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NEW MEXICO EDUCATIONAL RETIREMENT BOARD

INFRASTRUCTURE PORTFOLIO

QUARTERLY PERFORMANCE MEASUREMENT

FIRST QUARTER

MARCH 31, 2015



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 March 31, 2015.

<b>PORTFOLIO SUMMARY</b>						
Portfolio Fair Value						\$156,893,789
Unfunded Investment Commitments						\$201,455,554
Total Exposure (Portfolio Fair Value plus Unfunded Investment Commitments)						\$358,349,343
Portfolio Inception Date						July 2008
Total Number of Fund Investments						7
Total Number of Direct Investments						1
Net Internal Rate of Return (“IRR”) Since Inception						2.2%
<b>CURRENT COMMITMENTS</b>						
<u>Commitments</u>	<u>Vintage Year</u>	<u>Fund Currency</u>	<u>Commitment (Local)</u>	<u>Commitment (USD)</u>	<u>Gross IRR<sup>1</sup></u>	<u>Net IRR<sup>1</sup></u>
Citi Infrastructure Partners	2008	USD	\$42,647,060	\$42,647,060	(6.3%)	(8.9%)
Alinda Infrastructure Fund II	2008	USD	\$50,000,000	\$50,000,000	12.8%	8.2%
Alterna Core Capital Assets Fund	2009	USD	\$55,000,000	\$55,000,000	12.1%	8.1%
Stonepeak Infrastructure Fund	2012	USD	\$40,000,000	\$40,000,000	38.8%	24.1%
EQT Infrastructure Partners II <sup>2</sup>	2012	EUR	€30,000,000	\$34,593,007	(8.0%)	(17.9%)
Alterna Core Capital Assets Fund II	2012	USD	\$25,000,000	\$25,000,000	(3.0%)	(21.8%)
ISQ Global Infrastructure Fund	2014	USD	\$50,000,000	\$50,000,000	NM	NM
<b>Total Fund Commitments</b>				<b>\$ 297,240,067</b>	<b>6.0%</b>	<b>2.0%</b>
Caledon Andromeda Investments LP	2013	USD	\$85,000,000	\$85,000,000	NM	NM
<b>Total Direct Commitments</b>				<b>\$85,000,000</b>	<b>NM</b>	<b>NM</b>
<b>Total Portfolio</b>				<b>\$ 382,240,067</b>	<b>6.3%</b>	<b>2.2%</b>

<sup>1</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>2</sup> EUR commitment comprised of drawn commitments at actual funded USD plus unfunded commitment converted to USD per Bloomberg March 31, 2015 closing rate (\$1.0731/EUR).

<b>FUNDING STATUS</b>				
<u>Investment</u>	<u>Commitment</u>	<u>Drawn Commitment<sup>3</sup></u>	<u>Unfunded Commitments<sup>4</sup></u>	<u>Distributions</u>
<b>Total Portfolio</b>	<b>\$ 382,240,067</b>	<b>\$180,784,513</b>	<b>\$201,455,554</b>	<b>\$83,715,286</b>

<sup>3</sup> Drawn commitments at actual funded USD amounts net of recallable distribution.

<sup>4</sup> 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.

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	12.3	-	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	4.3
2014	124.9	31.6	14.5	9.2	3.5	27.2	10.4	139.7	3.4	1.4	4.8
Q1 – 15	139.7	18.8	0.4	-	0.8	1.2	(0.4)	156.9	0.9	0.3	1.2
<b>Total</b>		<b>228.0</b>	<b>56.6</b>	<b>9.6</b>	<b>17.5</b>	<b>83.7</b>	<b>12.6</b>	<b>156.9</b>	<b>18.7</b>	<b>4.3</b>	<b>23.0</b>

Note: Amounts in table may not add due to rounding

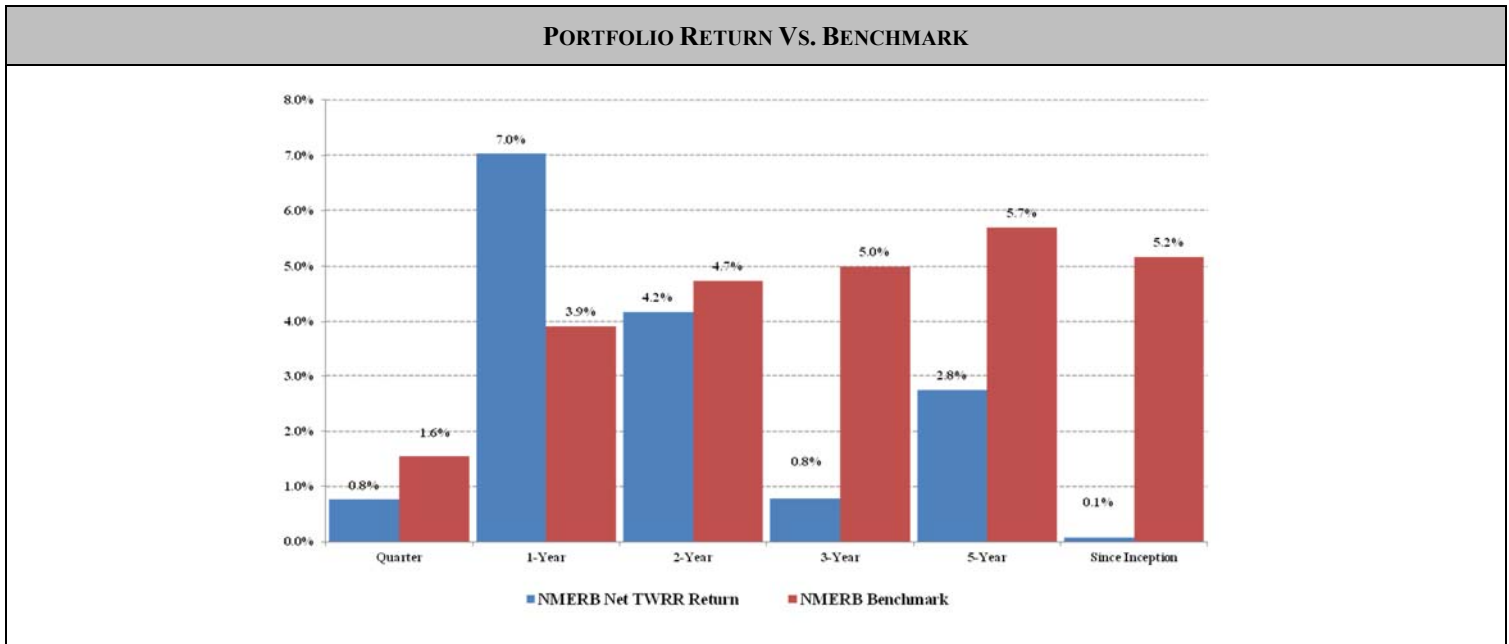
## SUMMARY OF PERFORMANCE

<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	0.8%	7.0%	4.2%	0.8%	2.8%	0.1%
<u>Dollar-Weighted</u>						
Total Net IRR						2.2%

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**PORTFOLIO RETURN VS. BENCHMARK**

<b>PORTFOLIO RETURN VS. BENCHMARK</b>			
<u>Time-Weighted</u>	<u>NMERB Net Return</u>	<u>CPI + 400 bps</u>	<u>Outperformance</u>
Quarter	0.8%	1.6%	(0.8%)
1-Year	7.0%	3.9%	3.1%
2-Year	4.2%	4.7%	(0.6%)
3-Year	0.8%	5.0%	(4.2%)
5-Year	2.8%	5.7%	(3.0%)
Since Inception	0.1%	5.2%	(5.1%)



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**INVESTMENT POLICY GUIDELINES**

The NMERB adopted an Infrastructure Policy Statement in September 2007 and subsequently 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
<b>Investment Structure</b>		
Private Equity	40% - 100%	94.4%
Private Debt	0% - 60%	5.6%
Public Equity	0% - 20%	-
Public Debt	0% - 10%	-
<b>Investment Vehicle</b>		
Open-End Funds	20% - 100%	-
Closed-End Funds	20% - 100%	90.7%
Public Infrastructure Securities	0% - 30%	-
Direct Co-Investment	0% - 30%	9.3%
<b>Diversification by Asset Type</b>		
Energy	0% - 60%	43.1%
Transportation	0% - 60%	18.4%
Utilities	0% - 60%	11.4%
Social Infrastructure	0% - 60%	0.5%
Other	0% - 40%	26.6%
<b>Diversification by Geography</b>		
United States	0% - 100%	67.1%
Western Europe	0% - 70%	16.1%
Australia	0% - 70%	3.0%
Other OECD	0% - 50%	13.3%
Other Non-OECD	0% - 20%	0.5%

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 Close-ended funds at 91%, and a smaller red segment representing Direct investments at 9%.</p>
ASSET TYPE	GEOGRAPHY
<p>A pie chart illustrating diversification by asset type. The chart is divided into five segments: Energy (43%, blue), Transportation (18%, red), Utilities (11%, green), Social Infrastructure (0.5%, purple), and Other (27%, cyan).</p>	<p>A pie chart illustrating diversification by geography. The chart is divided into five segments: US (67%, blue), W. Europe (16%, red), Australia (3%, green), Other - OECD (13%, purple), and Other Non-OECD (0.5%, cyan).</p>

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