



***New Mexico Educational  
Retirement Board***

***Real Estate Portfolio Summary  
Natural Resources Portfolio Summary***

***March 31, 2011***

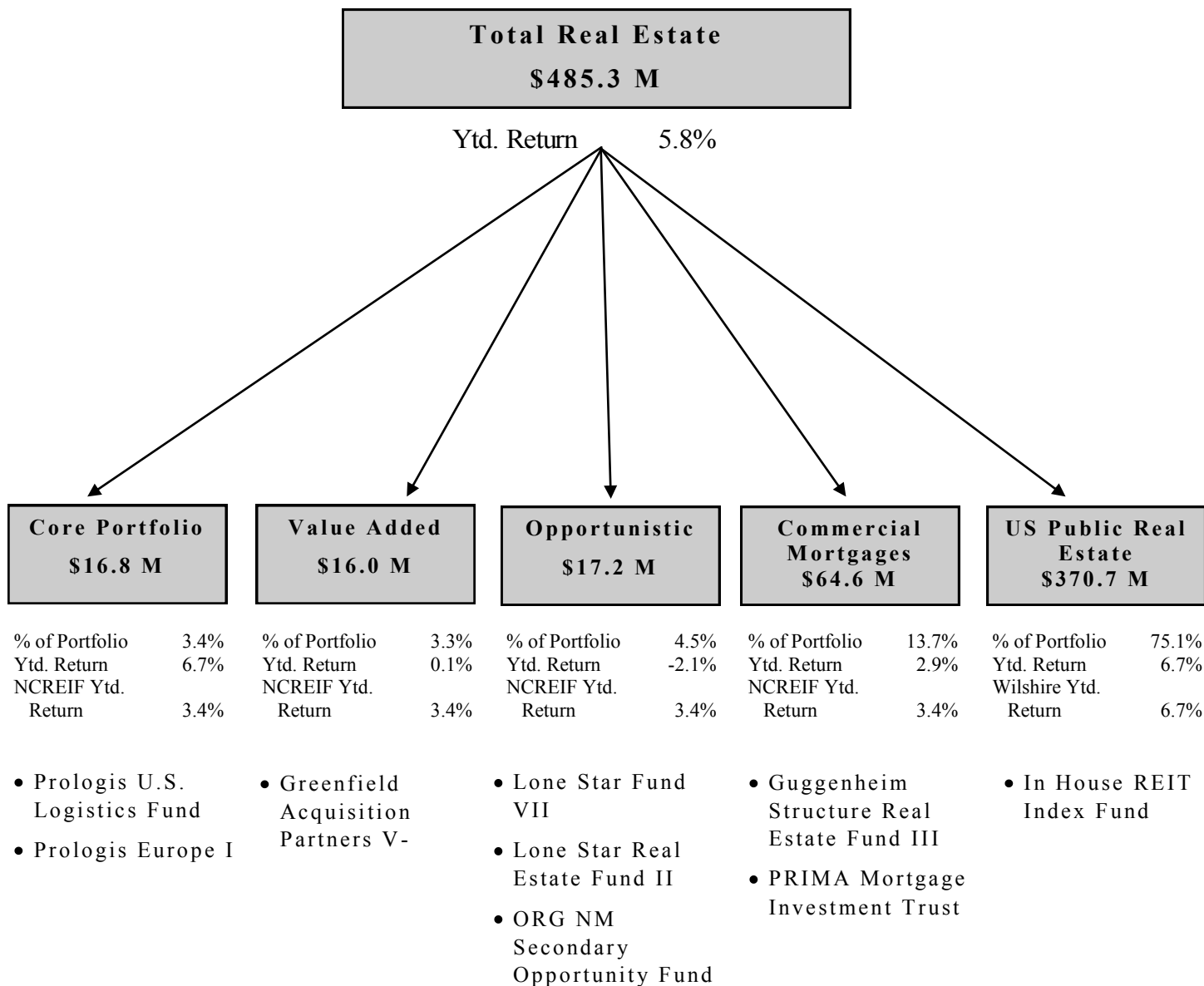
***Presented by***



<b>New Mexico Educational Retirement Board Real Estate Portfolio As of March 31, 2011</b>	
<b>Current Portfolio Market Value</b>	<b>\$485.3 million</b> 5.1% of total Fund (\$9.5 billion)
<b>Current Unfunded Investment Commitments</b>	<b>\$111.2 million</b>
<b>Total Investments Existing and Unfunded Commitments</b>	<b>\$596.5 million</b> 6.3% of total Fund
<b>Target Allocation to Real Estate</b>	<b>\$473.3 million</b> 5.0% of total Fund
<b>Total Number of Investments</b>	<b>9</b>

<b>Summary of Portfolio Investment Returns - Gross of Fees</b>						
Investment	Market Value	Qtr.	YTD	1 Yr.	3 Yrs.	Annualized Since Inception
<b>Private Real Estate</b>	(In millions)					
Core	\$16.8	6.7%	6.7%	22.4%		-17.2%
Value Added	16.0	0.1%	0.1%	33.8%		0.1%
Opportunistic	17.2	2.1%	2.1%	-99.3%		-93.6%
Commercial Mortgages	64.6	2.9%	2.9%	11.9%	2.6%	3.6%
<b>Total Private Real Estate</b>	<b>\$114.6</b>	<b>2.9%</b>	<b>2.9%</b>	<b>24.2%</b>	<b>-0.8%</b>	<b>0.5%</b>
<b>Public Real Estate</b>						
In House REIT Index Fund	\$370.7	6.7%	6.7%	25.6%	2.3%	
<b>Total Real Estate</b>	<b>\$485.3</b>	<b>5.8%</b>	<b>5.8%</b>	<b>25.2%</b>	<b>2.2%</b>	<b>2.8%</b>
NCREIF Benchmark		3.4%	3.4%	16.0%	-3.6%	-2.9%
Wilshire REIT Index		6.7%	6.7%	25.0%	1.7%	

**Gross of Fee Returns**



# Market Overview

For the Period Ended 3/31/2011



Total Returns	Quarter	YTD	1 Yr.	3 Yrs.	5 Yrs.
NCREIF Property Index	3.4%	3.4%	16.0%	-3.6%	3.5%
DJ Wilshire Securities Index	6.6%	6.6%	24.9%	1.6%	0.7%
S & P 500 Index	5.9%	6.0%	15.7%	2.4%	2.6%
Barclays Cap. Govt/Credit Index	0.3%	0.3%	5.3%	4.8%	5.8%
Consumer Price Index	2.0%	2.0%	2.7%	1.5%	2.3%

## REAL ESTATE CAPITAL MARKET CONDITIONS

The recovery of the real estate capital markets, specifically the lending market, continued during the first quarter of 2011. Although most indications are that an economic recovery is underway, we remain cautious in our outlook due to: low employment growth, the conditions in the residential housing market, and the high volume of commercial and residential loans needing to be recapitalized. The s-l-o-w pace at which these troubled properties are being recapitalized and/or sold results in too few properties offered among a sea of lenders competing on price and terms.

Lenders demonstrated their desire to place loans generally by: (i) increasing the loan-to-value ratio offered to borrowers, and (ii) decreasing the interest rate offered. Across the country, across all property types, all lenders were more aggressive during the first quarter of 2011 than at any point during 2010. As a result, borrowers expecting bids from up to a couple lenders in 2010, can now expect fierce competition as lenders compete to make loans at higher loan to value ratios, lower spreads over a benchmark rate, and also favorable adjustments on other terms such as interest rate floors, debt service coverage, origination and exit fees.

The good news is that additions to the supply of residential and commercial real estate are limited. Although in aggregate across all property types new starts are lower than at any point in time over the last ten years, apartment development pipelines are increasing. This lack of supply is helping “the fundamentals”, rent, rate and occupancy, recover in all sectors.

The combination of aggressive lending, limited additions to supply, economic recovery and buyers willing to pay higher prices for cash flow generating properties, Green Street reports has resulted in prices on average increasing 45% from the trough to values of just 10% below the peak. This recovery in pricing has occurred much faster than anticipated, and may result in greater transaction activity in 2011 than anticipated at year end 2010.

# Market Overview

For the Period Ended 3/31/2011



Total Returns	Quarter	YTD	1 Yr.	3 Yrs.	5 Yrs.	Avg. Annual Std. Deviation
NCREIF Property Index	3.4%	3.4%	16.0%	-3.6%	3.5%	8.3%
Industrial	3.3%	3.3%	12.2%	-4.8%	2.6%	8.3%
Office	3.2%	3.2%	14.3%	-5.3%	3.6%	10.7%
Retail	3.6%	3.6%	15.4%	-0.6%	4.4%	7.1%
Apartments	3.3%	3.3%	21.7%	-2.7%	2.9%	8.2%

## Industrial

The national vacancy rate for industrial properties fell 20 bps during the first quarter to 14.1% as 29 million square feet of industrial space was absorbed. The economic recovery in trade has led to improving industrial market fundamentals. Container volume in major coastal ports is improving as follows: (i) Port of Los Angeles and Long Beach rose 14.0% between July 2010 and April 2011; (ii) the Port of New York/New Jersey increased 16.0% in 2010 over 2009, and in Q1 2011 volumes were 12.0% above Q1, 2010. Approximately \$3.2 billion of industrial properties were sold in the first quarter, up 11.0% vs. Q1 2010. During the quarter, the average cap rate on closed transactions fell to 8.0%.

## Apartments

Apartment occupancies continue to improve, with the national vacancy rate declining from 6.7% in the fourth quarter of 2010 to 6.2% in the first quarter. From the second half of 2009 through the first quarter of 2011, approximately 350,000 apartment units were absorbed on a net basis, outpacing new supply of 144,000 units. In the first quarter alone 38,000 units were absorbed which is consistent with the vacancy decline. New development is expected to pick up in the next two years as decreased concessions, rising rents and inexpensive debt is readily available. Nearly \$7.7 billion in properties changed hands in the first quarter of 2011, including \$4.7 billion in garden apartments at an average cap rate of 7.1%.

## Office

Office fundamentals continued to improve as national vacancy rates declined by 20 bps, dropping to 16.4%. Nearly 3 million square feet of office space was absorbed in first quarter, which is the fourth consecutive quarterly gain. However, vacancies are still above the long-term average of 14.3%. Sales activity is rising with first quarter transaction activity of over \$10.0 billion plus an additional \$4.6 billion under of properties are reportedly under contract. The closed transaction volume increased 127.0% over Q1, 2010. Markets with the highest transaction volume were Washington DC, New York, Boston, Los Angeles and San Francisco. Average cap rates dropped to low 7% range with Washington DC and New York transactions in the sub-6% range.

# Market Overview

For the Period Ended 3/31/2011



## Retail

Vacancies for community and neighborhood shopping centers rose by 10 bps to 13.1% in the first quarter of 2011 despite limited completions of new properties. Retail sales growth rebounded in the second half of 2010 and continues to show gains into 2011 despite higher fuel prices. Approximately \$5.8 billion in retail properties traded in the first quarter of 2011, 53.0% increase from the first quarter of the prior year, the second highest property type transaction volume behind the office sector. In addition to the closed properties, \$9.3 billion of new offerings were brought to market, an increase of 40% from a year earlier. Strip center cap rates dropped to an average of 7.8%, while regional mall cap rates also declined to 7.5%.

# Portfolio Summary

For the Period Ended 3/31/2011



Total Portfolio	Investment Type	1st Qtr. 2011 Market Value	Original Commitment	Remaining Capital to be Called
<b>Commingled Funds</b>				
Prologis Europe I	Core	\$6,066,447	\$10,713,400	\$0
Prologis U.S. Logistics	Core	10,740,274	20,000,000	0
Greenfield Acq. Partners V	Value Added	16,013,998	25,000,000	9,350,000
Guggenheim Structured Real Estate Fund III	Coml. Mortgages	13,417,782	25,000,000	0
Lone Star Fund VII	Opportunistic	(506,465)	50,000,000	50,000,000
Lone Star RE Fund II	Opportunistic	(477,925)	25,000,000	25,000,000
ORG NM Secondary Opportunity Fund	Opportunistic	18,240,440	40,000,000	26,876,618
Prima Mortgage Inv. Trust	Coml. Mortgages	51,170,030	50,000,000	0
<b>Total Commingled Funds</b>		<b>114,664,581</b>	<b>245,713,400</b>	<b>111,226,618</b>
<b>Public Real Estate</b>				
In House REIT Index Fund	US Public REIT	370,710,239		
<b>Total Portfolio</b>		<b>\$485,374,820</b>	<b>\$245,713,400</b>	<b>\$111,226,618</b>

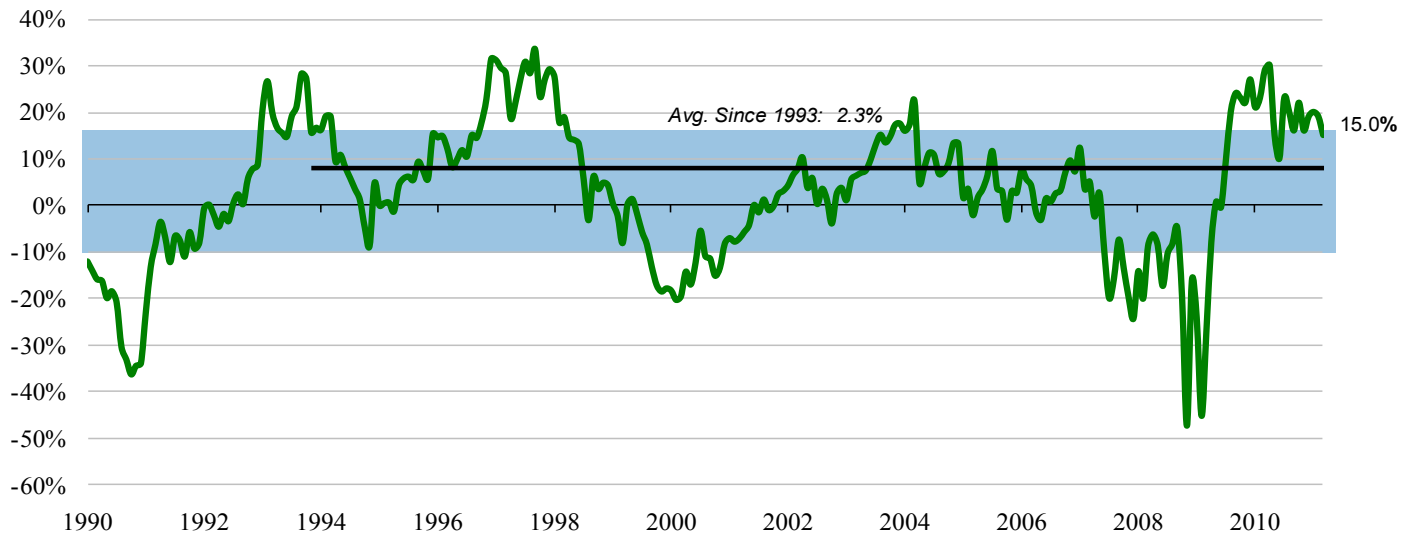
## New Mexico ERB Portfolio

- In the first quarter 2011, Greenfield Fund V called \$0.9 million, ORG NM Secondary Fund called \$0.1 million and Prima Mortgage Investment Trust returned \$0.6 million.
- ORG continues to review opportunities and potential investments on behalf of NMERB.

**Quarterly Activity and Notable Subsequent Events (Continued)**

- **REITS—US**

**U.S. Equity REITS—Historical Premium/Discount to NAV**



Source: Green Street Advisors  
As of March 31, 2011

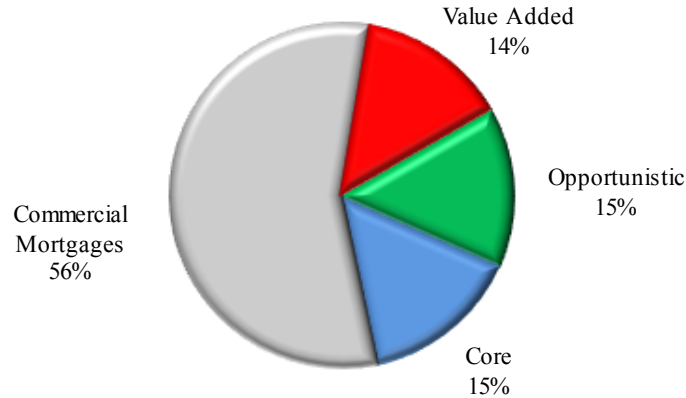


# Portfolio Composition by Market Value

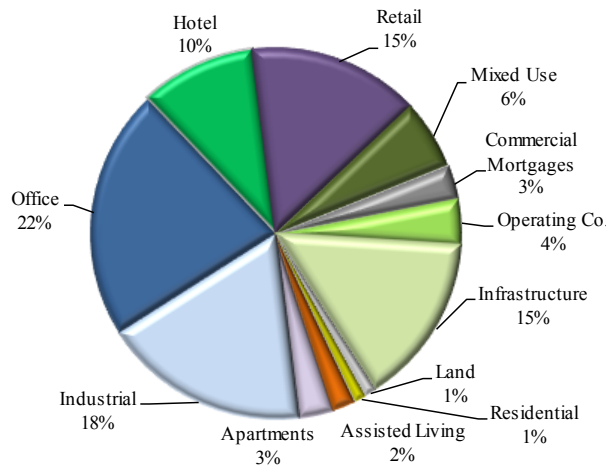
For the Period Ended 3/31/2011



## Portfolio Diversification—Private Real Estate Only



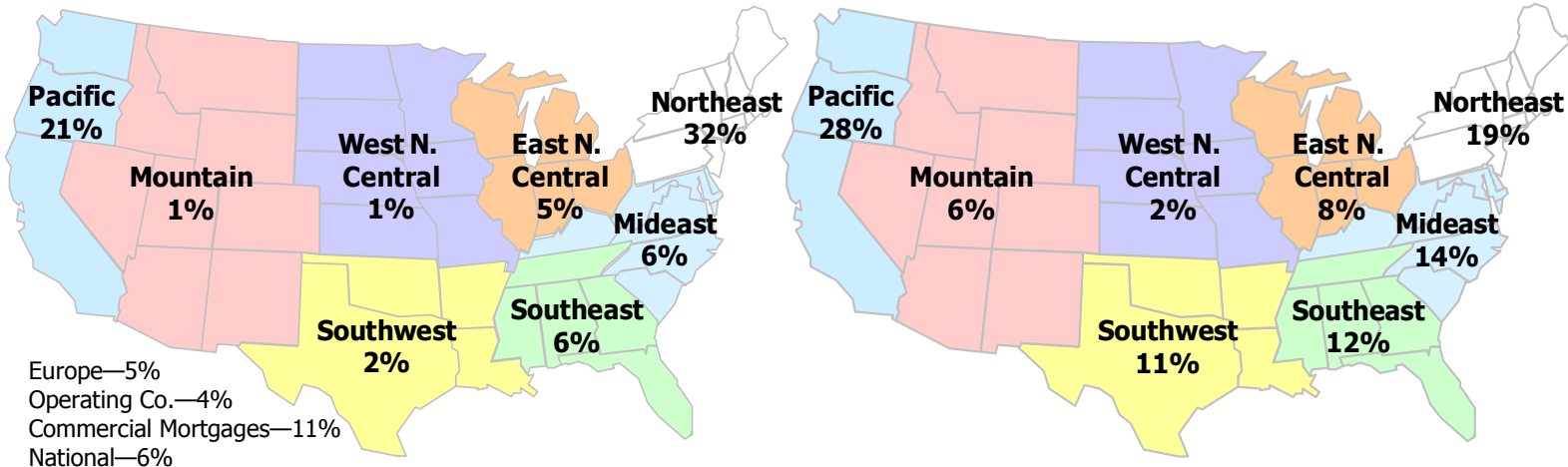
## Investment Type—Private Real Estate Only



## Geographic Diversification

NMERB Portfolio—Private Real Estate Only

NCREIF—Private Real Estate Only



# Portfolio Summary

For the Period Ended 3/31/2011



Investment Policy Fund	Market Value (in Millions)	Total Gross Returns				
		Qtr.	YTD	1 Yr.	3 Yrs.	Since Inception
<b>Core</b>	<b>\$16.8</b>	<b>6.7%</b>	<b>6.7%</b>	<b>22.4%</b>		<b>-17.2%</b>
Prologis U.S. Logistics Fund	\$10.7	5.2%	5.2%	26.0%		-18.2%
Prologis Europe I	\$6.1	9.6%	9.6%	16.6%		-14.9%
<b>Value Added</b>	<b>\$16.0</b>	<b>0.1%</b>	<b>0.1%</b>	<b>33.8%</b>		<b>0.1%</b>
Greenfield Acquisition Partners V	\$16.0	0.1%	0.1%	33.8%		0.1%
<b>Opportunistic</b>	<b>\$17.2</b>	<b>2.1%</b>	<b>3.0%</b>	<b>-99.3%</b>		<b>-93.6%</b>
Lone Star Fund VII	(\$0.5)					
Lone Star Real Estate Fund II	(\$0.6)					
ORG NM Secondary Opportunity	\$18.3	2.1%	3.0%	-99.3%		-93.6%
<b>Commercial Mortgages</b>	<b>\$64.6</b>	<b>2.9%</b>	<b>2.9%</b>	<b>11.9%</b>	<b>2.6%</b>	<b>3.6%</b>
Guggenheim III	\$13.4	1.3%	1.3%	1.7%	-11.3%	-9.4%
Prima Mortgage Inv. Trust	\$51.2	3.3%	3.3%	15.0%		7.2%
<b>Private Real Estate</b>	<b>\$114.6</b>	<b>2.9%</b>	<b>2.9%</b>	<b>24.2%</b>	<b>-0.8%</b>	<b>0.5%</b>
<b>Public Real Estate</b>	<b>\$370.7</b>	<b>6.7%</b>	<b>6.7%</b>	<b>25.6%</b>	<b>2.3%</b>	
In House REIT Index Fund	\$370.7	6.7%	6.7%	25.6%	2.3%	
<b>TOTAL</b>	<b>\$485.3</b>	<b>5.8%</b>	<b>5.8%</b>	<b>25.2%</b>	<b>2.2%</b>	<b>2.8%</b>
NCREIF Property Index		3.4%	3.4%	16.0%	-3.6%	-2.9%
Wilshire REIT Index		6.7%	6.7%	25.0%	1.7%	