New Mexico Educational Retirement Board

Real Estate and Natural Resources Portfolio Quarterly Board Summary

June 30, 2017

Hamilton Lane

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Portfolio Summary

Portfolio Review

As of June 30, 2017, New Mexico Educational Retirement Board ("NMERB") had a total portfolio value of $12,333,534,379. NMERB's long-term target allocations to real estate and natural resources are 7%, ($863,347,407) and 4.5% ($555,009,047), respectively. As of June 30, 2017, net asset value ("NAV") of the real estate portfolio was $925,941,624 and NAV for the natural resources portfolio was $463,527,770.

As of June 30, 2017, NMERB had $459,092,267 of committed but uncalled allocations to private real estate managers and $179,763,447 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	1.88%	9.36%	12.58%
Wilshire REIT Index	0.02%	9.23%	
Private Real Estate	3.53%	8.47%	10.75%
NCREIF Property Index	1.75%	9.09%	
Natural Resources	0.79%	4.55%	6.77%
NCREIF Timberland Index	0.70%	4.15%	
NCREIF Farmland Index	1.63%	12.08%	
CPI (All Consumers)	0.48%	1.73%	

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 6/30/2017

Paid in Capital (PIC) 0.75x

Distribution Paid in Capital (DPI) 0.45x

Residual Value Paid in Capital (RVPI) 0.75x

Total Value Paid in Capital (TVPI) 1.20x

Trailing Period Time Weighted Returns – *Net of Fees*

	QTR	1 Year	3 Year	5 Year	7 Year	Since Inception	SI Date
Public Real Estate	1.88%	-0.25%	6.59%	9.02%	13.07%	9.28%	3/31/2004
In-House REIT	1.64%	-1.87%	8.21%	9.19%	13.15%	9.32%	3/31/2004
Wilshire REIT - U.S. Equity	0.02%	-3.41%	7.67%	8.97%	13.03%	9.23%	3/31/2004
Brookfield U.S. Value REIT	1.97%	0.38%	5.43%	9.60%	-	10.31%	9/30/2011
MSCI REIT Index	1.65%	-1.82%	8.19%	9.38%	13.16%	10.00%	9/30/2011
Private Real Estate	3.53%	12.63%	14.31%	15.66%	15.31%	8.47%	6/30/2008
NCREIF Property Index	1.75%	6.98%	10.16%	10.49%	11.58%	9.09%	6/30/2008
Natural Resources	0.79%	6.95%	6.60%	7.25%	5.99%	4.55%	6/30/2009
NCREIF Timberland Index	0.70%	3.35%	5.54%	7.16%	5.31%	4.15%	6/30/2009
NCREIF Farmland Index	1.63%	6.55%	9.27%	12.91%	13.32%	12.08%	6/30/2009
CPI (All Consumers)	0.48%	1.63%	0.92%	1.31%	1.68%	1.73%	6/30/2009

Calendar Year Time Weighted Returns – *Net of Fees*

	YTD	2016	2015	2014	2013	2012
Public Real Estate	2.25%	8.33%	-1.01%	30.71%	3.48%	19.60%
In-House REIT	1.64%	7.20%	4.28%	31.57%	1.47%	17.11%
Wilshire REIT - U.S. Equity	0.05%	7.24%	4.23%	31.78%	1.86%	17.58%
Brookfield U.S. Value REIT	2.49%	8.57%	-4.06%	29.80%	6.40%	25.80%
MSCI REIT Index	2.66%	8.60%	2.52%	30.38%	2.47%	17.77%
Private Real Estate	6.41%	12.07%	12.92%	18.08%	19.73%	14.31%
NCREIF Property Index	3.33%	7.97%	13.33%	11.81%	10.99%	10.54%
Natural Resources	2.28%	9.94%	7.25%	2.08%	11.33%	2.61%
NCREIF Timberland Index	1.47%	2.59%	4.97%	10.48%	9.68%	7.75%
NCREIF Farmland Index	2.13%	7.09%	10.34%	12.63%	20.93%	18.58%
CPI (All Consumers)	1.47%	2.07%	0.73%	0.76%	1.50%	1.74%

Private Portfolio Statistics

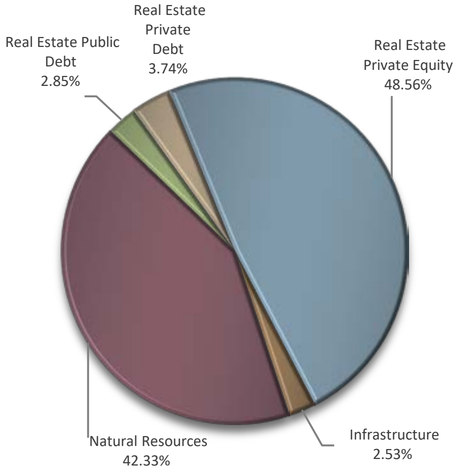
	06/30/2017	12/31/2016	12/31/2015	12/31/2014	12/31/2013
Private Portfolio Market Value	$ 1,033,150,019	$ 942,235,573	$ 691,163,227	$ 563,535,356	$ 295,792,339
Committed Uncalled	638,792,714	624,447,497	650,114,560	500,638,903	569,522,524
Private Portfolio Market Value + Committed Uncalled	$ 1,671,942,733	$ 1,566,683,069	$ 1,341,277,787	$ 1,064,174,260	$ 865,314,862
Total Number of Fund Investments	47	44	38	32	26
Total Number of Managers	29	29	27	25	21

Private Asset Multiples

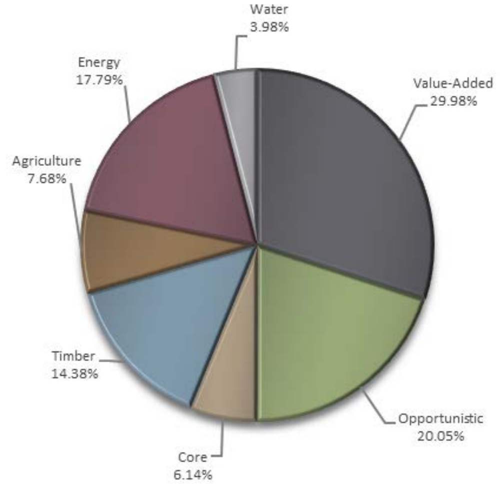
	6/30/2017	12/31/2016	12/31/2015	12/31/2014	12/31/2013
PIC Multiple	.75 x	.68 x	.63 x	.60 x	.43 x
Distribution Multiple	.45 x	.43 x	.42 x	.35 x	.40 x
Residual Value Multiple	.75 x	.79 x	.79 x	.82 x	.79 x
Total Value Multiple	1.20 x	1.22 x	1.21 x	1.18 x	1.19 x

Portfolio Diversification

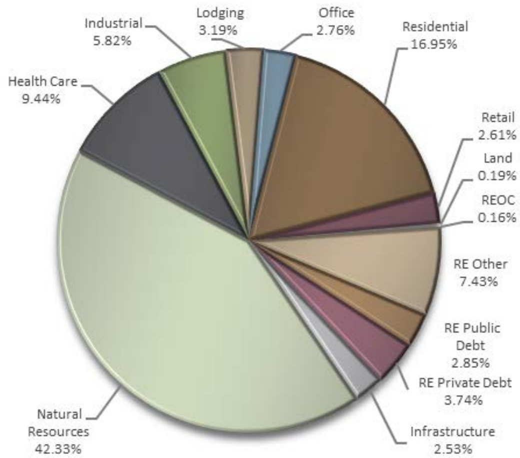
Private Diversification by Investment Class



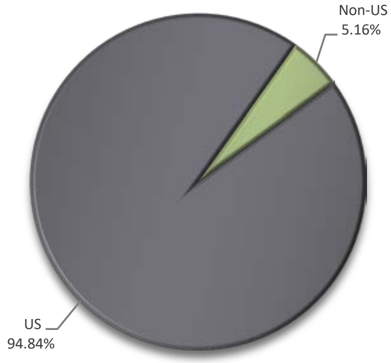
Private Asset Risk Category



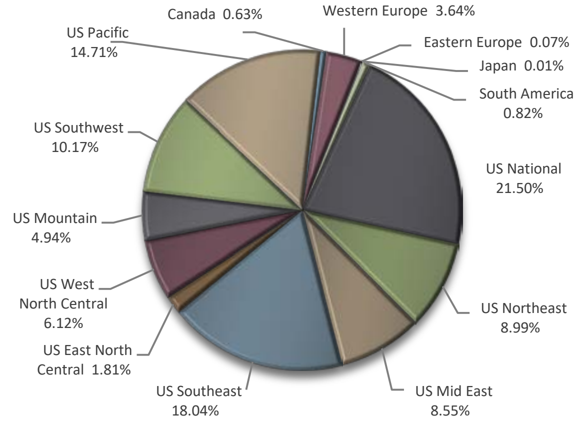
Private Asset Diversification by Investment Type



Private Asset US vs. Non-US Diversification



Private Asset Global Diversification



Manager Statistics

Manager Performance – *Net of Fees*

	Commitment ($)	Market Value ($)	Time Weighted Returns YTD	1 Year	3 Year	5 Year	Since Inception	Since Inception Net IRR
Private Real Estate								
PRIMA Mortgage Investment Trust, LLC	50,000,000	49,283,715	2.11%	2.54%	3.94%	4.43%	5.06%	5.35%
Prologis Targeted Europe Logistics Fund, FCP-FIS	12,547,119	7,854,193	12.50%	11.78%	5.78%	7.16%	-2.68%	-2.68%
Core Total	**62,547,119**	**57,137,908**	**3.43%**	**3.72%**	**5.77%**	**6.45%**	**2.70%**	**3.26%**
Crow Holdings Realty Partners VI, LP	50,000,000	41,762,372	6.13%	12.04%	12.26%	-	9.24%	10.59%
Crow Holdings Realty Fund VII, LP	35,000,000	26,158,812	7.96%	13.03%	-	-	12.14%	12.24%
Crow Retail Fund II, L.P.	30,000,000	-	-	-	-	-	-	-
Hammes Partners II, L.P.	50,000,000	29,004,474	4.65%	9.70%	-	-	10.79%	9.90%
Hammes Partners III, L.P.	30,000,000	-	-	-	-	-	-	-
Prudential Senior Housing Partners IV	50,000,000	49,538,539	4.56%	14.95%	16.75%	12.76%	12.78%	14.42%
Prudential Senior Housing V	35,000,000	17,418,551	11.69%	11.32%	-	-	9.88%	13.16%
RAM Realty Partners III	30,000,000	7,564,370	4.27%	14.50%	18.86%	-	16.14%	16.73%
RAM Realty Partners IV	40,000,000	11,864,872	-1.71%	-	-	-	-3.50%	-
Realterm Logistics Fund, L.P.	25,000,000	25,290,488	8.07%	7.16%	19.48%	-	17.51%	15.75%
Realterm Logistics Fund II, LP	25,000,000	1,163,948	-	-	-	-	-	-
Rockpoint Real Estate Fund IV, L.P.	45,454,545	25,184,483	0.44%	2.99%	13.90%	-	39.28%	19.55%
Rockpoint Real Estate Fund V, L.P.	35,000,000	11,873,676	5.53%	11.40%	-	-	20.95%	10.15%
Sares-Regis Multifamily Fund, L.P.	30,000,000	38,494,374	8.85%	19.05%	20.11%	-	14.72%	17.33%
Sares-Regis Multifamily Value-Add Fund II, L.P.	30,000,000	19,395,957	4.19%	2.45%	-	-	2.33%	1.64%
Value-Added Total	**540,454,545**	**304,714,917**	**5.53%**	**11.47%**	**15.75%**	**14.40%**	**14.27%**	**13.98%**
Edgewood Partners LP	99,500,000	11,522,489	81.69%	-	-	-	81.69%	-
Greenfield Acquisition Partners V, L.P.	25,000,000	727,852	-7.80%	-1.88%	-3.76%	2.72%	1.09%	8.36%
Kildare European Partners I, L.P.	50,000,000	19,915,309	9.16%	16.91%	13.55%	-	13.55%	12.78%
Kildare European Partners II, L.P.	40,000,000	-	-	-	-	-	-	-
Lone Star Fund VII (U.S.), L.P.	50,000,000	3,175,282	-4.84%	-18.36%	-4.29%	18.50%	23.00%	47.00%
Lone Star Fund VIII (U.S.), L.P.	50,000,000	20,571,167	3.99%	0.97%	7.81%	-	23.76%	17.99%
Lone Star Real Estate Fund II (U.S.), L.P.	25,000,000	3,937,139	5.20%	11.70%	25.67%	25.79%	27.58%	25.79%
Lone Star Real Estate Fund V (U.S.), L.P.	37,063,856	-	-	-	-	-	-	-
Raith Real Estate Fund I-A LP	50,000,000	49,151,651	10.32%	17.75%	6.42%	-	7.19%	12.13%
RAPM NM Secondary Opportunity Fund, L.P.	40,000,000	23,228,242	12.58%	21.89%	9.62%	4.90%	-21.02%	11.98%
RAPM-NMERB Co-Investment Fund, L.P.	79,520,000	75,540,293	2.45%	17.84%	25.80%	-	25.80%	26.30%
Opportunistic Total	**546,083,856**	**207,769,424**	**8.63%**	**17.26%**	**16.39%**	**20.70%**	**11.56%**	**15.28%**
Private Real Estate Total	**1,149,085,520**	**569,622,249**	**6.41%**	**12.63%**	**14.31%**	**15.66%**	**8.47%**	**10.75%**
NCREIF Property Index			*3.33%*	*6.98%*	*10.16%*	*10.49%*	*9.09%*	
Public Real Estate								
In-House REIT	-	100,554,750	1.64%	-1.87%	8.21%	9.19%	9.32%	13.05%
U.S. Value Income REIT Strategy	160,000,000	255,764,625	2.49%	0.38%	5.43%	9.60%	10.31%	9.48%
Public Real Estate Total	**160,000,000**	**356,319,375**	**2.25%**	**-0.25%**	**6.59%**	**9.02%**	**9.28%**	**12.58%**
Wilshire REIT - U.S. Equity			*0.05%*	*-3.41%*	*7.67%*	*8.97%*	*9.23%*	
Real Estate Total	**1,309,085,520**	**925,941,624**						**12.08%**

* 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 YTD	1 Year	3 Year	5 Year	Since Inception	Since Inception Net IRR
Natural Resources								
Brookfield Brazil Timber Fund II, LP	10,500,000	8,285,761	5.23%	10.68%	7.03%	-	6.59%	5.99%
Conservation Forestry Capital Fund II, LP	25,000,000	22,664,416	-0.17%	-2.65%	3.03%	5.09%	3.63%	4.62%
Conservation Forestry Capital Fund IV, LP	20,000,000	10,064,758	-0.86%	-	-	-	-1.14%	-
Eastern Timberland Opportunities II	45,000,000	54,822,673	2.10%	4.87%	-	-	8.67%	8.54%
Ecosystem Investment Partners II, LP	30,000,000	36,436,667	1.87%	1.29%	15.18%	13.18%	3.63%	12.37%
Ecosystem Investment Partners III, LP	50,000,000	9,679,989	39.07%	16.64%	-	-	93.78%	15.89%
Timber Total	**180,500,000**	**141,954,263**	**3.10%**	**3.57%**	**9.16%**	**9.02%**	**5.60%**	**7.41%**
NCREIF Timberland Index			*1.47%*	*3.35%*	*5.54%*	*7.16%*	*4.15%*	
Blue Road Capital, L.P.	30,000,000	12,890,413	5.37%	3.10%	-	-	5.11%	1.72%
Halderman Farmland Separate Account	50,000,000	37,627,448	3.43%	0.04%	2.09%	-	-	3.23%
Hancock GLC Farms, LLC	50,000,000	32,194,268	-0.63%	1.12%	8.00%	-	7.07%	6.99%
Agriculture Total	**130,000,000**	**82,712,129**	**2.09%**	**1.40%**	**5.61%**	**-**	**6.11%**	**4.94%**
NCREIF Farmland Index			*2.13%*	*6.55%*	*9.27%*	*12.91%*	*12.08%*	
Bluescape Energy Recapitalization and Restructuring Fund III, LP	30,000,000	24,124,915	2.68%	-	-	-	2.68%	-
BP Natural Gas Opportunity Partners, L.P.	30,000,000	25,382,565	35.22%	84.98%	-	-	48.14%	69.43%
EnerVest Energy Institutional Fund XIV-A, L.P.	37,500,000	26,614,294	-16.57%	0.31%	-	-	-11.73%	-7.57%
Five Point Capital Midstream Fund II L.P.	50,000,000	33,624,811	37.13%	39.59%	10.67%	-	10.67%	26.11%
Harvest MLP	50,000,000	50,816,408	-2.83%	-	-	-	-1.33%	-
Lime Rock Resources III	34,250,000	32,946,526	-10.18%	2.22%	-15.47%	-	-13.15%	1.51%
Energy Total	**231,750,000**	**193,509,519**	**2.26%**	**14.09%**	**-9.16%**	**-**	**-7.18%**	**9.07%**
Water Property Investor, L.P.	30,000,000	28,424,854	-0.20%	2.97%	-	-	-1.21%	-0.30%
Water Property Investor II, L.P.	30,000,000	16,927,006	-	-	-	-	-	-
Water Total	**60,000,000**	**45,351,860**	**-0.20%**	**2.97%**	**-**	**-**	**-1.21%**	**-0.34%**
Natural Resources Total	**602,250,000**	**463,527,770**	**2.28%**	**6.95%**	**6.60%**	**7.25%**	**4.55%**	**6.77%**
Grand Total	**1,911,335,520**	**1,389,469,394**						**11.63%**

* 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.

*****Halderman Farmland Separate Account since inception returns are unavailable due to infinite negative returns in early periods from fees being called prior to capital investment, resulting in an undefined return calculation due to the lack of a net asset value.

Manager Asset Detail

	Commitment ($)	Market Value ($)	Contributions ($)	Distributions ($)	Since Inception Net IRR
Private Real Estate					
PRIMA Mortgage Investment Trust, LLC	50,000,000	49,283,715	50,000,000	(23,080,769)	5.35%
Prologis Targeted Europe Logistics Fund, FCP-FIS	12,547,119	7,854,193	12,566,467	(2,516,770)	-2.68%
Core Total	**62,547,119**	**57,137,908**	**62,566,467**	**(25,597,538)**	**3.26%**
Crow Holdings Realty Partners VI, LP	50,000,000	41,762,372	45,705,196	(17,007,601)	10.59%
Crow Holdings Realty Fund VII, LP	35,000,000	26,158,812	24,877,415	(1,715,122)	12.24%
Crow Retail Fund II, L.P.	30,000,000	-	-	-	-
Hammes Partners II, L.P.	50,000,000	29,004,474	32,879,674	(7,004,733)	9.90%
Hammes Partners III, L.P.	30,000,000	-	-	-	-
Prudential Senior Housing Partners IV	50,000,000	49,538,539	49,593,854	(23,873,921)	14.42%
Prudential Senior Housing V	35,000,000	17,418,551	15,259,047	-	13.16%
RAM Realty Partners III	30,000,000	7,564,370	32,770,683	(40,381,536)	16.73%
RAM Realty Partners IV	40,000,000	11,864,872	18,220,906	(4,996,456)	-
Realterm Logistics Fund, L.P.	25,000,000	25,290,488	23,998,879	(4,931,571)	15.75%
Realterm Logistics Fund II, LP	25,000,000	1,163,948	2,511,928	(1,117,708)	-
Rockpoint Real Estate Fund IV, L.P.	45,454,545	25,184,483	47,472,709	(36,652,506)	19.55%
Rockpoint Real Estate Fund V, L.P.	35,000,000	11,873,676	11,674,647	(725,781)	10.15%
Sares-Regis Multifamily Fund, L.P.	30,000,000	38,494,374	28,303,605	(8,023,720)	17.33%
Sares-Regis Multifamily Value-Add Fund II, L.P.	30,000,000	19,395,957	33,813,065	(14,840,028)	1.64%
Value-Added Total	**540,454,545**	**304,714,917**	**367,081,609**	**(161,270,683)**	**13.98%**
Edgewood Partners LP	99,500,000	11,522,489	6,448,978	-	-
Greenfield Acquisition Partners V, L.P.	25,000,000	727,852	24,650,000	(33,075,949)	8.36%
Kildare European Partners I, L.P.	50,000,000	19,915,309	43,963,429	(31,204,353)	12.78%
Kildare European Partners II, L.P.	40,000,000	-	-	-	-
Lone Star Fund VII (U.S.), L.P.	50,000,000	3,175,282	49,554,503	(82,841,477)	47.00%
Lone Star Fund VIII (U.S.), L.P.	50,000,000	20,571,167	49,219,696	(41,868,413)	17.99%
Lone Star Real Estate Fund II (U.S.), L.P.	25,000,000	3,937,139	25,036,133	(33,217,233)	25.79%
Lone Star Real Estate Fund V (U.S.), L.P.	37,063,856	-	-	-	-
Raith Real Estate Fund I-A LP	50,000,000	49,151,651	69,057,075	(27,252,757)	12.13%
RAPM NM Secondary Opportunity Fund, L.P.	40,000,000	23,228,242	30,206,033	(20,862,731)	11.98%
RAPM-NMERB Co-Investment Fund, L.P.	79,520,000	75,540,293	67,141,202	(23,888,179)	26.30%
Opportunistic Total	**546,083,856**	**207,769,424**	**365,277,050**	**(294,211,092)**	**15.28%**
Private Real Estate Total	**1,149,085,520**	**569,622,249**	**794,925,125**	**(481,079,314)**	**10.75%**
Public Real Estate Total					
In-House REIT	-	100,554,750	780,895,071	(1,090,524,640)	13.05%
U.S. Value Income REIT Strategy	160,000,000	255,764,625	163,566,829	-	9.48%
Public Real Estate Total	**160,000,000**	**356,319,375**	**944,461,900**	**(1,090,524,640)**	**12.58%**
Real Estate Total	**1,309,085,520**	**925,941,624**	**1,739,387,025**	**(1,571,603,954)**	**12.08%**

* 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	10,500,000	8,285,761	8,188,126	(1,565,637)	5.99%
Conservation Forestry Capital Fund II, LP	25,000,000	22,664,416	27,450,939	(13,057,333)	4.62%
Conservation Forestry Capital Fund IV, LP	20,000,000	10,064,758	10,224,114	-	-
Eastern Timberland Opportunities II	45,000,000	54,822,673	45,355,692	(465,686)	8.54%
Ecosystem Investment Partners II, LP	30,000,000	36,436,667	29,918,557	(5,982,261)	12.37%
Ecosystem Investment Partners III, LP	50,000,000	9,679,989	8,772,143	-	15.89%
Timber Total	**180,500,000**	**141,954,263**	**129,909,571**	**(21,070,916)**	**7.41%**
Blue Road Capital, L.P.	30,000,000	12,890,413	39,169,288	(26,742,373)	1.72%
Halderman Farmland Separate Account	50,000,000	37,627,448	37,246,309	(2,054,320)	3.23%
Hancock GLC Farms, LLC	50,000,000	32,194,268	25,070,000	-	6.99%
Agriculture Total	**130,000,000**	**82,712,129**	**101,485,596**	**(28,796,693)**	**4.94%**
Bluescape Energy Recapitalization and Restructuring Fund III, LP	30,000,000	24,124,915	22,663,468	(632,215)	-
BP Natural Gas Opportunity Partners, L.P.	30,000,000	25,382,565	14,587,719	(69,355)	69.43%
EnerVest Energy Institutional Fund XIV-A, L.P.	37,500,000	26,614,294	31,580,311	(2,301,095)	-7.57%
Five Point Capital Midstream Fund II L.P.	50,000,000	33,624,811	29,896,468	(4,227,387)	26.11%
Harvest MLP	50,000,000	50,816,408	50,185,553	-	-
Lime Rock Resources III	34,250,000	32,946,526	35,371,264	(3,657,034)	1.51%
Energy Total	**231,750,000**	**193,509,519**	**184,284,783**	**(10,887,086)**	**9.07%**
Water Property Investor, L.P.	30,000,000	28,424,854	28,606,445	-	-0.30%
Water Property Investor II, L.P.	30,000,000	16,927,006	16,954,256	-	-
Water Total	**60,000,000**	**45,351,860**	**45,560,701**	**-**	**-0.34%**
Natural Resources Total	**602,250,000**	**463,527,770**	**461,240,651**	**(60,754,696)**	**6.77%**
Grand Total	**$1,911,335,520**	**1,389,469,394**	**2,200,627,676**	**(1,632,358,650)**	**11.63%**

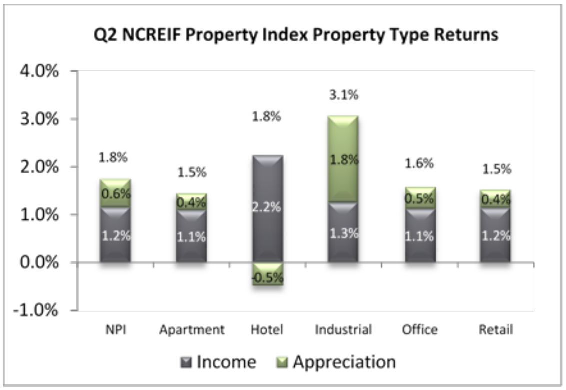
* For individual Fund performance numbers please see disclosure statements in the Appendix C.

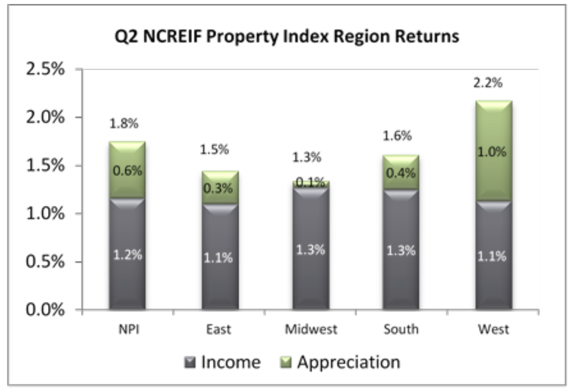
** The IRR calculation begins with the first full year following the initial capital investment.

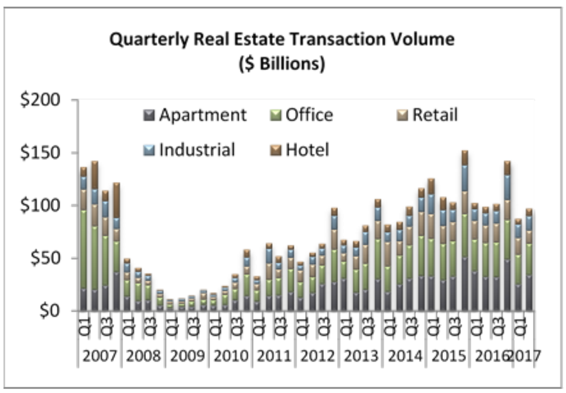
***EnerVest Energy Institutional Fund XIV-A, L.P. does not report ‘Market Value’ on Fair Market Value basis, as per US GAAP standards.

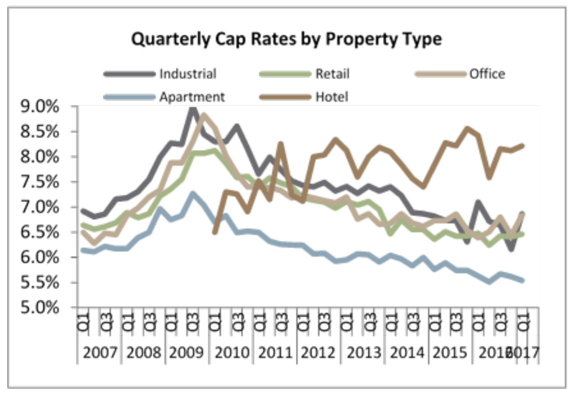
Market Overview

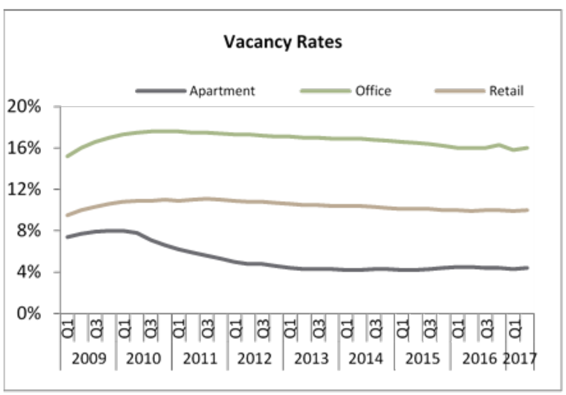
Real Estate Market Overview

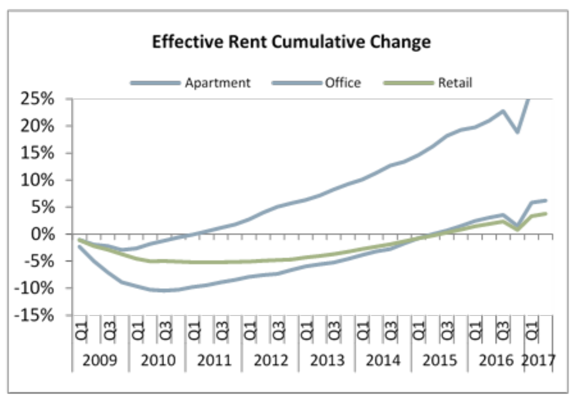


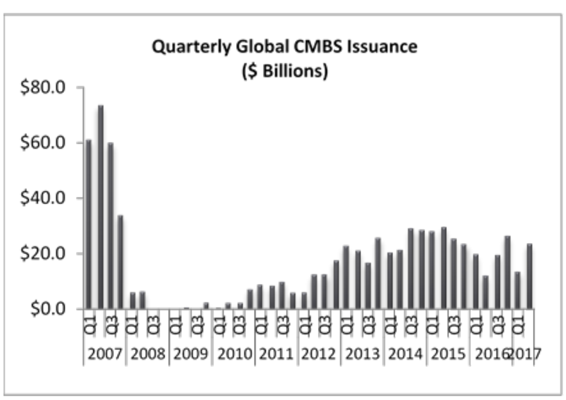


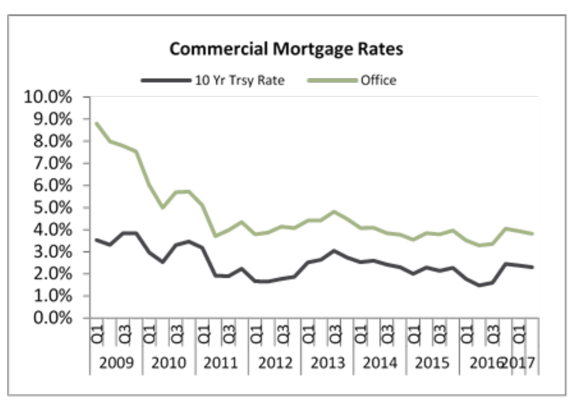












Real Estate Market Commentary

During the second quarter of 2017 the NCREIF Property Index ("NPI") returned 1.75% consisting of 0.59% appreciation and 1.16% income. Over the trailing one-year period the Index returned 6.97%. This quarter's posting marks the reversal of an eight-quarter step-down trend in performance with a 20 bps improvement from Q1 2017. Although this quarter marks a break from trend it still lags the since inception total return quarterly average of 2.26% by 51 bps. Cap rates continue to more or less remain steady across property types, as such appreciation has been more measured in recent periods and income has held steady. With the slowing in cap rate compression, appreciation drivers are transitioning primarily to improvements in fundamentals and as an indication, NOI Growth for NCREIF Open-end Diversified Core Equity Funds increased 4.7% over trailing one-year period.

For the quarter and trailing one-year industrial posted the strongest performance across the NPI property types returning 3.07% and 12.37%, respectively. Industrial continues to benefit from the retail sector's repositioning to an e-commerce model, with suggestions that the property type is going through a wholesale repricing and institutionalization as supply chain logistics are going through an overhaul for faster and more efficient delivery to consumers. For the quarter hotel came in a distant second returning 1.76%, despite having -0.48% appreciation, but strong income of 2.24%. While office, retail and apartment returned 1.58%, 1.52% and 1.45%, respectively. Although hotel had a strong second quarter, over the trailing one-year period it lagged the group at 3.65%.

Key Real Estate Indicators
Trailing 1-Year Ended Q2 2017

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.

New apartment supply continues to be a factor as there is more new supply in progress now than at any point during the previous cycle. As new supply is delivered net absorption continues to be positive and effective rents have continued their steady march upward. Below the headline level, the luxury apartment segment represents 56% of the forthcoming new supply yet luxury only represents 18% of existing stock. The net result is that rent declines have occurred for the top 20% of apartment buildings on a rent-per-square-foot basis.

During Q2, 45 private real estate funds raised $29.0 billion in new fund equity, representing a 33% increase in capital raised from Q1 2017 despite having 19 fewer funds. As of quarter end, global private real estate dry powder totaled $246.0 billion, $145.0 billion of which is targeting North America. Private equity real estate deal flow totaled 887 deals during the quarter, equating to $63 billion in total transactions.

Commercial real estate transaction volume for Q2 totaled $97.0 billion and was down 5% YoY. In percentage and dollar terms, retail was the largest contributor to the decline down 26.6% YoY to $12.3 billion. Office declined 8.4% YoY to $30.0 billion. Multifamily and hotel were positive at $33.9 and $7.0 billion YoY, respectively. Industrial increased 12.9% to $13.6 billion YoY.

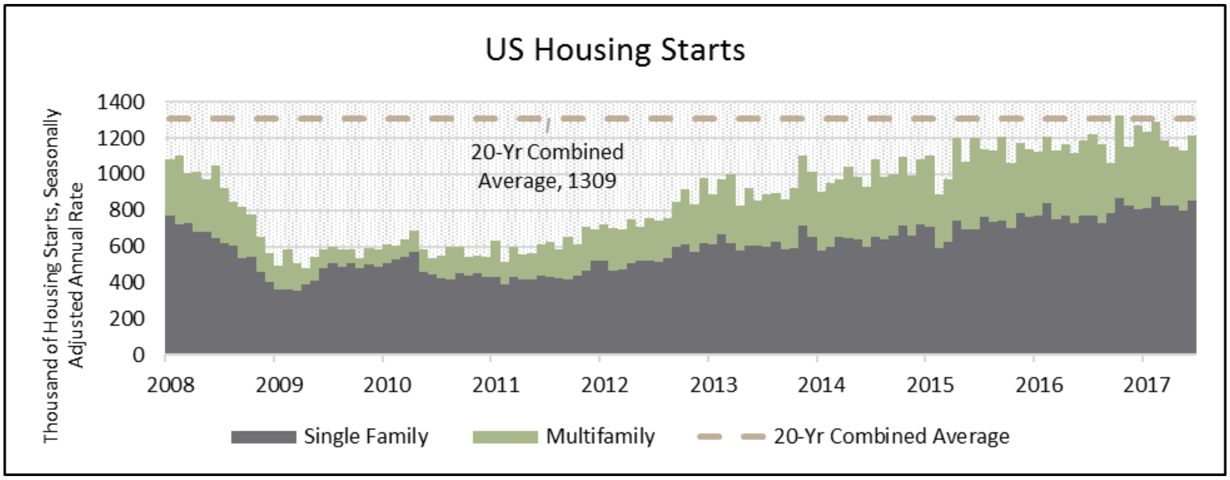
CMBS issuance picked up pace during the quarter totaling $23.5 billion, an increase of 74% from the first quarter and 68% from a year earlier.

Sources: NCREIF, Reis, Commercial Mortgage Alert, RCA, Preqin, TREPP, Bloomberg, Hamilton Lane Advisors

Timber Market Commentary

The NCREIF Timberland Index ("NTI") returned 0.70% in the second quarter consisting of 0.62% income and 0.08% appreciation. This brings the trailing one-year total to 3.35%. By region the Northwest led for the quarter returning 1.47%, followed by the Lake States at 0.57%, the South at 0.48% and finally the Northeast at -0.32%.

In April, the US announced a new tariff of up to 24.1% on Canadian softwood-lumber producers who export to the US on allegations of dumping. More recently, in August, the Trump administration is delaying the imposition of penalties for two months on Canadian lumber, citing continuing bilateral negotiations over the dispute. The penalty had been scheduled to take effect in September and is now delayed until November pending the outcome of the discussions.



During the quarter US housing market demand indicators strengthened, while corresponding housing inventory levels reached record lows, providing attractive conditions for new construction and higher lumber demand. Home inventory declined during the quarter to just 3.9 months of supply, substantially below the balanced market level of 6 months of supply. Private residential construction spending on multifamily and home improvements has recovered to pre-recession levels in real terms. April and May saw a slowing in new housing starts, but in June housing starts climbed 8.3% from May to a seasonally annual adjusted rate of 1.22 million homes. Through June, housing starts are 3.9% ahead of 2016. Although consumer demand for single family homes drives housing starts, the slow gains reflect the difficulty many builders have experienced acquiring buildable lots and finding adequate amounts of skilled labor.

Timber markets in the US South softened for the period as regional timber oversupply conditions pressured stumpage prices. Timber markets in the US Northeast and Lake States experienced price improvement during the quarter, bolstered by stronger consumer spending on home improvement projects and increased exports. Markets in the Pacific Northwest improved materially during the period as export demand remained strong.

Sources: BLS, NCREIF, TIR, WSJ, Hamilton Lane Advisors

Agriculture Market Commentary

The NCREIF Farmland Index ("NFI") returned 1.63% in Q2 2017 consisting of 0.57% income and 1.06% appreciation. Over the trailing one-year period the index returned 6.55%. Annual Cropland returned 1.67% during Q1, while Permanent Cropland returned 1.56%.

Regional performance across the eight Annual cropland regions was led by the Pacific Northwest for the quarter and trailing one-year posting 14.27% and 21.73%, respectively. On the other end of the spectrum, the Corn Belt returned 0.57% for the quarter and -0.38% over the trailing one-year period. On the Permanent cropland front, the Pacific West led for the quarter at 1.49%, while the Pacific Northwest led over the trailing one-year at 9.09%. The Lake States trailed for both periods at -0.58% and 3.70%, respectively.

In 2017 the headline commodity crop industries of corn and soybeans continue to face low commodity prices resulting from substantial supply overhang from preceding years' bumper crops. In light of this, farmers planted 3.3% fewer acres of corn in 2017 for a total of 90.9 million acres, however yield per acre increased 5.8%. On the net, 2017 US corn production is 6.6% lower than the record setting year of 2016, but is expected to generate 14.1 billion bushels, the third highest production level of all time, trailing 2016 at 15.1 billion and 2014 at 14.2 billion bushels. As a result of continued high production levels, corn stocks are up 32% percent from 2016 totaling 2.3 billion bushels. Corn pricing in 2017 remains in line with 2016 at around $3.25 a bushel, roughly half the levels achieved in 2011-2014. Similarly, US soybean production is set to post a new record for the 2017 growing season at 4.43 billion bushels on 89.5 million planted acres, outpacing the previous high of 4.31 billion bushels set in 2016. Yields per acre decreased 4.2%, but planted acreage increased 7.3%. Soybean stocks are expected to increase 53% percent to 301 million bushels. Soybean pricing is registering at just over $9.00 a bushel, down roughly 25-40% from levels seen in 2011-2014.

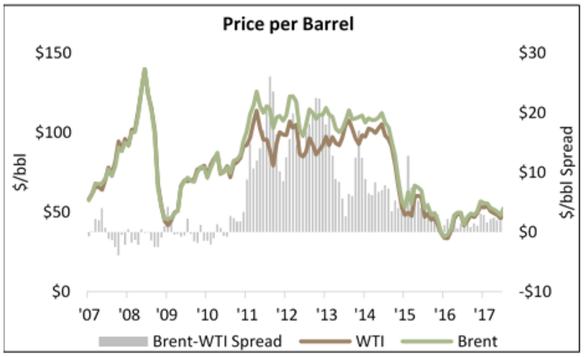
Walnut, almond and pistachio production is projected to increase 14.6%, 12.7% and 232%, respectively, in 2017 as compared to 2016. Despite the increase in supply, walnut prices notched 8.3% higher in 2017 due to growing export demand. Almonds on the other hand dropped 22%, and pistachios posted the lowest pricing levels of the last 7 years at $1.68 per pound because of the growing supply.

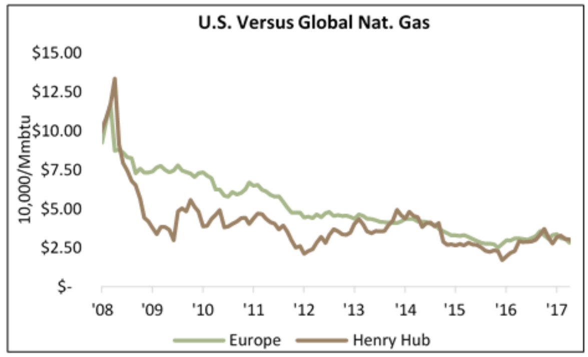
NCREIF Farmland Index Trailing 1-Year Returns as of June 30, 2017

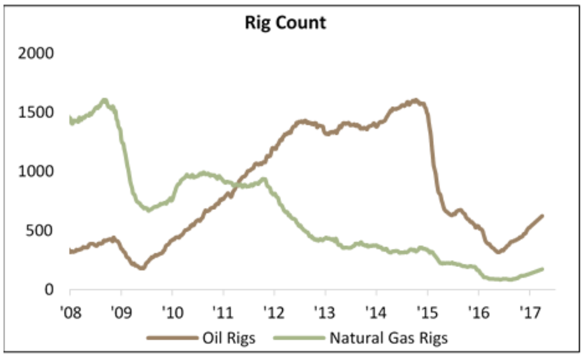
Crop Type	Number of Properties	Value ($ MM)	Income Return	Appreciation Return	Total Return
Annual					
Commodity	314	$2,442	3.09%	-6.64%	-3.71%
Fresh Produce	27	$448	4.05%	-0.53%	3.49%
All Other	126	$1,677	4.10%	2.93%	7.12%
Total Annual	467	$4,567	3.58%	1.28%	4.90%
Permanent					
Apples	23	$167	2.75%	6.28%	9.15%
Almonds	64	$934	6.00%	-11.77%	-6.20%
Citrus	11	$167	8.87%	-17.86%	-10.22%
Pistachios	15	$494	15.49%	-5.32%	9.40%
Wine Grapes	87	$1,394	6.08%	6.29%	12.55%
All Other	38	$345	5.54%	-7.95%	-2.81%
Total Permanent	238	$3,464	7.18%	1.37%	8.63%
Total	705	$7,790	5.18%	1.32%	6.55%

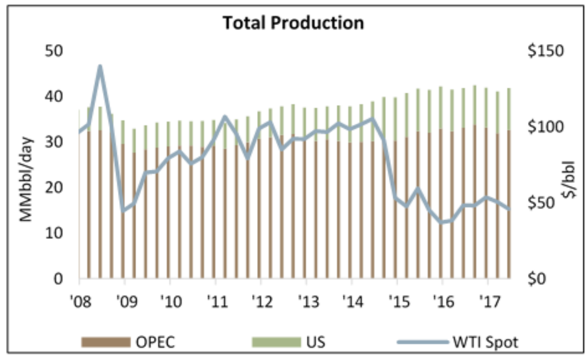
Sources: NCREIF, Hancock Agricultural Investment Group, USDA, Hamilton Lane Advisors

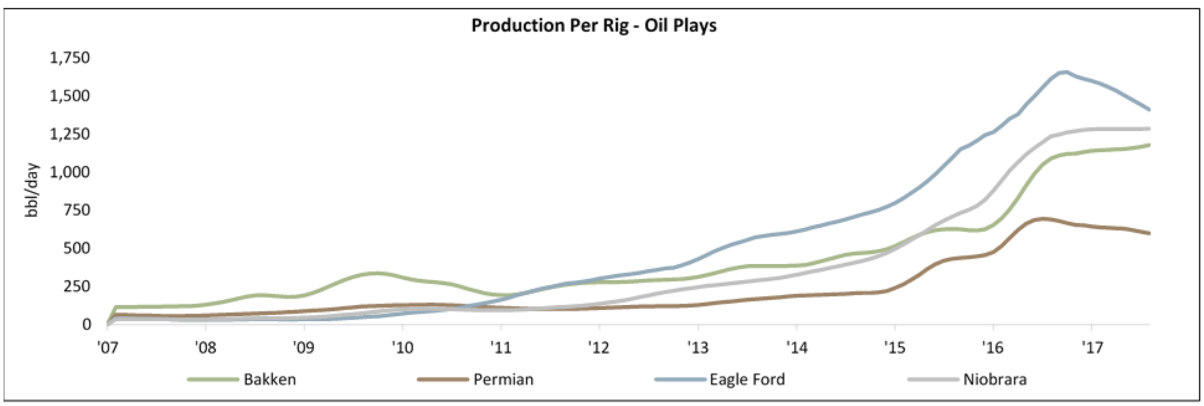
Energy Market Overview

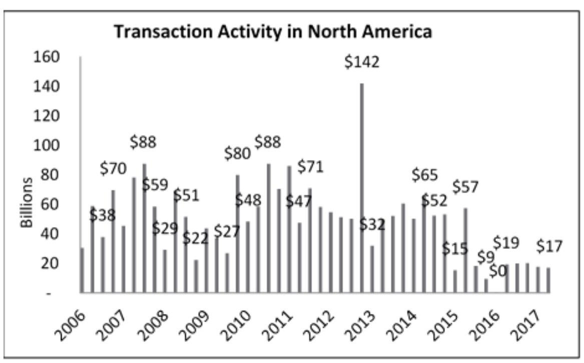


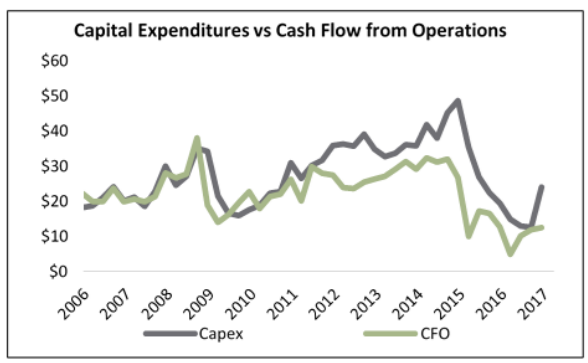












Sources: Baker Hughes, Bloomberg, EIA, Evaluate Energy

Energy Market Commentary

The second quarter was a difficult one for energy investments, with WTI down 9%, NYMEX gas down 4.9%, the S&P E&P ETF down 14.7% and the Alerian MLP Total Return Index down 19.5%. Energy was the worst performing sector in the S&P500. Most energy companies remain focused on improving their balance sheets and increasing cash flow. Part of this push for increased cash flow is a focus on cost structures, which has brought US industry breakevens from $75/bbl in 2014 to $50/bbl today.

One significant development in the oil markets has been the shift of the forward curve. While at the beginning of the year, the futures curve showed a rapid expected increase in price to over $55/bbl, the curve at the end of the second quarter is below $50 until 2019. Most shale producers did not hedge their 2018 production, so this could lead to lower drilling activity in the future if the curve does not shift.

Another interesting issue is lower than expected returns from some of the most hyped basins in the US. During Pioneer's earnings call, management mentioned issues with their Permian drilling plan, including an increase in "train wreck" wells that have not performed due to substantial pressure differentials. This happens when you drill through already exploited areas (like much of the Permian, which has hosted vertical production for decades). We expect that Pioneer is not the only one facing issues. The SPE has also put out bulletins about the increase in frac hits, or wells affected by nearby frac jobs, though this seems to be a correctable coordination issue. We will be watching all of these developments with interest.

Sources: Bloomberg, Pioneer, EIA

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	32,591,051	(17,049,784)	15,541,266
Q3 2014	86,760,742	(19,962,702)	66,798,039
Q4 2014	120,856,581	(32,994,436)	87,862,145
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
Q3 2016	113,811,031	(33,501,341)	80,309,691
Q4 2016	78,289,805	(28,551,986)	49,737,819
Q1 2017	71,787,999	(54,310,556)	17,477,444
Q2 2017	57,652,098	(27,852,843)	29,799,255
Total	$ 1,305,010,617	$ (587,810,384)	$ 717,200,233

Appendix B

Disclosure Statements

The foregoing investment information was prepared for 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. This document (and the information contained herein) is strictly confidential. By its acceptance hereof, the recipient agrees that this document (and the information contained herein) may not be reproduced or disclosed in whole or in part to any person or entity without the prior written consent of Hamilton Lane Advisors "HL". HL hereby disclaims any liability resulting from any unauthorized dissemination of this document and/or any of the information contained herein.

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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 HL. 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 HL 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 HL by the investment managers. HL has made an effort to verify the integrity of the data, however HL 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.

THE PERFORMANCE INFORMATION SET FORTH HEREIN REPRESENTS PAST PERFORMANCE AND IS NOT A GUARANTEE OF FUTURE RESULTS. Any tables, graphs or charts relating to past performance included in this document are intended only to illustrate the performance of the investments for the historical periods shown. Such tables, graphs and charts are not intended to predict future performance and should not be used as the basis for an investment decision.

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.

Returns for periods greater than one year are annualized unless otherwise stated.

The GP (of Conservation Forestry Fund IV, LP) further acknowledges that Investor (NMERB) discloses the following information about its investments held directly and indirectly: Additionally, the Investor (NMERB) reserves the right to report "since inception" IRR and other rate of return measures for its partnership investments. Notwithstanding anything to the contrary contained in the LPA, the GP (of Conservation Forestry Fund IV, LP) hereby consents in advance to the disclosure of the foregoing information by Investor (NMERB) with respect to the Partnership (of Conservation Forestry Fund IV, LP). Investor (NMERB) agrees that in connection with disclosure of any information of the type contemplated above relating to IRR or other measures of investment return, the information set forth in such disclosure will be prepared by investor (NMERB or affiliate) and include an express statement that the Partnership (of Conservation Forestry Fund IV, LP) has not reviewed such information and makes no representation or warranty concerning its accuracy.

Reported Net IRR herein for Conservation Forestry Fund IV, LP 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. The GP of Conservation Forestry Fund IV, LP has not reviewed stated performance and makes no representation or warranty concerning its accuracy.

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. HL 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, HL utilizes actual cash flows experienced for calculating key ratios as of the quarter end. Notwithstanding the foregoing, in instances of calculating multiples HL 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.