

NEW MEXICO EDUCATIONAL RETIREMENT BOARD

INFRASTRUCTURE PORTFOLIO

QUARTERLY PERFORMANCE MEASUREMENT

FIRST QUARTER

MARCH 31, 2017



CALEDON CAPITAL MANAGEMENT INC.

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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 March 31, 2017.

PORTFOLIO SUMMARY

Portfolio Fair Value	\$331,118,181
Unfunded Commitment	\$184,085,972
Total Exposure (Portfolio Fair Value plus Unfunded Commitment)	\$515,204,153
Portfolio Inception Date	July 2008
Total Number of Fund Investments	8
Total Number of Direct Investments ¹	10
Net Internal Rate of Return (“IRR”) Since Inception	5.7%

CURRENT COMMITMENTS

<u>Investment</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	(2.6%)	(4.7%)
Alinda Infrastructure Fund II	2008	USD	\$50,000,000	\$50,000,000	9.5%	6.0%
Alterna Core Capital Assets Fund	2009	USD	\$55,000,000	\$55,000,000	8.6%	5.0%
Stonepeak Infrastructure Fund	2012	USD	\$40,000,000	\$40,000,000	19.3%	13.4%
EQT Infrastructure Partners II ³	2012	EUR	€30,000,000	\$34,510,556	26.2%	18.1%
Alterna Core Capital Assets Fund II	2012	USD	\$25,000,000	\$25,000,000	10.1%	3.0%
ISQ Global Infrastructure Fund	2014	USD	\$50,000,000	\$50,000,000	31.1%	17.8%
Stonepeak Infrastructure Fund II	2015	USD	\$50,000,000	\$50,000,000	37.9%	32.7%
Total Fund Commitments				\$ 347,157,616	8.2%	4.7%
Caledon Andromeda Investments	2013	USD	\$85,000,000	\$85,000,000	25.7%	21.7%
Caledon Andromeda Investments II	2016	USD	\$100,000,000	\$100,000,000	NM	NM
Total Direct Commitments				\$ 185,000,000	25.7%	21.7%
Total Portfolio				\$ 532,157,616	9.1%	5.7%

¹ Direct investments held through Caledon Andromeda Investments and Caledon Andromeda Investments II.

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 commitment at actual funded USD plus unfunded commitment converted to USD per Bloomberg March 31, 2017 closing rate (\$1.0652/EUR).

FUNDING STATUS

<u>Investment</u>	<u>Commitment</u>	<u>Drawn Commitment⁴</u>	<u>Unfunded Commitment⁵</u>	<u>Distribution</u>
Total Portfolio	\$ 532,157,616	\$ 348,071,644	\$ 184,085,972	\$ 162,421,360

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
2016	209.2	112.0	31.3	15.0	7.9	54.2	32.3	299.3	3.7	1.5	5.2
Q1 – 17	299.3	31.7	4.5	1.2	1.3	7.0	7.1	331.1	0.8	0.2	1.0
Total		431.5	103.5	27.0	31.9	162.4	62.0	331.1	26.5	7.4	33.9

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	2.1%	13.7%	10.1%	9.0%	4.4%	2.3%
<u>Dollar-Weighted</u>						
Total Net IRR						5.7%

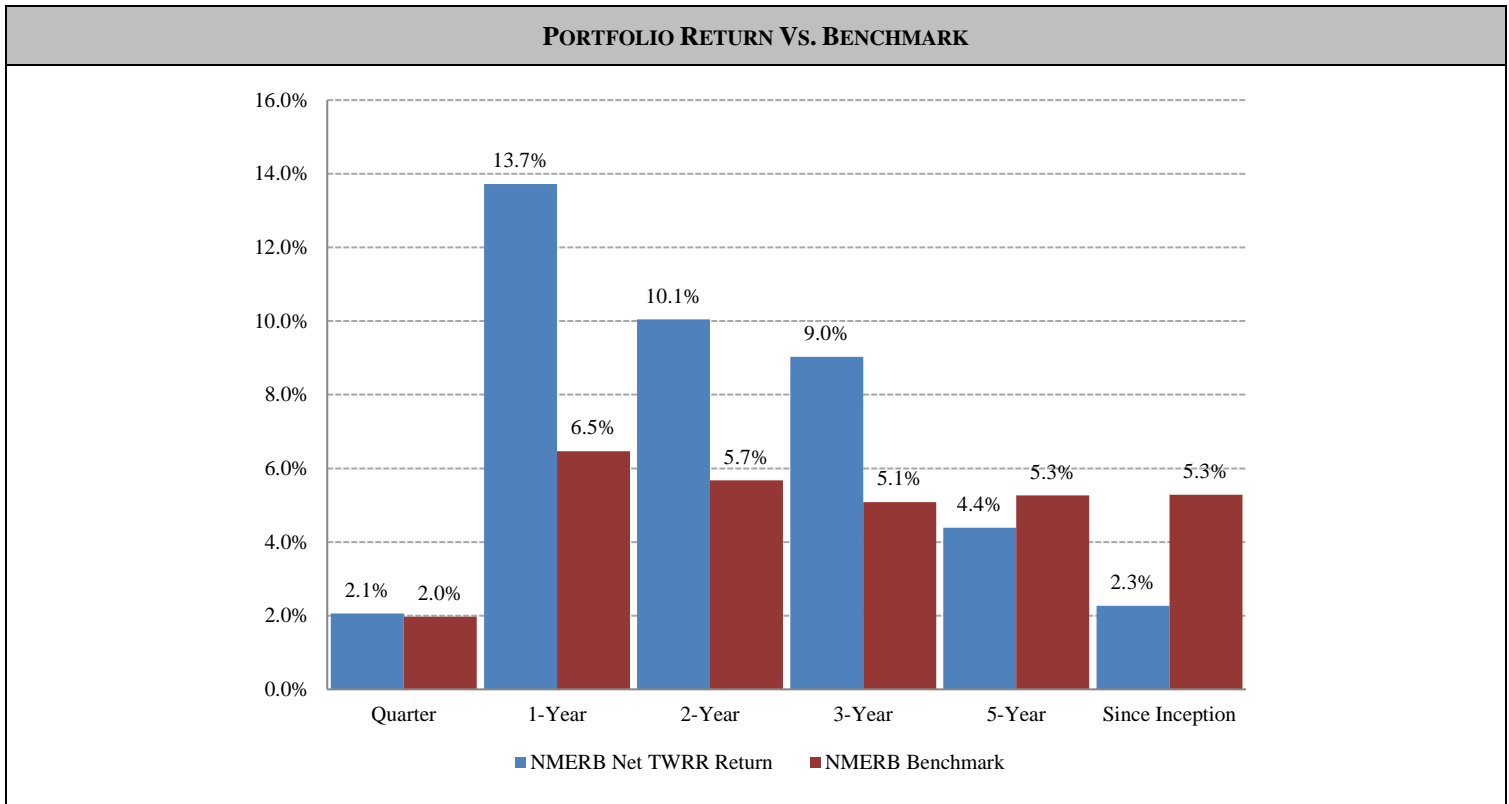
Note: Time-weighted net returns provided by NEPC, LLC

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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	2.1%	2.0%	0.1%
1-Year	13.7%	6.5%	7.2%
2-Year	10.1%	5.7%	4.4%
3-Year	9.0%	5.1%	3.9%
5-Year	4.4%	5.3%	(0.9%)
Since Inception	2.3%	5.3%	(3.0%)

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 August 2016. 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%	98.0%
Private Debt	0% - 60%	0.9%
Public Equity	0% - 30%	0.4%
Public Debt	0% - 20%	0.7%
Investment Vehicle		
Open-End Funds	0% - 100%	-
Closed-End Funds	20% - 100%	73.2%
Public Infrastructure Securities	0% - 30%	-
Direct Co-Investments	0% - 50%	26.8%
Diversification by Asset Type		
Energy	0% - 60%	46.8%
Transportation	0% - 60%	14.0%
Utilities	0% - 60%	10.3%
Social Infrastructure	0% - 60%	0.3%
Other	0% - 40%	28.6%
Diversification by Geography		
United States	0% - 100%	70.5%
Western Europe	0% - 70%	10.6%
Australia / NZ	0% - 50%	3.7%
Other OECD	0% - 50%	9.5%
Non-OECD	0% - 20%	5.7%

INVESTMENT STRUCTURE	INVESTMENT VEHICLE
<p>A pie chart illustrating the investment structure. The largest slice is Private Equity at 98%. Other categories include Private Debt (0.9%), Public Equity (0.4%), and Public Debt (0.7%).</p>	<p>A pie chart illustrating the investment vehicle. Close-ended funds account for 73.2%, and direct co-investments account for 26.8%.</p>
ASSET TYPE	GEOGRAPHY
<p>A pie chart illustrating diversification by asset type. Energy is the largest category at 46.8%, followed by Transportation (14.0%), Utilities (10.3%), Other (28.6%), and Social Infrastructure (0.3%).</p>	<p>A pie chart illustrating diversification by geography. The United States is the largest region at 70.5%, followed by Western Europe (10.6%), Other OECD (9.5%), Non-OECD (5.7%), and Australia/NZ (3.7%).</p>

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