

NEW MEXICO EDUCATIONAL RETIREMENT BOARD

INFRASTRUCTURE PORTFOLIO

QUARTERLY PERFORMANCE MEASUREMENT

SECOND QUARTER

JUNE 30, 2016



CALEDON CAPITAL MANAGEMENT INC.

141 ADELAIDE STREET WEST | SUITE 1500
TORONTO, ONTARIO M5H 3L5
CANADA

EXECUTIVE SUMMARY

The following report presents a summary of the portfolio composition and returns for the infrastructure investment portfolio (“Portfolio”) of the New Mexico Educational Retirement Board (“NMERB”). The Portfolio was established in July 2008. All data presented below are as of June 30, 2016.

PORTFOLIO SUMMARY

| | |
|--|---------------|
| Portfolio Fair Value | \$252,587,310 |
| Unfunded Investment Commitments | \$163,135,147 |
| Total Exposure (Portfolio Fair Value plus Unfunded Investment Commitments) | \$415,722,457 |
| Portfolio Inception Date | July 2008 |
| Total Number of Fund Investments | 8 |
| Total Number of Direct Investments ¹ | 6 |
| Net Internal Rate of Return (“IRR”) Since Inception | 5.2% |

CURRENT COMMITMENTS

| <u>Commitments</u> | <u>Vintage Year</u> | <u>Fund Currency</u> | <u>Commitment (Local)</u> | <u>Commitment (USD)</u> | <u>Gross IRR²</u> | <u>Net IRR²</u> |
|---|---------------------|----------------------|---------------------------|-------------------------|------------------------------|----------------------------|
| Gateway Infrastructure Investments | 2008 | USD | \$42,647,060 | \$42,647,060 | (3.4%) | (5.5%) |
| Alinda Infrastructure Fund II | 2008 | USD | \$50,000,000 | \$50,000,000 | 11.8% | 8.0% |
| Alterna Core Capital Assets Fund | 2009 | USD | \$55,000,000 | \$55,000,000 | 9.0% | 5.3% |
| Stonepeak Infrastructure Fund | 2012 | USD | \$40,000,000 | \$40,000,000 | 16.8% | 8.9% |
| EQT Infrastructure Partners II ³ | 2012 | EUR | €30,000,000 | \$35,119,670 | 29.6% | 21.4% |
| Alterna Core Capital Assets Fund II | 2012 | USD | \$25,000,000 | \$25,000,000 | 5.5% | (3.7%) |
| ISQ Global Infrastructure Fund | 2014 | USD | \$50,000,000 | \$50,000,000 | 34.7% | 6.1% |
| Stonepeak Infrastructure Fund II | 2015 | USD | \$50,000,000 | \$50,000,000 | NM | NM |
| Total Fund Commitments | | | | \$ 347,766,730 | 7.9% | 4.2% |
| Caledon Andromeda Investments | 2013 | USD | \$85,000,000 | \$85,000,000 | 43.2% | 35.4% |
| Total Direct Commitments | | | | \$85,000,000 | 43.2% | 35.4% |
| Total Portfolio | | | | \$ 432,766,730 | 8.9% | 5.2% |

¹ Direct investments held through Caledon Andromeda Investments

² Since inception Internal Rate of Returns are calculated using New Mexico Educational Retirement Board cash flows and prevailing foreign exchange rates at the time of contributions and distributions, and may therefore be different than the return reported by the Manager.

³ EUR commitment comprised of drawn commitments at actual funded USD plus unfunded commitment converted to USD per Bloomberg June 30, 2016 closing rate (\$1.1106/EUR).

FUNDING STATUS

| <u>Investment</u> | <u>Commitment</u> | <u>Drawn Commitment⁴</u> | <u>Unfunded Commitments⁵</u> | <u>Distributions</u> |
|------------------------|-----------------------|-------------------------------------|---|----------------------|
| Total Portfolio | \$ 432,766,730 | \$269,631,583 | \$163,135,147 | \$138,954,297 |

⁴ Drawn commitments at actual funded USD amounts net of recallable distribution.

⁵ Unfunded commitments include recyclable capital and may therefore not equal commitments minus capital contribution. While Gateway Infrastructure’s investment period has ended, it still has the ability to continue to call capital for follow-on investments and management fees.

Note: The foregoing investment information was prepared by the New Mexico Educational Retirement Board or its advisors or consultants solely for informational purposes and should not be relied on for any other purpose. Neither the investment’s sponsor nor any of its affiliates (i) has reviewed, audited, verified, approved or sanctioned such information, or (ii) makes any representation or warranty regarding the completeness or accuracy of such information or the absence of miscalculations or errors from such information.

PORTFOLIO CASH FLOWS AND PERFORMANCE

| TOTAL PORTFOLIO INVESTMENT ACTIVITY STATEMENT (\$MILLIONS) | | | | | | | | | | | |
|---|---------------------|--------------------|-------------------|---------------------|------------------|--------------------|---------------------------|------------------|-----------------|----------------|-------------|
| Period | A | B | Distributions | | | C | E = D-(A+B-C) | D | Management Fees | Other Expenses | Total Fees |
| | Beginning Valuation | Total Contribution | Return of Capital | Capital Gain/(Loss) | Dividends/Income | Total Distribution | Change in Net Asset Value | Ending Valuation | | | |
| 2008 | - | 15.8 | 0.1 | - | - | 0.1 | (1.2) | 14.5 | 0.6 | 0.4 | 1.0 |
| 2009 | 14.5 | 47.8 | 12.4 | - | 0.4 | 12.8 | 1.8 | 51.3 | 2.3 | 0.5 | 2.8 |
| 2010 | 51.3 | 19.5 | 3.3 | - | 0.7 | 4.0 | 2.4 | 69.3 | 2.3 | 0.3 | 2.6 |
| 2011 | 69.3 | 46.8 | 12.2 | - | 1.5 | 13.7 | 3.0 | 105.4 | 2.8 | 0.2 | 3.0 |
| 2012 | 105.4 | 20.1 | 5.0 | 0.4 | 4.3 | 9.7 | (4.3) | 111.4 | 2.5 | 0.8 | 3.3 |
| 2013 | 111.4 | 27.6 | 8.7 | - | 6.3 | 15.0 | 0.9 | 124.9 | 3.9 | 0.4 | 4.3 |
| 2014 | 124.9 | 31.6 | 14.5 | 9.2 | 3.5 | 27.2 | 10.4 | 139.7 | 3.4 | 1.4 | 4.8 |
| 2015 | 139.7 | 78.6 | 11.5 | 1.2 | 6.0 | 18.7 | 9.6 | 209.2 | 4.2 | 1.7 | 5.9 |
| Q1 – 16 | 209.2 | 16.0 | 5.0 | 14.4 | 0.9 | 20.3 | 16.4 | 221.3 | 1.0 | 0.2 | 1.2 |
| Q2 – 16 | 221.3 | 41.8 | 16.2 | 0.0 | 1.2 | 17.4 | 6.9 | 252.6 | 0.6 | 0.2 | 0.8 |
| Total | | 345.6 | 88.9 | 25.2 | 24.8 | 138.9 | 45.9 | 252.6 | 23.6 | 6.1 | 29.7 |

Note: Amounts in table may not add due to rounding

SUMMARY OF PERFORMANCE

| <u>Time-Weighted</u> | <u>Quarter</u> | <u>1-Year</u> | <u>2-Year</u> | <u>3-Year</u> | <u>5-Year</u> | <u>Since Inception</u> |
|------------------------|----------------|---------------|---------------|---------------|---------------|------------------------|
| Total Net Return | 8.5% | 13.4% | 9.4% | 7.8% | 3.3% | 1.9% |
| <u>Dollar-Weighted</u> | | | | | | |
| Total Net IRR | | | | | | 5.2% |

Note: Time-weighted net returns provided by NEPC, LLC

Note: The foregoing investment information was prepared by the New Mexico Educational Retirement Board or its advisors or consultants solely for informational purposes and should not be relied on for any other purpose. Neither the investment's sponsor nor any of its affiliates (i) has reviewed, audited, verified, approved or sanctioned such information, or (ii) makes any representation or warranty regarding the completeness or accuracy of such information or the absence of miscalculations or errors from such information.

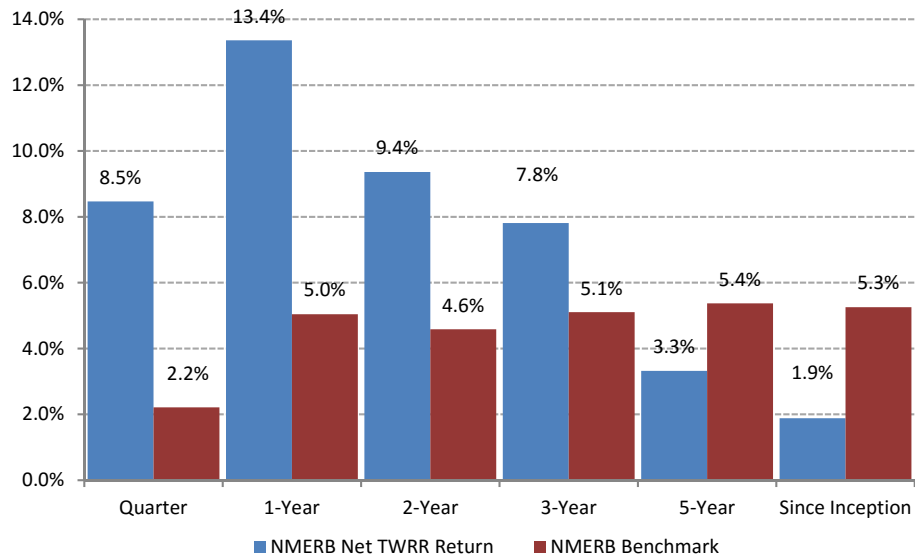
PORTFOLIO RETURN VS. BENCHMARK

PORTFOLIO RETURN VS. BENCHMARK

| <u>Time-Weighted</u> | <u>NMERB Net Return</u> | <u>CPI + 400 bps</u> | <u>Outperformance</u> |
|----------------------|-------------------------|----------------------|-----------------------|
| Quarter | 8.5% | 2.2% | 6.3% |
| 1-Year | 13.4% | 5.0% | 8.4% |
| 2-Year | 9.4% | 4.6% | 4.8% |
| 3-Year | 7.8% | 5.1% | 2.7% |
| 5-Year | 3.3% | 5.4% | (2.1%) |
| Since Inception | 1.9% | 5.3% | (3.4%) |

Note: Time-weighted NMERB net returns provided by NEPC, LLC

PORTFOLIO RETURN VS. BENCHMARK



Note: The foregoing investment information was prepared by the New Mexico Educational Retirement Board or its advisors or consultants solely for informational purposes and should not be relied on for any other purpose. Neither the investment's sponsor nor any of its affiliates (i) has reviewed, audited, verified, approved or sanctioned such information, or (ii) makes any representation or warranty regarding the completeness or accuracy of such information or the absence of miscalculations or errors from such information.

INVESTMENT POLICY GUIDELINES

The NMERB adopted an Infrastructure Policy Statement in September 2007 and subsequently updated in March 2012. The policy statement sets out the investment guidelines and ranges that have been adopted by NMERB and to which the infrastructure portfolio must adhere. The guidelines have been adopted to ensure appropriate risk-adjusted returns are targeted and adequate diversification exists within the Portfolio.

| PORTFOLIO INVESTMENT POLICY GUIDELINES | | |
|--|------------------|------------------|
| Parameter | Policy Guideline | Portfolio Actual |
| Investment Structure | | |
| Private Equity | 40% - 100% | 91.3% |
| Private Debt | 0% - 60% | 7.7% |
| Public Equity | 0% - 20% | 0.7% |
| Public Debt | 0% - 10% | 0.3% |
| Investment Vehicle | | |
| Open-End Funds | 20% - 100% | - |
| Closed-End Funds | 20% - 100% | 81.2% |
| Public Infrastructure Securities | 0% - 30% | - |
| Direct Co-Investments | 0% - 30% | 18.8% |
| Diversification by Asset Type | | |
| Energy | 0% - 60% | 49.8% |
| Transportation | 0% - 60% | 15.5% |
| Utilities | 0% - 60% | 11.0% |
| Social Infrastructure | 0% - 60% | 0.4% |
| Other | 0% - 40% | 23.3% |
| Diversification by Geography | | |
| United States | 0% - 100% | 71.7% |
| Western Europe | 0% - 70% | 11.4% |
| Australia | 0% - 70% | 2.0% |
| Other OECD | 0% - 50% | 12.4% |
| Other Non-OECD | 0% - 20% | 2.5% |

| INVESTMENT STRUCTURE | INVESTMENT VEHICLE |
|--|--|
| <p>Detailed description: A pie chart illustrating the investment structure. The largest slice is Private Equity at 91%, followed by Private Debt at 8%, Public Equity at 1%, and Public Debt at 0%.</p> | <p>Detailed description: A pie chart illustrating the investment vehicle. The largest slice is Close-ended at 81%, and Direct at 19%.</p> |
| ASSET TYPE | GEOGRAPHY |
| <p>Detailed description: A pie chart illustrating diversification by asset type. Energy is the largest category at 50%, followed by Other at 23%, Transportation at 15%, and Utilities at 11%. Social Infrastructure is at 0%.</p> | <p>Detailed description: A pie chart illustrating diversification by geography. The US is the largest category at 72%, followed by Other - OECD at 12%, W. Europe at 11%, Other Non-OECD at 3%, and Australia at 2%.</p> |

Note: The foregoing investment information was prepared by the New Mexico Educational Retirement Board or its advisors or consultants solely for informational purposes and should not be relied on for any other purpose. Neither the investment's sponsor nor any of its affiliates (i) has reviewed, audited, verified, approved or sanctioned such information, or (ii) makes any representation or warranty regarding the completeness or accuracy of such information or the absence of miscalculations or errors from such information.