



**NEW MEXICO STATE  
INVESTMENT COUNCIL**

# **60 YEARS**

**ANNIVERSARY REPORT 2018**



## WHAT IS THE SIC?

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The New Mexico State Investment Council (SIC) is a professional organization that manages the investments for New Mexico's permanent funds, which are currently valued at \$23.6 billion. In addition, the SIC manages the investments for 20 New Mexican governmental entities, which are valued at \$1 billion.

The SIC's purpose is to optimize the earnings of the permanent funds that contribute to the state's operating budget while preserving the real value of the funds for future generations of New Mexicans. Some of their important highlights include:

- Annually, the permanent funds provide a significant portion to the state budget, the majority of which is dedicated to public education. In fiscal year (FY) 2019, they will provide \$968 million to the general fund and beneficiaries (total equivalent to 15 percent of the state budget).
- The value of the funds has grown by 45 percent – over \$6.5 billion – in the last five years, while also providing nearly \$4 billion to the state.
- Fund investments earned an average of 7.9 percent over the past five years.
- As the value of the funds increase, the amounts they contribute to the state budget increase.
- On average, the permanent funds save each New Mexico household about \$1,270 in taxes every year.

The permanent funds are something for which all New Mexicans can be thankful, because not only do they provide income for the state's expenses, but they also save taxpayers money.

## WHAT IS A SOVEREIGN WEALTH FUND?

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New Mexico's permanent funds also are Sovereign Wealth Funds (SWF). A sovereign wealth fund is a permanent fund owned by and managed exclusively for a sovereign entity, such as the State of New Mexico. Characteristics of the SWF that benefit the state or other specified beneficiaries include:

- Independence from other state financial or political institutions.
- Governance and management by fiduciaries.
- Receipts generated by commodity leases, sales or taxes (typically oil and gas).
- Achievement of desired financial objectives through long-term investments.
- Investments in diverse asset classes.
- Savings to fund government services and ensure intergenerational equity for its citizens.
- Budget stabilization.
- Income for public education, speciality schools, state universities, public hospitals, water infrastructure, public buildings and prisons.

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NEW MEXICO STATE INVESTMENT COUNCIL

\$23 BILLION

# 60 YEARS OF STEWARDSHIP

# MESSAGE FROM THE STATE INVESTMENT OFFICER

Steven K. Moise

**60 years.**

**Expansive thinking.**

**Commitment to planning for the future.**

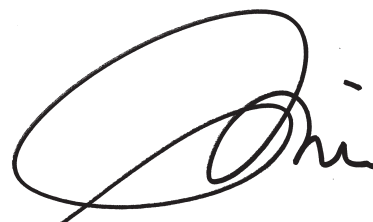
Our permanent endowments have served us very well. This report celebrates those who had the foresight to establish these foundations for New Mexico's fiscal well-being, and those who have steadfastly nurtured this legacy.

As I explain the funds to our stakeholders, the following points seem to generate the most interest:

- These are "sovereign wealth funds" or "endowment funds" designed to fund government services (75 percent funds education) and to ensure intergenerational equity for our citizens.
- New Mexico has the third largest sovereign wealth fund in the nation; only Alaska and Texas have larger funds.
- Over the past eight years, the funds have contributed \$6.2 billion to the state, while the value of the funds has increased by \$9.7 billion, growing to \$23.6 billion.
- As the funds grow, so do the dollars they annually generate for New Mexicans (they provide approximately 15 percent of our state budget — \$968 million in FY 2019).
- Each household realizes about \$1,270 per year in tax savings due to the funds' contributions.
- Our state's non-renewable natural resources — primarily oil and gas — generate revenue that flows to the funds. Those dollars are invested by the SIC, and the investments generate earnings which increase the value of the funds and their distributions. Our elected officials determine spending priorities.

The SIC and our professional staff are committed to observing the highest fiduciary and trustee standards. We strive to continually improve our governance methods, to encourage responsible spending policies, to be transparent, and to stay focused on our mission and vision.

This report provides insight into the complex workings of the SIC. We trust you will gain a deeper appreciation for the importance of the funds and ask that you help to assure their continued ethical and prudent stewardship. These are sources of immense pride for New Mexico.



# SOVEREIGN WEALTH FUNDS

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Sovereign wealth funds generally consist of government money set aside for investment purposes to benefit its economy and citizens. Norway has the largest SWF in the world worth \$1 trillion. Alaska has the largest SWF in the U.S. with approximately \$60 billion, while New Mexico's SWF ranks third. Our four funds totaled \$23.6 billion in 2018. They are:

- The Land Grant Permanent Fund (LGPF).
- The Severance Tax Permanent Fund (STPF).
- The Tobacco Settlement Permanent Fund (TSPF).
- The Water Trust Fund (WTF).

New Mexico's two primary sovereign wealth funds are the LGPF and the STPF. These funds are derived from royalties collected from minerals on public lands and severance taxes collected on oil, natural gas, coal, and other minerals extracted in the state. By investing a portion of this revenue to generate financial returns, New Mexico has transformed a volatile, finite revenue stream into a permanent income-producing asset.

Sovereign wealth funds are commonly designed to spend investment earnings for a specific public purpose that benefits multiple generations of citizens. The intention is to achieve intergenerational equity to provide equal benefits for current and future generations.

The LGPF receives consistent contributions that help balance the millions it distributes annually. Approximately 85 percent of LGPF distributions benefit public schools. The other 15 percent is divided among: specialty schools, state universities, public hospitals, water infrastructure, public buildings and prisons (page 5, Table 1). In fiscal year 2019, the fund will deliver approximately \$747 million to its beneficiaries. It has a balance of approximately \$17 billion.

The STPF has been growth-challenged in recent years. It distributes millions annually to its sole beneficiary, the state general fund. It does not receive consistent contributions to sufficiently offset what it pays out. New Mexico collected approximately \$305 million in severance taxes in 2017, but only saved \$38 dollars for the STPF. In fiscal year 2019, the fund will deliver more than \$220 million to the state general fund. The STPF has a balance of approximately \$5 billion.

The TSPF was created in 2000 as part of a settlement between tobacco companies and several states. Unlike the other permanent funds, it is considered a reserve fund and lacks constitutional protection from legislative appropriation. Its earnings are reinvested, and it does not make annual distributions. Initially, the fund was expected to receive half of the annual tobacco settlement payments to the state and to eventually grow into a revenue-generating endowment. However, fiscal demands over the past two decades have led lawmakers to intercept fund inflows. Of the \$769 million in settlement money the fund received since 2000, \$748 million has been appropriated or withdrawn to meet legislative priorities. Despite these challenges, the fund is valued at approximately \$156 million due to investment earnings.

The WTF was created with appropriations of \$40 million in 2006, and another \$15 million in 2007. Since then, it has distributed \$4 million annually to fund critical water infrastructure projects around the state. It will likely shrink to zero within the next 20 years without a new revenue source. It has a balance of approximately \$40 million.

# LAND GRANT PERMANENT FUND BENEFICIARIES

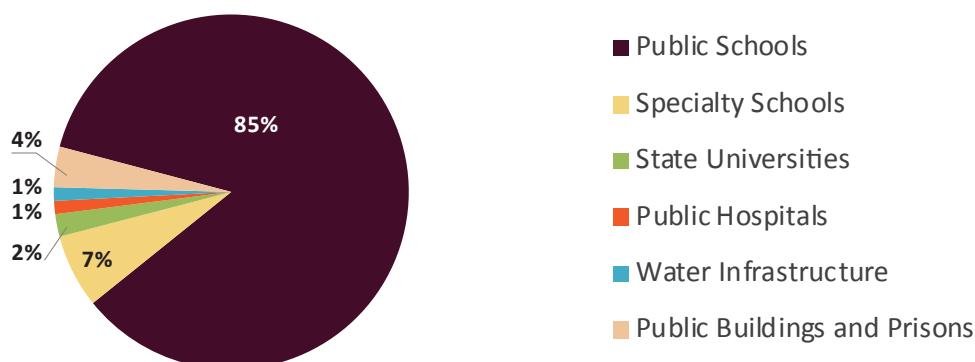


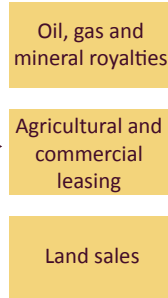
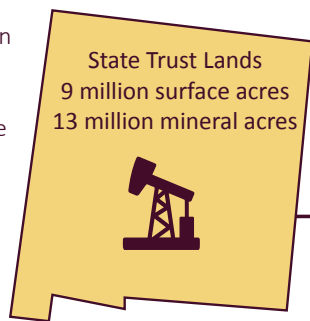
Table 1

Institutions	Percentage	December, 2017 Monthly Distribution
<b>Public Schools: ■</b>	85.111%	\$48,881,534
New Mexico Military Institute	3.029%	\$1,739,399
NM School for the Deaf	1.843%	\$1,058,397
NM School for the Blind and Visually Handicapped	1.840%	\$1,056,203
NM Boys School (CYFD)	0.005%	\$3,050
<b>Specialty Schools Total: ■</b>	6.717%	\$3,857,049
University of New Mexico	1.310%	\$752,087
New Mexico State University	0.414%	\$237,707
New Mexico Institute of Mining and Technology	0.186%	\$106,777
Eastern NM University	0.076%	\$43,574
Western NM University	0.024%	\$13,971
NM Highlands University	0.024%	\$13,900
Northern NM College	0.020%	\$11,294
<b>State Universities Total: ■</b>	2.054%	\$1,179,310
DHI Miners Hospital	0.866%	\$497,135
NM Behavioral Institute (State Hospital)	0.334%	\$191,803
Carrie Tingley Hospital	0.001%	\$769
<b>Public Hospitals Total: ■</b>	1.201%	\$689,707
Water Reservoirs	0.967%	\$555,444
Improvement of the Rio Grande	0.216%	\$124,193
UNM Saline Lands	0.045%	\$26,061
<b>Water Infrastructure Total: ■</b>	1.228%	\$705,698
Public Buildings	1.057%	\$607,332
NM State Penitentiary	1.864%	\$1,070,654
Charitable and Penal Reform	0.770%	\$441,270
<b>Public Buildings and Prisons Total: ■</b>	3.691%	\$2,119,256

# LAND GRANT PERMANENT FUND

The Land Grant Permanent Fund is derived from 13 million acres of land granted by the United States to the Territory of New Mexico under the Ferguson Act of 1898 and the Enabling Act of 1910. These state trust lands are held in perpetual trust for 21 designated beneficiaries. Revenues created by these lands are constitutionally protected in a permanent endowment and invested by the State Investment Council.

**1 Royalties from oil and gas** production on New Mexico state trust lands provide 95% of the inflows to the LGPF.



## State Land Office Inflows to LGPF

Year	Inflows
2007	386,833,289
2008	607,321,973
2009	287,174,916
2010	382,851,369
2011	476,009,029
2012	508,705,012
2013	618,740,005
2014	783,549,025
2015	519,415,531
2016	370,890,983
2017	490,428,539
	<b>\$5,431,919,671</b>

## Investment Returns

Year	Returns %
2007	9.0%
2008	-27.6%
2009	19.1%
2010	14.3%
2011	-1.1%
2012	14.2%
2013	16.1%
2014	6.6%
2015	0.0%
2016	7.4%
2017	15.1%

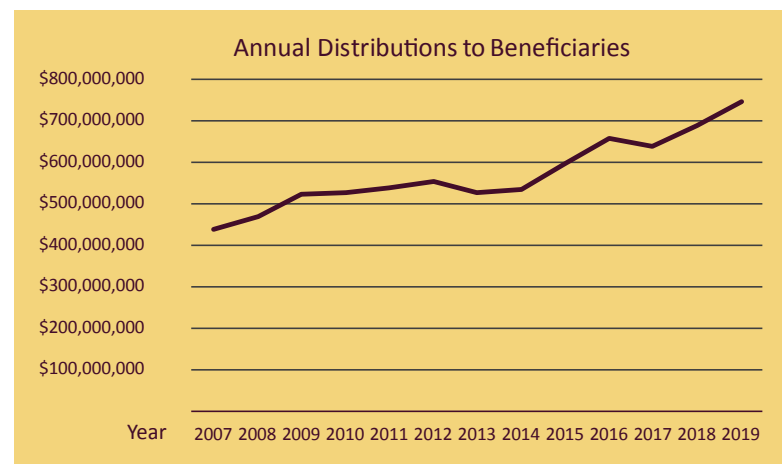
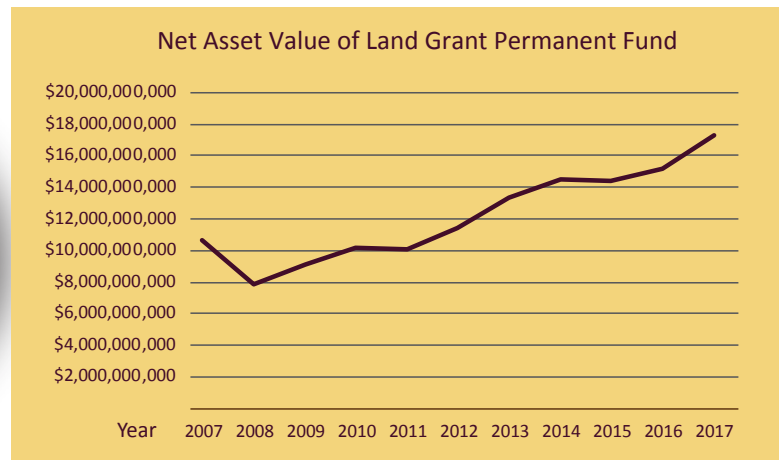
**2 Net Asset Value**  
Land Grant Permanent Fund as of Dec. 31, 2017.



**3 Distribution Formula**  
Established by New Mexico Constitution.

**5.0%** of rolling five calendar year average market value

**4 Distributions to the Beneficiaries**  
Public schools receive approximately 85% of the distributions generated by the Land Grant Permanent Fund. For fiscal year 2019, \$635 million of the \$747 million projected distributions will fund public schools.





# NEW MEXICO PERMANENT FUNDS

## 1785-1787

The General Land Ordinance of 1785 and the Northwest Ordinance of 1787 are the country's first efforts at land policy and begin the national practice of creating public land endowments for educational purposes.

## 1898

The Ferguson Act of 1898 gives sections 16 and 36 in every New Mexico township to public schools.

## 1910

The Enabling Act of 1910 paves the way for statehood, specifying that sections 2 and 32 are held in trust for public schools.

## 1850

The Organic Act establishes New Mexico as a territory and dedicates lands from each township for governmental and educational needs.

## 1912

New Mexico becomes the 47th state in the Union, Jan. 6, 1912.

## 1937

New Mexico begins assessing severance taxes on oil, gas and other finite natural resources.

## 1957

State Senator Frank J. "Jack" Dangle sponsors legislation creating the State Investment Council (SIC) for purposes of investing and growing the Land Grant Permanent Fund (LGPF) for 19 beneficiaries, the largest being public schools.

## 1958

New Mexico passes a constitutional amendment assigning investment management of the LGPF to the SIC.

## 1959

The SIC commences operations. The LGPF enters the 1960s valued at \$164.1 million.

## 1965

Voters authorize increasing the constitutional cap on corporate stock and bond ownership from 25 to 50 percent. Most investments are in government bonds.

# TIMELINE

## 1973-1976

State Representatives Philip R. "Bob" Grant and John Bigbee lead a bipartisan effort to create the Severance Tax Permanent Fund (STPF) by saving a portion of taxes collected on natural resources. New Mexico voters approve establishment of the STPF in the State Constitution in 1976.

## 1985

State Investment Officer Phillip Troutman and a Deputy State Treasurer are convicted of extortion after pressuring a financial service provider for political contributions. Troutman is sentenced to two years in prison and fined \$5,000.

## 1992

The SIC is authorized to make long-term investments on behalf of governmental entities of the state, the first being the Retiree Health Care Authority.

## 1999

A court ruling requires the state to increase spending on school capital projects. Lawmakers pay for this by reducing the amount of severance taxes saved to the STPF and change the spend/save ratio from 50/50 to 62.5/37.5 percent.

## 1982-1983

Putting it on equal ground with the LGPF, voters grant the STPF the same protections against legislative appropriation, making it a true permanent fund. The state will spend approximately half the severance taxes it collects, while investing the other half into the STPF until 1999.

## 1990

Voters approve a constitutional amendment allowing increased investment in stocks. The timing paves the way for permanent fund growth in the decades ahead.

## 1996

The permanent fund distribution formula is updated to pay out 4.7 percent of each fund's five-year average value to beneficiaries, rather than just the dividends and income earned by investments.

## 2000

The Legislature enacts additional statutory changes, increasing the amount it spends on capital bonding payments to 87.5 percent.

## 2002

The SIC approves the first of 25 interest-free loans it will make to film/television productions. These incentives are one of several economically targeted investment programs, authorized by statute and funded only from the STPF.

## 2004

Statutory changes allow the use of severance taxes to issue bonds for infrastructure projects for the state's tribes and pueblos, as well as undeveloped "Colonias" regions. The STPF spend/save ratio is now 95/5 percent.

## 2008

An investment bubble in the U.S. sub-prime real estate market triggers a near-collapse of the world financial system. Major stock indices around the world lose approximately half their value.

## 2010

A SIC motion of "no confidence" leads to the resignation of State Investment Officer Gary Bland. The Council later sues Bland, several placement agents and fund managers, seeking financial recoveries.

## 2003

Voters pass a constitutional amendment permanently increasing LGPF distributions to 5.0 percent and to provide additional LGPF payouts for education reforms through fiscal year 2016.

## 2005

The Uniform Prudent Investor Act is adopted, establishing investment standards for permanent funds and state pensions. It removed previous restrictions and increased permissible allocations to alternative investments, including hedge funds, real estate and structured debt.

## 2009

A "pay-to-play" investment scandal in New York reveals that several investment firms hired by New Mexico SIC paid millions of dollars in "placement fees" to politically-connected individuals acting as fund marketers. The Department of Justice and the Securities and Exchange Commission investigate, but charge no one.

## 2010

The Legislature passes a law requiring the disclosure of any placement fees paid in relation to investments by the state's investing entities. The SIC completely bans the practice relative to its investments.

## 2010

Lawmakers restructure the powers and membership of the SIC, which now includes four members appointed by the Legislature, four gubernatorial appointees and three elected official positions: Governor, State Treasurer and State Land Commissioner.

## 2011

To help control costs, the Legislature authorizes the SIC to hire legal firms on a contingency fee basis. The Council files suit against more than a dozen individuals and firms improperly enriched by pay-to-play.

## 2014

The Council supports passage of a constitutional amendment removing a cap on international investments and strengthening prudency standards for the LGPF. Voters approve the amendment in November.

## 2017

Assets managed by the SIC for New Mexico governmental clients top \$1 billion for the first time. The LGPF grows \$2 billion in value in one year.

## 2010

The new SIC structure gives the Council additional oversight, while diffusing the powers of any one member of the Council, including its Chair, the Governor. The new Council members appoint Steve K. Moise as State Investment Officer.

## 2012

To increase income generation and diversify holdings, the Council begins investing in “real assets” that include infrastructure, energy, timber and agriculture.

## 2015

The Council supports passage of a bill to increase inflows of severance taxes to the STPF. The phased-in changes will increase the share of severance taxes saved to the permanent fund to 13.8 percent by fiscal year 2022.

## 2018

Combined assets under SIC management grow to \$24 billion in 2018.

# SEVERANCE TAX PERMANENT FUND

The Severance Tax Permanent Fund was established as a constitutionally-protected permanent endowment in 1976, to receive and invest severance taxes collected on natural resources extracted from New Mexico lands.

## 1 Inflows

Severance taxes collected on oil, natural gas, other liquid hydrocarbons and hard rock minerals.

Taxes collected are transferred to the Severance Tax Bonding Fund for debt service requirements on senior and supplemental bonds issued under the Severance Tax Bonding Act for capital projects.

Amounts in the Bonding Fund in excess of that needed for bond debt services are transferred twice a year to the Severance Tax Permanent Fund.

### Inflows to STPF

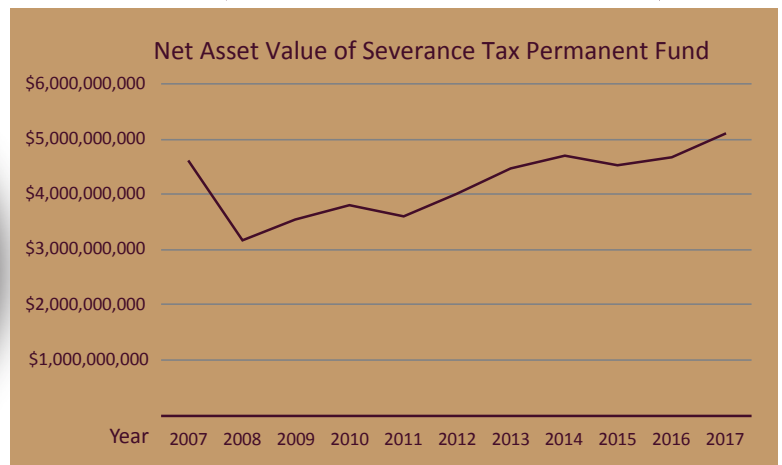
Year	Inflows
2007	24,073,242
2008	41,421,926
2009	30,186,623
2010	3,488,067
2011	7,617,058
2012	103,888,282
2013	5,325,323
2014	124,650,731
2015	817,455
2016	7,650,686
2017	38
	<b>\$349,119,431</b>

### Investment Returns

Year	Returns %
2007	8.9%
2008	-29.5%
2009	18.4%
2010	12.6%
2011	-0.6%
2012	13.3%
2013	15.4%
2014	6.4%
2015	0.5%
2016	7.4%
2017	14.0%

## 2 Net Asset Value

Severance Tax Permanent Fund as of Dec. 31, 2017.



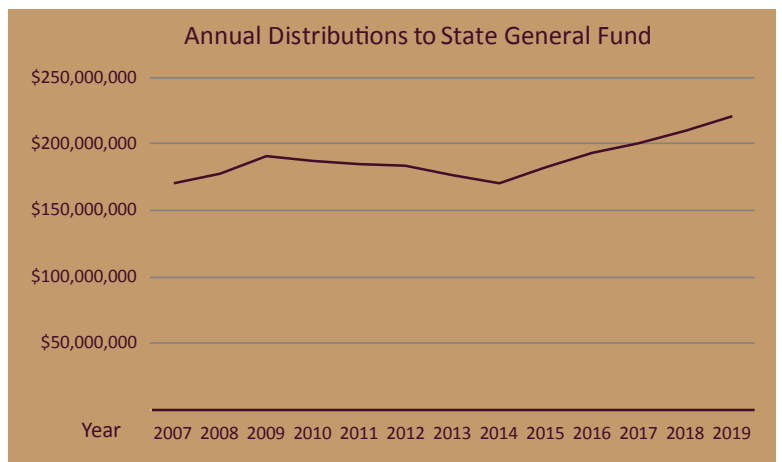
## 3 Distribution Formula

Established by New Mexico Constitution.

4.7% of rolling five calendar year average market value.

## 4 Distributions

to the State General Fund projected to be \$220 million in fiscal year 2019.



# PUBLIC LANDS AND PERMANENT FUNDS HISTORY

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The State Investment Council's history dates back 60 years, but its origins stem from New Mexico's entry into statehood more than a century ago. We have highlighted some key events in New Mexico's permanent fund history (pages 7-10).

The endowment of public lands for educational purposes was a practice established by the General Land Ordinance of 1785 and the Northwest Ordinance of 1787. The United States Congress recognized the importance of public schools to a developing nation, and although there was little money available to support the public needs of newly-organizing states, the federal government had one resource in abundance – land.

By granting land to newly-organized states, the federal government could provide state governments with a source of revenue that could be used to fund public education and other essential public institutions.

Congress approved the Organic Act establishing New Mexico as a territory, authorizing its civil government, and dedicating lands in each township for governmental and educational uses.

Nearly 50 years later, Harvey B. Ferguson took up the statehood battle and proposed legislation authorizing the granting of lands for certain purposes to the Territory of New Mexico.

The Ferguson Act of 1898 gave sections 16 and 36 in every township to the territory for support of its public schools. In the event these sections happened to contain mineral lands or had been sold, the territory was entitled to make alternative selections.

Other provisions of the Ferguson Act included land grants designated to support additional beneficiaries other than public schools. These included New Mexico speciality schools, state universities, public hospitals, water infrastructure, public buildings and prisons. Public schools were, and remain the largest beneficiary.

The total distribution amount changes yearly, based on the constitutional formula that requires the distribution of 5 percent of the five-year average market value. As the fund grows so do the distributions.

The Enabling Act was passed by Congress in 1910 and provided a for constitutional convention. After delegates drafted a constitution, the document was submitted to the people for a vote. By Presidential Proclamation, the Territory of New Mexico officially became the State of New Mexico Jan. 6, 1912.

Over the years, amendments to the Enabling Act have been made. One of which placed control of state land minerals under the New Mexico Legislature. The State Land Office issued its first oil and gas lease in 1916, received its first royalty payment in 1924, and received title to minerals underlying trust lands in 1927.

Currently, the State Land Office manages 9 million surface acres and 13 million mineral acres of public land, all of which is held in trust.

# LAND GRANT PERMANENT FUND

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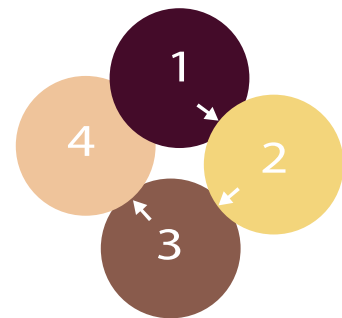
The Land Grant Permanent Fund was created in part with the royalties collected by the State Land Office from the minerals associated with the public land it manages.

Today, the SIC receives monthly contributions (royalties) to the LGPF from the State Land Office. We invest these contributions while simultaneously distributing monthly payments to beneficiaries.

The state constitution has been amended a handful of times regarding the LGPF. These amendments and statutory changes have generally allowed the SIC to evolve its investment strategies in step with increasingly complex global markets. In 2005, the Uniform Prudent Investor Act was adopted in statute. In 2014, a constitutional amendment enhanced the SIC's ability to prudently access international equity investments.

## SOURCES OF INFLOWS AND DISTRIBUTIONS

1. Royalties on state lands and income from land sales.
2. Flow into the Land Grant Permanent Fund.
3. Distributions: 5 percent of the five-year rolling average of the fund's assets as calculated at calendar year-end.
4. Public schools and other specified beneficiaries.

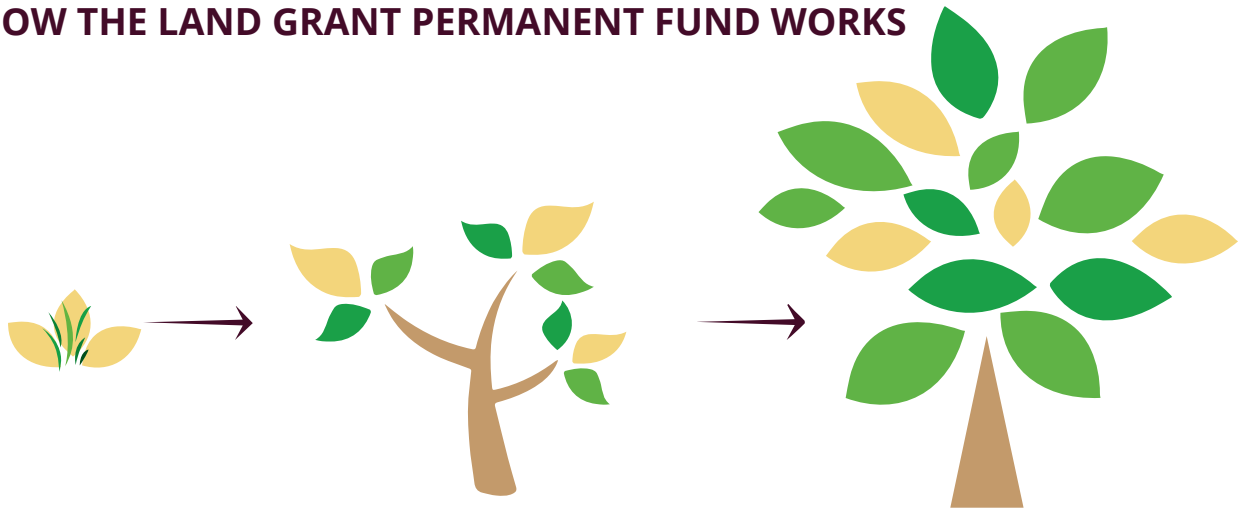


## DISTRIBUTIONS TO THE BENEFICIARIES

2013	\$ 526,846,548
2014	\$ 535,156,608
2015	\$ 595,993,907
2016	\$ 655,785,168
2017	\$ 638,074,458
2018	\$ 689,190,724
2019	\$ 747,542,992

**TOTAL \$ 4,388,590,405**

## HOW THE LAND GRANT PERMANENT FUND WORKS

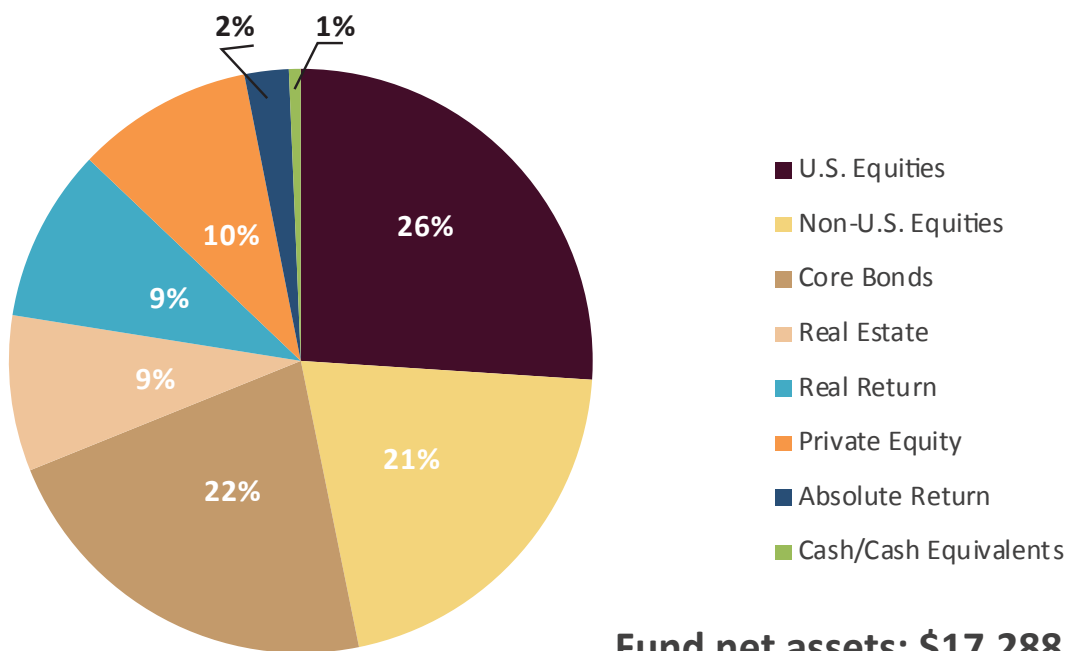


The fund was established by various land-use fees collected by the State Land Office.

Through prudent fiscal management by the SIC, the fund grows and produces investment income.

The principal is held in perpetuity, and while it grows, so does the investment income it produces for education and the state's budgetary needs.

## LAND GRANT PERMANENT FUND ASSETS AS OF DEC. 31, 2017



**Fund net assets: \$17,288,268,690**



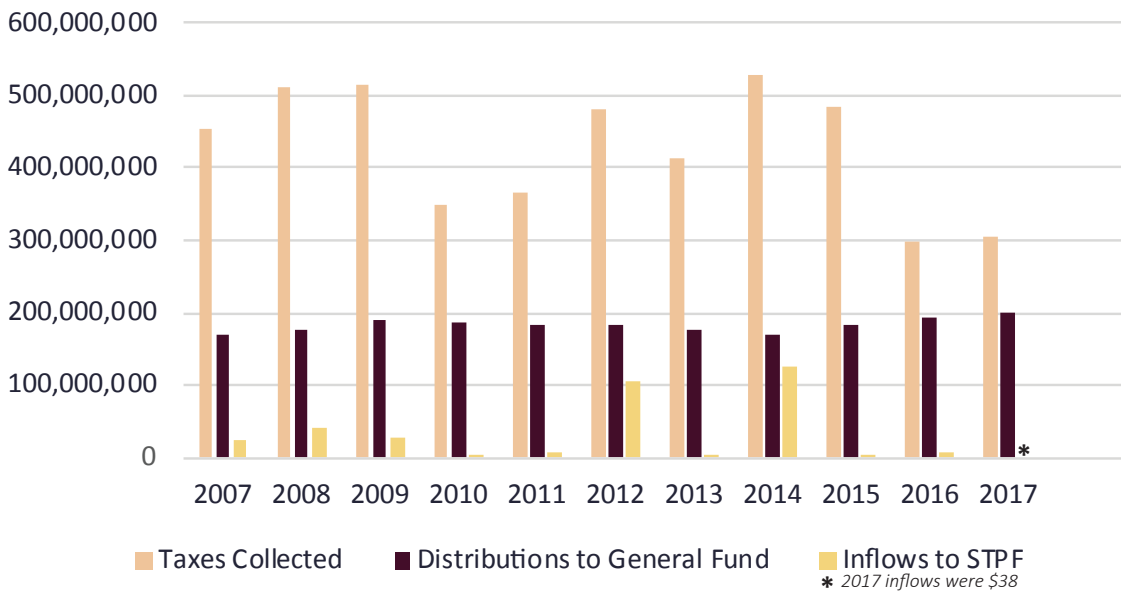
# SEVERANCE TAX PERMANENT FUND

In 1973, lawmakers established the Severance Tax Permanent Fund to save any severance tax revenue not required for annual bond maintenance. Three years later, the STPF's status became a constitutionally-protected entity. In 1983, an additional constitutional amendment removed any legislative authority to draw directly from the fund's corpus.

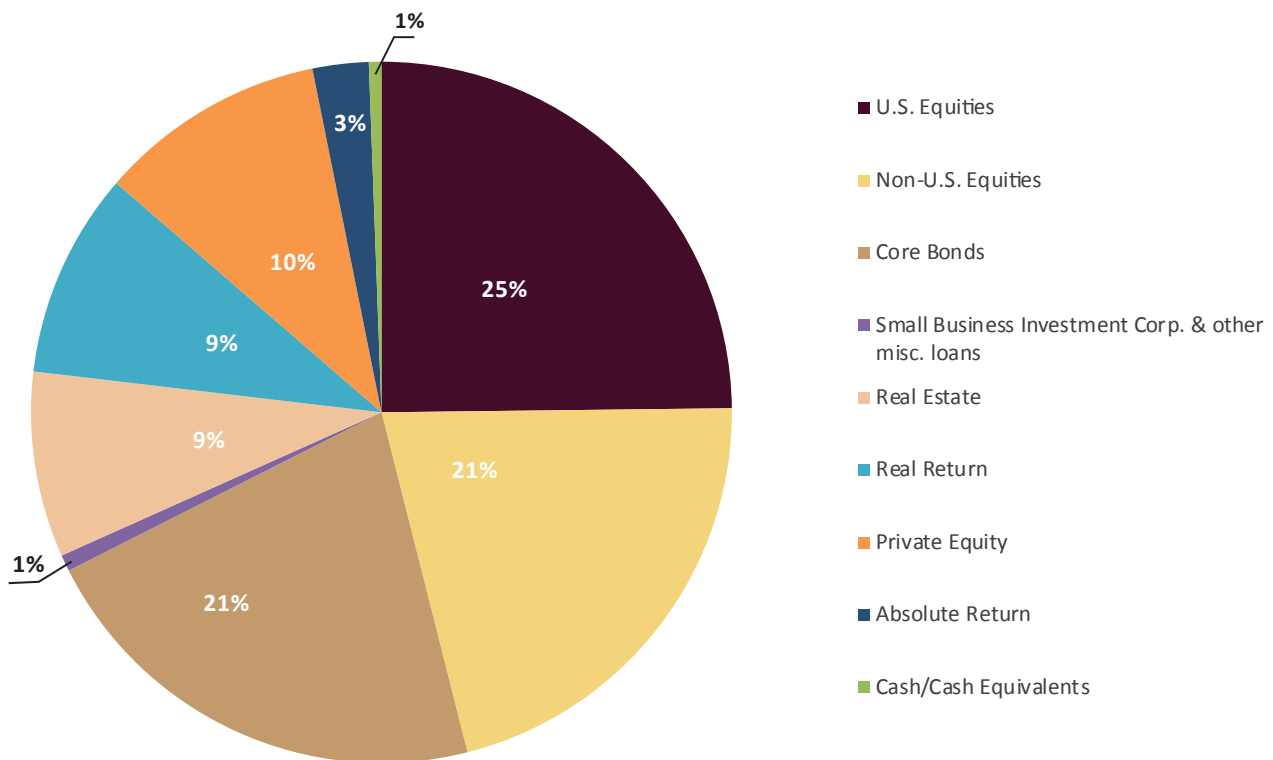
Earnings from the fund provide more than \$200 million to New Mexico's State General Fund every year for legislators to spend on state priorities. The fund has paid out \$1.106 billion over the past 10 years.

The STPF is growth-challenged. The fund once received approximately 50 percent of severance tax revenue collected and the other 50 percent was designated for annual state capital bonding projects. In the late 90s, lawmakers changed the 50/50 ratio to 95/5, with the fund receiving just 5 percent. In 2015, lawmakers adjusted the 95/5 ratio to 86.2/13.8, providing for gradual implementation of increased inflows by fiscal year 2022. Of \$300 million collected in severance taxes in 2017, only \$38 dollars was saved for the STPF (see following graphs).

### Severance Tax Permanent Fund



## SEVERANCE TAX PERMANENT FUND ASSETS AS OF DEC. 31, 2017



**Fund net assets: \$5,108,755,475**

## SEVERANCE TAX PERMANENT FUND TAX COLLECTIONS FUND CONTRIBUTIONS AND DISTRIBUTIONS

Year	Severance Tax Collections	STPF Contributions	STPF Distributions
2012	\$462,831,000	\$103,888,028	\$183,423,504
2013	\$414,375,000	\$339	\$176,172,684
2014	\$530,668,000	\$124,995,000	\$170,472,647
2015	\$486,039,000	\$817,552	\$182,722,980
2016	\$299,165,000	\$8,468,140	\$193,509,941
2017	\$305,694,000	\$38	\$200,442,327
<b>Total</b>	<b>\$2,498,772,000</b>	<b>\$238,169,097</b>	<b>\$1,106,744,083</b>

# TOBACCO SETTLEMENT PERMANENT FUND

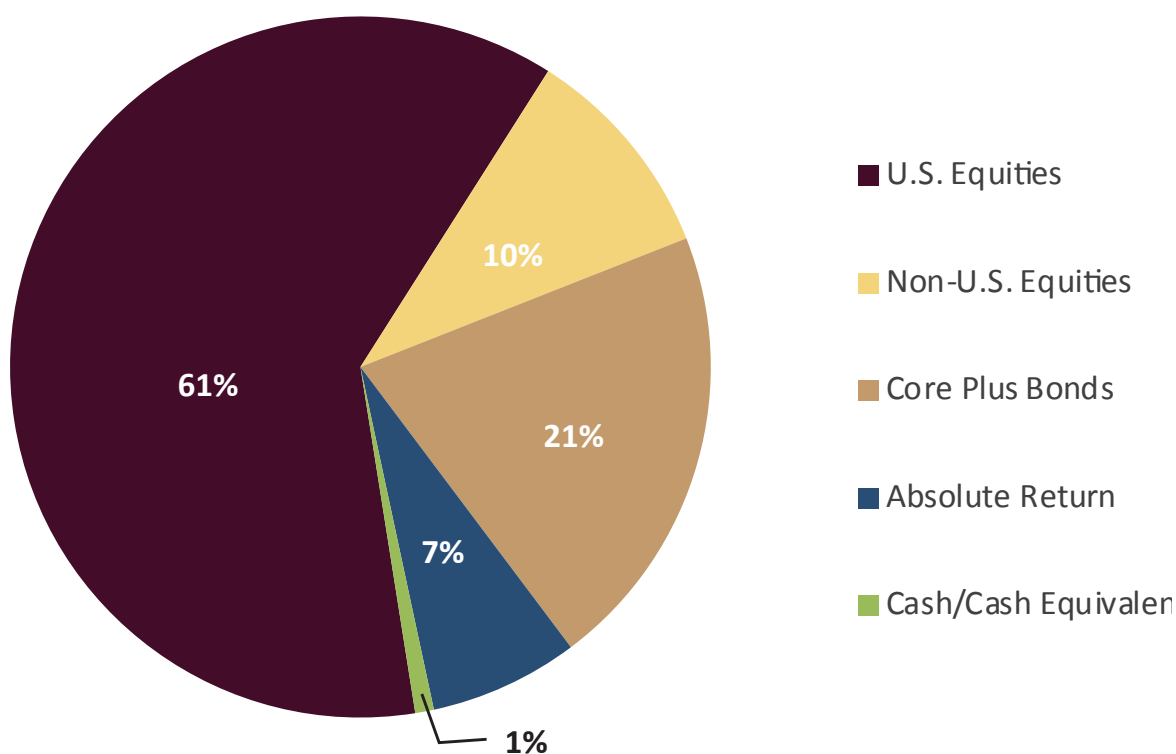
The Tobacco Settlement Permanent Fund was created in 2000 as part of the Master Settlement Agreement between New Mexico, other states and big tobacco companies.

Initially, the TSPF received about half of the annual tobacco payments to the state, approximately \$20 million per year. The other half went toward health and tobacco-use cessation programs. Since 2008, legislative priorities have taken nearly 100 percent of annual payments and there are minimal new funds going into the TSPF for investment.

The TSPF is considered part of the state's reserve fund and is the only permanent fund not constitutionally protected from legislative appropriation. It may grow to a large enough size that it can make substantial annual distributions while also being self-sustaining through its earnings.

The graphic below illustrates the TSPF's market value and the percentage of net assets as of Dec. 31, 2017.

## TOBACCO SETTLEMENT PERMANENT FUND AS OF DEC. 31, 2017



**FUND NET ASSETS \$156,476,869**

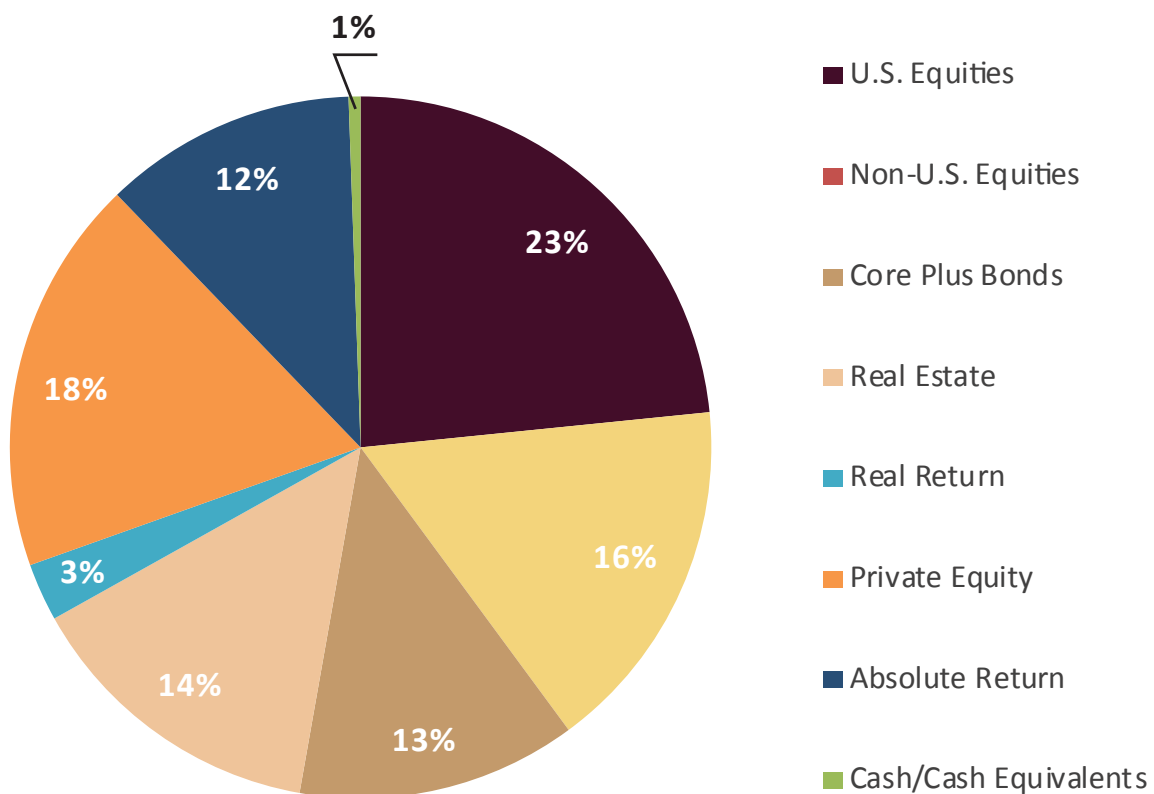
# WATER TRUST FUND

The Water Trust Fund is a constitutionally-protected permanent fund, created in 2006 with an initial appropriation of \$40 million and another legislative contribution of \$15 million in 2007. The fund is required to distribute \$4 million annually to the state's Water Trust Board, which authorizes spending these and other state funds on various water infrastructure projects around New Mexico.

The WTF will require additional capital to remain sustainable over time. Current estimates are that without an additional infusion of capital or a restructuring of its current distribution requirements, there is a 50 percent chance the fund will fall to \$0 in the next 20 years.

The graphic below illustrates the Water Trust Fund's market value and the percentage of net assets as of Dec. 31, 2017.

## WATER TRUST FUND AS OF DEC. 31, 2017



**FUND NET ASSETS \$44,092,857**

# SIC MANAGED NET ASSETS AS OF DEC. 31, 2017

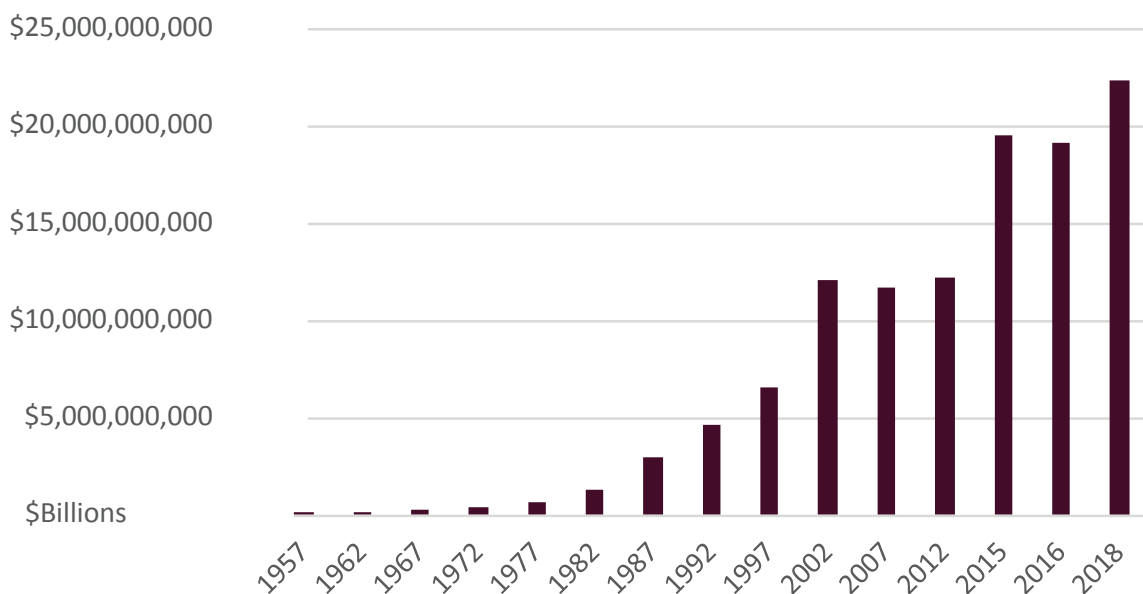
**Table 2**  
**Unaudited**

	Cash	Securities	Accrued Income	Other Assets	Other Liabilities	Net Assets	% of Total
<b>Equities</b>							
<b>Domestic Equities:</b>							
<b>Large Cap Pools</b>							
US Large Cap Active Pool	76,240,997	1,125,449,985	443,487	741,764	(436,711)	1,202,439,521	5.08%
US Large Cap Index Pool	25,386,936	1,561,637,100	1,674,053	2,630	(184,898)	1,588,515,822	6.72%
US Large Cap Alternative Weighted Index Pool	105,029,508	2,771,833,457	4,019,382	7,081,494	(774,955)	2,887,188,886	12.21%
<b>Total Large Cap Equities</b>	<b>206,657,441</b>	<b>5,458,920,541</b>	<b>6,136,922</b>	<b>7,825,889</b>	<b>(1,396,565)</b>	<b>5,678,144,229</b>	<b>24.01%</b>
<b>Small/Mid Cap Pool</b>							
US Small/Mid Cap Pool	34,851,247	524,318,755	300,058	8,620,270	(9,384,791)	558,705,539	2.36%
US Small/Mid Cap Index Pool	-	-	3	-	-	3	0.00%
<b>Total Small/Mid Cap Equities</b>	<b>34,851,247</b>	<b>524,318,755</b>	<b>300,062</b>	<b>8,620,270</b>	<b>(9,384,791)</b>	<b>558,705,543</b>	<b>2.36%</b>
<b>Total Domestic Equities</b>	<b>241,508,689</b>	<b>5,983,239,296</b>	<b>6,436,984</b>	<b>16,446,158</b>	<b>(10,781,356)</b>	<b>6,236,849,771</b>	<b>26.37%</b>
<b>International Pools</b>							
Non-US Developed Markets Index Pool	1,682,427	802,182,922	2,936,314	22,775	-	806,824,439	3.41%
Non-US Emerging Markets Index Pool	109,157	106,355,791	137,378	-	-	106,602,326	0.45%
Non-US Developed Markets Active Pool	39,382,342	2,260,410,891	6,191,069	240,496	(868,061)	2,305,356,738	9.75%
Non-US Emerging Markets Active Pool	13,017,121	687,948,637	806,874	1,028,310	(522,597)	702,278,346	2.97%
Non-US Developed Alternative Weighted Index Pool	4,510,157	990,086,552	2,139,059	277,502	(26,244)	996,987,025	4.22%
<b>Total International Equities</b>	<b>58,701,205</b>	<b>4,846,984,793</b>	<b>12,210,695</b>	<b>1,569,083</b>	<b>(1,416,902)</b>	<b>4,918,048,874</b>	<b>20.80%</b>
<b>Total Equities</b>	<b>300,209,894</b>	<b>10,830,224,089</b>	<b>18,647,679</b>	<b>18,015,242</b>	<b>(12,198,258)</b>	<b>11,154,898,646</b>	<b>47.17%</b>
<b>Fixed Income</b>							
Core Plus Bonds Pool	16,128,021	2,316,833,527	13,468,548	287,555,744	(549,329,136)	2,084,656,703	8.81%
Core Bonds Pool	19,075,853	845,494,123	5,631,763	7,933	(4,937,043)	865,272,629	3.66%
Unconstrained Fixed Income Pool	34,455,908	690,133,771	3,841,004	101,819,246	(135,640,164)	694,609,765	2.94%
Short Term Duration Fixed Income Pool	506,573	377,804,092	1,909,110	6,271	(242,210)	379,983,837	1.61%
Credit & Structured Finance Pool	66,195,367	1,209,221,998	86,569	-	-	1,275,503,934	5.39%
<b>Total Fixed Income</b>	<b>136,361,722</b>	<b>5,439,487,511</b>	<b>24,936,994</b>	<b>389,389,193</b>	<b>(690,148,553)</b>	<b>5,300,026,868</b>	<b>22.41%</b>
<b>Other Securities and Cash</b>	<b>144,138,816</b>			<b>38,618,811</b>		<b>182,757,627</b>	<b>0.77%</b>
<b>Real Estate Pool</b>	<b>31,016,941</b>	<b>1,935,320,612</b>	<b>18,819</b>			<b>1,966,356,372</b>	<b>8.31%</b>
<b>Real Return Pool</b>	<b>53,653,545</b>	<b>2,101,579,961</b>	<b>781,486</b>	<b>5,089,280</b>	<b>(17,064,227)</b>	<b>2,144,040,044</b>	<b>9.07%</b>
<b>Absolute Return Pool</b>	<b>904,594</b>	<b>598,245,925</b>	<b>709</b>			<b>599,151,227</b>	<b>2.53%</b>
<b>Private Equity Pool</b>	<b>111,624,538</b>	<b>1,882,016,184</b>	<b>96,466</b>			<b>1,993,737,189</b>	<b>8.43%</b>
<b>Private Equity - New Mexico</b>		<b>306,665,725</b>				<b>306,665,725</b>	<b>1.30%</b>
<b>Stock Distributions/Private Equity</b>		<b>1,841,914</b>				<b>1,841,914</b>	<b>0.01%</b>
<b>Total Managed Net Assets</b>	<b>777,910,049</b>	<b>23,095,381,921</b>	<b>44,482,153</b>	<b>451,112,526</b>	<b>(719,411,037)</b>	<b>23,649,475,610</b>	<b>100.00%</b>

# INVESTMENTS

Assets under management have grown dramatically over 60 years.

## GROWTH OF THE PERMANENT FUNDS



**Graph A:** Illustrates the aggregate growth of the Land Grant and Severance Tax Permanent Funds over time from 1957 to 2018.

# MESSAGE FROM THE CHIEF INVESTMENT OFFICER

**Robert “Vince” Smith, CFA**

The last 60 years have brought tremendous growth to the permanent funds (page 20, Graph A), in both the size of the funds and in the distributions (page 22, Graphs B and C). Through the turbulent 1960s, high-inflation 1970s and recessionary early 1980s, the funds grew slowly. The bull markets of the 1980s and the 1990s added billions to the funds. The stock market crashes of 2000-2002 and 2008-2009 halted progress for a decade, but since then the funds have climbed to record heights of value and distribution in the latest economic expansion.

Managing institutional investment portfolios is a challenging task. During the simpler days of the 1960s and 1970s, the permanent fund portfolios consisted of investment-grade bonds and were managed to produce income. They then shifted to a growth orientation in the 1980s and 1990s. With today's very diversified, complex set of assets and investment strategies, prudent investment management requires a great deal of care, skill and diligence. While markets have been very favorable to the funds over the past decade, we know from the previous 50 years that returns and fund growth will vary greatly from period to period.

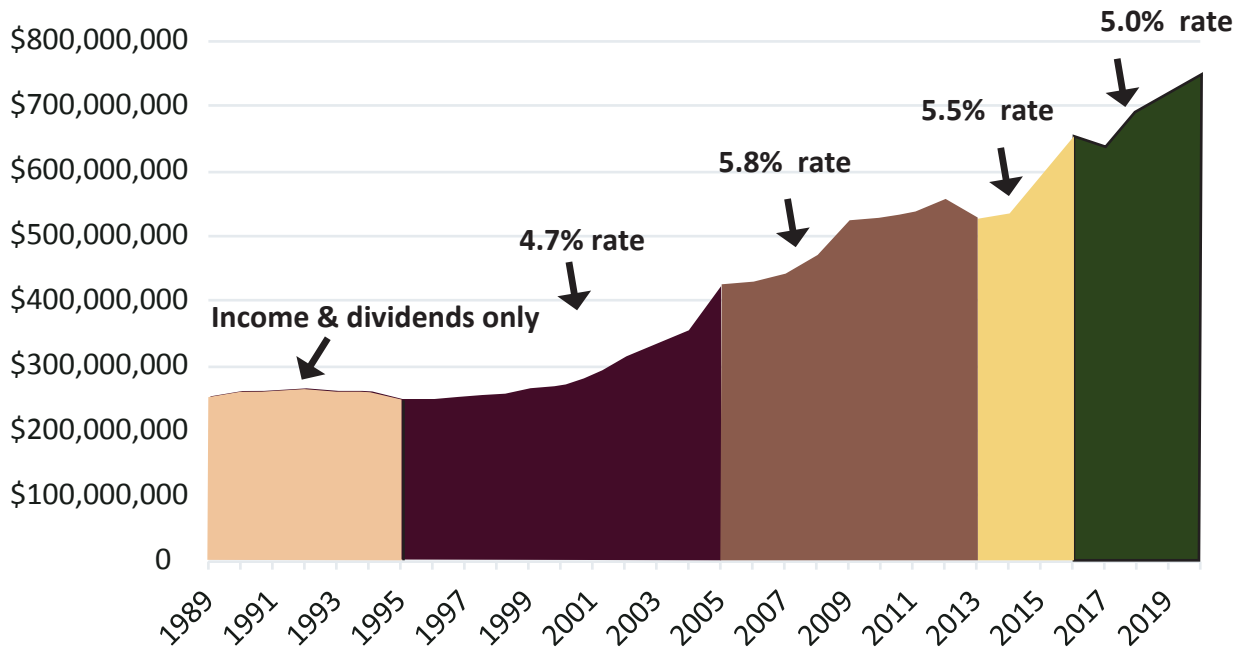
Today's market environment is more unique in character and less bright in outlook than at other times in the past. As a result of decades of steadily falling interest rates and the extraordinary monetary policy actions required of the Federal Reserve over the last decade, we are left with very low interest rates, very high market valuations and are deep into an extended economic cycle. Forward-looking assumptions for investment returns are muted; our consultants tell us that stocks will most likely generate about two-thirds of their long-run historical return over the next two or three decades, and bonds about half of the return we've earned in the long-run past. The Council has diversified a significant portion of the permanent funds into less-traditional asset types that may produce better returns than a traditional mix of 60 percent stocks and 40 percent bonds, but the increase is limited.

As tougher times in the history of the permanent funds have passed, we expect a brighter outlook to eventually emerge. In the future that outlook will likely be preceded by grittier markets, and the Council has positioned the investment portfolios with that potential in mind. One thing that is clear from the 60-year history of the permanent funds: through the many different economic cycles and in an array of market conditions, the permanent funds have been a dependable and durable source of income for all New Mexicans. We expect this to continue to be the case over the next 60 years and beyond.

A handwritten signature in black ink that reads "VINCE". The letters are stylized and slanted to the right.

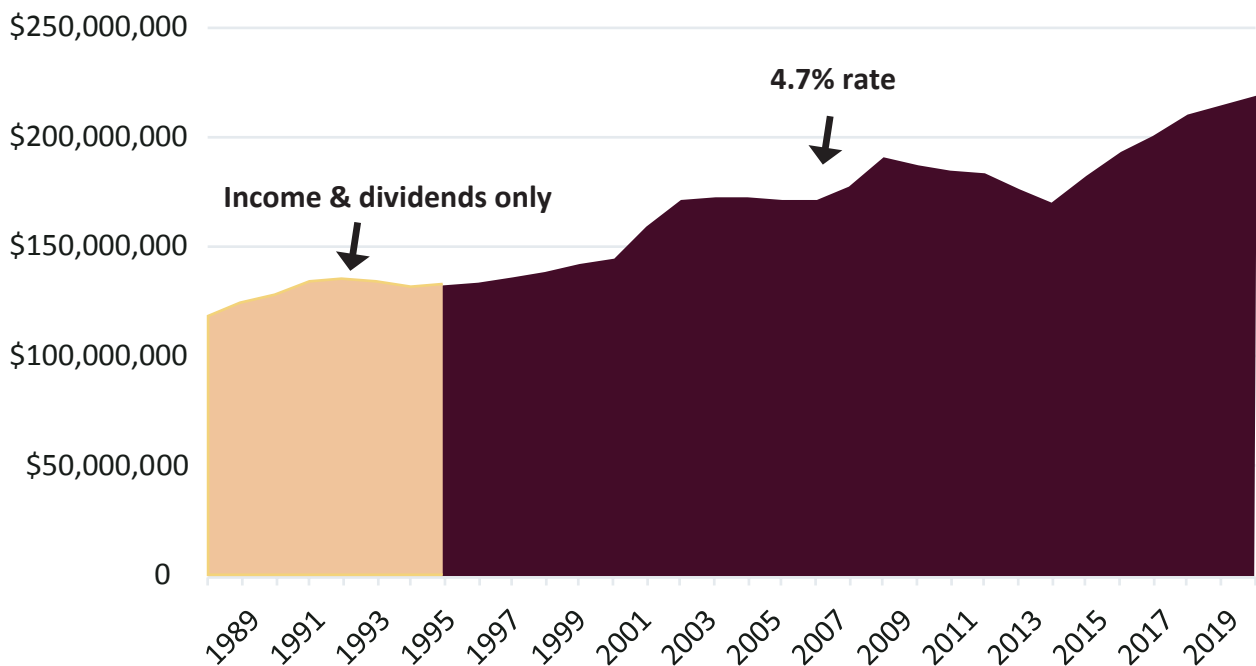
# DISTRIBUTIONS FOR FY 2019 - \$968.1 MILLION

## LAND GRANT PERMANENT FUND DISTRIBUTIONS TO BENEFICIARIES



**Graph B:** Illustrates the growth of distributions to the beneficiaries and the percentage changes over a 30-year period.

## SEVERANCE TAX PERMANENT FUND DISTRIBUTIONS TO GENERAL FUND



**Graph C:** Illustrates the growth of distributions to the State General Fund and the percentage changes over a 30-year period.



## INVESTMENT OVERVIEW

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The State Investment Council (SIC) has \$23.6 billion of assets under management (page 19, Table 2). New Mexico's permanent funds, in aggregate, will contribute more than \$899 million to state operations this year and \$968 million to state operations in fiscal year 2019. They serve as a significant resource to government and various beneficiaries, including public schools, state universities and other recipients. The SIC strives to preserve and grow these permanent funds, so future generations can enjoy the same or greater benefits than those provided today.

The SIC's goals dictate our investment strategy, as well as the level of risk we take in trying to achieve those goals. Our current annual investment return target is 7 percent for the Land Grant Permanent Fund and 6.75 percent for the Severance Tax Permanent Fund as set by the Council in October 2015. The Council believes these returns can be achieved through a balanced portfolio of varied investment strategies with different degrees of correlation and risk. Achieving the current return targets allows the permanent funds to fulfill their annual distribution requirements, keep pace with inflation to maintain value over time, and to account for future growth of the state and the increasing needs of our beneficiaries. The Council performs an extensive asset allocation study approximately every three years and sets annual investment targets based upon its findings.

## PUBLIC EQUITY

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The publicly traded equity portfolio is the cornerstone of the permanent funds and is the largest and most liquid of our asset types. The role of the equity portfolio is to generate meaningful returns by long-term capital appreciation (driven primarily by capitalization of a growing earnings stream) and dividend income.

Equity exposure is achieved through low-cost passive index allocations, factor-driven strategies, and targeted active management. In the most efficient markets, such as U.S. large-cap stocks, the focus is on capturing market returns through the increased use of low-cost strategies. In less efficient markets, such as emerging markets and small-cap stocks, the focus is on identifying skilled active managers to achieve greater than market returns.

The primary portfolio strategy employed in the publicly traded equity portfolio is to maintain returns on the upside and protect when markets are falling. Downside protection is constructed into the portfolio by allocating to strategies with performance track records designed to perform relatively better when equity markets are weaker or exhibit downside volatility. These strategies are quantitatively paired with those selected to bring more upside capture to the portfolio.

More specifically, the equity portfolio strategy is aimed at the following:

- Relatively low-tracking error to the benchmark.
- Relatively lower volatility, particularly in down markets.
- Relatively low fees.
- Generation of excess return over passive benchmarks.
- Excellent performance as measured against peer-equity portfolios.

## GLOBAL PRIVATE EQUITY

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Private Equity can refer to several different types of investment strategies. Venture capital and growth funds typically target investments in small, rapidly growing companies. Buyout funds typically focus their attention on medium to large sized companies, utilizing skills and experience to expand market share and enhance profit margins. The special situations fund category implies investments in either private equity funds or stressed/distressed debt funds. The National Private Equity Portfolio, which consists of limited partnership interests in these strategies, had a net asset value (NAV) of \$2 billion, as of Dec. 31, 2017, and the current target allocation for private equity is 12 percent of the entire fund portfolio.

Historically, private equity has demonstrated some of the highest returns among various asset classes. Its primary role in the portfolio is to enhance overall returns through exposure to the long-term growth potential of private companies. These fund investments are characterized by limited liquidity and longer investment horizons, often 10 years or more, and they target higher risk-adjusted returns than publicly listed securities.

## NEW MEXICO PRIVATE EQUITY

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New Mexico statutes allow the Severance Tax Permanent Fund to invest in regional private equity funds. Our current target allocation is 5 percent of the total value of the fund. This allocation has a dual role in the portfolio. The first is to enhance the overall return of the portfolio through investment in young, early stage regional companies. The second role is to provide investment capital that may ultimately provide economic benefits to the State of New Mexico. The Council can consider the economic benefits to the state in addition to potential financial returns when analyzing regional private equity-fund commitments.

The New Mexico Private Equity Investment Program (NMPEIP) utilizes four different strategies to place this investment capital. The largest exposure consists of investments in the SIC's five co-investment funds. These are invested directly in promising New Mexico companies where the SIC is the sole limited partner. Another strategy makes investments in regional venture capital funds. There are currently 20 such active funds. A third strategy permits investing in the Small Business Investment Corporation's cooperative loan agreement program. Finally, SIC investments in the New Mexico Catalyst Fund, which funds a limited number of emerging venture capital funds throughout the state. Together, these New Mexico private equity strategies total almost \$350 million.

### New Mexico Company Highlights

New Mexico startup companies attracted increased millions in financing during 2017. The NMPEIP portfolio companies below were among those receiving \$5 million or more from investors:



## **FIXED INCOME**

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The SIC's fixed income portfolio invests in a variety of government, supranational and corporate securities. The primary objectives of the portfolio are to preserve capital, produce income, and to provide liquidity in times of need. The fixed income portfolio has a long-term allocation of 19 percent for the Land Grant Permanent Fund and 18 percent for the Severance Tax Permanent Fund.

This portfolio is in two allocations. The core allocation contains highly-liquid, highly-rated securities with the primary objective of serving the traditional role of a fixed income portfolio, while providing liquidity to the overall portfolio in the event of a severe market disruption. The non-core allocation's primary objective is to produce yield and generate returns utilizing investments that fall within the range of fixed income or credit strategies. The non-core fixed income portfolio is less liquid and targets higher potential return.

## **REAL ESTATE**

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We target 12 percent of the funds' total assets for our real estate sector, which translates to about \$2.5 billion. Currently, the funds have about \$1.9 billion invested in real estate, and we are closing the gap by making ongoing new commitments.

Generally, the SIC invests in real estate through commingled funds, which means that a sponsor investment manager pools the capital of several institutional investors, (including pension funds, sovereign wealth funds, endowments and the like) and invests in a diversified portfolio of real estate assets. We are invested in more than 40 such commingled funds, and through those funds we have investments in more than 2,000 properties.

Most of the funds' real estate investments are in four major commercial property sectors: office, retail, industrial and multifamily rentals. However, the funds also are invested in student housing, elder-care facilities, self-storage, hotels, medical office buildings and research labs.

More than 80 percent of the funds' real estate investments are located in the U.S., with most of that in major U.S. cities. In addition, to improve diversification and return profiles, the SIC also invests in commingled funds which focus on Europe, Asia and Latin America.

# REAL RETURN

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The SIC invests in real return assets that have the following characteristics:

- Diversification.
- Income generation and capital appreciation.
- Capital preservation.
- Protection from inflation.
- Attractive risk-adjusted returns.

The Real Return portfolio consists mostly of real assets, but also contains some financial assets that offer the same characteristics as listed above. Real assets generally include the following types of investments:

- Agriculture.
- Timber.
- Infrastructure.
- Energy.
- Commodities.

Infrastructure includes the essential systems supporting cities, states and countries, including: transportation (roads, bridges, tunnels, ports, airports and rail networks); utilities (water treatment and distribution, waste water collection and treatment, electrical generation and distribution); communications (fiber and wireless networks); and certain energy-related investments such as pipelines. A common feature of infrastructure assets is that there is frequently a component of stable revenue from the end user. For instance, the energy generated by a solar farm may be subject to a long-term commitment with a public utility to buy all or most of the generated electricity. Many infrastructure assets are or can be privatized, thus creating investment opportunities for institutional investors.

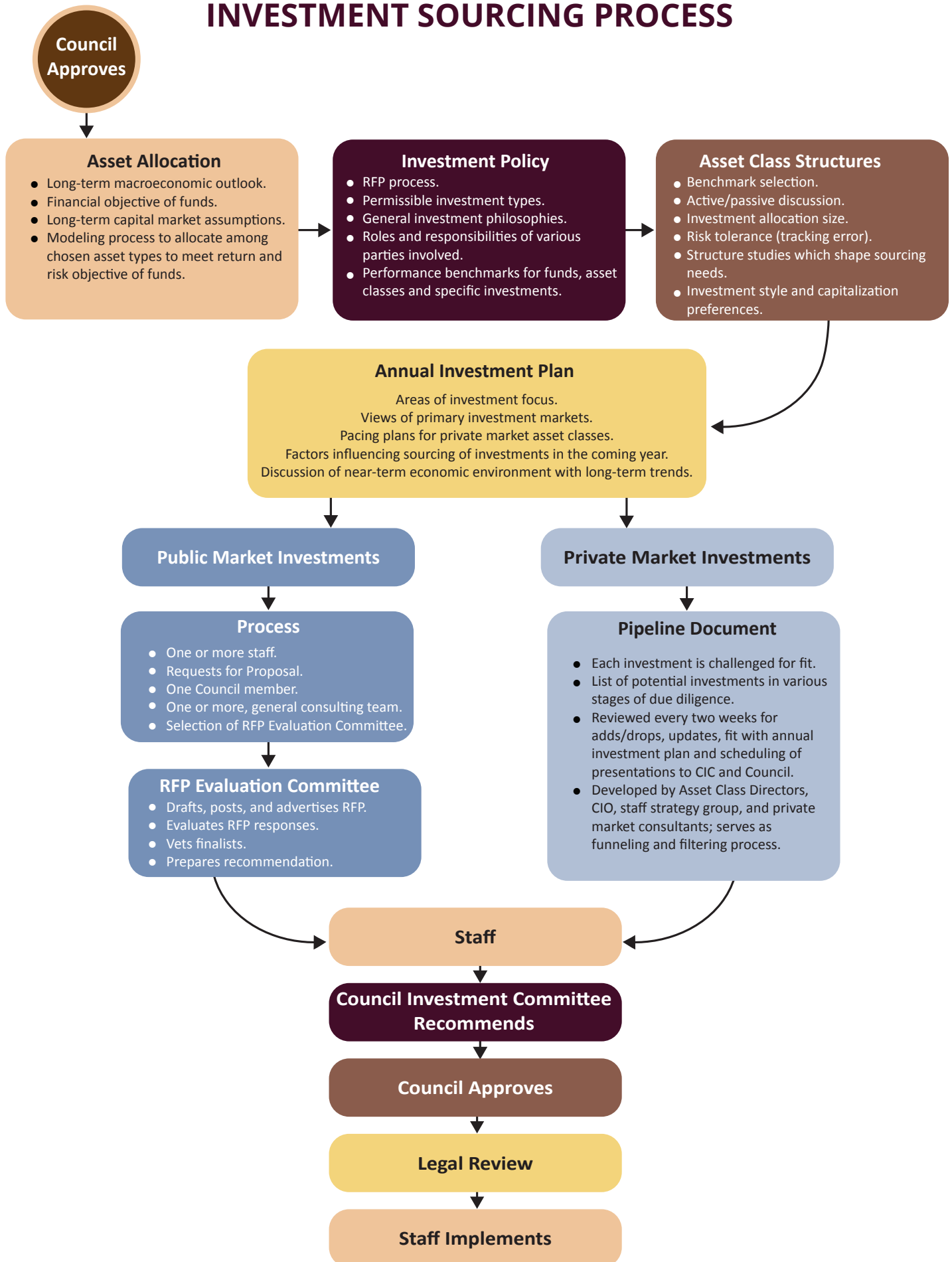
Energy is another dynamic investment class and includes: power generation (solar, wind, hydroelectric and gas-fired generation); gas processing plants, gas and oil storage, gas liquefaction and re-gasification plants; as well as oil and gas exploration and development.

The SIC targets 12 percent of the funds' total assets into the real return sector, which translates to about \$2.5 billion. We have almost \$2.2 billion invested in real return assets, and we are making ongoing new commitments.

The SIC similarly invests in real return assets through commingled funds. Currently, we are invested in nearly 30 such commingled funds and more than 350 underlying real asset investments.

Investments in real assets tend to be globally diversified. About 60 percent of the funds' real asset investments are in the U.S.

# NEW MEXICO STATE INVESTMENT COUNCIL INVESTMENT SOURCING PROCESS



# ANNUAL INVESTMENT PLAN

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Each year, the State Investment Office produces a comprehensive Annual Investment Plan (AIP) for review and approval by the Council. This document merges the collective and ongoing investment thinking, analysis and judgement of the permanent funds' fiduciaries to create a reasoned and practical framework that guides investment activity each year. The AIP helps to ensure that investment activity on behalf of the funds is consistent and aligned with the fiduciary responsibilities, the Council's stated investment policies, and the long-term objectives of the permanent funds. The plan is posted on the SIC website and is divided into four parts:

**Part I: Expected Economic and Investment Environment and Broad Investment Strategy:** Maps out the State Investment Office's macroeconomic and investment market view for a 7-to-10-year period and develops broad investment themes and strategies suited to this expected investment environment.

**Part II: Outlook for the Land Grant and Severance Tax Permanent Funds:** Develops a financial model for each fund, detailing future fund growth and distribution expectations over the 7-to-10-year horizon.

**Part III: Asset Class Plans:** Reviews the purpose, structure, recent performance and activity of each of the asset classes used to invest in the permanent funds, and details near-term plans regarding investment activity in each asset class.

**Part IV: Special Topics:** Features short research and commentary pieces on topics of current relevance.

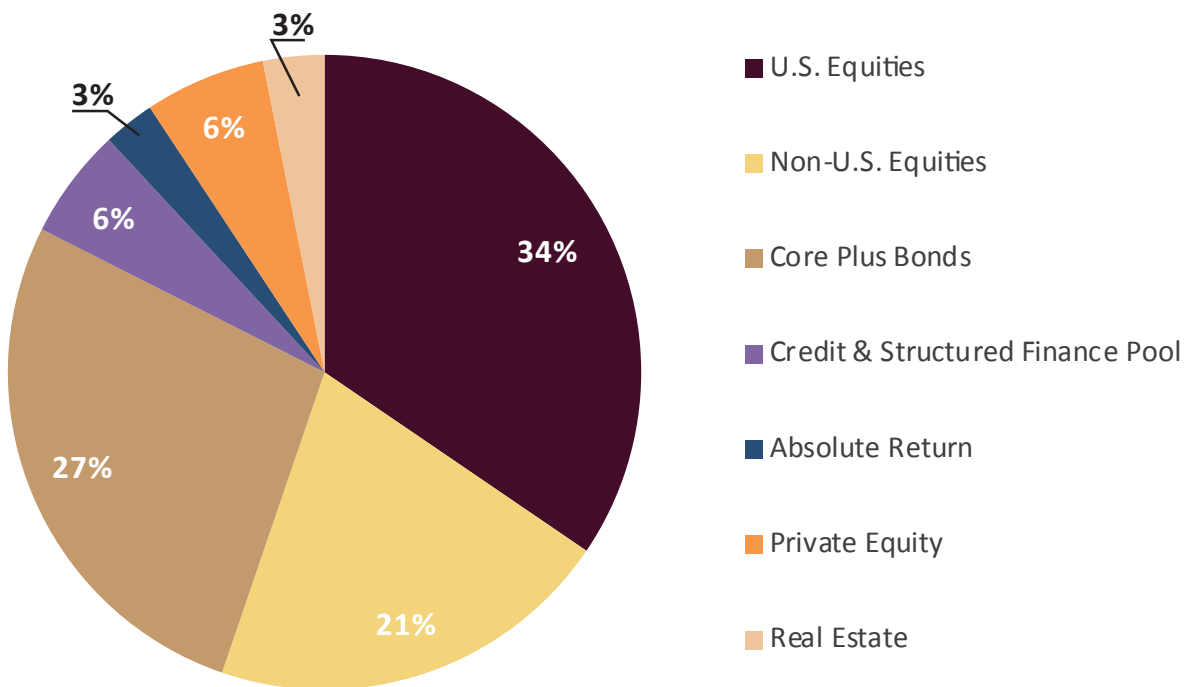
# SIC CLIENTS

The State Investment Council Office manages about \$1 billion in investments for 20 other governmental entities in New Mexico (pages 30-34).

The clients, whose assets range in size from about \$210,000 (Springer Schools) to more than \$621 million (New Mexico Retiree Health Care Authority), participate in investment pools related to publicly traded stocks and bonds. The graph below shows how these combined investments are allocated. We have recently created guidelines that will allow clients with more than \$10 million under management to participate in less-liquid private investment pools. These investments have a longer-term investment horizon than publicly traded pools, and, accordingly, have more restrictive investment/redemption guidelines.

Clients are not charged a management fee. They pay actual expenses incurred, which are itemized in a quarterly invoice.

## GOVERNMENTAL CLIENTS AS OF DEC. 31, 2017



**Client net assets: \$1,051,882,283**



**CLOVIS-CARVER PUBLIC LIBRARY**

**CITY OF LAS CRUCES**

The City of Las Cruces is the seat of Doña Ana County, New Mexico, with the majestic Organ Mountains to the east and the mighty Rio Grande to the west. Las Cruces stands as an oasis at the junction of I-10 and I-25. Total invested as of Dec. 31, 2017: **\$24,067,412.**

**CLOVIS-CARVER LIBRARY**

The trust was created to pay income to the Clovis Library, owned and operated by the City of Clovis, providing periodic payments to the library for book and equipment purchases. Total invested as of Dec. 31, 2017: **\$592,180.**



**CLOVIS COMMUNITY COLLEGE FOUNDATION**

The trust was created for the purpose of encouraging, soliciting, receiving, and administering gifts and bequests (property and funds) for scientific, educational, and charitable purposes for the advancement of Clovis Community College. Total invested as of Dec. 31, 2017: **\$2,916,297.**

**EASTERN NEW MEXICO UNIVERSITY (ENMU)**

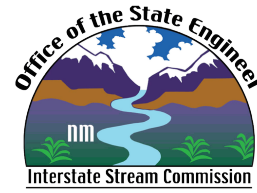
ENMU has prepared students for careers and advanced study for over 80 years. The University is where tradition meets affordable tuition and flexibility meets fulfilment. That's why its slogan is "Student Success – that's what it's all about!" Total invested as of Dec. 31, 2017: **\$14,000,358.**





### LOS ALAMOS COUNTY

Los Alamos County has three permanent funds invested with the SIC: the Capital Projects Permanent Fund and the Cemetery Trust Fund. Total invested as of Dec. 31, 2017: **\$42,063,239.**



### INTERSTATE STREAM COMMISSION (ISC)

ISC has broad powers to investigate, protect, conserve, and develop New Mexico's waters, including both interstate and intrastate stream systems. One of its authorities is to negotiate with other states to settle interstate stream controversies. Total invested as of Dec. 31, 2017: **\$59,591,041.**



### CHILDREN YOUTH AND FAMILIES DEPARTMENT (CYFD)

CYFD began investing with the SIC in 2006. The department works diligently to address a number of significant issues facing the children, youth and families of New Mexico. Total invested as of Dec. 31, 2017: **\$6,425,370.**

### NEW MEXICO HIGHER EDUCATION DEPARTMENT

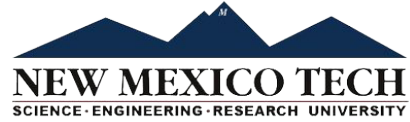
### HIGHER EDUCATION DEPARTMENT (HED)

HED began investing with the SIC in 2007. The department works to encourage all New Mexicans to pursue a college education by making it more accessible and affordable. Total invested as of Dec. 31, 2017: **\$1,533,596.**



**NEW MEXICO HIGHLANDS UNIVERSITY**

Highlands began investing with the SIC in 2005. The University aspires to develop broadly literate citizens and leaders, educated in analytical and critical thought, and also in the appreciation of the arts and sciences. Total invested as of Dec. 31, 2017: **\$4,548,169.**



**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**

New Mexico Tech serves the state and beyond through education, research, and service, focused in science, technology, engineering, and mathematics. Involved faculty educate a diverse student body in rigorous and collaborative programs, preparing scientists and engineers for the future. Total invested as of Dec. 31, 2017: **\$86,552,467.**



**NEW MEXICO MILITARY INSTITUTE (NMMI)**

NMMI offers a tradition of educating tomorrow's leaders through a program of strong, challenging academics, leadership preparation, and character development. NMMI remains the only state-supported co-educational college-preparatory high school and junior college in the United States. Total invested as of Dec. 31, 2017: **\$47,115,649.**



**NEW MEXICO MORTGAGE FINANCE AUTHORITY (MFA)**

MFA is New Mexico's leader in affordable housing. They provide innovative products, education and services to strengthen families and communities. Total invested as of Dec. 31, 2017: **\$33,769,918.**



**NEW MEXICO RETIREE HEALTH CARE AUTHORITY**

The New Mexico Retiree Health Care Authority fosters quality of life and peace of mind by responsibly administering affordable, secure health-care benefits for public retirees and their families. Total invested as of Dec. 31, 2017: **\$621,164,303.**



**NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED**

The New Mexico School for the Blind and Visually Impaired is a specialized school which provides residential, academic, support, and outreach services to the students who are blind and visually impaired in New Mexico. Total invested as of Dec. 31, 2017: **\$10,291,551.**



**NEW MEXICO SMALL BUSINESS INVESTMENT CORPORATION (SBIC)**

The SBIC helps create new job opportunities by providing equity and debt capital to small businesses through its Lending Program and Equity Program throughout New Mexico. Total invested as of Dec. 31, 2017: **\$7,433,668.**



**NEW MEXICO STATE LAND OFFICE**

**NEW MEXICO STATE LAND OFFICE**

The State Land Office is responsible for administering 9 million acres of surface and 13 million acres of subsurface estate for the beneficiaries of the state land trust, which includes schools, universities, hospitals and other important public institutions. Total invested as of Dec. 31, 2017: **\$14,659,732.**

## SIC CLIENTS



### OFFICE OF SUPERINTENDENT OF INSURANCE (OSI)

OSI provides convenient access to reliable insurance products which are underwritten by dependable and financially sound companies. It strives to ensure that these companies have a proven history of fair and reasonable rates and are represented by trustworthy and qualified agents. Total invested as of Dec. 31, 2017: **\$35,410,166.**



### PUBLIC SCHOOLS INSURANCE AUTHORITY (PSIA)

PSIA was created by the Legislature in 1986 to serve as a purchasing agency for public-school districts, post-secondary educational entities and charter schools. Through PSIA, member schools are afforded the opportunity to offer quality employee benefit and risk coverages. Total invested as of Dec. 31, 2017: **\$27,292,486.**



### SAN JUAN COLLEGE FOUNDATION (SJCF)

SJCF funds innovative, challenging and affordable academic programs that equip students with the knowledge, skills and confidence to succeed in meeting educational and career goals. Total invested as of Dec. 31, 2017: **\$12,243,935.**



### SPRINGER MUNICIPAL SCHOOL DISTRICT

Springer Municipal School District strives to provide effective instructional leadership, responsible fiscal management, and quality learning environments, which will result of producing successful members in society. Total invested as of Dec. 31, 2017: **\$210,743.**

## SIC COUNCIL MEMBERS

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The SIC is chaired by the Governor of the State of New Mexico and is composed of 11 members:

The Governor, the State Treasurer, the Commissioner of Public Lands, four public members appointed by the Legislative Council, and four members appointed by the Governor, including the Cabinet Secretary of the Department of Finance and Administration (DFA) and one of whom must be the chief financial officer of a state institution of higher learning.

Public members are appointed with the advice and consent of the New Mexico State Senate and must subsequently be confirmed by that body.

### Elected Members

Governor Susana Martinez  
State Treasurer Tim Eichenberg  
Commissioner of Public Lands  
Aubrey Dunn

### Legislative Appointees

Peter B. Frank  
Tim Jennings  
Harold W. Lavender, Jr.  
Leonard Lee Rawson

### Governor's Appointees

DFA Secretary Duffy Rodriguez  
Scott Smart (ENMU)  
Linda Eitzen  
Lynn Hoffman

The 11-member SIC and its Committees are fiduciaries to one of the top sovereign wealth funds in the country, and among the largest in the world. The SIC strives for transparency by webcasting its monthly meetings, which are open to the public.

Public members serve a five year term and are required to have 10 years of qualified professional experience in: investment, finance and/or governance. Among legislative appointees, no more than two members may be from the same political party.

## TERMS OF PUBLIC MEMBERS

The terms of the six public members appointed by the Legislature and Governor are five-years long, and the term lengths are staggered, starting with the initial appointments in 2010.

Council terms:

- Public Member Leonard Lee Rawson: 2017-2022
- Public Member Peter B. Frank: 2015-2020
- Public Member Harold W. Lavender, Jr.: 2013-2018
- Public Member Linda Eitzen: 2016-2021
- Public Member Lynn Hoffman: 2016-2019
- Public Member Tim Jennings: 2018-2023

Members may be re-appointed. The public member/University CFO serves at the pleasure of the Governor, and also must be confirmed by the State Senate.

**STATE INVESTMENT  
COUNCIL MEMBERS**

**GOVERNOR  
SUSANA MARTINEZ**



**COMMISSIONER OF PUBLIC LANDS  
AUBREY DUNN**



**STATE TREASURER  
TIM EICHENBERG**



**LINDA EITZEN**



**PETER B. FRANK**



**LYNN HOFFMAN**



**TIM JENNINGS**



**HAROLD W. LAVENDER, JR.**



**LEONARD LEE RAWSON**



**SCOTT SMART**



\* Not pictured **DFA SECRETARY DUFFY RODRIGUEZ**

## SIC COMMITTEES

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In 2010, the SIC established working committees to serve the varied needs of the Council and to advise the body as a whole. These committees include the Investment Committee, Audit Committee, and Governance Committee. The committees are not established by statute, and members are appointed by the Council. Committee professional advisers are: Gene Sanger, Jim Goodwin and Fred Nathan.

Notices for meetings are posted on the SIC website [www.sic.state.nm.us](http://www.sic.state.nm.us) and also in the Albuquerque Journal.

### INVESTMENT COMMITTEE

Linda Eitzen, Chair  
Harold W. Lavender, Jr.  
Lynn Hoffman  
Gene Sanger

### AUDIT COMMITTEE

Peter Frank, Chair  
Leonard Lee Rawson  
Jim Goodwin

### GOVERNANCE COMMITTEE

Lynn Hoffman, Chair  
Peter B. Frank  
Scott Smart  
Fred Nathan

## WHAT IS A

# FIDUCIARY?

A fiduciary is a trustee, bound by legal and ethical responsibility to manage a trust's assets, while acting solely in the best interests of the trust's beneficiaries, regardless of any personal interests or considerations.

# SIC OFFICE

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The New Mexico State Investment Council Office began operations in January 1959. It is charged with the responsibility of carrying out the long-term investment strategies and policies approved by the Council. The state investment officer is appointed by the SIC and oversees day-to-day operations of the office.

## MISSION

To protect and grow the state's permanent endowment funds for current and future generations, through prudent, professional investment management.

## VISION

To become one of the best performing, most respected sovereign wealth funds worldwide.

## VALUES

### Accountability

Being: responsible, knowledgeable, and trustworthy.

### Excellence

Possessing: skills, professionalism, and quality.

### Integrity

Exhibiting: ethics, principles, honesty.

### Pride

Showing: leadership, ownership, and commitment.

### Respect

Encouraging: teamwork, communication, and collegiality.



# SIC STAFF

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## LEADERSHIP

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Steven K. Moise	State Investment Officer
Robert "Vince" Smith	Chief Investment Officer
Brent H. Shipp	Chief Financial Officer
Evan L. Land	Chief Counsel
Charles V. Wollmann	Director, Communications, Legislative and Client Relations

## INVESTMENT

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Robert "Vince" Smith	Chief Investment Officer
Starla Bennett	Director, Public Equity
Paul Chapman	Director, Real Estate and Real Return
David Lee	Director, Private Equity
Bart Stucky	Acting Director, Fixed Income
Todd Frybarger	Investment Strategist
Clayton Camper	Investment Analyst
Nino Carpenito	Investment Analyst
Christopher Cassidy	Investment Analyst
Maria Korostelev	Investment Analyst

## FINANCE

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Brent H. Shipp	Chief Financial Officer
Nicole Gallegos	Manager, Investment Accounting
Karthik Mohan	Financial Coordinator
Chris Thompson	Financial/Compliance Analyst
Rita Scheett	Financial Coordinator
Thu Sanchez	Investment Accounting Analyst

## LEGAL

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Evan L. Land	Chief Counsel
Bruce Brown	Deputy General Counsel and Compliance Officer
Gordon Sellers	Legal Assistant

## SUPPORT

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Kerri Segell	Executive Assistant
Dave Jackson	Network Administrator III
Jodi McGinnis	Communications, Legislative and Client Relations Analyst
Terrie Fajardo	Administrative Assistant



## **PUBLIC RECORD REQUESTS**

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The Inspection of Public Records Act is intended to provide the public with access to governmental information. The law requires public access to virtually all public records, with a few exceptions. A reasonable fee may be charged for a copy of a public record. The NMSIC fee for documents 11" x 17" or smaller is .25¢ per page. For records other than documents, the fee is \$6.75 for videos, DVDs and \$2.75 for audio tapes. The records custodian may request that applicable fees for copying public records be paid in advance, before copies are made. A receipt indicating that fees have been paid for making copies of public records will be provided upon request.

Record requests for the State Investment Council should be addressed to:

NMSIC Records Custodian  
41 Plaza la Prensa  
Santa Fe, NM 87507  
Fax: (505) 424-2510  
Email: [nmsicrecordsrequest@state.nm.us](mailto:nmsicrecordsrequest@state.nm.us)

# NEW MEXICO STATE INVESTMENT COUNCIL

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This report provides information on the financial status and investment activity of the New Mexico State Investment Council. The data concerning the permanent funds in this report is presented solely as a historic record. The financial condition reflected in the report may have changed materially since the report was published. Although other information regarding the permanent funds may be publicly available, the SIC does not intend to update the report after it has been released.

For more information on the New Mexico State Investment Council or to view an electronic copy of this report, visit our website at [www.sic.state.nm.us](http://www.sic.state.nm.us).

## **New Mexico State Investment Council**

41 Plaza la Prensa  
Santa Fe, New Mexico 87507

Phone: (505) 476-9500  
[www.sic.state.nm.us](http://www.sic.state.nm.us)

### **Credits**

SIC staff who contributed to this report: Steven K. Moise, Robert "Vince" Smith, Evan L. Land, Charles V. Wollmann, Jodi McGinnis, Starla Bennett, Paul Chapman, David Lee, Nicole Gallegos, Gordon Sellers, Dave Jackson and Nino Carpenito. Others who volunteered their time: Christopher Korody, Tracy Olcott, Maggie O'Reilly and Arnold Vigil.

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**New Mexico State Investment Council**

41 Plaza la Prensa  
Santa Fe, New Mexico 87507

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[www.sic.state.nm.us](http://www.sic.state.nm.us)