

December 2009

PRIM Board Update



Massachusetts Pension Reserves Investment Management Board

What A Difference A Year Makes!

It may be too soon to break out into "Happy Days Are Here Again", but investors were certainly whistling a happier tune as 2009 drew to a close, in contrast to the mood at the end of 2008. Although the bleakness spilled over into the first quarter of 2009, since March 9th the equity markets have staged an impressive rally with only minor interruptions. Still, this has been the worst decade for stocks in history, even worse than the 1930's. The large cap S&P 500 index made up a portion of its 37% loss in 2008 by gaining 26.46% in 2009. Technology stocks were the biggest contributor, up 60% versus 2008 when this sector plummeted 44%. From a size standpoint, midcap stocks were the biggest winners, as the Russell 3000 Midcap index soared 40.48% in 2009; a mere 12 months ago, midcaps were the worst performers, down 41%. U.S. small cap stocks also had strong performance in 2009 returning 27.17%, according to the Russell 2000 index. Last year small caps fell 34%. The developed foreign markets also recovered nicely in 2009, as MSCI EAFE index rose 31.78%. In 2008, international equities sank 43%. Perhaps the most breathtaking reversal was in the emerging markets. The MSCI EM index, down 53% in 2008, rose like the Phoenix from the ashes to return 78.51% in 2009. Conversely, long Treasury bonds, where investors sought refuge in 2008, were down 13% in 2009 compared to being up almost 14% in 2008. The broader bond market finished the year basically on par with last year returning 5.93%. High yield bonds also had a strong comeback in 2009, returning 58.10% after being down 26% in 2008. Despite a shaky start and a deep correction in private real estate markets, publicly traded U.S. REITs bounced back in 2009, returning 27.99% in 2009 after falling almost 38% in 2008. Hedge fund-of-funds were also up about 10% on average in 2009 after sinking about 20% in 2008.

Market Recap - December 31, 2009

Domestic Equity Markets:

Index	Month	QTD	1 Year
S&P 500	1.93%	6.04%	26.46%
DOW	0.95%	8.10%	22.68%
NASDAQ % Chg	5.81%	6.91%	43.89%
Russell 2000	8.05%	3.87%	27.17%
Russell 3000	2.85%	5.90%	28.34%

International & Emerging Markets Equities:

Index	Month	QTD	1 Year
MSCI EAFE (net divs)	1.44%	2.18%	31.78%
MSCI EMF (net divs)	3.95%	8.55%	78.51%

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

Index	Month	QTD	1 Year
Barclays Aggregate	-1.56%	0.20%	5.93%
ML HY Master II	3.14%	6.03%	58.10%
Barclays TIPS	-2.19%	1.76%	11.41%
NCREIF (one qtr lag)	-3.32%	-3.32%	-22.09%
NAREIT Equity	7.15%	9.39%	27.99%
NAREIT Int'l	1.69%	1.87%	44.56%

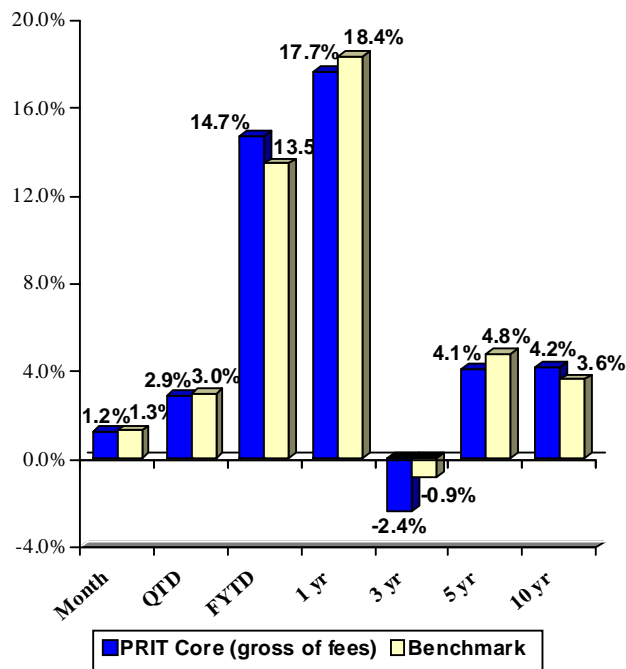
PRIT FUND ASSETS: \$42,649,244,000

PRIT Segmentation Recap - December 31, 2009

Portfolio	Month	QTR	1 year
PRIT CORE Total	1.22%	2.91%	17.69%
Domestic Equity	2.36%	5.33%	25.41%
International Equity	1.78%	2.36%	31.31%
Emerging Mkts. Eq.	4.27%	8.14%	78.25%
Core Fixed Income	-1.11%	0.92%	11.87%
Core Real Estate	-2.56%	-1.54%	-7.25%
Hedge Funds (net)	0.78%	2.26%	12.36%

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 12/31/09



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