



The New Mexico State Investment Council ("NMSIC")

Second Quarter 2016: Real Estate Performance Measurement Report

Proprietary & Confidential
September 2016

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1. Real Estate Market Updates



United States Real Estate Market Update (2Q16)

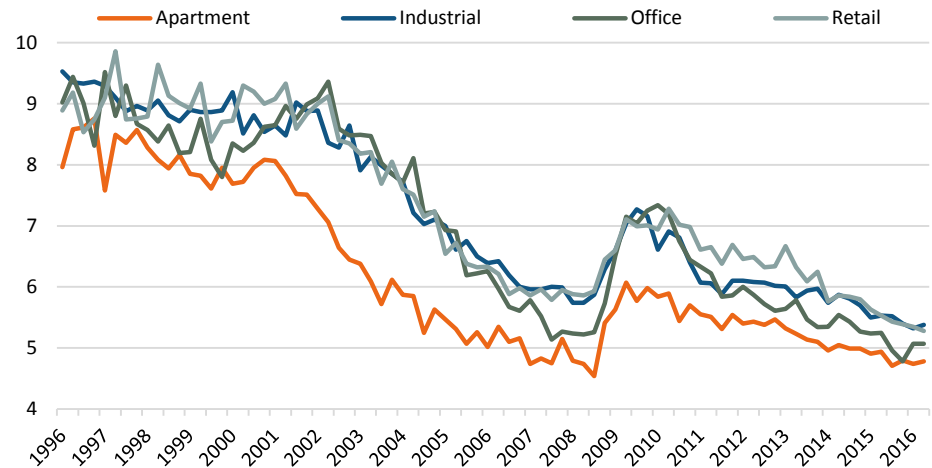
General

- Economic activity increased during the second quarter of 2016 at an annual rate of 1.1%, 2% over 2Q15 levels. Growth during the quarter was chiefly supported by positive contributions by the consumer, with fractional help from trade. Favorable employment trends with moderate wage growth (+2.5% y/y) and strong sentiment (+4.4% annual rate) helped buoy consumer spending. Business investment continues to weigh on trade, reducing growth by 9.7% during the quarter. Leading indicators for the business sector; Purchasing Managers Index (49.4 with 50 and above signaling expansion), Durable Goods Orders (-6% y/y), and Industrial Production Index, point to more of the same to come from subsequent quarters.
- Macro indicators for U.S. real estate came in tepid during 2Q16 with residential housing starts and total construction investment flat to marginally down y/y. Building permits, which signal future construction activity, also fell 9% compared to same period 2015.

Commercial Real Estate

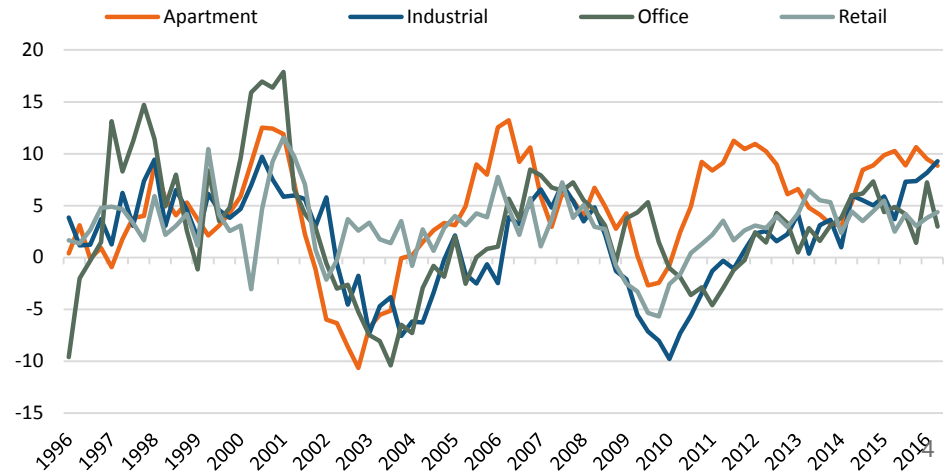
- 2Q16 saw \$63.5 billion in commercial real estate transaction volume or 41% of global activity. While solid, this represented a 16% drop compared to record 2015 levels. The U.S. decline was on trend with the broad moderation of global transaction activity during the quarter.
- CMBS issuances slowed to \$11.4 billion in 2Q16, less than half of the \$27.5 billion a year ago. Credit conditions remain relatively unchanged from 1Q, with the Fed's survey of senior loan officers showing stronger demand but tighter standards for commercial real estate loans.
- U.S. cities continue to be attractive targets for global investment capital. New York and Los Angeles (1st and 3rd respectively), accounted for 12% of global transactions. Foreign investment represented approximately 12% of total U.S. activity, with China overtaking Canada as the primary foreign capital source year-to-date.
- On average, industrial and multifamily transaction cap rates were essentially flat (0 and 2 bps respectively) for the first half of 2016 while hotel and office saw 15 and 11 basis point expansions respectively.

Current Value Cap Rates by Property Type



Source: NCREIF

4-Qtr Rolling NOI Growth by Property Type



Source: NCREIF

United States Property Matrix (2Q16)

INDUSTRIAL

- Net absorption for 2Q16 was 18.9% higher than the previous quarter, with 62.0 million SF being absorbed. Vacancy rate has continued to decline posting a new record low of 6.1%.
- First half y/y investment volumes were down 47.2%, however removing the five largest transactions in segment history, volumes were only down 8.0% since last year.
- Single-asset acquisitions continue to dominate the landscape, outpacing portfolio activity and representing 75% of transactions on a dollar basis.
- Speculative completions have increased by 15.0% compared to 1Q16 to 35.0 million SF. Despite this increase 36.3% of all speculative space preleases prior to completion, an increase of 10.0% since the first quarter and nearly double the rate of 4Q15.
- As of 2Q16, industrial properties returned 2.90% and outperformed the NPI by 87 bps.

MULTIFAMILY

- Investment for 2Q16 totaled \$30.6 billion. The YTD figure increased 3.5% from the first half of 2015 to \$68.2 billion, outpacing the record –setting volumes of 2015.
- New supply continues to come to market with completions increasing a modest 10 bps compared to the first quarter of 2015. Conversely, absorption of inventory declined 10 bps. The current national vacancy rate increased 10 bps to 4.5%, which is still 100 bps above the long-term average.
- Cap rates continue to compress reaching 4.4%, driven by persistent investor demand. This is a function of increased focus on secondary markets. Mid- and high-rise activity in secondary markets has increased 56.7% YTD.
- The apartment sector delivered a 1.88% return during the quarter, underperforming the NPI by 15 bps.

OFFICE

- The office segment experienced \$67.2 billion of reported capital markets activity through the first two quarters of 2016, compared to \$71.8 billion at this time last year representing -6.4% investment sales growth.
- Volumes are moving back towards primary markets which received 70.1% of total transaction volume, indicating a current resistance to market risk.
- Leasing activity rebounded by 18.2% during the second quarter. Total absorption was 59.1 million SF, with 38.4% taking place in primary markets. Vacancy has declined 10 bps to reach 14.6%, with suburban declining 20 bps to 16.1%, and CBDs remaining at 12.1%.
- Cap rates continue to compress, with 75% of markets seeing compression. Cap rates have increased the rate of compression declining 36 bps in the last 12 months to 4.4%.
- The office sector returned 1.74% in 2Q16, 29 bps below the NPI.

RETAIL

- Retail volume has declined 20.5% y/y down \$8.5 billion to \$32.9 billion. Second quarter volume was also below 2015's levels, dropping 7.7%. While urban investment volumes have declined 47.3% YTD, activity in secondary markets has increased 34.9%
- West region sales continues its growth accounting for 39.9% of total quarter volume. Conversely, Northeast and Mid-Atlantic regions have decreasing YTD activity of 50.1% and 16.5%, respectively.
- While mall volume for the year has decreased by 41.8% y/y, it has increased 56.6% q/q to a volume of \$5.9 billion for the first half of 2016. Class A malls continue to move quickly and fetch premiums, while Class B and C malls have lagged due to a pricing disconnect between buyers and sellers.
- As of 2Q16, the retail sector delivered a quarterly return of 2.17%, beating the NPI by 14 bps.



Global Real Estate Market Update (2Q16)

Global

- Global investment activity for 2Q16 was generally subdued, coming in at \$154 billion, bringing the first half down 10% y/y over 2015. This was the result of broad investor caution surrounding the unanticipated result of the Brexit vote. Medium to long term effects remain unclear, however the expectation is for investors to adopt a 'wait and see' attitude in the short term while exploiting any asset mispricing that occurs. Fund managers anecdotally anticipate longer hold periods at lower return forecasts for their U.K. assets.

Europe

- Commercial real estate transaction volume in Europe was €54.0 billion during 2Q 2016, moderately better than the €50.3 posted during the prior quarter although down 19% over a record 2015.
- Europe's top two markets, UK (-24% y/y) and Germany (-4% y/y), saw investment dampen while France, Sweden, and other markets held up the Euro wide number, suggesting that outside of the UK, the Brexit effect might be somewhat muted. Of note was the 51% and 21% y/y declines in hotel and retail investment respectively, sectors most associated with Brexit effect.

Asia

- Asia Pacific investment ended the second quarter at \$28.4 billion, a 17% sequential growth rate, due to several large transactions such as the Qatar Investment Authority's record \$2.5 billion purchase of Singapore's Asia Square Tower 1 office property. Compared to prior year, investment was down 8% with China and Japan as the main laggards.
- Investment in China was down 24% y/y to \$6.0 billion, almost entirely made up of local capital as international inflow fell across Asia Pacific by 21% y/y. While institutional capital generally seeks core stabilized assets in primary cities, availability is tight following a strong 2015 and yields are tight given strong rent growth.
- Investment in Australia fell 3% y/y to \$4.4 billion, driven by a lack of assets after several years of record transaction volume from foreign capital inflows. A similar scenario is unfolding in Japan as single asset investments have dried up, resulting in a 12% decline in transactions year-to-date.
- Hong Kong recorded \$1.6 billion in investment during 2Q, a 59% decline from record 2Q15 levels. These declines follow recent strong performance with more prime assets expected to come online as some investors capitalize on high pricing.

Direct Commercial Real Estate Investment - Regional Volumes, 2015-2016

\$ US Billions	Q1 16	Q2 16	% Change		% Change		H1 2015	H1 2016	% Change H1 2015 - H1 2016
			Q1 16 - Q2 16	Q2 15	Q2 15 - Q2 16				
Americas	61	69	13%	80	-14%	153	130	-15%	
EMEA	51	57	12%	58	-2%	115	109	-5%	
Asia Pacific	25	28	12%	31	-10%	56	54	-4%	
Total	137	154	12%	169	-9%	324	293	-10%	

Source: Jones Lang LaSalle, July 2016

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

	2015	2016	2017
Global	3.1	2.9	3.2
Asia Pacific	4.8	4.4	4.8
Australia	2.5	3.0	3.0
China	6.9	6.5	6.3
India	7.2	7.4	7.8
Japan	0.6	1.0	1.3
North America	1.9	1.5	2.2
US	1.9	2.0	2.0
MENA*	3.3	2.4	2.8
European Union	2.2	1.7	1.3
France	1.3	1.3	1.1
Germany	1.7	1.6	1.2
UK	2.2	0.7	1.7

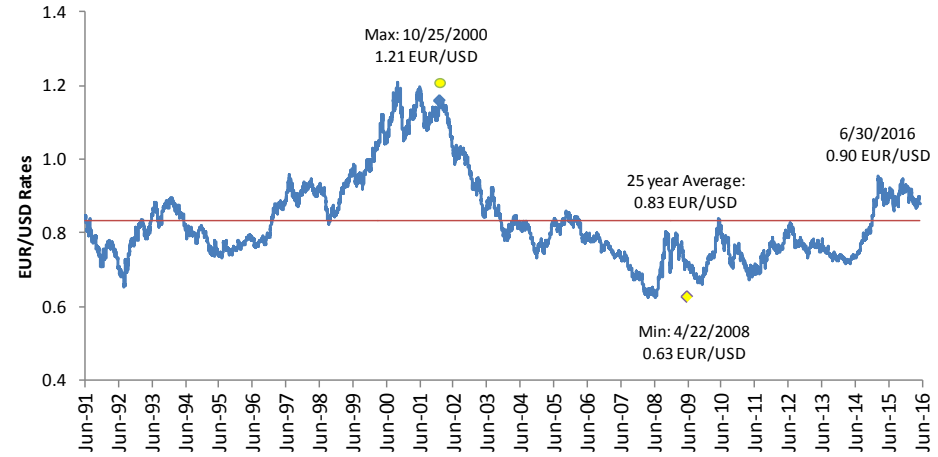
*Middle East North Africa

Source: Bloomberg LP, August 2016

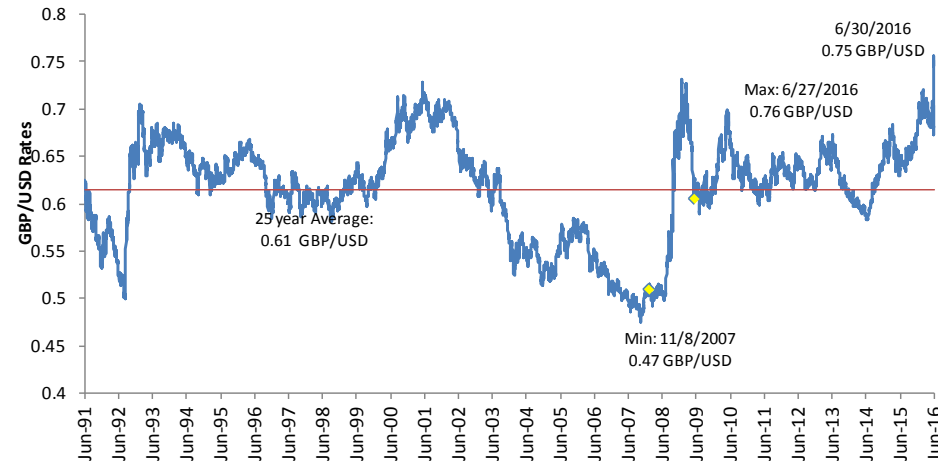
Currency Effects - Market Trends (2Q16)

- 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 22% and 8% 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 and volatility 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 but have slowed down a bit for the time being. However, volatility is still 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 0.76 GBP/USD as of 8/31/16 (post Brexit vote). As of 2Q16, the Euro has stabilized a little bit against the U.S. dollar and slightly strengthened to 0.89 EUR/USD as of 8/31/16.

EURO-USD Rates over 25 Years



GBP-USD Rates over 25 Years



2. Performance Measurement Highlights: 2Q 2016



Portfolio Highlights

- New Mexico State Investment Council's (NMSIC) current target allocation to real estate is 10.0%. NMSIC's 2Q16 real estate market value represents 8.8% of total fund assets.
- The real estate portfolio continues to grow and provide positive performance. As of 2Q16, 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. Five year net performance continues to improve year over year.

As of 2Q16	Quarter		One-Year		Three-Year		Five-Year	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
NMSIC*	2.5	2.1	15.0	12.6	15.8	13.1	14.0	11.6
NFI ODCE*	2.1	1.9	11.8	10.8	13.0	12.0	12.7	11.7
Over/ Under Performance	0.4	0.2	3.1	1.8	2.8	1.1	1.3	-0.1

*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 net time weighted returns of **13.8%**, **14.6%** and **14.0%** over the one, three and five- year periods, outperforming the ODCE benchmark by 300 bps, 260 bps, and 230 bps over these respective time measurements.

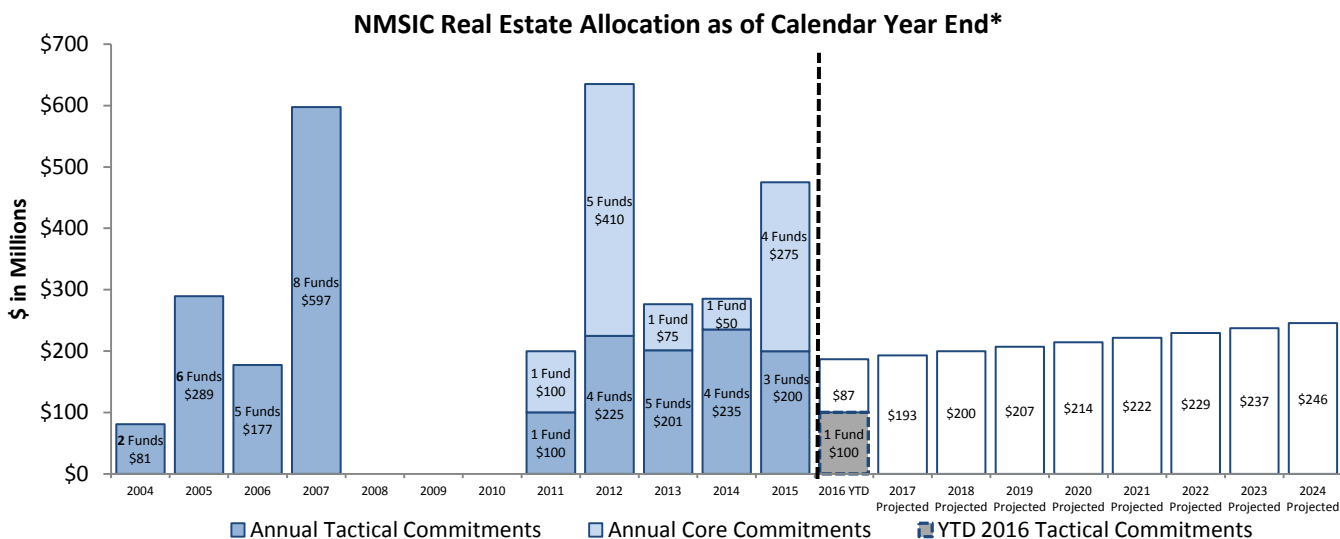
Portfolio Highlights

- As of 2Q16, NMSIC's portfolio consisted of 57% exposure to core investments and 43% exposure to tactical investments, on a NAV basis.
- During the quarter, managers called approximately \$61 million across the core and tactical investments; return-of-capital combined with income distributions totaled \$36.5 million, bringing total distributions to \$199.7 million over the last 12 months.
- Strategic Core Portfolio
 - Since December 2011, eight strategic core commitments have been made, totaling \$960.0 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. In 2Q16, one commitment was made to PRECap VI. Follow-on investment opportunities and new managers to the SIC portfolio are being evaluated for the remaining available capital.

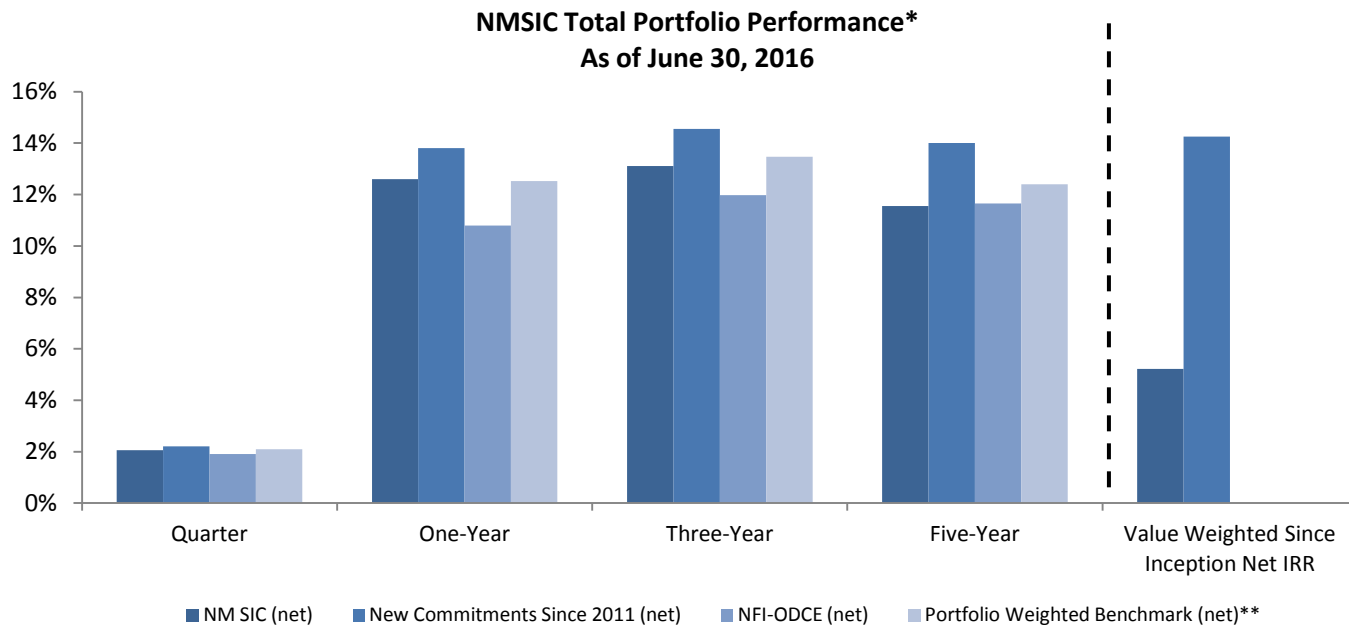


*In 2011, NMSIC increased its real estate allocation from 5% to 10% of total assets.

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.
- Recent total performance is strong, however slight underperformance remains over the five-year period (10 bps) due to vintage year exposure and investment selection in NMSIC Legacy Holdings¹.
- 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.



¹NMSIC 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.

**Port folio 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. Due to timing of this report, data for the Portfolio Weighted Benchmark is as of 1Q16.



Appendix A: Additional 2Q 2016 Performance Attribution



Real Estate Portfolio Performance

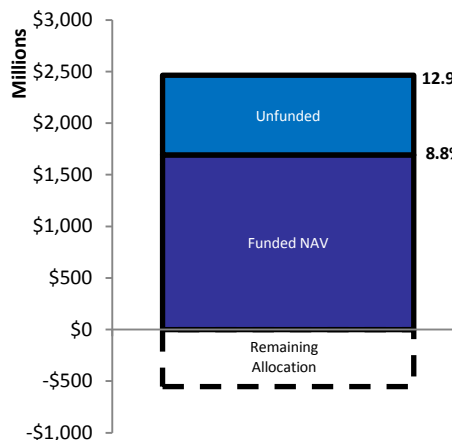
Portfolio Status

- As of 2Q16, NMSIC had \$1.7 billion invested in real estate representing 8.8% of total fund assets.
- Including new commitments made YTD 2016 total unfunded commitments are \$772.9 million.
- The Tactical portfolio currently represents 43% 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 \$429.8 million, reflecting an over commitment factor of 1.5x, 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 (76% of the portfolio) actively drawing capital and Legacy investments (24% 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.

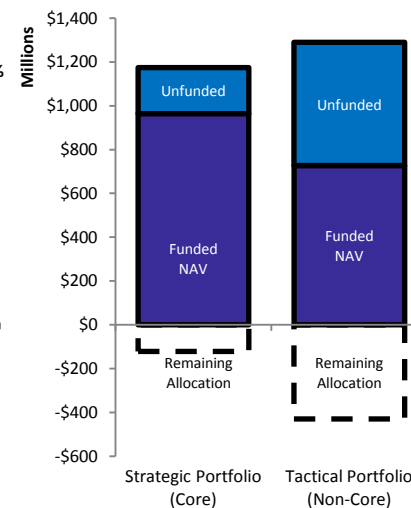
(\$ in millions)
as of 6/30/16

SIC's Target Allocation	10.0%	\$1,912.0
Current Market Value	8.8%	\$1,691.1
Market Value + Unfunded Commitments	12.9%	\$2,464.0

Portfolio Snapshot estimated as of 6.30.16
10% Target Allocation



Sub-Portfolio Snapshot estimated as of 6.30.16 10% Target Allocation

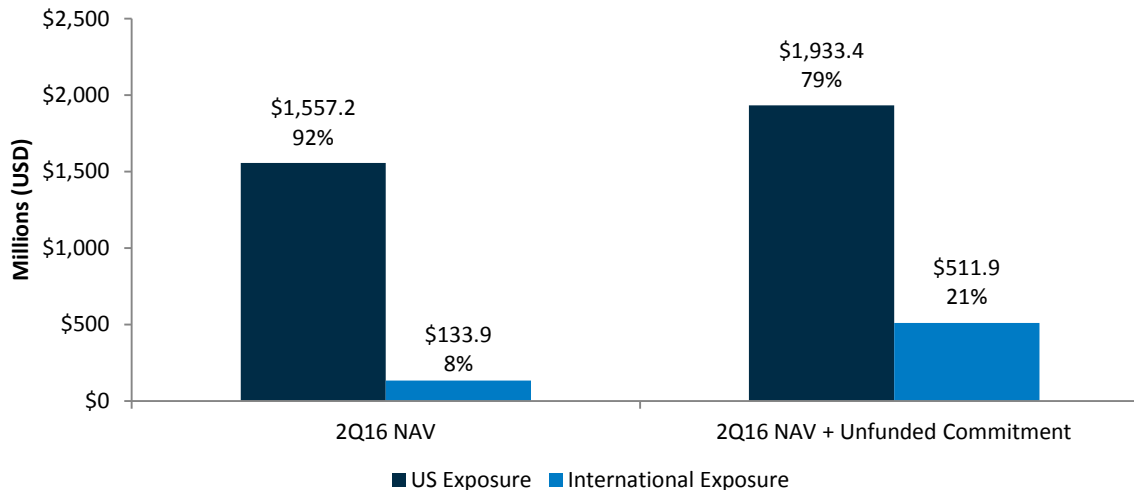


Real Estate Portfolio Domestic and International Exposure

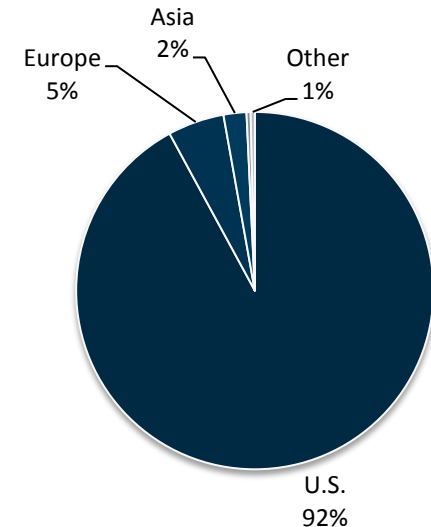
Portfolio Status

- As of 2Q16, NMSIC's U.S. exposure is approximately \$1.6 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 \$1.9 billion, representing 79% vs. 21% of international exposure.
- As of 2Q16, NMSIC committed approximately \$476.2 million to seven dedicated international investments over the last two years. These investments currently represent approximately 5.6% of the portfolio's NAV and have approximately \$367.8 million of unfunded commitments.

U.S. vs. International Exposure



Global Geographic Diversification on NAV Basis

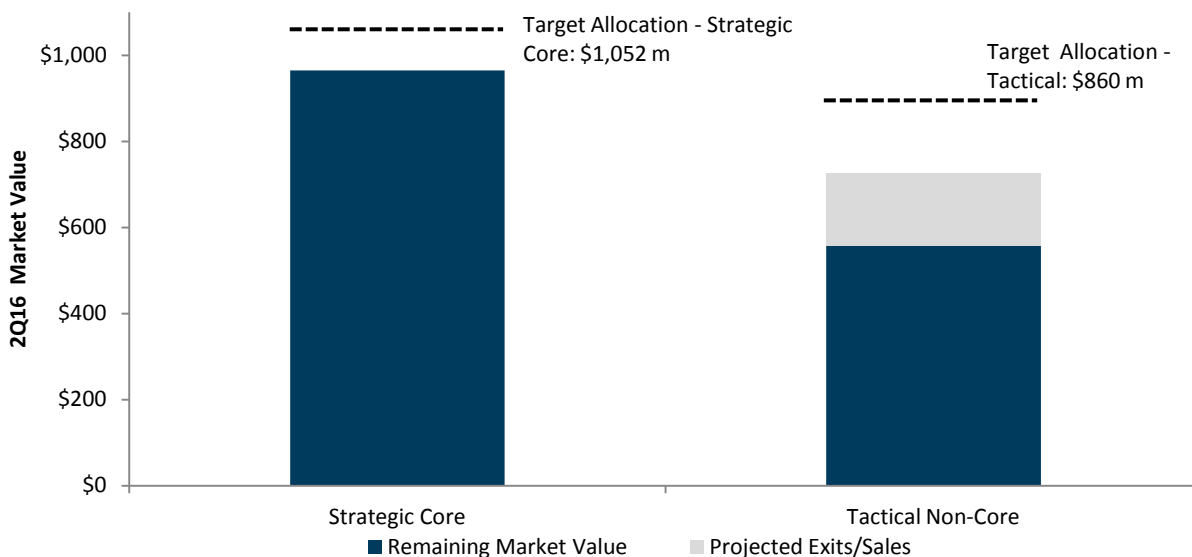


Real Estate Portfolio Performance

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 22-23 for more details on Legacy Investments).
- Based on 2Q16 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 28% of Value-Added investments and 19% of Opportunistic investments are projected to be distributed over the next two years, totaling an estimated value between \$150-200 million.

**Existing Portfolio Projected Exits / Sales Over the next 12-24 Months
(Market Value)**

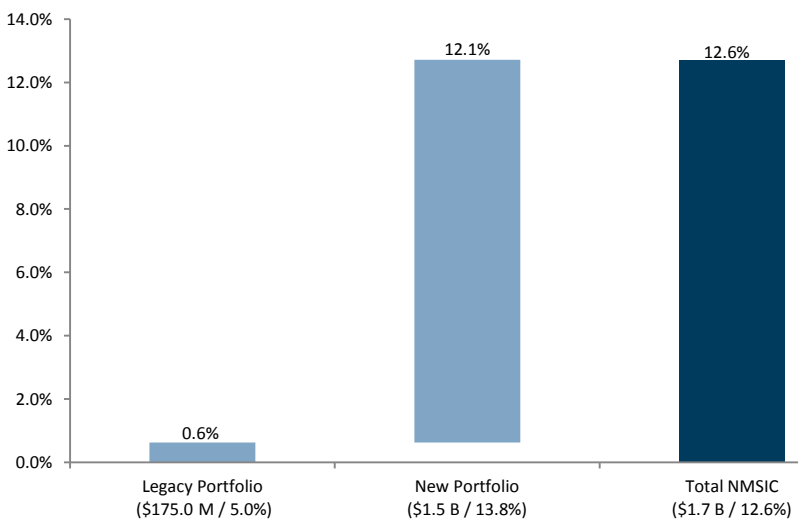


Real Estate Portfolio Performance – Portfolio One-Year Attribution

One-Year Time Weighted Return Performance

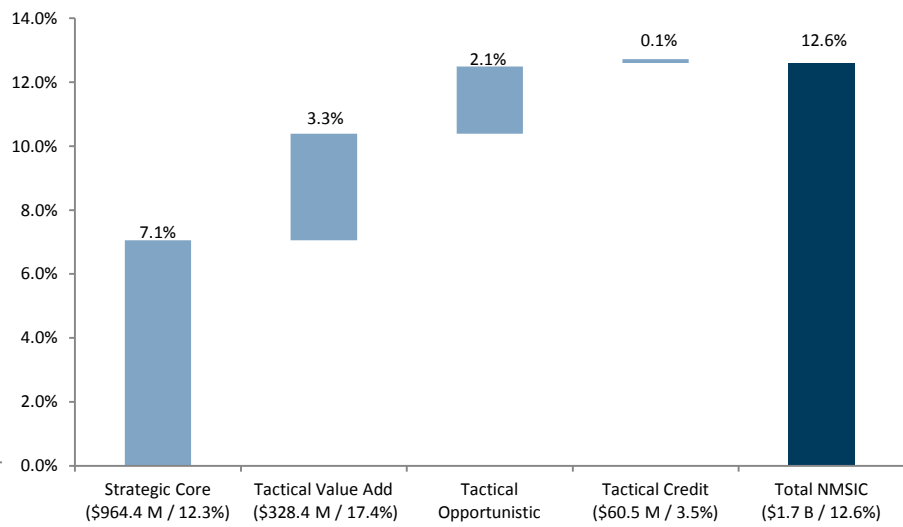
- The charts below show the contribution of each the New Portfolio and the Legacy Portfolio to the total one-year net return, as well as the return contribution of each portfolio by asset risk type.
- Over the one-year period, the New Portfolio was the main driver of NMSIC’s total net return. The New Portfolio’s share of return was 12.1% vs. 0.6% 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 7.1% 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.

2Q16 One-Year Net Contribution Legacy and New Investments



NAV/One-Year net TWR

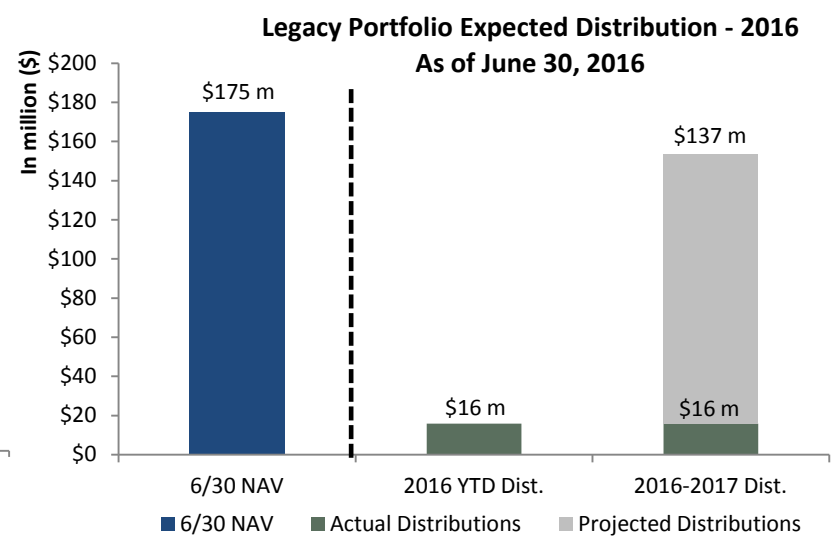
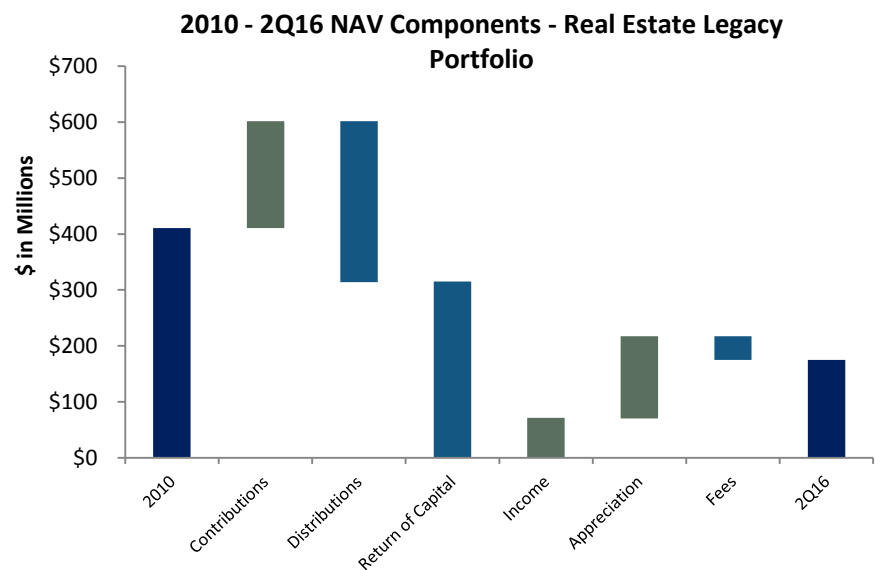
2Q16 One-Year Net Contribution by Risk Type



NAV/One-Year net TWR

Real Estate Portfolio Performance – Legacy Investment Distributions

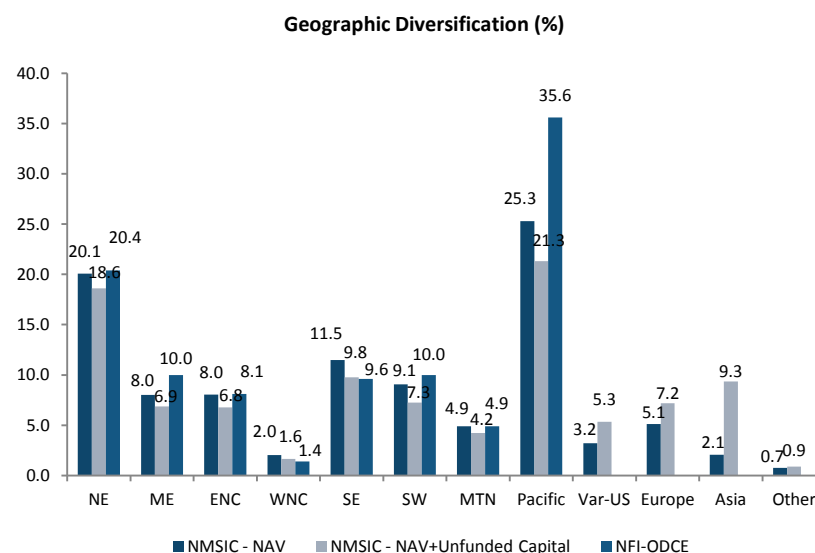
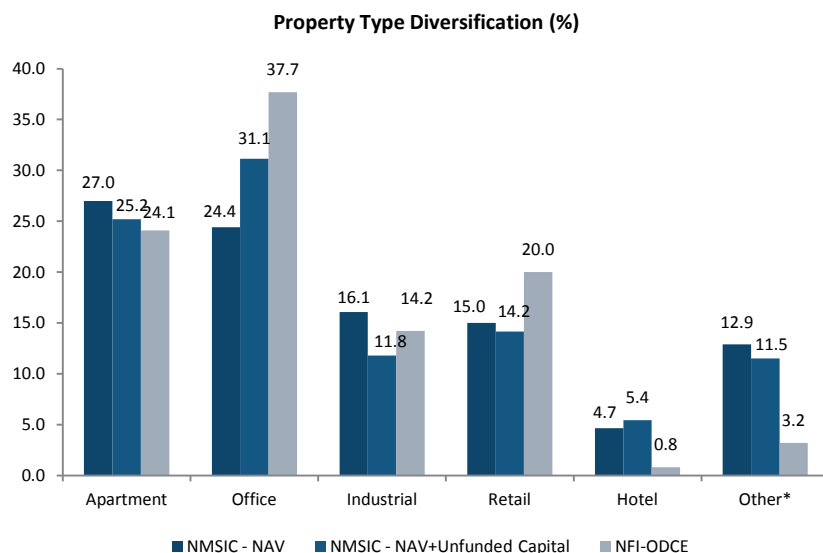
- The charts below illustrate changes in the Legacy Investments since 2010, as well as expected distributions from the Legacy Investments from 2015 to 2017*.
- Out of nine remaining investments, one is expected to be fully liquidated by year-end 2016.



*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.



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: 2Q 2016 Flash Report





Portfolio Composition (\$)									
Total Plan Assets		Allocation		Market Value		Unfunded Commitments		Remaining Allocation	
19,120,451,399		1,912,045,140	10.0%	1,691,094,613	8.8%	772,911,226	4.0%	-551,960,699	-2.9%

Performance Summary	Quarter (%)		1 Year (%)		3 Year (%)		5 Year (%)	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
New Mexico State Investment Council	2.5	2.1	15.0	12.6	15.8	13.1	14.0	11.6
NCREIF Fund Index – Open End Diversified Core Equity “NFI-ODCE Value Weight”	2.1	1.9	11.8	10.8	13.0	12.0	12.7	11.7

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	960,000,000	749,236,787	209,326,063	79,404,032	964,423,814	57.0	47.6
Tactical Value-Added Investments								
Tactical Value-Added Investments	2004	858,346,674	694,028,900	191,529,735	500,255,353	328,406,190	19.4	21.1
Tactical Opportunistic Investments								
Tactical Opportunistic Investments	2005	705,547,981	544,537,767	216,590,337	331,220,616	337,811,853	20.0	22.5
Tactical Credit								
Tactical Credit	2014	210,664,449	68,296,187	155,465,091	10,922,000	60,452,756	3.6	8.8
Total Tactical	2004	1,774,559,104	1,306,862,854	563,585,163	842,397,969	726,670,799	43.0	52.4
Total Current Portfolio								
New Mexico State Investment Council	2004	2,734,559,104	2,056,099,641	772,911,226	921,802,001	1,691,094,613	100.0	100.0

*Commitment amount may vary due to exchange rates.

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	964,423,814	1.2	1.0	2.3	2.0	4.8	8.5	13.6	12.3	4.9	9.0	14.2	12.9	5.1	9.3	14.7	13.3	15.0	13.6	2Q11	13.0	1.3
Tactical Value-Added Investments																						
Tactical Value-Added Investments	328,406,190	1.7	2.7	4.4	3.5	5.7	15.3	21.6	17.4	5.8	14.1	20.5	16.4	6.2	8.9	15.5	12.4	8.9	5.8	3Q04	3.4	1.1
Tactical Opportunistic Investments																						
Tactical Opportunistic Investments	337,811,853	0.6	1.3	1.9	1.3	6.5	6.9	13.9	10.4	4.5	10.6	15.5	11.1	3.3	10.9	14.5	10.5	5.8	2.8	2Q05	1.7	1.1
Tactical Credit																						
Tactical Credit	60,452,756	3.0	-3.0	0.0	-0.7	13.4	-5.7	7.1	3.5									7.8	5.3	1Q14	5.4	1.0
Total Tactical	726,670,799	1.3	1.6	2.9	2.1	6.6	9.8	16.9	13.0	5.5	11.6	17.6	13.4	5.2	9.1	14.6	11.2	7.3	4.3	3Q04	2.6	1.1
Total Portfolio																						
New Mexico State Investment Council	1,691,094,613	1.2	1.3	2.5	2.1	5.6	9.0	15.0	12.6	5.2	10.2	15.8	13.1	5.0	8.7	14.0	11.6	7.1	4.4	3Q04	5.2	1.2
Indices																						
NCREIF Fund Index – Open End Diversified Core Equity “NFI-ODCE Value Weight”		1.1	1.0	2.1	1.9	4.6	7.0	11.8	10.8	4.9	7.8	13.0	12.0	5.1	7.3	12.7	11.7	8.1	7.1	3Q04		
NCREIF Property Index “NPI”		1.2	0.8	2.0		4.9	5.6	10.6		5.2	6.2	11.6		5.4	5.8	11.5		9.2		3Q04		
FTSE EPRA/NAREIT Developed Index in USD				3.7				12.6				8.9				8.6		8.6		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	175,055,074	1.9	-0.8	1.1	0.8	10.1	-4.0	6.4	5.0	7.8	1.5	9.7	7.7	6.5	2.7	9.5	7.6	5.3	2.9	3Q04	-0.4	1.0
New Portfolio 2011 Inception																						
New Portfolio 2011 Inception	1,516,039,538	1.2	1.5	2.7	2.2	4.8	11.2	16.3	13.8	4.6	12.4	17.4	14.6	4.8	11.3	16.6	14.0	16.8	14.2	2Q11	14.2	1.3
Total Portfolio																						
New Mexico State Investment Council	1,691,094,613	1.2	1.3	2.5	2.1	5.6	9.0	15.0	12.6	5.2	10.2	15.8	13.1	5.0	8.7	14.0	11.6	7.1	4.4	3Q04	5.2	1.2
Indices																						
NCREIF Fund Index – Open End Diversified Core Equity “NFI-ODCE Value Weight”		1.1	1.0	2.1	1.9	4.6	7.0	11.8	10.8	4.9	7.8	13.0	12.0	5.1	7.3	12.7	11.7	8.1	7.1	3Q04		
NCREIF Property Index "NPI"		1.2	0.8	2.0		4.9	5.6	10.6		5.2	6.2	11.6		5.4	5.8	11.5		9.2		3Q04		
FTSE EPRA/NAREIT Developed Index in USD				3.7				12.6				8.9				8.6		8.6		3Q04		



Advisory Disclosures and Definitions

Disclosure

Trade Secret and Confidential.

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 directly¹ from the investment managers.

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, 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 premium and a blended composition with varying weighting methodologies, including market weighted and static weighted approaches.