

June 2015

PRIM Board Update



PENSION RESERVES
INVESTMENT
MANAGEMENT BOARD

Massachusetts Pension Reserves Investment Management Board

Market Snapshot for June 2015

U.S. Gross Domestic Product ("GDP") was revised upward in June to a -0.2% contraction from -0.7% in 1Q15, in the Commerce Department's final estimate. Unemployment fell 0.2% to 5.3%, but the labor force participation rate fell, and wage growth was muted. U.S. manufacturing expanded in June, as the US Purchasing Managers Index ("PMI") rose to 53.5 vs. 52.8 last month. The Federal Reserve ("the Fed") maintained its stance that interest rate hikes will be data dependent. The U.S. Dollar Index depreciated -1.4%, as bets on the Fed rate hike shift to January. Oil prices fell to \$59.5 a barrel (-1.4% in June) on investor concern over falling Chinese equities and the possibility of more oil from Iran.

U.S. Equities were mixed in June. Large cap stocks returned -1.9%, amid uncertainty in Greece and the Eurozone. Small caps stocks were up 0.7% for the month, hitting an all-time high. Small caps fared better than their large cap counterparts on Merger and Acquisition ("M&A") activity and relative insulation from a strong dollar

International equities returned -2.8% for the month. European equities returned -3.1% due to investor concern that Greek voters would back the government's refusal to accept economic austerity measures (which voters eventually did in July). Japanese equities retreated 1.7% on disappointing industrial production and GDP data.

Emerging markets equities returned -2.6%. Russian equities returned -2.7% as the Ruble depreciated -5.6%. Chinese shares, down 5.6% in June, continued to sell off despite direct intervention by the People's Bank of China.

Long Treasury rates rose in June, driving prices down: 30-year yields rose 24 basis points ("bps") to 3.12%; 10-year yields rose 23 bps to 2.35%; and 2-year and 5-year yields were 4 and 16 bps higher, respectively. (Price and yield move in the opposite direction.)

The 20+ Year STRIPS Index, although up 8.9% for the trailing year, returned -6.4% in June. Recent STRIPS underperformance may be due to continued reversal in direction of yields from January lows.

Both investment grade and high yield spreads widened in June, and are wider than one year ago. High yield bonds returned -1.5% in June, while Investment Grade Credit posted a -1.7% return.

Emerging markets debt ("EMD") U.S. Dollar denominated returned -1.7% due to combination of rising treasury yields and wider spreads. EMD local currency returned -1.2% for the month. Brazil and South Africa were only countries with positive returns in June, 2.7% and 0.2%, respectively. Russia and Colombia were the worst performing countries, returning -5.8% and -3.1%, respectively.

PRIT FUND ASSETS: \$61,243,745,000

PRIT Core Fund Recap – June 30, 2015

Portfolio	Month	CYTD	1-Year
PRIT Core Total	-0.88%	2.61%	3.87%
U.S. Equity	-1.59%	1.95%	6.75%
International Equity	-2.48%	6.57%	-2.76%
Emerging Markets Equity	-2.77%	1.62%	-5.85%
Core Fixed Income	-3.61%	-4.29%	4.68%
Public Value Added FI*	-1.22%	0.86%	-4.69%
Total Value Added FI**	-0.47%	0.76%	-2.60%
Private Equity	5.49%	9.29%	15.57%
Core Real Estate	1.76%	5.20%	11.99%
Timber/Natural Resources	0.09%	-1.09%	-1.35%
Hedge Funds (net of fees)	-1.45%	2.58%	3.68%
Portfolio Completion Strategies	-2.40%	-5.09%	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 returns of Public Value-Added FI and Private Debt. Private Equity is available to Segmented Systems through the Vintage Year Program.

Market Recap – June 30, 2015

Global Equity Markets

U.S. Equities:

Index	Month	CYTD	1-Year
S&P 500	-1.94%	1.23%	7.42%
Russell 2000 Growth	1.34%	8.74%	12.34%
Russell 2000 Value	0.13%	0.76%	0.78%
Russell 2500 Growth	-0.33%	8.09%	11.30%
Russell 2500	-0.69%	4.81%	5.92%

International Equities:

Index	Month	CYTD	1-Year
Custom World IMI Ex-US	-2.64%	4.78%	-5.15%
MSCI Emerging Mkts. IMI	-2.87%	3.62%	-3.83%

Fixed Income

Index	Month	CYTD	1-Year
Barclays Aggregate	-1.09%	-0.10%	1.86%
BC US Treas 20+Yr STRIPS	-6.41%	-9.57%	8.95%
ML High Yield Master II	-1.52%	2.49%	-0.54%
JPM EM Debt Global	-1.69%	1.76%	-1.57%
JPM GBI EMI Global Div.	-1.22%	-4.88%	-15.39%

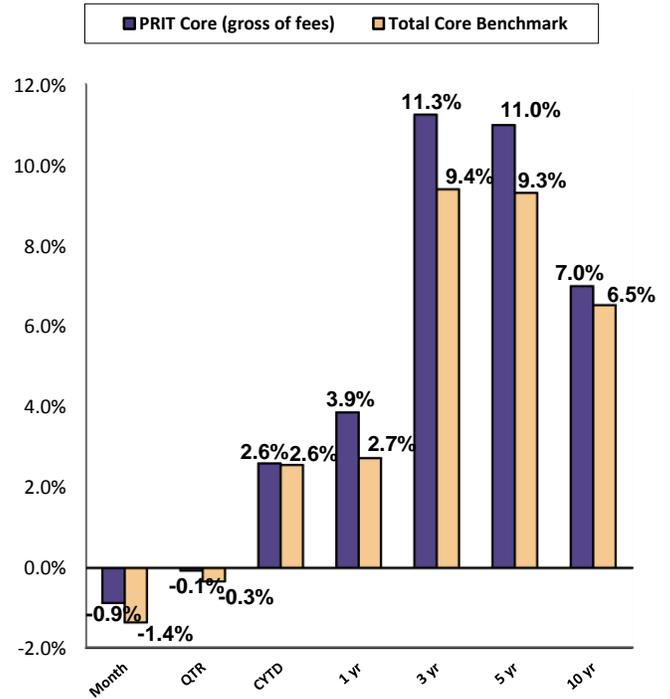
Real Estate

Index	Month	CYTD	1-Year
NCREIF 1-Qtr Lag Private	3.57%	6.72%	12.72%
FTSE EPRA NAREIT Global	-3.90%	-2.87%	0.29%

Hedge Funds

Index	Month	CYTD	1-Year
HFRI Fund of Funds	-1.17%	2.58%	3.84%

PRIT Core Fund as of 6/30/2015



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