

NEW MEXICO EDUCATIONAL RETIREMENT BOARD

INFRASTRUCTURE PORTFOLIO

QUARTERLY PERFORMANCE MEASUREMENT

FOURTH QUARTER

DECEMBER 31, 2016



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. All data presented below are as of December 31, 2016.

## PORTFOLIO SUMMARY

Portfolio Fair Value	\$299,291,774
Unfunded Commitment	\$211,764,906
Total Exposure (Portfolio Fair Value plus Unfunded Commitment)	\$511,056,680
Portfolio Inception Date	July 2008
Total Number of Fund Investments	8
Total Number of Direct Investments <sup>1</sup>	10
Net Internal Rate of Return (“IRR”) Since Inception	5.4%

## CURRENT COMMITMENTS

<u>Investment</u>	<u>Vintage Year</u>	<u>Fund Currency</u>	<u>Commitment (Local)</u>	<u>Commitment (USD)</u>	<u>Gross IRR<sup>2</sup></u>	<u>Net IRR<sup>2</sup></u>
Gateway Infrastructure Investments	2008	USD	\$42,647,060	\$42,647,060	(2.8%)	(4.9%)
Alinda Infrastructure Fund II	2008	USD	\$50,000,000	\$50,000,000	9.7%	6.1%
Alterna Core Capital Assets Fund	2009	USD	\$55,000,000	\$55,000,000	8.7%	5.0%
Stonepeak Infrastructure Fund	2012	USD	\$40,000,000	\$40,000,000	18.7%	12.2%
EQT Infrastructure Partners II <sup>3</sup>	2012	EUR	€30,000,000	\$34,346,408	27.0%	18.9%
Alterna Core Capital Assets Fund II	2012	USD	\$25,000,000	\$25,000,000	8.5%	0.7%
ISQ Global Infrastructure Fund	2014	USD	\$50,000,000	\$50,000,000	38.8%	19.9%
Stonepeak Infrastructure Fund II	2015	USD	\$50,000,000	\$50,000,000	50.5%	42.5%
<b>Total Fund Commitments</b>				<b>\$ 346,993,468</b>	<b>8.0%</b>	<b>4.4%</b>
Caledon Andromeda Investments	2013	USD	\$85,000,000	\$85,000,000	29.4%	24.5%
Caledon Andromeda Investments II	2016	USD	\$100,000,000	\$100,000,000	NM	NM
<b>Total Direct Commitments</b>				<b>\$ 185,000,000</b>	<b>29.4%</b>	<b>24.5%</b>
<b>Total Portfolio</b>				<b>\$ 531,993,468</b>	<b>9.0%</b>	<b>5.4%</b>

<sup>1</sup> Direct investments held through Caledon Andromeda Investments and Caledon Andromeda Investments II.

<sup>2</sup> 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.

<sup>3</sup> EUR commitment comprised of drawn commitment at actual funded USD plus unfunded commitment converted to USD per Bloomberg December 31, 2016 closing rate (\$1.0517/EUR).

## FUNDING STATUS

<u>Investment</u>	<u>Commitment</u>	<u>Drawn Commitment<sup>4</sup></u>	<u>Unfunded Commitment<sup>5</sup></u>	<u>Distribution</u>
<b>Total Portfolio</b>	<b>\$ 531,993,468</b>	<b>\$ 320,228,562</b>	<b>\$ 211,764,906</b>	<b>\$ 155,432,554</b>

<sup>4</sup> Drawn commitments at actual funded USD amounts net of recallable distribution.

<sup>5</sup> Unfunded commitments include recyclable capital and may therefore not equal commitments minus capital contribution. While Gateway Infrastructure’s investment period has ended, it still has the ability to continue to call capital for follow-on investments and management fees.

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)											
Period	A	B	Distributions			C	E = D-(A+B-C)	D	Management Fees	Other Expenses	Total Fees
	Beginning Valuation	Total Contribution	Return of Capital	Capital Gain/(Loss)	Dividends/Income	Total Distribution	Change in Net Asset Value	Ending Valuation			
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	12.2	-	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	4.3
2014	124.9	31.6	14.5	9.2	3.5	27.2	10.4	139.7	3.4	1.4	4.8
2015	139.7	78.6	11.5	1.2	6.0	18.7	9.6	209.2	4.2	1.7	5.9
Q1 – 16	209.2	16.0	5.0	14.4	0.9	20.3	16.4	221.3	1.0	0.2	1.2
Q2 – 16	221.3	41.8	16.2	0.0	1.2	17.4	6.9	252.6	0.6	0.2	0.8
Q3 – 16	252.6	8.3	8.5	0.0	2.8	11.3	3.5	253.1	0.8	0.3	1.1
Q4 – 16	253.1	45.9	1.6	0.6	3.0	5.2	5.5	299.3	1.3	0.8	2.1
<b>Total</b>		<b>399.8</b>	<b>99.0</b>	<b>25.8</b>	<b>30.6</b>	<b>155.4</b>	<b>54.9</b>	<b>299.3</b>	<b>25.7</b>	<b>7.2</b>	<b>32.9</b>

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	0.5%	13.7%	9.4%	8.0%	3.7%	2.1%
<u>Dollar-Weighted</u>						
Total Net IRR						5.4%

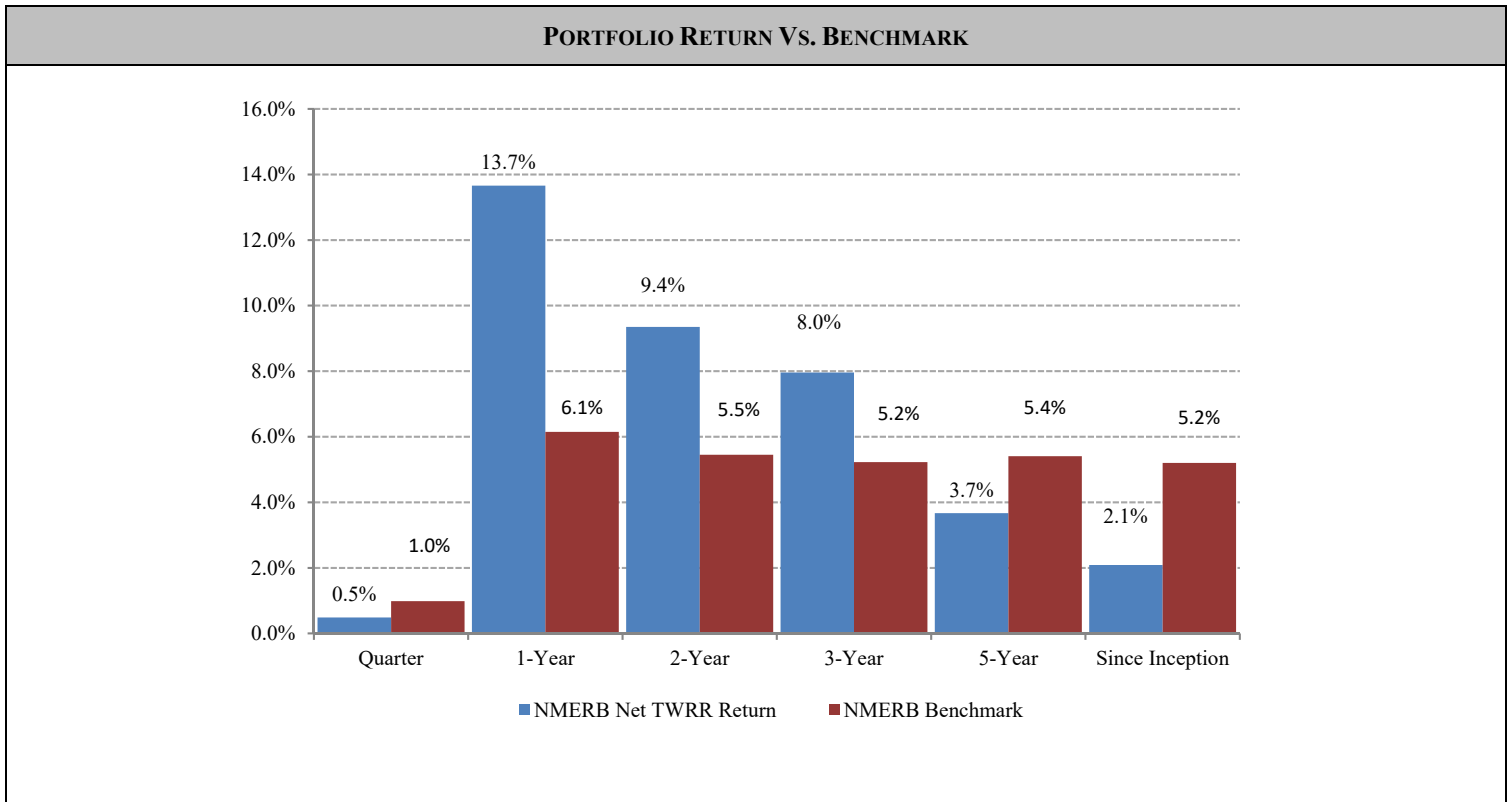
Note: Time-weighted net returns provided by NEPC, LLC

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**PORTFOLIO RETURN VS. BENCHMARK**

<b>PORTFOLIO RETURN VS. BENCHMARK</b>			
<b>Time-Weighted</b>	<b>NMERB Net Return</b>	<b>CPI + 400 bps</b>	<b>Outperformance</b>
Quarter	0.5%	1.0%	(0.5%)
1-Year	13.7%	6.1%	7.6%
2-Year	9.4%	5.5%	3.9%
3-Year	8.0%	5.2%	2.8%
5-Year	3.7%	5.4%	(1.7%)
Since Inception	2.1%	5.2%	(3.1%)

Note: Time-weighted NMERB net returns provided by NEPC, LLC



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**INVESTMENT POLICY GUIDELINES**

The NMERB adopted an Infrastructure Policy Statement in September 2007 and subsequently updated in August 2016. 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%	91.7%
Private Debt	0% - 60%	7.3%
Public Equity	0% - 30%	0.6%
Public Debt	0% - 20%	0.4%
<b>Investment Vehicle</b>		
Open-End Funds	0% - 100%	-
Closed-End Funds	20% - 100%	77.6%
Public Infrastructure Securities	0% - 30%	-
Direct Co-Investments	0% - 50%	22.4%
<b>Diversification by Asset Type</b>		
Energy	0% - 60%	49.0%
Transportation	0% - 60%	15.1%
Utilities	0% - 60%	11.0%
Social Infrastructure	0% - 60%	0.3%
Other	0% - 40%	24.6%
<b>Diversification by Geography</b>		
United States	0% - 100%	66.8%
Western Europe	0% - 70%	10.8%
Australia	0% - 50%	1.6%
Other OECD	0% - 50%	13.9%
Non-OECD	0% - 20%	6.9%

INVESTMENT STRUCTURE	INVESTMENT VEHICLE
<p>Detailed description: A pie chart representing the investment structure. The largest slice is Private Equity at 92%. Other slices include Private Debt at 7.3%, Public Equity at 0.6%, and Public Debt at 0.4%.</p>	<p>Detailed description: A pie chart representing the investment vehicle. The largest slice is Close-ended at 77.6%. The other slice is Direct at 22.4%.</p>
ASSET TYPE	GEOGRAPHY
<p>Detailed description: A pie chart representing diversification by asset type. The largest slice is Energy at 49%. Other slices include Other at 24.6%, Transportation at 15.1%, Utilities at 11%, and Social Infrastructure at 0.3%.</p>	<p>Detailed description: A pie chart representing diversification by geography. The largest slice is US at 66.8%. Other slices include Other - OECD at 13.9%, W. Europe at 10.8%, Non - OECD at 6.9%, and Australia at 1.6%.</p>

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