

March 2015

# PRIM Board Update



PENSION RESERVES  
INVESTMENT  
MANAGEMENT BOARD

Massachusetts Pension Reserves Investment Management Board

## Market Snapshot for March 2015

Economic data was mixed in March: the Conference Board Leading Economic Index (LEI) for the U.S. continued to increase, consumer confidence climbed to 101.3, the second-highest reading of the current economic expansion and well above economists' expectations for March, after posting 98.8 in February. Unemployment declined 0.2% to 5.5%, jobless claims in the U.S. fell by 9,000 to 282,000, the lowest level in five weeks, and real wages grew by 1.0% for the previous month. On the negative side, U.S. Gross Domestic Product (GDP) expanded at a slower pace than previously reported at 2.2%, after an initial report of 2.6% for 4Q14. The U.S. Purchasing Managers Index (PMI) fell to a 22-month low of 51.5, and retail sales were below expectations. The Federal Reserve lowered its 2015 outlook for GDP, inflation, and unemployment. Equities fell and volatility increased in March.

U.S. Equities were mixed in March. Small capitalization stocks (Small Caps) returned 1.7%, outperforming Large Caps, which were down 1.6%. Oil prices declined to \$47.6 a barrel (down 4.3%), as U.S.-Iran negotiations extended past deadline and U.S. oil inventories grew. The U.S. dollar (USD) appreciated 2.8% versus major currencies.

Developed International Equities returned -1.5% in March. European Equities declined 2.7% in USD terms. Japanese Equities rose 1.5% in March, as shares continued to benefit from the Bank of Japan's (BOJ) QE policies and the Governments Pension Fund's shift from bonds to the nation's equities.

Emerging Markets (EM) Equities declined 1.4% in March. Brazilian Equities fell 11.3%: the nation's currency (the Real) depreciated 10.5%, unemployment rose, oil prices fell, economic data continued to be weak, and the Petrobras corruption scandal continued. Russian equities returned -2.7%, as oil prices fell and as President Barack Obama announced a one-year extension on existing sanctions. Gazprom, Russia's leading natural gas producer, said it would cut dividends after a massive decline in its 2014 earnings, and the World Bank announced that Russia will face years of economic stagflation. Greek shares fell 16.6%, as political tensions rose within the Eurozone, and on reports that Greek bank deposits reached their lowest level in 10 years. The Indian market slid 4.1% amid concerns of weak earnings growth.

Long Treasury prices rose in March: 30-year yields fell 5 basis points (bps) to 2.54%; 10-year yields fell 7 bps to 1.92%, and 2- and 5-year yields were 6 and 13 bps lower, respectively. (Price and yield move in the opposite direction.)

The 20+ Year STRIPS Index gained 1.4% in March, and is up 36.9% for the trailing twelve-month period. Since PRIM's initial funding in April of 2014, the 20+ Year STRIPS portfolio returned 38.2%, while the Barclays Capital Aggregate Bond Index returned 5.3% over the same period. Investor demand for long Treasuries remained strong because of low inflation expectations, the strong U.S. dollar coupled with declining global growth, and continued geopolitical risk.

High yield bonds returned -0.5%, while investment grade credit was up 0.3% for the month. U.S. Dollar denominated emerging market debt (EMD) gained 0.5% in March largely due to the movement in Treasury rates. EMD local currency did not keep up with other risk assets, however, returning -1.3% for the month.

**PRIT FUND ASSETS: \$61,937,034,000**

## PRIT Core Fund Recap – March 31, 2015

Portfolio	Month	CYTD	1-Year
<b>PRIT Core Total</b>	<b>0.34%</b>	<b>2.69%</b>	<b>8.15%</b>
U.S. Equity	-0.91%	1.84%	11.75%
International Equity	-1.06%	5.04%	-0.22%
Emerging Markets Equity	-1.63%	0.35%	-0.56%
Core Fixed Income	0.97%	3.87%	17.27%
Public Value Added FI*	-0.69%	0.55%	-1.78%
Total Value Added FI**	-0.66%	0.01%	0.02%
Private Equity	5.10%	3.30%	13.44%
Core Real Estate	1.63%	3.33%	14.56%
Timber/Natural Resources	-1.60%	-1.62%	1.29%
Hedge Funds (net)	0.91%	3.12%	6.71%
Portfolio Completion Strat. (net)	2.08%	4.10%	N/A

Returns are gross of fees unless otherwise noted. Timber/Natural Resources, Total Value-Added Fixed Income, and Portfolio Completion Strategies sleeves are currently not available through Segmentation; however, the \*Public Value Added Fixed Income sleeve is available as of April 1, 2013. \*\*Total Value-Added FI includes return of Public Value-Added FI. Private Equity is available to Segmented Systems through the Vintage Year Program.

## Market Recap – March 31, 2015

### Global Equity Markets

#### U.S. Equities:

Index	Month	CYTD	1-Year
S&P 500	-1.58%	0.95%	12.73%
Russell 2000 Growth	1.80%	6.63%	12.06%
Russell 2000 Value	1.69%	1.98%	4.43%
Russell 2500 Growth	1.64%	7.44%	13.83%
Russell 2500	1.33%	5.17%	10.07%

#### International Equities:

Index	Month	CYTD	1-Year
Custom World IMI Ex-US	-1.49%	4.39%	-1.06%
MSCI Emerging Mkts. IMI	-1.15%	2.48%	1.11%

### Fixed Income

Index	Month	CYTD	1-Year
Barclays Aggregate	0.46%	1.61%	5.72%
BC US Treas 20+Yr STRIPS	1.38%	5.54%	37.10%
ML High Yield Master II	-0.53%	2.54%	2.06%
JPM EM Debt Global	0.46%	2.06%	4.08%
JPM GBI EMI Global Div.	-2.98%	-3.96%	-11.14%

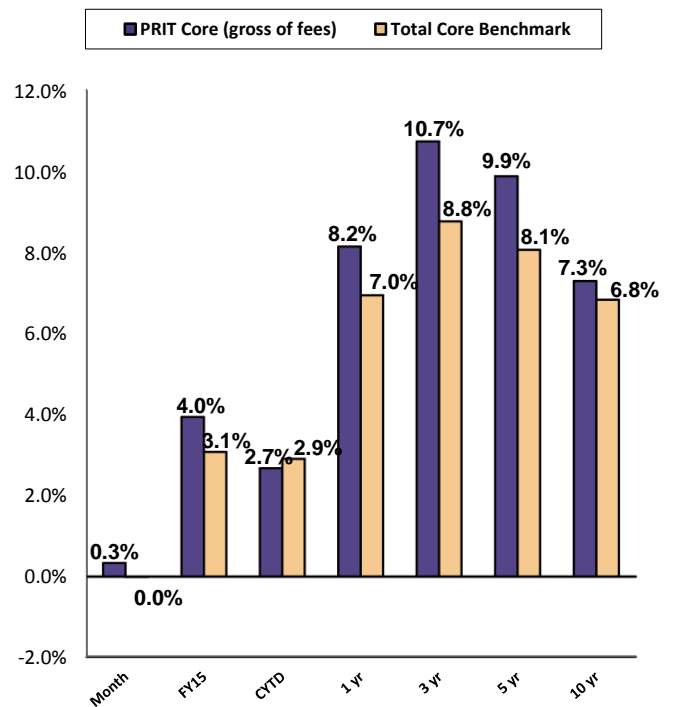
### Real Estate

NCREIF 1-Qtr Lag Private	3.04%	3.04%	11.82%
FTSE EPRA NAREIT Global	-0.20%	4.13%	15.91%

### Hedge Funds

Index	Month	CYTD	1-Year
HFRI Fund of Funds	0.63%	2.53%	5.39%

## PRIT Core Fund as of 3/31/2015



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