3.7
Heitman HART	2012	75,000,000	75,000,000	0	13,653,805	103,846,506	5.5	4.2
Invesco Real Estate Asia Fund	2016	150,000,000	105,782,355	44,500,000	1,571,070	109,602,044	5.8	6.3
Jamestown Premier Property Fund	2012	102,000,000	90,987,445	26,969,179	38,173,267	112,963,858	6.0	5.7
Lion Industrial Trust - 2007	2012	85,000,000	90,194,127	0	10,298,315	121,490,722	6.5	4.9
PRISA LP	2011	175,000,000	184,899,176	0	31,124,318	255,288,463	13.6	10.4
UBS Trumbull Property Fund	2013	150,000,000	150,000,000	0	15,691,969	183,360,068	9.8	7.5
USAA Eagle Real Estate Fund	2013	100,000,000	95,336,672	4,663,328	0	134,323,625	7.2	5.7
<b>Strategic Core Investments</b>	<b>2011</b>	<b>912,000,000</b>	<b>870,049,961</b>	<b>76,132,507</b>	<b>113,362,930</b>	<b>1,112,295,754</b>	<b>59.2</b>	<b>48.3</b>
<b>Tactical Value-Added Investments</b>								
AG Core Plus Realty Fund	2004	50,000,000	47,500,000	2,500,000	71,961,304	235,021	0.0	0.1
AG Core Plus Realty Fund II	2007	50,000,000	47,250,000	2,750,000	61,526,979	1,897,623	0.1	0.2
AG Core Plus Realty Fund III	2011	100,000,000	100,000,000	5,000,000	129,312,140	39,539,393	2.1	1.8
AG Core Plus Realty Fund IV	2015	75,000,000	29,250,000	45,750,000	458,013	29,849,234	1.6	3.1
Almanac Realty Securities IV, LP	2005	50,000,000	51,551,830	0	77,739,977	0	0.0	0.0
Almanac Realty Securities VI	2012	50,000,000	30,637,164	7,813,974	22,263,917	20,907,055	1.1	1.2
Almanac Realty Securities VII	2015	50,000,000	17,466,665	32,533,335	635,270	18,987,796	1.0	2.1
American Value Partners Fund I	2007	50,000,000	37,852,856	12,147,144	29,699,676	9,747,285	0.5	0.9
Asana Partners Fund I	2017	75,000,000	11,655,978	63,344,022	0	11,784,168	0.6	3.1
Berkshire Multifamily Value Plus Fund III	2013	50,000,000	51,703,459	1,001,450	11,951,850	64,196,304	3.4	2.7
Cypress Acquisition Partners Retail Fund	2013	50,000,000	50,461,709	7,984,935	14,006,190	48,073,134	2.6	2.3
Exeter Industrial Value Fund III	2014	35,000,000	33,949,363	1,050,637	2,861,935	38,404,760	2.0	1.6
Exeter Industrial Value Fund IV	2017	42,000,000	0	42,000,000	0	0	0.0	1.7
Place / BV Student Housing Fund	2007	50,000,000	50,000,000	0	8,057,874	40,082,210	2.1	1.6
SIC/Leed, LLC	2005	15,000,000	10,221,674	0	9,450,179	15,143,090	0.8	0.6
Strategic Partners Value Enhancement Fund	2006	38,125,000	38,225,238	0	42,234,875	499,112	0.0	0.0
Trammell Crow Investment Fund II	2007	150,000,000	147,763,060	2,236,942	83,679,368	384,868	0.0	0.1
<b>Tactical Value-Added Investments</b>	<b>2004</b>	<b>980,125,000</b>	<b>755,488,996</b>	<b>226,112,439</b>	<b>565,839,547</b>	<b>339,731,053</b>	<b>18.1</b>	<b>23.0</b>
<b>Tactical Opportunistic Investments</b>								
AG Realty Fund VII	2007	75,000,000	70,500,000	4,500,000	100,198,428	7,237,868	0.4	0.5
ARES European Real Estate Fund IV	2014	75,000,000	43,731,211	36,584,250	7,513,060	41,902,930	2.2	3.2
Blackstone Real Estate Partners Asia	2014	50,000,000	29,332,339	28,410,134	8,184,691	29,890,925	1.6	2.4
Blackstone Real Estate Partners VII	2012	75,000,000	80,682,727	12,378,348	47,379,015	73,146,695	3.9	3.5
Blackstone Real Estate Partners VIII	2015	75,000,000	34,219,445	49,855,518	9,265,395	31,365,186	1.7	3.3
CIM Real Estate Fund III	2007	50,000,000	53,784,764	0	45,933,328	44,384,722	2.4	1.8
Harrison Street Real Estate Partners IV	2013	50,000,000	46,716,667	12,551,432	22,289,982	36,827,094	2.0	2.0
Landmark Real Estate Fund V	2005	75,000,000	62,758,583	11,444,490	37,415,662	8,226,093	0.4	0.8
Paladin Realty Latin America Investors II	2006	25,000,000	25,040,019	0	13,402,286	5,860,108	0.3	0.2
Perella Weinberg Real Estate Fund II LP	2013	65,547,981	34,974,219	23,077,796	9,276,856	29,532,183	1.6	2.1
Rockpoint Real Estate Fund IV	2012	50,000,000	47,949,889	1,236,890	39,264,157	23,921,819	1.3	1.0
<b>Tactical Opportunistic Investments</b>	<b>2005</b>	<b>665,547,981</b>	<b>529,689,863</b>	<b>180,038,858</b>	<b>340,122,860</b>	<b>332,295,623</b>	<b>17.7</b>	<b>20.8</b>
<b>Tactical Credit</b>								
Brookfield Real Estate Finance IV	2014	75,000,000	61,226,202	24,717,804	19,723,399	48,270,038	2.6	3.0
M&G Real Estate Debt Fund II	2013	23,008,275	15,096,258	7,354,743	3,823,470	10,972,371	0.6	0.7
M&G Real Estate Debt Fund III	2013	12,656,174	9,795,997	2,679,649	2,050,859	7,145,008	0.4	0.4
Primerica Real Estate Capital VI (PRECap VI)	2016	100,516,944	50,625,509	63,394,961	23,421,928	27,134,895	1.4	3.7
<b>Tactical Credit</b>	<b>2014</b>	<b>211,181,393</b>	<b>136,743,966</b>	<b>98,147,158</b>	<b>49,019,656</b>	<b>93,522,311</b>	<b>5.0</b>	<b>7.8</b>
<b>Total Tactical</b>	<b>2004</b>	<b>1,856,854,374</b>	<b>1,421,922,825</b>	<b>504,298,455</b>	<b>954,982,063</b>	<b>765,548,987</b>	<b>40.8</b>	<b>51.7</b>
<b>Total Current Portfolio</b>								
New Mexico State Investment Council	2004	2,768,854,374	2,291,972,786	580,430,962	1,068,344,993	1,877,844,741	100.0	100.0

\* Hardcoded Data

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			
<b>Strategic Core Investments</b>																						
Berkshire Multifamily Income Realty Fund	91,368,540	1.0	0.0	1.0	0.9	4.4	4.3	8.8	7.9									9.1	8.2	1Q16	15.3	1.2
Heitman HART	103,846,506	1.1	0.2	1.3	1.1	4.7	4.0	8.8	7.8	4.9	6.7	11.9	10.9					12.5	11.5	1Q13	11.9	1.6
Invesco Real Estate Asia Fund	109,602,044	1.1	5.6	6.7	6.4													-0.6	-1.1	4Q16	24.5	1.1
Jamestown Premier Property Fund	112,963,858	1.0	1.2	2.3	1.9	4.6	3.2	7.9	6.4	4.6	9.0	14.0	11.1	4.6	9.9	14.9	12.0	17.8	14.5	1Q12	13.3	1.7
Lion Industrial Trust - 2007	121,490,722	1.3	2.0	3.3	3.1	5.6	9.0	14.9	13.7	5.8	10.3	16.6	15.2					16.0	14.7	3Q12	14.5	1.5
PRISA LP	255,288,463	1.1	0.4	1.5	1.3	4.6	3.4	8.2	7.3	4.9	6.9	12.0	11.2	4.9	6.6	11.7	10.9	12.5	11.7	2Q11	11.5	1.4
UBS Trumbull Property Fund	183,360,068	1.1	0.1	1.1	0.9	4.6	1.6	6.2	5.2	4.9	5.0	10.0	9.0					10.0	9.1	4Q13	9.1	1.3
USAA Eagle Real Estate Fund	134,323,625	1.1	0.0	1.1	1.0	4.6	5.9	10.7	9.7	4.3	10.1	14.7	13.5					16.5	15.2	3Q13	14.1	1.4
<b>Strategic Core Investments</b>	<b>1,112,243,825</b>	<b>1.1</b>	<b>0.9</b>	<b>2.0</b>	<b>1.8</b>	<b>4.7</b>	<b>4.5</b>	<b>9.4</b>	<b>8.3</b>	<b>4.9</b>	<b>7.9</b>	<b>13.0</b>	<b>11.7</b>	<b>4.9</b>	<b>7.9</b>	<b>13.1</b>	<b>11.8</b>	<b>14.3</b>	<b>12.9</b>	<b>2Q11</b>	<b>12.1</b>	<b>1.4</b>
<b>Tactical Value-Added Investments</b>																						
AG Core Plus Realty Fund	235,021	-4.3	0.0	-4.3	-3.7	-8.2	8.8	0.1	0.1	2.0	6.9	9.4	7.6	3.5	1.9	5.7	4.2	9.3	7.0	3Q04	17.5	1.5
AG Core Plus Realty Fund II	1,897,623	0.7	0.0	0.7	0.4	12.5	-25.7	-15.0	-13.8	8.0	4.5	13.3	9.7	7.6	7.3	15.6	10.8	9.8	6.7	4Q07	8.4	1.3
AG Core Plus Realty Fund III	39,539,393	1.4	1.4	2.8	2.1	5.4	13.0	18.8	14.7	6.1	25.5	32.7	26.3	6.8	20.0	27.9	22.3	25.8	20.7	4Q11	22.5	1.7
AG Core Plus Realty Fund IV	29,849,234	1.3	0.0	1.3	0.7	4.5	2.3	6.9	3.8									6.5	3.1	1Q16	4.3	1.0
Almanac Realty Securities IV, LP	0	-3.9	0.0	-3.9	-3.9	-11.8	0.0	-11.8	-11.8	-3.4	5.4	1.7	1.5	0.5	3.7	4.2	3.6	8.9	7.3	4Q05	9.3	1.5
Almanac Realty Securities VI	20,907,055	1.7	0.0	1.7	1.5	7.0	7.5	14.9	14.0	6.9	9.3	16.7	15.0					19.1	16.7	1Q13	17.3	1.4
Almanac Realty Securities VII	18,987,796	2.0	0.8	2.9	2.0	9.9	4.7	14.9	10.1									16.1	9.9	3Q15	10.1	1.1
American Value Partners Fund I	9,747,285	3.9	-2.8	1.1	0.7	0.5	-0.5	0.8	-1.3	10.0	-1.2	9.2	7.1	7.9	2.3	10.7	8.8	-29.4	-34.7	1Q08	0.8	1.0
Asana Partners Fund I	11,784,168																			2Q17	11.4	1.0
Berkshire Multifamily Value Plus Fund III	64,196,304	0.5	2.2	2.7	2.0	1.6	13.1	14.8	11.0	-0.3	17.9	17.5	12.9					18.3	13.5	2Q13	13.5	1.5
Cypress Acquisition Partners Retail Fund	48,073,134	0.0	0.6	0.6	0.2	5.2	10.0	15.5	12.4	2.9	17.2	20.4	15.7					20.7	15.6	3Q13	13.2	1.2
Exeter Industrial Value Fund III	38,404,760	1.9	1.8	3.8	2.9	9.4	13.8	24.1	17.8									23.3	16.1	4Q14	17.2	1.2
Place / BV Student Housing Fund	40,082,210	2.8	-1.7	1.1	0.9	5.6	-13.4	-7.9	-9.1	5.3	-1.5	4.1	2.7	3.5	1.3	5.4	3.9	0.9	-1.6	2Q07	-0.4	1.0
SIC/Leed, LLC	15,143,090	3.7	-0.8	2.8	2.8	16.6	-3.3	12.9	12.9	16.6	-3.5	12.6	12.6	15.7	-5.4	9.7	9.7	10.6	10.5	3Q05	10.4	2.4
Strategic Partners Value Enhancement Fund	499,112	-1.5	0.0	-1.5	-1.5	6.5	-25.8	-22.3	-22.3	8.1	-4.3	3.0	2.5	7.1	-3.0	3.8	2.9	2.0	-0.3	1Q07	1.6	1.1
Trammell Crow Investment Fund II	384,868	-23.6	22.7	-0.9	-1.4	-49.2	66.7	-6.3	-8.1	-40.6	56.8	2.8	1.1	-24.7	23.6	-1.0	-2.2	-6.0	-7.6	3Q07	-12.2	0.6
<b>Tactical Value-Added Investments</b>	<b>339,731,053</b>	<b>1.3</b>	<b>1.0</b>	<b>2.2</b>	<b>1.6</b>	<b>5.6</b>	<b>5.8</b>	<b>11.7</b>	<b>8.5</b>	<b>5.5</b>	<b>12.6</b>	<b>18.6</b>	<b>14.7</b>	<b>5.9</b>	<b>9.2</b>	<b>15.5</b>	<b>12.2</b>	<b>8.9</b>	<b>5.8</b>	<b>3Q04</b>	<b>3.6</b>	<b>1.2</b>
<b>Tactical Opportunistic Investments</b>																						
AG Realty Fund VII	7,237,868	1.2	-17.1	-16.0	-13.1	12.9	-35.8	-26.6	-22.6	21.1	-17.9	0.7	-0.1	13.3	-1.4	12.6	8.5	11.5	7.8	1Q08	13.1	1.5
ARES European Real Estate Fund IV	41,902,930	-0.1	5.6	5.5	4.1	1.5	23.7	25.4	20.4									24.4	14.8	1Q15	11.4	1.1
Blackstone Real Estate Partners Asia	29,890,925	0.3	6.8	7.1	5.2	1.0	31.2	32.4	22.4									26.7	16.7	3Q14	17.4	1.3
Blackstone Real Estate Partners VII	73,146,695	1.1	3.8	4.9	3.7	4.3	7.1	11.6	8.3	4.0	15.2	19.6	14.3					26.5	19.0	4Q12	17.3	1.5
Blackstone Real Estate Partners VIII	31,365,186	0.6	5.7	6.3	4.3	0.7	26.7	27.6	18.0									27.3	17.2	4Q15	18.6	1.2
CIM Real Estate Fund III	44,384,722	0.6	0.0	0.6	0.3	13.3	-8.2	4.8	3.4	8.4	-2.2	7.8	6.5	6.2	3.8	11.3	10.0	NM	NM	1Q08	10.3	1.7
Harrison Street Real Estate Partners IV	36,827,094	1.1	-0.2	0.9	0.6	5.9	4.9	10.9	9.7	7.4	8.4	16.0	13.8					13.4	10.6	4Q13	11.4	1.3
Landmark Real Estate Fund V	8,226,093	0.0	0.0	0.0	-0.3	-1.8	4.8	2.9	2.2	0.6	0.0	0.6	-0.2	0.9	5.2	6.2	5.3	3.7	3.2	3Q05	-5.7	0.7
Paladin Realty Latin America Investors II	5,860,108	0.0	1.0	1.0	1.0	2.7	-2.5	-0.1	-1.5	8.9	-20.6	-13.0	-15.5	6.1	-14.6	-8.9	-11.3	-2.0	-8.9	1Q07	-4.7	0.8
Perella Weinberg Real Estate Fund II LP	29,532,183	-0.1	2.3	2.2	2.9	-0.5	6.6	6.0	4.1	-1.4	16.1	14.5	7.1					10.8	-3.7	1Q14	5.8	1.1
Rockpoint Real Estate Fund IV	23,921,819	0.7	-2.0	-1.3	-1.6	1.6	0.8	2.4	1.1	1.3	16.6	18.2	16.0					23.6	19.6	1Q13	20.3	1.3
<b>Tactical Opportunistic Investments</b>	<b>332,295,623</b>	<b>0.6</b>	<b>2.1</b>	<b>2.7</b>	<b>2.0</b>	<b>4.3</b>	<b>7.0</b>	<b>11.5</b>	<b>8.3</b>	<b>5.5</b>	<b>8.8</b>	<b>14.8</b>	<b>10.8</b>	<b>4.0</b>	<b>10.9</b>	<b>15.3</b>	<b>11.0</b>	<b>6.2</b>	<b>3.2</b>	<b>2Q05</b>	<b>2.2</b>	<b>1.1</b>
<b>Tactical Credit</b>																						
Brookfield Real Estate Finance IV	48,270,038	2.4	0.0	2.4	1.8	13.0	0.0	13.0	9.2									16.0	12.1	1Q15	10.7	1.1
M&G Real Estate Debt Fund II	10,972,371	2.7	1.8	4.5	4.1	11.3	-13.9	-3.7	-5.1	11.5	-9.0	1.8	0.1					1.7	0.1	1Q14	-1.3	1.0
M&G Real Estate Debt Fund III	7,145,008	1.7	1.7	3.4	3.1	7.9	-13.7	-6.5	-7.5	6.2	-8.7	-2.7	-3.8					-2.7	-3.8	2Q14	-4.2	0.9
Pramerica Real Estate Capital VI (PRECap VI)	27,134,895	1.0	3.1	4.0	3.4													0.8	-1.9	3Q16	-0.3	1.0
<b>Tactical Credit</b>	<b>93,522,311</b>	<b>1.9</b>	<b>1.3</b>	<b>3.2</b>	<b>2.7</b>	<b>11.1</b>	<b>-3.6</b>	<b>7.2</b>	<b>2.8</b>	<b>13.0</b>	<b>-3.7</b>	<b>9.1</b>	<b>5.9</b>					<b>8.2</b>	<b>5.2</b>	<b>1Q14</b>	<b>4.6</b>	<b>1.0</b>
<b>Total Tactical</b>	<b>765,548,987</b>	<b>1.1</b>	<b>1.5</b>	<b>2.6</b>	<b>1.9</b>	<b>5.6</b>	<b>5.3</b>	<b>11.1</b>	<b>7.7</b>	<b>5.9</b>	<b>9.8</b>	<b>16.2</b>	<b>12.3</b>	<b>5.4</b>	<b>9.2</b>	<b>14.9</b>	<b>11.2</b>	<b>7.5</b>	<b>4.5</b>	<b>3Q04</b>	<b>3.0</b>	<b>1.1</b>
<b>Total Portfolio</b>																						
<b>New Mexico State Investment Council</b>	<b>1,877,844,740</b>	<b>1.1</b>	<b>1.2</b>	<b>2.3</b>	<b>1.8</b>	<b>5.1</b>	<b>4.8</b>	<b>10.1</b>	<b>8.1</b>	<b>5.4</b>	<b>8.8</b>	<b>14.5</b>	<b>12.0</b>	<b>5.1</b>	<b>8.5</b>	<b>13.9</b>	<b>11.4</b>	<b>7.3</b>	<b>4.6</b>	<b>3Q04</b>	<b>5.5</b>	<b>1.2</b>
<b>Indices</b>																						
NCREIF Fund Index – Open End Diversified Core Equity “NFI-ODCE Value Weight”		1.1	0.7	1.8	1.5	4.5	3.7	8.3	7.4	4.7	6.8	11.8	10.8	4.9	6.8	12.0	10.9	8.1	7.1	3Q04		
NCREIF Property Index “NPI”		1.1	0.4	1.5		4.7	2.5	7.3		5.0	5.4	10.6		5.3	5.2	10.7		9.0		3Q04		
FTSE EPRA/NAREIT Developed Index in USD				2.3				1.9				6.2				8.2		8.0		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			
<b>Legacy Portfolio</b>																						
AG Core Plus Realty Fund	235,021	-4.3	0.0	-4.3	-3.7	-8.2	8.8	0.1	0.1	2.0	6.9	9.4	7.6	3.5	1.9	5.7	4.2	9.3	7.0	3Q04	17.5	1.5
AG Core Plus Realty Fund II	1,897,623	0.7	0.0	0.7	0.4	12.5	-25.7	-15.0	-13.8	8.0	4.5	13.3	9.7	7.6	7.3	15.6	10.8	9.8	6.7	4Q07	8.4	1.3
AG Realty Fund VII	7,237,868	1.2	-17.1	-16.0	-13.1	12.9	-35.8	-26.6	-22.6	21.1	-17.9	0.7	-0.1	13.3	-1.4	12.6	8.5	11.5	7.8	1Q08	13.1	1.5
Almanac Realty Securities IV, LP	0	-3.9	0.0	-3.9	-3.9	-11.8	0.0	-11.8	-11.8	-3.4	5.4	1.7	1.5	0.5	3.7	4.2	3.6	8.9	7.3	4Q05	9.3	1.5
American Value Partners Fund I	9,747,285	3.9	-2.8	1.1	0.7	0.5	-0.5	0.8	-1.3	10.0	-1.2	9.2	7.1	7.9	2.3	10.7	8.8	-29.4	-34.7	1Q08	0.8	1.0
CIM Real Estate Fund III	44,384,722	0.6	0.0	0.6	0.3	13.3	-8.2	4.8	3.4	8.4	-2.2	7.8	6.5	6.2	3.8	11.3	10.0	NM	NM	1Q08	10.3	1.7
Landmark Real Estate Fund V	8,226,093	0.0	0.0	0.0	-0.3	-1.8	4.8	2.9	2.2	0.6	0.0	0.6	-0.2	0.9	5.2	6.2	5.3	3.7	3.2	3Q05	-5.7	0.7
Paladin Realty Latin America Investors II	5,860,108	0.0	1.0	1.0	1.0	2.7	-2.5	-0.1	-1.5	8.9	-20.6	-13.0	-15.5	6.1	-14.6	-8.9	-11.3	-2.0	-8.9	1Q07	-4.7	0.8
Place / BV Student Housing Fund	40,082,210	2.8	-1.7	1.1	0.9	5.6	-13.4	-7.9	-9.1	5.3	-1.5	4.1	2.7	3.5	1.3	5.4	3.9	0.9	-1.6	2Q07	-0.4	1.0
SIC/Leed, LLC	15,143,090	3.7	-0.8	2.8	2.8	16.6	-3.3	12.9	12.9	16.6	-3.5	12.6	12.6	15.7	-5.4	9.7	9.7	10.6	10.5	3Q05	10.4	2.4
Strategic Partners Value Enhancement Fund	499,112	-1.5	0.0	-1.5	-1.5	6.5	-25.8	-22.3	-22.3	8.1	-4.3	3.0	2.5	7.1	-3.0	3.8	2.9	2.0	-0.3	1Q07	1.6	1.1
Trammell Crow Investment Fund II	384,868	-23.6	22.7	-0.9	-1.4	-49.2	66.7	-6.3	-8.1	-40.6	56.8	2.8	1.1	-24.7	23.6	-1.0	-2.2	-6.0	-7.6	3Q07	-12.2	0.6
<b>Legacy Portfolio</b>	<b>133,698,000</b>	<b>1.7</b>	<b>-1.7</b>	<b>0.0</b>	<b>-0.1</b>	<b>8.9</b>	<b>-10.3</b>	<b>-2.0</b>	<b>-2.8</b>	<b>9.1</b>	<b>-3.1</b>	<b>6.0</b>	<b>4.5</b>	<b>7.3</b>	<b>0.0</b>	<b>7.4</b>	<b>5.6</b>	<b>4.7</b>	<b>2.4</b>	<b>3Q04</b>	<b>-0.5</b>	<b>1.0</b>
<b>New Portfolio 2011 Inception</b>																						
AG Core Plus Realty Fund III	39,539,393	1.4	1.4	2.8	2.1	5.4	13.0	18.8	14.7	6.1	25.5	32.7	26.3	6.8	20.0	27.9	22.3	25.8	20.7	4Q11	22.5	1.7
AG Core Plus Realty Fund IV	29,849,234	1.3	0.0	1.3	0.7	4.5	2.3	6.9	3.8									6.5	3.1	1Q16	4.3	1.0
Almanac Realty Securities VI	20,907,055	1.7	0.0	1.7	1.5	7.0	7.5	14.9	14.0	6.9	9.3	16.7	15.0					19.1	16.7	1Q13	17.3	1.4
Almanac Realty Securities VII	18,987,796	2.0	0.8	2.9	2.0	9.9	4.7	14.9	10.1									16.1	9.9	3Q15	10.1	1.1
ARES European Real Estate Fund IV	41,902,930	-0.1	5.6	5.5	4.1	1.5	23.7	25.4	20.4									24.4	14.8	1Q15	11.4	1.1
Asana Partners Fund I	11,784,168																			2Q17	11.4	1.0
Berkshire Multifamily Income Realty Fund	91,420,468	1.0	0.0	1.0	0.9	4.2	4.1	8.4	7.6									8.8	8.0	1Q16	15.3	1.2
Berkshire Multifamily Value Plus Fund III	64,196,304	0.5	2.2	2.7	2.0	1.6	13.1	14.8	11.0	-0.3	17.9	17.5	12.9					18.3	13.5	2Q13	13.5	1.5
Blackstone Real Estate Partners Asia	29,890,925	0.3	6.8	7.1	5.2	1.0	31.2	32.4	22.4									26.7	16.7	3Q14	17.4	1.3
Blackstone Real Estate Partners VII	73,146,695	1.1	3.8	4.9	3.7	4.3	7.1	11.6	8.3	4.0	15.2	19.6	14.3					26.5	19.0	4Q12	17.3	1.5
Blackstone Real Estate Partners VIII	31,365,186	0.6	5.7	6.3	4.3	0.7	26.7	27.6	18.0									27.3	17.2	4Q15	18.6	1.2
Brookfield Real Estate Finance IV	48,270,038	2.4	0.0	2.4	1.8	13.0	0.0	13.0	9.2									16.0	12.1	1Q15	10.7	1.1
Cypress Acquisition Partners Retail Fund	48,073,134	0.0	0.6	0.6	0.2	5.2	10.0	15.5	12.4	2.9	17.2	20.4	15.7					20.7	15.6	3Q13	13.2	1.2
Exeter Industrial Value Fund III	38,404,760	1.9	1.8	3.8	2.9	9.4	13.8	24.1	17.8									23.3	16.1	4Q14	17.2	1.2
Harrison Street Real Estate Partners IV	36,827,094	1.1	-0.2	0.9	0.6	5.9	4.9	10.9	9.7	7.4	8.4	16.0	13.8					13.4	10.6	4Q13	11.4	1.3
Heitman HART	103,846,506	1.1	0.2	1.3	1.1	4.7	4.0	8.8	7.8	4.9	6.7	11.9	10.9					12.5	11.5	1Q13	11.9	1.6
Invesco Real Estate Asia Fund	109,602,044	1.1	5.6	6.7	6.4													-0.6	-1.1	4Q16	24.5	1.1
Jamestown Premier Property Fund	112,963,858	1.0	1.2	2.3	1.9	4.6	3.2	7.9	6.4	4.6	9.0	14.0	11.1	4.6	9.9	14.9	12.0	17.8	14.5	1Q12	13.3	1.7
Lion Industrial Trust - 2007	121,490,722	1.3	2.0	3.3	3.1	5.6	9.0	14.9	13.7	5.8	10.3	16.6	15.2					16.0	14.7	3Q12	14.5	1.5
M&G Real Estate Debt Fund II	10,972,371	2.7	1.8	4.5	4.1	11.3	-13.9	-3.7	-5.1	11.5	-9.0	1.8	0.1					1.7	0.1	1Q14	-1.3	1.0
M&G Real Estate Debt Fund III	7,145,008	1.7	1.7	3.4	3.1	7.9	-13.7	-6.5	-7.5	6.2	-8.7	-2.7	-3.8					-2.7	-3.8	2Q14	-4.2	0.9
Perella Weinberg Real Estate Fund II LP	29,532,183	-0.1	2.3	2.2	2.9	-0.5	6.6	6.0	4.1	-1.4	16.1	14.5	7.1					10.8	-3.7	1Q14	5.8	1.1
Pramerica Real Estate Capital VI (PRECap VI)	27,134,895	1.0	3.1	4.0	3.4													0.8	-1.9	3Q16	-0.3	1.0
PRISA LP	255,288,463	1.1	0.4	1.5	1.3	4.6	3.4	8.2	7.3	4.9	6.9	12.0	11.2	4.9	6.6	11.7	10.9	12.5	11.7	2Q11	11.5	1.4
Rockpoint Real Estate Fund IV	23,921,819	0.7	-2.0	-1.3	-1.6	1.6	0.8	2.4	1.1	1.3	16.6	18.2	16.0					23.6	19.6	1Q13	20.3	1.3
UBS Trumbull Property Fund	183,360,068	1.1	0.1	1.1	0.9	4.6	1.6	6.2	5.2	4.9	5.0	10.0	9.0					10.0	9.1	4Q13	9.1	1.3
USAA Eagle Real Estate Fund	134,323,625	1.1	0.0	1.1	1.0	4.6	5.9	10.7	9.7	4.3	10.1	14.7	13.5					16.5	15.2	3Q13	14.1	1.4
<b>New Portfolio 2011 Inception</b>	<b>1,744,146,740</b>	<b>1.0</b>	<b>1.4</b>	<b>2.4</b>	<b>2.0</b>	<b>4.7</b>	<b>6.4</b>	<b>11.3</b>	<b>9.2</b>	<b>4.7</b>	<b>10.7</b>	<b>15.7</b>	<b>13.1</b>	<b>4.8</b>	<b>10.6</b>	<b>15.7</b>	<b>13.1</b>	<b>16.1</b>	<b>13.6</b>	<b>2Q11</b>	<b>13.2</b>	<b>1.3</b>
<b>Total Portfolio</b>																						
<b>New Mexico State Investment Council</b>	<b>1,877,844,740</b>	<b>1.1</b>	<b>1.2</b>	<b>2.3</b>	<b>1.8</b>	<b>5.1</b>	<b>4.8</b>	<b>10.1</b>	<b>8.1</b>	<b>5.4</b>	<b>8.8</b>	<b>14.5</b>	<b>12.0</b>	<b>5.1</b>	<b>8.5</b>	<b>13.9</b>	<b>11.4</b>	<b>7.3</b>	<b>4.6</b>	<b>3Q04</b>	<b>5.5</b>	<b>1.2</b>
<b>Indices</b>																						
NCREIF Fund Index – Open End Diversified Core Equity “NFI-ODCE Value Weight”		1.1	0.7	1.8	1.5	4.5	3.7	8.3	7.4	4.7	6.8	11.8	10.8	4.9	6.8	12.0	10.9	8.1	7.1	3Q04		
NCREIF Property Index “NPI”		1.1	0.4	1.5		4.7	2.5	7.3		5.0	5.4	10.6		5.3	5.2	10.7		9.0		3Q04		
FTSE EPRA/NAREIT Developed Index in USD				2.3				1.9				6.2				8.2		8.0		3Q04		



New Mexico State Investment Council Real Estate

First Quarter 2017

Quarterly Cash Flow Activity (\$)	Beginning Market Value	Contributions	Distributions	Withdrawals	Gross Income	Manager Fees	Appreciation	Ending Market Value	LTV (%)
<b>Strategic Core Investments</b>									
Berkshire Multifamily Income Realty Fund	90,590,792	656,206	656,206	0	883,652	144,632	38,728	91,368,540	47.1
Heitman HART	103,527,787	0	842,050	0	1,137,735	223,431	246,465	103,846,506	23.1
Invesco Real Estate Asia Fund	5,125,791	100,257,565	1,376,139	0	956,100	257,565	4,896,292	109,602,044	34.5
Jamestown Premier Property Fund	112,822,503	2,320,920	4,341,328	0	1,174,313	411,580	1,399,030	112,963,858	37.5
Lion Industrial Trust - 2007	117,862,535	982,573	987,043	0	1,559,136	333,165	2,406,686	121,490,722	34.5
PRISA LP	254,146,299	0	2,227,272	0	2,863,082	510,381	1,016,735	255,288,463	22.1
UBS Trumbull Property Fund	183,130,408	0	1,400,118	0	1,991,641	457,288	95,425	183,360,068	14.9
USAA Eagle Real Estate Fund	132,041,641	998,766	0	0	1,492,609	185,978	-23,414	134,323,625	32.9
<b>Strategic Core Investments</b>	<b>999,247,755</b>	<b>105,216,030</b>	<b>11,830,156</b>	<b>0</b>	<b>12,058,268</b>	<b>2,524,020</b>	<b>10,075,948</b>	<b>1,112,243,825</b>	<b>29.8</b>
<b>Tactical Value-Added Investments</b>									
AG Core Plus Realty Fund	244,009	0	0	0	-10,574	-1,586	0	235,021	0.0
AG Core Plus Realty Fund II	1,890,030	0	0	0	13,861	6,246	-22	1,897,623	70.4
AG Core Plus Realty Fund III	41,489,711	0	1,236,750	1,525,750	540,385	279,541	551,338	39,539,393	58.2
AG Core Plus Realty Fund IV	29,635,800	0	0	0	381,383	170,081	2,132	29,849,234	63.1
Almanac Realty Securities IV, LP	51,343	0	50,450	0	-893	0	0	0	0.0
Almanac Realty Securities VI	20,904,957	0	318,588	0	360,538	36,455	-3,397	20,907,055	0.0
Almanac Realty Securities VII	17,658,842	1,082,901	126,073	0	370,356	154,110	155,880	18,987,796	0.0
American Value Partners Fund I	10,306,691	0	628,886	0	397,484	44,886	-283,118	9,747,285	0.0
Asana Partners Fund I	0	11,655,978	0	0	-464,441	493,166	1,085,797	11,784,168	64.2
Berkshire Multifamily Value Plus Fund III	63,126,081	0	212,269	0	323,157	444,082	1,403,417	64,196,304	45.5
Cypress Acquisition Partners Retail Fund	46,795,521	1,173,772	0	0	-2,204	162,041	268,086	48,073,134	54.9
Exeter Industrial Value Fund III	35,544,684	2,449,363	500,103	130,279	710,092	332,410	663,413	38,404,760	56.0
Place / BV Student Housing Fund	39,719,092	0	0	0	1,103,143	77,725	-662,300	40,082,210	45.0
SIC/Leed, LLC	14,977,271	0	256,488	0	545,157	0	-122,850	15,143,090	0.0
Strategic Partners Value Enhancement Fund	506,682	0	0	0	-7,570	0	0	499,112	0.0
Trammell Crow Investment Fund II	390,523	0	0	0	-92,222	1,954	88,521	384,868	0.0
<b>Tactical Value-Added Investments</b>	<b>323,241,237</b>	<b>16,362,014</b>	<b>3,329,607</b>	<b>1,656,029</b>	<b>4,167,652</b>	<b>2,201,111</b>	<b>3,146,897</b>	<b>339,731,053</b>	<b>48.9</b>
<b>Tactical Opportunistic Investments</b>									
AG Realty Fund VII	8,917,954	0	87,037	493,212	98,676	-242,732	-1,441,245	7,237,868	51.7
ARES European Real Estate Fund IV	37,050,967	3,889,623	553,624	0	-44,484	503,654	2,064,102	41,902,930	59.8
Blackstone Real Estate Partners Asia	25,447,652	3,169,170	66,881	25,731	74,799	505,005	1,796,921	29,890,925	57.3
Blackstone Real Estate Partners VII	71,552,165	914,081	1,319,543	629,489	777,959	857,241	2,708,762	73,146,695	56.2
Blackstone Real Estate Partners VIII	29,622,571	1,585,388	347,166	782,547	176,093	584,758	1,695,606	31,365,186	65.7
CIM Real Estate Fund III	44,901,720	0	640,069	0	278,016	154,598	-347	44,384,722	19.4
Harrison Street Real Estate Partners IV	37,348,423	0	0	751,550	415,654	108,178	-77,255	36,827,094	60.3
Landmark Real Estate Fund V	9,407,774	0	0	1,157,338	-1,177	23,166	0	8,226,093	0.0
Paladin Realty Latin America Investors II	5,804,292	0	0	0	-2,636	0	58,452	5,860,108	0.0
Perella Weinberg Real Estate Fund II LP	28,705,476	0	0	0	-24,095	-187,010	663,792	29,532,183	45.7
Rockpoint Real Estate Fund IV	29,689,265	92,639	1,862,044	3,539,781	187,469	92,639	-553,089	23,921,819	58.9
<b>Tactical Opportunistic Investments</b>	<b>328,448,259</b>	<b>9,650,901</b>	<b>4,876,364</b>	<b>7,379,648</b>	<b>1,936,274</b>	<b>2,399,497</b>	<b>6,915,699</b>	<b>332,295,623</b>	<b>54.0</b>
<b>Tactical Credit</b>									
Brookfield Real Estate Finance IV	44,011,872	3,459,068	0	0	1,086,247	287,150	0	48,270,038	0.0
M&G Real Estate Debt Fund II	11,188,126	238,679	297,314	597,187	291,644	40,324	188,746	10,972,371	7.9
M&G Real Estate Debt Fund III	7,494,752	100,134	166,534	505,191	116,942	17,158	122,062	7,145,008	6.8
Pramerica Real Estate Capital VI (PRECap VI)	31,129,847	0	0	4,991,910	281,550	174,790	890,198	27,134,895	0.0
<b>Tactical Credit</b>	<b>93,824,598</b>	<b>3,797,881</b>	<b>463,848</b>	<b>6,094,287</b>	<b>1,776,384</b>	<b>519,422</b>	<b>1,201,006</b>	<b>93,522,311</b>	<b>1.5</b>
<b>Total Tactical</b>	<b>745,514,094</b>	<b>29,810,796</b>	<b>8,669,819</b>	<b>15,129,964</b>	<b>7,880,310</b>	<b>5,120,030</b>	<b>11,263,602</b>	<b>765,548,987</b>	<b>48.4</b>
<b>Total Portfolio</b>									
<b>New Mexico State Investment Council</b>	<b>1,744,761,849</b>	<b>135,026,826</b>	<b>20,499,975</b>	<b>15,129,964</b>	<b>19,938,578</b>	<b>7,644,050</b>	<b>21,339,550</b>	<b>1,877,792,812</b>	<b>38.8</b>



## 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, other fees and expenses 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 includes performance as well as aggregating and reporting client level total portfolio performance. Quarterly limited partner/client level performance data is collected directly<sup>1</sup> from the investment managers.

<sup>1</sup>In 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, 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 pre-fee or a blended composition with varying weighting methodologies, including market weighted and static weighted approaches.