
NEW MEXICO EDUCATIONAL RETIREMENT BOARD

INFRASTRUCTURE PORTFOLIO

QUARTERLY PERFORMANCE MEASUREMENT

SECOND QUARTER

STAFF LEVEL REPORT

JUNE 30, 2014



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 and all data presented below are as of June 30, 2014.

PORTFOLIO SUMMARY					
Portfolio Fair Value					\$140,654,808
Unfunded Investment Commitments					\$189,536,492
Total Exposure (Portfolio Fair Value plus Unfunded Investment Commitments)					\$330,191,300
Portfolio Inception Date					July 2008
Total Number of Fund Investments					6
Total Number of Direct Investments					1
Net Internal Rate of Return (“IRR”) Since Inception					2.5%
CURRENT COMMITMENTS					
<u>Investment</u>	<u>Fund Currency</u>	<u>Commitment (Local)</u>	<u>Commitment (USD)</u>	<u>Gross IRR¹</u>	<u>Net IRR¹</u>
Citi Infrastructure Partners	USD	\$42,647,060	\$42,647,060	(4.5%)	(7.3%)
Alinda Infrastructure Fund II	USD	\$50,000,000	\$50,000,000	12.2%	7.0%
Alterna Core Capital Assets Fund	USD	\$55,000,000	\$55,000,000	12.8%	8.6%
Stonepeak Infrastructure Fund	USD	\$40,000,000	\$40,000,000	33.0%	17.1%
EQT Infrastructure Partners II ²	EUR	€0,000,000	\$40,789,578	14.2%	1.6%
Alterna Core Capital Assets Fund II	USD	\$25,000,000	\$25,000,000	NM	NM
Total Fund Investments			\$253,436,638	6.7%	2.5%
Caledon Andromeda Investments	USD	\$85,000,000	\$85,000,000	NM	NM
Total Direct Investments			\$85,000,000	-	-
Total Portfolio			\$338,436,638	6.9%	2.5%

¹ 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.

² EUR commitment comprised of drawn commitments at actual funded USD plus unfunded commitment converted to USD per Bloomberg June 30, 2014 closing rate (\$1.3692/EUR).

FUNDING STATUS				
<u>Investment</u>	<u>Commitment</u>	<u>Capital Contributions</u>	<u>Distributions</u>	<u>Unfunded Commitments³</u>
Citi Infrastructure Partners	\$42,647,060	\$42,099,380	\$10,043,523	\$7,871,492
Alinda Infrastructure Fund II	\$50,000,000	\$55,607,916	\$16,273,401	\$6,610,636
Alterna Core Capital Assets Fund	\$55,000,000	\$70,930,246	\$38,079,218	\$4,393,567
Stonepeak Infrastructure Fund	\$40,000,000	\$6,593,314	\$1,104,789	\$34,047,411
EQT Infrastructure Partners II ⁴	\$40,789,578	\$11,069,583	\$133,178	\$29,719,995
Alterna Core Capital Assets Fund II	\$25,000,000	\$2,966,819	\$439,037	\$22,403,138
Total Fund Investments	\$253,436,638	\$189,267,258	\$66,073,146	\$105,046,239
Caledon Andromeda Investments	\$85,000,000	\$509,747	-	\$84,490,253
Total Direct Investments	\$85,000,000	\$509,747	-	\$84,490,253
Total Portfolio	\$338,436,638	\$189,777,005	\$66,073,146	\$189,536,492

³ Unfunded commitments include recyclable capital and may therefore not equal commitments minus capital contribution. While Citi Infrastructure’s investment period has ended, it still has the ability to continue to call capital for follow-on investments and management fees.

⁴ EQT’s EUR unfunded commitments converted to USD per Bloomberg June 30, 2014 closing rate (\$1.3692/EUR).

PORTFOLIO CASH FLOWS AND PERFORMANCE

TOTAL PORTFOLIO
INVESTMENT ACTIVITY STATEMENT (\$MILLIONS)

Period	A	B	Distributions			C	E = D-(A+B-C)	D			
	Beginning Valuation	Total Contribution	Return of Capital	Capital Gain/(Loss)	Dividends/Income	Total Distribution	Change in Net Asset Value	Ending Valuation	Management Fees	Other Expenses	Total Fees
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	12.3	-	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	4.2
Q1 – 14	124.9	14.5	6.8	1.6	0.5	9.0	3.6	134.0	1.3	0.6	1.9
Q2 – 14	134.0	1.6	0.4	-	1.4	1.8	6.8	140.7	0.3	0.1	0.4
Total		193.8	49.0	2.0	15.1	66.1	13.0	140.7	16.0	3.2	19.2

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	3.4%	4.8%	4.3%	(0.5%)	3.7%	(0.5%)
<u>Dollar-Weighted</u>						
Total Net IRR						2.5%

SUMMARY OF MARKET VALUES

<u>Investment</u>	<u>NMERB Net Asset Value</u>	<u>% of Portfolio</u>	<u>Unfunded Commitments</u>	<u>Total Exposure⁵</u>	<u>Total Exposure</u>
Citi Infrastructure Partners	\$21,866,632	15.5%	\$7,871,492	\$29,738,124	9.0%
Alinda Infrastructure Fund II	\$48,273,056	34.3%	\$6,610,636	\$54,883,692	16.6%
Alterna Core Capital Assets Fund	\$48,869,356	34.7%	\$4,393,567	\$53,262,923	16.1%
Stonepeak Infrastructure Fund	\$6,988,360	5.0%	\$34,047,411	\$41,035,771	12.5%
EQT Infrastructure Partners II	\$11,133,846	7.9%	\$29,719,995	\$40,853,841	12.4%
Alterna Core Capital Assets Fund II	\$2,042,482	1.5%	\$22,403,138	\$24,445,620	7.4%
Total Fund Investments	\$139,173,732	98.9%	\$105,046,239	\$244,219,971	74.0%
Caledon Andromeda Investments	\$1,481,076	1.1%	\$84,490,253	\$85,971,329	26.0%
Total Direct Investments	\$1,481,076	1.1%	\$84,490,253	\$85,971,329	26.0%
Total Portfolio	\$140,654,808	100%	\$189,536,492	\$330,191,300	100%

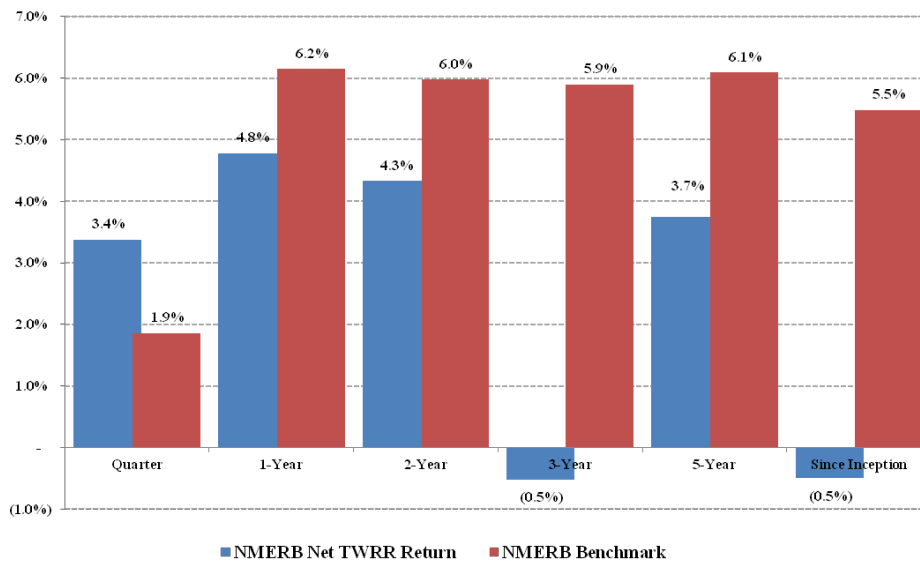
⁵ Total exposure composed of fair value plus unfunded commitments.

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	3.4%	1.9%	1.5%
1-Year	4.8%	6.2%	(1.4%)
2-Year	4.3%	6.0%	(1.7%)
3-Year	(0.5%)	5.9%	(6.4%)
5-Year	3.7%	6.1%	(2.4%)
Since Inception	(0.5%)	5.5%	(6.0%)

PORTFOLIO RETURN VS. BENCHMARK



INVESTMENT POLICY GUIDELINES

The NMERB adopted an Infrastructure Policy Statement in September 2007. This policy was 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%	93.4%
Private Debt	0% - 60%	6.6%
Public Equity	0% - 20%	-
Public Debt	0% - 10%	-
Investment Vehicle		
Open-End Funds	20% - 100%	-
Closed-End Funds	20% - 100%	98.8%
Public Infrastructure Securities	0% - 30%	-
Direct Co-Investment	0% - 30%	1.2%
Diversification by Asset Type		
Energy	0% - 60%	35.5%
Transportation	0% - 60%	17.2%
Utilities	0% - 60%	12.3%
Social Infrastructure	0% - 60%	0.3%
Other	0% - 40%	34.7%
Diversification by Geography		
United States	0% - 100%	63.3%
Western Europe	0% - 70%	23.4%
Australia	0% - 70%	4.5%
Other OECD	0% - 50%	8.7%
Other Non-OECD	0% - 20%	0.1%

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 94%, and a smaller red segment representing Private Debt at 6%.</p>	<p>A pie chart illustrating the investment vehicle. The chart is divided into two segments: a large blue segment representing Closed-End funds at 99%, and a very small red segment representing Direct investments at 1%.</p>
ASSET TYPE	GEOGRAPHY
<p>A pie chart illustrating the diversification by asset type. The chart is divided into five segments: Energy (36%), Transportation (17%), Utilities (12%), Social Infrastructure (0.3%), and Other (35%).</p>	<p>A pie chart illustrating the diversification by geography. The chart is divided into five segments: United States (63%), W. Europe (23%), Australia (4.5%), Other - OECD (8.7%), and Other - Non-OECD (0.1%).</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.