TOWNSEND GROUP

The New Mexico State Investment Council ("NMSIC")

Fourth Quarter 2015:
Real Estate Performance Measurement Report

Proprietary & Confidential

May 2016

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Disclaimer: This is a public version of the original Performance Measurement Presentation, portions of which have been removed for confidentiality purposes.

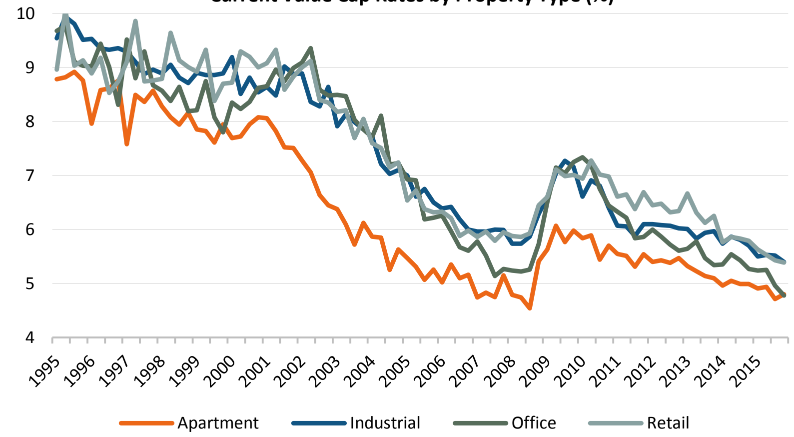
1. Real Estate Market Updates

United States Real Estate Market Update (4Q15)

General

- 4Q15 real GDP decelerated to a 1.4% annual rate, 40 bps above initial expectations, however 110 bps below 3Q15. Growth was stimulated by positive contributions from decelerating household consumption coupled with strong residential fixed investments and federal government spending. Growth was partially offset by lower private inventory investment, non-residential fixed investment, state and local government spending, as well as lower net export volume due to weak global demand. Real GDP increased by 2.4% over the twelve month period ending December 31, 2015.
- In 4Q15, consumer spending, which represents two-thirds of the GDP, grew at a decelerating pace of 2.4%, 20 bps above predictions. Growth during the quarter was helped by a 3.8% rise in real durable goods consumption, as declining oil prices were a factor in the 0.8% rise in real disposable income. But high personal savings rates (5%+) in the quarter somewhat tempered this advance. As jobs grew by 2.7 million over the year, 2014-2015 represented the strongest two-year period of job growth since 1999.
- In 2015, a decline in energy prices contributed 0.2% to GDP, through a 0.5% contribution to household consumption and a 0.3% detraction from business investment due to a steep decrease in oil drilling and exploration investments.
- During the year, real exports decreased by 0.8% due to lower global growth and a stronger U.S. dollar. This resulted to a trade deficit of -0.5%, which partially offset the 4Q15 GDP growth by 30 bps.
- In 2015, CMBS issuance rose to $172.1 billion, 5.6% above 2014; subsequent to quarter-end, new issue spreads on AAA- and BBB- widened by 30 bps and 240 bps, respectively. Given spreads and yields remain below prior corrections, investors expect spreads to continue to widen and financing requirements to tighten more.

Current Value Cap Rates by Property Type (%)

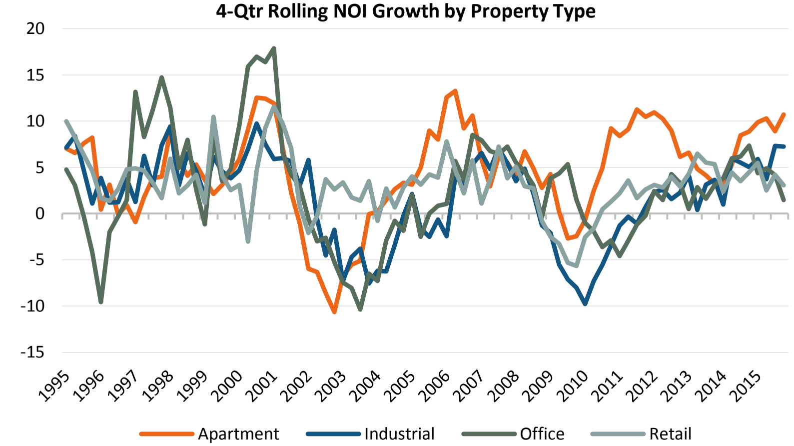


Source: NCREIF

Commercial Real Estate

- Activity in the U.S. commercial real estate sector remained strong in 2015, with major cities leading the way. Over $463 billion of annual transaction volume, or 65.9% of global activity, took place in New York, Los Angeles, and Chicago. During the year, transactions grew by 25.1% and current economic indicators suggest slower annual sales growth of 10% in 2016.
- In 2015, foreign capital represented 15.4% of total transaction activity, exceeding 2007 peak levels by 9.0%. Industrial was the largest recipient of FDI, with foreign investors representing 40.5% of industrial buyers in 2015. In addition to office, foreign investors have shown growing interests in large-scale, well located, multimarket industrial portfolios and iconic hotel assets.
- In 2015, the office and multifamily sectors recorded the highest transaction volumes across property types in the U.S., each representing approximately 30% of total transaction activities.
- In 2015, transaction cap rates from all traditional property sectors declined by more than 10 bps, with retail recording the largest cap rate compression (-50 bps), with an average cap rate of 4.8%. Multifamily recorded the lowest primary cap rate (4.3%), with apartments trading only 20 bps above 2007 peak levels.
- With core property pricing surpassing peak levels after 2015, concerns have shifted from a fed tightening to a tightening in financial conditions, implying a tightening in lending standards by loan suppliers. Consequently, some investors reduced their 2016 projected C.R.E. price appreciation to 0%.

4-Qtr Rolling NOI Growth by Property Type



Source: NCREIF

Sources: Bureau of Economic Analysis, Morning Star, Jones Lang LaSalle, Real Capital Analytics, Wall Street Journal, PREA, NCREIF, The White House, CoStar Group, Bloomberg.

United States Property Matrix (4Q15)

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INDUSTRIAL

- 2015 investment activity increased 55.3% over 2014 to $64.4 billion. Sales volume and price growth in primary markets were 51.6% and 19.3% year-over-year, respectively. Secondary market volumes performed well but disappointed with respect to price growth, only able to log a 1% year-over-year growth. Cap rates compressed 16 bps on average across markets. Primary markets ranged between 4–5% while secondary markets ranged between 5-6%.
- Strong leasing demand led average vacancy down to a 15 year low of 6.4% at year-end. Net absorption continued, with 23 straight positive quarters and 231 million square feet for 2015.
- Speculative construction starts totaled 115.1 million square feet in 2015, or 25.1% above 2014 levels. That said, demand currently outstrips supply of broken ground speculative construction by a ratio of 2 to 1, especially in the 500,000 square foot and over warehouse segment.
- As of 4Q15, industrial properties returned 3.2% (lagging retail as the strongest performing property sector) and outperformed the NPI by 30 bps.

MULTIFAMILY

- Investment for 2015 came in at $138.7 billion, 31.3% above 2014 and a second straight record year. Cap rates compressed 10 bps during the year, driven primarily by secondary markets like Atlanta, Orlando, Raleigh-Durham, amongst others. Price growth per square foot was 9.4% for the year.
- Rent growth remained solid during the quarter at 4.3%. Over 63% of primary and 57% of secondary markets experienced above average rent growth. Fourth Quarter also reported a rise in U.S. vacancy rates of 10 bps to 4.4%, its first in 10 quarters. Rolling net absorption declined to 1.6% of inventory. Foreign capital made up 7.2% of 2015 investment sales while equity fund acquisitions increased to 17.1%.
- Multifamily construction growth slowed during the quarter, although new starts are 12.4% above 2014 levels. The Northeast region led gains with 42.6% annual growth, helped by a relatively mild winter. Together with inventory growth, concern exists about potential oversupply.
- The apartment sector delivered a 2.7% return during the quarter, underperforming the NPI by 20 bps.

OFFICE

- The office segment reported an annual increase in investment activity to $140.9 billion, 16.5% above 2014 with a 16.6% rise in annual pricing. Cap rates compressed by 19 bps across markets, with primary and secondary markets ending the year at 4.4% and 5.2% respectively.
- Net absorption during Q4 was 21.3 million square feet . Vacancy rates in Central Business Districts declined 40 bps to 14.7%, with Class A assets seeing even lower levels of 12% as rents increased 2.2% to $31.26 per square foot during the quarter.
- As a result of strong leasing fundamentals and the continued inflow of foreign capital, investment growth in primary market class B assets and select secondary markets such as Atlanta, Dallas, Philadelphia, and Denver remains healthy.
- The office sector returned 2.6% in 4Q15, 30 bps below the NPI.

RETAIL

- Investment in 2015 came in at $76.6 billion, a 1% gain from 2014. Primary market growth (2.7%) lagged secondary market growth (3.9%), while cap rate compression was 35 bps for primary and 23 bps for secondary markets. Primary market pricing was at a premium over secondary markets of about 200 bps.
- 2015 saw high leasing demand, especially in gateway cities, which led to a rise in average price to $548.00/square foot or 22.5% over 2014, as net absorption stabilized around 21 million square feet by the end of the year.
- During 2015, urban/storefront (22%), grocery centers (20%) and malls (17%) made up the majority of investment volume. Class A mall properties outperformed.
- As at 4Q15, the retail sector delivered a quarterly return of 3.5%, beating the NPI by 60 bps.

Sources: Cushman & Wakefield, Jones Lang LaSalle, Bloomberg LP, NCREIF, REIS

Global Real Estate Market Update (4Q15)

Global

- At year end 2015, real estate transaction activity declined -0.9% vs. 2014 at $704 billion. Though little changed in year-over-year growth terms, this marks an 8% increase over the same period when adjusted for U.S. dollar strength over the year.
- In 2015, New York City saw a record $53.0 billion in transaction volume – a 20% year-over-year growth rate – and replaced London as the top target market for global real estate investment. Secondary U.S. markets such as Seattle and Atlanta also benefited from increased investment interest with U.S. cities making up 10 out of the top 20 commercial real estate investment targets.

Europe

- 4Q15 commercial real estate transaction volume in Europe was €80.8 billion. While a 24% improvement from previous quarter, investment was essentially flat vs. 2014 levels. Q4 also saw a decline in foreign investment capital (-23% year-over-year), especially from the US (-41% year-over-year). The largest investment markets for the quarter were London (14%), Paris (11%) and Berlin (4%).
- Investment activity appeared mixed in Q4 compared to 2014 levels. Austria investment more than doubled. Germany, Italy, Norway and Netherlands all reported double digit growth rates, while the U.K., Sweden, and Spain experienced year-over-year contraction.
- Germany, the largest European economy, reported €16.1 billion in investment activity during the quarter, with noticeable investment from Asia (€1.8 billion).
- The investment outlook is for growth to slightly moderate in the UK while slowing noticeably in mainland Europe. This reflects the diverging underlying economic conditions and monetary issues.
- Supply, capital availability, and development activities are growing strong in the U.K. However, demand continues to outpace supply, despite market uncertainties and an anticipated slowdown in demand for office space created by the potential Great Britain exit from the EU.

Asia

- Asia Pacific investment finished the year at $124 billion (-6% compared to 2014). Despite concerns over slowing economies in the Asia Pacific region, real estate investment picked up 49% year-over-year in Q4, supported by both domestic corporate and institutional, as well as foreign capital.
- Investment in Australia and Japan ended the year in contraction (-22% and -61% year-over-year, respectively) while Hong Kong, and Singapore saw a strong Q4 (106% and 55% year-over-year, respectively)
- India reported a significant pullback in transaction activity primarily due to a lack of quality assets.

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

$ US Billions	Q3 15	Q4 15	% Change Q3 15 - Q4 15	Q4 14	% Change Q4 14 - Q4 15	YTD 2014	YTD 2015	% Change YTD 2014 - YTD 2015
Americas	76	85	12%	94	-10%	302	314	4%
EMEA	65	89	37%	91	-2%	278	267	-4%
Asia Pacific	32	36	13%	44	-18%	131	124	-5%
Total	173	210	2%	229	-8%	711	705	-1%

Source: Jones Lang LaSalle, February 2016

Global Outlook - GDP (Real) Growth % pa, 2014-2016

		2015	2016	2017
Global		**3.1**	**3.4**	**3.5**
Asia Pacific		**5.1**	**4.9**	**4.8**
	Australia	2.3	2.6	2.9
	China	6.9	6.5	6.2
	India	7.3	7.4	7.7
	Japan	0.5	1.0	0.6
North America		**2.4**	**2.1**	**2.3**
	US	2.4	2.2	2.3
MENA*		**3.5**	**2.6**	**3.1**
European Union		**1.8**	**1.9**	**1.9**
	France	1.2	1.4	1.5
	Germany	1.7	1.7	1.7
	UK	2.2	2.1	2.2

*Middle East North Africa

Source: Bloomberg LP, Feb 2016

Sources: Jones Lang LaSalle, CBRE Global Research and Consulting, Bloomberg LP, Townsend.

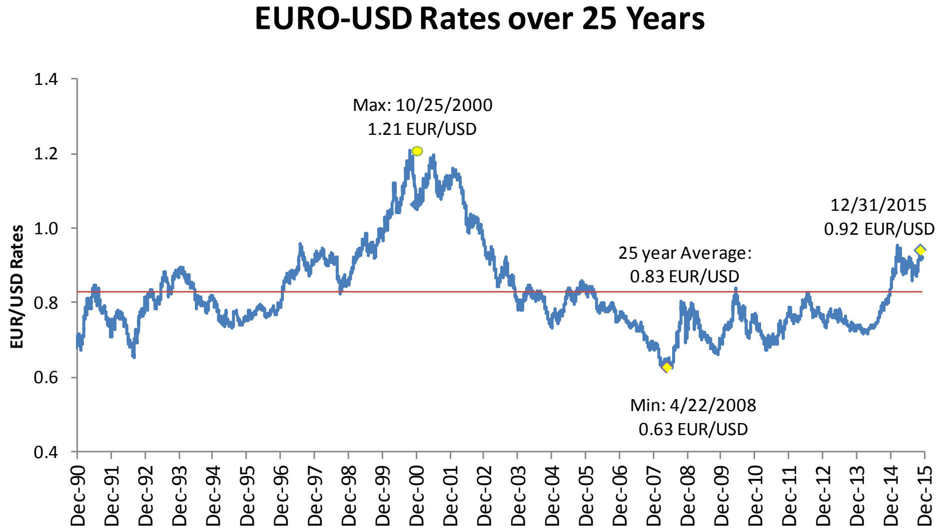
Currency Effects - Market Trends (4Q15)

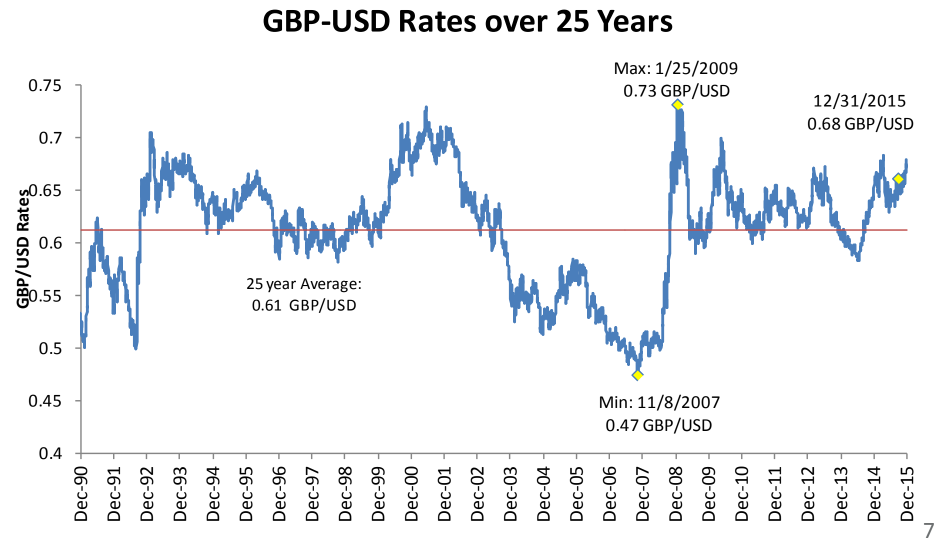
- Since the end of the GFC, the U.S. market has experienced strong economic expansion galvanized by favorable macro fundamentals and rising FDI volumes, given the lagging recovery experienced across Europe. As a result, the continuous growth of the U.S. market has been reflected in global currency movements 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 at least 11% 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.

- U.S. investors with foreign investments have been experiencing short-term depreciation on their international returns when translated into USD. This trend continued during 4Q15 with the U.S. dollar slightly increasing in value.





2. Performance Measurement Highlights: 4Q 2015

Portfolio Highlights

- New Mexico State Investment Council's (NMSIC) current target allocation to real estate is 10.0%. NMSIC's 4Q15 real estate market value represents 8.5% of total fund assets.

- The real estate portfolio continues to grow and provide positive performance. As of 4Q15, 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 (230 bps above 4Q14) compared to the NFI-ODCE (30 bps below 4Q14).

As of 4Q15	Quarter		One-Year		Three-Year		Five-Year	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
NMSIC*	5.3	4.6	18.0	15.2	16.6	13.8	14.3	11.9
NFI-ODCE Value Weight*	3.3	3.1	15.0	14.0	13.8	12.8	13.7	12.6
Over/Under Performance	1.9	1.5	3.0	1.2	2.8	1.0	0.6	-0.7

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

- While the portfolio outperforms the benchmark over the short and medium term periods on a net basis, underperformance over the five-year period can be attributed to the legacy portfolio including:

  – Underexposure to high quality core investments over the long term;

  – Poor quality and high risk manager selection;

  – Overexposure to higher risk, non-core investments including non-strategic JVs; and

  – Investment concentration in poor performing vintage years.

- NMSIC real estate commitments made since 2011 (inception of rebalancing) have been accretive to the real estate portfolio, resulting in a net time weighted return of **17.3% (versus 14.0% NFI-ODCE)** over the one-year period.

Portfolio Highlights

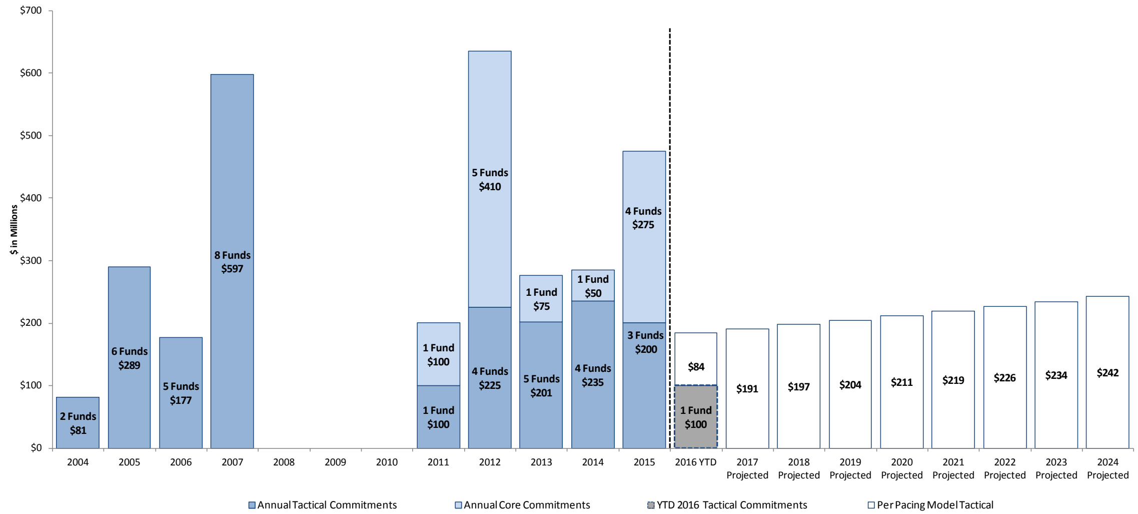
- As of 4Q15, NMSIC's portfolio consisted of 57% exposure to core investments and 43% exposure to tactical investments, on a NAV basis.
- During the quarter, managers called approximately $199.7 million across the core and tactical investments.
- During the quarter, return-of-capital combined with income distributions totaled $59.6 million, bringing total distributions to $220.7 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 commitment of $25.0 million during the quarter.
    - 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.** As of 4Q15, the portfolio consists of 39 active funds and one remaining joint venture.
- 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, but calls for $184 million of non-core commitments in 2016. Subsequent to quarter end, one commitment was made to a Europe-focus investment and two follow-on investments to strong performing managers are being evaluated.

NMSIC Real Estate Allocation as of Calendar Year End*



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

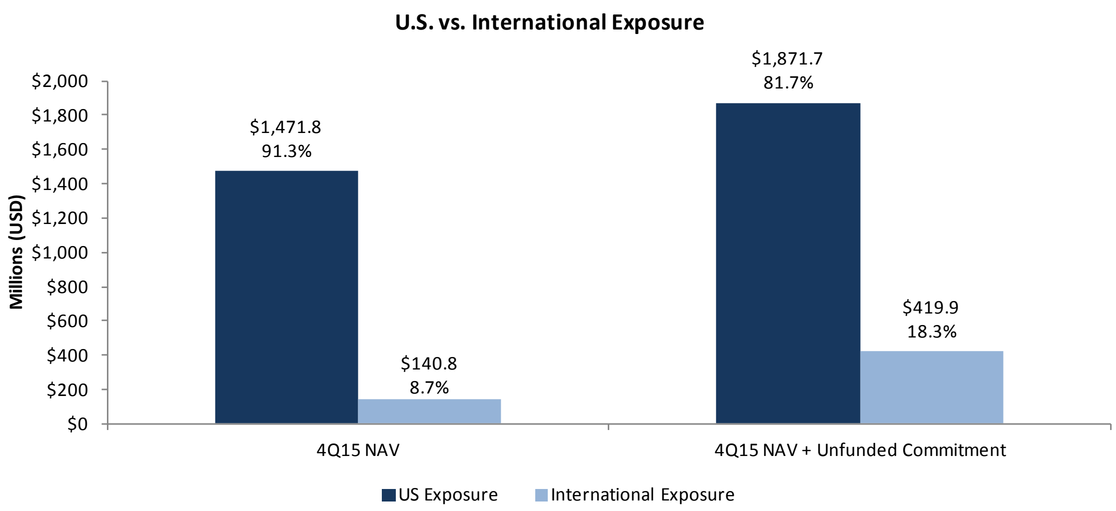
**NMSIC has invested in a total of 40 real estate funds since inception when including the 2016 European investment; however, this investment was excluded from the total number of active investments as of 4Q15.

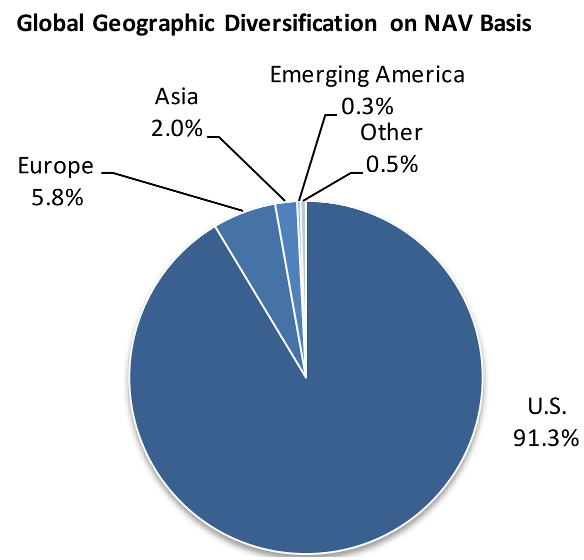
Real Estate Portfolio Domestic and International Exposure

Portfolio Status

- As of 4Q15, NMSIC's U.S. exposure is approximately $1.5 billion on a NAV basis, representing 91.3% of the total portfolio vs. 8.7% of international exposure. On a NAV plus unfunded basis, NMSIC's U.S. exposure is approximately $1.9 billion, representing 81.7% vs. 18.3% of international exposure.

- As of 4Q15, NMSIC committed approximately $376.2 million to six dedicated international investments over the last two years. As of 4Q15, these investments represent approximately 5.2% of the portfolio's NAV and have approximately $279.8 million of unfunded commitments.



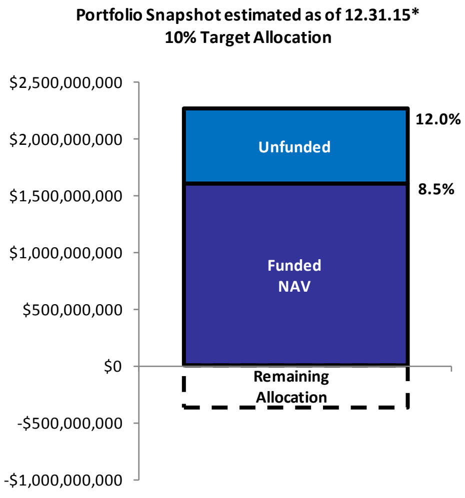


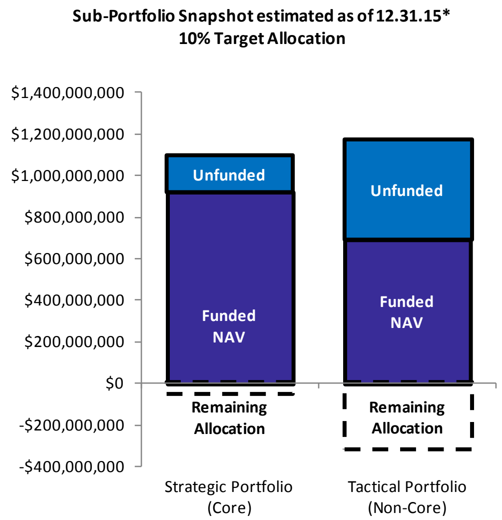
Real Estate Portfolio Performance

Portfolio Status

- As of 4Q15, NMSIC had $1.6 billion invested in real estate representing 8.5% 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 $654.9 million.
- At the 10% target, the tactical real estate allocation is over-committed by approximately $320.2 million, reflecting an over commitment factor of 1.4x, slightly above the over-commitment target of 1.3x.
- Over-commitment to tactical is the result of the ongoing regeneration process taking place in the portfolio, with new tactical investments (73% of the portfolio) actively drawing capital and Legacy investments (27% of the Portfolio) expecting near-term liquidation.

($ in millions) as of 12/31/15		
SIC's Target Allocation	10.0%	$1,893.7
Current Market Value	8.5%	$1,612.6
Market Value + Unfunded Commitments*	12.0%	$2,267.5





•Unfunded Commitments account for commitments made through December 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.

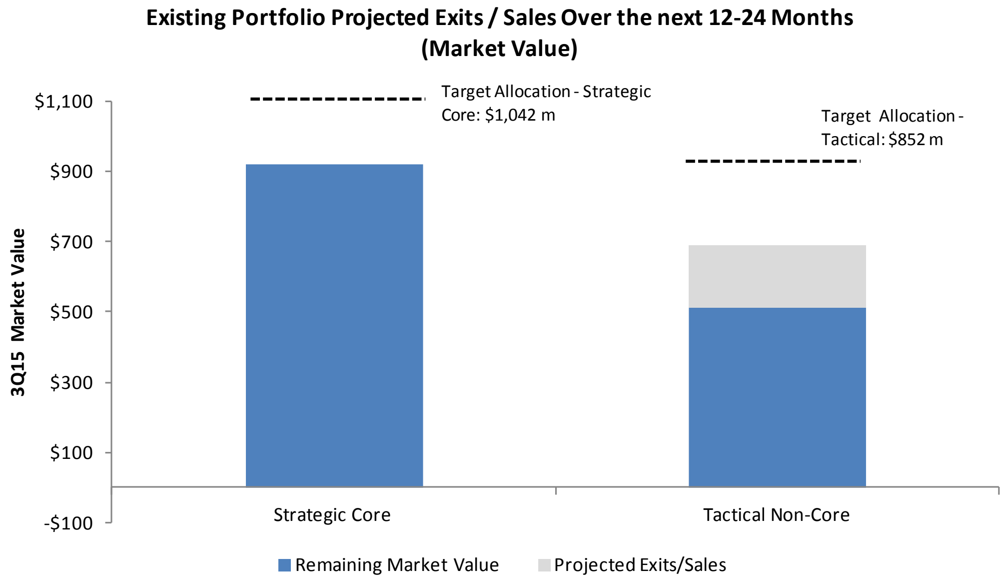
Real Estate Portfolio Performance

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 4Q15 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.

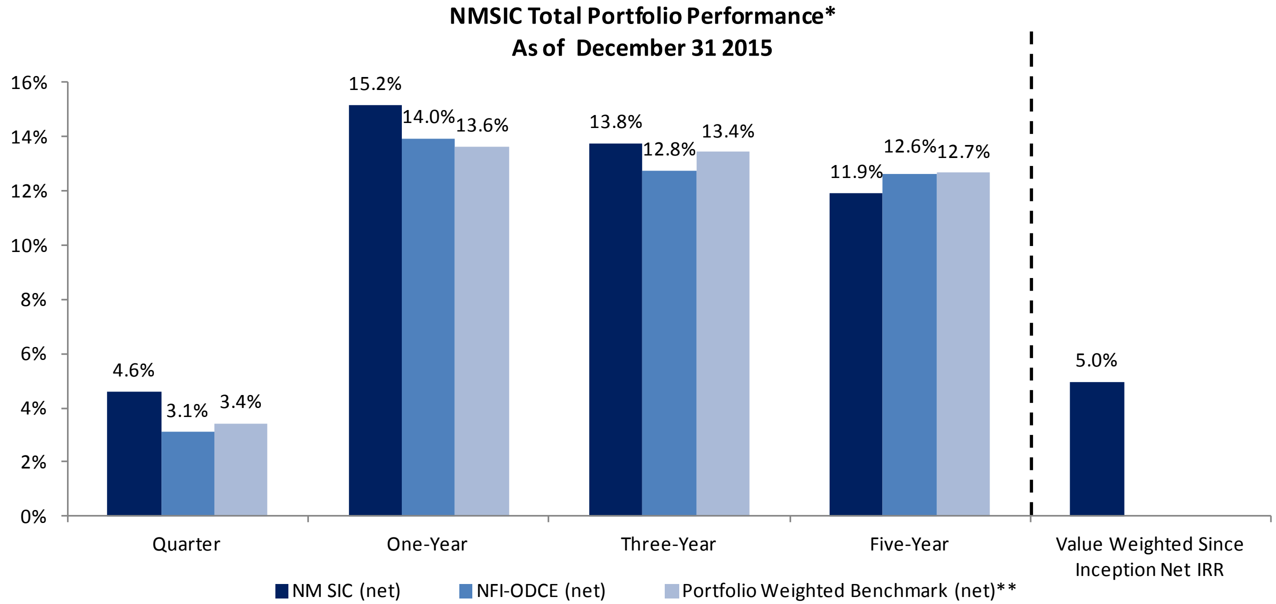
- Based on current market values, approximately 29% of Value-Added investments and 23% of Opportunistic investments are projected to be distributed over the next two years, totaling an estimated value between $150-200 million.



Real Estate Portfolio Performance

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].



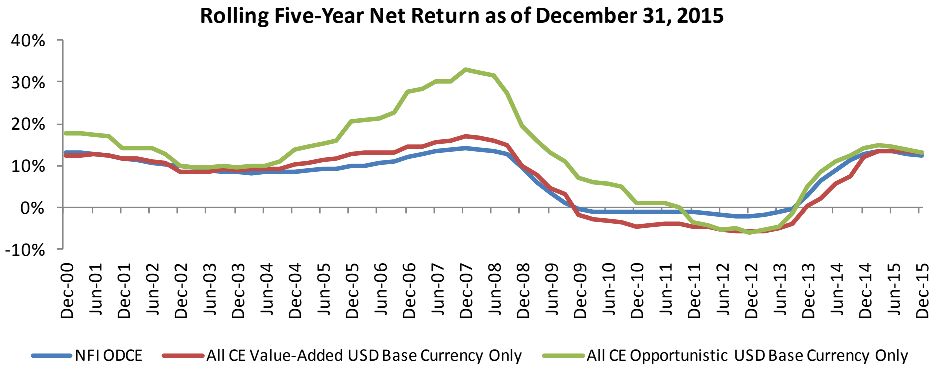
*Time Weighted Returns over the quarter, one-, three-, and five-year periods.
**Port folio Weighted Benchmark is a market weighted combination of the ODCE, Townsend Value-Added Fund Index, and Townsend Opportunistic Fund Index based on NMSIC's market weights. Time Weighted returns are to be considered as preliminary since a significant number of managers remain outstanding as of 4Q15.

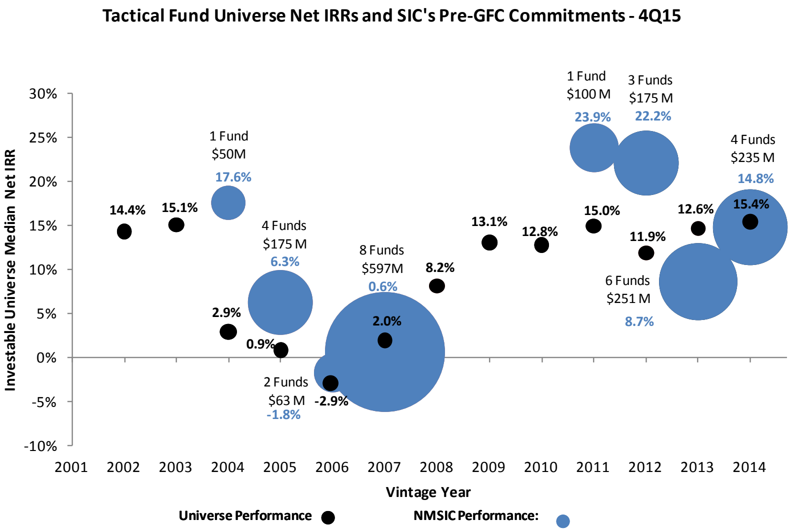
[1]NMSIC Legacy Holdings represent investments made prior to the rebalancing initiative beginning 1Q 2011.

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. 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.



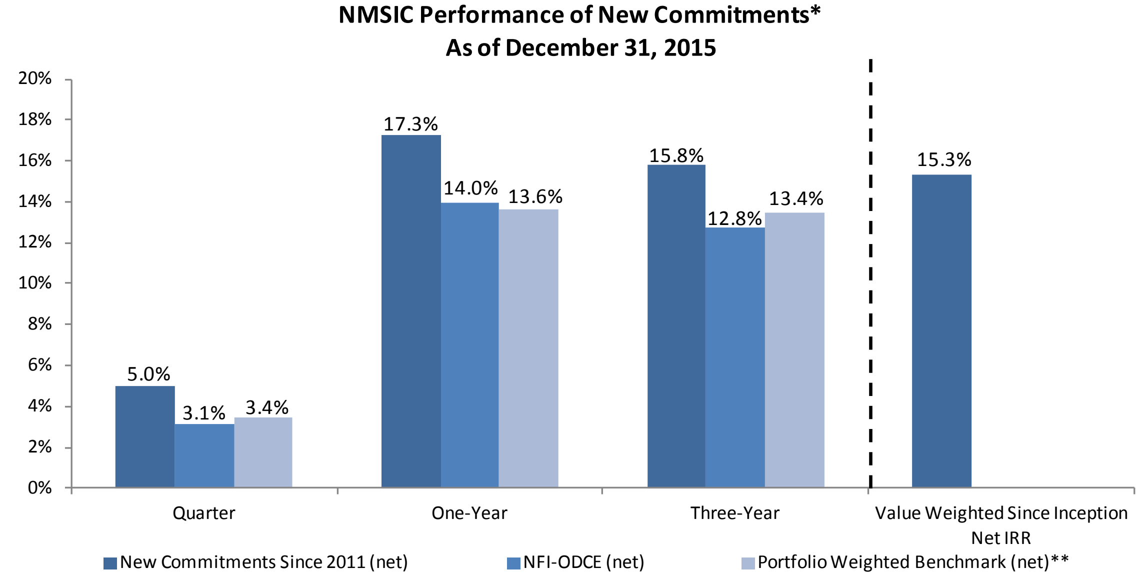


Bubble size varies by commitment amount.

Real Estate Portfolio Performance – New Commitments Since 2011

Performance

- New commitments made since 2011 are positively contributing to portfolio performance. As of 4Q15, these investments represent approximately 88% of NMSIC real estate NAV.
- Over the past one and three-year periods, new commitments have generated net time-weighted returns of 17.3% and 15.8%, respectively, outperforming the benchmark by 330 and 300 basis points, respectively. Overall, new investments have generated a 15.3% 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 -2.1% of total performance, for each period.



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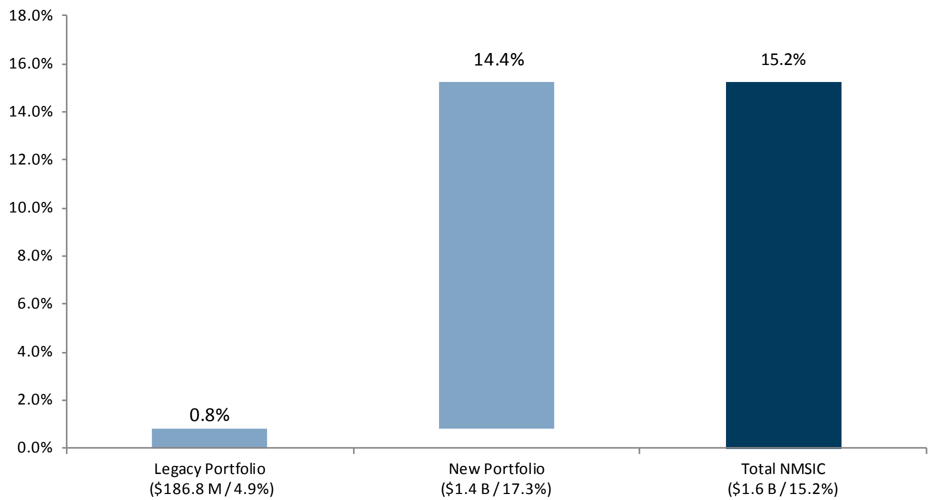
Real Estate Portfolio Performance – Portfolio One-Year Attribution

One-Year Time Weighted Return Performance

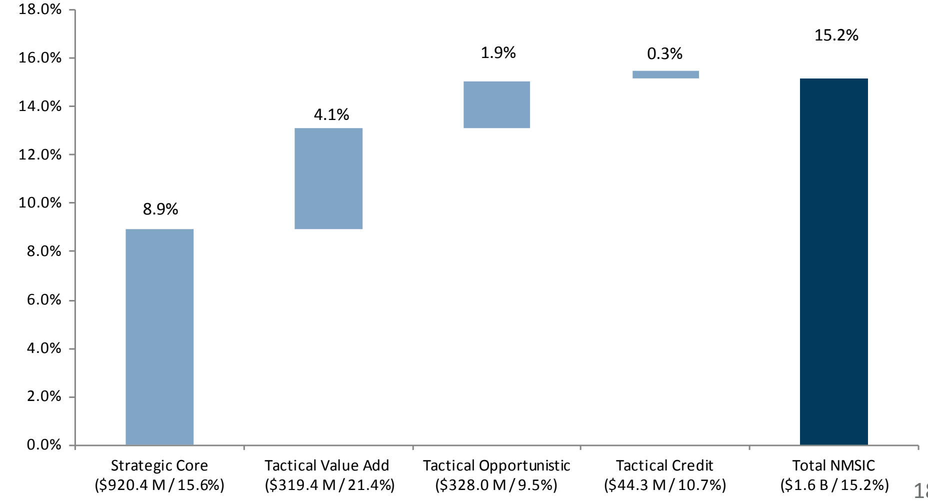
- The charts below show the contribution of each the New Portfolio and the Legacy Portfolio to the total one-year net return, as well as the return contribution of each portfolio by asset risk type.
- Over the one-year period, the New Portfolio was the main driver of NMSIC's total net return. The New Portfolio' s share of return was 14.4% vs. 0.8% 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 8.9% of NMSIC's one-year net return and had the largest impact on the portfolio shorter-term returns due to its weight combined with strong returns.

4Q15 One-Year Net Contribution Legacy and New Investments



NAV/One-Year net TWR

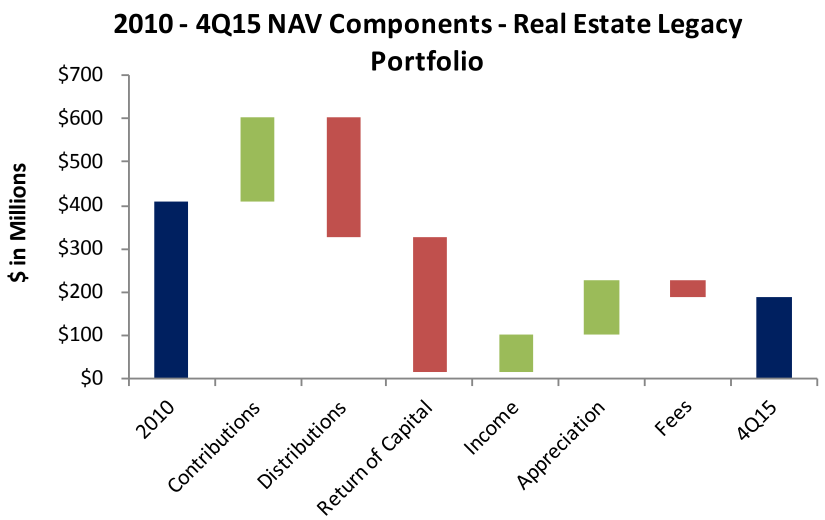
4Q15 One-Year Net Contribution by Risk Type

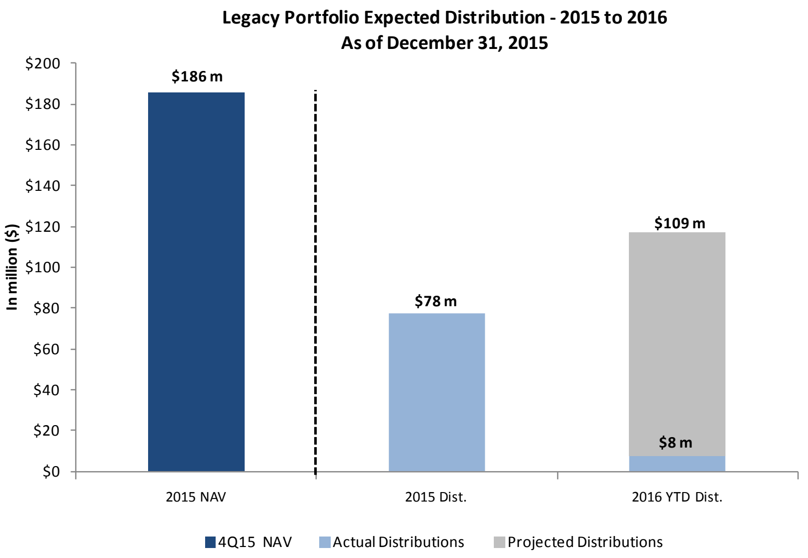


NAV/One-Year net TWR

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, two are expected to be fully liquidated by year-end 2016.

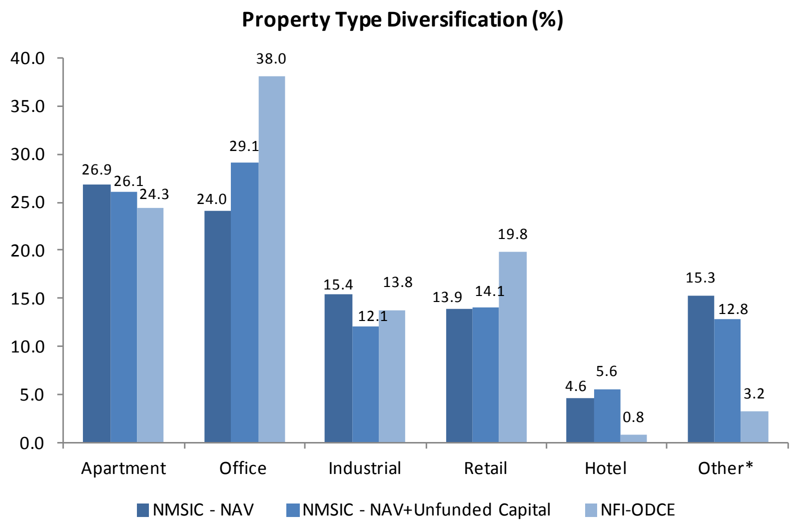


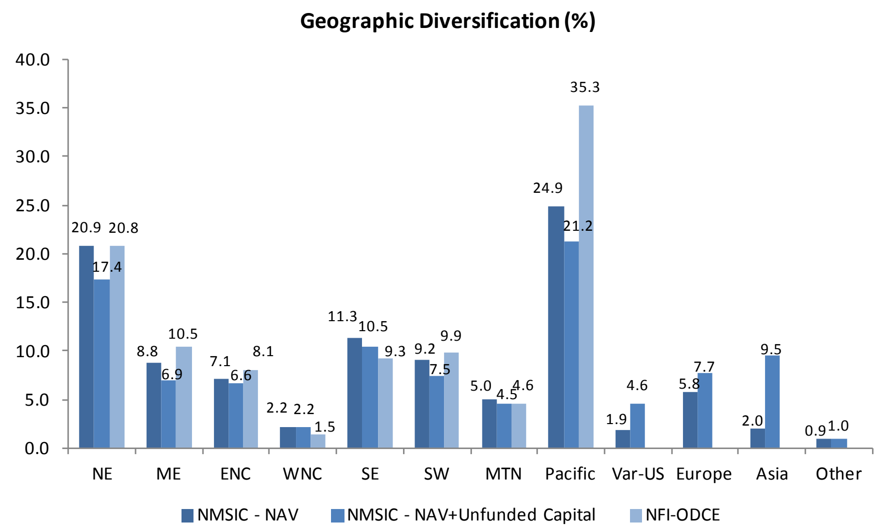


*Charts based on managers' projections.

Real Estate Portfolio Performance – Diversification

- The portfolio is well diversified, although 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 (especially the U.K.) 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 A: 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 7,225 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.

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.

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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 B: 4Q 2015 Flash Report

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Fourth Quarter 2015

Portfolio Composition ($)								
Total Plan Assets	Allocation		Market Value		Unfunded Commitments		Remaining Allocation	
18,937,436,906	1,893,743,691	10.0%	1,612,573,139	8.5%	678,925,928	3.6%	-397,755,376	-2.1%

Performance Summary	Quarter (%)		1 Year (%)		3 Year (%)		5 Year (%)	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
New Mexico State Investment Council	5.3	4.6	18.0	15.2	16.6	13.8	14.3	11.9
NFI-ODCE Value Weight	3.3	3.1	15.0	14.0	13.8	12.8	13.7	12.6

Funding Status ($)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
Strategic Core Investments								
Strategic Core Investments	2011	910,000,000	729,641,425	174,723,734	64,646,867	920,381,207	57.1	47.8
Tactical Value-Added Investments								
Tactical Value-Added Investments	2004	905,662,785	729,801,943	209,250,277	498,985,974	319,357,033	19.8	23.1
Tactical Opportunistic Investments								
Tactical Opportunistic Investments	2005	830,547,981	646,219,905	231,068,144	413,008,747	328,533,434	20.4	24.4
Tactical Credit								
Tactical Credit	2014	110,664,449	45,760,096	63,883,773	4,550,939	44,301,465	2.7	4.7
Total Tactical	2004	1,846,875,215	1,421,781,944	504,202,194	916,545,660	692,191,932	42.9	52.2
Total Current Portfolio								
New Mexico State Investment Council	2004	2,756,875,215	2,151,423,369	678,925,928	981,192,527	1,612,573,139	100.0	100.0

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New Mexico State Investment Council

Fourth 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	**920,381,207**	**1.1**	**3.1**	**4.2**	**3.9**	**4.8**	**12.0**	**17.3**	**15.6**	**4.9**	**10.4**	**15.7**	**14.2**					**15.5**	**14.1**	**2Q11**	**13.8**	**1.3**
Tactical Value-Added Investments																						
Tactical Value-Added Investments	**319,357,033**	**1.3**	**8.0**	**9.3**	**7.9**	**6.4**	**18.9**	**26.2**	**21.4**	**6.0**	**12.5**	**19.1**	**15.2**	**6.6**	**7.5**	**14.5**	**11.7**	**8.6**	**5.5**	**3Q04**	**3.1**	**1.1**
Tactical Opportunistic Investments																						
Tactical Opportunistic Investments	**328,533,434**	**1.1**	**3.7**	**4.8**	**3.9**	**10.3**	**2.9**	**13.6**	**9.5**	**5.0**	**12.2**	**17.7**	**12.9**	**3.9**	**11.8**	**16.0**	**12.1**	**5.7**	**2.7**	**2Q05**	**1.4**	**1.1**
Tactical Credit																						
Tactical Credit	**44,301,465**	**3.1**	**-1.0**	**2.1**	**1.7**	**14.7**	**-2.3**	**12.2**	**10.7**									**8.3**	**6.6**	**1Q14**	**9.2**	**1.1**
Total Tactical	**692,191,932**	**1.3**	**5.4**	**6.7**	**5.6**	**8.7**	**9.8**	**19.1**	**14.9**	**5.8**	**11.6**	**17.9**	**13.7**	**5.6**	**8.8**	**14.8**	**11.6**	**7.2**	**4.1**	**3Q04**	**2.4**	**1.1**
Total Portfolio																						
New Mexico State Investment Council	**1,612,573,139**	**1.2**	**4.1**	**5.3**	**4.6**	**6.6**	**10.9**	**18.0**	**15.2**	**5.3**	**10.9**	**16.6**	**13.8**	**5.4**	**8.5**	**14.3**	**11.9**	**7.0**	**4.3**	**3Q04**	**5.0**	**1.2**
Indices																						
NFI-ODCE Value Weight		1.1	2.2	3.3	3.1	4.8	9.9	15.0	14.0	5.0	8.5	13.8	12.8	5.2	8.1	13.7	12.6	8.1	7.1	3Q04		
NCREIF Property Index "NPI"		1.2	1.7	2.9		5.0	8.0	13.3		5.3	6.5	12.0		5.6	6.3	12.2		9.2		3Q04		
FTSE EPRA/NAREIT Developed Index in USD				4.4				0.1				6.6				8.0		8.2		3Q04		

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New Mexico State Investment Council

Fourth 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	**186,756,910**	**1.1**	**1.3**	**2.4**	**2.0**	**15.2**	**-8.2**	**6.3**	**4.9**	**8.3**	**1.7**	**10.4**	**8.3**	**7.1**	**2.8**	**10.3**	**8.3**	**5.3**	**2.8**	**3Q04**	**-0.5**	**1.0**
New Portfolio 2011 Inception																						
New Portfolio 2011 Inception	**1,425,816,229**	**1.2**	**4.5**	**5.7**	**5.0**	**4.9**	**15.0**	**20.4**	**17.3**	**4.6**	**13.9**	**18.9**	**15.8**					**17.4**	**14.8**	**2Q11**	**15.3**	**1.3**
Total Portfolio																						
New Mexico State Investment Council	**1,612,573,139**	**1.2**	**4.1**	**5.3**	**4.6**	**6.6**	**10.9**	**18.0**	**15.2**	**5.3**	**10.9**	**16.6**	**13.8**	**5.4**	**8.5**	**14.3**	**11.9**	**7.0**	**4.3**	**3Q04**	**5.0**	**1.2**
Indices																						
NFI-ODCE Value Weight		1.1	2.2	3.3	3.1	4.8	9.9	15.0	14.0	5.0	8.5	13.8	12.8	5.2	8.1	13.7	12.6	8.1	7.1	3Q04		
NCREIF Property Index "NPI"		1.2	1.7	2.9		5.0	8.0	13.3		5.3	6.5	12.0		5.6	6.3	12.2		9.2		3Q04		
FTSE EPRA/NAREIT Developed Index in USD				4.4				0.1				6.6				8.0		8.2		3Q04		

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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.

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.