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The New Mexico State Investment Council ("NMSIC")

Third Quarter 2015: Real Estate Performance Measurement Report

Proprietary & Confidential

February 2016

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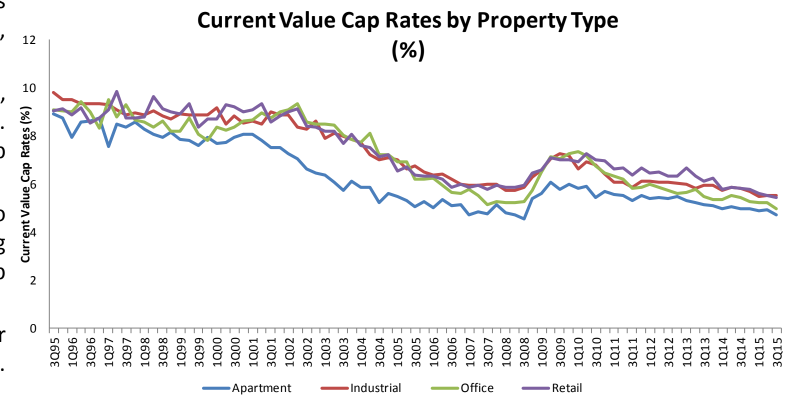
1. Real Estate Market Updates

United States Real Estate Market Update (3Q15)

General

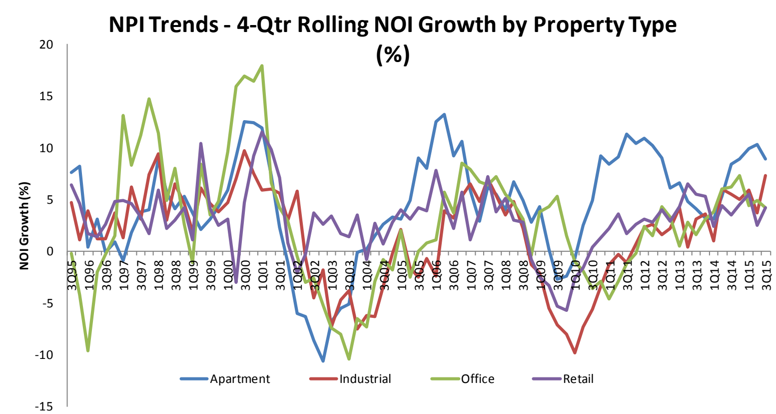
- As of 3Q15, real GDP rose 2.1%, 60 bps above initial expectations; however, 180 bps below 2Q15. While growth was stimulated by positive contributions from consumer and government spending, business fixed investment, and residential investment, it was partially offset by lower inventory investment, especially in manufacturing, as well as lower net export due to lower global demand.
- During the quarter, consumer spending representing two-thirds of GDP, remained strong at 3.0%, although 20 bps below expectations due to a decelerating job growth and turbulence in global trends. In addition to the 3.9% growth in disposable income, weak oil prices, lower household debt, healthy job market, and a strong U.S. Dollar, continue to be important catalysts for household consumption.
- As of 3Q15, business investment (building and equipment) grew by 2.4%, while inventory decreased to $90.2 billion, approximately 20% below 2Q15 due to a global economic slowdown. The U.S. housing recovery was reflected in a 7.3% rise in home construction. However, energy firms experienced deep spending cuts on mining explorations, wells, and shafts due to persistent decrease in energy pricings.
- During the quarter, a stronger U.S. dollar led to lower foreign demand for U.S. goods and higher imports. Consistently, the trade deficit of -1.2%, partially offset the 3Q15 GDP growth by 20 bps. Corporate profits also tumbled 8.1% below last year, which is the largest decline since 4Q08.
- As of 3Q15, the lending environment remained strong and new CMBS issuance was anticipated to exceed 2014 year-end level, although year-to-date activities declined to $81.6 billion, 13.3% below 2014, and credit spreads continued to widen due to (i) excess deal supply, (ii) low energy prices, (iii) expected Fed tightening, and (iv) global market volatility.



Source: NCREIF

Commercial Real Estate

- As of 3Q15, the U.S. commercial real estate sector remained the strongest on the global scale, with $307.1 billion of year-to-date transaction volumes, or 51.8% of global activities, led by New York, Chicago, and Los Angeles. Year-to-date, transactions grew by 30.1%, and current economic indicators suggested ample room for continued potential expansion, with an anticipated full year sale growth of 20%.
- Year-to-date, office and multifamily remained the busiest real estate property sectors in the U.S., representing 35.7% and 31.1% of total transaction activities, respectively.
- As of 3Q15, transaction cap rates from all traditional property sectors continued to decline. Year-to-date, industrial recorded the sharpest cap rate compression (-33 bps), with a primary cap rate of 5.1%. Multifamily recorded the lowest primary cap rate (4.3%), with core apartment trading at 20 bps above 2007 peak levels.
- Year-to-date, foreign capital represented 14.6% of total transaction activity, exceeding 2007 peak levels by 10.3%, with office, industrial, and hotels representing 29.0%, 25.6%, and 21.1%, respectively. While the office sector has long been representing more than half of total foreign acquisitions on an annual basis, foreign investors have a growing interest in large-scale industrial multimarket portfolios in primary locations as well as iconic hotel investments.



Source: NCREIF

Sources: Bureau of Economic Analysis, PREI, Jones Lang LaSalle, Real Capital Analytics, Wall Street Journal, Bloomberg, PREA, NCREIF, the White House, Moody's, Reuters, PR Newswire.

United States Property Matrix (3Q15)

INDUSTRIAL

- Year-to-date, investment activity increased to $43.2 billion, 53.9% above 1Q15 and exceeded 2014 annual volume. Cap rates compressed by 33 bps, with 8.0% rise in annual pricing per square feet.
- During the quarter, supply continued to grow, with space under-construction increasing 11.9 msf from 2Q15 to 170.7 msf, and year-to-date completions rose to 133.8 msf. However, demand continued to outpace supply with a year-to-date net absorption of 164.8 msf lead by warehouse and distribution.
- As of 3Q15, strong demand lead average vacancy down to 6.7%, 100 bps below 2007's cyclical low. With warehouse recording quarterly net absorption of 50.3 msf, asking rents increased to $4.82/sft, 2.6% above 2007's peak level. Note 45% of all markets are experiencing annual growth above 5%, including double-digit growth in 14 markets.
- With a pipeline of over $12.5 billion and growing investor appetite for safe and large-scale investments, quarterly activitiy was driven by primary markets, especially Dallas-Ft Worth, with large assets (+200,000 sft) representing $2.2 billion of 3Q15 deal flow.
- During the quarter, recent global volatility and lower sovereign bond yield led foreign investors to direct more capital toward safer primary markets, which contributed in decreasing the gap between primary market and secondary market spread compression.
- As of 3Q15, industrial properties delivered a quarterly return of 3.7% (strongest performance across all property sectors) and outperformed the NPI by 60 bps.

MULTIFAMILY

- Year-to-date, investment activity increased to $95.5 billion, 31.8% above 1Q15. Year-to-date cap rates compressed by 9 bps, with 11.5% rise in annual pricing per square feet.
- Year-to-date, total housing starts, including single family and apartments rose 11.2% above 2014; however, remained below peak levels. Leasing activities remained strong, with rent growth and net absorption rising by 3.7% and 7.5% over the year, respectively, while vacancy remained at 4.2%.
- During the quarter, mid- and high-rise investments in western regions, especially Dallas, grew by 10.7%, with primary markets recording $6.1 billion in sales volume. Year-to-date, secondary markets also experienced strong growth (19.9%) driven by suburban, garden style investments mainly from western and southeastern regions, with Denver, Portland and Phoenix representing more than 25.0% of total transactions during the quarter.
- During the quarter, the homeownership rate rose to 63.7%, 30 bps above 2Q15, due to a 2.9% year-to-date rise in millennials' homeownership. Homeownership however remains approximately 8.0% below 2007 peak levels. Renter-occupied units have increased by 28.3% since 2000 due to slow economic growth and lower median earnings for young adults since the GFC, resulting in 30% of millennials living with their parents.
- The apartment sector delivered a 2.9% return during the quarter, underperforming the NPI by 20 bps.

OFFICE

- Year-to-date, investment activity increased to $109.6 billion, 33.5% above 1Q15; cap rates averaged 4.5-5.3% and compressed by 10 bps, with 5.0% rise in annual pricing.
- During the quarter, net absorption slightly increased to 14.7 msf, vacancy declined 20 bps from 2Q15 to 15.1%, and asking rent increased to $30.59/sft, 1.6% above 2Q15. In 3Q15, office space under construction increased 7.6% over 2Q15 to 92.8 msf.
- As of 3Q15, expansionary activity represented 57.9% of leasing transactions above 20,000 sft and were led by Austin, Boston, and Charlotte. Higher expansionary leasing activity is boosting landlords' confidence across markets, leading to higher asking rents and reduced concessions, new expected supply is expected to slowdown competition.
- As of 3Q15, transaction activities were mainly driven by primary markets, representing 63.4% of total sales and 24.4% of real estate transactions executed by foreign investors. However, secondary markets remained strong and continued to grow at a faster pace than primary markets, with activity up by 83.4% over 3Q14 and led by Philadelphia, Atlanta, and Orange County.
- During 3Q15, the office sector underperformed the NPI by 10 bps with a 3.0% return.

RETAIL

- As of 3Q15, year-to-date investment activity increased to $58.8 billion, or 10.1% from the same period of 2014. Primary markets achieved almost a 200 bps premium to secondary markets, with average cap rates of 6.0-7.0% (lower than 6.0% for primary markets) compressing by 21 bps year-to-date. Average pricing rose to $522.00/sft, 8.1% over 2Q15, the second largest increase since 2001.
- During the quarter, net absorption grew to 27.9 msf, from 21.1 msf in 2Q15, leading vacancy down to 5.8%, or nearly 20 bps below 2Q15. As demand continues to outpace supply for the third consecutive quarter, with 3Q15 new deliveries representing 0.7x of net absorption, average asking rent increased to $15.8, 1.8% above 3Q14.
- During 3Q15, urban/storefront retail activity increased to $11.8 billion and represented 22.0% of total deal flow, the largest transaction volume across retail sub-types, followed by grocery centers (20%) and malls (17)%. Transactions were mainly executed in global gateway markets, including New York, Miami, Los Angeles, Chicago, San Francisco, and Washington DC.
- As of 3Q15, the retail sector delivered a quarterly return of 3.1%, matching the NPI.

Sources: Jones Lang LaSalle, DTZ Research, NCREIF

Global Real Estate Market Update (3Q15)

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Global

- Globally, leasing volumes saw 7.0% year-to-date growth keeping pace with the 3% growth in commercial real estate investment. Expansion demand and improving lease growth across markets coupled with relatively cheap and available debt has resulted in the healthiest commercial real estate market since the GFC.
- As of 3Q15, real estate quarterly activity reached $173.0 billion, little changed over prior year levels, although up 9.0% over the same period when adjusted for currency effects.
- As of 3Q15, the ten most active markets were led by New York which saw $37.0 billion in year-to-date sales volume, up a record breaking 33.0% year-over-year. U.S. cities remain the dominant target for global investment activities with seven MSAs ranking among the top ten most active markets.

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

$ US Billions	Q2 15	Q3 15	% Change Q2 15 - Q3 15	Q3 14	% Change Q3 14 - Q3 15	YTD 2014	YTD 2015	% Change YTD 2014 - YTD 2015
Americas	80	76	-5%	79	-4%	208	229	10%
EMEA	58	65	11%	63	2%	187	180	-4%
Asia Pacific	31	33	5%	32	1%	87	89	2%
Total	170	173	2%	174	-1%	482	497	3%

Source: Jones Lang LaSalle, October 2015

Europe

- European commercial real estate investment came in at €66.1 billion in 3Q15, a 6.0% increase from 2Q15 and 25% over last year.
- As of 3Q15, Belgium and Norway saw investment more than double 3Q14 levels with France close behind. CEE, Finland, and Spain experienced the biggest investment declines with 55%, 49%, and 32% below last year, respectively.
- Prime yields in France, especially in Paris continue to decrease, reaching record lows (2.5%-4.0%) due to excess demand over supply.
- U.K. investments saw a lackluster 1% year-over-year growth rate, suggesting challenges in capital deployment within its core market.
- Germany, the largest European market, saw €14.1 billion of investment activity, up 65% (€5.6 billion) over 3Q14.
- By year-end 2015, transaction activities are expected to be 5-10% above 2014 in Euro terms, corresponding to a 5-10% decrease in U.S. Dollar terms, using 3Q15 FX rates. Germany is expected to remain the most dynamic core market on continental Europe.

Asia

- Asia Pacific investments for the first three quarters were flat at $89.0 billion compared to year ago levels. Given China's maturing economy is growing at a decelerated rate, India is expected to become the fastest growing economy in the region despite risks coming along with higher inflation, reform progress, and a weaker Indian Rupee.
- Chinese investment volume saw a 45.0% increase over the same period last year. Office sentiment is improving in Tier 1 and top-end Tier 2 cities. Borrowing costs are expected to decrease given lower interest rates and bank reserve requirement ratios.
- In local currency terms, investments in Australia remained flat year-over-year while Japan saw a 15.0% increase compared to the first three quarters of 2014.

Global Outlook - GDP Growth % pa, 2014-2016

		2014	2015	2016
Global		**3.3**	**3.0**	**3.4**
Asia Pacific		**5.4**	**5.2**	**5.2**
	Australia	2.7	2.4	2.8
	China	7.3	6.6	5.9
	India	7.1	7.2	7.4
	Japan	-0.1	0.6	1.5
Americas		**2.0**	**1.5**	**2.0**
	US	2.4	2.5	2.6
MENA		**2.1**	**2.5**	**3.2**
Europe		**1.5**	**2.0**	**2.1**
	France	0.2	1.1	1.5
	Germany	1.6	1.6	2.3
	UK	2.9	2.5	2.6

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

Sources: Jones Lang LaSalle, CBRE Global Research and Consulting

Currency Effects - Market Trends (3Q15)

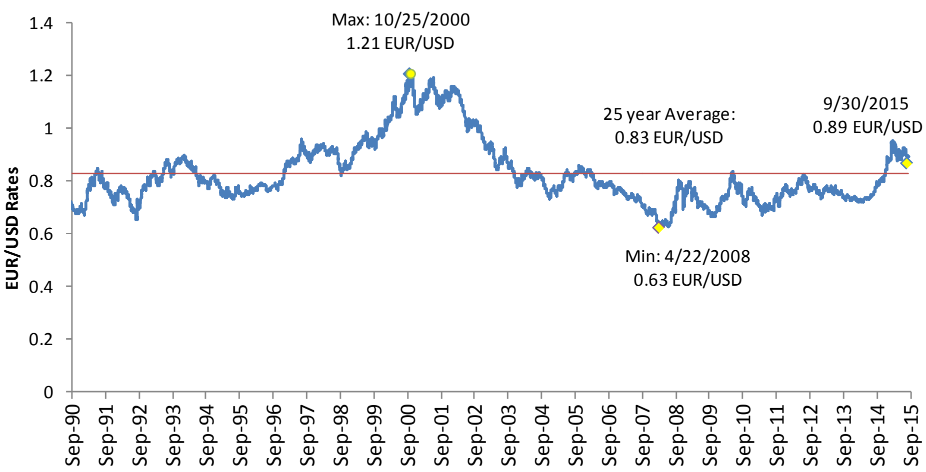
- Since the end of the GFC, the U.S. market has experienced strong economic expansion galvanized by favorable macro fundamentals and rising FDI volumes, given the lagging recovery experienced across Europe. As a result, the continuous growth of the U.S. market has been reflected in global currency movements 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 GBP/USD and EUR/USD exchange rates were at least 8% higher than their 25-year average.

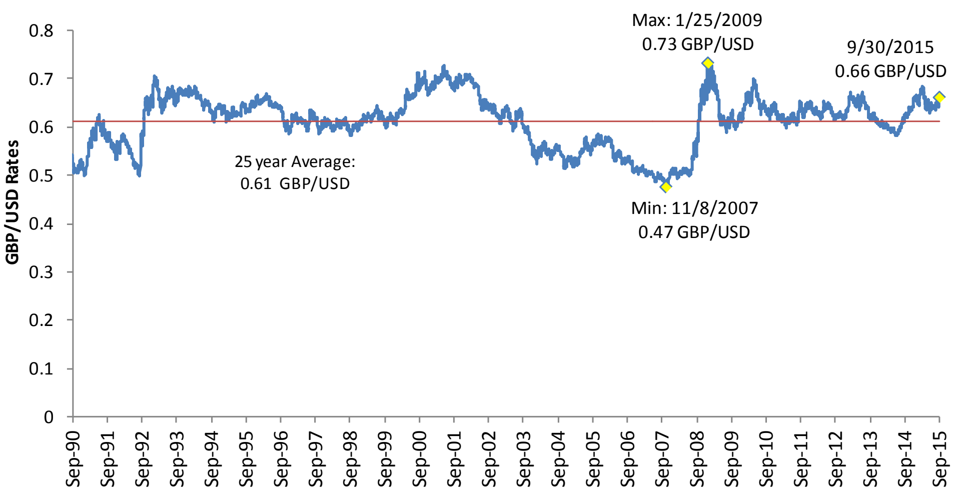
- The USD appreciation is negatively correlated with the cost of imports and has been favorable to local investors and consumers. The decrease in oil prices has been influenced to some extent by the rise in USD and had similar effects to a tax-break on U.S consumers.

- However, U.S. investors with foreign investments, have been experiencing short-term depreciation on their international returns when translated into USD.

EURO-USD Rates over 25 Years



GBP-USD Rates over 25 Years



2. Performance Measurement Highlights: 3Q 2015

Portfolio Highlights

- New Mexico State Investment Council's (NMSIC) current target allocation to real estate is 10.0%.

- NMSIC's 3Q15 real estate market value represents 7.6% of total fund assets.

- The real estate portfolio continues to grow and provide positive performance. As of 3Q15, NMSIC outperformed the NFI-ODCE Index on a net basis over the quarter, one-, and three-year periods. Net underperformance over the five-year was primarily due to underperformance by the Legacy Portfolio; however, five-year net performance has improved considerably from last year (440 bps above 3Q14) compared to the NFI-ODCE (160 bps above 3Q14).

As of 3Q15	Quarter		One-Year		Three-Year		Five-Year	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
NMSIC*	4.1	3.5	17.5	14.7	15.8	12.9	14.1	11.7
NFI-ODCE Value Weight*	3.7	3.4	14.9	13.9	13.4	12.4	14.0	12.9
Over/**Under** Performance	0.4	0.1	2.6	0.8	2.4	0.5	**0.0**	**-1.2**

**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 **16.2% (versus 13.9% NFI-ODCE)** over the one-year period.

Portfolio Highlights

- As of 3Q15, NMSIC's portfolio consisted of 55% exposure to core investments and 45% exposure to tactical investments.
- During the quarter, managers called approximately $68.7 million across the core and tactical investments.
- During the quarter, return-of-capital combined with income distributions totaled $55.9 million, bringing total distributions to $225.9 million over the last 12 months.
- Strategic Core Portfolio
  - Since December 2011, eight strategic core commitments have been made, totaling $910.0 million, including two individual follow-on commitments of $25.0 million.
- Tactical Portfolio
  - Since December 2011, approximately $961.2 million has been committed to 17 tactical investments, including $200.0 million to three tactical investments in 2015.

Real Estate Portfolio Allocation

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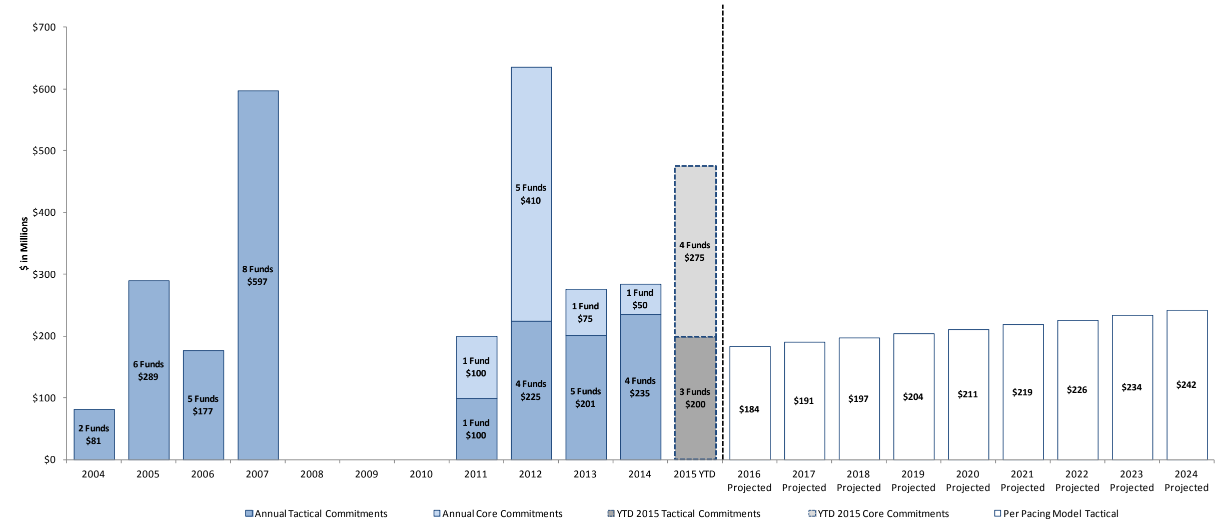
Portfolio Status

- 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. As of 3Q15, the portfolio consists of 40 active investments.
- 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 investment activity for 2015 with four Core commitments totaling $275 million and three Tactical commitments totaling $200 million. The pacing model does not call for any future core commitments.

NMSIC Real Estate Allocation 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

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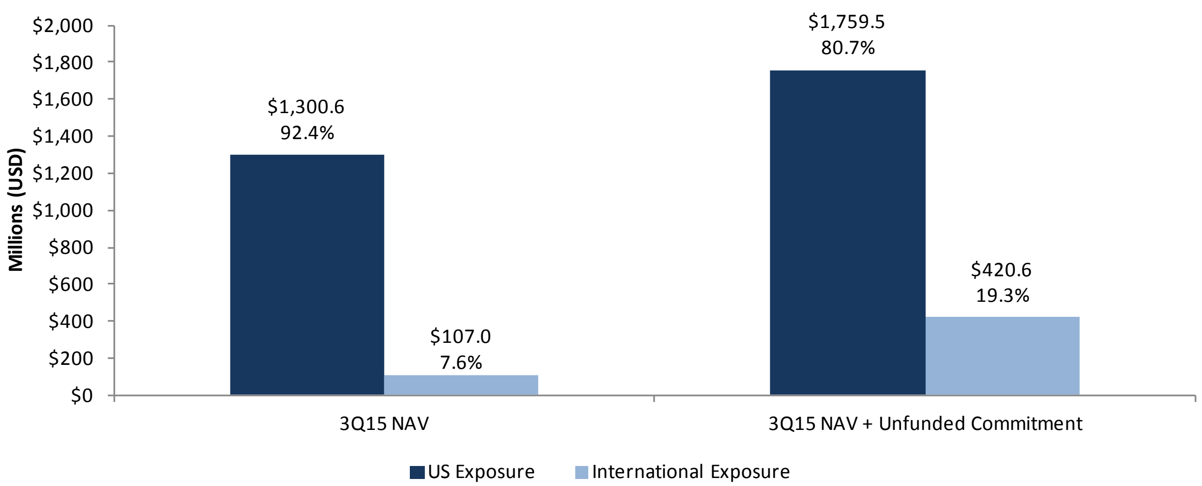
Portfolio Status

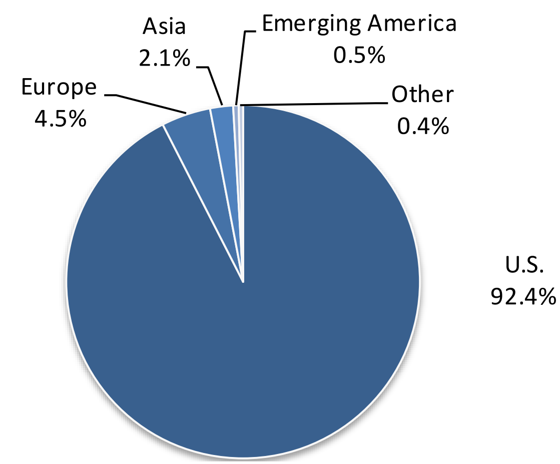
- As of 3Q15, NMSIC's U.S. exposure is approximately $1.3 billion on a NAV basis, representing 92.4% of the total portfolio vs. 7.6% of international exposure. On a NAV plus unfunded basis, NMSIC's U.S. exposure is approximately $1.8 billion, representing 80.7% vs. 19.3% of international exposure.

- NMSIC committed approximately $376.2 million to six dedicated international investments over the last two years. These investments currently represent approximately 4.5% of the portfolio's NAV and have approximately $306.7 million of unfunded commitments.

U.S. vs. International Exposure



Global Geographic Diversification on NAV Basis

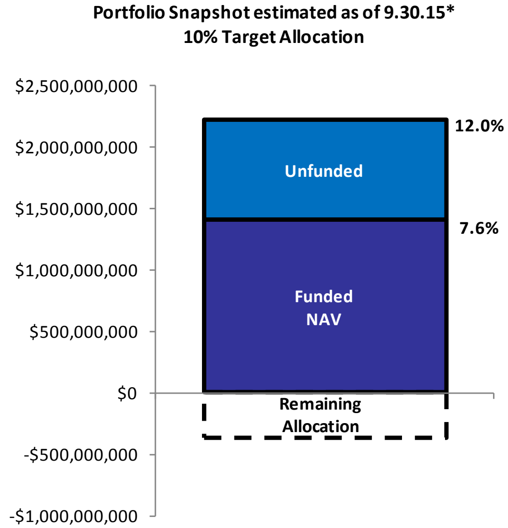


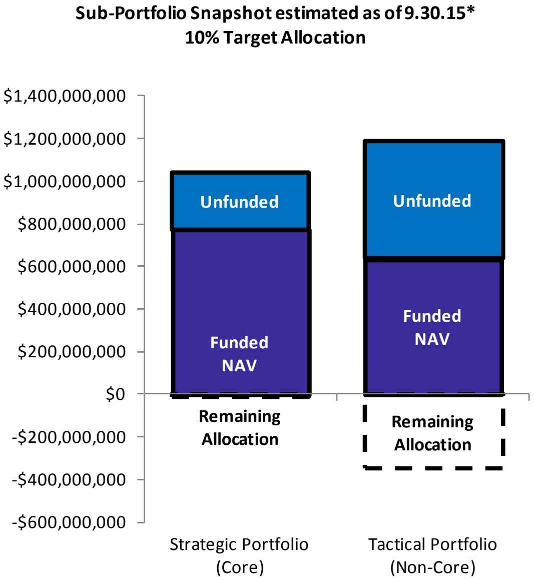
Real Estate Portfolio Performance

Portfolio Status

- NMSIC's real estate allocation target is 10% of total fund assets (based on market value).
- As of 3Q15, NMSIC had $1.4 billion invested in real estate representing 7.6% 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 $823.5 million.
- At the 10% target, the tactical real estate allocation is over-committed by approximately $352.9 million, reflecting an over commitment factor of 1.4x, slightly above the over-commitment target.
- Over-commitment to tactical is the result of the ongoing regeneration process taking place in the portfolio, with new tactical investments (68% of the portfolio) actively drawing capital and Legacy investments (32% of the Portfolio) expecting near-term liquidation.

($ in millions) as of 9/30/15		
SIC's Target Allocation	10.0%	$1,860.5
Current Market Value	7.6%	$1,407.6
Market Value + Unfunded Commitments*	12.0%	$2,231.1



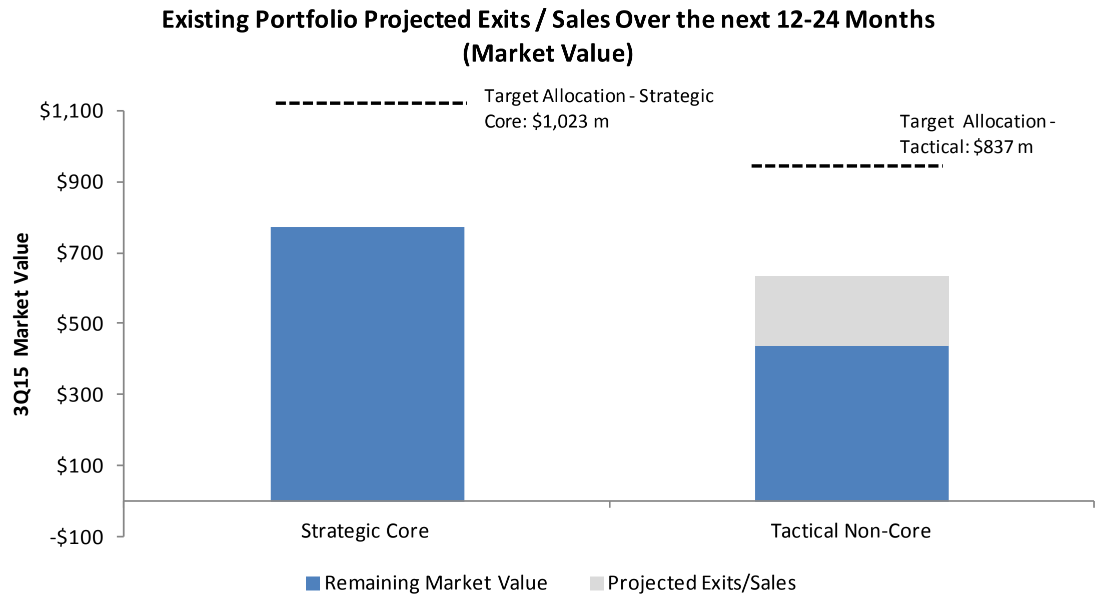


* Unfunded Commitments account for commitments made through September 2015 which have been reduced by existing manager estimates for capital not expected to be called.
Note: The charts above reflect the allocation at a point in time and do not take into account total plan growth, real estate sector NAV 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

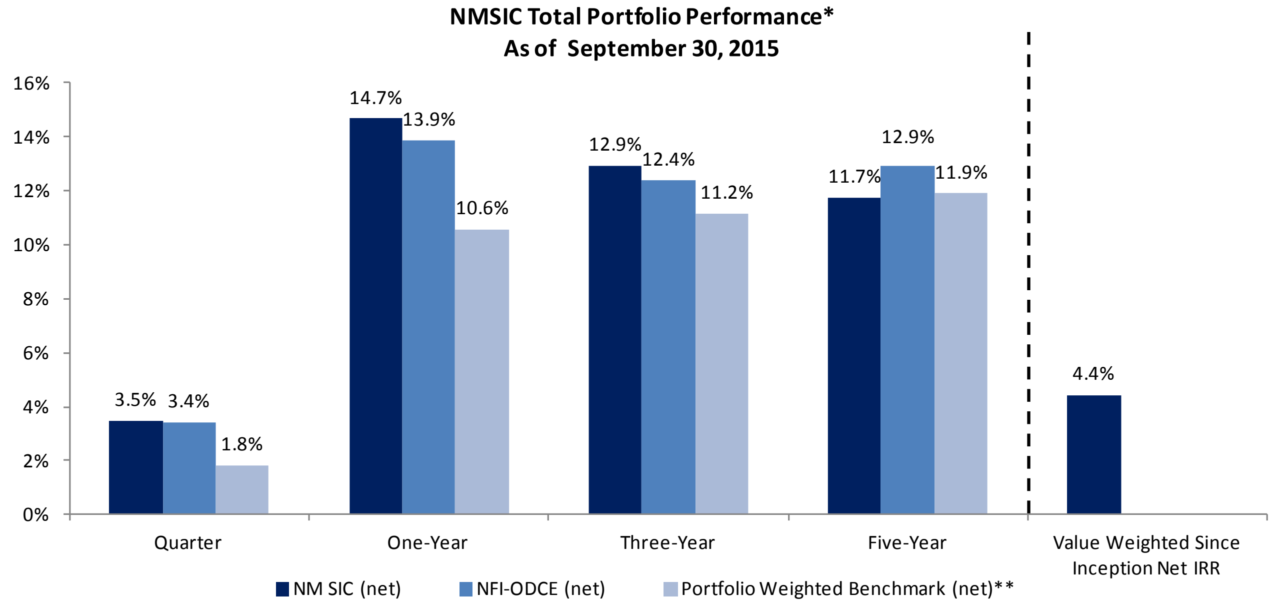
- Included in the pacing model presented as part of the Real Estate Investment Plan, a number of NMSIC's existing investments are selling assets and are projecting to be fully realized over the next 12 to 24 months (see slide 18-19 for more details on Legacy Investments).
- Based on 3Q15 market values, 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 33% 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 Holdings[1].



*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 3Q15.

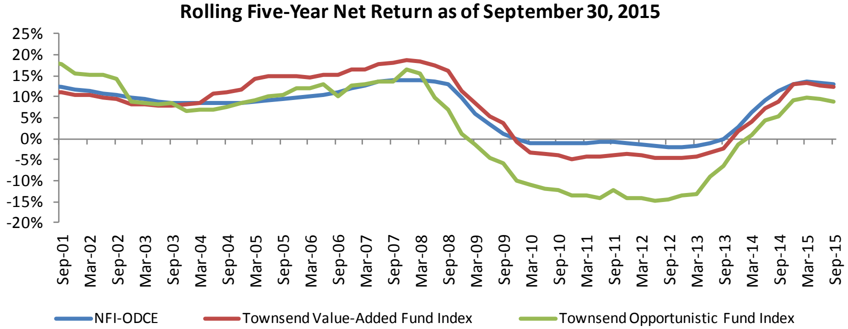
[1]NMSIC Legacy Holdings represent investments made prior to the rebalancing initiative beginning 1Q 2011.

Real Estate Portfolio Performance

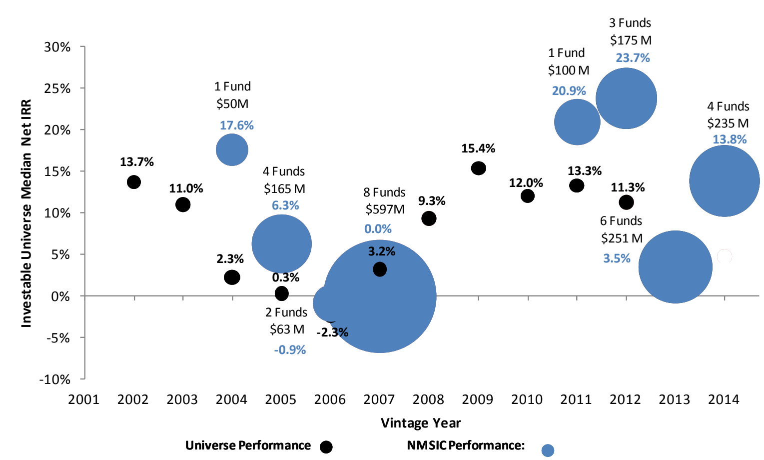
Performance

- 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 in the tactical portfolio. 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.

Rolling Five-Year Net Return as of September 30, 2015



Tactical Fund Universe Net IRRs and SIC's Pre-GFC Commitments - 3Q15

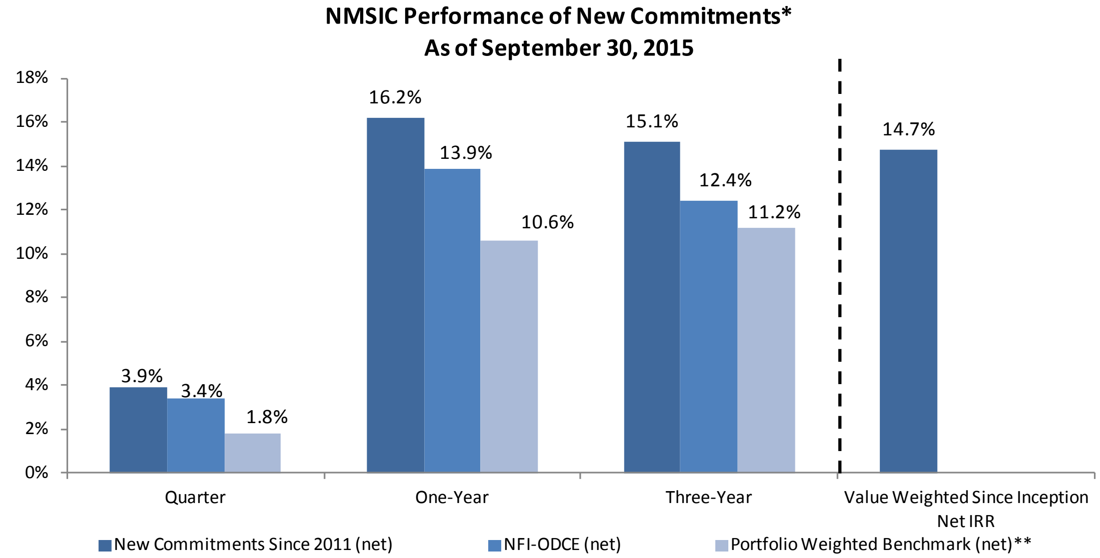


Bubble size varies by commitment amount.

Real Estate Portfolio Performance – New Commitments Since 2011

Performance

- New commitments made since 2011 are positively contributing to portfolio performance. As of 3Q15, these investments represent approximately 86% of NMSIC real estate NAV.
- Over the past one and three-year periods, new commitments have generated net time-weighted returns of 16.2% and 15.1%, respectively, outperforming the benchmark by 230 and 270 basis points, respectively. Overall, new investments have generated a 14.7% 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 -1.5% and -2.2% of total performance (slide 15), respectively.



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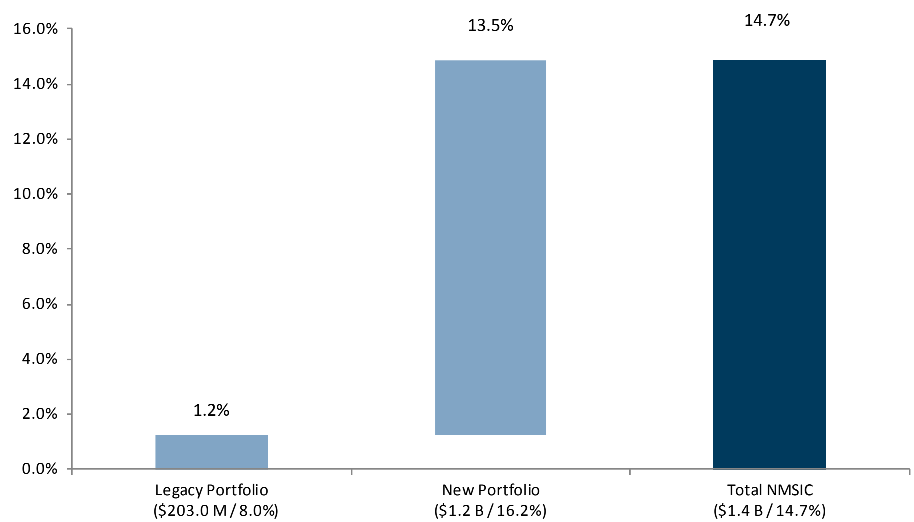
Real Estate Portfolio Performance – Portfolio One-Year Attribution

One-Year Time Weighted Return Performance

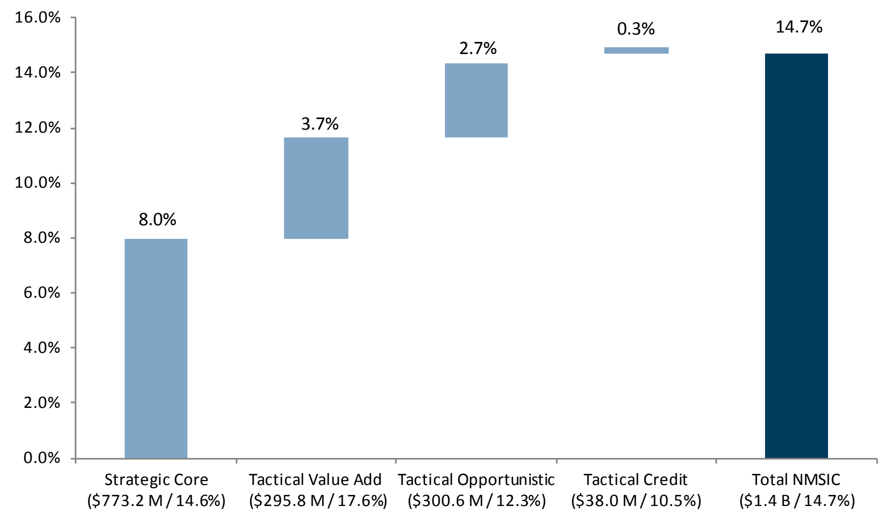
- The charts below show the contribution of each the New Portfolio and the Legacy Portfolio to the total one-year net return, as well as the return contribution of each portfolio by asset risk type.
- Over the one-year period, the New Portfolio was the main driver of NMSIC’s net return of 14.7%. The New Portfolio’ s share of return was 13.5% vs. 1.2% 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 8.0% of NMSIC’s one-year net return and had the largest impact on the portfolio shorter-term returns due to its weight. As of 3Q15, the Strategic Core Portfolio represented 64.2% of the New Portfolio.

3Q15 One-Year Net Contribution Legacy and New Investments



NAV/One-Year net TWR

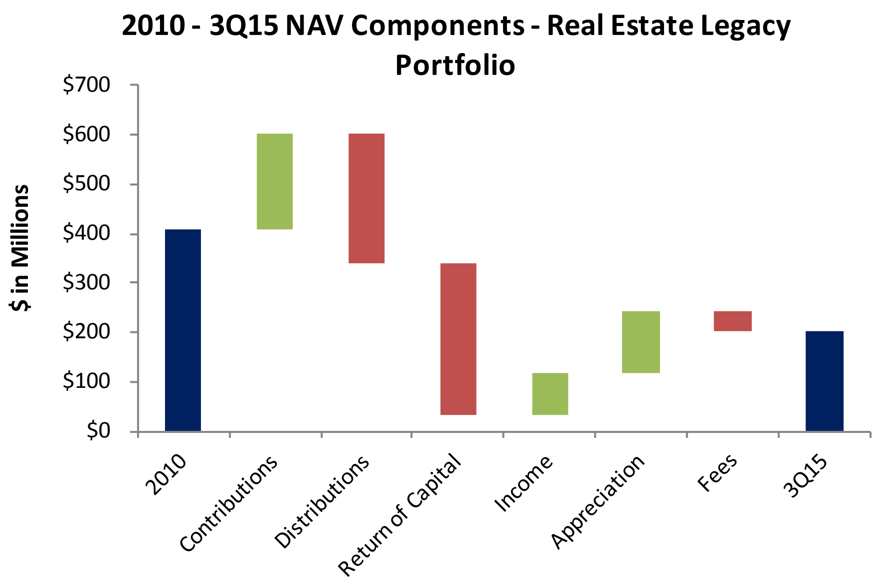
3Q15 One-Year Net Contribution by Risk Type

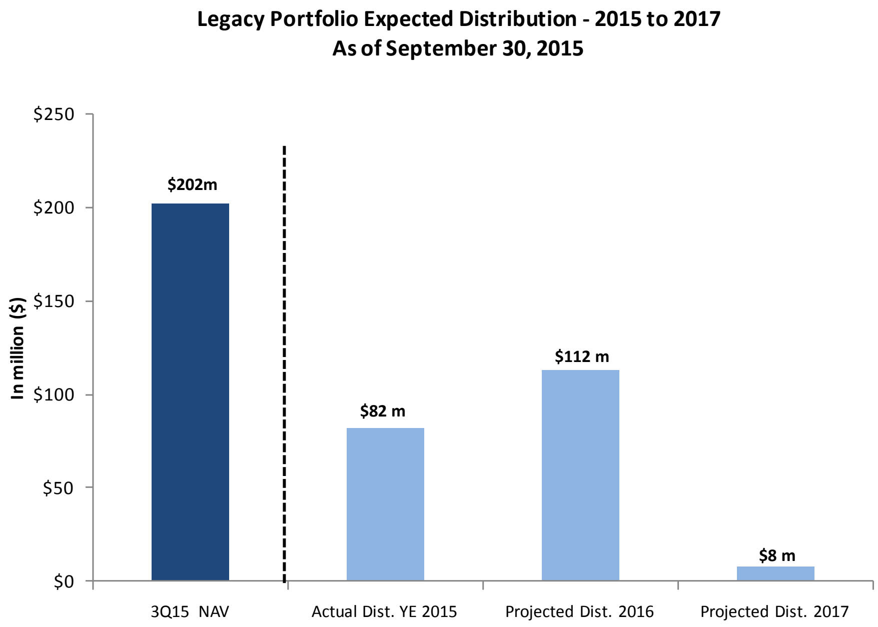


NAV/One-Year net TWR

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*.
- During the quarter, two tactical value-added investments were fully realized, delivering net IRR above 9%. Out of nine remaining investments, two are expected to be fully liquidated by year-end 2016.

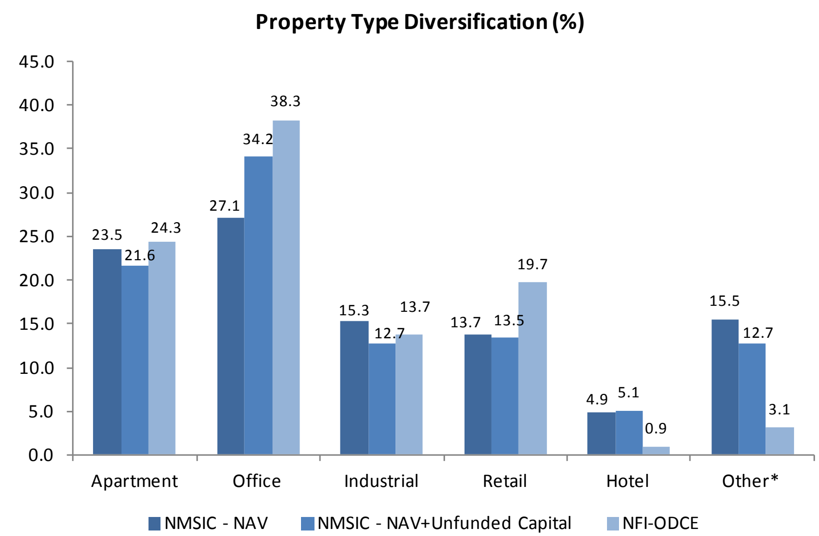


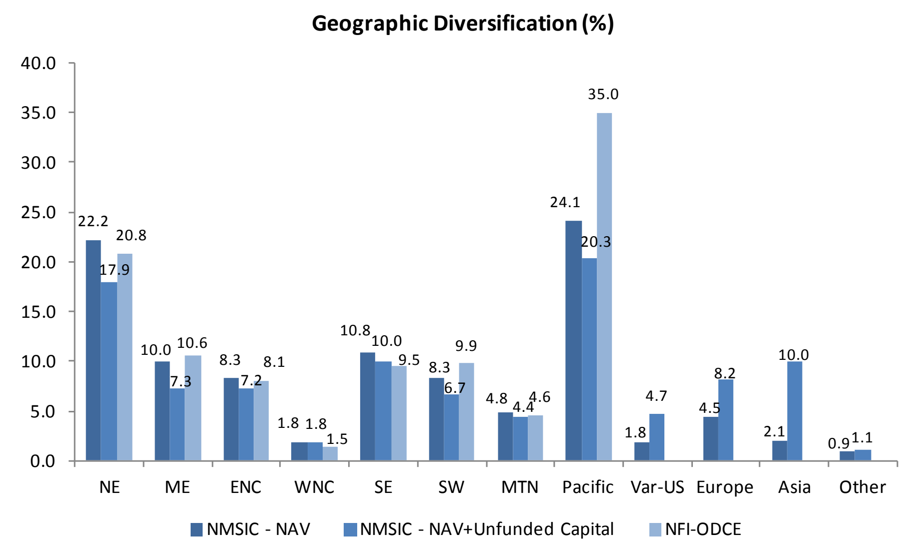


*Charts based on managers' projections.

Real Estate Portfolio Performance – Diversification

- The portfolio is well diversified, although underweight to most property types (excluding hotels and industrial) on a NAV basis 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 decrease when including unfunded commitments. This is a result of unfunded commitments targeting one property type or location over another.





Appendix B: Definitions

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.

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 7,012 privately owned institutional investment properties valued at $458.8 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.

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
Canada	Belgium	Hong Kong		Chile	Hungary	India	South Africa	and Third World
	Denmark	Japan		Colombia	Morocco	Indonesia	Turkey	countires
	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: 3Q 2015 Flash Report

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New Mexico State Investment Council

Third Quarter 2015

Portfolio Composition ($)								
Total Plan Assets	Allocation		Market Value		Unfunded Commitments		Remaining Allocation	
18,604,874,972	1,860,487,497	10.0%	1,407,587,553	7.6%	847,474,001	4.6%	-394,574,057	-2.1%

Performance Summary	Quarter (%)		1 Year (%)		3 Year (%)		5 Year (%)	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
New Mexico State Investment Council	4.1	3.5	17.5	14.7	15.8	12.9	14.1	11.7
NFI-ODCE Value Weight	3.7	3.4	14.9	13.9	13.4	12.4	14.0	12.9

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**	**860,000,000**	**610,132,073**	**267,697,652**	**58,692,676**	**773,236,277**	**54.9**	**46.2**
Tactical Value-Added Investments								
Tactical Value-Added Investments	**2004**	**905,662,785**	**700,068,987**	**237,838,633**	**469,792,371**	**295,762,125**	**21.0**	**23.7**
Tactical Opportunistic Investments								
Tactical Opportunistic Investments	**2005**	**830,547,981**	**602,832,702**	**270,809,991**	**388,605,728**	**300,624,252**	**21.4**	**25.3**
Tactical Credit								
Tactical Credit	**2014**	**110,664,449**	**38,647,353**	**71,127,725**	**3,070,428**	**37,964,899**	**2.7**	**4.8**
Total Tactical	**2004**	**1,846,875,215**	**1,341,549,042**	**579,776,349**	**861,468,527**	**634,351,276**	**45.1**	**53.8**
Total Current Portfolio								
New Mexico State Investment Council	**2004**	**2,706,875,215**	**1,951,681,115**	**847,474,001**	**920,161,203**	**1,407,587,553**	**100.0**	**100.0**

TOWNSENDGROUP

New Mexico State Investment Council

Third Quarter 2015

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	**773,236,277**	**1.2**	**2.8**	**4.0**	**3.7**	**5.0**	**10.8**	**16.2**	**14.6**	**5.1**	**9.7**	**15.1**	**13.6**					**15.4**	**14.0**	**2Q11**	**13.5**	**1.3**
Tactical Value-Added Investments																						
Tactical Value-Added Investments	**295,762,125**	**1.3**	**2.4**	**3.6**	**2.9**	**6.8**	**14.4**	**21.9**	**17.6**	**5.7**	**9.9**	**16.0**	**12.5**	**6.0**	**6.4**	**12.8**	**10.2**	**8.0**	**4.9**	**3Q04**	**2.5**	**1.1**
Tactical Opportunistic Investments																						
Tactical Opportunistic Investments	**300,624,252**	**5.3**	**-0.6**	**4.8**	**3.7**	**9.8**	**6.4**	**16.7**	**12.3**	**4.7**	**13.5**	**18.8**	**13.5**	**3.8**	**12.8**	**17.0**	**13.1**	**5.4**	**2.5**	**2Q05**	**1.1**	**1.0**
Tactical Credit																						
Tactical Credit	**37,964,899**	**3.3**	**-1.3**	**2.0**	**1.7**	**16.0**	**-3.6**	**12.0**	**10.5**									**8.2**	**6.5**	**1Q14**	**10.1**	**1.1**
Total Tactical	**634,351,276**	**3.3**	**0.8**	**4.1**	**3.2**	**8.5**	**9.8**	**18.9**	**14.7**	**5.5**	**10.9**	**16.8**	**12.6**	**5.2**	**8.7**	**14.3**	**11.2**	**6.8**	**3.8**	**3Q04**	**1.9**	**1.1**
Total Portfolio																						
New Mexico State Investment Council	**1,407,587,553**	**2.2**	**1.9**	**4.1**	**3.5**	**6.6**	**10.4**	**17.5**	**14.7**	**5.2**	**10.3**	**15.8**	**12.9**	**5.0**	**8.7**	**14.1**	**11.7**	**6.6**	**4.0**	**3Q04**	**4.4**	**1.2**
Indices																						
NFI-ODCE Value Weight		1.2	2.5	3.7	3.4	4.8	9.7	14.9	13.9	5.1	8.0	13.4	12.4	5.3	8.4	14.0	12.9	8.0	6.9	3Q04		
NCREIF Property Index "NPI"		1.2	1.9	3.1		5.1	8.1	13.5		5.4	6.3	11.9		5.7	6.6	12.5		9.1		3Q04		
FTSE EPRA/NAREIT Developed Index in USD				-1.4				3.6				7.0				8.3		8.0		3Q04		

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New Mexico State Investment Council

Third Quarter 2015

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	**202,952,173**	**7.5**	**-6.0**	**1.5**	**1.2**	**15.2**	**-5.2**	**9.6**	**8.0**	**8.0**	**2.6**	**10.9**	**8.6**	**6.8**	**3.8**	**10.9**	**8.9**	**5.3**	**2.8**	**3Q04**	**-0.5**	**1.0**
New Portfolio 2011 Inception																						
New Portfolio 2011 Inception	**1,204,635,380**	**1.2**	**3.4**	**4.5**	**3.9**	**4.9**	**13.9**	**19.3**	**16.2**	**4.7**	**13.0**	**18.2**	**15.1**					**17.0**	**14.5**	**2Q11**	**14.7**	**1.3**
Total Portfolio																						
New Mexico State Investment Council	**1,407,587,553**	**2.2**	**1.9**	**4.1**	**3.5**	**6.6**	**10.4**	**17.5**	**14.7**	**5.2**	**10.3**	**15.8**	**12.9**	**5.0**	**8.7**	**14.1**	**11.7**	**6.6**	**4.0**	**3Q04**	**4.4**	**1.2**
Indices																						
NFI-ODCE Value Weight		1.2	2.5	3.7	3.4	4.8	9.7	14.9	13.9	5.1	8.0	13.4	12.4	5.3	8.4	14.0	12.9	8.0	6.9	3Q04		
NCREIF Property Index "NPI"		1.2	1.9	3.1		5.1	8.1	13.5		5.4	6.3	11.9		5.7	6.6	12.5		9.1		3Q04		
FTSE EPRA/NAREIT Developed Index in USD				-1.4				3.6				7.0				8.3		8.0		3Q04		

Advisory Disclosures and Definitions

Disclosure

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

Past performance is not indicative of future results.

Investing involves risk, including the possible loss of principal.

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

The Townsend Group, on behalf of its client base, collects quarterly limited partner/client level performance data based upon inputs from the underlying investment managers. Data collection is for purposes of calculating investment level performance as well as aggregating and reporting client level total portfolio performance. Quarterly limited partner/client level performance data is collected directly[1] from the investment managers via a secure data collection site.

[1]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, 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.