
NEW MEXICO EDUCATIONAL RETIREMENT BOARD

INFRASTRUCTURE PORTFOLIO

QUARTERLY PERFORMANCE MEASUREMENT

SECOND QUARTER

JUNE 30, 2011



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 and all data presented below are as of June 30, 2011.

| NEW MEXICO EDUCATIONAL RETIREMENT BOARD | |
|---|---------------|
| PORTFOLIO SUMMARY | |
| (for the period ended June 30, 2011) | |
| Current Portfolio Market Value | \$90,923,300 |
| Current Unfunded Investment Commitments | \$71,216,491 |
| Current Market Value Plus Unfunded Commitments | \$162,139,791 |
| Portfolio Inception Date | July, 2008 |
| Total Number of Current Investments: Funds | 3 |
| Total Number of Current Investments: Direct | 0 |
| Net Internal Rate of Return (“IRR”) Since Inception | 5.8% |

| NEW MEXICO EDUCATIONAL RETIREMENT BOARD | | | |
|--|-------------------|-------------------------------|-----------------------------|
| CURRENT COMMITMENTS | | | |
| (for the period ended June 30, 2011) | | | |
| <u>Investment</u> | <u>Commitment</u> | <u>Gross IRR</u> ¹ | <u>Net IRR</u> ¹ |
| Alinda Infrastructure Fund II | \$50,000,000 | 19.0% | 6.2% |
| Alterna Core Capital Assets Fund | \$55,000,000 | 26.1% | 16.3% |
| Citi Infrastructure Fund | \$50,000,000 | 4.7% | 1.7% |
| Total | \$155,000,000 | 11.8% | 5.8% |

¹ Since inception. 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 Managers.

| NEW MEXICO EDUCATIONAL RETIREMENT BOARD | | | | |
|--|-------------------|-----------------------|----------------------|--|
| FUNDING STATUS | | | | |
| (for the period ended June 30, 2011) | | | | |
| <u>Investment</u> | <u>Commitment</u> | <u>Capital Called</u> | <u>Distributions</u> | <u>Unfunded Commitments</u> ¹ |
| Total | \$155,000,000 | \$106,397,252 | \$24,250,844 | \$71,216,491 |

² Unfunded commitments include recyclable capital and may therefore not equal commitments minus capital called.

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.

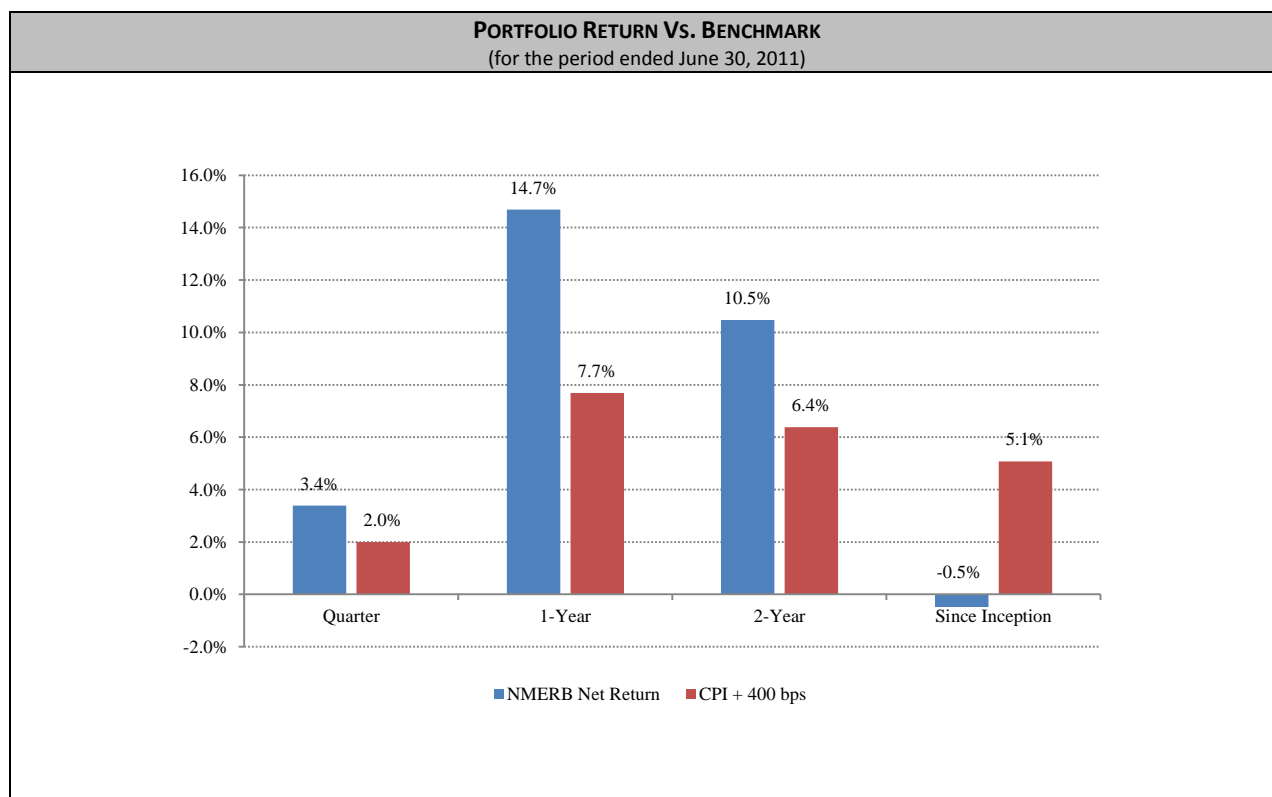
| TOTAL PORTFOLIO | | | | | | | | | | | | |
|--|---------------------|--------------------|-------------------|---------------------|------------------|--------------------|-------------------------------------|------------------|-----------------|----------------|------------|--|
| INVESTMENT ACTIVITY STATEMENT (\$MILLIONS) | | | | | | | | | | | | |
| (for the period ended June 30, 2011) | | | | | | | | | | | | |
| | A | B | Distributions | | | | C | E = D-(A+B-C) | D | | | |
| Quarter | Beginning Valuation | Total Contribution | Return of Capital | Capital Gain/(Loss) | Dividends/Income | Total Distribution | Capital Appreciation/(Depreciation) | Ending Valuation | Management Fees | Other Expenses | Total Fees | |
| Q3-08 | - | 11.9 | - | - | - | - | (1.4) | 10.5 | - | - | - | |
| Q4-08 | 10.5 | 3.9 | 0.1 | - | 0.0 | 0.1 | 0.2 | 14.5 | 0.6 | 0.1 | 0.7 | |
| Q1-09 | 14.5 | 23.9 | 0.3 | - | 0.0 | 0.3 | (4.2) | 33.8 | 0.5 | (0.0) | 0.5 | |
| Q2-09 | 33.8 | 1.9 | 0.2 | - | 0.1 | 0.3 | 1.3 | 36.7 | 0.2 | (0.0) | 0.2 | |
| Q3-09 | 36.7 | 0.4 | - | - | 0.1 | 0.1 | 1.1 | 38.1 | 0.3 | 0.0 | 0.3 | |
| Q4-09 | 38.1 | 21.7 | 12.0 | - | 0.1 | 12.1 | 3.6 | 51.3 | 1.5 | 0.1 | 1.6 | |
| Q1-10 | 51.3 | 1.2 | 1.7 | - | 0.2 | 1.9 | (1.1) | 49.6 | 0.8 | 0.1 | 0.9 | |
| Q2-10 | 49.6 | 2.8 | 0.0 | - | 0.2 | 0.2 | (1.5) | 50.7 | 0.5 | 0.1 | 0.6 | |
| Q3-10 | 50.7 | 12.9 | 0.4 | - | 0.3 | 0.7 | 1.2 | 64.2 | 0.4 | (0.0) | 0.4 | |
| Q4-10 | 64.2 | 2.5 | 1.1 | - | 0.1 | 1.2 | 3.8 | 69.3 | 0.7 | 0.0 | 0.7 | |
| Q1-11 | 69.3 | 17.4 | 1.6 | - | 0.5 | 2.1 | 2.8 | 87.4 | 0.9 | 0.0 | 0.9 | |
| Q2-11 | 87.4 | 6.3 | 4.7 | - | 0.7 | 5.3 | 2.6 | 90.9 | 0.4 | 0.1 | 0.4 | |
| Total | | 106.8 | 22.1 | - | 2.2 | 24.3 | 8.3 | | 6.7 | 0.5 | 7.3 | |

| SUMMARY OF PERFORMANCE | | | | | | |
|--------------------------------------|----------------|---------------|---------------|---------------|---------------|------------------------|
| (for the period ended June 30, 2011) | | | | | | |
| <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 | 3.4% | 14.7% | 10.5% | N.A. | N.A. | (0.5%) |
| <u>Dollar-Weighted</u> | | | | | | |
| Total Net IRR | | | | | | 5.8% |

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PORTFOLIO RETURN VS. BENCHMARK

| PORTFOLIO RETURN VS. BENCHMARK (for the period ended June 30, 2011) | | | |
|---|-------------------------|----------------------|-----------------------|
| <u>Time Weighted</u> | <u>NMERB Net Return</u> | <u>CPI + 400 bps</u> | <u>Outperformance</u> |
| Quarter | 3.4% | 2.0% | 1.4% |
| 1-Year | 14.7% | 7.7% | 7.0% |
| 2-Year | 10.5% | 6.4% | 4.1% |
| 5-Year | N.A. | N.A. | N.A. |
| Since Inception | (0.5%) | 5.1% | (5.6%) |



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INVESTMENT POLICY GUIDELINES

The New Mexico Educational Retirement Board adopted an Infrastructure Policy Statement in September 2007, as updated in the first quarter of 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.

| NEW MEXICO EDUCATIONAL RETIREMENT BOARD PORTFOLIO INVESTMENT POLICY GUIDELINES (for the period ended June 30, 2011) | | |
|---|-------------------------|---|
| <u>Parameter</u> | <u>Policy Guideline</u> | <u>Portfolio Actual</u> |
| Investment Structure | | |
| Private Equity | 40% - 100% | 95.0% |
| Private Debt | 0% - 60% | 5.0% |
| Public Equity | 0% - 20% | - |
| Public Debt | 0% - 10% | - |
| Investment Vehicle | | |
| Open-End Funds | 20% - 100% | - |
| Closed-End Funds | 20% - 100% | 100% |
| Public Infrastructure Securities | 0% - 30% | - |
| Direct Co-Investment | 0% - 30% | - |
| Diversification by Asset Type | | |
| Energy | 0% - 60% | 37.0% |
| Transportation | 0% - 60% | 30.0% |
| Social Infrastructure | 0% - 60% | - |
| Utilities | 0% - 60% | 15.0% |
| Other | 0% - 40% | 18.0% |
| Diversification by Geography | | |
| United States | 0% - 100% | 47.0% |
| Western Europe | 0% - 70% | 41.0% |
| Australia | 0% - 70% | 10.7% |
| Other OECD | 0% - 50% | 0.9% |
| Other Non-OECD | 0% - 20% | 0.4% |
| INVESTMENT STRUCTURE | | INVESTMENT VEHICLE |
| <p>A pie chart illustrating the investment structure. The chart is divided into two segments: a large blue segment representing Private Equity at 95.0%, and a small red segment representing Private Debt at 5.0%.</p> | | <p>A pie chart illustrating the investment vehicle. The chart is a single solid blue circle representing Closed-End Funds at 100%.</p> |
| ASSET TYPE | | GEOGRAPHY |
| <p>A pie chart illustrating diversification by asset type. The chart is divided into four segments: Energy (37.0%, blue), Transportation (30.0%, red), Utilities (15.0%, green), and Other (18.0%, purple).</p> | | <p>A pie chart illustrating diversification by geography. The chart is divided into five segments: United States (47.0%, blue), W. Europe (41.0%, red), Australia (10.7%, green), Other OECD (0.9%, purple), and Other Non-OECD (0.4%, cyan).</p> |