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NEW MEXICO EDUCATIONAL RETIREMENT BOARD

INFRASTRUCTURE PORTFOLIO

QUARTERLY PERFORMANCE MEASUREMENT

THIRD QUARTER

SEPTEMBER 30, 2012



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 September 30, 2012.

PORTFOLIO SUMMARY	
Current Portfolio Market Value	\$103,878,225
Current Unfunded Investment Commitments	\$48,008,830
Current Market Value Plus Unfunded Commitments	\$151,887,055
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	0.9%

CURRENT COMMITMENTS			
<u>Investment</u>	<u>Commitment</u>	<u>Gross IRR<sup>1</sup></u>	<u>Net IRR<sup>1</sup></u>
Alinda Infrastructure Fund II	\$50,000,000	11.3%	3.7%
Alterna Core Capital Assets Fund	\$55,000,000	14.1%	8.3%
Citi Infrastructure Partners	\$50,000,000	(2.6%)	(5.7%)
Total	\$155,000,000	5.5%	0.9%

<sup>1</sup> 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.

FUNDING STATUS				
<u>Investment</u>	<u>Commitment</u>	<u>Capital Called</u>	<u>Distributions</u>	<u>Unfunded Commitments<sup>2</sup></u>
Total	\$155,000,000	\$138,257,478	\$38,060,255	\$48,008,830

<sup>2</sup> 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.

## PORTFOLIO CASH FLOWS AND PERFORMANCE

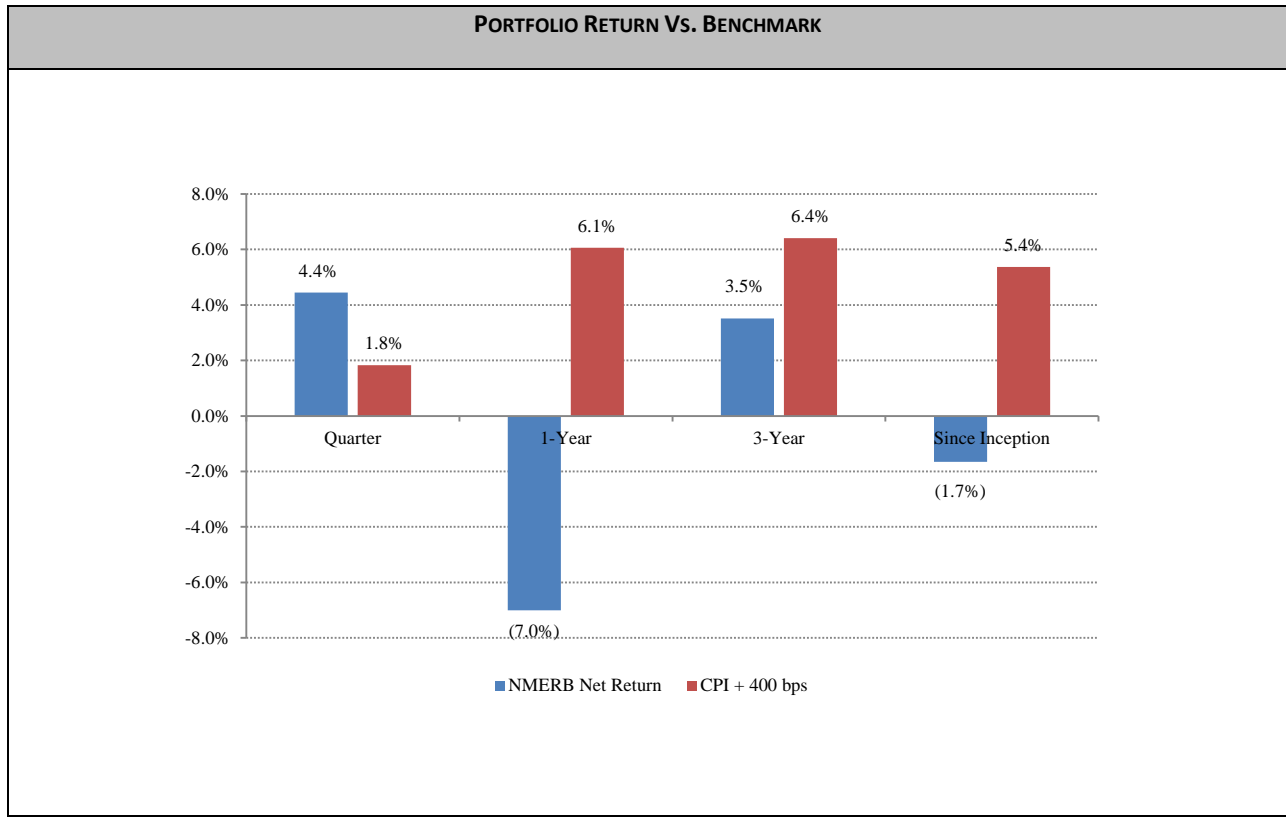
TOTAL PORTFOLIO INVESTMENT ACTIVITY STATEMENT (\$MILLIONS)											
	A	B	Distributions			C	E = D-(A+B-C)	D			
Quarter	Beginning Valuation	Total Contribution	Return of Capital	Capital Gain/(Loss)	Dividends/Income	Total Distribution	Capital Appreciation/(Depreciation)	Ending Valuation	Management Fees	Other Expenses	Total Fees
2008	-	15.8	0.1	-	-	0.1	(1.2)	14.5	0.6	0.1	0.7
2009	14.5	47.8	12.5	-	0.3	12.8	1.8	51.3	2.5	0.1	2.7
2010	51.3	19.5	3.3	-	0.7	4.0	2.4	69.3	2.3	0.2	2.6
2011	69.3	46.8	12.3	-	1.5	13.7	3.0	105.4	2.7	0.3	3.0
Q1 - 12	105.4	1.4	1.8	-	0.4	2.3	1.1	105.6	0.5	0.1	0.6
Q2 - 12	105.6	5.6	0.0	-	1.1	1.1	(7.7)	102.4	0.2	0.1	0.3
Q3 - 12	102.4	2.7	2.3	0.4	1.5	4.1	2.9	103.9	1.1	0.0	1.1
<b>Total</b>		<b>139.7</b>	<b>32.2</b>	<b>0.4</b>	<b>5.5</b>	<b>38.1</b>	<b>2.2</b>	<b>103.9</b>	<b>10.0</b>	<b>1.0</b>	<b>10.9</b>

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	4.4%	(7.0%)	2.6%	3.5%	N.A.	(1.7%)
<u>Dollar-Weighted</u>						
Total Net IRR						0.9%

## 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	4.4%	1.8%	2.6%
1-Year	(7.0%)	6.1%	(13.1%)
3-Year	3.5%	6.4%	(2.9%)
5-Year	N.A.	N.A.	N.A.
Since Inception	(1.7%)	5.4%	(7.0%)

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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.

PORTFOLIO INVESTMENT POLICY GUIDELINES		
Parameter	Policy Guideline	Portfolio Actual
<b>Investment Structure</b>		
Private Equity	40% - 100%	93.9%
Private Debt	0% - 60%	6.1%
Public Equity	0% - 20%	-
Public Debt	0% - 10%	-
<b>Investment Vehicle</b>		
Open-End Funds	20% - 100%	-
Closed-End Funds	20% - 100%	100%
Public Infrastructure Securities	0% - 30%	-
Direct Co-Investment	0% - 30%	-
<b>Diversification by Asset Type</b>		
Energy	0% - 60%	39.9%
Transportation	0% - 60%	14.6%
Social Infrastructure	0% - 60%	-
Utilities	0% - 60%	14.6%
Other	0% - 40%	30.9%
<b>Diversification by Geography<sup>1</sup></b>		
United States	0% - 100%	61.7%
Western Europe	0% - 70%	28.6%
Australia	0% - 70%	8.5%
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 93.9%, and a small red segment representing Private Debt at 6.1%.</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 (39.9%, blue), Transportation (14.6%, red), Utilities (14.6%, green), and Other (30.9%, purple).</p>	<p>A pie chart illustrating diversification by geography. The chart is divided into five segments: United States (61.7%, blue), W. Europe (28.6%, red), Australia (8.5%, green), Other - OECD (0.9%, purple), and Other - Non-OECD (0.4%, cyan).</p>