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STATE INVESTMENT COUNCIL MEETING AGENDA
GOVERNOR'S CABINET ROOM, STATE CAPITAL
SANTA FE, NEW MEXICO
TUESDAY, February 27, 2024, 9:00 AM

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c) NM Private Equity: Upfront VIII	Approved	x
d) Natl Private Equity: SK Capital Partners VI	Approved	x
e) Natl Private Equity: Brightstar Capital Partners Fund III	Approved	xx
f) Natl Private Equity: Bain Capital Life Sciences Fund IV	Approved	xx
g) Real Estate: Ares European Property Enhancement Partners IC	Approved	xx
h) Real Return: EQT Infrastructure VI	Approved	xx
i) Real Return: LS Power V	Approved	xx

j)	Private Debt: Silver Point Specialty Credit Fund III	Approved	xx
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l)	Strategy: BlackRock Aladdin Risk Management Contract	Approved	xx
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Old or New Business 8

Next SIC meeting: Tuesday, March 26, 2024

PUBLIC COMMENT xx

None

ADJOURNMENT xx

MINUTES OF THE
NEW MEXICO STATE INVESTMENT COUNCIL MEETING
February 27, 2024
Santa Fe, New Mexico

1. OPENING MATTERS

a. Roll Call and Introductions – Commissioner Stephanie Garcia Richard, Vice-Chair

Commissioner of Public Lands, Stephanie Garcia Richard, serving as acting SIC Chair, called the meeting order at 9:00 a.m.

Members Present, in person or remotely:

Commissioner Stephanie Garcia Richard, Vice-Chair

Treasurer Laura Montoya

Wayne Propst, Secretary, Department of Finance & Administration

Nick Telles, Public Member

Catherine Allen, Public Member

John Bingaman, Public Member

Mike Messina, Public Member

Kelly O'Donnell, Public Member

Allen Sanchez, Public Member

Kurt Sommer, Public Member

A quorum was present

Members Excused:

Governor Michele Lujan Grisham

State Investment Office Staff Present, in-person & remotely:

Jon Clark, State Investment Officer

Vince Smith, Deputy SIO, Chief Investment Officer

Brent Shipp, Chief Financial Officer

Evan Land, Chief Counsel

Charles Wollmann, Dir. Comms, Legislative & Client Matters

Chris Cassidy, Private Equity Director

Bruce Brown, Private Equity Portfolio Manager

Tom Lofton, Fixed Income Director

Keith Sabol, Real Estate & Real Return Director

Ryan McCauley, Fixed Income Analyst

Dawn Iglesias, Investment Strategist

Ryan Eustice, Investment Strategist

Dave Jackson, Network Administrator

Chris Rodriguez, Network Administrator

Rita Scheett, Administrative Accountant

Francesca Moradi, Legal & Compliance Analyst

Andy Smith, Executive Assistant

Guests Present, in person and remotely:

Marcia Beard/RVK

Richard Pugmire, Amy Ridge/Mercer

Mary Bates, Reggie Ross, Tad Ferguson (online)/Meketa

Seth Marcus, Rob Kochis/Townsend

Andrew Weinberg, Peter Smith/Brightstar Capital Partners

Nicole Conner/Airbus Ventures

Nick Kim/Upfront Ventures

Steve Radakovich, Amir Zamani/Bain Capital

Ben Dillon, Jack Morris/SK Capital

Sam Chang/Torchlight

Following Council introductions, Commissioner Garcia Richard called for a vote on today's meeting agenda.

b. **APPROVAL OF THE AGENDA**

> **ACTION ITEM I: The agenda was approved in a 8-0 vote, With Commissioner Garcia Richard, Treasurer Montoya, Secretary Propst, Nick Telles, Cathy Allen, Kelly O'Donnell, Allen Sanchez, and Kurt Sommer voting in the affirmative.**

Treasurer Montoya made a motion to approve the meeting minutes from January 23, 2024, with a second from Mr. Sommer. Mr. Sommer requested the minutes be revised to reflect that attended the January meeting, a fact inadvertently omitted. Staff indicated the record would be corrected.

c. **APPROVAL OF THE MINUTES: January 23rd, 2024**

> **ACTION ITEM II: The meeting minutes were approved in a 6-0 vote, with Commissioner Garcia Richard, Treasurer Montoya, Secretary Propst, Nick Telles, Cathy Allen, and Kurt Sommer voting in the affirmative. Members O'Donnell and Sanchez abstained as they were not yet Councilors in January.**

2. STATE INVESTMENT OFFICER'S & CHIEF INVESTMENT OFFICER'S BRIEFINGS

a. SIO Briefing (Jon Clark)

Presenter: Jon Clark, State Investment Officer

State Investment Officer Jon Clark updated the Council on current SIC holdings and recent activity. Mr. Clark welcomed Kelly O'Donnell and Allen Sanchez to the Council for their first meeting, following their confirmations by the State Senate earlier in the month. The State Investment Officer introduced three new staff members to the SIC: new Director of Public Equity, Greg Dunn, and new Deputy General Counsel, Amy Chavez-Romero, who were both in-person at the meeting, and new Business Operations/Receptionist Helen Tindel at the office. Mr. Clark discussed three bills passed by the legislature earlier in the month, which, pending the Governor's approval, will result in three additional funds being placed under the Council's oversight in fiscal year 2025: a Higher Education Trust Fund, a Workforce Development Training Fund and a Capital Development & Reserve Fund.

b. CIO Briefing (Smith)

Presenters: Vince Smith, Deputy SIO, Chief Investment Officer

A technical issue previously unknown in the room at the time was resolved, and the meeting audio recording now begins. Deputy State Investment Officer Vince Smith starts his report discussing current market conditions, noting the general trend of public equity markets performing well during a presidential election cycle, and that is holding true at least so far in 2024. Mr. Smith said historically everything from gas prices to actions by the Federal Reserve tend to lessen volatility in the lead-up to the presidential election. The Fed has announced three expected rate cuts in the year ahead, and Mr. Smith expects they will follow through. Mr. Smith noted that government spending is typically 16-17% of the Gross Domestic Product, but recently that government GDP contribution was closer to double that at 30%. Mr. Smith provided additional details and context regarding current stock valuations and what that could mean for the decade ahead, specifically, lower than average returns

for public equities where bonds outperform stocks. He noted political divisions in the US could also negatively impact the markets in the short term, as might a second wave of inflation, which he said has often occurred in similar situations historically. With these potential risks, Mr. Smith indicated SIC's large cash and fixed income positions will provide the Council with potential options when the markets turn.

c. <u>CIO Briefing and Performance Report (Smith, RVK)</u>
Presenters: Marcia Beard (RVK)

At about 6:00 in the meeting recording, Marcia Beard with RVK reviewed the executive summary for the December 31, 2023 report, highlighting various investment performance metrics across the portfolio during the quarter. This included strong quarterly performance for fixed income markets, which were positively impacted by economic factors and messaging by the Federal Reserve, capping off a volatile year for fixed income overall. Ms. Beard discussed strong performance for the equity markets, with the S&P 500 up 26% for the year, with about 11% of that of that being returned during the fourth quarter. She noted the concentration of those annual gains, however, were driven by seven key stocks returning an aggregate 85%, while the remaining 493 companies returning a combined 10.5%. Ms. Beard discussed the SIC portfolio and its challenges and the time it takes to deploy investments into private markets to achieve interim and long-term portfolio allocation targets. Ms. Beard's report focused primarily on Land Grant and Severance Tax permanent fund performance, including attribution analysis and how each fund has done compared to its benchmarks, policy targets, and the comparable peer fund universes.

d. <u>Real Estate PMR – 3Q 2023 (Keith Sabol, Townsend)</u>
Presenters: Real Estate/Real Assets Dir. Keith Sabol, Seth Marcus (Townsend)

At approximately 26:30, the SIC's Director for Real Estate and Real Assets, Keith Sabol was joined by Seth Marcus of Townsend to provide the Council with a review of the most recent quarterly report for SIC real estate investments. Mr. Sabol said that Q3 continued the negative trend for declining asset valuations, which overcame the positive income component generated by holdings for the period. Transaction volume remains depressed, creating downward pressure on valuations, though the publicly traded REIT space has begun to rebound in recent months, which could indicate the revaluation process may be near an end for this cycle. Mr. Marcus joined to discuss Q3 and indicated that the quarterly returns were negative but did exceed the ODCE benchmark slightly in the short term, and to a greater degree over longer periods. He noted headwinds for real estate due to the elevated interest rate environment and limited transactions due to falling valuations. Mr. Marcus said long-term SIC outperformance in real estate is attributable to superior manager selection and sector selection, which has resulted in the SIC being underweight in office and retail subsectors, relative to the benchmarks, which were equal to SIC for the one-year period, while the SIC's performance was top quartile for multi-year comparisons. He noted SIC's overweight to core real estate strategies had offered some protection relative to opportunistic and value-add investments, as well as a strong income component to SIC's returns. He also said that they would recommend changes to reduce that overweight to core on a moving-forward basis. Mr. Marcus looked over the previous decade, where SIC outperformed the median in 8 of the 10 years and explained some underlying reasons why, regarding the less successful years' performance as well as those years with above median results. Mr. Marcus discussed a small discrepancy in the current benchmark, which is based on a 100% US allocation, while the SIC's portfolio also includes up to 15% international exposure.

e. Real Return PMR – 3Q 2023 (Sabol, Townsend)

Presenters: Real Estate/Real Assets Director Keith Sabol, Rob Kochis (Townsend)

Rob Kochis of Townsend joined Mr. Sabol to provide a review of the Real Return portfolio, which is comprised primarily of private market fund investments in hard assets including infrastructure, energy, agriculture and timber, as well as financial investments correlated strongly with interest rates. Similar to the Real Estate portfolio, there's usually an income component to the investment as well as an inflation hedge. The real return portfolio is currently valued at $3.4 billion, with a target of 12% or about $5 billion long-term. Return data here is lagged 90 days like the other private market investments. Mr. Kochis said since inception about a decade ago, the real return portfolio has returned close to 10% annually, with notable dips in performance over that time being impacted by volatility in the energy portion of the portfolio. Mr. Kochis indicated that the strategy remains underweight relative to long-term targets, because the Council increased the target percentage to 12%, and due to growth of the overall fund size, as well as the time required to deploy investments of this nature. He said the Council invested in five funds last year totaling about $750 million, this year that pacing number is expected to grow to $850 million. Mr. Kochis reviewed portfolio diversification for the strategy, covering how infrastructure and energy assets are categorized in this still evolving category of investments. He said communications is a sector in the portfolio that will see additional growth in the future. A newer category within infrastructure, called "social" infrastructure includes government backed assets including education and healthcare facilities, as well as prisons – which he emphasized were not in the SIC portfolio, but were typically in Europe. Mr. Kochis also clarified what types of investments were defined in the "other" category, which included moveable investments like boxcars and shipping containers. Treasurer Montoya asked if these categories might be better defined for future reports. Mr. Sabol provided additional details regarding the underlying holdings in those less-obvious categories, and indicated those definitions would be addressed as part of the asset allocation and structure study that should occur later this year. Commissioner Garcia Richard suggested it would be valuable to hear forward-looking analysis regarding how renewable and sustainable energy industries and investment opportunities are going to look in the near future for this strategy, as the expected demand would inform the Council in its investments. Mr. Sabol agreed. Mr. Clark indicated that SIC Strategist Dawn Iglesias would be presenting analysis around this topic at the April SIC meeting, which will also contribute to an expected strategic planning retreat for the Council later this year. Treasurer Montoya thanked staff and consultant for taking steps to improve the clarity of this report to better understand the underlying assets and diversification of the portfolio and long-term strategy. Mr. Sommer asked a technical question about how the investments are categorized, indicating he wanted additional detail in the energy holdings, which can mean traditional or renewable investments. Mr. Sabol provided additional detail. Mr. Sommer requested an effort to report maturities within the holdings to better assess whether the portfolio was headed in the right direction given the expected timing of the energy transition and related impact on the markets. Mr. Marcus indicated they would work on expanding that detail. Ms. Allen asked for details on SIC investments internationally, and also in elder-care related assets. Mr. Kochis responded, directing her to a portion in the back of the report.

f. Private Debt PMR – 3Q 2023 (Tom Lofton, Meketa)

Presenters: Fixed Income Director Tom Lofton, Mary Bates/Tad Ferguson (Meketa)

At about 1:06:00 in the meeting recording, Debt Market Strategies Director Tom Lofton was joined by Mary Bates and Tad Ferguson (online) of Meketa, to review the Q3 private debt portfolio for the Council. Commissioner Garcia Richard indicated it would be helpful if the individuals presenting provided a short introduction and their background. Mr. Lofton provided a bit of background about the work he has undertaken since arriving at SIC and changes he has recommended for his portfolio and its structure, as well as the due diligence structure across staff and consultant, Meketa. Mr. Lofton introduced Ms. Bates and Mr. Ferguson. Ms. Bates made some introductory remarks and Mr. Ferguson then walked the Council through the performance report. Ms. Bates indicated that they

would be happy to provide additional detail to the newly appointed Council members about the private credit program, which dates back to 2012 and has undergone some changes since that time, primarily moving away from hedge fund strategies that had not met expectations, and toward strategies that were on track to produce 9% to 11% internal rates of return. She indicated this dispersion in returns between legacy and current strategies would be noted in their reporting. Mr. Ferguson continued his review. Ms. Bates commented that one of the primary goals of the restructured private credit portfolio is to move away from public fixed income to investments that take advantage of SIC's size and lengthy investment time horizon to focus on income-driven strategies that will help compound our returns by avoiding volatility, capital appreciation or lower returning investments. Mr. Lofton reiterated that SIC is seeking managers that are making money with consistent, quality investments that are underwritten well. Ms. Bates agreed, adding that portfolio and collateral diversification was also a strategic priority. Mr. Ferguson continued his review of the quarterly report. He noted the increase in investment activity, where in 2022 there were $1.2 billion in commitments, in 2023 that increased to $1.7 billion, and additional increases are expected over the next couple years, which means more and larger commitments.

g. <u>National Private Equity PMR – 3Q 2023 (Chris Cassidy, Mercer)</u>
Presenters: Private Equity Director Chris Cassidy, Richard Pugmire (Mercer)

At about 1:24:00 SIC Director of Private Equity Chris Cassidy introduced himself, as well as Richard Pugmire from Mercer, first offering a summary of the highly diversified national private equity program, which includes buyout, growth equity, venture capital, special situations and secondary funds, followed by a quick overview of the New Mexico Private Equity Program. Mr. Cassidy said the New Mexico Program was established in statute in the 1990s, with the intention of facilitating technology commercialization from the National Labs and New Mexico's research universities. The New Mexico Program is mostly venture capital with a focus on strengths within our state including deep tech, frontier technology, climate technology and aerospace/defense among other sectors. Mr. Cassidy then provided comments on the national private equity quarterly report, followed by Mr. Pugmire who highlighted several slides for the Council. Mr. Pugmire indicated that while the quarter produced losses, they were very small given the size of the portfolio, which has held up well against private equity benchmarks. Mr. Pugmire said that distributions to the fund from our managers have helped in offsetting market losses through the 3rd quarter of 2023. Mr. Pugmire reviewed the portfolio's success against the Burgiss benchmark, indicating that SIC's portfolio over the past decade had been below median for only one year (2013), though performance for that vintage was still better than 10%. The portfolio has also beaten public market equivalents on a 10-year basis.

h. <u>New Mexico Private Equity PMR – 3Q 2023 (Chris Cassidy, Mercer)</u>
Presenters: Private Equity Director Chris Cassidy, Richard Pugmire (Mercer)

Mr. Cassidy provided the Council with an overview of performance for the New Mexico program, which like broader venture capital markets, has seen a pullback recently. He noted the concentrated nature of the NM Program, which may make the comparison to the benchmark less meaningful, with the two largest holdings making up more than a third of the total portfolio's value. As Council efforts to diversify the portfolio into new companies grow over time, performance should align to a greater degree with the benchmark. Mr. Cassidy noted the efforts to grow the number of NM portfolio companies has increased substantially, with nearly half a billion having been committed to NM Program managers since November 2022, putting it on track to reach the program's policy target of 9% of the Severance Tax Permanent Fund. Mr. Pugmire then provided the Council with a brief overview of the quarterly performance report. He reminded the Council the New Mexico program does have separate strategies, including the co-investment funds which began in 2004, the Catalyst Fund which targeted early/seed-stage funds, the credit-oriented Recovery fund which was deployed during COVID, and fund commitments which have been the program's primary focus the past few years. Mr. Pugmire noted it has been a tough year for the Co-investment funds in particular, which

are down about 22%. Themes that make the NM Program different than the National Program are the large component of venture capital as those are the primary opportunities in the state, and also the concentration of the NM program investments, which increases volatility in returns. For context, Mr. Pugmire said that at the end of 2018, 75% of the program's value was concentrated in one manager, which has today been diversified down to 38%. Similar concentration metrics exist for the fund's overall value, which will take time to better diversify as new portfolio companies are added. Mr. Pugmire recapped recent portfolio milestones, which included America's Frontier Fund launching its venture studio last year and announcing new companies in which it invested. That event was well-attended by venture capitalists from both in and outside New Mexico. Mr. Pugmire then discussed recent developments from SIC manager Antler Global, which held its first educational event in Santa Fe in January, where 30 different founders discussed various aspects of entrepreneurism and start-up investments. Mr. Pugmire concluded with a review of the program's economic impact in New Mexico, including jobs, payroll and other spending. Ms. Allen spoke, indicating she believes the SIC needs to look at what role the SIC has in the NM venture ecosystem and how it can help, through education or other means. Ms. Allen asked follow up questions about technology transfer, how other investment councils elsewhere approach these types of investments and determine their success or not, and what role SIC can play in educating stakeholders in the ecosystem by bringing in experts for mentorship roles. Mr. Cassidy indicated current SIC managers are working to educate local start-ups about entrepreneurism and meeting those that need coaching, as well as making beneficial introductions inside and outside the state. Mr. Pugmire discussed the SIC's desire to find managers who will create solid financial returns as well as creating economic development benefits, as that means the companies here are succeeding, which in turn draws additional investors and capital to the state, which is a hallmark of other successful economic development programs. Mr. Pugmire said that specific to tech transfer, we have at least one manager who hires university students as its associates and uses them as an informational and analytical source about start-up business opportunities on campus and locally. Additional discussion ensued about program challenges, at least some of which relate to existing statutory limitations. Mr. Pugmire said that staff does look at structures and best practices in other state programs similar to ours. Mr. Cassidy said a common theme he sees is that the best programs invest into the strengths of their ecosystem, of which New Mexico has several that are unique. Another aspect to best avoid is setting strict criteria that makes it harder to accomplish your goals. He provided an example of a company that might have significant employment and operations here in New Mexico, but if it's not headquartered here, it wouldn't count for the New Mexico program under existing law. Mr. Cassidy says flexibility in those cases is important. Ms. Allen suggested that we may want to go back to the legislature looking for ways to increasingly attract impactful companies here, even if their headquarters remain elsewhere. Mr. Clark agreed that we may look at endorsing statutory changes that would help attract companies bringing significant economic presence to the state. Mr. Clark discussed how the Council might model the full and various aspects of economic impact created by companies, not just the number of jobs. Additional discussion ensued about how the Council might approach these goals. Treasurer Montoya asked a follow up question about portfolio valuation, and also whether the SIC had worked with the Small Business Investment Corporation (SBIC) or the Renewable Energy Transmission Authority (RETA) on these matters. Mr. Pugmire indicated that it had worked with SBIC and the SBA, as well as taking meetings with any potential New Mexico opportunity, even if it's not going to be a fit right now but might be in the future. The Treasurer offered to assist with making connections to any of the many boards she serves on, including the Mortgage Finance Authority, given New Mexico's needs in housing issues. Mr. Pugmire agreed that the New Mexico program has a great deal of interconnectivity with other in-state efforts to improve the lives of New Mexicans. Mr. Telles offered to assist in making connections related to state small business support efforts, citing a couple examples of start-ups he worked with previously at Santa Fe Community College that went on to positively impact the state.

3. **<u>INVESTMENT MATTERS: INVESTMENT MATTERS REQUIRING DISCUSSION/VOTE</u>**
    a. **Investment Committee Report** (Nick Telles)

At about 2:02:00 in the meeting recording, Mr. Telles delivered comments indicating the Council Investment Committee met the previous week, reviewed the investment action items on today's agenda and is recommending their approval.

b. <u>VOTE: NM Private Equity: Airbus Ventures Fund IV (Cassidy, Mercer)</u>

Director of Private Equity Chris Cassidy provided the Council with comments about the commitments he is bringing to them for approval today. He also mentioned that the New Mexico program would now have a sub-strategy targeting aerospace investments, similar to the existing strategy it has in climate technology, due in part to New Mexico's strengths in these areas. He did indicate while the state has raw talent that will feed the strategy, it doesn't have everything, which is one reason why the NM investments he is bringing today are attractive. Mr. Pugmire provided the Council with an overview of Airbus Ventures, and its strategic connections to its parent company and the aerospace industry. He indicated firm strengths, including its team and their technical backgrounds, its network and its standing in the aerospace ecosystem. Mr. Pugmire said while Airbus doesn't have as long a track record as some other firms, the current fund is performing well and has made investments in two different companies doing substantial work in the state already. Nicole Conner with Airbus then spoke to the Council about the fund, highlighting its key strategies in aerospace defense and low carbon investing. She also discussed attributes that New Mexico has which make it attractive for venture investors, including Spaceport America, three Air Force bases, the National Labs, and other resources that offer a good fit for some of their companies, like Universal Hydrogen.

Treasurer Laura Montoya made the following motion, seconded by Mr. Telles:

Based on the recommendations of the Council Investment Committee, consultant Mercer, SIC Staff and general fiduciary oversight of RVK, I move that the State Investment Council approve a commitment of up to $20 million to Airbus Ventures Fund IV, L.P., subject and contingent upon New Mexico legal requirements, New Mexico State Investment Council policies, negotiation of final terms and conditions, and completion of appropriate paperwork.

The motion was approved in a 10-0 vote, with Commissioner Garcia Richard, Treasurer Montoya, Secretary Propst, Nick Telles, Catherine Allen, John Bingaman, Mike Messina, Kelly O'Donnell, Allen Sánchez and Kurt Sommer voting in the affirmative.

c. **<u>VOTE: NM Private Equity: Upfront VIII (Cassidy, Mercer)</u>**

At about 2:10:00 in the recording, Mr. Pugmire provided the Council with an overview of Upfront Ventures, a well-established venture firm that launched its first fund in 1996. Mr. Pugmire indicated that Upfront focuses on deep tech, which aligns with New Mexico's program goals, which include bringing additional expertise and opportunities for mentorship for local start-ups, in addition to the investment capital they can deploy. Upfront is based in Los Angeles, where a lot of aerospace advances are occurring, and Mr. Pugmire said creating those connections to New Mexico is a goal. Mr. Pugmire indicated that Upfront has developed a platform with professionals experienced in sourcing talent, marketing, business development and legal issues, all characteristics valuable for start-ups companies. Mr. Pugmire indicated the firm has achieved above median returns for the majority of its funds and has a history that includes finding some good companies at a very early stage that later returned 10x capital to investors. Upfront Partner Nick Kim addressed the Council with brief comments about fund VIII and why New Mexico is attractive to them at this time. Treasurer Montoya asked a question about the firm's risk profile, and a recent personnel change at the firm. Managing Partner Mark Suster, on Zoom, addressed the concern, discussing his firm's commitment to mentorship, education, and apprenticeship. He provided some history and detailed

the evolution in the Los Angeles ecosystem, which continues to grow fast in the areas of aerospace and healthcare. He discussed Upfront's commitment to community-building among VCs, limited partners and start-up founders in California, and indicated a goal in New Mexico would be to transfer and establish some of those skills here. Mr. Suster concluded with comments on the stability and strength of his firm's partnership and the longevity of its team.

Mr. Telles made the following motion, with a second from Mr. Sommer:

Based on the recommendations of the Council Investment Committee, consultant Mercer, SIC Staff and general fiduciary oversight of RVK, I move that the State Investment Council approve a commitment of up to $50 million to Upfront VIII, L.P., subject and contingent upon New Mexico legal requirements, New Mexico State Investment Council policies, negotiation of final terms and conditions, and completion of appropriate paperwork.

The motion passed in a 10-0 vote, with Commissioner Garcia Richard, Treasurer Montoya, Secretary Propst, Nick Telles, Catherine Allen, John Bingaman, Mike Messina, Kelly O'Donnell, Allen Sánchez and Kurt Sommer voting in the affirmative.

d. **VOTE: National Private Equity: SK Capital Partners VI (Cassidy, Mercer)**

At about 2:19:15 on the meeting recording, Mr. Cassidy made introductory comments about the National Program fund commitments he was bringing to the Council today, starting with SK Capital, whose latest offering has already seen success with its initial investments. Amy Ridge with Mercer introduced herself to the Council, and provided an overview regarding SK Capital, which is a new relationship for the SIC. Ms. Ridge discussed factors that make SK a good fit for the portfolio as a mid-market buyout manager, including sector expertise, a 15-year track-record, and operational focus. She noted the current fund has already deployed significant capital and marked some early gains. Ms. Ridge indicated initial underwriting by Mercer had been done in 2022, and now coming in at the tail-end of the fundraising, they can see how SK is successfully executing its plans so far. Jack Norris and Ben Dillon from SK were introduced to provide the Council with some additional comments about their firm, recent fund performance and their efforts. Treasurer Montoya noted that the firm's directors appeared to be predominantly white men, and asked if they had a plan to diversify their team. Mr. Dillon indicated the firm did consider DEI matters important, and noted they had broad gender diversity among their portfolio companies and within the firm, especially among their younger ranks.

Mr. Sommer made the following motion, seconded by both Ms. Allen and the State Treasurer:

Based on the recommendations of the Council Investment Committee, consultant Mercer, SIC Staff and general fiduciary oversight of RVK, I move that the State Investment Council approve a commitment of up to $100 million to SK Capital Partners VI, L.P., subject and contingent upon New Mexico legal requirements, New Mexico State Investment Council policies, negotiation of final terms and conditions, and completion of appropriate paperwork.

The motion passed in a 9-0 vote, with Commissioner Garcia Richard, Treasurer Montoya, Secretary Propst, Catherine Allen, John Bingaman, Mike Messina, Kelly O'Donnell, Allen Sánchez and Kurt Sommer voting in the affirmative.

e. **VOTE: National Private Equity: Brightstar Capital Partners Fund III (Cassidy, Mercer)**

At about 2:31:00, Andrew Weinberg and Peter Smith from Brightstar Capital were brought to the table to discuss its third fund. Amy Ridge from Mercer provided an overview regarding Brightstar, another mid-market buyout firm and new relationship for the SIC. Ms. Ridge said while this firm has less of a track record, Mercer has been familiar with the founder and team members from their time prior at a previous fund. Ms. Ridge indicated Brightstar has four areas of

focus, specifically business, consumer, industrial and government services, in which they have demonstrated sector expertise. This domain specialization helps their companies find operational growth while targeting optimal paths to successful exits. Ms. Ridge discussed the firm's track record, which includes investments across three funds including the one being recommended today, in which they have already made some investments. Mr. Weinberg, the founder and CEO of Brightstar, then presented to the Council. He noted that his private equity background goes back about 25 years, and that two senior partners at his firm have New Mexico ties, one having graduated from the New Mexico Military Institute, and another from New Mexico Institute of Mining and Technology. He then discussed strategy and focus for Brightstar, and how their approach differentiates them. Mr. Weinberg provided an example of a recent successful investment and how it evolved due to operational focus that grew the company efficiently. He noted that the previous two Brightstar funds had already or were on track to return 100 percent of limited partner commitments, and that he looked forward to establishing a long-term relationship with SIC. Commissioner Garcia Richard noted that the firm's ESG efforts were detailed in the due diligence reports, and that those efforts were appreciated.

Ms. Allen made the following motion, which was seconded by Mr. Sommer:

Based on the recommendations of the Council Investment Committee, consultant Mercer, SIC Staff and general fiduciary oversight of RVK, I move that the State Investment Council approve a commitment of up to $75 Million to Brightstar Capital Partners Fund III, L.P., subject to and contingent upon New Mexico legal requirements, New Mexico State Investment Council policies, negotiation of final terms and conditions, and completion of appropriate paperwork.

The motion passed in a 10-0 vote, with Commissioner Garcia Richard, Treasurer Montoya, Secretary Propst, Nick Telles, Catherine Allen, John Bingaman, Mike Messina, Kelly O'Donnell, Allen Sánchez and Kurt Sommer voting in the affirmative.

Mr. Sommer excused himself for the remainder of the meeting due to a scheduling conflict.

f. **VOTE: National Private Equity: Bain Capital Life Sciences Fund IV (Cassidy, Mercer)**

At about 2:38:30 in the meeting, Mr. Pugmire provided comments about Bain Capital Life Sciences Fund IV, noting Bain is a core private equity manager for SIC, though this fund would be its first exposure to the series, and that Bain funds had thus far performed strongly for the Council. The fund will focus on several sectors in life sciences, including biopharmaceuticals, medical devices, diagnostics, and technologies that will improve patients' lives. Mr. Pugmire discussed the strengths of the Bain team and their expertise in key areas of operational focus. He indicated their platform is flexible depending on the needs of the company they have invested in, whether it needs growth capital or restructuring. Mr. Pugmire noted Bain's broader fund network is a positive attribute in helping source deals, and returns have been above median. Mr. Pugmire said fund terms are comparable to similar funds out to market, though Bain as general partner has a higher-than-average GP commitment, aligning with LP investors. Amir Zamani with Bain then addressed the Council, sharing his professional background and providing a brief overview of the firm's general investment strategy.

Mr. Messina made the following motion, and was seconded by Secretary Propst:

Based on the recommendations of the Council Investment Committee, consultant Mercer, SIC Staff and general fiduciary oversight of RVK, I move that the State Investment Council approve a commitment of up to $75 Million to Bain Capital Life Sciences Fund IV, L.P., subject to and contingent upon New Mexico legal requirements, New Mexico State Investment Council policies, negotiation of final terms and conditions, and completion of appropriate paperwork.

The motion passed in a 9-0 vote, with Commissioner Garcia Richard, Treasurer Montoya, Secretary Propst, Nick Telles, Catherine Allen, John Bingaman, Mike Messina, Kelly O'Donnell, and Allen Sánchez voting to approve.

g. **VOTE: Real Estate: Ares European Property Enhancement Partners IV (Sabol, Townsend)**

At about 2:45:00, SIC Director of Real Estate Keith Sabol was joined by Townsend's Seth Marcus and Ares's Avil Gondi and Wilson Lamont, to discuss a recommended commitment to Ares European Property Enhancement Partners IV. Mr. Sabol noted this commitment would be a re-up for the SIC to this series of funds from Ares, in which we previously invested $75 million in fund III. Mr. Sabol said the fund will focus on industrial and residential properties in Western Europe and is targeting net returns in the 10-12 percent range, using a conservative value-add strategy. He indicated that the fund's relatively lower risk level and lower use of leverage tends to hide the alpha that the manager creates. Mr. Marcus said that the team and strategy remains the same for this latest offering, and that strategically this fund plays a lower-risk role in the broader SIC real estate portfolio. Mr. Lamont was introduced and provided the Council with some comments about his background and its history with the SIC over the past 10 years. He discussed the current market environment that they are seeing in Europe and why this vintage appears to offer a good opportunity for investors. Mr. Lamont said as it did in fund three, Ares strategy will focus on the top 25 cities in Europe, due to population growth, liquidity and related factors. He indicated the fund would concentrate primarily on industrial, living and specialty property strategies which are all seeing significant growth. Ms. Gondi thanked the Council for the ongoing investment relationship. Treasurer Montoya asked whether the previous Ares funds had performed up to expectations. Mr. Marcus indicated fund III, which was launched in 2019 and impacted by COVID, was performing in line with expectations given the circumstances, at about 7.5% compared to the original target of 8-11%. He noted that those returns would likely grow as the fund finished its life cycle. The Treasurer followed up with a question about this new fund targeting slightly higher returns. Mr. Lamont explained that the markets had moved into a higher-return environment, so an adjustment was appropriate. The Treasurer asked about the fund terms, and if they were comparable to previous funds. Mr. Marcus indicated that the terms were similar, but with a lower fee rate due to the larger-size commitment being made by SIC. Mr. Lamont noted that this new fund increased the SIC's preferred return by 100 basis points, and also increased the percentage of profit sharing for Ares to 15%. Mr. Marcus explained that as is fairly standard, if the fund was successful, SIC would receive its preferred return, and the return of the management fees it had paid, prior to Ares collecting its share of carried interest before additional profits flow to the SIC.

Treasurer Montoya made the following motion, with a second from Mr. Telles:

Based on the recommendations of the Council Investment Committee, consultant Townsend, SIC Staff and general fiduciary oversight of RVK, I move that the State Investment Council approve a commitment of up to €200 million to Ares European Property Enhancement Partners SCSp IV, subject to and contingent upon New Mexico legal requirements, New Mexico State Investment Council policies, negotiation of final terms and conditions, and completion of appropriate paperwork.

The motion passed in a 9-0 vote, with Commissioner Garcia Richard, Treasurer Montoya, Secretary Propst, Nick Telles, Catherine Allen, John Bingaman, Mike Messina, Kelly O'Donnell, and Allen Sánchez voting to approve.

h. **VOTE: Real Return: EQT Infrastructure VI (Sabol, Mercer)**

At about 2:58:15 Mr. Sabol discussed the proposal to increase the existing, previous SIC commitment to EQT Infrastructure VI. Mr. Sabol explained that the request to increase the commitment was due to increased pacing estimates for the Real Return portfolio, and the high conviction in the manager. Mr. Sabol recapped the original commitment, which occurred in January 2023. He noted that the "top off" commitment would be structured with the same original ratio of commitment split between the fund and the co-investment vehicle. Mr. Sabol indicated that since the original commitment, EQT had made additional investments from the fund, and none were viewed negatively. Mr. Marcus added that the additional commitment is warranted given the SIC's increased allocation pacing target. Mr. Telles

asked for an update on the fund's investments so far. Mr. Sabol said that the investments so far remain marked at cost, though proceeding according to plan, which is to be expected since it has only been a year since EQT made its first investment from this fund. Treasurer Montoya asked for and received clarification regarding the original and new documents in the meeting materials. Mr. Telles made the following motion, which was seconded by Ms. Allen:

Based on the recommendations of the Council Investment Committee, consultant Townsend, SIC Staff and general fiduciary oversight of RVK, I move that the State Investment Council approve a Top-up commitment of up $120 Million to EQT Infrastructure VI, and up to $45 Million in the previously established co-investment vehicle, subject to and contingent upon New Mexico legal requirements, New Mexico State Investment Council policies, negotiation of final terms and conditions, and completion of appropriate paperwork.

The motion passed in a 9-0 vote, with Commissioner Garcia Richard, Treasurer Montoya, Secretary Propst, Nick Telles, Catherine Allen, John Bingaman, Mike Messina, Kelly O'Donnell, and Allen Sánchez voting to approve.

i. **VOTE: Real Return: LS Power V (Sabol, Mercer)**

At about 3:03:30, Amy Ridge from Mercer joined Mr. Sabol to present the proposal to increase the SIC commitment to LS Power Equity Partners V. Similar to the last item, SIC had a previous commitment with this manager in 2023, and due to increased demands on investment pacing, was seeking to follow on with an additional investment. Mr. Sabol indicated LS is a top-quartile manager with a fund targeting about 40% distributed energy, 40% renewables, and 20% traditional energy with a focus on filling gaps related to the energy transition. Mr. Sabol indicated follow-up discussions found the firm is still early in its investment process, but there have been no adverse developments since the SIC's original commitment. Ms. Ridge indicated that the top-off commitment of $100 million would be added onto the original commitment of $150 million, which makes sense given the manager's track record and the thin level of competition in this strategy. She noted LS appeared likely to hit its $3B fund target soon, and noted their first two investments, a green hydrogen project and a gas turbine project were in line with the firm's strategy. Treasurer Montoya asked for clarification as to what a "top-up" investment would be versus a "re-up" commitment. Mr. Sabol indicated a top-up would be an additional commitment to an existing investment that has not yet closed its fundraising period, while a re-up would be a new commitment to an existing portfolio manager raising a new fund offering in the same strategic series. The Treasurer asked for some additional details as to why staff is recommending this additional investment. Mr. Sabol reiterated the pacing needs due to SIC's very high fund inflows, and Ms. Ridge emphasized that was the primary factor in addition to LS being a high-quality manager that had not yet closed its fundraising cycle. Ms. Allen moved to approve the commitment, with a second from Treasurer Montoya:

Based on the recommendations of the Council Investment Committee, consultant Mercer, SIC Staff and general fiduciary oversight of RVK, I move that the State Investment Council approve a top-up commitment of up to $100 Million to LS Power Equity Partners V, subject to and contingent upon New Mexico legal requirements, New Mexico State Investment Council policies, negotiation of final terms and conditions, and completion of appropriate paperwork.

The motion was approved with a 9-0 vote, with Commissioner Garcia Richard, Treasurer Montoya, Secretary Propst, Nick Telles, Catherine Allen, John Bingaman, Mike Messina, Kelly O'Donnell, and Allen Sánchez voting in the affirmative.

j. **VOTE: Private Debt: Silver Point Specialty Credit Fund III (Lofton, Meketa)**

At about 3:08:30, Tom Lofton was joined at the table by Mary Bates and Reggie Ross from Meketa to discuss a proposed "top-up or top-off" commitment with Silver Point. Mr. Lofton indicated the reason for the increased commitment size overall was again due to the doubling of the pacing due to ongoing heavy contributions to SIC funds. Mr. Lofton said that if we had been aware of this at the time of the original commitment, it would have been $300 million, and which is where today's request will take the total. Mary Bates provided the Council with a brief recap of the fund's strategy and why Meketa still has confidence at the higher commitment level. She noted the fund is highly diversified, currently meeting expectations, and the fund's return target of 10-14% net IRR is on track, and providing downside protection. Ms. Bates shared that Silver Point has seen some personnel changes, though there were mitigating factors and Meketa remains comfortable with how the firm has replaced those resources. Commissioner Garcia Richard asked Silver Point's Edward Mulé to discuss two recent staff departures. Mr. Mulé said that both related to a small part of Silver Point's strategy involving direct lending to small real estate projects, and he explained the circumstances around their leaving the firm. He also discussed how Silver Point has addressed this with new personnel. Treasurer Montoya asked how the increased commitment would impact management fees, and Ms. Bates indicated the adjustment would result in meaningful savings. Treasurer Montoya made the following motion, which was seconded by Mr. Telles:

Based on the recommendations of the Council Investment Committee, consultant Meketa, SIC Staff and general fiduciary oversight of RVK, I move that the State Investment Council approve a commitment of up to $150 Million to Silver Point Specialty Credit Fund III L.P., subject to and contingent upon New Mexico legal requirements, New Mexico State Investment Council policies, negotiation of final terms and conditions, and completion of appropriate paperwork.

The motion was approved with a 9-0 vote, with Commissioner Garcia Richard, Treasurer Montoya, Secretary Propst, Nick Telles, Catherine Allen, John Bingaman, Mike Messina, Kelly O'Donnell, and Allen Sánchez voting in the affirmative.

k. **VOTE: Private Debt: Torchlight Debt Fund VIII (Lofton, Meketa)**

At about 3:15:30, Mr. Lofton provided the Council with a brief overview regarding the proposed commitment to Torchlight Debt Fund VIII, and was joined at the table by Torchlight's Sam Chang, Mary Smendzuik, and Greg Dineen and also by Heidi Kaufman online. Mr. Lofton said that this fund will target both public and private real estate debt investments, both performing and distressed. Mr. Ross discussed attractive attributes of the fund, including experience of the firm going back almost 30 years, the expected diversification of the portfolio, and the firm's flexible mandate, which should benefit investors during volatile periods that are expected in the real estate strategy for a while. Ms. Smendzuik discussed the stability of her firm's investment team which has invested across multiple market cycles, its focus on real estate lending and that it is now managing more than $6 billion. Mr. Dineen discussed the mixed mandate strategy Torchlight employs, investing in both public and private market opportunities, wherever they think they can achieve the best relative value. Mr. Dineen related the various and diverse strategies in which Torchlight is invested, as well as risk mitigation they have built into their portfolios. He indicated that historically Torchlight has limited its use of leverage, averaging less than 15% overall. Mr. Dineen also said his firm has managed to avoid challenged sectors like office, which make up less than 5% of their portfolio value, while higher performing multi-family and industrial sectors comprise about 70%. Mr. Chang discussed other differentiators in Torchlight's strategy, and how that has benefitted their performance across market cycles. Mr. Chang emphasized Torchlight's long history has helped them navigate challenging times for their investors. Treasurer Montoya asked questions regarding the motivation behind establishing this new manager relationship for the SIC, as well as prior fund performance, lessons learned and

Supranational organizations investing in the fund. Ms. Smendzuik provided some additional detail regarding the history leading up to this first commitment, while Mr. Dineen responded to the question about other limited partners. Mr. Messina made the following motion, with a second from Treasurer Montoya:

Based on the recommendations of the Council Investment Committee, consultant Meketa, SIC Staff and general fiduciary oversight of RVK, I move that the State Investment Council approve a commitment of up to $150 Million to Torchlight Debt Fund VIII, subject to and contingent upon New Mexico legal requirements, New Mexico State Investment Council policies, negotiation of final terms and conditions, and completion of appropriate paperwork.

The motion was approved with a 9-0 vote, with Commissioner Garcia Richard, Treasurer Montoya, Secretary Propst, Nick Telles, Catherine Allen, John Bingaman, Mike Messina, Kelly O'Donnell, and Allen Sánchez voting in the affirmative.

l. **VOTE: Strategy: Aladdin Risk Management System Contract (Mikhail Kuznetsov)**

At about 3:29:45 SIC Strategist Mikhail Kuznetsov joined online to provide an overview of a proposed three-year extension to the contract for the BlackRock Aladdin/eFront multi-asset risk management system, costing $694 thousand per year. Mr. Kuznetsov said the system addresses risk reporting for both private market and public market strategies, and some of this work has been shared with the Investment Committee over the last year. He indicated that those reports would be expanded this year to include high-level reports for six asset classes as well as total portfolio on a quarterly basis. The reports should cover exposure analysis, concentration analysis and risk-targeting, which could be useful as part of the due diligence process in determining risk metrics of new funds being considered and how their addition might impact the broader portfolio. Mr. Kuznetsov mentioned that during the CIC, a question arose about other service providers in this space, and he provided a summary on two competitors, stating both had limitations and are not as far along as BlackRock with their products, and for those reasons staff was recommending this extension. Mr. Shipp noted that staff had held the line on any fee increases for this contract. Commissioner Garcia Richard asked about utilization of the product. Mr. Smith indicated the whole team uses it, though in different ways and to different degrees. Mr. Smith said that though the SIC had gone without a risk system product for years, that the emergence of the BlackRock product, and the SIC's growing exposure to private market investments made the decision much easier. Treasurer Montoya asked if 10 user licenses were enough for our needs. Mr. Smith indicated it was. Ms. Allen moved to approve the following motion, with a second from Mr. Telles:

Based on the recommendations of the Council Investment Committee and SIC Staff, I move that the State Investment Council approve to extend the BlackRock Aladdin/eFront Multi Asset Class Risk System contract for 3 years under terms and conditions set forth in the meeting materials and discussed by the Council today.

The motion was approved with an 8-0 vote, with Commissioner Garcia Richard, Treasurer Montoya, Secretary Propst, Nick Telles, Catherine Allen, Mike Messina, Kelly O'Donnell, and Allen Sánchez voting in the affirmative.

m. **VOTE: Appointment of Council Investment Committee Chair (Telles)**

At about 3:37:30 Mr. Telles discussed the need for a new Council Investment Committee Chair after Harold Lavender's departure from the Council with his term expiration. Mr. Telles noted the policy requires a 5-member committee, and that a chair be appointed by the Council, and that the current CIC members are himself (Mr. Telles), Mike Messina, and advisory members John Ulrich and Mary Rohman. Mr. Telles nominated John Bingaman as new CIC Chair, with a second

from Ms. Allen. Commissioner Garcia Richard asked if Mr. Bingaman would be willing to serve, and he indicated it would be an honor.

Based on the Council's discussion today, I move that John Bingaman be appointed to the Council Investment Committee and assume the role of CIC Chair.

The motion was approved 9-0, with Commissioner Garcia Richard, Treasurer Montoya, Secretary Propst, Nick Telles, Catherine Allen, John Bingaman, Mike Messina, Kelly O'Donnell, and Allen Sánchez voting to approve Mr. Bingaman as the CIC Chairman.

Treasurer Montoya suggested the Council and Committee consider adding a Vice-Chair to the committee and its charter, due to the significant work involved. She recommended Council members attend if they can, as the CIC meetings certainly help inform her prior to the full Council meetings. Mr. Telles noted that up to 5 members of the SIC can be on the committee and seconded the suggestion regarding a CIC Vice-Chair. Mr. Messina also noted the risk of a rolling quorum should 6 or more Council members attend, which makes it important to communicate your attendance to staff.

4. FINANCE MATTERS: COMMITTEE & INFORMATIONAL REPORTS: DISCUSSION, VOTE

a. Audit Committee Report & CFO Report

Presenter: Brent Shipp, Chief Financial Officer

At about 3:42:45, Mr. Shipp delivered the Chief Financial Officer's report, providing a brief update to the Council on current budgeting and accounting matters. Mr. Shipp reviewed the budget-to-actual report and the investment holdings report, highlighting their value for new Council members Sánchez and O'Donnell. He indicated that while he expects no budgetary difficulties for the remainder of the fiscal year, he noted his willingness to address any questions or concerns quickly should they be raised. Mr. Shipp mentioned that external audit firm MossAdams is completing the Agreed Upon Procedures for the first two quarters of FY24 currently, and those reports are due by the end of March. He indicated this work is very important as it serves to aid staff in constantly preparing and updating preparations for the annual audit. Ms. Allen asked whether SIC used any internal auditing services. Mr. Shipp indicated that in the past SIC used an external internal audit provider but found somewhat lacking for the cost involved. Ms. Allen suggested that the potential need for an internal auditor should be discussed with the Council's strategic planning. Ms. Allen asked whether there was budget capacity for this or other research related to New Mexico investments. Mr. Shipp indicated that there likely was. Mr. Clark indicated he saw no problems in getting outside expertise to consult the Council in its strategic planning. Treasurer Montoya thanked Mr. Shipp, and asked if there was a way to provide additional percentage details around the budget to actual reporting. The Treasurer raised the issue of the SIC investment policy and parts of it that are being reviewed by the Governance Committee, indicating it may need additional improvements. She also discussed the pending departure of her general counsel, whom she complemented for his work, and how this should not impede the pending transfer of an SIC investment into her office's short and medium-term accounts.

Mr. Telles then gave the Council a short synopsis of the previous day's Audit Committee meeting, indicating everything appears on track.

5. CLOSING MATTERS

a. OLD OR NEW BUSINESS:

Commissioner Garcia Richard called for comments from new Council appointees Kelly O'Donnell, and Allen Sánchez. Ms. O'Donnell thanked the Chair, said she was honored by the appointment and provided the Council with a short summary regarding her background, including her leadership roles at the Economic Development, Tax & Revenue, and Regulation & Licensing Departments and her professional background in public finance and as an economist in New Mexico over the last 30 years.

Mr. Sánchez thanked the Council for the warm welcome he had received, and provided details about his current role as CEO of CHI St. Joseph's and some of his background with CommonSpirit, the largest non-profit healthcare provider in the U.S. Mr. Sánchez discussed his background and education, and his role as trustee in helping manage the $110 million CHI endowment fund. He thanked the Council for the work they do in supporting New Mexico and the effort involved in doing so, and said he looks forward to doing whatever he can to assist this effort.

Commissioner Garcia Richard welcomed both new members to the Council.

Next scheduled NMSIC meeting date: Tuesday, March 26, 9:00 a.m., Santa Fe, NM

It was noted that the next regularly scheduled Council meeting was expected to be held at the State Capitol on March 26th.

6. PUBLIC COMMENT

There were no in-person or previously submitted public comments.

7. ADJOURNMENT

As SIC business was completed, the meeting adjourned at about 1:00 pm.