

New Mexico Educational Retirement Board

Real Estate and Natural Resources Portfolio Quarterly Board
Summary

June 30, 2016

REAL ASSET
PORTFOLIO MANAGEMENT

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Portfolio Summary

Portfolio Review

As of June 30, 2016, New Mexico Educational Retirement Board (“NMERB”) had a total portfolio value of \$11,366,601,630. NMERB’s long-term target allocations to real estate and natural resources are 7% (\$795,662,114) and 4.5% (\$511,497,073), respectively. As of June 30, 2016, net asset value (“NAV”) of the real estate portfolio was \$844,106,883 and NAV for the natural resources portfolio was \$274,115,651.

As of June 30, 2016, NMERB had \$398,509,167 of committed but uncalled allocations to private real estate managers and \$288,658,813 of committed but uncalled allocations to Natural Resources managers.

Returns Summary

	Time Weighted Returns		Since Inception Net IRR
	Current Quarter	Since Inception	
Public Real Estate	6.80%	10.08%	13.08%
Wilshire REIT Index	5.60%	10.31%	
Private Real Estate	4.04%	7.99%	10.47%
NCREIF Property Index	2.03%	5.89%	
Natural Resources	5.35%	4.23%	6.26%
NCREIF Timberland Index	0.98%	3.95%	
NCREIF Farmland Index	1.25%	12.87%	
CPI (All Consumers)	1.22%	1.74%	

Portfolio Highlights

The real estate portfolio is expected to generate returns in excess of the National Council of Real Estate Investment Fiduciaries Index (“NCREIF Index”) over rolling five year investment time horizons.

Key Private Asset Ratios as of 06/30/2016

Paid in Capital (PIC) 0.63x

Distribution Paid in
Capital (DPI) 0.45x

Residual Value Paid in
Capital (RVPI) 0.78x

Total Value Paid in Capital
(TVPI) 1.23x

Trailing Period Time Weighted Returns – *Net of Fees*

	QTR	1 Year	3 Year	5 Year	7 Year	Since Inception	SI Date
Public Real Estate	6.80%	17.95%	11.90%	11.79%	20.48%	10.08%	3/31/2004
In-House REIT	5.77%	22.72%	13.58%	12.26%	20.85%	10.27%	3/31/2004
Wilshire REIT - U.S. Equity	5.60%	22.82%	13.63%	12.48%	20.99%	10.31%	3/31/2004
Brookfield U.S. Value REIT	7.25%	14.92%	11.06%	12.41%	-	12.41%	9/30/2011
MSCI REIT Index	6.81%	24.10%	13.51%	12.53%	20.81%	12.53%	9/30/2011
Private Real Estate	4.04%	14.44%	15.25%	15.03%	14.48%	7.99%	6/30/2008
NCREIF Property Index	2.03%	10.64%	11.60%	11.51%	10.27%	5.89%	6/30/2008
Natural Resources	5.35%	10.39%	7.44%	6.15%	4.71%	4.23%	6/30/2009
NCREIF Timberland Index	0.98%	3.38%	7.73%	6.69%	4.27%	3.95%	6/30/2009
NCREIF Farmland Index	1.25%	9.68%	12.79%	15.19%	13.17%	12.87%	6/30/2009
CPI (All Consumers)	1.22%	1.01%	1.06%	1.32%	1.60%	1.74%	6/30/2009

Calendar Year Time Weighted Returns – *Net of Fees*

	YTD	2015	2014	2013	2012	2011
Public Real Estate	11.05%	-1.01%	30.71%	3.48%	19.60%	8.78%
In-House REIT	11.03%	4.28%	31.57%	1.47%	17.11%	9.17%
Wilshire REIT - U.S. Equity	11.09%	4.23%	31.78%	1.86%	17.58%	9.24%
Brookfield U.S. Value REIT	10.85%	-4.06%	29.80%	6.40%	25.80%	-
MSCI REIT Index	13.56%	2.52%	30.38%	2.47%	17.77%	8.69%
Private Real Estate	5.88%	12.92%	18.15%	19.73%	14.33%	8.33%
NCREIF Property Index	4.28%	13.33%	11.81%	10.99%	10.54%	14.26%
Natural Resources	5.14%	7.25%	2.08%	11.33%	2.61%	2.89%
NCREIF Timberland Index	0.72%	4.97%	10.48%	9.68%	7.75%	1.57%
NCREIF Farmland Index	2.65%	10.34%	12.63%	20.93%	18.58%	15.16%
CPI (All Consumers)	1.91%	0.73%	0.76%	1.50%	1.74%	2.96%

Private Portfolio Statistics

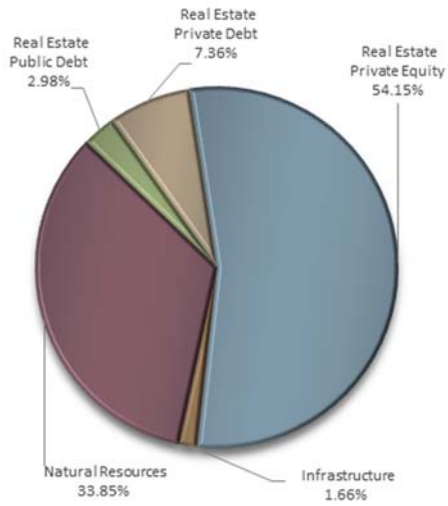
	06/30/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012
Private Portfolio Market Value	\$ 764,941,269	\$ 691,163,227	\$ 563,535,356	\$ 295,792,339	\$ 260,579,714
Committed Uncalled	687,167,980	650,114,560	500,638,903	569,522,524	231,187,026
Private Portfolio Market Value + Committed Uncalled	\$ 1,452,109,249	\$ 1,341,277,787	\$ 1,064,174,260	\$ 865,314,862	\$ 491,766,740
Total Number of Fund Investments	41	38	32	26	17
Total Number of Managers	28	27	25	21	14

Private Asset Multiples

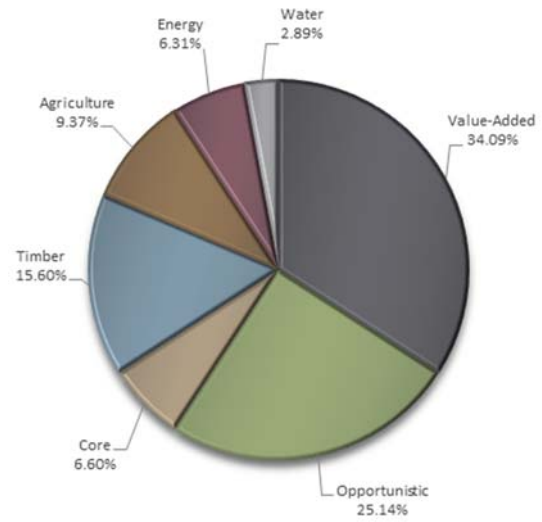
	6/30/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012
PIC Multiple	.63 x	.61 x	.58 x	.41 x	.57 x
Distribution Multiple	.45 x	.42 x	.36 x	.40 x	.21 x
Residual Value Multiple	.78 x	.79 x	.82 x	.79 x	.89 x
Total Value Multiple	1.23 x	1.21 x	1.18 x	1.19 x	1.09 x

Portfolio Diversification

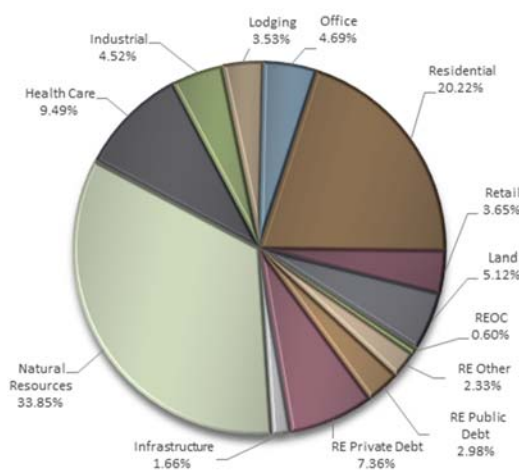
Private Diversification by Investment Class



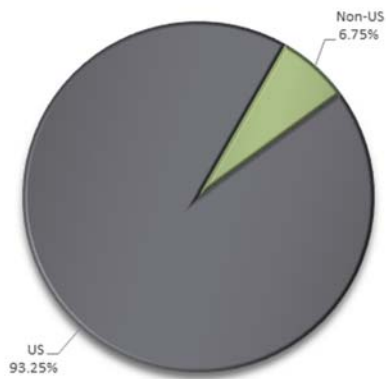
Private Asset Risk Category



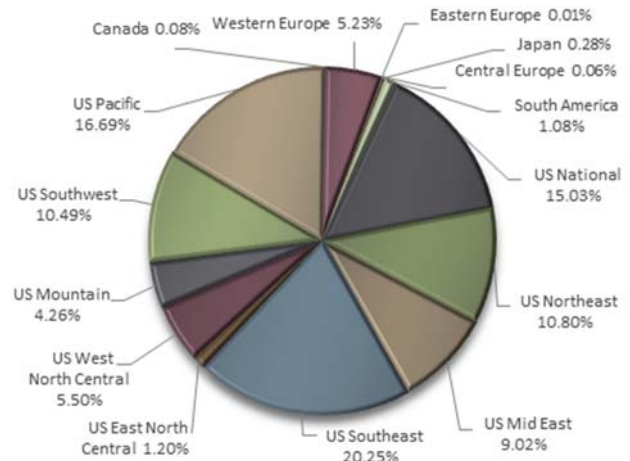
Private Asset Diversification by Investment Type



Private Asset US vs. Non-US Diversification



Private Asset Global Diversification



Manager Statistics

Manager Performance – Net of Fees

	Commitment (\$)	Market Value (\$)	Time Weighted Returns				Since Inception	Since Inception Net IRR
			YTD	1 Year	3 Year	5 Year		
Private Real Estate								
PRIMA Mortgage Investment Trust, LLC	50,000,000	50,086,552	3.91%	4.39%	4.84%	4.98%	5.39%	5.65%
Prologis Targeted Europe Logistics Fund, FCP-FIS	12,195,225	7,023,101	2.27%	6.26%	6.28%	2.35%	-4.35%	-4.35%
Prologis Targeted US Logistics Fund	23,844,842	0	2.03%	10.11%	13.26%	13.49%	1.01%	1.03%
Core Total	86,040,066	57,109,653	3.76%	6.56%	7.11%	6.67%	2.58%	3.06%
Crow Holdings Realty Partners VI, LP	50,000,000	42,020,840	8.36%	13.60%	-	-	8.24%	10.05%
Crow Holdings Realty Fund VII, LP	35,000,000	15,132,029	2.10%	-	-	-	2.10%	-
Hammes Partners II, L.P.	50,000,000	14,210,072	5.18%	-	-	-	9.06%	-
Prudential Senior Housing Partners IV	50,000,000	45,950,191	4.97%	16.11%	15.03%	-	12.30%	14.24%
Prudential Senior Housing V	35,000,000	8,783,718	14.84%	8.46%	-	-	8.46%	13.02%
RAM Realty Partners III	30,000,000	24,643,319	6.85%	20.62%	17.25%	-	16.61%	16.81%
RAM Realty Partners IV	40,000,000	-	-	-	-	-	-	-
Realterm Logistics Fund, L.P.	25,000,000	17,854,124	14.46%	21.83%	-	-	22.42%	21.89%
Rockpoint Real Estate Fund IV, L.P.	45,454,545	28,860,287	2.31%	17.68%	25.55%	-	50.95%	25.09%
Rockpoint Real Estate Fund V, L.P.	35,000,000	4,018,475	19.41%	-	-	-	19.41%	-
Sares-Regis Multifamily Fund, L.P.	30,000,000	37,682,857	14.44%	39.07%	13.31%	-	13.31%	16.69%
Sares-Regis Multifamily Value-Add Fund II, L.P.	30,000,000	10,842,178	0.88%	-	-	-	1.63%	-
Value-Added Total	455,454,545	249,998,090	7.56%	19.38%	16.00%	-	14.90%	15.45%
Greenfield Acquisition Partners V, L.P.	25,000,000	1,823,306	-6.78%	-5.74%	0.97%	5.38%	1.48%	8.40%
Kildare European Partners I, L.P.	50,000,000	24,780,584	3.36%	12.03%	-	-	13.49%	11.97%
Kildare European Partners II, L.P.	40,000,000	-	-	-	-	-	-	-
Lone Star Fund VII (U.S.), L.P.	50,000,000	7,279,053	-8.14%	-2.59%	17.86%	33.51%	33.51%	48.19%
Lone Star Fund VIII (U.S.), L.P.	50,000,000	25,748,327	-11.67%	-7.10%	-	-	33.27%	23.44%
Lone Star Real Estate Fund II (U.S.), L.P.	25,000,000	5,428,988	7.17%	16.37%	31.58%	31.02%	31.02%	26.45%
Lone Star Real Estate Fund V, L.P.	37,063,856	-	-	-	-	-	-	-
Raith Real Estate Fund I-A LP	50,000,000	32,067,755	6.09%	-4.79%	-	-	2.80%	4.67%
RAPM NM Secondary Opportunity Fund, L.P.	40,000,000	20,272,576	10.13%	-3.92%	-0.72%	2.04%	-25.93%	10.49%
RAPM-NMERB Co-Investment Fund, L.P.	79,520,000	66,317,287	13.36%	43.96%	-	-	29.98%	33.04%
Opportunistic Total	446,583,856	183,717,875	4.23%	11.76%	18.62%	20.21%	10.91%	15.04%
Private Real Estate Total	988,078,467	490,825,617	5.88%	14.44%	15.25%	15.03%	7.99%	10.47%
<i>NCREIF Property Index</i>			4.28%	10.64%	11.60%	11.51%	5.89%	
Public Real Estate								
In-House REIT	-	99,475,323	11.03%	22.72%	13.58%	12.26%	10.27%	13.23%
U.S. Value Income REIT Strategy	160,000,000	253,805,943	10.85%	14.92%	11.06%	12.41%	12.41%	11.90%
Public Real Estate Total	160,000,000	353,281,266	11.05%	17.95%	11.90%	11.79%	10.08%	13.08%
<i>Wilshire REIT - U.S. Equity</i>			11.09%	22.82%	13.63%	12.48%	10.31%	
Real Estate Total	1,148,078,467	844,106,883						12.46%

* For individual Fund performance numbers please see disclosure statements in the Appendix C.

** The time-weighted return calculations begin with the first full quarter following the initial capital investment. The IRR calculation begins with the first full year following the initial capital investment.

*** Performance information for the liquidated funds is not shown above, but it is included in composite performance.

Manager Performance – Net of Fees - Continued

	Commitment (\$)	Market Value (\$)	Time Weighted Returns				Since Inception	Since Inception Net IRR
			YTD	1 Year	3 Year	5 Year		
Natural Resources								
Brookfield Brazil Timber Fund II, LP	30,000,000	7,877,670	7.10%	-3.86%	-	-	4.99%	4.33%
Conservation Forestry Capital Fund II, LP	25,000,000	25,240,234	0.22%	6.11%	6.93%	6.58%	4.52%	5.55%
Eastern Timberland Opportunities II	45,000,000	47,802,621	0.81%	8.15%	-	-	10.90%	10.88%
Ecosystem Investment Partners II, LP	30,000,000	36,761,681	16.93%	30.36%	16.91%	4.29%	4.08%	16.81%
Ecosystem Investment Partners III, LP	50,000,000	1,561,894	-30.39%	-	-	-	172.85%	-
Timber Total	180,000,000	119,244,101	5.13%	12.05%	10.78%	8.59%	5.88%	8.62%
<i>NCREIF Timberland Index</i>			0.72%	3.38%	7.73%	6.69%	3.95%	
Blue Road Capital, L.P.	30,000,000	16,472,619	-3.36%	9.56%	-	-	6.74%	0.21%
Halderman Farmland Separate Account	50,000,000	23,058,488	2.33%	4.14%	-	-	-	4.17%
Hancock GLC Farms, LLC	50,000,000	31,084,676	1.01%	13.80%	10.59%	-	8.72%	9.18%
Agriculture Total	130,000,000	70,615,784	0.44%	9.93%	8.91%	-	7.40%	6.51%
<i>NCREIF Farmland Index</i>			2.65%	9.68%	12.79%	15.19%	12.87%	
BP Natural Gas Opportunity Partners, L.P.	30,000,000	6,913,195	-2.53%	-	-	-	-2.53%	-
EnerVest Energy Institutional Fund XIV-A, L.P.	37,500,000	16,162,434	-10.42%	-	-	-	-19.87%	-
Five Point Capital Midstream Fund II L.P.	50,000,000	6,893,890	-7.29%	-13.66%	-	-	-1.46%	-4.91%
Harvest MLP	50,000,000	-	-	-	-	-	-	-
Lime Rock Resources III	34,250,000	34,293,818	39.89%	29.53%	-	-	-19.22%	0.90%
Energy Total	201,750,000	64,263,337	13.65%	5.03%	-	-	-15.31%	-2.05%
Water Property Investor, L.P.	30,000,000	19,992,430	-1.49%	-3.25%	-	-	-3.90%	-3.09%
Water Total	30,000,000	19,992,430	-1.49%	-3.25%	-	-	-3.90%	-3.09%
Natural Resources Total	541,750,000	274,115,651	5.14%	10.39%	7.44%	6.15%	4.23%	6.26%
Grand Total	1,689,828,467	1,118,222,534						12.09%

* For individual Fund performance numbers please see disclosure statements in the Appendix C.

** The time-weighted return calculations begin with the first full quarter following the initial capital investment. The IRR calculation begins with the first full year following the initial capital investment.

*** Ecosystem Partners III used a subscription line to cover the organizational expenses and management fees that exceeded the amount of capital called in Q3 2015. The Q3 2015 negative market value changed to positive in Q4 2015, leading to an amplified return.

****EnerVest Energy Institutional Fund XIV-A, L.P. does not report 'Market Value' on Fair Market Value basis, as per US GAAP standards.

Manager Asset Detail

	Commitment (\$)	Market Value (\$)	Contributions (\$)	Distributions (\$)	Since Inception Net IRR
Private Real Estate					
PRIMA Mortgage Investment Trust, LLC	50,000,000	50,086,552	50,000,000	(21,035,215)	5.65%
Prologis Targeted Europe Logistics Fund, FCP-FIS	12,195,225	7,023,101	12,214,572	(2,158,163)	-4.35%
Prologis Targeted US Logistics Fund	23,844,842	0	23,844,841	(25,575,543)	1.03%
Core Total	86,040,066	57,109,653	86,059,414	(48,768,922)	3.06%
Crow Holdings Realty Partners VI, LP	50,000,000	42,020,840	42,381,142	(8,687,727)	10.05%
Crow Holdings Realty Fund VII, LP	35,000,000	15,132,029	14,797,830	-	-
Hammes Partners II, L.P.	50,000,000	14,210,072	15,170,369	(1,815,545)	-
Prudential Senior Housing Partners IV	50,000,000	45,950,191	49,593,854	(20,740,336)	14.24%
Prudential Senior Housing V	35,000,000	8,783,718	8,210,497	-	13.02%
RAM Realty Partners III	30,000,000	24,643,319	32,770,683	(20,401,654)	16.81%
RAM Realty Partners IV	40,000,000	-	-	-	-
Realterm Logistics Fund, L.P.	25,000,000	17,854,124	14,755,103	(1,431,489)	21.89%
Rockpoint Real Estate Fund IV, L.P.	45,454,545	28,860,287	42,678,819	(27,410,093)	25.09%
Rockpoint Real Estate Fund V, L.P.	35,000,000	4,018,475	3,983,730	-	-
Sares-Regis Multifamily Fund, L.P.	30,000,000	37,682,857	28,303,605	(2,231,947)	16.69%
Sares-Regis Multifamily Value-Add Fund II, L.P.	30,000,000	10,842,178	14,331,712	(3,456,270)	-
Value-Added Total	455,454,545	249,998,090	266,977,343	(86,175,062)	15.45%
Greenfield Acquisition Partners V, L.P.	25,000,000	1,823,306	24,650,000	(31,933,949)	8.40%
Kildare European Partners I, L.P.	50,000,000	24,780,584	42,671,190	(21,949,498)	11.97%
Kildare European Partners II, L.P.	40,000,000	-	-	-	-
Lone Star Fund VII (U.S.), L.P.	50,000,000	7,279,053	49,554,503	(79,870,275)	48.19%
Lone Star Fund VIII (U.S.), L.P.	50,000,000	25,748,327	43,532,970	(30,898,253)	23.44%
Lone Star Real Estate Fund II (U.S.), L.P.	25,000,000	5,428,988	25,036,133	(31,214,469)	26.45%
Lone Star Real Estate Fund V, L.P.	37,063,856	-	-	-	-
Raith Real Estate Fund I-A LP	50,000,000	32,067,755	58,247,952	(27,252,757)	4.67%
RAPM NM Secondary Opportunity Fund, L.P.	40,000,000	20,272,576	27,878,797	(17,137,080)	10.49%
RAPM-NMERB Co-Investment Fund, L.P.	79,520,000	66,317,287	53,639,771	(7,406,080)	33.04%
Opportunistic Total	446,583,856	183,717,875	325,211,317	(247,662,362)	15.04%
Private Real Estate Total	988,078,467	490,825,617	678,248,074	(382,606,345)	10.47%
Public Real Estate Total					
In-House REIT	-	99,475,323	775,670,071	(1,088,224,640)	13.23%
U.S. Value Income REIT Strategy	160,000,000	253,805,943	162,013,574	-	11.90%
Public Real Estate Total	160,000,000	353,281,266	937,683,645	(1,088,224,640)	13.08%
Real Estate Total	1,148,078,467	844,106,883	1,615,931,720	(1,470,830,985)	12.46%

* For individual Fund performance numbers please see disclosure statements in the Appendix C.

** The IRR calculation begins with the first full year following the initial capital investment.

Manager Asset Detail - Continued

	Commitment (\$)	Market Value (\$)	Contributions (\$)	Distributions (\$)	Since Inception Net IRR
Natural Resources					
Brookfield Brazil Timber Fund II, LP	30,000,000	7,877,670	8,188,126	(1,156,300)	4.33%
Conservation Forestry Capital Fund II, LP	25,000,000	25,240,234	27,450,939	(11,126,026)	5.55%
Eastern Timberland Opportunities II	45,000,000	47,802,621	40,709,961	(394,315)	10.88%
Ecosystem Investment Partners II, LP	30,000,000	36,761,681	28,208,557	(3,493,670)	16.81%
Ecosystem Investment Partners III, LP	50,000,000	1,561,894	2,410,143	-	-
Timber Total	180,000,000	119,244,101	106,967,727	(16,170,311)	8.62%
Blue Road Capital, L.P.	30,000,000	16,472,619	33,207,702	(16,766,882)	0.21%
Halderman Farmland Separate Account	50,000,000	23,058,488	22,910,309	(1,834,320)	4.17%
Hancock GLC Farms, LLC	50,000,000	31,084,676	24,320,000	-	9.18%
Agriculture Total	130,000,000	70,615,784	80,438,011	(18,601,202)	6.51%
BP Natural Gas Opportunity Partners, L.P.	30,000,000	6,913,195	6,023,365	-	-
EnerVest Energy Institutional Fund XIV-A, L.P.	37,500,000	16,162,434	18,624,087	(258,515)	-
Five Point Capital Midstream Fund II L.P.	50,000,000	6,893,890	11,675,003	(4,227,387)	-4.91%
Harvest MLP	50,000,000	-	-	-	-
Lime Rock Resources III	34,250,000	34,293,818	35,182,282	(1,320,985)	0.90%
Energy Total	201,750,000	64,263,337	71,504,737	(5,806,887)	-2.05%
Water Property Investor, L.P.	30,000,000	19,992,430	20,988,984	-	-3.09%
Water Total	30,000,000	19,992,430	20,988,984	-	-3.09%
Natural Resources Total	541,750,000	274,115,651	279,899,459	(40,578,400)	6.26%
Grand Total	1,689,828,467	1,118,222,534	1,895,831,178	(1,511,409,386)	12.09%

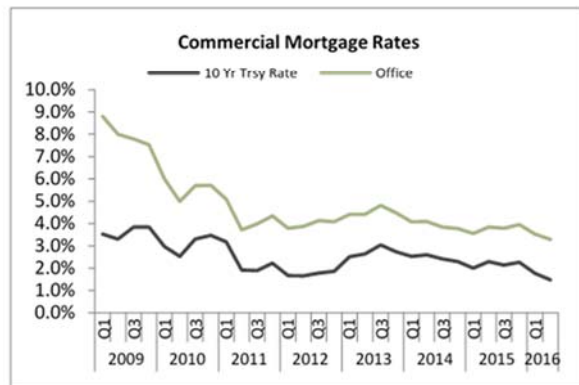
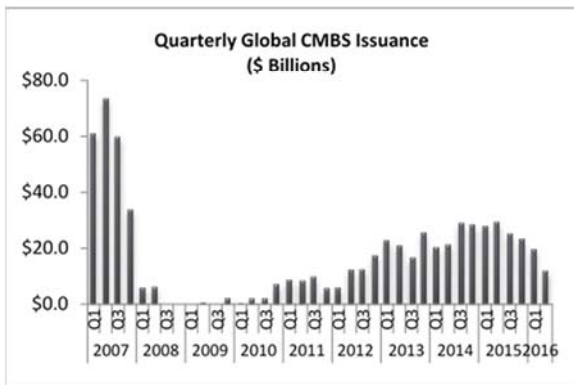
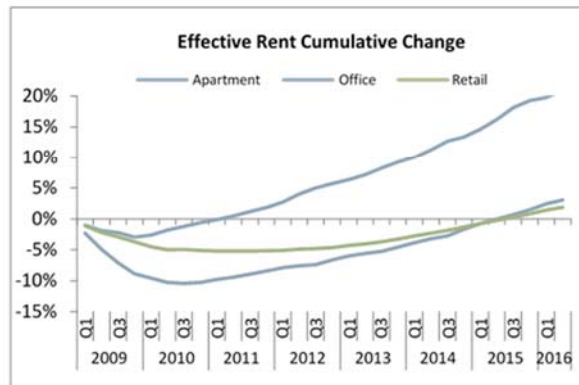
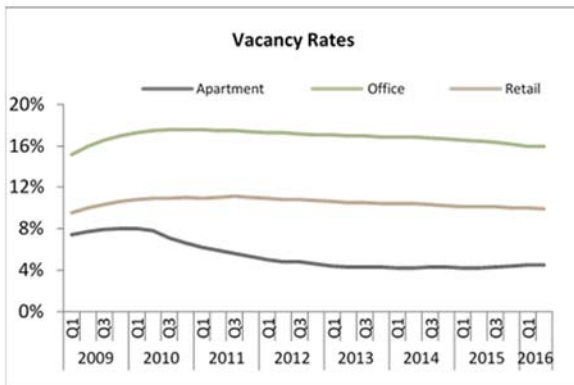
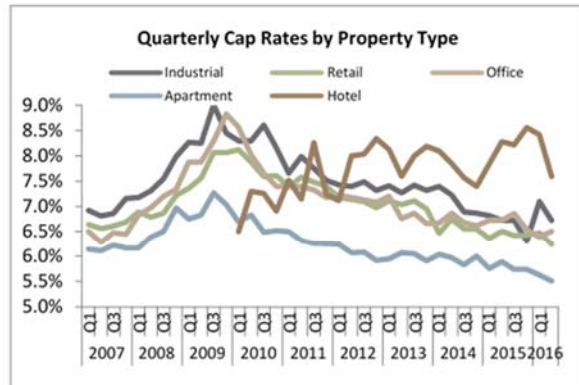
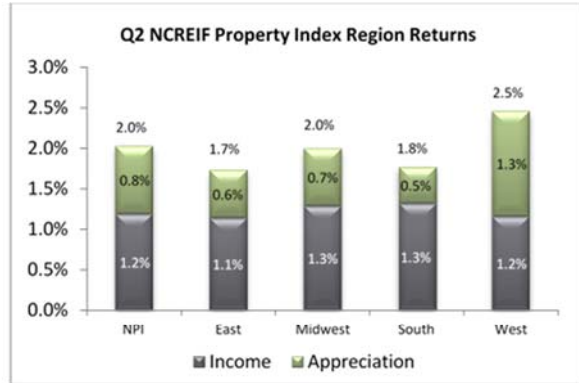
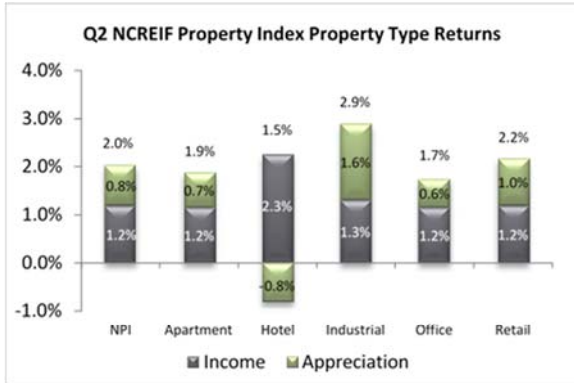
* For individual Fund performance numbers please see disclosure statements in the Appendix C.

** The IRR calculation begins with the first full year following the initial capital investment.

*** EnerVest Energy Institutional Fund XIV-A, L.P. does not report 'Market Value' on Fair Market Value basis, as per US GAAP standards.

Market Overview

Real Estate Market Overview



Real Estate Market Commentary

The NCREIF Property Index (“NPI”) returned 2.03% during the second quarter of 2016 narrowly preserving the index’s now 25 quarter-long streak of greater than 2.0% returns. This quarter’s total return marking consisted of 1.19% income and 0.84% appreciation. Over the trailing one-year the index has returned 10.64%, outpacing the NPI’s since inception (Q4 of 1977) annualized return of 9.32%. The 4.88% trailing one-year NPI income return represented a new low for the series despite registering healthy NOI growth of 5.6% for the same period.

By property type, industrial once again led the field during the second quarter returning 2.90%, followed by retail, apartment and office at 2.17%, 1.88%, and 1.74%, respectively. Hotel brought up the rear for the quarter at 1.46% suffering from negative appreciation of -0.81% despite strong income at 2.26%.

Open-end core real estate funds, as measured by the NCREIF Open-end Diversified Core Equity Index (“ODCE”), suffered disproportionately from the NPI in the midst of the GFC due to forced sales at the bottom of the market, however once redemption queues were satisfied in mid-2010 the open-end space has been a net beneficiary from cash inflows with annual totals ranging from \$3.0 to \$8.0 billion. Net inflows slipped in the second quarter to \$592.4 million, down more than 50% from the prior quarter and the same quarter one year ago. For the year to date net fund flows have totaled \$5.5 billion, which is healthy, yet 11% behind the 1H 2015. For the trailing one-year, both contributions and distributions hit their highest levels in the series totaling \$18.3 billion and \$12.8 billion, respectively. With peaks on both sides of the equation we believe this indicates that new investor interest remains strong, yet existing investors are looking to lock in some gains as downward pressure on cap rates begins to subdue.

Key Real Estate Indicators						
Trailing 1-Year Ended Q2 2016						
Property Type	Vacancy Rates	Rents	Absorption	Completions	Cap Rates	Transaction Volume
Office	↘	↗	↑	↑	↘	↘
Retail	↘	↗	↓	↓	↓	↓
Multifamily	↑	↑	↓	↗	↓	↑
Industrial	-	-	-	-	↔	↗

Key: ↑↓ = More than 5% change, ↗↘ = Between 1-4% change, ↔ = Between 0-1% change. Industrial fundamentals published annually.

Commercial real estate transaction volume totaled \$98.8 billion in the second quarter declining 3.4% from the previous quarter and down 8.4% from the same quarter a year ago. Comparing the trailing year-over-year ending Q2 2016, apartment transaction volume was up 21.9% to \$153.6 billion, followed by industrial up 4.0% to \$59.3 billion. Office volume ticked down 1.8% totaling \$136.8 billion. While retail and hotel declined 9.78% and 26.3% to \$73.4 billion and \$33.4 billion, respectively.

During Q1, 44 private real estate funds raised \$31.3 billion in new fund equity, for a total of \$55.5 billion year to date. On the net, dry powder grew \$7.0 billion over the quarter to \$232.0 billion, the highest level in over 13 years.

Although equity capital appears ample, CMBS issuance in the second quarter marked the lowest levels in four years at \$27.3 billion. In 2007 CMBS was responsible for 24% of the overall commercial mortgage universe, that’s now down to 18.2% and is expected to decline further. Life insurance companies and housing-finance agencies have been increasing their lending volumes, but they’re not quite making up the void created by the reduction in CMBS volume. As regulations increase for traditional lenders, non-bank lenders are expanding; private funds are currently seeking \$32 billion from investors for commercial-property debt, marking a 40% increase from a year earlier. These non-traditional lenders are growing their position and meeting the market’s needs as traditional lenders retreat from certain market segments in the face of growing regulation.

Sources: NCREIF, Reis, Commercial Mortgage Alert, RCA, Prequin, TREPP, Urban Land Institute, Mortgage Bankers Association, Bloomberg, RAPM

Timber Market Commentary

The NCREIF Timberland Index (“NTI”) returned to positive territory during the second quarter posting a one-quarter return of 0.98%, consisting of 0.61% income and 0.37% appreciation. Over the trailing one-year the NTI returned 3.39% trailing its since inception annualized average of 12.12%. For the trailing one-year period the Northwest region continues to lead at 6.02% followed by the South at 3.18%, and the Northeast and Lake States falling into negative territory at -1.30% and -2.93%, respectively.

Global sawtimber demand stabilized through the second quarter. As a result, both global sawtimber and global pulpwood prices remained relatively unchanged for the period. China, the world’s largest importer of wood, is experiencing a nascent recovery of its real estate market after suffering from a period of significant over-supply. Chinese importers began to boost log and lumber purchases from offshore suppliers during the first half of 2016. However, this improvement was largely offset by the poor performance of Euro Zone economies, which remained anemic during the period.

Contrary to forecasts in early 2016, new home construction continued its slow advance through the first half of the year. On a seasonally adjusted basis, new housing starts totaled 1.19 million at the end of the second quarter marking a 1.4% decline from the same period a year ago. While the pace of the US housing recovery remains slower than expected, underlying demographics signal a stronger long-term recovery. Existing home sales increased 1.1% in June to the highest level since February 2007, as first-time home buyers grabbed a 33% share, the best performance in four years. Sales of newly-built, single-family homes were stronger in May than in any point in the last eight years. The 551,000 homes sold during that month translated into a seasonally-adjusted annual growth rate of 8.7%. Increased sales of new homes indicate a tightening of housing inventory, and home builders have responded by launching more construction projects. However, these efforts are being constrained by the limited availability of buildable lots and a lack of skilled construction labor.



The largest transaction during the quarter occurred when Rayonier and FIA acquired Campbell’s Menasha holdings in the Pacific Northwest for an unspecified amount in excess of \$500 million. Hancock purchased a hardwood property for approximately \$200 million in Michigan. Weyerhaeuser announced the sale of its pulp mills to International Paper for \$2.2 billion.

Sources: BLS, TIAA-CREF, NCREIF, TIR, RAPM

Agriculture Market Commentary

The NCREIF Farmland Index (“NFI”) returned 1.25% in the second quarter of 2016 consisting of 0.65% appreciation and 0.60% income. Over the trailing one-year the index has returned 9.68%. Annual crops returned 0.82% for the quarter and 5.55% for trailing one-year underperforming the NFI’s since inception annualized average of 10.79%. Looking into component returns, income is lower than trend at 0.87%, but appreciation is the hardest hit at -0.06% for the quarter. Like annual crops, permanent crops have slowed their pace from preceding years registering at 14.74% for the trailing one-year as compared to the NFI’s annualized ten-year average of 17.00%.

Federal Reserve reports for the second quarter once again indicate falling farmland values in the Farm Belt as excess supply continues to put pressure on crop prices and farmers’ incomes. The Chicago district reported a 1% decline from a year earlier, while the Kansas City district noted a 5% decline from a year ago. For many Fed districts this marks the fourth quarter in a row of declining farmland values.

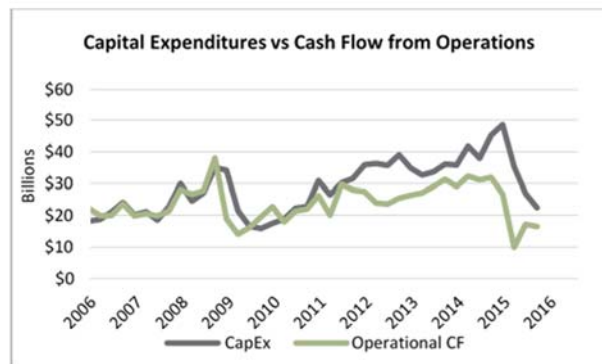
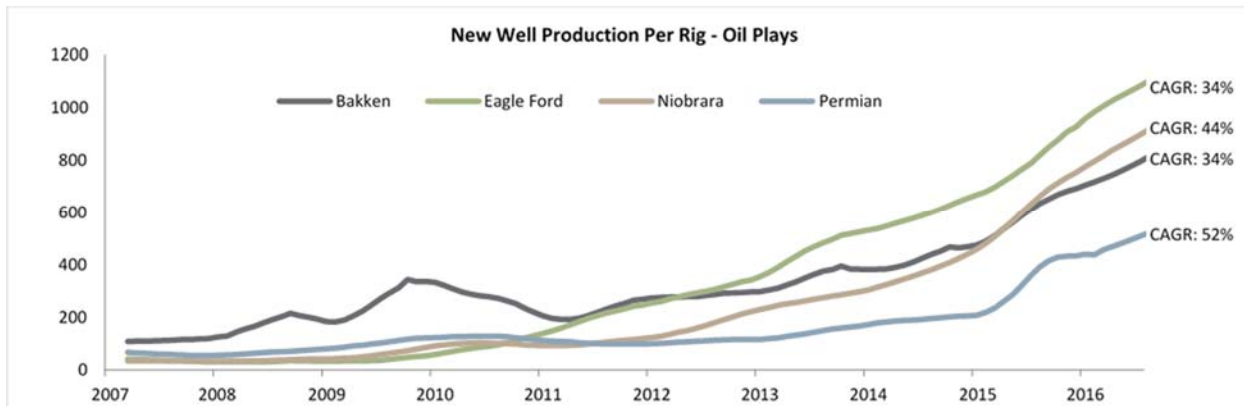
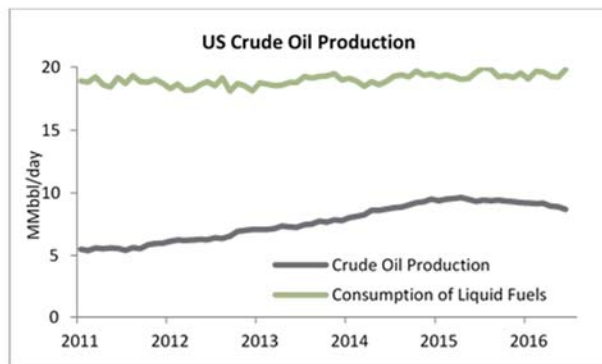
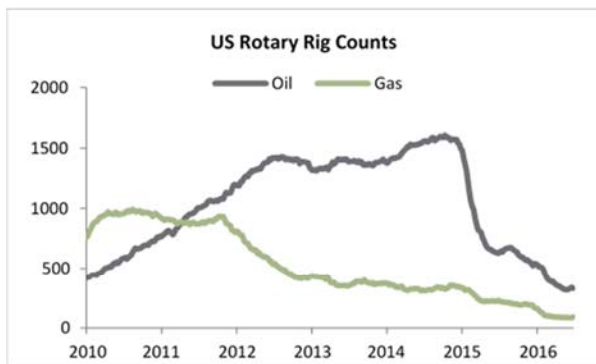
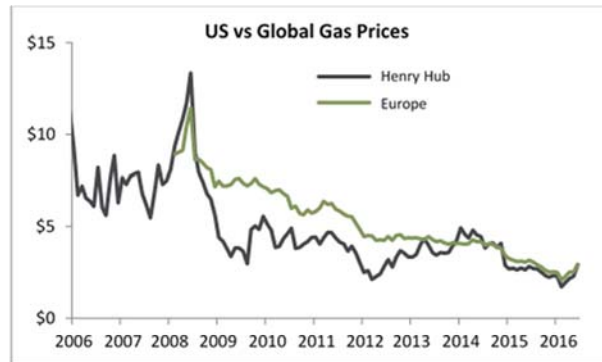
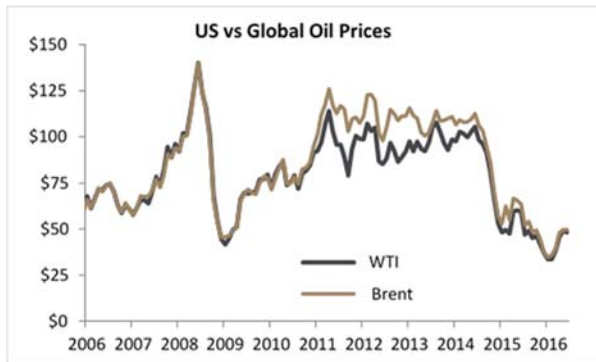
Relief from oversupply appears to be still over the horizon, as production expectations for the 2016 corn and soybean crop harvest are set to eclipse previous records at 15.2 billion and 4.1 billion bushels, respectively, as compared to previous highs in 2014 at 14.2 billion bushels for corn and 3.9 billion bushels for soybeans. On the back of this news corn and soybean commodity prices have moved lower, and farm income estimates for 2016 fell to \$54.8 billion, the lowest level since 2002.

Record or near-record 2016/17 walnut, pistachio and almond crops are predicted on increased bearing acreage and favorable weather. While still profitable for producers, prices for these crops are predicted to be below their ten-year averages. The lower prices are increasing consumption among both domestic and international buyers. Yet, more demand is needed, particularly for walnuts, to stem future price declines.

NCREIF Farmland Index Trailing 1-Year Returns as of June 30, 2016						
Crop Type	Number of Properties	Market Value (\$ MM)	Income Return	Appreciation Return	Total Return	
Annual						
Commodity	318	\$2,239	3.31%	-1.92%	1.34%	
Fresh Produce	26	\$377	4.36%	9.40%	14.05%	
All Other	116	\$1,528	4.08%	5.41%	9.65%	
Total Annual	460	\$4,144	3.69%	1.81%	5.55%	
Permanent						
Apples	23	\$157	-3.90%	5.97%	1.87%	
Almonds	60	\$948	13.20%	17.01%	31.66%	
Citrus	11	\$181	8.49%	12.17%	21.58%	
Pistachios	15	\$471	9.93%	-2.29%	7.55%	
Wine Grapes	90	\$1,312	3.25%	5.55%	8.90%	
All Other	37	\$331	9.67%	1.44%	11.23%	
Total Permanent	236	\$3,400	7.15%	7.27%	14.74%	
Total	696	\$7,544	5.26%	4.27%	9.68%	

Sources: USDA, NCREIF, TIAA-CREF, WSJ, RAPM

Energy Market Overview



Sources: Baker Hughes, Bloomberg, EIA, Evaluate Energy

Energy Commentary

Both Brent and WTI logged their strongest quarterly gains since mid-2009 in the second quarter. Brent closed at \$49.80/bbl (+26.9% q-o-q) and WTI closed at \$48.33/bbl (+26.1% q-o-q). Wildfires in Canada restricted supply and strong demand for gasoline led to drawdowns in US crude inventories. Additionally, the spectre of Brexit cast a shadow over the industry's ability to increase output levels. Natural gas prices also increased as the EIA reported supply levels below expectations. The quarterly percentage gain for natural gas prices has been the largest since the third quarter of 2009.

According to the EIA, refiners have been running at 93% of capacity to meet increased gasoline demand. Even with this, US crude oil storage levels are higher than they've been in 86 years. While commodity prices gained over the quarter, most producers were unable to capture the increase in their bottom line. Chevron posted its worst quarterly loss since 2001 and Exxon's profit slid 59%. Low prices have begun to curtail production. US production fell below 9 million barrels per day over the quarter and the US rig count is approximately 330, almost half of what it was a year ago. Saudi Arabia has had to raise funds in the international debt markets for the first time ever and has cut back on social welfare programs, including raising domestic energy prices. There is also talk of an IPO of Saudi Aramco. Angola, Africa's largest oil exporter, is struggling to meet its obligations. Despite this, OPEC has been unable to come to any kind of agreement.

As a result of the downturn, many energy companies have shifted their focus to improving their balance sheets through cutting dividends or share buybacks, issuing equity, divesting assets and reducing debt. They have also made substantial gains in operations through increased efficiency, productivity gains and lower service costs. Even with these advances, oil still trades below breakeven for much of the industry.

Sources: Bloomberg, EIA, Barclays, Preqin

Appendix A

Summary of Portfolio Cash Flows – Private Investments

Quarter	Contributions	Distributions	Total
Q1 2008	9,000,000	-	9,000,000
Q2 2008	25,500,000	(446,462)	25,053,538
Q3 2008	44,852,570	(1,019,994)	43,832,576
Q4 2008	33,979,025	(1,223,450)	32,755,575
Q1 2009	5,572,204	(1,142,560)	4,429,644
Q2 2009	3,320,837	(2,831,451)	489,386
Q3 2009	1,582,090	(3,883,030)	(2,300,940)
Q4 2009	6,713,749	(1,450,747)	5,263,002
Q1 2010	4,451,516	(846,291)	3,605,226
Q2 2010	767,315	(1,188,459)	(421,144)
Q3 2010	674,058	(853,205)	(179,147)
Q4 2010	13,741,534	(1,926,081)	11,815,454
Q1 2011	2,347,300	(4,107,813)	(1,760,513)
Q2 2011	18,061,101	(4,171,517)	13,889,584
Q3 2011	8,660,670	(7,451,229)	1,209,441
Q4 2011	23,900,427	(5,389,008)	18,511,419
Q1 2012	7,907,732	(4,722,068)	3,185,665
Q2 2012	15,087,526	(2,870,248)	12,217,278
Q3 2012	26,488,091	(5,684,184)	20,803,907
Q4 2012	41,374,981	(9,937,326)	31,437,655
Q1 2013	1,622,072	(19,771,643)	(18,149,571)
Q2 2013	24,541,234	(24,772,969)	(231,735)
Q3 2013	21,645,192	(16,872,041)	4,773,151
Q4 2013	33,780,539	(27,918,591)	5,861,949
Q1 2014	68,401,433	(22,342,851)	46,058,582
Q2 2014	32,486,392	(17,048,045)	15,438,346
Q3 2014	86,760,742	(19,956,358)	66,804,383
Q4 2014	120,639,089	(32,994,436)	87,644,653
Q1 2015	37,606,375	(25,131,192)	12,475,183
Q2 2015	29,762,601	(35,017,174)	(5,254,573)
Q3 2015	57,347,509	(22,216,303)	35,131,206
Q4 2015	61,158,743	(38,507,279)	22,651,464
Q1 2016	47,496,699	(20,415,786)	27,080,913
Q2 2016	65,916,187	(59,475,787)	6,440,400
Total	\$ 983,147,533	\$ (443,585,576)	\$ 539,561,957

Appendix B

Disclosure Statements

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The information provided in this report contains estimates, return data and valuations that are based upon assumptions and projections. Such estimates and assumptions involve judgments with respect to, among other things, future economic and competitive conditions; real asset market conditions; and the like, which may not be realized and are inherently subject to significant uncertainties and changes, all of which are difficult to predict and many of which are beyond the control of the General Partner and RAPM. Accordingly, no assurance can be given that such projections will be realized, and actual conditions, operations and results may vary materially from those set forth herein. Last, there are inherent limitations to projecting performance including: (i) illiquid assets are generally difficult to value, (ii) these projections typically involve investments that may not be disposed of for many years and RAPM generally does not control the timing or the terms of the disposition, and (iii) the projected performance calculation for a particular investment may relate primarily to residual values or projected future distributions rather than distributions actually received. Limited Partners are cautioned that the predictions and other forward-looking statements reflected in this report involve risks and uncertainty. In light of the foregoing factors, actual returns and results are likely to differ substantially from the forward-looking statements contained in this report, and Limited Partners are cautioned not to place undue reliance on such forward-looking statements and projections. The words "estimate," "anticipate," "expect," "predict," "believe" and like expressions are intended to identify forward-looking statements.

All performance numbers reflect data as reported to RAPM by the investment managers. RAPM has made an effort to verify the integrity of the data, however RAPM serves as a data aggregator and reporter of fund level performance data and, therefore, cannot guarantee the accuracy of the underlying data reported by fund managers.

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Reported Net IRR is based upon manager reported cash flows to and inflows from investors and the estimated ending values as of the date of this report. Returns are net of underlying investment manager management fees, expenses and carried interest (if any) specific to the investor.

Multiples are calculated net of fees. The Paid in Capital (“PIC”) Multiple is the cumulative contributed amount divided by committed capital. This multiple indicates how much of committed capital has been paid in. The Distribution to Paid in Capital (“DPI”) Multiple measures the portion of fund returns distributed to investors relative to capital contributed. When DPI is the equivalent of 1, the Fund has broken even. A DPI of greater than 1 indicates that the Fund has generated profit to the investors. The Residual Value of Paid in Capital (“RVPI”) Multiple measures the portion of returns that are unrealized. The Total Value of Paid in Capital (“TVPI”) Multiple provides information regarding the value of the investment relative to its cost basis, not taking into consideration the time invested.

Paid in Capital Ratios reflect all contributions made divided by the total commitments, without making adjustments for contributions that may be offset by recallable or true-up distributions. Consistent with calculating Paid in Capital, Distributions to Paid in Capital Ratios reflect all distributions received divided by the aggregate total of contributions. RAPM believes this is the most accurate way to reflect the cash flows experienced during the investment, though Paid in Capital and Distributed to Paid in Capital ratios may not exactly equal those values shown on manager-provided capital statements if the manager is adjusting for recallable distributions or true-up distributions for the Fund. All managers treat these classifications differently and therefore, RAPM utilizes actual cash flows experienced for calculating key ratios as of the quarter end. Notwithstanding the foregoing, in instances of calculating multiples RAPM factors in all available cash flows experienced by a limited partner regardless of whether these cash flows are considered by the manager to be inside or outside of commitment, this includes but is not limited to management fees, true-ups (late closing interest), expenses, recallable distributions, and recycled contributions.