

NEW MEXICO EDUCATIONAL RETIREMENT BOARD

INFRASTRUCTURE PORTFOLIO

QUARTERLY PERFORMANCE MEASUREMENT

THIRD QUARTER

SEPTEMBER 30, 2016



CALEDON CAPITAL MANAGEMENT INC.

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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 September 30, 2016.

## PORTFOLIO SUMMARY

Portfolio Fair Value	\$253,072,350
Unfunded Commitment	\$156,350,292
Total Exposure (Portfolio Fair Value plus Unfunded Commitment)	\$409,422,642
Portfolio Inception Date	July 2008
Total Number of Fund Investments	8
Total Number of Direct Investments <sup>1</sup>	6
Net Internal Rate of Return (“IRR”) Since Inception	5.2%

## CURRENT COMMITMENTS

<u>Investment</u>	<u>Vintage Year</u>	<u>Fund Currency</u>	<u>Commitment (Local)</u>	<u>Commitment (USD)</u>	<u>Gross IRR<sup>2</sup></u>	<u>Net IRR<sup>2</sup></u>
Gateway Infrastructure Investments	2008	USD	\$42,647,060	\$42,647,060	(3.3%)	(5.4%)
Alinda Infrastructure Fund II	2008	USD	\$50,000,000	\$50,000,000	10.8%	7.2%
Alterna Core Capital Assets Fund	2009	USD	\$55,000,000	\$55,000,000	8.7%	5.0%
Stonepeak Infrastructure Fund	2012	USD	\$40,000,000	\$40,000,000	15.1%	8.3%
EQT Infrastructure Partners II <sup>3</sup>	2012	EUR	€30,000,000	\$35,312,561	29.8%	21.4%
Alterna Core Capital Assets Fund II	2012	USD	\$25,000,000	\$25,000,000	9.3%	0.8%
ISQ Global Infrastructure Fund	2014	USD	\$50,000,000	\$50,000,000	30.7%	10.8%
Stonepeak Infrastructure Fund II	2015	USD	\$50,000,000	\$50,000,000	NM	NM
<b>Total Fund Commitments</b>				<b>\$ 347,959,621</b>	<b>7.9%</b>	<b>4.2%</b>
Caledon Andromeda Investments	2013	USD	\$85,000,000	\$85,000,000	34.5%	28.6%
<b>Total Direct Commitments</b>				<b>\$85,000,000</b>	<b>34.5%</b>	<b>28.6%</b>
<b>Total Portfolio</b>				<b>\$ 432,959,621</b>	<b>8.9%</b>	<b>5.2%</b>

<sup>1</sup> Direct investments held through Caledon Andromeda Investments

<sup>2</sup> 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.

<sup>3</sup> EUR commitment comprised of drawn commitments at actual funded USD plus unfunded commitment converted to USD per Bloomberg September 30, 2016 closing rate (\$1.1235/EUR).

## FUNDING STATUS

<u>Investment</u>	<u>Commitment</u>	<u>Drawn Commitment<sup>4</sup></u>	<u>Unfunded Commitment<sup>5</sup></u>	<u>Distribution</u>
<b>Total Portfolio</b>	<b>\$ 432,959,621</b>	<b>\$276,609,329</b>	<b>\$156,350,292</b>	<b>\$150,234,054</b>

<sup>4</sup> Drawn commitments at actual funded USD amounts net of recallable distribution.

<sup>5</sup> 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
Q3 – 16	252.6	8.3	8.5	0.0	2.8	11.3	3.5	253.1	0.8	0.3	1.1
<b>Total</b>		<b>353.9</b>	<b>97.4</b>	<b>25.2</b>	<b>27.6</b>	<b>150.2</b>	<b>49.4</b>	<b>253.1</b>	<b>24.4</b>	<b>6.4</b>	<b>30.8</b>

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	2.2%	14.1%	8.5%	8.2%	3.5%	2.1%
<u>Dollar-Weighted</u>						
Total Net IRR						5.2%

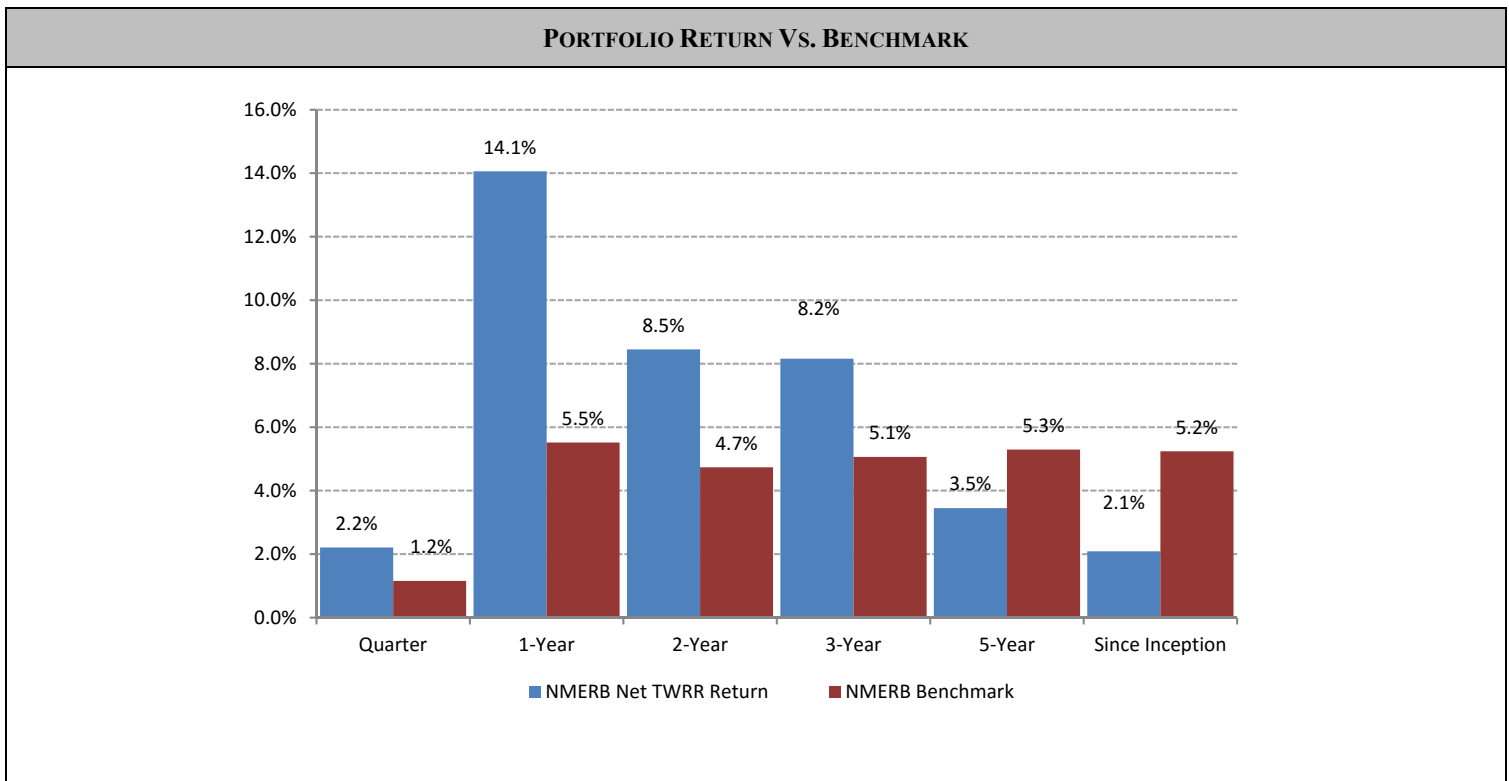
Note: Time-weighted net returns provided by NEPC, LLC

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**PORTFOLIO RETURN VS. BENCHMARK**

<b>PORTFOLIO RETURN VS. BENCHMARK</b>			
<u>Time-Weighted</u>	<u>NMERB Net Return</u>	<u>CPI + 400 bps</u>	<u>Outperformance</u>
Quarter	2.2%	1.2%	1.0%
1-Year	14.1%	5.5%	8.6%
2-Year	8.5%	4.7%	3.8%
3-Year	8.2%	5.1%	3.1%
5-Year	3.5%	5.3%	(1.8%)
Since Inception	2.1%	5.2%	(3.1%)

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



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**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
<b>Investment Structure</b>		
Private Equity	40% - 100%	90.4%
Private Debt	0% - 60%	8.6%
Public Equity	0% - 20%	0.7%
Public Debt	0% - 10%	0.3%
<b>Investment Vehicle</b>		
Open-End Funds	20% - 100%	-
Closed-End Funds	20% - 100%	80.7%
Public Infrastructure Securities	0% - 30%	-
Direct Co-Investments	0% - 30%	19.3%
<b>Diversification by Asset Type</b>		
Energy	0% - 60%	47.9%
Transportation	0% - 60%	16.0%
Utilities	0% - 60%	11.2%
Social Infrastructure	0% - 60%	0.3%
Other	0% - 40%	24.6%
<b>Diversification by Geography</b>		
United States	0% - 100%	70.3%
Western Europe	0% - 70%	10.9%
Australia	0% - 70%	2.0%
Other OECD	0% - 50%	12.9%
Non-OECD	0% - 20%	3.9%

INVESTMENT STRUCTURE	INVESTMENT VEHICLE
<p>A pie chart illustrating the investment structure. The largest slice is Private Equity at 90%, followed by Private Debt at 9%, Public Equity at 1%, and Public Debt at 0%.</p>	<p>A pie chart illustrating the investment vehicle. The largest slice is Close-ended at 81%, and Direct at 19%.</p>
ASSET TYPE	GEOGRAPHY
<p>A pie chart illustrating the asset type distribution. Energy is the largest category at 48%, followed by Transportation at 25%, Utilities at 16%, Social Infrastructure at 11%, and Other at 0%.</p>	<p>A pie chart illustrating the geographic distribution. The US is the largest region at 70%, followed by W. Europe at 13%, Australia at 4%, Other - OECD at 2%, and Non - OECD at 11%.</p>

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