



***New Mexico Educational
Retirement Board***

Natural Resources Portfolio Summary

March 31, 2011

Presented by



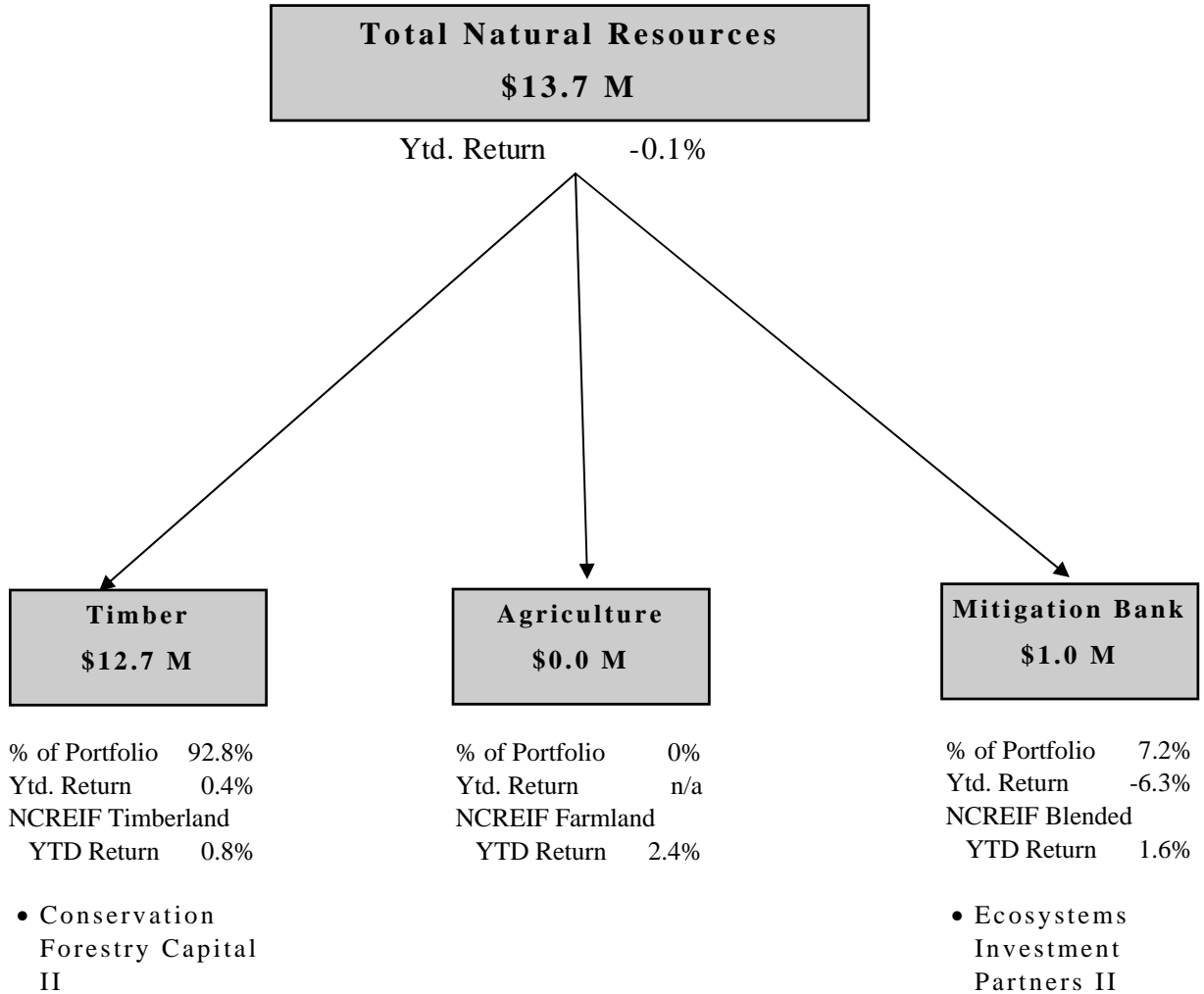
**New Mexico Educational Retirement Board
Natural Resources Portfolio
For the Period Ended March 31, 2011**

Current Portfolio Market Value	\$13.7 million 10.1% of total Allocation (\$135 million)
Current Unfunded Investment Commitments	\$17.6 million
Total Investments Existing and Unfunded Commitments	\$31.3 million 23.2% of total Allocation
Target Allocation to Natural Resources	\$135.0 million
Total Number of Investments	2

Summary of Portfolio Investment Returns - Gross of Fees

Investment	Market Value	Qtr.	YTD	1 Yr.	Annualized Since Inception
Natural Resources	(In millions)				
Timber	\$12.7	0.4%	0.4%	10.0%	2.4%
Agriculture					
Mitigation Bank	\$1.0	-6.3%	-6.3%		-6.3%
Total Natural Resources	\$13.7	-0.1%	-0.1%	9.4%	2.1%
NCREIF Timberland Index		0.8%	0.8%	0.9%	-2.5%
NCREIF Farmland Index		2.4%	2.4%	10.2%	8.1%
Blended 50/50 Benchmark		1.6%	1.6%	5.5%	2.8%

Gross of Fee Returns



Market Overview

For the Period Ended 3/31/2011



Total Returns	Qtr	YTD	1 Yr.	3 Yrs.	5 Yrs.
NCREIF Timberland Index	0.8%	0.8%	0.9%	0.1%	6.7%
NCREIF Farmland Index	2.4%	2.4%	10.2%	10.7%	13.1%
DJ Wilshire Securities Index	6.6%	6.6%	24.9%	1.6%	0.7%
S & P 500 Index	5.9%	6.0%	15.7%	2.4%	2.6%
Barclays Cap. Govt/Credit Index	0.3%	0.3%	5.3%	4.8%	5.8%
Consumer Price Index	2.0%	2.0%	2.7%	1.5%	2.3%

NATURAL RESOURCES CAPITAL MARKET CONDITIONS

Timber

Global timber demand continues to be supported by demand from China. This strong demand is absorbing increased harvests from several regions of the world. Timberland owners in Chile have been increasing their harvests and their production of timber products as facilities damaged by a massive earthquake in 2010 come back on line. For the last year, timber exports from Chile were curtailed as infrastructure ranging from ports to mills recovered from the effects of an 8.0+ magnitude earthquake. Canadian timber companies located in British Columbia have been aggressively harvesting and selling lumber at risk or damaged by the Pine Beetle. These trees are aggressively priced on the stump before their usefulness/value deteriorates to non-economic levels. In the U.S., timberland owners in the Pacific Northwest are selling logs to China as well, driving log prices in Oregon up 21% over the prior year.

In the Southeast region of the U.S., demand for saw timber logs, primarily used to produce products for the housing industry, remains at a low level. Although global pulp demand is strongly supporting pulpwood prices all over the world, including in the Southeast U.S. region, this demand and pricing of pulp is inadequate to make-up for the significant drop-off in saw timber, which historically provides the majority of timber value.

A majority of softwood lumber producers in the U.S. recently approved a promotion program to increase its market share of forest products in building materials. Small assessments on product sales will fund the program. The program targets funding to research/develop new products, market to non-residential builders, and encourage broader use of products made with wood in overseas markets.

Market Overview

For the Period Ended 3/31/2011



NATURAL RESOURCES CAPITAL MARKET CONDITIONS (Continued)

Mitigation Banking

In the last four years, the number of petitions filed for new species listings under the Endangered Species Act has surged. The United States Fish and Wildlife Service (“FWS”) has reported it is unable to process the petitions as quickly as they arrive, resulting in a growing backlog of petitions to such a degree that it is exposed to being sued for missing response time deadlines. As additional endangered species are listed under the Endangered Species Act, there will be more demand for habitat conservation banks.

The Regional Internet Bank Information Tracking System (“RIBITS”) is a mitigation bank tracking system created by the US Army Corps of Engineers (“ACE”) that is accessible over the internet (<http://geo.usace.army.mil/ribits/index.html>). RIBITS has been implemented in 36 out of 38 ACE districts, allowing the ACE to report better information on mitigation bank development. The RIBITS data just released show there were 104 new wetland and stream mitigation banks created in 2010 compared with 89 in 2009. It appears this system will further publicize the benefits of mitigation banks possibly enhancing credit demand.

Agriculture

Shortfalls in 2010 crop production among key producers of wheat and corn around the world resulted in spiking commodity prices during the first quarter of 2011. The International Monetary Fund (“IMF”) reported during Q1 2011 that its food commodity price index increased 59% from December 2008 to April 2011. This increase in crop prices is driving farmland values higher.

Inventories, across various commodities, are low which has made the market quite sensitive to 2011 new crop supply and demand prospects. Flooding in the Southern U.S. has reduced U.S. corn acreage estimates by one million to two and a half million acres out of 92 million originally forecast putting upward pressure on prices. Simultaneously, budget-cutting lawmakers in Congress are considering cuts to the \$6 billion per year ethanol subsidy that may reduce demand for corn at recent high price levels. The market events mentioned above caused corn prices to fall from first quarter record high levels.

Farmland transaction volume is low as farmers reap the benefits of high commodity prices. As a result, eager buyers aggressively seek out the few properties that do become available for sale. Farmland values increased approximately 10% in the U. S. Mid-west region during 2010. Anecdotal data indicate some isolated sales at higher appreciation levels.

Portfolio Summary

For the Period Ended 3/31/2011



Total Portfolio	Investment Type	1st Qtr. 2011 Market Value	Original Commitment	Remaining Capital to be Called
Commingled Funds				
Conservation Forestry II	Timber	\$12,729,529	\$25,000,000	\$12,174,510
Ecosystems Environmental Partners II	Mitigation Bank	989,841	6,582,279	5,471,406
Total Commingled Funds		\$13,719,370	\$31,582,279	\$17,645,916
Total Portfolio		\$13,719,370	\$31,582,279	\$17,645,916

Portfolio Composition by Market Value

For the Period Ended 3/31/2011

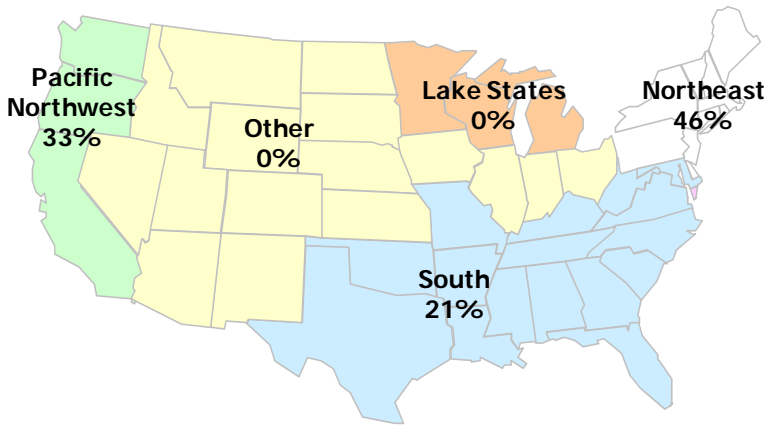


Portfolio Diversification—Natural Resources Only



NMERB Geographic Distribution

NMERB—Timberland Only

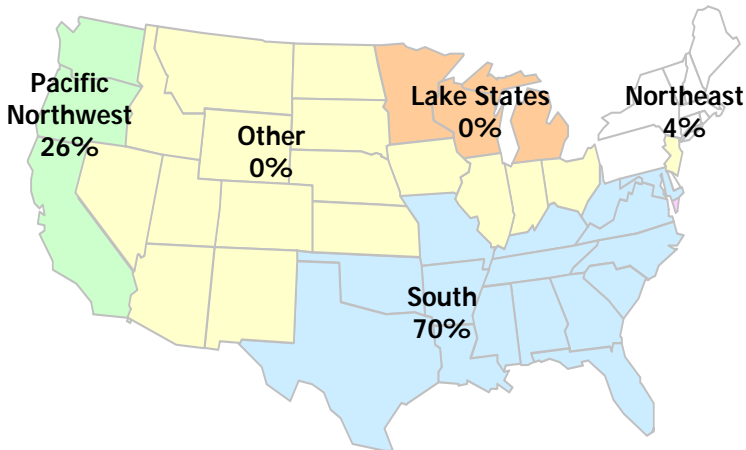


NNERB—Farmland Only

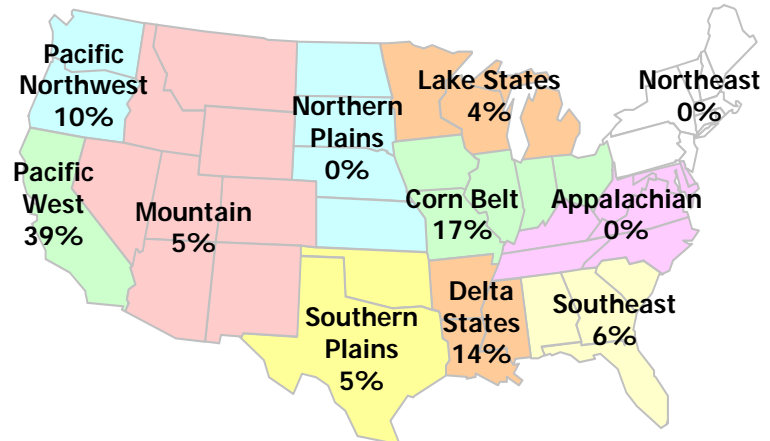
No Investments to Date

NCREIF Geographic Diversification

NCREIF—Timberland Only



NCREIF—Farmland Only



Portfolio Summary

For the Period Ended 3/31/2011



Investment Policy Fund	Market Value (in Millions)	Total Gross Returns			
		Qtr.	YTD	1 Yr.	Since Inception
Timber	\$12.7	0.4%	0.4%	10.0%	2.4%
Conservation Forestry II	\$12.7	0.4%	0.4%	10.0%	2.4%
Agriculture					
Mitigation Bank	\$1.0				
Ecosystems Environement Partners II	\$1.0	-6.3%	-6.3%		-6.3%
TOTAL NATURAL RESOURCES	\$13.7	-0.1%	-0.1%	9.4%	2.1%
Benchmark, Indices					
NCREIF Timberland Index		0.8%	0.8%	0.9%	-2.5%
NCREIF Farmland Index		2.4%	2.4%	10.2%	8.1%
Blended 50/50 Benchmark		1.6%	1.6%	5.5%	2.8%