

October 2009

PRIM Board Update



Massachusetts Pension Reserves Investment Management Board

Stocks Stumble in October Ending Seven-Month Streak

Despite good news about third quarter U.S. Gross Domestic Product (GDP) growth of 3.5%, both U.S. and foreign stock markets shed some of their 2009 gains in October. The large cap S&P 500 index fell 1.86%, and the MSCI EAFE index dropped 1.25% for the month. Calendar year-to-date (CYTD), the S&P 500 and the MSCI EAFE remained strong with returns of 17.05% and 27.36%, respectively. U.S. small cap stocks declined more steeply, as the Russell 2000 index lost 6.79% for the month, returning 14.12% CYTD. The broad U.S. stock market indicator, the Russell 3000 index, returned -2.57% in October and was up 18.07% CYTD. Emerging markets eked out small gains for the month, with the MSCI EMF Index returning 0.12% in October, adding to already phenomenal gains with a return of 64.65% CYTD. Fixed income markets extended gains for a fourth straight month as the Barclays Aggregate index returned 0.49% in October, and stood at 6.24% CYTD. High yield bond markets also continued their run with the Master II High Yield Bond index returning 1.80% for the month, and soaring 51.78% CYTD. U.S. REITs contracted in October as the NAREIT Equity REIT index returned -4.50%; but the index was still up 11.73% CYTD. International REITs generated positive returns in October, up 0.98% for the month, and returning a solid 43.29% CYTD.

PRIM Third Quarter (September) 2009 TUCS Rankings

The PRIM Fund ranked in the top 19% of Public Funds Nationwide (over \$1 billion in size) with a 5.27% annualized return over 10 years. PRIM placed in the 60th percentile in TUCS, returning 14.36% CYTD. For the one-year, PRIM ranked in the 88th percentile, returning -4.30%. For three-years, PRIM placed in the 76th percentile (-1.15%), and ranked the 21st percentile for five-years with a return of 5.26%

Market Recap - October 31, 2009

Domestic Equity Markets:

| Index | Month | CYTD | 1 Year |
|--------------|--------|--------|--------|
| S&P 500 | -1.86% | 17.05% | 9.80% |
| DOW | 0.14% | 13.65% | 7.71% |
| NASDAQ % Chg | -3.64% | 29.68% | 18.84% |
| Russell 2000 | -6.79% | 14.12% | 6.46% |
| Russell 3000 | -2.57% | 18.07% | 10.83% |

International & Emerging Markets Equities:

| Index | Month | CYTD | 1 Year |
|----------------------|--------|--------|--------|
| MSCI EAFE (net divs) | -1.25% | 27.36% | 27.71% |
| MSCI EMF (net divs) | 0.12% | 64.65% | 64.13% |

Fixed Income, TIPS, High Yield Bonds, & Real Estate:

| Index | Month | CYTD | 1 Year |
|----------------------|--------|---------|---------|
| Barclays Aggregate | 0.49% | 6.24% | 13.79% |
| ML HY Master II | 1.80% | 51.78% | 49.54% |
| Barclays TIPS | 1.23% | 10.82% | 17.15% |
| NCREIF (one qtr lag) | 0.00% | -19.42% | -19.56% |
| NAREIT Equity | -4.50% | 11.73% | 0.06% |
| NAREIT Int'l | 0.98% | 43.29% | 39.41% |

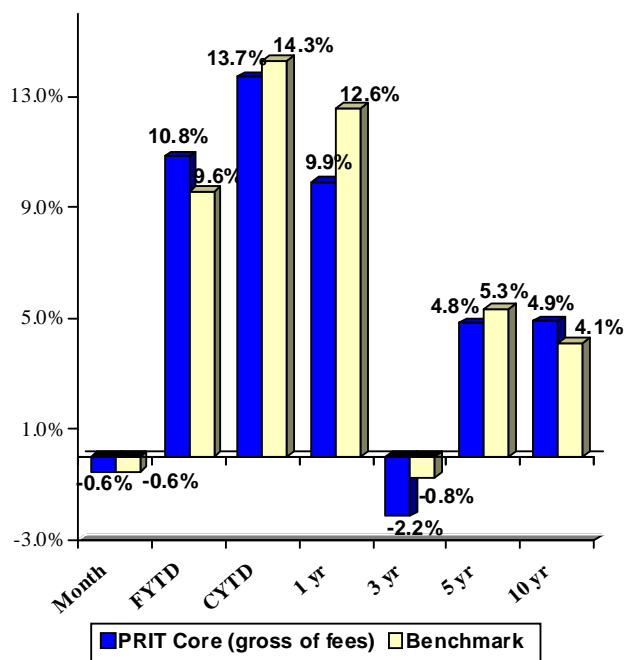
PRIT FUND ASSETS: \$41,525,529,000

PRIT Segmentation Recap - October 31, 2009

| Portfolio | Month | CYTD | 1 year |
|------------------------|---------------|---------------|--------------|
| PRIT CORE Total | -0.57% | 13.71% | 9.91% |
| Domestic Equity | -1.62% | 17.14% | 7.98% |
| International Equity | -1.34% | 26.57% | 26.87% |
| Emerging Equity | -0.49% | 64.02% | 59.84% |
| Core Fixed Income | 0.73% | 11.66% | 16.39% |
| Core Real Estate | 0.10% | -5.70% | -15.51% |
| Hedge Funds (net) | 0.50% | 10.43% | 5.94% |

Hedge Funds (formerly Absolute Return) are Net of Fees. All other segments are Gross of fees. Domestic Equity includes Portable Alpha Wind-down. Core Fixed Income (formerly Total Fixed Income) includes TIPS and inflation-linked bonds. Timber/Natural Resources and Value Added Fixed Income (formerly High Yield Debt) sleeves are not available through Segmentation.

PRIT Core Fund as of 10/31/09



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