

April 2015

PRIM Board Update



PENSION RESERVES
INVESTMENT
MANAGEMENT BOARD

Massachusetts Pension Reserves Investment Management Board

Market Snapshot for April 2015

Economic data was mostly negative in April: U.S. Gross Domestic Product (GDP) expanded at an annualized rate of 0.2% in 1Q15, versus 2.2% at the end of 2014, well below economists' expectation of 1.0%. PMI's (Purchasing Managers Index) fell across the globe (Japan, China, Euro are), while US PMI remained unchanged at 51.5. Consumer confidence fell to 95.2 in April versus 101.4 last month. The Conference Board Leading Economic Index (LEI) attributed this decline to underwhelming performance of the labor market and a bearish short-term outlook by investors. Unemployment remained unchanged at 5.5%, as jobless claims in the U.S. fell by 34,000 to 262,000, the lowest level in 15 years. Nonfarm payrolls increased by 126,000 in April, but far below the expected increase of 245,000 and the 12-month average of 269,000. The Federal Reserve attributed the slow economic growth through the winter to transitory factors, and reiterated that any interest rate hikes would continue to be data dependent.

U.S. equities were mixed in April. Large capitalization stocks (large caps) were up almost 1%, outperforming small caps, which returned -2.6%. Oil prices surged to \$59.63 a barrel (up 25% in April), as U.S. oil inventories rose lower than expected and uncertainty surrounding the U.S.-Iran nuclear deal continued to support higher prices. The U.S. dollar (USD) stabilized in April, remaining flat versus major currencies.

Developed International Equities rose 4.2% in April due to positive economic data out of the Eurozone and promising corporate earnings. Japanese equities gained 3.5% in April, as shares continued to benefit from the Bank of Japan's (BOJ) quantitative easing (QE) policies, and economic reforms focusing on shareholder value and return of equity.

Emerging Markets (EM) Equities rose 7.7% in April, as Brazilian equities rallied, up 16.8%, and the nation's currency (the Real) appreciated 6.6%. Russian equities soared 17.3%, as oil prices rose meaningfully and the Ruble appreciated 12.7%. The Chinese bull market run continued, up 47.8 in the last year, as shares rose 16.7% in April. State-owned firms continued to benefit from monetary and fiscal stimulus aimed at slashing rates.

Long Treasury rates rose in April, driving prices down: 30-year yields rose 20 basis points (bps) to 2.74%; 10-year yields rose 11 bps to 2.03%, and 2- and 5-year yields were 1 and 6 bps higher, respectively. (Price and yield move in the opposite direction.)

The 20+ Year STRIPS Index returned -5.6% in April, however, since PRIM's initial funding in April of 2014, the 20+ Year STRIPS portfolio returned 27%, while the Barclays Capital Aggregate Bond Index returned 4.5% over the same period. Recent STRIPS underperformance may be due to profit taking and a reversal of January rally because of the oil selloff. Another reason may be, as the Fed reiterates its desire to be patient and data-dependent in rising interrelate rates, investors are shifting into other risky assets within fixed at the expense of long treasuries.

High yield bonds gained 1.2% in April, while investment grade credit posted -0.6% for the month. U.S. Dollar denominated emerging market debt (EMD) gained 2.0% in April, as spread tightening more than offset the movement in Treasury rates. EMD local was the top performing fixed income asset in April, up 2.9%.

PRIT FUND ASSETS: \$62,342,158,000

PRIT Core Fund Recap – April 30, 2015

Portfolio	Month	CYTD	1-Year
PRIT Core Total	1.01%	3.73%	8.63%
U.S. Equity	0.23%	2.08%	12.01%
International Equity	4.23%	9.49%	3.01%
Emerging Markets Equity	6.95%	7.33%	6.03%
Core Fixed Income	-2.76%	1.00%	12.58%
Public Value Added FI*	2.11%	2.67%	-0.32%
Total Value Added FI**	1.68%	1.69%	1.23%
Private Equity	0.67%	3.99%	13.99%
Core Real Estate	-0.03%	3.30%	13.38%
Timber/Natural Resources	1.61%	-0.04%	1.80%
Hedge Funds (net)	-0.09%	3.03%	6.71%
Portfolio Completion Strat. (net)	-6.09%	-2.24%	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 – April 30, 2015

Global Equity Markets

U.S. Equities:

Index	Month	CYTD	1-Year
S&P 500	0.96%	1.92%	12.98%
Russell 2000 Growth	-2.94%	3.49%	14.65%
Russell 2000 Value	-2.14%	-0.20%	4.89%
Russell 2500 Growth	-2.08%	5.20%	15.54%
Russell 2500	-1.75%	3.33%	10.70%

International Equities:

Index	Month	CYTD	1-Year
Custom World IMI Ex-US	4.38%	8.42%	1.11%
MSCI Emerging Mkts. IMI	7.68%	10.35%	8.43%

Fixed Income

Index	Month	CYTD	1-Year
Barclays Aggregate	-0.36%	1.24%	4.46%
BC US Treas 20+Yr STRIPS	-5.60%	-0.37%	25.02%
ML High Yield Master II	1.20%	3.77%	2.58%
JPM EM Debt Global	1.97%	4.07%	4.50%
JPM GBI EMI Global Div.	2.92%	-1.16%	-9.35%

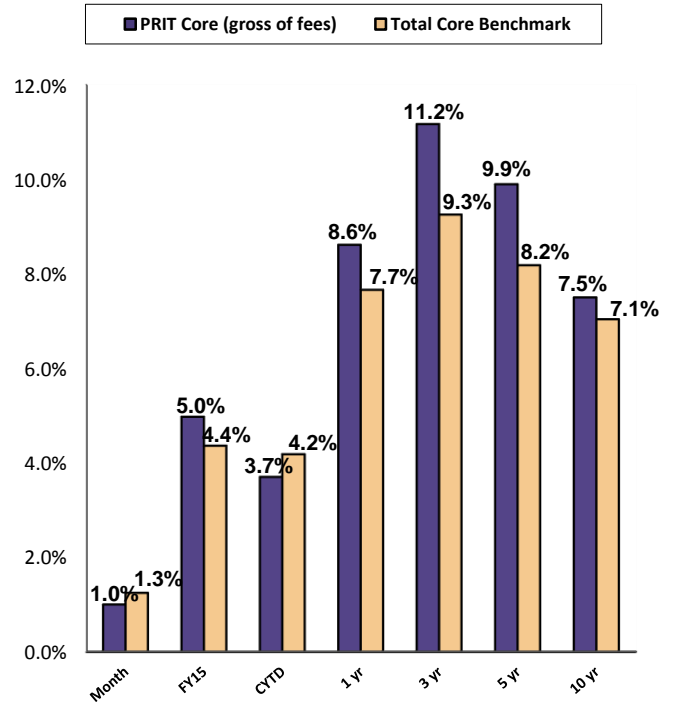
Real Estate

NCREIF 1-Qtr Lag Private	0.00%	3.04%	11.82%
FTSE EPRA NAREIT Global	-1.54%	2.53%	10.74%

Hedge Funds

Index	Month	CYTD	1-Year
HFRI Fund of Funds	0.52%	3.06%	6.60%

PRIT Core Fund as of 4/30/2015



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