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JON CLARK
STATE INVESTMENT OFFICER

State Senator Jeff Steinborn
District 36, Doña Ana County
P.O. Box 562
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October 26, 2026

Honorable Senator Steinborn,

Thank you for your letter to the State Investment Council (SIC) on October 22, 2026, in which you shared your concerns about possible state investment exposure to Russian assets or businesses, and companies owned or controlled by Elon Musk, including SpaceX, Tesla or other affiliated entities.

Regarding SIC investments in Russia, the State Investment Council voted in March 2022 to fully divest from all investments in securities and companies based within, directly associated with or that had substantial exposure to the Russian Federation or its government. That ban on such investment exposures began at that time and remains in full effect today and will continue until such a time that a peaceful resolution is reached between Russia and Ukraine. The directive continues to address both existing holdings and future investment consideration within its stated scope.

Specific to Elon Musk controlled companies, the SIC, like many US investors, has indirect exposure to Tesla and SpaceX via passive stock Index investments. The Council invests in passive stock indexes like the Russell 1000 to gain broad market exposure efficiently and at very low costs. Total SIC exposure to Musk company investments is approximately 0.25% of the SIC's total portfolio of ~\$75 billion, representing a little more than \$188 million. The vast majority of that amount of exposure (~\$147 million) is through SIC passive investments in an index that includes Tesla, and to a smaller degree, SpaceX (~\$12 million). Only a small fraction of our remaining exposure to Musk companies – about \$35 million or about 0.047% of the SIC's total portfolio, is actively managed by our external managers. Of that amount, approximately \$8 million is held in active public equity positions that will be liquidated as part of the Council's recently approved changes arising from the U.S. Public Equity Structure Study.

We understand that your request centers on ensuring Ukraine has the communications capabilities needed for its defense. President Zelensky's October 24, 2026, confirmation that Starlink and Starshield services had been returned to their prior operating speeds is an important development in considering your request, while the reliability of that access remains a legitimate concern.

The active/passive exposure is an important distinction to make. While the Council could, if basing the decision on fiduciary considerations, direct SIC active managers to seek investment alternatives to Tesla and SpaceX (though there are arguably not equivalent company investments to replace those sector exposures), options are much more limited for passive index investments. Customized passive portfolios that exclude specific securities are possible, but may carry higher management fees, index and monitoring expenses, and trading costs. Exclusions can also challenge diversification efforts and cause returns to differ from the benchmark. For private fund investments, sales may be restricted or require discounts to reported value. These costs and portfolio effects require assessment before implementation.

Similar fiduciary concerns arise around the concept of divestment, and how effective it is or isn't as a tool of change. From one perspective, by selling these positions we would also be giving up our voice and votes as shareholders which might otherwise help influence policy and drive change at these companies.

However, the Council's overriding legal and fiduciary responsibility is, without exception or political consideration, to optimize risk-adjusted returns for our beneficiaries, the majority of which are New Mexico school children and families. Paying more fees and/or earning lower financial returns for beneficiaries due to external considerations – no matter how worthy - is potentially a breach of fiduciary duty.

That said, New Mexico has in the past divested from Russia in 2022, from companies complicit with the Sudanese government during the 2007 genocide in Darfur and also from South Africa over that country's Apartheid abuses in the late 1980s. However, those are different instances, all with different details, factors and complications than what you are proposing today.

We take your concerns seriously and will share your letter and request with the Council for consideration. The Council's Russia divestment directive remains in effect. Exposure to companies associated with Elon Musk represents approximately 0.25% of SIC's \$75 billion portfolio, is predominantly held through passive index investments and, in our assessment, is not material to the overall portfolio. We hope this context provides reassurance that these limited holdings primarily reflect broad market participation and should not be interpreted as support for the conduct described in your letter. Any additional investment restrictions require careful evaluation of their effectiveness, costs and consequences for our ability to meet the financial needs of New Mexico's residents, today and for generations to come.

Thank you for your leadership in the Legislature on behalf of the people of Las Cruces and New Mexico.

Sincerely,



Jon Clark
New Mexico State Investment Officer

SIC Holdings 10/26/2026 "Musk companies"

SIC Holdings 10.26.26				
Asset Class	Fund	Style	Investment	Market Value
Public Equity	Russell 1000 Index	Passive	Space X	\$ 12,532,091
Public Equity	One manager	Active	Space X	\$ 8,026,959
Private Equity	Aggregate holdings	Active	Space X	\$ 16,854,785
Public Debt	One manager, two securities	Active	Tesla debt	\$ 2,980,052
Public Equity	Russell 1000 Index	Passive	Tesla Inc. Common Stock	\$ 140,532,080
Public Equity	Russell Fundamendal Large Co Index	Passive	Tesla Inc. Common Stock	\$ 6,885,443
Private Equity	Two managers	Active	Neuralink Corp	\$ 267,348
				\$ 188,078,758