



**TOWNSEND
GROUP**

The New Mexico State Investment Council ("NMSIC")

Second Quarter 2015: Real Estate Performance Measurement Report

Proprietary & Confidential
October 2015

Table of Contents

- 1) Real Estate Market Updates
- 2) Performance Measurement Highlights 2Q 2015

Appendix:

- A. Definitions
- B. Flash Report: 2Q 2015



1. Real Estate Market Updates

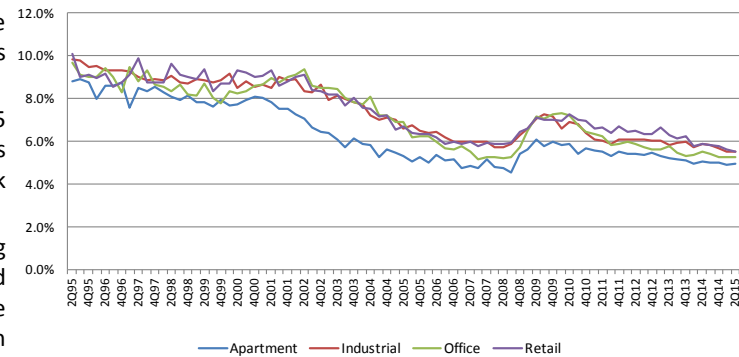


United States Real Estate Market Update (2Q15)

General

- As of 2Q15, real GDP exceeded the Commerce department's initial expectations by 140 bps, with a growth rate of 3.7%, 310 bps above 1Q15. After rebounding from temporary winter doldrums, the economic growth was further stimulated by rising consumer and government spending, business investments, private inventory investments, and positive net export.
- As of 2Q15, consumer spending representing two thirds of the GDP, grew by 3.1%, 130 bps above 1Q15 due to a boost in purchasing power, characterized by a 1.3% increase in disposable income, as well as strong fundamentals in the job market. In addition, household wealth was positively influenced by weak energy prices, a strong U.S. Dollar as well as the ongoing housing recovery.
- During the quarter, business investment was the principal catalyst of the GDP's upward revision rising 3.2%, or 380 bps above estimates. This rise was due to higher investment in construction, research and development, equipment, and inventories. While spending on intellectual property rose by 8.6%, the highest since 4Q07, inventory grew to \$121.1 billion, or \$11 billion above estimates. Note, growth in business investment was partially offset by low energy prices and a strong U.S. Dollar due to reduced drilling activities and expensive exports, respectively.
- In 2Q15, CMBS loss severity increased to 41.6%, or 17.1% above 1Q15 and only 50 bps below the total weighted average loss severity between 1Q00 and 2Q15. Although the CMBS market remains strong with issuance up to 8.0%, it has become more volatile due to (i) excess deal supply, (ii) low energy prices, (iii) an expected Fed tightening before year-end 2015, (iv) the Greek debt crisis and (v) the devaluation of the Chinese Yuan.

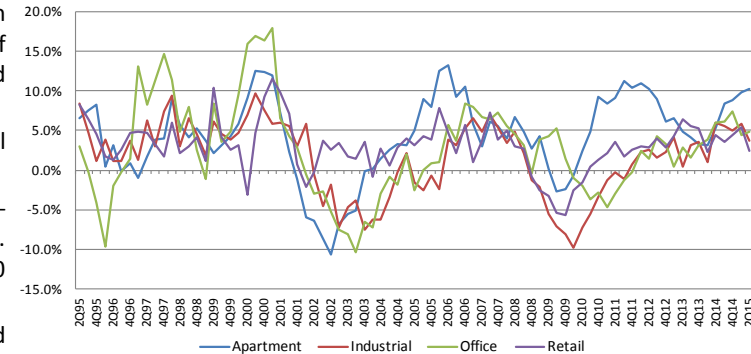
Current Value Cap Rates by Property Type as of June 2015



Commercial Real Estate

- During 1H15, the U.S. commercial real estate sector remained the strongest on the global scale, with \$232 billion of year-to-date transaction volumes, representing an annual investment sale growth of 46.4%. Consistently, current macroeconomic and financial indicators suggest ample room for continued potential expansion, with an anticipated full year growth of 20%.
- During 1H15, the office sector was the busiest market in the U.S., representing 31.6% of total transaction activities.
- As of 1H15, transaction cap rates from all traditional property sectors continued to decline. Year-to-date, industrial recorded the sharpest cap rate compression (-25 bps), with a primary cap rate of 5.2%. Multifamily recorded the lowest primary cap rate (4.4%) at mid year, with core apartment trading at 30 bps point above 2007 peak level.
- As of 1H15, foreign capital represented 14.8% of total transaction activity, exceeding 2014 year-end figures and nearing 2007 peak levels, with Singapore and China representing two of the five most active investors since 2014. While the office sector has long been representing more than half of total foreign acquisitions on an annual basis, foreign investors have progressively grown interest in large-scale industrial multimarket portfolios in primary locations as well as iconic hotel investments.

4-Qtr Rolling NOI Growth by Property Type as of June 2015



United States Property Matrix (2Q15)

INDUSTRIAL

MULTIFAMILY

- As of the 2Q15, the industrial sector absorbed 46.1 msf of space with only 17% of the national market not absorbing industrial space. 1H15 net absorption totaled 86.5 msf a 22% increase over 1H14.
- During the quarter, industrial space under-construction increased 15 msf from 1Q15 to 122.3 msf. New deliveries in 1H15 totaled 72.8 msf.
- Vacancy rates are at a cyclical low of 7.3%, with 19 of 60 markets having vacancy below 5%.
- Investment sales in the first five months of the year totaled \$28.5b, up over 50% from the same period last year.
- As of 2Q15, industrial properties delivered a quarterly return of 3.8% (strongest performance across all property sectors) and outperformed the NPI by 64 bps.

- During the quarter, investment activity totaled \$29.0b with total sale volumes up 45.0% year-to-date (\$61.3 billion).
- CBD investment is driving activity with New York, Los Angeles and Washington DC accounting for 47.0% of the total activity during the quarter with each market seeing over \$1.0 billion of transactions.
- Homeownership declined 30 bps over the quarter down to 63.7% with the largest declines coming from the Millennial and Generation X segments at 160 and 230 bps declines, respectively.
- On average, the absorption to delivery gap has narrowed 35.6% annually since 2012, yet demand continues to outpace deliveries, supporting annualized rent growth in excess of 3.5%, with no markets seeing systemic overbuilding.
- The apartment sector delivered a 3.0% return during the quarter, underperforming the NPI by 16 basis points.

OFFICE

RETAIL

- Net absorption rebounded during the quarter increasing from 11.4 msf in 1Q15 to 20.9 msf.
- During 2Q15, office vacancy declined 20 bps to 14.2%, which is a decline of 80 bps from a year ago.
- Rental growth accelerated during the quarter, growing 2.5% year-over-year, marking the 6th consecutive quarter of 2+% year-over-year growth.
- In 2Q15, construction volumes reached 108.5 msf, a 10.0 msf increase over 1Q15. Demand also increased, with net absorption exceeding deliveries in every quarter since 3Q10.
- During 2Q15, the office sector slightly underperformed the NPI by 3 basis points with a 3.1% return.

- Price per square foot for urban retail assets is up 17.5% year-over-year, while unanchored retail is up 19.8%. Freestanding / single tenant retail properties saw a decline in price per square foot of 29.5% y-o-y.
- Primary markets are achieving nearly a 200 bps premium to secondary markets with most markets averaging cap rates between 6.0 – 7.0%
- Urban / storefront retail represented the greatest portion of transactions over the quarter with 24.5% of the deal flow, following by grocery-anchored centers at 19.6% and malls at 16.8% of the deal flow.
- As of 2Q15, the retail sector delivered a quarterly return of 3.0%, underperforming the NPI by 16 bps.



Global Real Estate Market Update (2Q15)

General

- Global commercial real estate markets continue to build momentum with growth in leasing activity matching that of investment for the first time in the current cycle.
- Investor appetite remains strong with no signs of dwindling, even given the volatile Chinese stock market and expectations for rising U.S. interest rates.
- Real estate investment volumes continued to expand with first half volumes increasing to \$177 billion, or 9% above 1H14 (19% higher in local currencies).
- As of 1H15, the ten most active markets were led by New York which totaled approximately \$26 billion of sale volumes. Note, U.S. cities dominated global investment activities with seven MSAs ranking among the top ten most active markets.

Europe

- Commercial real estate investment decreased 2% from 1Q15 to €55.8 billion, but increased 15% from 2Q14
- Finland, Norway, Spain and Portugal all saw investment activity more than double compared to 2Q14, while France and the CEE saw relatively low levels of investment activity.
- Germany, the largest European market, saw €12 billion of investment activity up 62% (€5 billion) over 2Q14.

Asia

- Asia Pacific has seen leasing activity grow by 41% year-on-year.
- China volumes were up 54% year-on-year during the second quarter. Office sentiment is improving in Tier 1 and top-end Tier 2 cities. Borrowing costs are expected to reduce given lower interest rates and bank reserve requirement ratios.
- The strong dollar has depressed volumes in Australia, down 2% compared to 2Q14, but up 2% over 1H14.

Direct Commercial Real Estate Investment - Regional Volumes, 2014-2015

\$ US Billions	Q1 15	Q2 15	% Change		% Change		% Change	
			Q1 15 - Q2 2015	Q2 14	Q2 14 - Q2 15	YTD 2014	YTD 2015	YTD 2014 - YTD 2015
Americas	73	81	11%	67	20%	129	153	19%
EMEA	59	65	11%	63	3%	120	124	3%
Asia Pacific	25	31	24%	31	-2%	55	56	2%
Total	156	177	13%	162	9%	304	333	9%

Source: Jones Lang LaSalle, July 2015

Global Outlook - GDP Growth % pa, 2014-2016

	2014	2015	2016
Global	3.3	3.2	3.7
Asia Pacific	5.5	5.4	5.4
Australia	2.7	2.6	2.8
China	7.4	6.6	6.1
India	7.1	7.5	7.5
Japan	-0.1	1.0	1.8
Americas	2.0	1.6	2.5
US	2.4	2.3	2.8
MENA	2.2	2.9	3.7
Europe	1.5	2.0	2.2
France	0.2	1.3	1.6
Germany	1.6	1.9	2.1
UK	3.0	2.6	2.8

Source: Jones Lang LaSalle (Oxford Economics), July 2015

2. Performance Measurement Highlights: 2Q 2015



Portfolio Highlights

- New Mexico State Investment Council's (NMSIC) current target allocation to real estate is 10.0%.
- NMSIC's 2Q15 real estate market value represents 6.9% of total fund assets. Including unfunded commitments expected to be called (minus reserve commitments), real estate represents approximately 10.7% of NMSIC's total portfolio.
- The real estate portfolio continues to grow and provide positive performance. As of 2Q15, 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.

As of 2Q15	Quarter		One-Year		Three-Year		Five-Year	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
NMSIC*	5.3	4.5	17.3	14.4	15.1	12.3	12.8	10.5
NFI-ODCE Value Weight*	3.8	3.6	14.4	13.4	13.1	12.1	14.4	13.3
Over/ Under Performance	1.5	0.9	2.9	1.0	2.0	0.2	-1.6	-2.8

**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; 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 **15.4% (versus 13.4% NFI-ODCE)** over the one-year period.

Portfolio Highlights

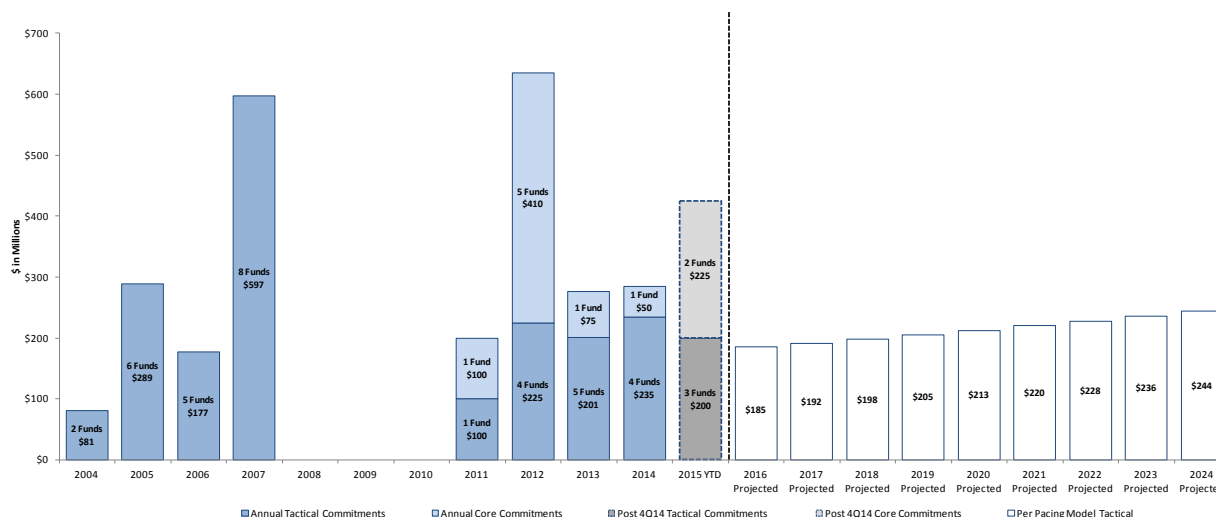
- NMSIC's portfolio consists of 54% exposure to core investments and 46% exposure to tactical investments.
- During the quarter, managers called approximately \$30.7 million across the core and tactical investments.
- During the quarter, return-of-capital combined with income distributions totaled \$51.5 million, bringing total distributions to \$202.7 million over the last 12 months.
- Strategic Portfolio
 - Since December 2011, eight strategic core commitments have been made, totaling \$860.0 million.
- Tactical Portfolio
 - Since December 2011, approximately \$961.2 million has been committed to 17 tactical investments.

Real Estate Portfolio Allocation

Portfolio Status

- Since the 2004 inception, NMSIC has committed approximately \$3.0 billion to real estate across seven joint ventures and 39 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.
- Per the annual investment pacing model, NMSIC has completed its tactical investment activity for 2015. NMSIC's staff is in the process of rebalancing refinements with respect to the strategic core portfolio.

NMSIC Real Estate Allocation Growth as of Calendar Year End*



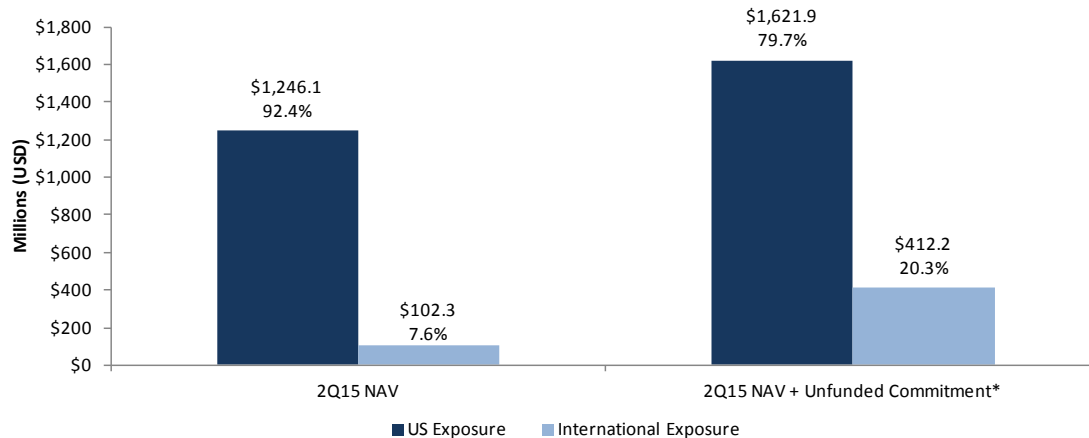
*In 2011, NMSIC increased its real estate allocation from 5% to 10% of total assets.

Real Estate Portfolio Domestic and International Exposure

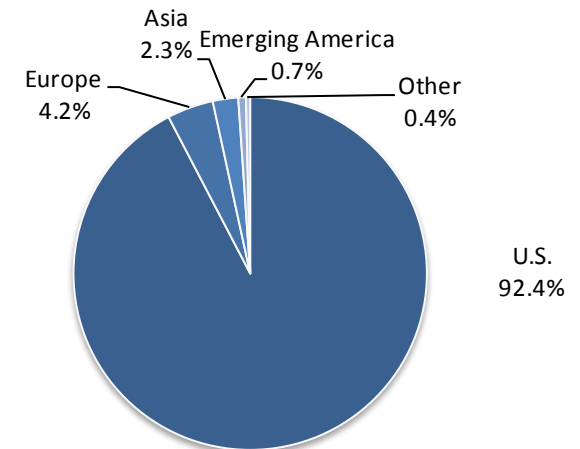
Portfolio Status

- As of 2Q15, NMSIC's U.S. exposure is approximately \$1.2 billion on a funded basis, representing 92.4% of the total portfolio vs. 7.6% of international exposure. On a funded plus unfunded basis, NMSIC's U.S. exposure is approximately \$1.6 billion, representing 79.7% vs. 20.3% of international exposure.
- NMSIC committed approximately \$376.2 million to six dedicated international investments over the last two years. These investments currently represent approximately 4.0% of the portfolio's NAV and have approximately \$309.0 million of unfunded commitments.

2Q15 NMSIC's U.S. vs. International Exposure



2Q15 Global Geographic Diversification on NAV Basis



*NAV + Unfunded Commitment excludes investments made during the quarter and subsequent to quarter-end that do not have their diversification numbers available.

Real Estate Portfolio Performance

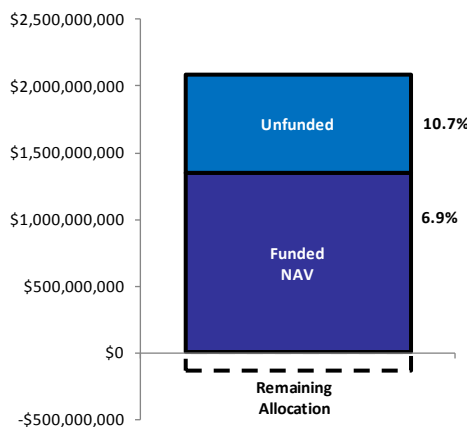
Portfolio Status

- NMSIC's real estate allocation target is 10% of total fund assets (based on market value).
- As of 2Q15, NMSIC had \$1.3 billion invested in real estate representing 6.9% of total fund assets.
- Including new commitments made in 2015 and reducing existing unfunded commitments that managers have indicated they will not require, total unfunded commitments are \$740.2 million.
- At the 10% target, the tactical real estate allocation is over-committed by approximately \$266.3 million, reflecting an over commitment factor of 1.3x. This over allocation is consistent with a targeted 1.3x commitment to closed end fund investments.
- Note, over-commitment to tactical is the result of the ongoing regeneration process taking place in the portfolio, with new tactical investments (63% of the portfolio) actively drawing capital and Legacy investments (37% of the Portfolio) expecting near-term liquidation.

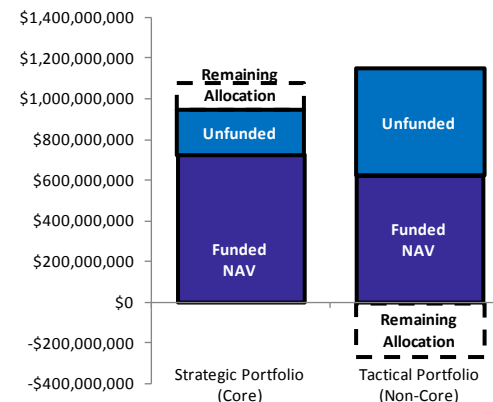
(\$ in millions)
as of 6/30/15

SIC's Target Allocation	10.0%	\$1,952.6
Current Market Value	6.9%	\$1,348.3
Market Value + Unfunded Commitments*	10.7%	\$2,088.5

Portfolio Snapshot estimated as of 6.30.15*
10% Target Allocation



Sub-Portfolio Snapshot estimated as of 6.30.15*
10% Target Allocation



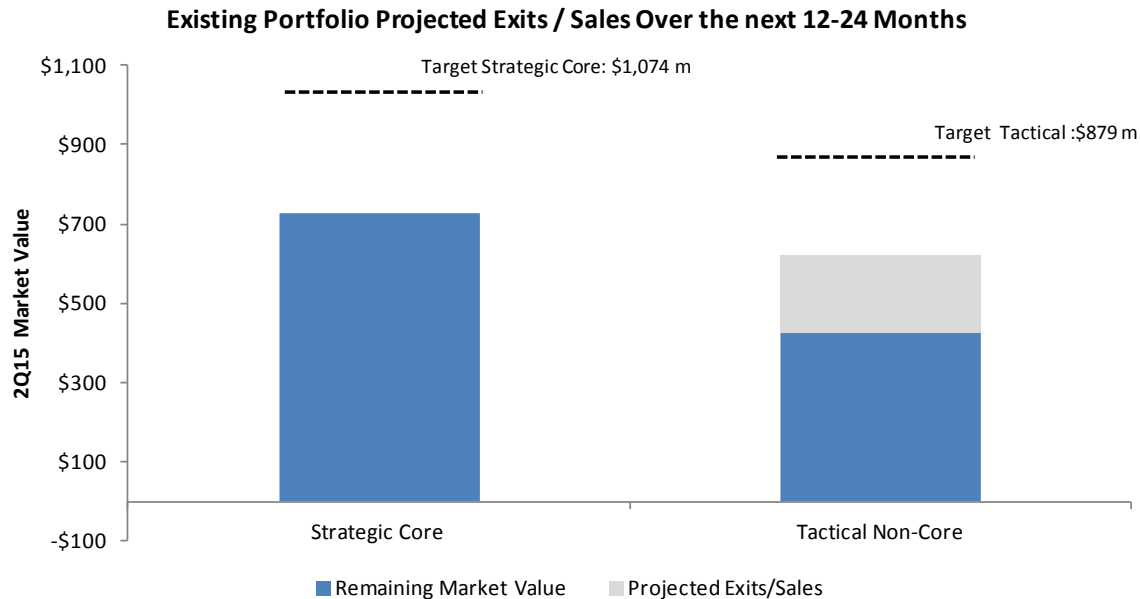
* Unfunded Commitments account for commitments made through June 2015 which have been reduced by existing manager estimates for capital not expected to be called.

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 Performance

Portfolio Status

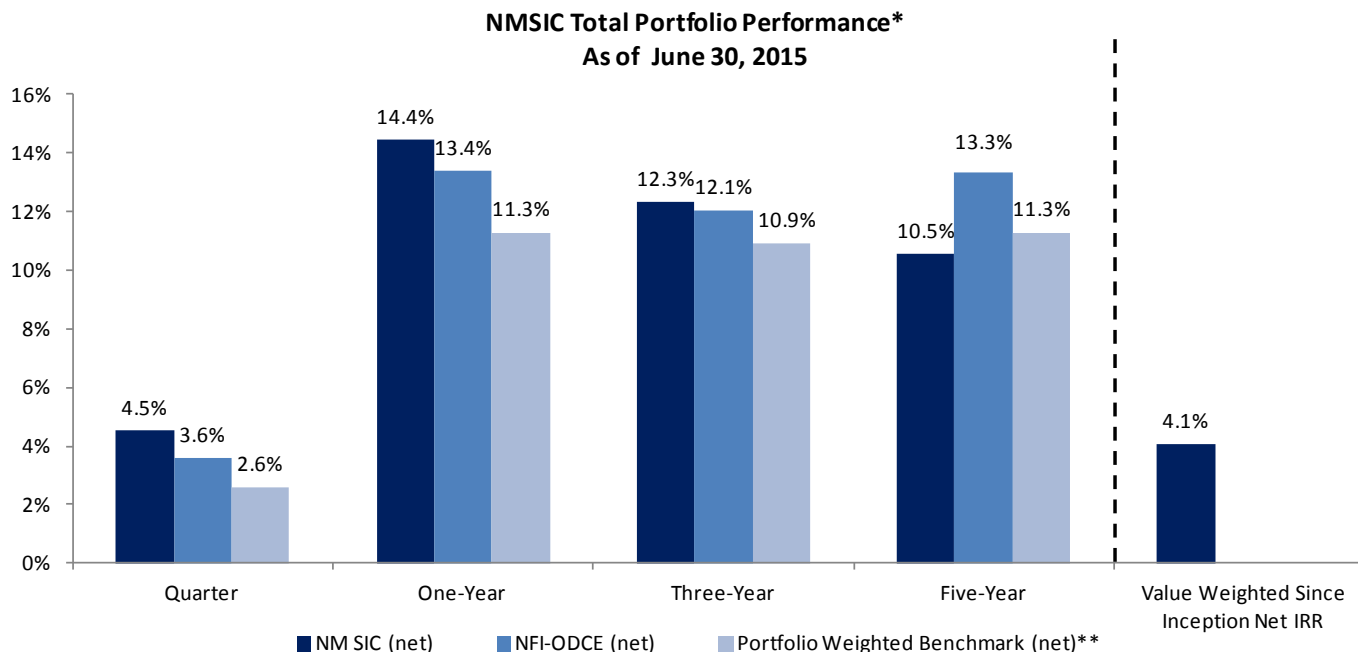
- Included in the pacing model presented as part of the Real Estate Investment Plan, a number of NMSIC’s existing investments are selling assets and are projecting to be fully realized over the next 12 to 24 months.
- Based on 2Q15 market values, the chart below provides a projection of how much capital 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 34% of Value-Added investments and 29% of Opportunistic investments are projected to be distributed over the next two years, totaling an estimated value between \$175-275 million.



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.

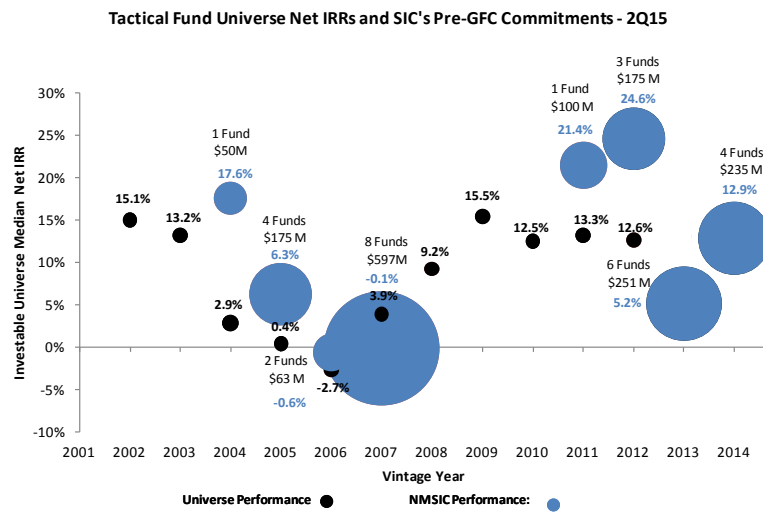
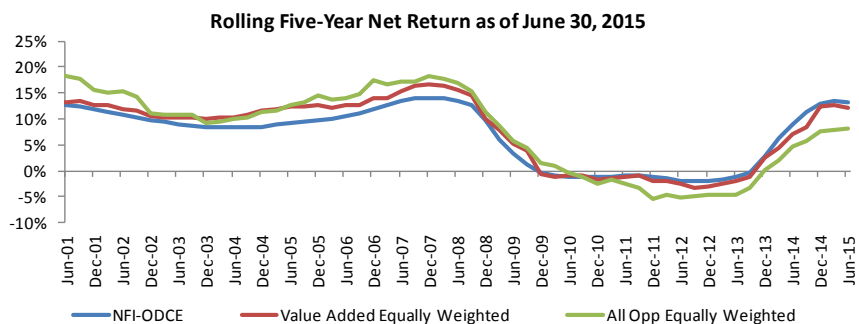
**Port folio Weighted Benchmark is a market weighted combination of the ODCE, Townsend Value-Added Fund Index, and Townsend Opportunistic Fund Index based on NMSIC's market weights. Time Weighted returns are to be considered as preliminary since a significant number of managers remain outstanding as of 2Q15.

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

Real Estate Portfolio Performance

Performance

- Longer term underperformance is attributed to the following:
 - Historic and significant underexposure to high quality, lower leveraged core properties and corresponding overexposure to higher risk, higher leverage tactical investments.
 - Investment concentration and fund selection in poor performing vintage years.
 - The chart on the left displays the rolling five year return for the core, value-added and opportunistic indices.
 - The chart on the right displays the number of funds and dollar amounts NMSIC has invested over time. The black circles and bold text represent the median IRR from the Townsend closed end fund investable universe per the given vintage years. The blue circles and text represent NMSIC performance and commitments.

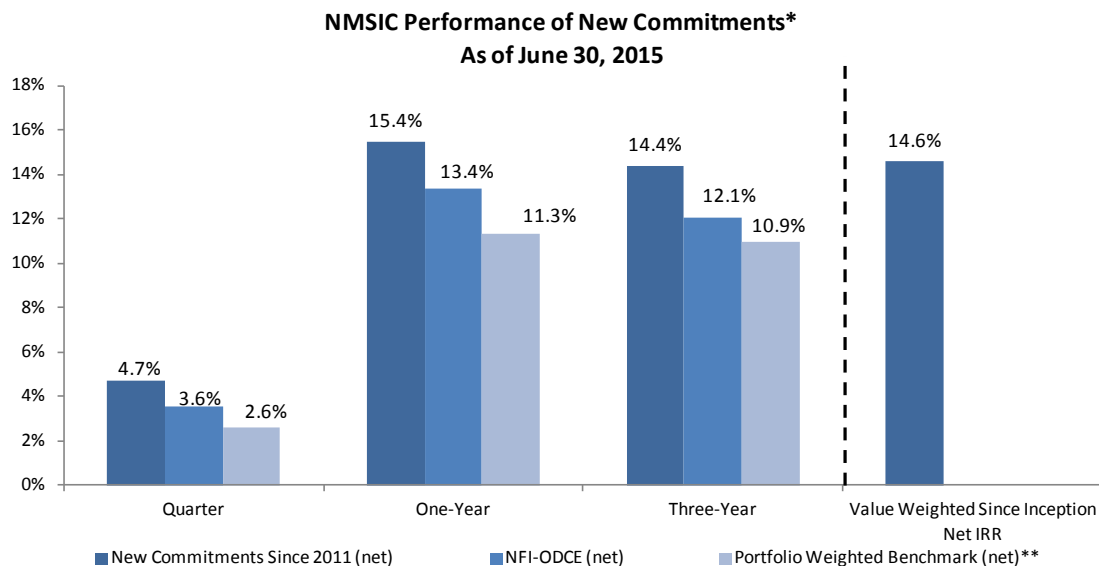


Bubble size varies by commitment amount.

Real Estate Portfolio Performance – New Commitments Since 2011

Performance

- New commitments made since 2011 are positively contributing to portfolio performance. As of 2Q15, these investments represent approximately 84% of NMSIC real estate NAV.
- Over the past one and three-year periods, new commitments have generated net time-weighted returns of 15.4% and 14.4%, respectively, outperforming the benchmark by 200 and 230 basis points, respectively. Overall, new investments have generated a 14.6% net IRR compared to a -0.5% 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 -1.0% and -2.0% of total performance (slide 14), respectively.

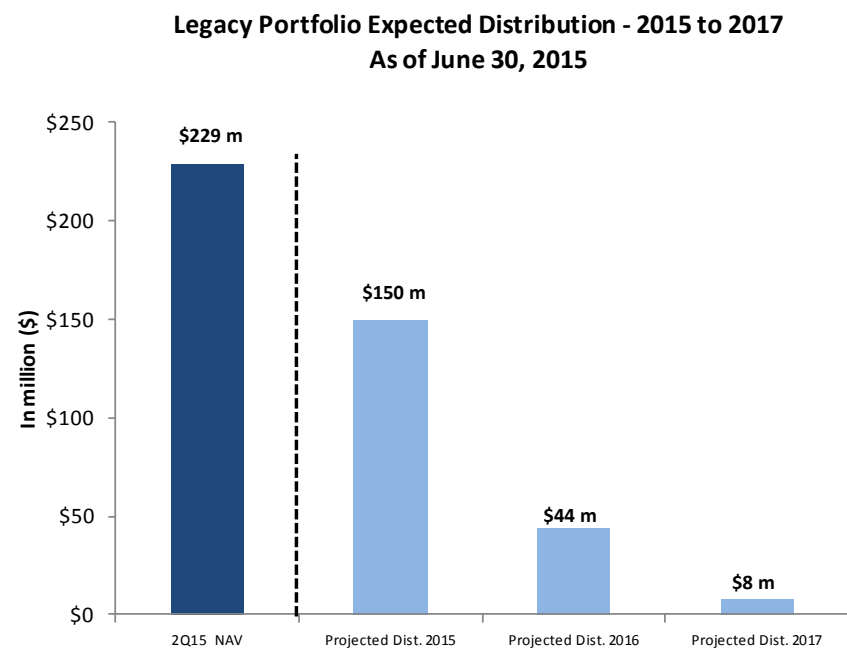
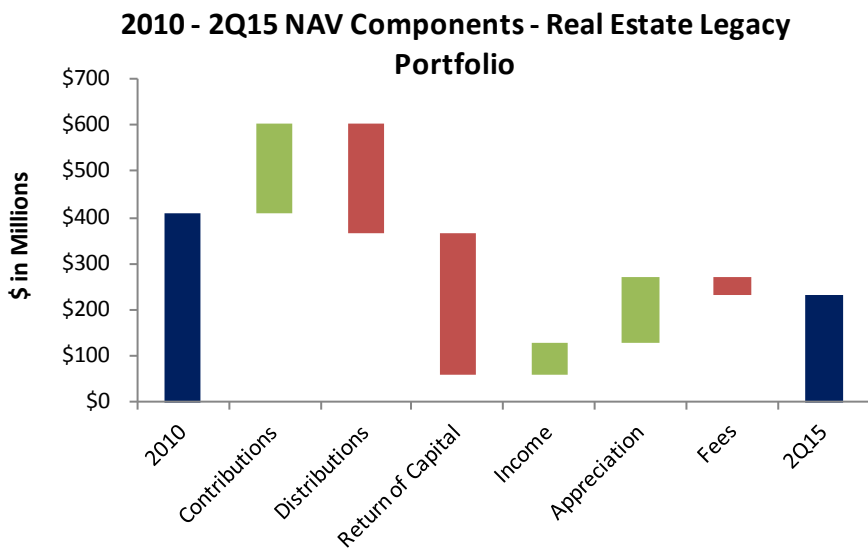


*Time Weighted Returns over the quarter, one-, three-, and five-year periods.

**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. Time Weighted returns are to be considered as preliminary since a significant number of managers remain outstanding as of 2Q15.

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 11 remaining investments, two are expected to be fully liquidated by the end of 2015.

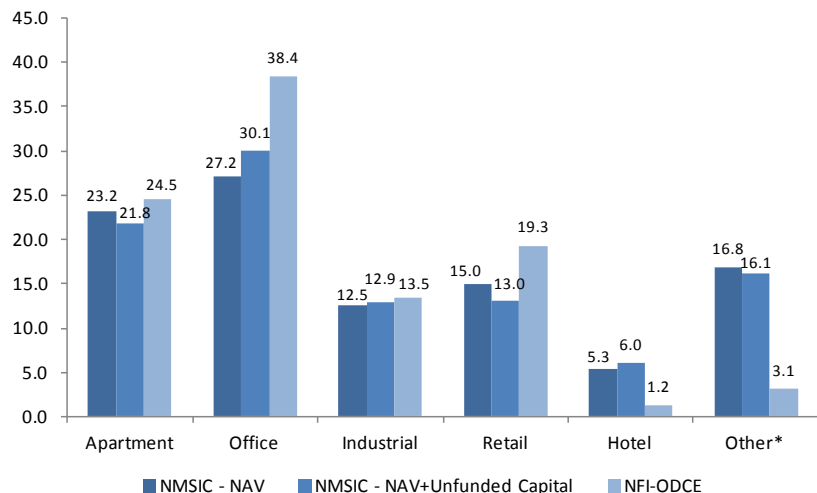


*Charts based on managers' projections.

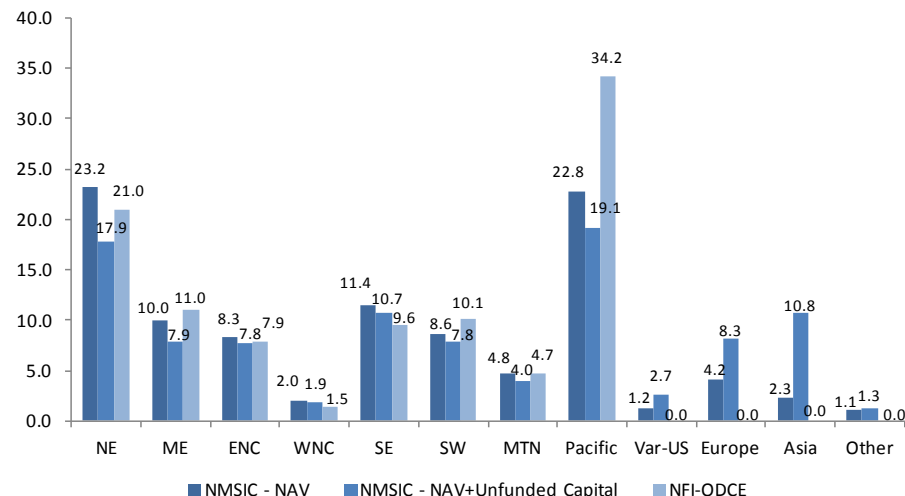
Real Estate Portfolio Performance – Diversification

- The portfolio is well diversified, although underweight to all property types (excluding hotels) due to a significant overweight to the “Other” property type (including for sale residential, student housing, self storage etc...). Expected 2015 dispositions and 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 (especially the U.K.) and Asia with the remaining international exposure primarily in Latin America (through a legacy investment).
- We would note some property type and geographic location diversification values decreases when including unfunded commitments. This is a result of unfunded commitments targeting one property type or location over another.

Property Type Diversification (%)



Geographic Diversification (%)



Appendix A: 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 6,971 privately owned institutional investment properties valued at \$443.0 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 B: 2Q 2015 Flash Report



Portfolio Composition (\$)								
Total Plan Assets	Allocation		Market Value		Unfunded Commitments		Remaining Allocation	
19,526,094,292	1,952,609,429	10.0%	1,348,342,682	6.9%	793,579,485	4.1%	-189,312,738	-1.0%

Performance Summary	Quarter (%)		1 Year (%)		3 Year (%)		5 Year (%)	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
New Mexico State Investment Council	5.3	4.5	17.3	14.4	15.1	12.3	12.8	10.5
NFI-ODCE Value Weight	3.8	3.6	14.4	13.4	13.1	12.1	14.4	13.3

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	785,000,000	584,968,847	217,697,652	52,972,686	725,842,013	53.8	44.1
Tactical Value-Added Investments								
Tactical Value-Added Investments	2004	830,662,785	678,205,322	184,203,028	447,947,086	288,209,258	21.4	22.1
Tactical Opportunistic Investments								
Tactical Opportunistic Investments	2005	830,547,981	593,705,455	307,265,278	361,339,618	308,424,518	22.9	28.7
Tactical Credit								
Tactical Credit	2014	110,664,449	26,104,833	84,413,527	1,999,929	25,866,893	1.9	5.1
Total Tactical	2004	1,771,875,215	1,298,015,610	575,881,833	811,286,633	622,500,669	46.2	55.9
Total Current Portfolio								
New Mexico State Investment Council	2004	2,556,875,215	1,882,984,457	793,579,485	864,259,319	1,348,342,682	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	725,842,013	1.3	3.4	4.6	4.1	5.1	9.7	15.1	13.6	5.1	9.0	14.4	13.0					15.3	13.9	2Q11	13.3	1.3
Tactical Value-Added Investments																						
Tactical Value-Added Investments	288,209,258	1.9	6.5	8.4	7.3	6.5	16.6	23.9	19.5	5.9	9.0	15.4	12.1	4.9	6.2	11.3	8.9	7.8	4.8	3Q04	2.3	1.1
Tactical Opportunistic Investments																						
Tactical Opportunistic Investments	308,424,518	1.9	1.8	3.7	2.8	5.2	10.2	15.9	11.4	3.2	14.3	17.8	12.8	2.7	13.1	16.1	12.4	5.1	2.2	2Q05	0.7	1.0
Tactical Credit																						
Tactical Credit	25,866,893	3.3	2.6	5.9	5.5	17.5	-7.5	9.1	7.5									8.2	6.4	1Q14	12.1	1.1
Total Tactical	622,500,669	2.0	4.0	6.0	5.0	6.1	12.9	19.6	15.3	4.9	10.8	16.0	12.1	4.0	8.7	13.0	10.1	6.5	3.6	3Q04	1.6	1.1
Total Portfolio																						
New Mexico State Investment Council	1,348,342,682	1.6	3.7	5.3	4.5	5.5	11.2	17.3	14.4	4.9	9.8	15.1	12.3	4.0	8.5	12.8	10.5	6.4	3.8	3Q04	4.1	1.1
Indices																						
NFI-ODCE Value Weight		1.2	2.6	3.8	3.6	4.9	9.2	14.4	13.4	5.1	7.7	13.1	12.1	5.3	8.7	14.4	13.3	7.8	6.8	3Q04		
NCREIF Property Index "NPI"		1.3	1.9	3.1		5.2	7.5	13.0		5.5	5.9	11.6		5.8	6.7	12.7		9.0		3Q04		
FTSE EPRA/NAREIT Developed Index in USD				-6.7				0.4				9.5				12.4		8.3		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	230,503,430	3.2	0.6	3.9	3.5	8.3	3.6	12.3	10.3	6.0	5.0	11.2	8.9	4.7	5.3	10.2	8.3	5.3	2.8	3Q04	-0.5	1.0
New Portfolio 2011 Inception																						
New Portfolio 2011 Inception	1,117,839,252	1.2	4.3	5.6	4.7	4.9	13.1	18.5	15.4	4.7	12.1	17.3	14.4					16.9	14.4	2Q11	14.6	1.3
Total Portfolio																						
New Mexico State Investment Council	1,348,342,682	1.6	3.7	5.3	4.5	5.5	11.2	17.3	14.4	4.9	9.8	15.1	12.3	4.0	8.5	12.8	10.5	6.4	3.8	3Q04	4.1	1.1
Indices																						
NFI-ODCE Value Weight		1.2	2.6	3.8	3.6	4.9	9.2	14.4	13.4	5.1	7.7	13.1	12.1	5.3	8.7	14.4	13.3	7.8	6.8	3Q04		
NCREIF Property Index "NPI"		1.3	1.9	3.1		5.2	7.5	13.0		5.5	5.9	11.6		5.8	6.7	12.7		9.0		3Q04		
FTSE EPRA/NAREIT Developed Index in USD				-6.7				0.4				9.5				12.4		8.3		3Q04		

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, 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.