

**NEW MEXICO EDUCATIONAL RETIREMENT BOARD**

**INVESTMENT COMMITTEE**

**TELEPHONIC/VIRTUAL MEETING**

**December 4, 2020**

**1. a. CALL TO ORDER**

A meeting of the New Mexico Educational Retirement Board Investment Committee was called to order on this date at 8:35 a.m. via teleconference. A quorum was present.

**Members Present:**

Mr. H. Russell Goff, Chair  
Mr. Steven Gluckstern  
Mr. Larry Magid

**Members Excused:**

None.

**Staff Present:**

Ms. Jan Goodwin, Executive Director  
Mr. Rod Ventura, Deputy Director  
Mr. Bob Jacksha, Chief Investment Officer  
Mr. Mark Canavan, Investment Officer, Real Estate  
Mr. Steve Neel, Deputy CIO, Alternatives  
Ms. Mariana La Roche, Communications & Outreach Director

**Others Present:**

Mr. Steve Gruber, Hamilton Lane  
Mr. Brent Burnett, Hamilton Lane  
Mr. Sean Gill, NEPC  
Ms. Judith Beatty, Recorder

**b. Approval of Agenda**

**Mr. Magid moved approval of the agenda, as published. Mr. Goff seconded the motion, which passed unanimously. [Mr. Gluckstern's audio was not functioning.]**

**c. Approval of Minutes: October 16, 2020**

**Mr. Magid moved approval of the October 16 minutes, as submitted. Mr. Goff seconded the motion, which passed unanimously. [Mr. Gluckstern's audio was not functioning.]**

**d. Introduction of Guests**

Chairman Goff welcomed staff.

**2. Q2 2020 REAL ESTATE AND NATURAL RESOURCES REPORT**

[Presenters: Mark Canavan with Steve Gruber and Brent Burnett of Hamilton Lane]

Mr. Canavan reviewed the portfolio snapshot for 6/30/2020:

- Active partnerships: 62
- Active GP relationships: 30
- Capital committed: \$2.8 billion
- Net IRR for real estate: 11.09%
- Net IRR for natural resources: 5.56%

Referring to the effects of COVID-19, Mr. Canavan noted that, as of 12/30/19, the net IRR since inception for the natural resources portfolio was at 9.23 percent and the total portfolio was 11.56 percent, or 150 basis points higher than the latest report. The portfolio includes agriculture, timber, and energy. When COVID hit, people revised their assumptions on hydrocarbon demand, and there was also a price war between Saudi Arabia and Russia. These two factors played a significant part in why the number traded down from 9.23 percent to 5.56 percent.

Mr. Gruber said Hamilton Lane has a highly diversified real estate portfolio, with 92 percent in the U.S. and 8 percent outside the U.S. Commitment pacing has been basically equal year to year, but 2020 commitments have been on the lighter side.

In reviewing the natural resources portfolio, Mr. Canavan said timber is a low volatility asset class and continues to provide value over time. Agriculture returns are lower because the portfolio is now made up largely of development.

Reviewing the energy portfolio, Mr. Burnett said they built this portfolio to have significant diversification and to withstand normal market cycles. Ten percent of the natural resources portfolio is in upstream energy, with the balance in midstream infrastructure and power infrastructure, which has less commodity exposure than the upstream side. COVID has presented a significant challenge in the energy markets. He commented that this is the most severe demand destruction ever seen in the global energy complex, with 20-25 percent of demand taken offline in Q1 and Q2, resulting in very severe price volatility and declining prices.

**3. Q2 2020 PRIVATE EQUITY REPORT**

[Presenters: Steve Neel with Sean Gill of NEPC.]

Mr. Neel summarized the Q2 numbers:

- Net IRR of 5.6 percent for Q2, which comes on the heels of a Q1 reduction of about 7 percent.
- Total committed capital: \$3.9 billion
- Distributions since inception: \$2.9 billion
- Value: \$2.2 billion

Mr. Neel reviewed highlights.

- Two healthcare positions, NovaQuest and SV LifeSciences, have done exceptionally well.
- Single largest position, TPG Growth, continues to do well, with 16 percent net IRR since inception.
- Venture in general has done very well over the last year.

Mr. Neel said NMERB is primed to take advantage of the dislocation in the markets, and will be able to execute on opportunities with a recent \$100 million commitment to a co-investment portfolio, an additional \$50 million to Industry Ventures, and another \$50 million to an all-weather strategy, which is particularly advantageous at times of dislocation.

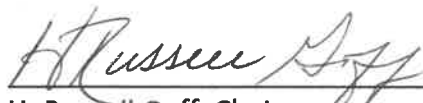
Mr. Gill said the portfolio bounced back in Q2 and continues to look fairly strong.

#### **4. OTHER REPORTS AND DISCUSSION**

None.

#### **ADJOURN**

The meeting adjourned at 9:00 a.m.



---

H. Russell Goff, Chairman