PENSION RESERVES INVESTMENT TRUST FUND

(A Component Unit of the Commonwealth of Massachusetts)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2014

(With Basic Financial Statements for the Fiscal Years Ended June 30, 2014 and 2013)

Steven Grossman, Treasurer and Receiver General, Chair

Michael G. Trotsky, CFA, Executive Director and Chief Investment Officer

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Prepared By

Pension Reserves Investment Management Board Staff

For More Information

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Pension Reserves Investment Management Board

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Introductory Section

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84 State Street, Second Floor
Boston, Massachusetts 02109

Steven Grossman, Treasurer and Receiver General, Chair
Michael G. Trotsky, CFA, Executive Director and Chief Investment Officer

December 2, 2014

To Chairman Grossman, the Trustees of the Pension Reserves Investment Management Board (the PRIM Board), Committee members, Participants, and Beneficiaries:

I am pleased to transmit the *Comprehensive Annual Financial Report* (CAFR) of the Massachusetts Pension Reserves Investment Trust Fund (the PRIT Fund) for the fiscal year ending June 30, 2014. The document that follows is the 10th consecutive CAFR to be produced in the 30-year existence of the PRIM Board as Trustee of the PRIT Fund. We hope that you will find the CAFR useful in understanding the performance and financial position of the PRIT Fund as of June 30, 2014.

The CAFR contains the basic financial statements presented in accordance with generally accepted accounting principles (GAAP) and the standards applicable to financial audits contained in *Government Auditing Standards*. The CAFR and the basic financial statements are the responsibility of the PRIM Board. The fiscal year 2014 audit was conducted by KPMG LLP, a firm of licensed certified public accountants.

The CAFR is divided into four major sections:

Introductory Section: This section contains the letter of transmittal, the *Certificate of Achievement for Excellence in Financial Reporting*, and outlines the PRIM Board's organizational structure.

Financial Section: This section contains the report of the independent auditors, Management's Discussion and Analysis (MD&A), the financial statements of the PRIT Fund, the notes to the financial statements, and supporting schedules.

Investment Section: This section contains a summary of the PRIT Fund's investment strategy, investment policies, investment holdings, investment results, and supporting tables and schedules.

Statistical Section: This section contains information regarding financial ratios of the PRIT Fund.

Within the financial section, the MD&A follows the independent auditors' report and provides an overview of the PRIT Fund's financial statements and financial results. The MD&A complements this letter of transmittal and should be read in conjunction with this letter. Responsibility for both the accuracy and completeness of the data and the contents of this report rests with the PRIM Board. The PRIM Board has implemented a system of internal controls designed to provide reasonable assurance that the financial statements are free from material misstatements, that all assets will be properly safeguarded, and that transactions will be properly executed. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements.

Profile of the PRIT Fund

The PRIT Fund is a pooled investment trust fund established to invest the assets of the Massachusetts State Teachers' and Employees' Retirement Systems, as well as the assets of county, authority, district, and municipal retirement systems. The PRIT Fund was created by the Legislature in 1983 (Chapter 661 of the Acts of 1983) with a mandate to accumulate assets through investment earnings to reduce the Commonwealth's unfunded pension liability, and to assist local participating retirement systems in meeting their future pension obligations. The PRIT Fund merged with the Massachusetts State Teachers' and Employees' Retirement Systems (MASTERS) Trust in 1997, in accordance with Chapter 315 of the Acts of 1996.

The Massachusetts State Teachers', State Employees', and State-Boston/Teachers' Retirement Systems are mandated by statute to invest all of their assets in the PRIT Fund. Other retirement systems may voluntarily invest all or part of their assets in the PRIT Fund. Furthermore, Chapter 84 of the Acts of 1996 explicitly granted retirement boards the ability to invest only in individual asset classes of the PRIT Fund through a segmentation program. See Note 1 of the financial statements for more information on the profile and background of the PRIT Fund.

The most recent Public Employee Retirement Administration Commission (PERAC) valuation report, dated September 23, 2014, calculated the Commonwealth's unfunded actuarial pension liability at $29.0 billion. The PERAC valuation report estimates that, as of January 1, 2014, the pension liability is 61.2% funded using a target date of 2036. It should be noted that the unfunded actuarial pension liability is calculated on a calendar year basis.

The PRIM Board seeks to maximize the return on the PRIT Fund investments within acceptable levels of risk by broadly diversifying its investment portfolio, capitalizing on economies of scale to achieve cost-effective operations, and gaining access to high quality, innovative investment management firms. The PRIT Fund's Investment Policy Statement establishes investment objectives and policies designed to provide a framework for implementing investment strategy and oversight. A summary of the Investment Policy Statement is included in the Investment Section.

As of June 30, 2014, the PRIT Fund had approximately $60.7 billion in net assets compared to $53.2 billion at the end of fiscal year 2013, which is an increase of $7.5 billion in net assets. The PRIM Board contracts with a custodian bank to safeguard investment holdings and to ensure the proper settlement and recording of investment and cash transactions.

Executive Director/ Chief Investment Officer Discussion

Fiscal 2014 was an outstanding year for PRIM. Performance was very strong on an absolute and relative basis, we are fully-staffed with exceptional investment and finance professionals, Project SAVE is off to an excellent start, and our team has been recognized around the nation for the success and innovation of our investment program and for the transparency and completeness of our financial reporting.

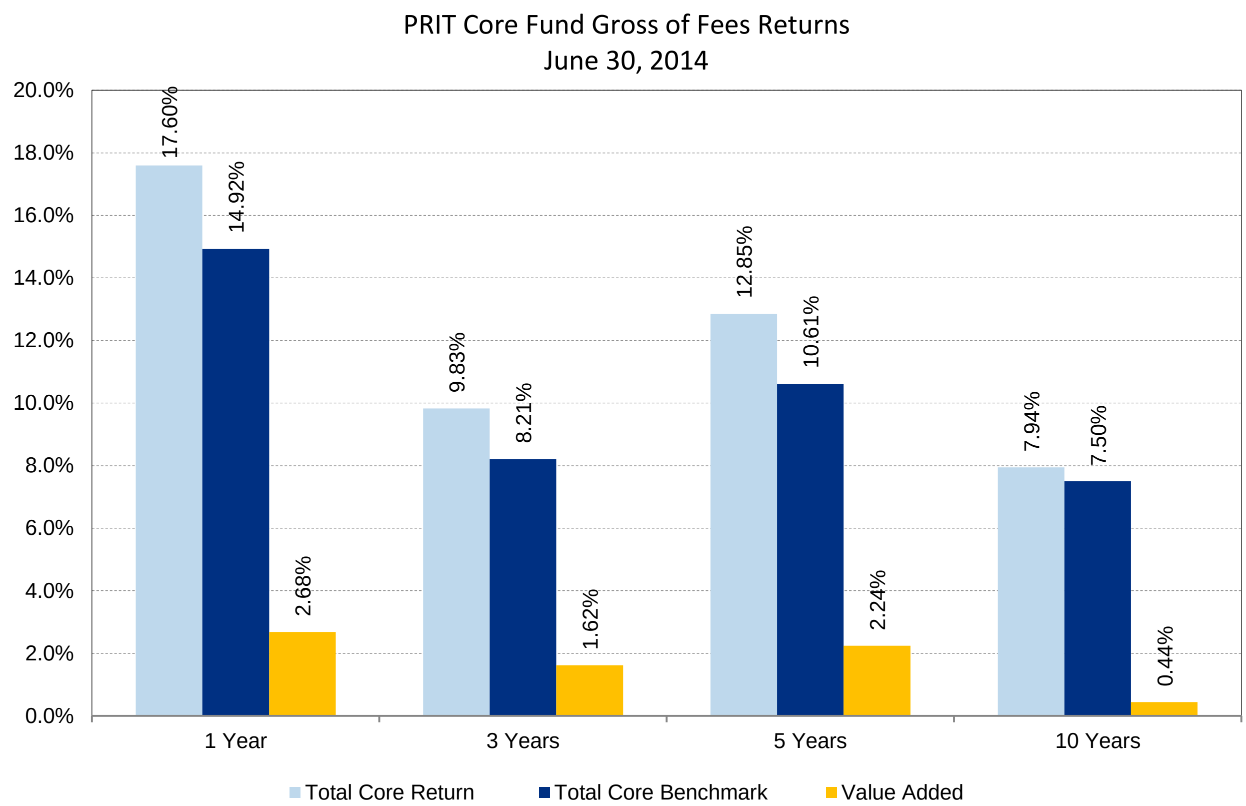
I am proud of our accomplishments and I thank you, our volunteer Board and Committee members, our participants, and our beneficiaries for your continued support and dedication.

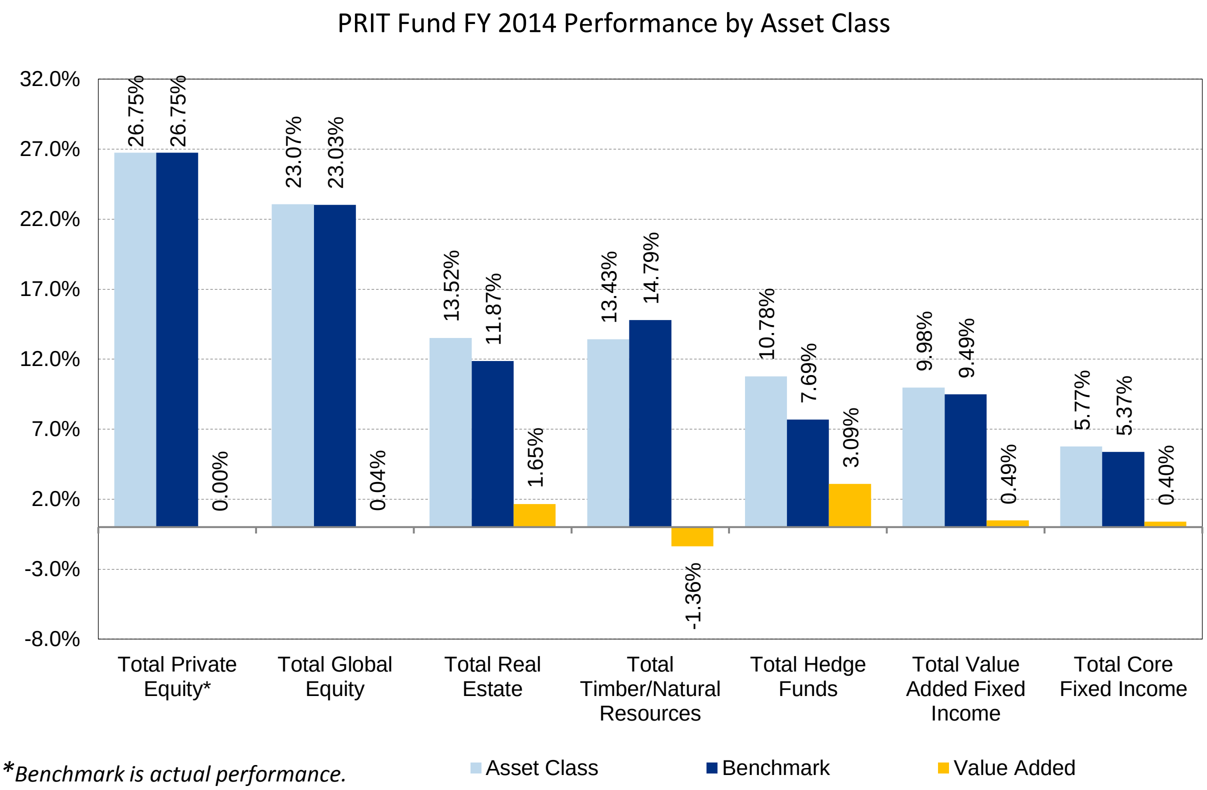
PRIT Fund Performance

At $60.7 billion, the PRIT Fund completed the one-year ended June 30, 2014 with its highest net asset value since inception in 1985. The PRIT Fund's trailing 1, 3, 5, and 10 year returns as of June 30, 2014 remain strong both on an absolute and on a relative basis.

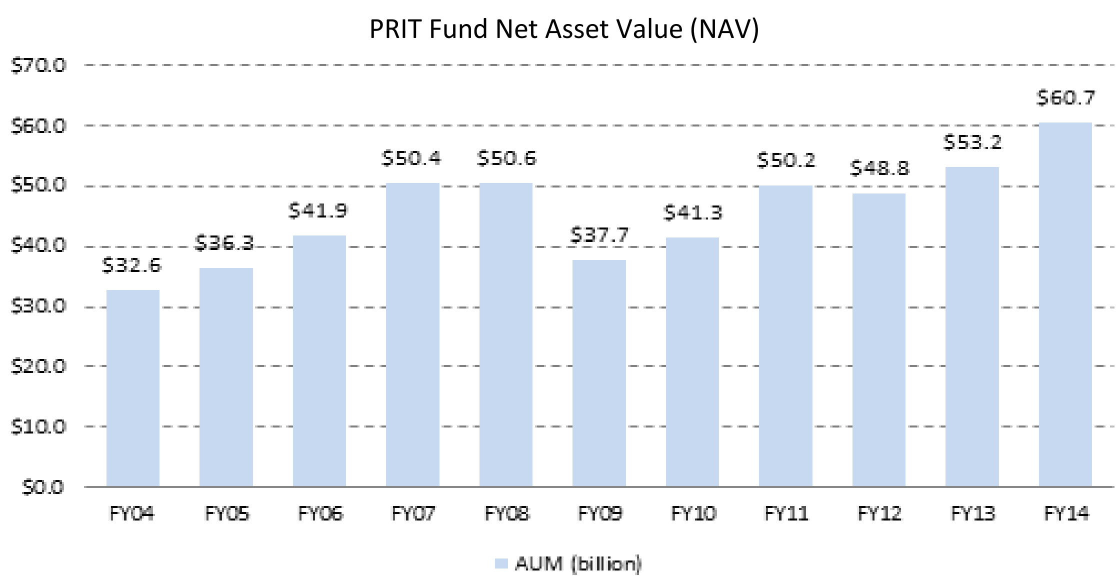
Fiscal Year Ended June 30, 2014

- The PRIT Core Fund was up 17.6% outperforming the total core benchmark of 14.9% by 268 basis points.
- The return equates to an investment gain of $9.4 billion.
- The outperformance equates to added value of $1.4 billion above the benchmark return.
- 6 of the 7 major asset classes outperformed their benchmarks.
- Net total outflows to pay benefits for the fiscal year were approximately $1.5 billion.
- Returns exceed the Commonwealth's actuarial rate of return (AROR). Effective January 1, 2013, the Commonwealth reduced the AROR to 8.00% from 8.25%.





Benchmark is actual performance.



Markets and Outlook

We are pleased with our strong results for the year but also cognizant of the fact that we are entering the sixth year of a strong market rebound. The PRIT Fund has been up 12.9% in the five year period since the World Financial Crisis and we are currently monitoring several economic cross currents which are beginning to indicate late-cycle economic and market trends. Growth continues, equity valuations are full, market volatility is low, unemployment continues to fall, M&A activity is rising, and we are beginning to see signs of frothy credit conditions (credit spreads low). We continue to gradually prepare for a cooling economic environment; we are thankful for the strong results that we have posted over the past five years, and we hope for continued strong markets, but we also believe it prudent to de-risk the portfolio.

Asset Allocation

The PRIM Board believes that asset allocation is the most important investment decision it makes. The PRIM Board's most recent asset allocation policy (below) was the result of the required triennial asset-liability study. Consistent with asset allocation changes of prior years, the new asset allocation policy seeks to de-risk the portfolio without sacrificing the long-term investment performance objectives of the Fund. The new asset allocation policy seeks to reduce downside risk by lowering equity exposure and transitioning diversified core bonds to a more focused and passive U.S. Treasury strategy. The new "Portfolio Completion Strategies" allocation was established for unique investment opportunities that complement our risk/return objectives, but do not easily fit within the existing asset categories. These changes are expected to maintain the PRIT Fund's long-term expected return of 8.2% while reducing risk.

Asset Allocation Changes Approved February 4, 2014

Asset Class	Prior Allocation	New Allocation	Changes to Allocation
U.S. Large Cap	15%	14.5%	-0.5%
U.S. Small/Mid Cap	4%	3.5%	-0.5%
International	17%	16%	-1%
Emerging Markets	7%	6%	-1%
Total Global Equity	**43%**	**40%**	
Core Bonds	10%	0%	-10%
Long Treasuries	0%	10%	10%
TIPS	3%	3%	
Total Core Fixed Income	**13%**	**13%**	
High Yield/Bank Loans	3%	3%	
EMD (Dollar Denominated)	1%	1%	
EMD (Local Currency)	2%	2%	
Private Debt	4%	4%	
Total Value Added Fixed Income	**10%**	**10%**	
Private Equity	**10%**	**10%**	
Real Estate	**10%**	**10%**	
Timber	**4%**	**4%**	
Portfolio Completion Strategies	**0%**	**4%**	4%
Hedge Funds	**10%**	**9%**	-1%
5-7 Year Expected Return	7.1%	7.1%	
30 Year Expected Return	8.2%	8.2%	
Risk (Std. Deviation)	12.9%	12.3%	
Sharpe Ratio	0.43	0.46	

Summary of Fiscal Year 2014 Key Accomplishments

1. **Stabilized the organization, filled 9 key staff vacancies, and significantly reduced turnover.**
   - Staff and advisors at the PRIM Board are considered to be the best they have ever been.
   - Spent a significant amount of time in fiscal year 2014:
     - Attracting, motivating and retaining highly skilled employees.
     - Reinforcing a commitment to shared success among all staff members.
     - Creating an organization that is predictable, stable, cost-effective, and competitive.
     - Created an organizational culture that is innovative, professional, and productive.
2. **Successfully implemented Project SAVE ("Strategic Analysis for Value Enhancement").**
   - Launched in January 2013, the project has already identified over $100 million in annual value enhancement initiatives.
   - Project SAVE has been nationally recognized for its innovation and success. On April 24, 2014, the PRIM Board was awarded the Institutional Investor 2013 "Public Pension Plan of the Year" and the decision was driven in part by its recognition of the PRIM Board's Project SAVE, which it described as "the most aggressive and systematic search for cost efficiencies by a U.S. public pension plan that we have ever seen."
3. **Made significant asset allocation changes designed to de-risk fund – prepare for cooling environment.**
   - Implemented the asset allocation recommendations approved by the PRIM Board on February 4, 2014.
   - Formed a fixed income working group, restructured fixed income portfolio to gradually de-risk the PRIT Fund.
4. **Designed and implemented proprietary manager monitoring and screening process.** Staff driven process utilizing external investment manager databases (eVestment, Factset) with internally-developed screening algorithms to identify the best managers in the world for the PRIM Board's specific needs.
5. **Hedge Funds and Low Volatility Strategies.**
   - Transitioned to direct hedge fund program. Achieved superior hedge fund performance 10.8% for Fiscal 2014, 309 basis points above benchmark.
   - Substantial fee savings: FY2013 savings of $29 million, FY2014 estimate of $35 - $40 million.
6. **Real Estate and Timberland.**
   - Finalized the PRIM Board's first real estate co-investment transaction in more than 10 years. ($30 million with DivcoWest Fund IV in One Kendall Square, Cambridge, MA.)

- Completed additional Australia timberland investment.

7. Awards

- Awarded the Institutional Investor 2013 “Public Pension Plan of the Year” award on April 24, 2014.
- The Private Equity Growth Capital Council in October 2013 named the PRIM Board the best performing private equity investment portfolio of 146 U.S. public pensions it considered.
- Buyouts Magazine in September 2013 named the PRIM Board as “the best-performing private equity portfolio” in an analysis of the 14 largest institutional investors in the Buyouts returns database.
- The Government Finance Officers Association of the United States and Canada (GFOA) awarded the PRIM Board its Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2013. This was the ninth consecutive year that the PRIM Board earned the award. In order to be awarded a Certificate of Achievement for Excellence, an entity must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

  A Certificate of Achievement is valid only for a period of one year. We believe that our current CAFR continues to meet the criteria of the Certificate of Achievement Program’s requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

8. Implemented a proactive communications program. The PRIM Board has made significant progress in assuring that our media coverage is more balanced, accurate and fair.

9. Legal

- Successfully negotiated advantageous settlement of the BNY Mellon foreign exchange trading claims. Recovery of $15.6 million in damages and legal expenses.
- Schering – achieved an all-cash $473 million resolution, believed to be one of the 25 largest securities litigation settlements ever, and the largest such settlement ever against a pharmaceutical company.
- Massey – in mediation, successfully achieved an all-cash settlement of the entire $265 million settlement amount.
- The PRIM Board received $32,000 to reimburse its costs as lead plaintiff in Schering and is likely to receive a large sum for its efforts as lead plaintiff in Massey.
- The PRIM Board’s General Counsel was appointed to co-chair of NAPPA (National Association of Public Pension Attorneys) Securities Litigation Committee.

10. Finance, Operations and Technology

- Reorganized the finance department to expand management coverage and divide into two functional areas (Finance and Administration and Investment Operations).

- Re-engineered the Real Estate and Timber reporting system to facilitate multi-currency investing.
- Developed and implemented financial compliance, analysis, and reporting process for the PRIM Board's real estate leverage program.
- Completed the PRIM Board's participation in the Open Checkbook Initiative with Treasury and Administration and Finance.

Acknowledgements

Fiscal 2014 was an outstanding year for the PRIM Board and our success couldn't have been achieved without the help of our outgoing Chair, State Treasurer & Receiver General, Steven Grossman, and the outgoing Governor's designee, Executive Office for Administration & Finance Secretary, Glen Shor. I thank them both for their confidence in me and the PRIM Board staff and their dedicated service. Under the leadership of Treasurer Grossman, and with the help of Secretary Shor, we have transformed the PRIM Board into the most professional, innovative, and exciting organization that has ever existed in our 30-year history.

Additionally, I am grateful to all of our volunteer Board and Committee members, for their continued support, dedication and stewardship. It is an honor and privilege to work with you all. I believe that our committee and Board membership, as well as our staff, has never been stronger or more engaged.

Very respectfully,

Michael G. Trotsky, CFA
Executive Director and Chief Investment Officer

Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Pension Reserves Investment
Trust Fund, Massachusetts**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the PRIM Board for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the ninth consecutive year that the PRIM Board has achieved this prestigious award. In order to be awarded a Certificate of Achievement, an entity must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

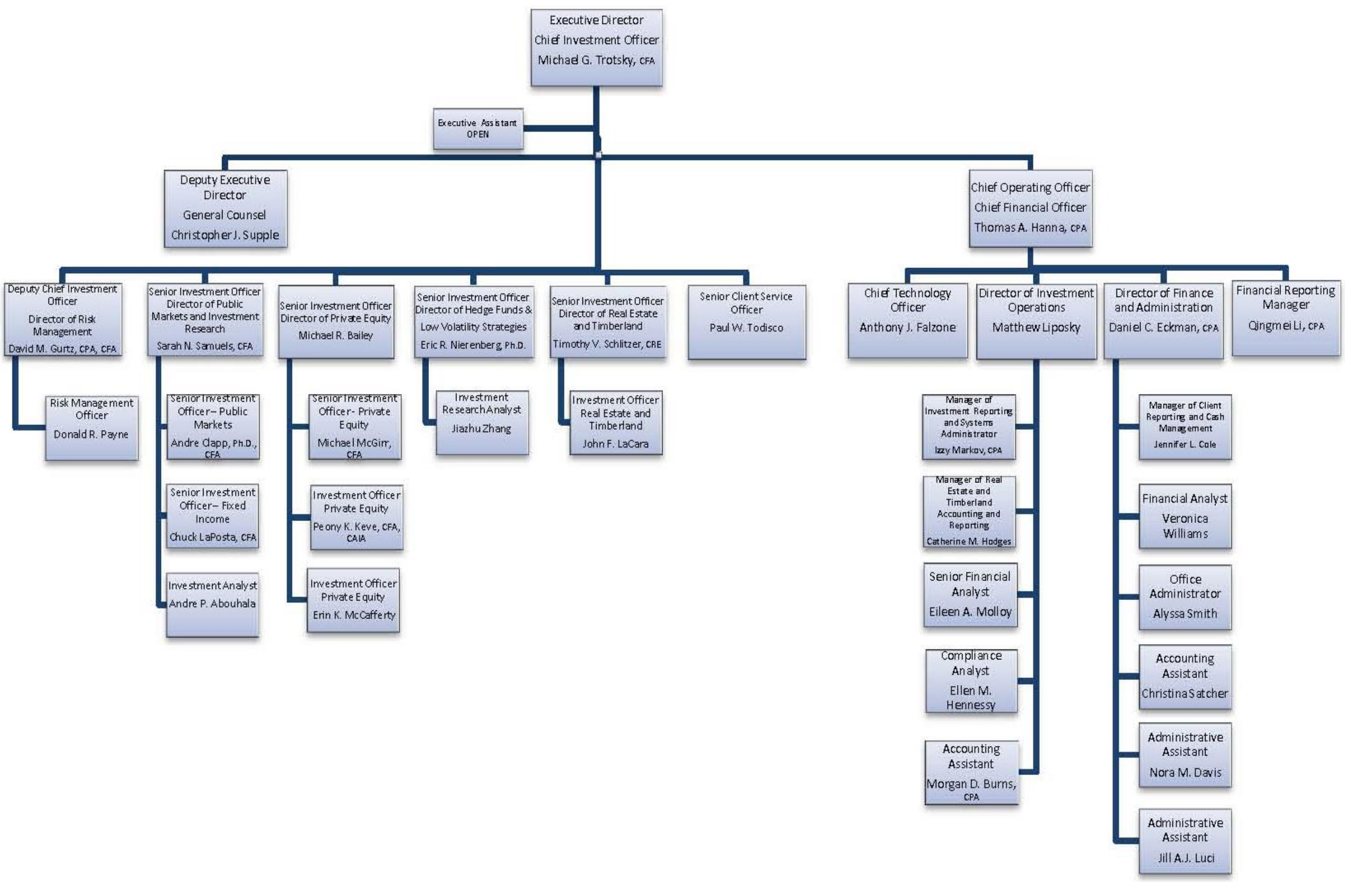
Pension Reserves Investment Management Board

(9 Appointed and Elected Trustees)

Treasurer Steven Grossman – Chair

Administration and Audit, Compensation, Investment, and Real Estate Committees

33 PRIM Professional Staff



PRIT Fund as of 6/30/2014 – 60.7 Billion

27 Public Securities Managers Investing 36 Portfolios

14 Managers in Real Estate, Timber, Natural Resources & REITs

8 Economically Targeted Investment (ETI) Managers

104 Managers in 200+ Private Equity Partnerships

1 Hedge Fund of Funds Manager

22 Direct Hedge Fund Managers

Beneficiaries:

State Teachers, State Employees, State Retiree Benefits Trust, & 93 Local Retirement Systems

PRIM Board Trustees

Advisory Committees to the PRIM Board

Investment Committee

Steven Grossman, Chair
Ex Officio Board Member
C. LaRoy Brantley
Investment Consultant, Cambridge Associates, LLC
Michael Even, CFA
President and CEO, Numeric Investors
Constance M. Everson, CFA
Managing Director, Capital Markets Outlook Group
Edward W. Kane
Senior Advisor, HarbourVest Partners, LLC
Paul E. Shanley
Board Member
Glen Shor
Secretary, Executive Office for Administration and Finance
Glenn P. Strehle, CFA
Treasurer Emeritus, MIT
Timothy L. Vaill
Special Advisor, Housing and Economic Development, Commonwealth of Massachusetts

Real Estate Committee

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Board Member
Steven Grossman
Ex Officio Board Member
Jill S. Hatton, CRE
Real Estate Investment Professional
Anthony E. Hubbard, Esq.
Board Member
Dr. Jack Lutz, PhD.
Forest Research Group
William F. McCall, Jr.
McCall & Almy, Inc.
Garlan Morse, Jr., CRE
Morris and Morse Company, Inc.
Peter F. O'Connell
Marina Bay Company

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Board Member
Steven Grossman
Ex Officio Board Member
Ted C. Alexiades
Hingham Town Administrator
Patrick E. Brock
Chairman, Hampshire County Retirement Board
Shanti A. Fry
Finance Professional
Karen E. Gershman, CPA
Chief Operating Officer, Health Advances
Renee M. Landers, Esq.
Professor, Suffolk University Law School
Theresa T. McGoldrick, Esq.
Board Member
Dennis J. Naughton
Board Member
Glen Shor
Secretary, Executive Office for Administration and Finance
Michele A. Whitham, Esq.
Partner, Foley Hoag

Compensation Committee
Michele A. Whitham, Esq., Chair
Partner, Foley Hoag
Steven Grossman
Ex Officio Board Member
Robert L. Brousseau
Board Member
Patrick E. Brock
Chairman, Hampshire County Retirement Board
Shanti A. Fry
Finance Professional

PRIM Board Investment Advisors

Callan Associates
Public Market Consultant Services

Cliffwater LLC (as of June 30, 2014)
Hedge Funds Consultant Services

Hamilton Lane
Private Equity Consultant Services

New England Pension Consultants (NEPC)
Asset Allocation Consultant Services

The Townsend Group (Townsend)
Real Estate and Timberland Consultant Services

Financial Section

KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

The Administrative and Audit Committee and Trustees,
Pension Reserves Investment Management Board and
Participating and Purchasing Systems of the Pension Reserves Investment Trust Fund:

Report on the Financial Statements

We have audited the accompanying financial statements of the Pension Reserves Investment Trust Fund (the PRIT Fund), a component unit of the Commonwealth of Massachusetts, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the PRIT Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the pooled net position of the Pension Reserves Investment Trust Fund as of June 30, 2014 and 2013, and the changes in its pooled net position for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 20 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the PRIT Fund's basic financial statements. The Schedules of Pooled Net Position – Capital Fund and Cash Fund and Schedules of Changes in Pooled Net Position – Capital Fund and Cash Fund (collectively, the Schedules) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

The Introductory, Investment and Statistical Sections have not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2014 on our consideration of the PRIT Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the PRIT Fund's internal control over financial reporting and compliance.

KPMG LLP

October 7, 2014

Management's Discussion and Analysis

June 30, 2014 and 2013

(Unaudited)

This section presents management's discussion and analysis of the Pension Reserves Investment Trust Fund's (the PRIT Fund's) financial performance for the fiscal years ended June 30, 2014 and 2013 and should be read in conjunction with the financial statements, which follow this section.

The PRIT Fund is a pooled investment fund, created in 1983 through Massachusetts legislation, that invests the assets of the State Teachers' and State Employees' Retirement Systems, and the assets of county, authority, school district, and municipal retirement systems that choose to invest in the PRIT Fund, as well as the assets of the State Retiree Benefits Trust (SRBT) Fund.

The investment return percentages reported in management's discussion and analysis are presented gross of management fees.

Overview of the Financial Statements

The financial statements include the statements of pooled net position and the statements of changes in pooled net position. They present the financial position of the PRIT Fund as of June 30, 2014 and 2013 and its financial activities for the years then ended. The notes to the financial statements provide further information that is essential to a full understanding of the financial statements. The notes describe the significant accounting policies of the PRIT Fund and provide detailed disclosures on certain account balances. The supplementary schedules of pooled net position and changes in pooled net position on pages 56 and 57 separately display the balances and activities of the Capital Fund and Cash Fund of the PRIT Fund.

The financial statements of the PRIT Fund are reported using the economic resources measurement focus and the accrual basis of accounting. They are prepared in conformity with U.S. generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB).

In fiscal year 2013, the PRIT Fund adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), which is effective for all state and local entities for periods beginning after December 15, 2011. GASB 63 defines deferred outflows and inflows of resources as the consumption or acquisition, respectively, of net assets applicable to a future reporting period, as distinguished from assets and liabilities. GASB 63 also amends previous net asset reporting requirements by incorporating deferred outflows and inflows of resources into the definitions of the required components of the residual measure and renames that measure as net position, rather than net assets. The adoption of GASB 63 resulted in the renaming of the PRIT Fund's statements of pooled net assets and changes in pooled net assets, respectively, to the statements of pooled net position and changes in pooled net position.

(Continued)

Management's Discussion and Analysis

June 30, 2014 and 2013

(Unaudited)

Financial Highlights

Fiscal Year 2014

- The net position of the PRIT Fund increased $7.4 billion during the year ended June 30, 2014. Total net position was $60.7 billion at June 30, 2014, compared to $53.2 billion at June 30, 2013.
- Net investment income for fiscal year 2014 was $9.0 billion, compared to a net investment income of $5.9 billion for the prior fiscal year. The PRIT Fund returned 17.53% in fiscal year 2014, compared to 12.69% in fiscal year 2013.
- Contributions to the PRIT Fund totaled $2.1 billion during fiscal year 2014, compared to $1.8 billion in 2013.
- Redemptions from the PRIT Fund totaled $3.6 billion during the year ended June 30, 2014, compared to $3.4 billion during the year ended June 30, 2013.

Fiscal Year 2013

- The net position of the PRIT Fund increased $4.4 billion during the year ended June 30, 2013. Total net position was $53.2 billion at June 30, 2013, compared to $48.9 billion at June 30, 2012.
- Net investment income for fiscal year 2013 was $5.9 billion, compared to a net investment loss of $280.4 million for the prior fiscal year. The PRIT Fund returned 12.69% in fiscal year 2013, compared to -0.08% in fiscal year 2012.
- Contributions to the PRIT Fund totaled $1.8 billion during fiscal year 2013, compared to $2.1 billion in 2012.
- Redemptions from the PRIT Fund totaled $3.4 billion during the year ended June 30, 2013, compared to $3.2 billion during the year ended June 30, 2012.

(Continued)

Management's Discussion and Analysis

June 30, 2014 and 2013

(Unaudited)

Condensed Financial Information

Summary balances and activities of the PRIT Fund as of and for the years ended June 30, 2014, 2013, and 2012 are presented below:

		June 30	
	2014	**2013**	**2012**
		(Dollars in thousands)	
Summary of pooled net position:			
Assets:			
Investments	$ 62,501,717	54,619,445	49,223,244
Cash	189,947	140,375	165,454
Receivables and other assets	1,045,399	1,155,290	820,761
Total assets	63,737,063	55,915,110	50,209,459
Liabilities:			
Other liabilities	3,035,697	2,661,583	1,319,950
Management fees payable to PRIM	24,592	23,902	21,702
Total liabilities	3,060,289	2,685,485	1,341,652
Net position held in trust for pool participants	$ 60,676,774	53,229,625	48,867,807

		June 30	
	2014	**2013**	**2012**
		(Dollars in thousands)	
Summary of changes in pooled net position:			
Additions:			
Contributions	$ 2,050,248	1,812,191	2,083,059
Net investment income (loss)	8,991,375	5,922,932	(280,407)
Total additions	11,041,623	7,735,123	1,802,652
Deductions:			
Redemptions	3,594,474	3,373,305	3,180,611
Change in pooled net position	7,447,149	4,361,818	(1,377,959)
Net position held in trust for pool participants:			
Balance, beginning of year	53,229,625	48,867,807	50,245,766
Balance, end of year	$ 60,676,774	53,229,625	48,867,807

(Continued)

Management's Discussion and Analysis

June 30, 2014 and 2013

(Unaudited)

The PRIT Fund Performance during the year ended June 30, 2014

The PRIT Fund began fiscal year 2014 with net position of $53.2 billion and ended the fiscal year with net position of $60.7 billion, representing a 13.99% increase. Net investment income for the year ended June 30, 2014 was $9.0 billion, which when added to net participant redemptions (contributions less redemptions) of $1.5 billion, resulted in an overall increase in net position of $7.4 billion.

For the year ended June 30, 2014, the PRIT Fund returned 17.53%, exceeding its benchmark of 14.92% by 261 basis points. The benchmark provides a measure of how well the PRIT Fund has implemented its asset allocation plan. It assumes that the PRIT Fund's actual allocation is identical to its target allocation and that all asset classes achieve index-like returns.

The asset classes of the PRIT Fund and related investment returns for the year ended June 30, 2014 are as follows: Domestic Equity 24.93%; International Equity 24.44%; Emerging Markets 14.07%; Core Fixed Income 5.77%; Value-Added Fixed Income 9.98%; Private Equity 26.75%; Real Estate 13.52%; Timber/Natural Resources 13.43%; Hedge Funds 10.78%; and Overlay 9.52%.

The PRIT Fund outperformed its benchmark for the fiscal year ended June 30, 2014 and continues to outperform its longer term benchmarks and has returned an average of 9.82% annually since January 1, 1985. According to the Trust Universe Comparison Service (TUCS) for Public Pension Funds, the most widely accepted benchmark for the performance of institutional assets, the PRIT Fund ranked in the top quartile of public pension plans with net position in excess of $1 billion over the ten-year period ended June 30, 2014.

The PRIT Fund Performance during the year ended June 30, 2013

The PRIT Fund began fiscal year 2013 with net position of $48.9 billion and ended the fiscal year with net position of $53.2 billion, representing an 8.93% increase. Net investment income for the year ended June 30, 2013 was $5.9 billion. Net participant redemptions (contributions less redemptions) of $1.6 billion, along with net investment income of $5.9 billion caused the overall increase in net position of $4.4 billion.

For the year ended June 30, 2013, the PRIT Fund returned 12.69%, exceeding its benchmark of 10.90% by 179 basis points. The asset classes of the PRIT Fund and related investment returns for the year ended June 30, 2013 are as follows: Domestic Equity 22.08%; International Equity 19.55%; Emerging Markets 5.44%; Core Fixed Income -0.32%; Value-Added Fixed Income 7.62%; Private Equity 14.10%; Real Estate 12.82%; Timber/Natural Resources 6.97%; and Hedge Funds 12.24%.

(Continued)

Management's Discussion and Analysis

June 30, 2014 and 2013

(Unaudited)

Other Information

This financial report is designed to provide a general overview of the PRIT Fund's financial results. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Pension Reserves Investment Management Board, 84 State Street, Boston, Massachusetts 02109.

Statements of Pooled Net Position

June 30, 2014 and 2013

(Dollars in thousands)

		2014	2013
Assets:			
Investments, at fair value:			
Short-term	$	1,152,040	929,693
Fixed income		14,942,944	12,472,026
Equity		25,123,614	22,629,728
Real estate (note 5)		6,964,718	5,883,427
Timber		1,510,688	1,368,309
Private equity		6,912,243	6,360,596
Hedge funds		5,895,470	4,975,666
Total investments		62,501,717	54,619,445
Cash		189,947	140,375
Interest and dividends receivable		142,634	137,178
Receivable for investments sold and other assets		791,846	468,780
Securities sold on a when-issued basis		103,776	524,981
Unrealized gains on foreign currency exchange contracts		7,143	24,351
Total assets		63,737,063	55,915,110
Liabilities:			
Payable for investments purchased and other liabilities		1,198,048	289,983
Real estate debt (note 6)		1,548,854	1,458,221
Securities purchased on a when-issued basis		273,711	896,563
Unrealized losses on foreign currency exchange contracts		15,084	16,816
Management fees payable to PRIM (note 8)		24,592	23,902
Total liabilities		3,060,289	2,685,485
Net position held in trust for pool participants	$	60,676,774	53,229,625

See accompanying notes to financial statements.

Statements of Changes in Pooled Net Position

Years ended June 30, 2014 and 2013

(Dollars in thousands)

		2014	2013
Addition:			
Contributions:			
State employees	$	547,627	529,031
State teachers		709,114	669,815
Other participants		793,507	613,345
Total contributions		2,050,248	1,812,191
Net investment income:			
From investment activities:			
Net realized gain on investments and foreign currency transactions		2,948,549	1,728,668
Net change in unrealized appreciation on investments and foreign currency translations		4,646,758	2,882,344
Interest income, net		358,677	357,277
Dividend income, net		699,442	641,126
Real estate income, net		241,202	221,963
Timber income (loss), net		8,724	(1,843)
Private equity income, net		172,187	166,768
		9,075,539	5,996,303
Management fees (note 8)		(84,164)	(73,371)
Total net investment income		8,991,375	5,922,932
Total additions		11,041,623	7,735,123
Deductions:			
Redemptions:			
State employees		1,220,075	1,160,706
State teachers		1,635,224	1,529,320
Other participants		739,175	683,279
Total deductions		3,594,474	3,373,305
Net increase in pooled net position		7,447,149	4,361,818
Net position held in trust for pool participants:			
Balance, beginning of year		53,229,625	48,867,807
Balance, end of year	$	60,676,774	53,229,625

See accompanying notes to financial statements.

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

(1) Description of the Pension Reserves Investment Trust Fund

(a) General

The Pension Reserves Investment Trust Fund (the PRIT Fund), a component unit of the Commonwealth of Massachusetts, was created in 1983 under Chapter 661 of the Acts of 1983, as amended by Chapter 315 of the Acts of 1996. The PRIT Fund is a pooled investment fund that invests the assets of the State Teachers' and State Employees' Retirement Systems of Massachusetts and the assets of county, authority, school district, and municipal retirement systems that choose to invest in the PRIT Fund. The PRIT Fund is not registered with the Securities and Exchange Commission, but is subject to oversight provided by the Pension Reserves Investment Management Board (the PRIM Board). The PRIM Board was created by legislation to provide general supervision of the investments and management of the PRIT Fund. The PRIM Board is a separate legal entity that issues its own financial statements, which are not included in the accompanying financial statements of the PRIT Fund.

A nine-member Board of Trustees governs the PRIM Board. The Trustees include: (1) the Governor, ex officio, or his designee; (2) the State Treasurer, ex officio, or his designee who shall serve as Chair of the PRIM Board; (3) a private citizen experienced in the field of financial management appointed by the State Treasurer; (4) an employee or retiree who is a member of the State Teachers' Retirement System, elected by the members of such system for a term of three years; (5) an employee or retiree who is a member of the State Employees' Retirement System, elected by the members of such system for a term of three years; (6) the elected member of the State Retirement Board; (7) one of the elected members of the Teachers' Retirement Board chosen by the members of the Teachers' Retirement Board; (8) a person who is not an employee or official of the Commonwealth appointed by the Governor; and (9) a representative of a public safety union appointed by the Governor. Appointed members serve for a term of four years. The Board of Trustees has the authority to employ an Executive Director, outside investment managers, custodians, consultants, and others as it deems necessary; to formulate policies and procedures; and to take such other actions as necessary and appropriate to manage the assets of the PRIT Fund.

The PRIM Board seeks to maximize the total return on investments within acceptable levels of risk for a public pension fund. Under current law, by the year 2040, the PRIT Fund will have grown, through annual payments in accordance with a legislatively approved funding schedule and through total return of the PRIT Fund, to an amount sufficient to meet the then-existing pension obligations of the Commonwealth. The Commonwealth has adopted a schedule of state pension appropriations that assumes a long-term actuarial rate of return for the PRIT Fund of 8.0%.

(Continued)

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

The State Teachers' and State Employees' Retirement Systems are mandated by statute to invest all of their assets in the PRIT Fund and are, therefore, considered involuntary participants. Other retirement systems have the option to become Participating or Purchasing System participants in the PRIT Fund. Participating Systems must transfer all of their assets to the PRIT Fund, commit to remain invested for five years, and are entitled to share in appropriations made to the PRIT Fund by the Commonwealth in accordance with Massachusetts General Laws, Chapter 32, Section 22B. The Commonwealth has made no such appropriation to the PRIT Fund on behalf of Participating Systems since fiscal year 2000.

Purchasing Systems may invest all or a portion of their assets in the PRIT Fund and retain the ability to contribute and withdraw funds at their discretion; however, they are not entitled to state appropriations. Participating and Purchasing Systems share in the investment earnings of the PRIT Fund based on their proportionate share of net assets. As of June 30, 2014, there were 42 Participating Systems and 54 Purchasing Systems invested in the PRIT Fund.

On July 15, 2007, the Governor signed into law Chapter 68 of the Acts of 2007, An Act to Reduce the Stress on Local Property Taxes through Enhanced Pension Fund Investment, better known as the Municipal Partnership Act. Section 2 of Chapter 68 requires the Public Employee Retirement Administration Commission (PERAC) to assess the investment performance and funded ratio of retirement systems as of January 1 of each year. If a system is less than 65% funded and has trailed the performance of the PRIT Fund by 2% or more on an annualized basis over the previous 10-year period, then PERAC declares the system "underperforming" and requires it to transfer its assets to the PRIT Fund as a participating system. Since its passage, 20 retirement systems have transferred their assets to the PRIT Fund under the provisions of this Act.

(b) Investment Funds

The PRIT Fund consists of two investment funds, the Capital Fund and the Cash Fund. Each of these funds is managed, accounted for, and held separately by the PRIT Fund's custodian.

The Cash Fund consists of short-term investments, which are used to meet the liquidity requirements of Participating and Purchasing Systems. All Cash Fund earnings are reinvested. The State Teachers' Retirement System and the State Employees' Retirement System make daily deposits into the Cash Fund, which is their source of funds for benefit payments and operating expenses. The Cash Fund maintains a stable net asset value of $1.00 per unit.

(Continued)

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

Assets contributed by retirement systems are initially deposited in the Cash Fund and then transferred to the Capital Fund. Funds transferred into the Capital Fund are generally invested in the General Allocation Account, which invests in all asset classes of the PRIT Fund in accordance with the PRIM Board's asset allocation plan and investment policy guidelines. The Capital Fund serves as the investment portfolio of the PRIT Fund and consists of the following accounts at June 30, 2014: General Allocation (holds units of all other accounts), Domestic Equity, Core Fixed Income, Value-Added Fixed Income, International Equity, Emerging Markets, Real Estate, Timber/Natural Resources, Hedge Funds, Distressed Debt, Overlay, Private Equity Investments, and Private Equity Investments Vintage Years 2000-2014. Vintage Year refers to the fiscal year in which the PRIT Fund made a commitment to invest in a private equity investment.

The Capital Fund consists of the following accounts at June 30, 2013: General Allocation (holds units of all other accounts), Domestic Equity, Core Fixed Income, Value-Added Fixed Income, International Equity, Emerging Markets, Real Estate, Timber/Natural Resources, Hedge Funds, Private Equity Investments, and Private Equity Investments Vintage Years 2000-2013.

Upon deposit by a Participating or Purchasing System into the accounts of the Capital Fund, units of participation equal to the total value of the contribution are issued. The value of a unit of each account is determined monthly by dividing the value of the net assets of the account by the number of units outstanding at each month-end valuation date. The unit price fluctuates with the performance of the Capital Fund. The number of units generally changes only when a retirement system makes a contribution or redemption.

Chapter 84 of the Acts of 1996 permits Massachusetts retirement boards to purchase units in the individual investment accounts of the PRIT Fund as an alternative to investing in its General Allocation Account. This investment option, also referred to as "segmentation," was established by an amendment to the PRIM Board's Operating Trust Agreement in 1994 in response to requests from retirement boards wishing to invest in certain asset classes of the PRIT Fund. Purchasing Systems, as "segmented investors," may invest in one or more of the following accounts of the Capital Fund: Domestic Equity, International Equity, Emerging Markets, Core Fixed Income, Value Added Fixed Income, Real Estate, Hedge Funds, and Private Equity Vintage Year accounts. At June 30, 2014 and 2013, there were 39 segmented investors in the PRIT Fund.

(Continued)

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting and Financial Statement Presentation

The financial statements of the PRIT Fund are reported using the economic resources measurement focus and the accrual basis of accounting. They are prepared in conformity with U.S. generally accepted accounting principles, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the dates of the financial statements and the reported amounts of additions and deductions during the reporting periods. Actual results could differ from those estimates.

The PRIT Fund follows Governmental Accounting Standards Board (GASB) guidance as applicable to external investment pools.

In fiscal year 2013, the PRIT Fund adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), which is effective for all state and local entities for periods beginning after December 15, 2011. GASB 63 defines deferred outflows and inflows of resources as the consumption or acquisition, respectively, of net assets applicable to a future reporting period, as distinguished from assets and liabilities. GASB 63 also amends previous net asset reporting requirements by incorporating deferred outflows and inflows of resources into the definitions of the required components of the residual measure and renames that measure as net position, rather than net assets. The adoption of GASB 63 resulted in the renaming of the PRIT Fund's statements of pooled net assets and changes in pooled net assets, respectively, to the statements of pooled net position and changes in pooled net position.

(b) Investments

The PRIM Board recognizes that over the long term, asset allocation is the single greatest contributor of return and risk to the PRIT Fund. The PRIM Board's asset allocation plan embodies its decisions to invest portions of the Capital Fund in domestic and international equity securities, emerging markets, fixed income securities, value added fixed income, real estate, timber, hedge funds, natural resources, private equity and, where appropriate, the various sub asset classes of each asset class. Statutes prohibit the PRIT Fund from investing in certain securities. The PRIM Board ensures that investment managers adhere to the requirements of Massachusetts General Laws.

(Continued)

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

Security transactions are recorded on the date the securities are purchased or sold. The cost of a security is the purchase price or, in the case of assets transferred to the PRIT Fund by a Participating or Purchasing System, the fair value of the securities on the transfer date. The calculation of realized gains (losses) is independent of the calculation of the net change in unrealized appreciation (depreciation) on investments. Realized gains and losses on investments sold in the current year are included in net realized gain on investments in the accompanying statements of changes in pooled net position.

The PRIM Board values investments in fixed income, money market, other short-term investments, and U.S. government agency obligations using independent pricing services. In determining the price, the services may reflect such factors as market prices, yields, maturities, and ratings, supplemented by dealer quotations. Investments in equity securities traded on national securities exchanges are valued at the last daily sale price or, if no sale price is available, at the closing bid price. Securities traded on any other exchange are valued in the same manner or, if not so traded, on the basis of closing over-the-counter (OTC) bid prices. If no bid price exists, valuation is determined by the custodian bank either by establishing the mean between the most recent published bid and asked prices or averaging quotations obtained from dealers, brokers, or investment bankers. Securities for which such valuations are unavailable are reported at their fair value as estimated in good faith by the PRIM Board based on information provided by the investment managers responsible for such investments. Fair values for investments in pooled investment vehicles (commingled funds) are based on the commingled fund's net asset value as determined by the investment managers.

The PRIT Fund invests a portion of its assets in emerging capital markets. These investments may involve greater risks than investments in more developed markets, and the prices of such investments may be volatile. The consequences of political, social, or economic changes in these markets may have disruptive effects on the market prices of these investments and the income they generate, as well as the PRIT Fund's ability to repatriate such amounts.

Investments in real estate represent the PRIT Fund's ownership interest in PRIT Core Realty Holdings LLC (the LLC) (see note 5). The LLC holds investments in real estate properties, real estate private equity fund investments, and Real Estate Investment Trust (REIT) securities. Investments in real estate properties are stated at fair value based on appraisals prepared by independent real estate appraisers or on estimated valuations determined by the PRIM Board. These estimated valuations are based on valuations prepared by the real estate investment managers under the general supervision of the PRIM Board. Generally, third-party appraisals are performed on each real estate property within 18 months of the date of acquisition and at least annually thereafter.

(Continued)

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

Determination of fair value involves judgment because the actual fair value of a real estate investment can be determined only by negotiation between parties in a sales transaction. Due to the inherent uncertainty of valuation, fair values used may differ significantly from values that would have been determined had a ready market for the investments existed, and the differences could be material. Real estate private equity fund investments are invested through limited partnerships and are recorded at fair value estimated by the PRIM Board in the same manner as the PRIT Fund's private equity investments. REIT securities are publicly traded securities and are valued in the same manner as the PRIT Fund's traded equity securities.

Investments in timber are valued similarly to investments made by the LLC in real estate properties; however, independent appraisals of timber investments are performed every three years, and updates of the independent appraisals are performed annually by management.

Hedge fund investments represent the PRIT Fund's ownership in both direct hedge funds and hedge fund-of-funds. The investment in hedge funds is recorded at fair value as estimated by the PRIM Board, generally using the net asset value as a practical expedient. These estimated fair values are determined in good faith by the PRIM Board with guidance from the PRIT Fund's hedge fund investment managers and is based on the value of the PRIT Fund's ownership in the underlying hedge fund investments.

Private equity investments are typically made through limited partnerships that, in turn, invest in venture capital, leveraged buyouts, private placements, and other investments where the structure, risk profile, and return potential differ from traditional equity and fixed income investments. These investments are recorded at fair values estimated by the PRIM Board, generally using the net asset value of the underlying fund as a practical expedient. These estimated fair values are determined in good faith by investment managers or general partners using consistently applied procedures.

(c) Investment Income

Dividend income is recorded on the ex-dividend date, and interest income is accrued as earned. For the years ended June 30, 2014 and 2013, foreign taxes withheld of $24,519 and $23,581, respectively, have been netted against dividend income in the Statements of Changes in Pooled Net Position. Real estate income includes dividends earned on REIT securities as well as cash distributions of operating income from investments in real estate properties. Timber income includes cash distributions of operating income from investments in timberland properties. Private equity investment income is recorded on a cash distribution basis.

(Continued)

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

(d) Foreign Currency Translation and Transactions

The accounting records of the PRIT Fund are maintained in U.S. dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the prevailing rates of exchange at month-end. Purchases and sales of securities, income receipts, and expense payments are translated into U.S. dollars at the prevailing exchange rate on the respective dates of the transactions.

Unrealized net currency gains and losses from valuing foreign currency-denominated assets and liabilities at month-end exchange rates are reflected as a component of net unrealized appreciation (depreciation) on investments. For financial reporting purposes, it is not practicable to isolate that portion of the results of operations arising as a result of changes in foreign exchange rates from the fluctuations arising from changes in the market price of securities during the period.

Net realized gains and losses on foreign currency transactions represent principally gains and losses from sales and maturities of forward foreign currency contracts, disposition of foreign currencies, and currency gains and losses realized between the trade and settlement dates on securities transactions.

(e) Derivative Instruments

In accordance with GASB Statement No. 53, *Accounting and Financial Reporting of Derivative Instruments*, the PRIT Fund has recorded all of its derivative activity at fair value as investment instruments within the fixed income and real estate investments and the related change in such instruments within the net change in unrealized appreciation (depreciation) on investments and foreign currency translations in the accompanying financial statements.

The PRIT Fund regularly trades derivative financial instruments with off-balance sheet risk in the normal course of its investing activities to manage exposure to certain risks within the fund. The PRIT Fund also enters into derivative transactions to gain exposure to currencies and markets where derivatives are the most effective instrument. The PRIT Fund's derivative financial instruments include foreign currency exchange contracts, financial and commodity futures contracts, and customized swap agreements (see note 7 for more detail). These derivative instruments can be exchange-traded or OTC contracts. The primary difference in risk associated with OTC contracts and exchange-traded contracts is credit and liquidity risks. For exchange-traded contracts, credit risk is limited to the role of the exchange or clearing corporation. OTC contracts contain credit risk for unrealized gains from various counterparties for the duration of the contract.

(Continued)

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

(f) When-Issued Securities Transactions

The PRIT Fund may purchase or sell securities on a “when-issued” or delayed-delivery basis. Delivery and payment for such securities may take place a month or more after the trade date. Normally, settlement occurs within three months. The price of the underlying securities and the date when the securities will be delivered and paid for are fixed at trade date. During the time a delayed delivery sell transaction is outstanding, the contract is marked to market daily and substantially equivalent deliverable securities are held by the PRIT Fund for the transaction to the extent available. For delayed delivery purchase transactions, the PRIT Fund maintains segregated assets with a fair value equal to or greater than the amount of its purchase commitments. The receivables and payables associated with the sale and purchase of delayed delivery securities are reflected in the accompanying statements of pooled net position as securities sold and purchased on a when-issued basis. Losses may arise due to changes in the value of the underlying securities, if the counterparty does not perform under the contract, or if the issuer does not issue the securities due to political, economic, or other factors.

The PRIT Fund may also enter into mortgage dollar-roll and reverse mortgage dollar-roll agreements on a when-issued basis. A mortgage dollar-roll is an agreement in which the PRIT Fund sells securities on a when-issued basis and simultaneously contracts with the same counterparty to repurchase similar (same type, coupon, and maturity) but not identical securities on a specified future date. During the roll period, principal and interest on these securities are not received. The PRIT Fund is compensated by the difference between the current sales price and the forward price for the future purchase. A reverse mortgage dollar-roll is an agreement to buy securities and to sell substantially similar securities on a specified future date. During the roll period, the PRIT Fund receives the principal and interest on the securities purchased. The receivables and payables associated with mortgage dollar-rolls and reverse mortgage dollar-rolls are also reflected in the accompanying statements of pooled net position as securities sold and purchased on a when-issued basis.

(Continued)

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

(3) Investments

A summary of investments, at fair value, is as follows:

	June 30 2014	June 30 2013
Short-term:		
Money market investments	$ 1,152,040	929,693
Fixed income:		
U.S. government obligations (1)	4,463,870	2,766,668
Domestic fixed income (2)	5,545,436	5,371,997
International fixed income (3)	3,604,539	3,081,168
Distressed debt	1,329,099	1,252,193
	14,942,944	12,472,026
Equity:		
Domestic equity securities	10,409,415	9,812,019
International equity securities	14,714,199	12,817,709
	25,123,614	22,629,728
Real estate	6,964,718	5,883,427
Timber	1,510,688	1,368,309
Private equity:		
Venture capital	1,389,868	1,230,407
Special equity	5,522,375	5,130,189
	6,912,243	6,360,596
Hedge funds:		
Direct hedge funds and hedge fund of funds	5,845,788	4,903,393
Portable alpha hedge fund of funds	49,682	72,273
	5,895,470	4,975,666
Total investments	$ 62,501,717	54,619,445

(1) Fiscal 2014 rates range from 0.00% to 10.63%, and maturities range from 2014 to 2044. Fiscal 2013 rates range from 0.00% to 11.25%, and maturities range from 2013 to 2043.

(2) Fiscal 2014 rates range from 0.00% to 13.79%, and maturities range from 2014 to 2114. Fiscal 2013 rates range from 0.00% to 13.68%, and maturities range from 2013 to 2087.

(Continued)

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

(3) Fiscal 2014 rates range from 0.00% to 16.00%, and maturities range from 2014 to 2073. Fiscal 2013 rates range from 0.00% to 16.39%, and maturities range from 2013 to 2062.

(4) Deposits and Investments Risks

(a) Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the PRIT Fund's deposits and investments may not be returned. The PRIM Board manages the PRIT Fund's exposure to custodial credit risk by requiring all relevant investment managers to hold investments in separate accounts with the PRIM Board's custodian (see note 8). The PRIM Board has not adopted a formal custodial credit risk policy.

Cash balances represent amounts held in bank depository accounts that may be subject to custodial credit risk. As of June 30, 2014 and 2013, all but $250 of the PRIT Fund's $189,947 and $140,375 cash balances, respectively, were uninsured and uncollateralized and, therefore, exposed to custodial credit risk.

(b) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of fixed income investments will adversely affect the fair value of an investment. While the PRIM Board does not have a formal policy relating to interest rate risk, the PRIM Board manages the PRIT Fund's exposure to fair value loss arising from movements in interest rates by establishing duration guidelines with its fixed income investment managers. The guidelines with each individual manager require that the effective duration of the domestic fixed income investment portfolio be within a specified percentage or number of years of the effective duration band of the appropriate benchmark index. For emerging markets fixed income investments, the portfolio must have duration with a band ranging from three to eight years. Effective duration is a measure of a fixed income investment's exposure to fair value changes arising from changes in interest rates. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows. These assumptions take into consideration factors indicative of investments highly sensitive to interest rate changes, including callable options, prepayments, and other factors. These factors are reflected in the effective duration numbers provided in the following table. The PRIM Board compares the effective duration of a manager's portfolio to the Barclays Capital Aggregate Index for domestic core fixed income securities and the Merrill Lynch High Yield Master II Index for domestic high yield fixed income securities.

(Continued)

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

The following table shows the debt investments by investment type, fair value, and effective weighted duration rate at June 30:

Investment	2014 Fair value	2014 Effective weighted duration rate	2013 Fair value	2013 Effective weighted duration rate
		(Years)		(Years)
Asset-backed securities	$ 238,794	1.83	$ 202,280	2.08
Commercial mortgage-backed securities	395,208	2.89	324,453	2.32
Commercial paper and CDs	48,875	1.33	36,991	0.25
Corporate bonds and other credits	5,124,760	5.21	4,316,622	5.99
U.S. government bonds	3,271,542	21.81	1,725,202	4.79
U.S. government agencies	93,468	3.97	160,447	4.63
U.S. government TIPS	1,192,328	8.37	1,040,022	9.43
U.S. government mortgage-backed securities	1,193,603	2.80	1,496,116	3.96
Global inflation linked bonds	376,534	7.32	320,158	6.99
Municipal bonds	54,426	10.54	61,407	10.78
Pooled money market fund	1,152,040	—	929,693	—
Other pooled funds	2,953,406	N.A.	2,788,328	N.A.
Total fixed income and short-term investments	$ 16,094,984		$ 13,401,719	

(c) *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will fail to meet its debt obligations.

(Continued)

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

The PRIM Board does not have a formal investment policy governing credit risk; each fixed income securities investment managers is given a specific set of guidelines to invest within based on the mandate for which it was hired. These guidelines vary depending on the manager's strategy and the role of its portfolio to the overall diversification of the PRIT Fund. The guidelines for the PRIT Fund's core fixed income portfolio establish the minimum credit rating for any security in the portfolio and the overall weighted average credit rating of the portfolio. For example, all securities held must generally be investment grade. The guidelines for the PRIT Fund's high yield fixed income portfolio establish a market value range of securities to be held with a specific minimum credit rating and the overall weighted average credit rating of the portfolio.

Credit risk for derivative instruments held by the PRIT Fund results from counterparty risk. The PRIT Fund is exposed to credit risk resulting from counterparties being unable to meet their obligations under the terms of the derivative agreements. See note 7 for more information on the PRIT Fund's derivative instruments.

(Continued)

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

The weighted average quality rating (S&P equivalent rating) of the debt securities portfolio, excluding pooled investments, investments explicitly backed by the U.S. government and other nonrated investments was BBB+ at June 30, 2014 and 2013. The following tables present the PRIT Fund's fixed-income securities credit ratings at June 30:

		2014						
	Total	Investment grade			Noninvestment grade			
Investment	**fair value**	**AAA**	**AA+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**CCC+ to D**	**Not rated**
Asset-backed securities	$ 238,794	96,734	125,689	989	6,714	8,373	295
Commercial mortgage-backed securities	395,208	158,394	70,098	91,866	46,563	26,879	1,408
Commercial paper and CDs	48,875	—	13,694	2,286	—	—	32,895
Corporate bonds and other credits	5,124,760	239,913	1,196,204	1,670,820	698,436	209,665	1,109,722
U.S. government agencies	93,468	—	93,364	—	—	—	104
U.S. government mortgage-backed securities	974,362	—	817,444	—	—	—	156,918
Global inflation linked bonds	376,534	191,512	152,644	32,378	—	—	—
Municipal bonds	54,426	1,673	47,652	1,921	3,180	—	—
Pooled money market fund	1,152,040	—	—	—	—	—	1,152,040
Other pooled funds	2,953,406	—	—	—	—	—	2,953,406
Total credit risk, fixed income, and short-term investments	11,411,873	688,226	2,516,789	1,800,260	754,893	244,917	5,406,788
Fixed income investments explicitly backed by the U.S. government	4,683,111						
Total fixed income and short-term investments	$ 16,094,984						

(Continued)

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

		2013					
	Total	**Investment grade**			**Noninvestment grade**		
Investment	**fair value**	**AAA**	**AA+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**CCC+ to D**	**Not rated**
Asset-backed securities	$ 202,280	92,269	104,455	1,399	259	3,898	—
Commercial mortgage-backed securities	324,453	84,233	76,573	93,037	41,336	27,643	1,631
Commercial paper and CDs	36,991	—	27,468	9,523	—	—	—
Corporate bonds and other credits	4,316,622	119,513	1,213,372	1,563,323	715,902	175,214	529,298
U.S. government agencies	160,447	—	160,421	—	—	—	26
U.S. government mortgage-backed securities	1,219,984	—	864,079	—	—	—	355,905
Global inflation linked bonds	320,158	116,925	118,219	85,014	—	—	—
Municipal bonds	61,407	1,015	56,270	892	3,230	—	—
Pooled money market fund	929,693	—	—	—	—	—	929,693
Other pooled funds	2,788,328	—	—	—	—	—	2,788,328
Total credit risk, fixed income, and short-term investments	10,360,363	413,955	2,620,857	1,753,188	760,727	206,755	4,604,881
Fixed income investments explicitly backed by the U.S. government	3,041,356						
Total fixed income and short-term investments	$ 13,401,719						

(Continued)

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

(d) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investments. Although the PRIM Board has no overall policy regarding foreign currency risk, the PRIM Board does manage the PRIT Fund's exposure to foreign currencies by establishing investment guidelines with each of its international managers. These guidelines set maximum investment balances for any currency and/or country holdings must be within a certain percentage of predefined benchmarks. In addition, the PRIM Board's investment managers may actively manage the PRIT Fund's exposure to foreign currencies through the use of forward foreign currency contracts. The following tables present the PRIT Fund's foreign currency exposures at June 30 (stated in U.S. dollars):

	2014					
	Cash and short-term investments	**Equity**	**Fixed income**	**Private equity investments**	**Timber investments**	**Total**
Australian Dollar	$ 5,629	567,019	134,282	—	172,373	879,303
Brazilian Real	3,662	236,552	295,874	—	—	536,088
British Pound	37,611	2,180,933	340,590	112,710	—	2,671,844
Canadian Dollar	11,437	532,480	37,880	15,192	—	596,989
Danish Krone	64	326,814	2,757	—	—	329,635
Euro	58,882	2,457,268	428,037	1,327,484	—	4,271,671
Hong Kong Dollar	6,216	971,845	—	—	—	978,061
Indian Rupee	3,783	234,396	2,830	—	—	241,009
Indonesian Rupiah	700	104,435	96,780	—	—	201,915
Japanese Yen	42,637	1,963,600	38,037	—	—	2,044,274
Malaysian Ringgit	601	106,236	119,357	—	—	226,194
Mexican Peso	1,223	145,564	122,637	—	—	269,424
New Taiwan Dollar	2,198	432,813	—	—	—	435,011
New Turkish Lira	824	113,709	107,661	—	—	222,194
S. African Comm Rand	1,133	280,808	107,698	—	—	389,639
South Korean Won	1,857	661,188	20,660	—	—	683,705
Swedish Krona	3,239	380,903	19,668	—	—	403,810
Swiss Franc	172	807,726	—	—	—	807,898
Other foreign currencies	9,563	649,630	422,700	—	—	1,081,893
Total securities subject to foreign currency risk	191,431	13,153,919	2,297,448	1,455,386	172,373	17,270,557
International investments denominated in U.S. dollars	—	1,560,280	1,307,091	—	—	2,867,371
Total international investments and cash deposits	$ 191,431	14,714,199	3,604,539	1,455,386	172,373	20,137,928

(Continued)

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

	2013				
	Cash and short-term investments	**Equity**	**Fixed income**	**Private equity investments**	**Total**
Australian Dollar	$ 4,773	539,501	15,643	—	559,917
Brazilian Real	2,406	174,957	115,587	—	292,950
British Pound	6,898	2,007,838	289,635	—	2,304,371
Canadian Dollar	3,089	440,788	48,760	—	492,637
Danish Krone	—	229,750	—	—	229,750
Euro	30,999	2,038,374	225,187	—	2,294,560
Hong Kong Dollar	3,931	845,511	—	—	849,442
Indian Rupee	200	152,889	—	—	153,089
Indonesian Rupiah	2,750	121,201	80,957	—	204,908
Japanese Yen	29,643	2,034,083	22,168	—	2,085,894
Malaysian Ringgit	1,097	112,238	102,859	—	216,194
Mexican Peso	600	122,883	117,335	—	240,818
New Taiwan Dollar	2,148	340,212	—	—	342,360
New Turkish Lira	164	91,976	99,189	—	191,329
S. African Comm Rand	2,365	211,855	96,562	—	310,782
South Korean Won	468	479,862	—	—	480,330
Swedish Krona	3,492	345,818	17,281	—	366,591
Swiss Franc	5,061	734,204	—	—	739,265
Thailand Baht	754	122,605	59,737	—	183,096
Other foreign currencies	21,576	466,160	312,612	—	800,348
Private equity denominated in various foreign currencies	—	—	—	1,283,931	1,283,931
Total securities subject to foreign currency risk	122,414	11,612,705	1,603,512	1,283,931	14,622,562
International investments denominated in U.S. dollars	—	1,205,004	1,477,654	—	2,682,658
Total international investments and cash deposits	$ 122,414	12,817,709	3,081,166	1,283,931	17,305,220

(e) Concentration of Credit Risk

The PRIM Board manages the PRIT Fund’s exposure to concentration of credit risk by establishing guidelines with each investment manager that limit the percentage of investment in any single issue or issuer. The PRIT Fund has no investments, at fair value, that exceed 5% of the PRIT Fund’s total investments as of June 30, 2014 and 2013.

(Continued)

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

(f) Financial Instruments with Off-Balance-Sheet Risk

In the normal course of business, the PRIT Fund enters into financial instrument transactions with off-balance-sheet risk. These financial instruments involve varying degrees and type of risks, including credit and market risks, which may be in excess of the amounts recognized in the Statements of Pooled Net Position. Futures and foreign currency exchange contracts represent commitments to purchase or sell foreign currencies at a future date and at a specified price. The PRIT Fund could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts or if the value of the foreign currency changes unfavorably.

(5) Real Estate - Investment in the LLC

On October 19, 2001, the LLC was formed and was governed by an operating agreement entered into by the PRIM Board, as trustee of the PRIT Fund, as the sole member. The principal purpose of the LLC is to conduct the investment activities of the real estate program in a manner consistent with the PRIT Fund Declaration of Trust and any business or activities incidental to or in support of such investment activities.

According to the operating agreement, as of any valuation date, the net assets of the LLC shall be the fair value of investments, less the amount of debt and accrued expenses. The unit net asset value of the LLC shall be the net asset value of the LLC divided by the number of units outstanding on such date. The LLC holds core and value real estate assets consisting of real estate properties, real estate private equity investments, and REIT securities.

(6) Real Estate Debt

(a) Notes Payable

The LLC’s notes payable obligations consisted of the following as of June 30:

		Face value	
		2014	**2013**
Senior unsecured term loan	$	500,000	500,000
Senior unsecured notes		500,000	500,000
Total	$	1,000,000	1,000,000

(Continued)

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

Scheduled long-term maturities of existing indebtedness at June 30, 2014 in each of the next five years and in the aggregate thereafter are as follows:

		Amount
Year ending June 30:		
2015	$	—
2016		—
2017		—
2018		500,000
2019		—
2020–2024		350,000
2025–2029		150,000
	$	1,000,000

(i) Senior Unsecured Term Loan

On February 12, 2013, the LLC issued a Senior Unsecured Term Loan in the aggregate principal amount of $500,000, maturing February 12, 2018. Interest is payable monthly based on LIBOR plus an applicable rate based upon the range into which the Total Leverage Ratio falls as outlined in the Term Loan agreement. As of June 30, 2014 and 2013, the applicable rate is 1.15%.

(ii) Senior Unsecured Notes

On February 14, 2013, the LLC issued 3.25% Series A Senior Notes in the aggregate principal amount of $175,000 maturing February 14, 2020; 3.85% Series B Senior Notes in the aggregate principal amount of $175,000 maturing February 14, 2023; 4.00% Series C Senior Notes in the aggregate principal amount of $150,000 maturing February 14, 2025. Interest on the notes is payable semi-annually.

Both the Senior Unsecured Term Loan and Senior Unsecured Notes contain certain financial covenants as outlined in the respective agreements. The LLC was in compliance with such covenants at June 30, 2014 and 2013.

(Continued)

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

(b) Mortgage Loans Payable

The LLC had 19 property-level mortgage loans payable as of June 30, 2014 and 22 property-level mortgage loans payable as of June 30, 2013. The mortgages have a weighted average interest rate of 3.76% and a weighted average maturity of 3.5 years. The following table presents the face value of mortgage loans payable at June 30:

		2014	2013
Mortgage loans payable	$	548,854	458,221
Total	$	548,854	458,221

(7) Derivative Investments

The PRIT Fund regularly trades financial instruments with off-balance-sheet risk in the normal course of its investing activities to assist in managing exposure to market risks. These financial instruments include foreign currency exchange contracts, futures contracts, and swap contracts.

(a) Foreign Currency Exchange Contracts

A foreign currency exchange contract is an agreement between two parties to buy or sell a fixed quantity of currency at a set price on a future date. The PRIT Fund may enter into foreign currency exchange contracts to hedge its exposure to the effect of changes in foreign currency exchange rates upon its non-U.S. dollar-denominated investments. The fair value of such contracts will fluctuate with changes in currency exchange rates. The contracts are valued daily, and the changes in fair value are recorded by the PRIT Fund as unrealized gains or losses. When the contract is closed, the PRIT Fund records a realized gain or loss equal to the difference between the cost of the contract at the time it was opened and the value at the time it was closed.

(Continued)

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

Foreign currency exchange contracts open at June 30 (in U.S. dollars) were as follows:

	2014				
	Fair value	Aggregate face value	Delivery date(s)	Unrealized gains	Unrealized losses
Foreign currency exchange contracts purchased:					
Australian Dollar	$ 278,708	277,562	7/1/14–9/12/14	$ —	(1,146)
Brazilian Real	131,237	129,567	7/1/14–5/5/15	—	(1,670)
British Pound	351,167	349,512	7/1/14–9/11/14	—	(1,655)
Canadian Dollar	41,839	40,617	7/3/14–9/18/14	—	(1,222)
Colombian Peso	26,593	25,887	7/7/14–8/29/14	—	(706)
Euro	521,140	518,405	7/1/14–9/17/14	—	(2,735)
Hungarian Forint	27,627	27,807	7/2/14–2/18/15	180	—
Japanese Yen	82,648	82,234	7/1/14–9/12/14	—	(414)
New Turkish Lira	25,522	25,367	7/1/14–9/17/14	—	(155)
Russian Rubel	56,204	53,842	7/2/14–10/31/14	—	(2,362)
South African Comm Rand	35,256	35,332	7/1/14–9/17/14	76	—
Singapore Dollar	37,933	37,767	7/1/14–9/17/14	—	(166)
Other foreign currencies	220,039	219,048	7/1/14–9/8/15	941	(1,932)
Foreign currency exchange contracts sold:					
Australian Dollar	120,718	120,557	7/1/14–9/12/14	161	—
Brazilian Real	93,305	92,580	7/1/14–8/4/14	725	—
Chinese Yuan Renminbi	42,747	42,756	7/3/14–9/8/15	—	(9)
Colombian Peso	40,604	39,165	7/1/14–10/15/14	1,439	—
Euro	94,912	94,474	7/1/14–2/18/15	438	—
Indian Rupee	31,973	31,702	7/2/14–9/17/14	271	—
Malaysian Ringgit	28,490	28,155	7/4/14–8/25/14	335	—
Mexican New Peso	46,153	46,051	7/1/14–10/22/14	102	—
New Turkish Lira	31,998	32,024	8/5/14–9/17/14	—	(26)
Peruvian Nuevo Sol	26,619	26,645	7/16/14–8/4/14	—	(26)
Polish Zloty	40,545	40,786	8/11/14–9/17/14	—	(241)
Russian Rubel	48,363	47,327	7/2/14–10/15/14	1,036	—
Thailand Baht	25,645	25,635	7/16/14–9/17/14	10	—
Other foreign currencies	162,678	161,867	7/1/14–11/19/14	1,429	(619)
Total				$ 7,143	(15,084)

(Continued)

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

	2013				
	Fair value	**Aggregate face value**	**Delivery date(s)**	**Unrealized gains**	**Unrealized losses**
Foreign currency exchange contracts purchased:					
Australian Dollar	$ 61,094	66,803	7/1/13–8/20/13	$ 5,709	—
Brazilian Real	43,314	45,054	6/11/13–9/4/13	1,740	—
British Pound	331,559	334,726	7/1/13–9/12/13	3,167	—
Canadian Dollar	50,778	52,546	7/17/13–9/23/13	1,768	—
Chilean Peso	27,682	29,253	7/3/13–9/26/13	1,571	—
Chinese Yuan Renminbi	33,348	33,241	8/5/13–9/8/15	—	(107)
Euro	346,273	347,058	7/1/13–8/1/14	785	—
Israeli Shekel	25,632	25,891	7/2/13–9/8/13	259	—
Japanese Yen	56,535	56,932	7/1/13–8/20/13	397	—
Malaysian Ringgit	26,618	27,572	7/12/13–10/11/13	954	—
Mexican New Peso	52,337	53,947	7/5/13–9/18/13	1,610	—
Russian Rubel	46,644	48,386	7/5/13–10/7/13	1,742	—
Singapore Dollar	36,515	37,061	7/2/13–9/18/13	546	—
Other foreign currencies	193,346	197,216	7/1/13–11/8/13	4,021	(149)
Foreign currency exchange contracts sold:					
Brazilian Real	59,172	62,757	7/1/13–8/2/13	—	(3,585)
British Pound	40,530	41,090	7/1/13–9/12/13	—	(560)
Euro	96,644	98,128	7/1/13–9/18/13	—	(1,484)
Hungarian Forint	26,433	26,926	8/21/13–9/18/13	—	(493)
Japanese Yen	30,667	31,589	7/8/13–7/19/13	—	(922)
Mexican New Peso	76,568	78,411	7/2/13–9/18/13	—	(1,843)
Polish Zloty	37,105	38,237	9/9/13–9/18/13	—	(1,132)
Russian Rubel	35,533	36,243	7/15/13–10/7/13	—	(710)
South African Comm Rand	30,397	30,315	7/1/13–10/1/13	82	—
Other foreign currencies	259,164	264,995	7/1/13–10/29/13	—	(5,831)
Total				$ 24,351	(16,816)

For the years ended June 30, 2014 and 2013, the change in unrealized appreciation (depreciation) on foreign currency exchange contracts was $(15,476) and $(6,712), respectively.

(Continued)

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

(b) Futures Contracts

The PRIT Fund enters into financial and commodity futures on various exchanges. A futures contract is an agreement between two parties to buy or sell units of a particular index, security, or commodity at a set price on a future date. Upon entering into financial and commodity futures contracts, the PRIT Fund is required to pledge to the broker an amount of cash or securities equal to a certain percentage of the contract amount (initial margin deposit). Pursuant to the contract, the PRIT Fund agrees to receive from, or pay to, the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as “variation margin” and are recorded by the PRIT Fund as unrealized gains or losses. When the contract is closed, the PRIT Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. The potential risk to the PRIT Fund is that the change in value of futures contracts primarily corresponds with the value of underlying instruments, which may not correspond to the change in value of the hedged instruments. The PRIT Fund is also subject to credit risk should its clearing brokers be unable to meet their obligations to the PRIT Fund.

(Continued)

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

Futures contracts held at June 30 were as follows:

	2014				
Description	**Number of contracts**	**Expiration date**	**Gross notional amount**	**Fair value of notional amount**	**Unrealized appreciation (depreciation)**
Short cash and cash equivalents:					
90-Day Eurodollar	(957)	6/15	$ (238,093)	(238,018)	75
Long cash and cash equivalents:					
90-Day Eurodollar	5,221	9/15–9/16	1,289,077	1,291,240	2,163
Other long cash and cash equivalents	1,295	9/14–3/17	191,732	194,193	2,461
Long fixed income:					
US 5-Yr Treasury Notes	2,738	9/14	326,983	327,084	101
US 10-Yr Treasury Notes	2,023	9/14	253,038	253,223	185
Ultra US Treasury Bond	1,431	9/14	211,165	214,561	3,396
Other long fixed income	1,543	8/14–9/14	33,425	34,883	1,458
Short fixed income:					
Australian 10-Yr Treasury Bond	(686)	9/14	(76,155)	(78,004)	(1,849)
US 2-Yr Treasury Notes	(275)	9/14	(60,380)	(60,388)	(8)
US 10-Yr Treasury Notes	(301)	9/14	(37,520)	(37,677)	(157)
US Treasury Bond	(443)	9/14	(60,231)	(60,774)	(543)
Other short fixed income	(402)	9/14	(103,653)	(105,294)	(1,641)
Long equity and commodities:					
S&P 500 E-mini Index	4,612	9/14	445,115	450,223	5,108
S&P 500 Index	1,175	9/14	566,295	573,518	7,223
MINI MSCI Emerging Markets Index	1,665	9/14	86,675	86,638	(37)
Dow Jones EURO STOXX 50 Index	1,182	9/14	52,622	52,305	(317)
Other long equity and commodities	2,897	7/14–9/14	332,153	337,850	5,697
Total futures exposure			$ 3,212,248	3,235,563	23,315

(Continued)

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June 30, 2014 and 2013

(Dollars in thousands)

Description	Number of contracts	Expiration date	2013 Gross notional amount	Fair value of notional amount	Unrealized appreciation (depreciation)
Long cash and cash equivalents:					
90-Day Eurodollar	2,345	12/13–12/15	$ 581,523	579,965	(1,558)
Long fixed income:					
US 5-Yr Treasury Notes	103	9/13	12,638	12,468	(170)
US 10-Yr Treasury Notes	599	9/13	77,564	75,811	(1,753)
Other long fixed income	1,828	8/13–6/15	15,496	16,785	1,289
Short fixed income:					
US 2-Yr Treasury Notes	(103)	9/13	(22,704)	(22,660)	44
Euro-BUND	(23)	9/13	(4,305)	(4,231)	74
US Treasury Bond	(213)	9/13	(30,024)	(28,935)	1,089
Other short fixed income	(275)	9/13	(48,087)	(46,883)	1,204
Long equity and commodities:					
S&P 500 E-mini Index	6,239	9/13	503,726	498,902	(4,824)
S&P 500 Index	1,549	9/13	631,356	619,329	(12,027)
Other long equity and commodities	3,057	7/13–9/13	272,959	268,416	(4,543)
Total futures exposure			$ 1,990,142	1,968,967	(21,175)

For the years ended June 30, 2014 and 2013, the change in unrealized appreciation (depreciation) on futures contracts was $44,490 and $(60,137), respectively.

(c) Swaps

The PRIT Fund enters into swap agreements to gain exposure to certain markets and actively hedge other exposures to market and credit risks. The PRIT Fund utilizes interest rate, credit default, and total return swaps within the portfolio. The PRIT Fund's OTC swap agreements are recorded at fair value as estimated by the PRIM Board. These estimated fair values are determined in good faith by using information from the PRIT Fund's investment managers, including methods and assumptions considering market conditions and risks existing at the date of the statements of pooled net position. Such methods and assumptions incorporate standard valuation conventions and techniques, such as discounted cash flow analysis and option pricing models. All methods utilized to estimate fair values result only in general approximations of value, and such values may or may not actually be realized.

(Continued)

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

Open swap contracts at June 30 were as follows:

2014

Description	**PRIT pays/receives interest rate**	**PRIT pays/receives index/ protection**	**Maturity date**	**Gross notional amount**	**Net unrealized appreciation (depreciation)**
Interest rate swaps	0.4%–12.56%	See note*	10/14–3/44	$ 1,521,506	8,078
Inflation swaps	1.85%–2.07%	Inflation protection	2/16–3/18	116,010	92
Credit default swaps	0.18%–5.00%	Credit default protection	9/14–7/45	289,001	2,913
Total swaps				$ 1,926,517	11,083

* PRIT pays/receives counterparty based on 3-Month AUD BBSW, 6-Month AUD-BBR-BBSW, 3-Month LIBOR, 3-Month Euribor, Fed Funds rate, Brazil CDI rate, Mexican TIIE rate, 6-Month THBFIX rate, and 3-Month KLIBOR.

2013

Description	**PRIT pays/receives interest rate**	**PRIT pays/receives index/ protection**	**Maturity date**	**Gross notional amount**	**Net unrealized appreciation (depreciation)**
Interest rate swaps	0.99%–10.92%	See note*	3/15–6/43	$ 912,824	20,924
Credit default swaps	0.18%–5.00%	Credit default protection	9/13–7/45	245,711	(912)
Total swaps				$ 1,158,535	20,012

* PRIT pays/receives counterparty based on 3-Month LIBOR, 3-Month Canadian, 3-Month JIBA, Mexican TIIE rate, Fed Funds Rate, 6-Month Yen LIBOR, and BZDIOVRA Daily.

For the years ended June 30, 2014 and 2013, the change in unrealized appreciation (depreciation) on swap contracts was $(8,929) and $17,032, respectively.

(Continued)

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

The PRIT Fund's exposures in the event of nonperformance by counterparties at June 30 were as follows:

		2014					
		Interest rate swaps		Credit default swaps		Inflation swaps	
Counterparty	Credit rating	Gross notional	Fair value	Gross notional	Fair value	Gross notional	Fair value
Barclays Bank PLC	A	$ 23,150	291	12,500	(64)	116,010	92
CME Group Inc.	AA-	784,699	4,955	—	—	—	—
Citibank NA	A	181,717	107	29,361	14	—	—
Deutsche Bank AG	A	—	—	35,700	255	—	—
Intercontinental Exchange Inc.	A-	—	—	78,294	2,653	—	—
JPMorgan Chase Bank NA	A+	22,617	(19)	9,900	45	—	—
UBS AG	A	4,582	42	27,346	152	—	—
U.S. Bank National Association	AA-	500,000	2,603	—	—	—	—
All others	Various	4,741	99	95,900	(142)	—	—
		$ 1,521,506	8,078	289,001	2,913	116,010	92

		2013			
		Interest rate swaps		Credit default swaps	
Counterparty	Credit rating	Gross notional	Fair value	Gross notional	Fair value
Goldman Sachs International	A	$ —	—	17,300	(247)
Chicago Mercantile Exchange Inc.	AA-	362,939	12,003	84,761	(714)
Deutsche Bank Securities Inc.	A	26,344	959	23,260	128
HSBC Securities Inc	A+	2,457	(74)	32,050	(346)
Barclays Global Investors	A-	14,468	(38)	10,800	122
Morgan Stanley Capital	A-	4,936	(38)	15,700	77
U.S. Bank National Association	AA-	500,000	7,856	—	—
UBS Financial Services, Inc.	A			27,199	(133)
All others	Various	1,680	256	34,641	201
		$ 912,824	20,924	245,711	(912)

(Continued)

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

(8) Management Fees

In accordance with the PRIM Board's Operating Trust Agreement, expenses incurred by the PRIM Board in managing the PRIT Fund are charged to the PRIT Fund in the form of management fees. These expenses consist of investment management fees, investment advisory fees, custodian fees and professional fees, as well as staff salaries and other administrative expenses of the PRIM Board.

(a) Investment Management Fees

Investment management fees are paid to discretionary managers pursuant to executed contracts. Total investment management fees were $69,564 and $57,536 for the years ended June 30, 2014 and 2013, respectively.

All domestic, international, and emerging market equity managers are paid a base fee calculated as a percentage of either current net assets under management or an agreed-upon funded amount, typically equal to the amount of original and subsequent funding. In certain cases, this is subject to periodic revision. Base fees are paid quarterly. In addition, some active (nonindexed) equity managers are eligible to receive a performance fee. Such fees are earned annually by those managers whose annualized three-year performance exceeds the contractual benchmark by a specified minimum amount.

Fixed income managers are generally paid a quarterly asset-based fee. Certain managers are eligible for a performance fee.

Fees for private equity investments are typically a percentage of committed capital with the fee percentage decreasing over time. In addition, the general partners (investment managers) of private equity limited partnerships are entitled to a performance fee based on the net gains on realized partnership investments.

The LLC's investment management fees generally consist of a base fee and a performance fee. Base fees are calculated and paid monthly. Performance fees are paid every two years to managers who out-perform their respective hurdle rates.

Timber investment management fees consist of a base fee and a performance fee component and are calculated and paid similar to the LLC's investment management fees.

(Continued)

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

Hedge fund-of-funds investment managers are paid base fees, which are calculated and paid quarterly.

Fees for direct hedge fund investments generally consist of a base fee and a performance fee based on a percentage of excess return.

The majority of investment management fees for private equity and distressed debt investments are charged by the general partners to the investment partnerships and not to the limited partner investors directly. All investment management fees for hedge funds and commingled account investments are charged to the respective investments. Base investment management fees for investments in real estate properties and timber are charged against the respective investments. Therefore, the fair values of these investments are reported net of "indirect" management fees. For the years ended June 30, 2014 and 2013, these indirect management fees charged to the PRIT Fund's real estate, timber, hedge funds, distressed debt, commingled, and private equity investments amounted to $235,760 and $213,142, respectively, and are not included in management fees in the accompanying statements of changes in pooled net position.

(b) Investment Advisory Fees

NEPC, LLC, Callan Associates, Cliffwater LLC, Hamilton Lane, and The Townsend Group served as the PRIM Board's principal investment advisors in fiscal year 2014. NEPC, LLC served as the asset allocation advisor, Callan Associates served as the public markets advisor, Cliffwater LLC provided hedge fund advisory services, Hamilton Lane served as the private equity advisor, and The Townsend Group provided real estate and timberland advisory services. These investment advisors, among others, provided the PRIM Board with comprehensive investment advisory services, including recommendations on asset allocation, selection of investment managers, and the monitoring of performance of the PRIT Fund and its individual investment managers.

For the years ended June 30, 2014 and 2013, as compensation for their services, investment advisors earned fees aggregating $4,493 and $4,529, respectively, and are included in management fees in the accompanying statements of changes in pooled net position.

(Continued)

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

(c) Custodian Fees

BNY Mellon is the investment custodian and record keeper for the PRIT Fund. BNY Mellon records all daily transactions, including investment purchases and sales, investment income, expenses, and all participant activity for the PRIT Fund. BNY Mellon also provides portfolio performance analysis each month for the PRIT Fund.

In December 2013, BNY Mellon agreed to reimburse the PRIM Board $15,450 in the form of a discount in custodian fees over a nine-year period to settle alleged foreign currency transaction overcharges from January 2000 to May 2011. In addition, BNY Mellon reimbursed the PRIM Board $100 for legal fees incurred. For the years ended June 30, 2014 and 2013, custodian fees were $690 and $2,700, respectively, and are included in management fees in the accompanying statements of changes in pooled net position.

(d) Other Administrative Fees

For the years ended June 30, 2014 and 2013, other administrative expenses of the PRIM Board, including employee compensation, professional fees and occupancy costs, charged to the PRIT Fund totaled $9,417 and $8,606, respectively, and are included in management fees in the accompanying statements of changes in pooled net position.

(9) Commitments

As of June 30, 2014, the PRIT Fund had outstanding commitments to invest approximately $4.9 billion in private equity, venture capital, distressed debt, hedge fund, and real estate investments.

Schedules of Pooled Net Position – Capital Fund and Cash Fund

June 30, 2014

(Dollars in thousands)

	Capital Fund	Cash Fund	Total
Assets:			
Investments, at fair value:			
Short-term	$ 1,078,843	73,197	1,152,040
Fixed income	14,942,944	—	14,942,944
Equity	25,123,614	—	25,123,614
Real estate	6,964,718	—	6,964,718
Timber	1,510,688	—	1,510,688
Private equity	6,912,243	—	6,912,243
Hedge funds	5,895,470	—	5,895,470
Total investments	62,428,520	73,197	62,501,717
Cash	189,947	—	189,947
Interest and dividends receivable	142,615	19	142,634
Receivable for investments sold and other assets	791,846	—	791,846
Securities sold on a when-issued basis	103,776	—	103,776
Unrealized gains on foreign currency exchange contracts	7,143	—	7,143
Total assets	63,663,847	73,216	63,737,063
Liabilities:			
Payable for investments purchased and other liabilities	1,198,048	—	1,198,048
Real estate debt	1,548,854	—	1,548,854
Securities purchased on a when-issued basis	273,711	—	273,711
Unrealized losses on foreign currency exchange contracts	15,084	—	15,084
Management fees payable to PRIM	24,592	—	24,592
Total liabilities	3,060,289	—	3,060,289
Net position held in trust for pool participants	$ 60,603,558	73,216	60,676,774

See accompanying independent auditors' report.

Schedules of Changes in Pooled Net Position – Capital Fund and Cash Fund

Year ended June 30, 2014

(Dollars in thousands)

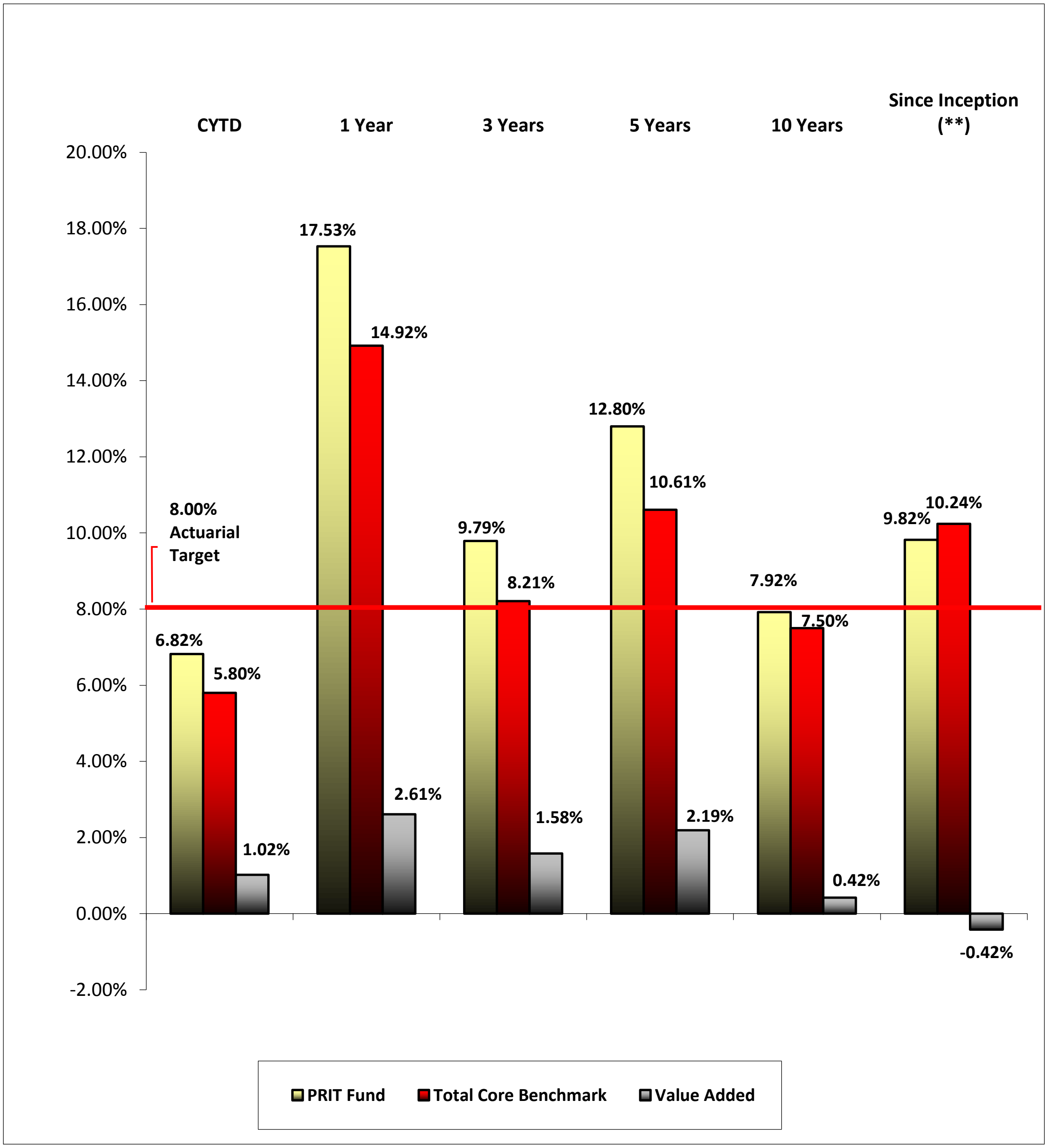
		Capital Fund	Cash Fund	Total
Additions:				
Contributions:				
State employees	$	—	547,627	547,627
State teachers		—	709,114	709,114
Other participants		—	793,507	793,507
Total contributions		—	2,050,248	2,050,248
Net investment income:				
From investment activities:				
Net realized income on investments and foreign currency transactions		2,948,549	—	2,948,549
Net change in unrealized appreciation on investments and foreign currency translations		4,646,758	—	4,646,758
Interest income, net		358,456	221	358,677
Dividend income, net		699,442	—	699,442
Real estate income, net		241,202	—	241,202
Timber income, net		8,724	—	8,724
Private equity income, net		172,187	—	172,187
		9,075,318	221	9,075,539
Management fees		(84,164)	—	(84,164)
Total investment income		8,991,154	221	8,991,375
Total additions		8,991,154	2,050,469	11,041,623
Deductions:				
Redemptions:				
State employees		—	1,220,275	1,220,075
State teachers		—	1,635,224	1,635,224
Other participants		—	739,175	739,175
Total deductions		—	3,594,474	3,594,474
Interfund transfers in (out), net		(1,539,168)	1,539,168	—
Net increase (decrease) in pooled net position		7,451,986	(4,837)	7,447,149
Net position held in trust for pool participants:				
Balance, beginning of year		53,151,572	78,053	53,229,625
Balance, end of year	$	60,603,558	73,216	60,676,774

See accompanying independent auditors' report.

Investment Section

Total PRIT Fund Performance Summary (*)

For the periods ended June 30, 2014



(*) Gross of Fees. Total PRIT Fund includes the Core Fund and Cash Fund. Returns are annualized and calculated based on a time-weighted rate of return methodology.

(**) Performance inception date of January 1, 1985

Investment Strategy Overview

The PRIT Fund was formed in December 1983 with a mandate to accumulate assets through investment earnings to reduce the Commonwealth of Massachusetts' unfunded pension liability and, further on, to assist local participating retirement systems in meeting their future pension obligations. The PRIM Board is charged with the general oversight of the PRIT Fund. The PRIM Board seeks to maximize the return on investments within acceptable levels of risk by broadly diversifying its investment portfolio, capitalizing on economies of scale to achieve cost-effective operations, and gaining access to high quality, innovative investment management firms, all under the management of a professional staff and members of the PRIM Board. The PRIM Board's overall investment performance goal is to achieve an annual rate of return that exceeds the targeted actuarial rate of return used in determining the Commonwealth of Massachusetts' pension obligations (currently 8.00%). A summary of other investment objectives is provided in the Investment Policy Statement at the end of this section.

As of June 30, 2014, the PRIM Board employed twenty-seven public markets investment managers, one hundred four private equity markets managers, fourteen real estate, natural resources, and timber managers, one active hedge fund-of-funds manager, twenty-two direct hedge fund managers, and five external investment advisors. The PRIT Fund had approximately $60.7 billion in assets under management at June 30, 2014. Each investment manager operates within guidelines that are established by the PRIM Board and are delineated in a detailed investment management agreement or partnership agreement.

The PRIT Fund's net investment portfolio fair values reported in this section and used as a basis for calculating investment returns differ from those shown in the Financial Section and the Financial Highlights in the Statistical Section of this report. The values used in this section are the appropriate industry standard basis for investment return calculations and are net of all investment receivables and payables. Unless otherwise noted, all return information provided is gross of fees. In addition, "PRIT Core" return information refers to returns for the PRIT Capital Fund. PRIT Core return information excludes the impact of the Cash Fund on the total PRIT Fund return.

Asset Allocation and Diversification Discussion

The Investment Policy statement adopted by the PRIM Board in September 1998 requires that the Trustees undertake a comprehensive review of the PRIM Board's Asset Allocation Plan and its underlying assumptions at reasonable intervals of not more than three to five years. In addition, the Investment Policy statement requires that the Trustees conduct an annual evaluation of the PRIT Fund's asset allocation. The purpose is to determine whether adjustments to the PRIT Fund's structure are necessary due to changes in the capital market assumptions, the plan's liability assumptions, the PRIM Board's risk tolerances, or in the PRIT Fund's investment objectives. The PRIM Board's last comprehensive review of the PRIT Fund asset allocation was conducted during fiscal year 2014 with the following objectives: first, the Board sought to achieve a return equal to or better than the actuarial rate of return set forth by the Commonwealth of Massachusetts; and second, to decrease the portfolio risk by reducing volatility through greater diversification. The expected return, standard deviation, and correlation numbers used in the evaluation of existing and potential asset classes were thoroughly reviewed and formally agreed upon by the PRIM Board.

Asset Class	6/30/2014 Allocation %	Long-Term Policy Target % (1)
Global Equity (*)	43.1	40.0
Core Fixed Income	13.9	13.0
Value-Added Fixed Income	8.5	10.0
Real Estate	8.9	10.0
Private Equity	11.1	10.0
Timber / Natural Resources	3.9	4.0
Hedge Funds	9.6	9.0
Portfolio Completion Strategies	0.0	4.0
Portable Alpha Wind Down (2)	0.1	0.0
Overlay (2)	0.9	0.0

(*) Global Equity includes the PRIT Fund's investments in domestic, international, and emerging markets equities.

(1) Asset allocation approved February 4, 2014.

(2) These asset classes do not have target % because they are not components of the long-term policy target asset allocation.

In addition to asset allocation, the PRIM Board seeks to diversify the PRIT Fund through a complementary diversification of investment styles within various asset classes and investment managers are selected to achieve this end. The PRIM Board also develops detailed investment guidelines with each investment manager as appropriate to ensure portfolios are diversified at the individual manager level, ensuring limits are placed on concentrations in any one security or sector. Further discussion on diversification within each asset class is provided in the detailed discussions on each portfolio provided in this section.

Income and Expense Allocation

Income earned and expenses incurred in each investment account are allocated to retirement systems based upon each individual retirement system's share of ownership in each investment account. Expenses are classified into three categories for purposes of allocation to retirement systems: 1) investment management fees, 2) targeted consultant fees, and 3) operational fees. Investment management fees are those directly associated with the investment management of a certain account. Targeted consultant fees are those fees that are directly associated with a consultant for a certain asset class, except for general consultants, whose fees are allocated on a proportionate basis to all asset classes. Operational fees are the administrative, custodian, and other operational expenses incurred by the PRIM Board in managing the PRIT Fund and are allocated pro-rata based on net asset values of each asset class.

The Year in Review – The World Markets

Fiscal Year 2014 Global Markets Overview

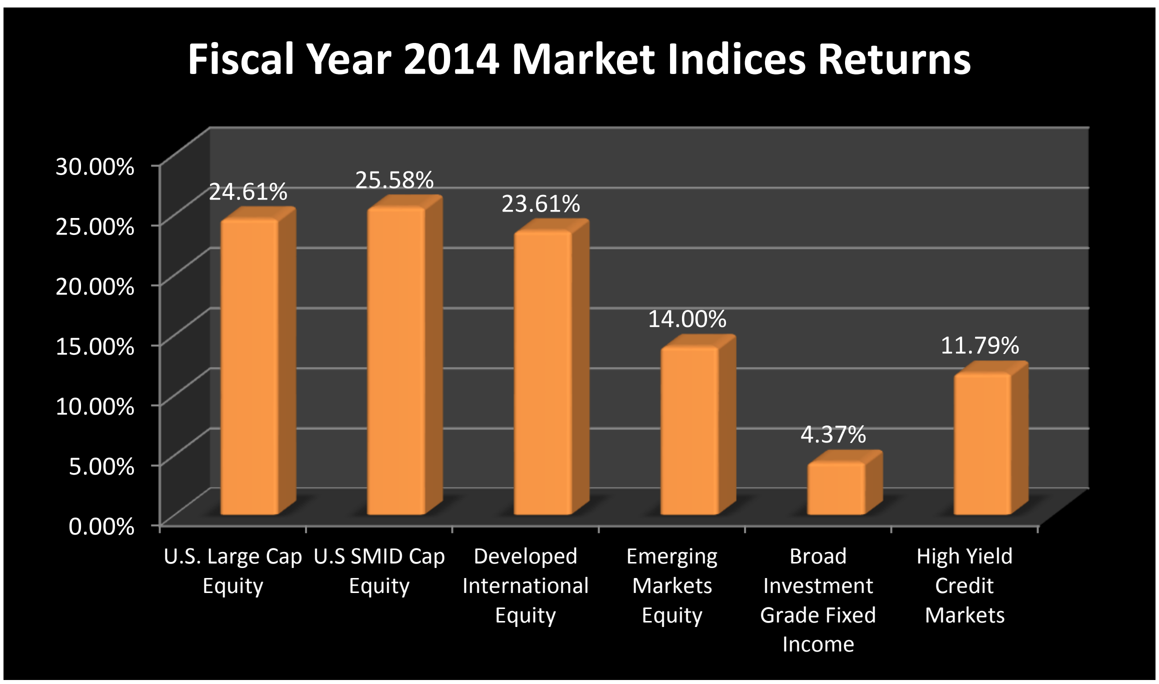
As the first quarter of Fiscal Year 2014 (3Q13) drew to a close, the U.S. Federal Reserve (the Fed) decided it would not begin tapering its monthly $85 billion purchase of U.S. Treasuries and mortgage-backed securities, also known as quantative easing, or QE3, the third such round of economic stimulus measures implemented by the Fed since the Great Recession. The Fed remained concerned that tapering now could slow economic growth. The Fed also left interest rates near zero, and indicated rates would remain unchanged so long as unemployment was above 6.5% and inflation remained below 2.5%. Global equity markets greeted the announcement from the Fed, as well as similar news from the European Central Bank (ECB) and Bank of Japan (BOJ) that monetary easing policies would stay in place, by climbing to record highs. U.S. equities hit all-time highs, while European equities achieved their highest levels since June 2008. The Japanese equity market also experienced its largest gains since April 2013. A rally in emerging markets equities also occurred as China, the world's second largest economy, released data showing its economy was strengthening. Yields on U.S. Treasuries fell as prices rose, which ended a four-month losing streak; and German Bunds saw lower yields on the 10-year note. (Prices and yields move inversely to each other.)

During the second quarter of Fiscal Year 2014 (4Q13), the Fed announced it would begin the tapering it had foreshadowed since May 2013 by reducing its bond purchases to $75 billion from $85 billion a month commencing January 2014. Among the reasons given by the Fed were a rise in business spending and growing consumer confidence. The developed global equity markets reacted positively to the good economic news at month- and quarter-end, although emerging equity markets trailed developed counterparts during the quarter and were off for the month of December. Large capitalization equities (large caps) gained 10.5% in the second fiscal quarter, and the small-to mid-cap U.S. equities (SMID caps), were up 8.7% in 4Q13. Developed international equity markets were up almost 5.9% for the quarter, and emerging equity markets rose almost two percent. U.S. interest rates rose for the second straight month in December, which led to higher U.S. Treasuries yields and negative returns for the broad Investment Grade fixed income market. Developed international fixed income also fell during the quarter, as demand for safe haven investments declined; "risk-on" was back. High yield corporate credits were higher during the quarter as investors were drawn to riskier, shorter duration bonds that promised higher yields than Investment Grade.

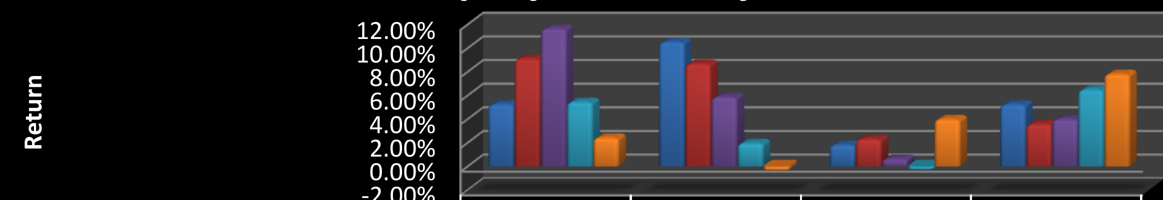
By the end of the third fiscal quarter (1Q14), the U.S. economy had begun to recover from a slowdown brought on by the severe January weather. The brutal winter had slowed growth, but there were signs that the economy was gaining momentum, as 389,000 jobs were added in February and March. With unemployment holding at 6.7%, the Fed decided to consider other factors besides the unemployment rate in setting monetary policy, such as inflation expectations. There were also encouraging signs that the Eurozone economy was slowly improving, as retail sales rose in Germany, which is Europe's largest economy. Eurozone inflation slowed, however, which led many to think that the ECB might act to reverse the deflationary trend. U.S. equities turned in a positive quarter, as SMID caps outperformed large caps. Although international developed markets were up slightly for the quarter, European shares fell as tensions between Russia and Ukraine over the Crimea offset any positive economic news. The broad Investment Grade fixed income markets ended the quarter up, but U.S. Treasuries declined in March, following two consecutive months of gains. High yield corporate debt continued to post strong returns, as investors were enticed by higher yields and low defaults.

There was positive performance across all capital markets in the fourth and final fiscal quarter (2Q14). Although the U.S. economy contracted during the prior fiscal quarter, new data released during 2Q14 indicated that the slowdown was temporary. The unemployment rate fell to 6.1%, its lowest level in almost six years, and manufacturing and the housing markets rebounded, as interest rates fell. Abroad, the economic data was not as optimistic, but there were encouraging signs that the Eurozone may recover gradually from recession. U.S. stocks hit new record highs again, as investors felt more confident about growth. Internationally, European equities rose almost four percent during the quarter, but geopolitical tensions between Russia and Ukraine dampened the ECB's new stimulus measures. Emerging equity markets, buoyed by the positive economic news in the U.S. rose over 6.5% during the quarter, having enjoyed five consecutive months of gains, its best rally since 2007. The broad Investment Grade fixed income markets gained 2% for the quarter, while high yield credit markets rose 2.6%.

When taken all together, Fiscal Year 2014 was a remarkable year for financial markets, especially global equities and high yield fixed income.

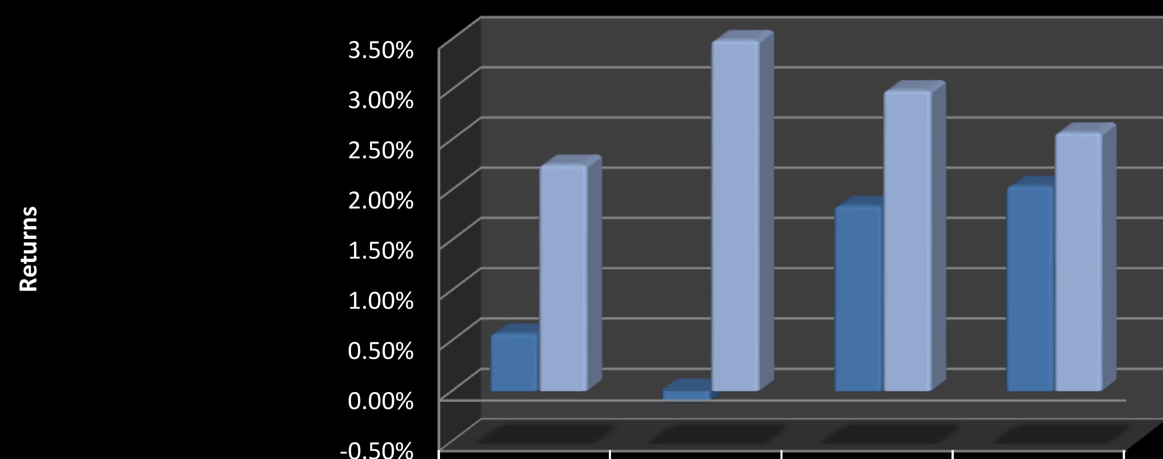


FY 2014 Equity Indices By Quarter



	1st Qtr (9/30/13)	2nd Qtr (12/31/13)	3rd Qtr (3/31/14)	4th Qtr (6/30/14)
S&P 500 (Large Cap)	5.24%	10.51%	1.81%	5.23%
Russell 2500 (Small/SMID Cap)	9.08%	8.66%	2.30%	3.57%
MSCI EAFE Standard Index Net Divs	11.64%	5.85%	0.61%	3.97%
MSCI EM Standard Index Net Divs (EMF)	5.44%	1.96%	-0.40%	6.48%
FTSE EPRA NAREIT Developed Net Total Return	2.42%	-0.50%	3.99%	7.81%

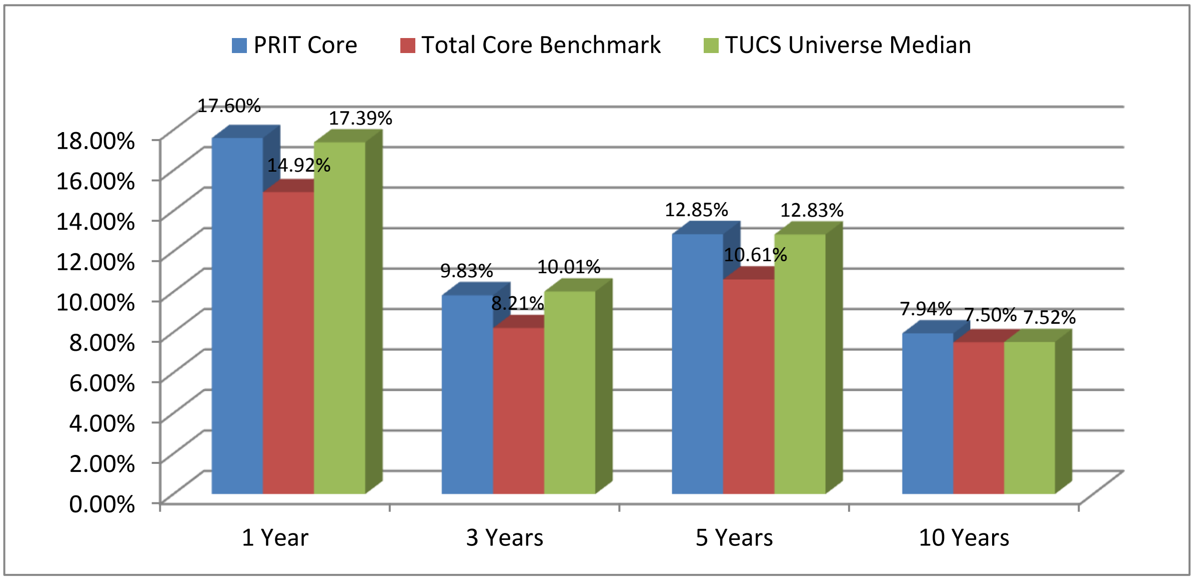
FY 2014 Fixed Income Indices by Quarter



	1st Qtr (9/30/13)	2nd Qtr (12/31/13)	3rd Qtr (3/31/14)	4th Qtr (6/30/14)
Barclays Capital Aggregate	0.57%	-0.14%	1.84%	2.04%
ML Master II HY Constrained Index	2.25%	3.49%	2.99%	2.57%

PRIT CORE PERFORMANCE: FISCAL YEAR 2014

Returns are calculated based on a time-weighted rate of return methodology. PRIT Core Returns (gross of fees) and benchmarks for the periods ended June 30, 2014:



In the fiscal year 2014, the PRIT Core Fund returned 17.60%, outperforming the Total Core benchmark return of 14.92% by 268 basis points. The PRIT Fund began fiscal year 2014 with a net asset value of $53.2 billion and ended with $60.7 billion. On a gross basis the fund increased $7.4 billion, which is the result of $9.0 billion in investment income along with $1.5 billion in net redemptions from the State Employees, State Teachers' and Participant accounts.

The quarterly returns of the PRIT Core Fund in fiscal year 2014 were as follows:

- 5.02% for September 30, 2013 – versus a benchmark return of 4.57%.
- 4.81% for December 31, 2013 – versus a benchmark return of 3.91%.
- 2.69% for March 31, 2014 – versus a benchmark return of 1.95%.
- 4.04% for June 30, 2014 – versus a benchmark return of 3.75%.

The past fiscal year was successful, not only for the PRIT Fund, but for institutional investors in general. The PRIT Fund seeks to outperform its three benchmarks in both up and down markets. In order of priority, these benchmarks are as follows: 1) beating the actuarial rate of return assumption of 8.00%; 2) exceeding the long-term Policy Benchmark, which measures how well the PRIT Fund has implemented its asset allocation; and 3) achieving top quartile rankings in the TUCS report, which measures the PRIT Fund's investment performance against its peers nationwide. Through June 30, 2014, the PRIT Core Fund returned 9.77% since inception, outperforming the actuarial rate of return of 8.00% by 177 basis points. According to the TUCS ranking, the PRIT Fund's performance ranked in the second quartile of all U.S. Public Pension Funds over $1 billion in size for fiscal year 2014. The PRIT Fund maintained top quartile for the trailing 10-year period.

Management Costs

Expenses incurred by the PRIM Board in overseeing the management of the PRIT Fund are charged to the PRIT Fund in the form of a management fee. These costs include investment management fees, advisor fees, custodian fees as well as the professional fees, salaries and administrative expenses of the PRIM Board.

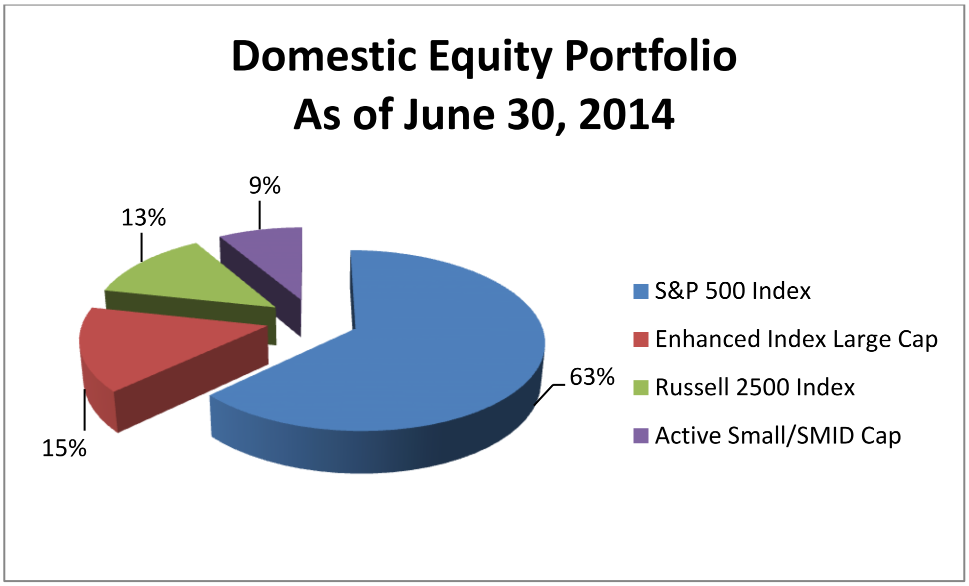
The PRIM Board employs professional investment managers and provides them discretion, consistent with specified objectives and guidelines, to manage the PRIT Fund's assets. Investment managers operate under formal contracts that delineate their responsibilities and performance expectations. Investment management fees accounted for approximately 82.7% of the PRIM Board's total direct expense for fiscal 2014. The PRIM Board also employs an outside custodian and investment advisors in managing the PRIT Fund. Approximately 6.2% of the PRIM Board's total expense for fiscal year 2014 was allocated to fees for these professional services.

The PRIT Fund also incurs indirect management costs as a result of investing in private equity, hedge funds, real estate, timber, and commingled fund assets. Most investment management fees for private equity are charged by managing general partners to investment partnerships and not to the limited partner investors (e.g. the PRIT Fund) directly. Therefore, partnerships incur expenses and report income to the limited partners *net* of these fees. All investment management fees for hedge funds and commingled fund assets are charged to the underlying investment funds and the majority of management fees for real estate and timber investments are charged in a similar manner, not to investors directly. Not all pension funds disclose these indirect management fees as part of their overall costs. The PRIM Board continues to disclose investment management fees, including these indirect fees, as part of the cost of managing the PRIT Fund.

The total cost of managing the PRIT Fund for fiscal year 2014, *inclusive* of investment management (direct and indirect), advisory, custodial and overhead charges remained unchanged at 55 basis points of the average net asset value of the PRIT Fund compared to fiscal year 2013. *Excluding* indirect management fees, the cost of managing the PRIT Fund for fiscal year 2014 was 15 basis points. Overall fees can vary from year to year primarily due to the nature of performance-based fees at the PRIT Fund. Fiscal year 2014 fees increased slightly mainly due to an overall increase in assets under management and funding of new managers. For information on expense ratios for each investment account, refer to the *Financial Highlights* and the *Financial Highlights Ratios* on pages 100-106 included in the Statistical Section of this report.

Domestic Equity Portfolio

As of June 30, 2014, the Domestic Equity portfolio had approximately $11.5 billion in net assets, which represented 19.0% of the PRIT Core Fund. Approximately 78% of the domestic equity portfolio is invested utilizing a large capitalization equity strategy (large cap) with the remaining 22% invested in small and middle capitalization equity strategies (small/smid cap). In the view of the PRIM Board and its advisors, the overall domestic equity portfolio is highly diversified and balanced. The allocation between passively managed large cap investments, enhanced index large cap investments, passively managed small/smid cap investments, and actively managed small/smid cap investments is highlighted below.



During the fiscal year, the S&P 500 Index fund, the two enhanced index large capitalization managers, and the Russell 2500 Index fund outperformed their benchmarks. Two of the five active small/smid capitalization managers outperformed their respective benchmarks. As of fiscal year end, the weighting of Domestic Equity was 43.9% of the Global Equity portfolio.

Style Neutrality. Because different styles (i.e. growth-oriented versus value oriented stocks) of investment management are favored in different economic and market environments, and because of the Board's long-term perspective, the Board seeks to maintain a style-neutral portfolio.

Portfolio Risks. Although historically long-term returns in equity investments have exceeded all other public market asset classes (i.e. fixed income and cash), as evidenced by the recent years, there is no guarantee that this trend will continue or that investment in the short-term or long-term will produce positive results. Prices may fluctuate based on changes in a company's financial condition and on overall market and economic conditions. Smaller companies are especially sensitive to these factors. There is a significant risk of loss of principal due to market and economic conditions.

Portfolio Returns. For the fiscal year, the portfolio produced a 24.93% return compared to 24.83% for the portfolio benchmark. The PRIT Fund's large cap managers returned 24.86% compared to the 24.61% return of the large cap benchmark S&P 500 index. The PRIT Fund's small/smid cap managers returned 24.91% compared to the 25.58% return of the small/smid cap benchmark Russell 2500 index.

On a three-, five-, and 10-year basis through June 30, 2014, The PRIT Fund's Domestic Equity portfolio has returned 16.51%, 19.09%, and 6.96%, respectively, compared to the benchmark, which returned 16.38%, 18.31%, and 7.85%, respectively.

The top ten holdings in the Domestic Equity portfolio at June 30, 2014 are illustrated below. A complete listing of holdings is available upon request.

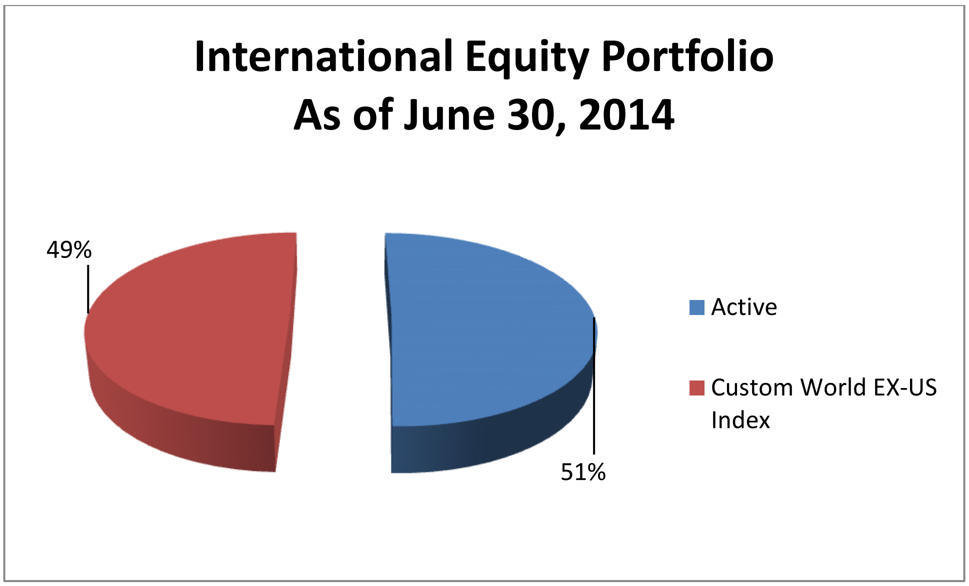
#	**Issue Name**	**Fair Value ($000s)**	**% of Account Fair Value**
1	Apple Inc.	$ 254,523	2.22%
2	Exxon Mobil Corp.	194,999	1.70%
3	Microsoft Corp.	138,635	1.21%
4	Johnson & Johnson	130,487	1.14%
5	General Electric	115,871	1.01%
6	Wells Fargo & Co.	111,663	0.97%
7	Chevron Corp.	107,370	0.94%
8	Berkshire Hathaway Inc.	99,837	0.87%
9	JPMorgan Chase & Co.	93,914	0.82%
10	Procter & Gamble Co.	92,846	0.81%
	TOTAL	$ 1,340,145	11.69%

The PRIT Fund's Domestic Equity managers at June 30, 2014 are presented in the following table:

Manager	**Investment Mandate**	**Portfolio Fair Value at June 30, 2014 ($000s)**
State Street Global Advisors	S&P 500 Index	$ 7,236,199
State Street Global Advisors	Russell 2500 Index	1,501,700
INTECH	S&P 500 Enhanced Index	898,500
PIMCO	S&P 500 Enhanced Index	862,333
Frontier Capital Management	Small Cap Value	182,213
Huber Capital	Small Cap Value	292,430
Riverbridge Partners	SMID Cap Growth	151,110
SouthernSun Asset Management	SMID Cap Core	161,338
Summit Creek Advisors	Small Cap Growth	194,443
Other portfolio net assets		(2,089)
Total Portfolio Fair Value		**$ 11,478,177**

International Equity Portfolio

As of June 30, 2014, the International Equity portfolio had approximately $10.4 billion in net assets, representing 17.1% of the PRIT Core Fund. The active international equity managers are benchmarked against the Custom MSCI EAFE Net Dividends index (Custom MSCI EAFE), whose name is derived from the geographical areas of inclusion – Europe, Australia and the Far East. The International Equity portfolio is allocated to one passively managed account (which comprises 49% of the portfolio) and four actively managed accounts (51% of the portfolio). The passive manager, and the asset class as a whole, is benchmarked against the Custom World ex-U.S. Investable Market Index – Net dividends (Custom World ex-U.S. IMI). The PRIM Board maintains a target weighting of 50% passive and 50% active for the International Equity portfolio.



The primary strategy for this portfolio is investing in companies in developed markets, industrialized nations outside of the United States, including, but not limited to, Japan, Germany, the United Kingdom, France, Italy, Switzerland, Hong Kong, Canada, and Australia. As of fiscal year end, the weighting of International Equity was 39.7% of the Global Equity portfolio.

Portfolio Risks. Investing in developed markets outside of the United States carries additional risks as compared to U.S. domestic investments. The added risks are primarily associated with currency, higher trading and settlement cost, and less stringent investor protections and disclosure standards.

Portfolio Returns. For the fiscal year ending June 30, 2014, the International Equity portfolio returned 24.44% compared to the Custom World ex-U.S. IMI index return of 24.57%. Of the PRIT Core Fund's four active international equity managers, two managers outperformed and one manager underperformed the Custom MSCI EAFE index for the fiscal year. The fourth active international equity manager, FIS Group, Inc., returned 11.99% since its inception in October 2013, outperforming the Custom MSCI EAFE index return of 10.73%. The passive manager outperformed the Custom World ex-U.S.IMI index for the fiscal year. Over the longer-term, PRIT's international equity managers continue to add value over the Custom World ex-U.S IMI benchmark. On a three-, five-, and 10-year basis through June 30, 2014, The PRIT Fund's international equity managers posted returns of 9.40%, 13.47%, and 7.94%, respectively, ahead of the benchmark, which returned 7.68%, 11.92%, and 7.04%, respectively, over the same periods.

The top ten holdings in the International Equity portfolio at June 30, 2014 are illustrated below. A complete listing of holdings is available upon request.

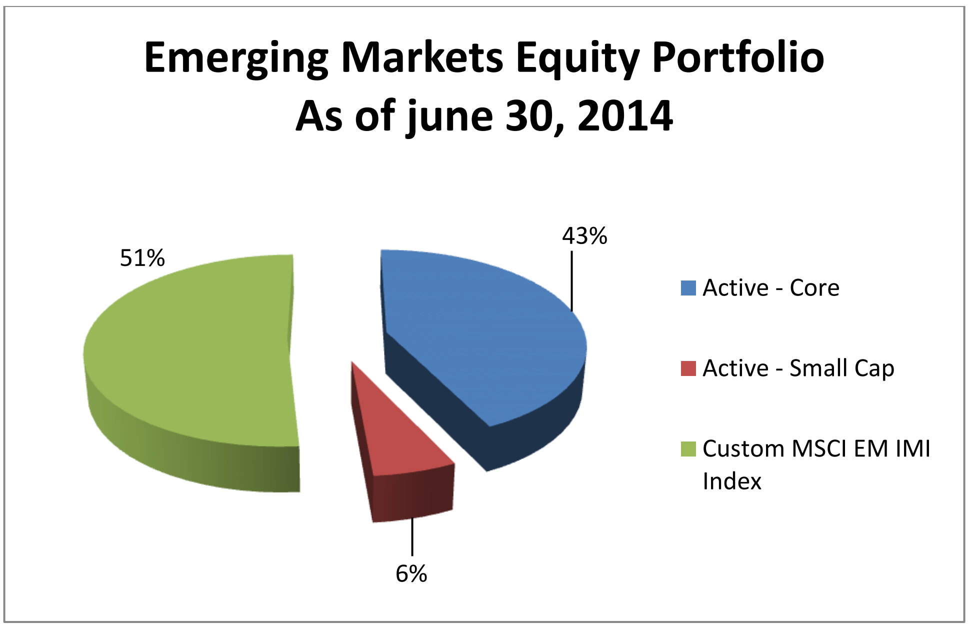
#	Issue Name	Fair Value ($000s)	% of Account Fair Value
1	Nestle	$ 147,372	1.42%
2	Roche Hldg AG Genusscheine NPV	140,588	1.35%
3	Novartis AG	113,085	1.09%
4	Total S.A.	107,022	1.03%
5	BP PLC	106,947	1.03%
6	Unilever PLC	96,803	0.93%
7	Kao Corp.	83,491	0.80%
8	Novo Nordisk A/S B	82,319	0.79%
9	Sanofi	80,382	0.77%
10	Svenska Handelsbanken	79,207	0.76%
	TOTAL	$ 1,037,216	9.99%

The PRIT Fund's International Equity managers at June 30, 2014 are presented in the following table:

Manager	Investment Mandate	Portfolio Fair Value at June 30, 2014 ($000s)
State Street Global Advisors	Custom World ex-US IMI Index	$ 5,138,084
Marathon Asset Management Ltd.	Custom MSCI EAFE	2,467,795
Baillie Gifford	Custom MSCI EAFE	1,840,811
Mondrian Investment	Custom MSCI EAFE	824,119
FIS Group, Inc.	Custom MSCI EAFE	111,272
Other portfolio net assets		121
Total Portfolio Fair Value		**$ 10,382,202**

Emerging Markets Portfolio

As of June 30, 2014, the Emerging Markets Equity portfolio had approximately $4.3 billion in net assets, representing 7.0% of the PRIT Core Fund. The active emerging markets core equity managers are benchmarked against the Custom MSCI Emerging Markets Standard Index – Net Dividends (Custom MSCI Emerging Markets Standard). The active emerging markets small cap equity managers are benchmarked against the MSCI Emerging Markets Small Cap Net Dividends Index (MSCI Emerging Markets Small Cap) while the passive account and Emerging Markets asset class as a whole are benchmarked against the Custom MSCI Emerging Markets Investable Market Index - Net Dividends (Custom MSCI Emerging Markets IMI). The emerging markets equity portfolio is allocated to three active core equity managers (which comprise about 43% of the emerging market portfolio), two active small cap equity managers (6% of the portfolio) and one passive manager (51% of the portfolio). The PRIM Board maintains a target weighting of 50% active and 50% passive for the Emerging Markets Equity portfolio.



The primary strategy for this portfolio is investing in companies in developing countries, including, but not limited to, China, Brazil, Russia, South Korea, Taiwan, India and Turkey. These countries typically have less efficient securities markets, and thus there is opportunity for substantial returns. As of fiscal year end, the weighting of Emerging Markets Equity was 16.3% of the Global Equity portfolio.

Portfolio Risks. Investing in emerging markets carries risks above and beyond those inherent to domestic and developed international equity markets. Emerging markets tend to be less efficient than both U.S. and non-U.S. developed markets, and therefore, are more volatile. In addition to the added volatility, and those risks mentioned in association with investments in developed international equity markets, emerging market investments are subject to economic and political risks; exchange control regulation; expropriation; confiscatory taxation; and social instability.

Portfolio Returns. For the fiscal year, the Emerging Markets Equity portfolio returned 14.07% compared to the Custom MSCI Emerging Markets IMI index return of 14.03%. One of the PRIT Core Fund's three active emerging markets core equity managers outperformed the Custom MSCI Emerging Markets Standard index for the fiscal year. The passive manager outperformed the Custom MSCI Emerging Markets IMI index. One of the PRIT Core Fund's two active emerging markets small cap equity managers outperformed the MSCI Emerging Markets Small Cap index for the fiscal year. On a three-, five-, and 10-year basis through June 30, 2014, the PRIT Fund's emerging markets equity managers posted returns of 0.15%, 10.00%, and 11.44%, respectively, compared to the Custom MSCI Emerging Markets IMI benchmark, which returned -0.13%, 9.28%, and 12.03% over the same periods.

The top ten holdings in the Emerging Markets Equity portfolio at June 30, 2014 are illustrated below. A complete listing of holdings is available upon request.

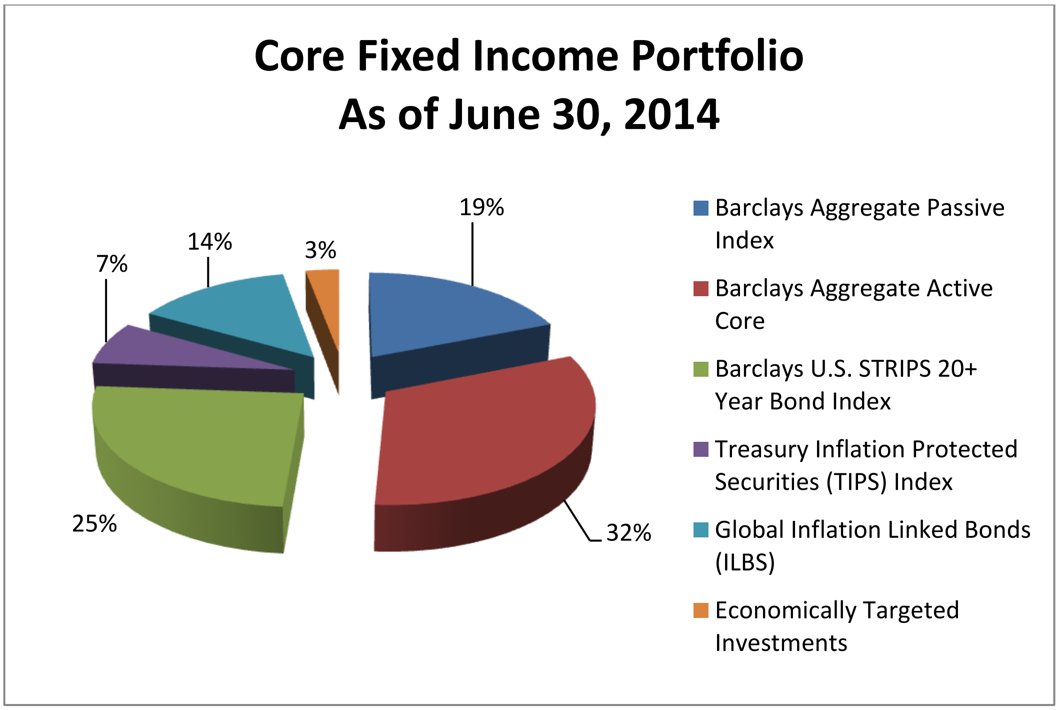
#	Issue Name		Market Value ($000s)	% of Account Market Value
1	Samsung Electronics	$	134,585	3.16%
2	Tawain Semiconductor Mfg. Co.		78,894	1.85%
3	Hyundai		57,834	1.36%
4	Tencent Holdings Ltd		54,621	1.28%
5	Sberbank		47,079	1.10%
6	LUKOIL		45,790	1.07%
7	China Mobile		43,952	1.03%
8	Ind and Comm Bank of China		43,522	1.02%
9	China Construction Bank		43,363	1.02%
10	CNOOC Ltd		36,568	0.86%
	TOTAL	$	586,208	13.75%

The PRIT Fund's Emerging Markets Equity managers at June 30, 2014 are presented in the following table:

Manager	Investment Mandate		Portfolio Fair Value at June 30, 2014 ($000s)
State Street Global Advisors	Custom MSCI EM IMI Index	$	2,188,453
T. Rowe Price	EM Growth		639,316
GMO LLC	EM Value		608,275
AshmoreEMM	EM Value/Frontier		580,013
Wasatch	EM Small Cap		153,628
Acadian	EM Small Cap		93,446
Other portfolio net assets			36
Total Portfolio Fair Value		**$**	**4,263,167**

Fixed Income Portfolio

The PRIM Board had approximately $8.4 billion invested in the investment grade Core Fixed Income portfolio, representing 13.9% of the PRIT Core Fund as of June 30, 2014. The Core Fixed Income Portfolio is invested using the following strategies:



The Core Fixed Income portfolio is benchmarked to the Barclays Capital Aggregate Bond Index for core fixed income securities, the Barclays U.S. STRIPS 20+ Year Bond Index for STRIPS securities, the Barclays Capital US TIPS Index for U.S. TIPS securities, and the Barclays Capital Inflation Linked Bond US$ Hedged Index for the Global Inflation Linked Bonds (ILBs).

The Barclays Capital Aggregate Passive Index replicates the investment grade bond market. The index is comprised of corporate, government, and mortgage-backed securities. The index fund is designed to approximate the performance of the Barclays Capital Aggregate Bond Index, while the active managers' mandate is to exceed the index return. The core strategy is designed to reduce the long-term volatility of the total PRIT Fund.

The Core Fixed Income portfolio also contains investments with Access Capital, Community Capital Management (CCM), and AFL-CIO Housing Investment (AFL-CIO) under the PRIM Board's Economically Targeted Investment (ETI) program. The Access Capital portfolio is benchmarked to the Barclays Capital US Securitized Index. CCM and AFL-CIO portfolios are benchmarked against the Barclays Capital Aggregate. Further discussion on the PRIT Fund's ETI investment program is included in the Investment Policy Statement at the end of this section. The allocations to TIPS and to the ILBs strategy are designed to provide hedges against rises in inflation.

The STRIPS portfolio is designed to approximate the performance of the Barclays U.S. STRIPS 20+ Year Bond Index and to lower overall volatility of the total PRIT Fund.

Portfolio Risks. As in the case of equities, the prices of fixed income securities increase and decrease in value. Price fluctuations in bonds result from rising and falling interest rates, changes in market conditions, and other economic and political developments. The portfolio is subject to credit risk through defaults on bonds and other fixed income securities. Although investment in the core fixed income portfolio is perceived as a "conservative" investment, erosion in principal value can result from credit risk and price fluctuations, and can adversely affect portfolio returns.

Portfolio Returns. For the fiscal year 2014, the Fixed Income composite return of 5.77% outperformed the benchmark (54% Barclays Capital Aggregate/25% Barclays U.S. STRIPS 20+ Year Bond Index /7% Barclays Capital US TIPS/14% Barclays Capital ILB US$ Hedged as of 6/30/2014), which returned 5.37%. The Core mandates (BlackRock Passive, PIMCO Core and Loomis Sayles Core) returned 4.92%, outperforming their benchmark (Barclays Capital Aggregate Index) by 55 basis points. Since its inception in April 2014, the BlackRock STRIPS mandate returned 8.01%, outperforming the Barclays U.S. STRIPS 20+ Year Bond Index return of 7.83%. The BlackRock passively managed TIPS mandate returned 4.49%, outperforming its benchmark (Barclays Capital US TIPS) by 5 basis points and the BlackRock actively managed ILBs mandate returned 4.69%, outperforming its benchmark (Barclays Capital ILB US$ Hedged Index) by 30 basis points. The ETI Managers, Access Capital, AFL-CIO, and CCM returned 4.62%, 4.61%, and 4.15% versus their benchmark returns of 4.59%, 4.37%, and 4.37%, respectively.

The top ten Core Fixed Income holdings as of June 30 2014, excluding TIPS investments and certain pooled funds, are illustrated below. A complete listing of holdings is available upon request.

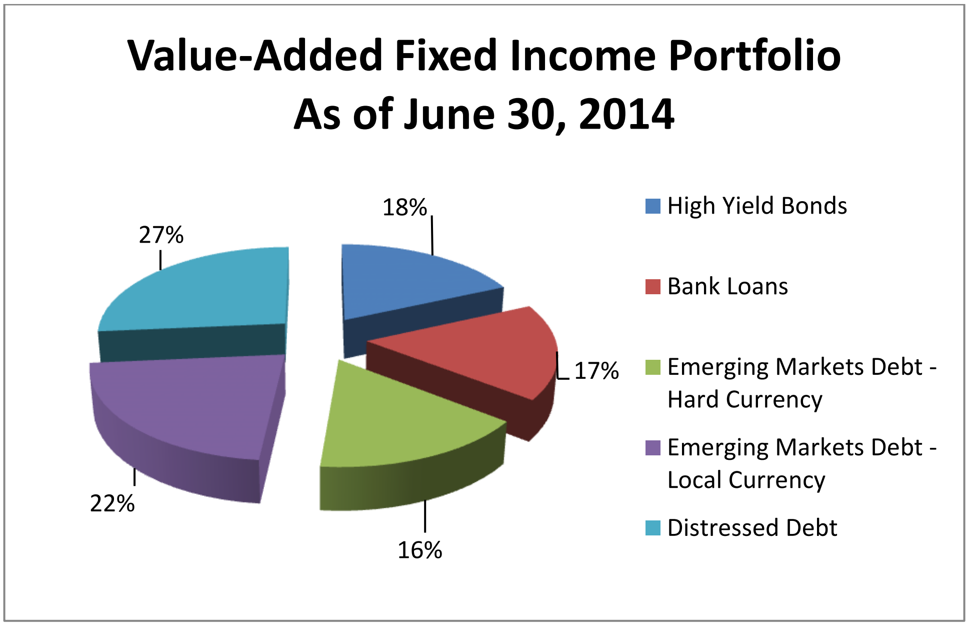
#	Issue Name	Fair Value ($000s)	% of Account Fair Value
1	U.S. Treasury Notes Principal STRIP 0.000% May 2040	$ 211,843	2.52%
2	U.S. Treasury Notes Principal STRIP 0.000% August 2040	200,672	2.39%
3	U.S. Treasury Notes Principal STRIP 0.000% February 2043	131,241	1.56%
4	U.S. Treasury Notes Principal STRIP 0.000% May 2043	127,121	1.51%
5	U.S. Treasury Notes Principal STRIP 0.000% November 2039	113,945	1.36%
6	Deutsche Bank Repo 0.100% July 2014	112,200	1.34%
7	U.S. Treasury Bond Principal STRIP 0.000% November 2043	102,620	1.22%
8	U.S. Treasury Notes Principal STRIP 0.000% November 2042	82,268	0.98%
9	U.S. Treasury Notes Principal STRIP 0.000% August 2043	81,063	0.97%
10	U.S. Treasury Notes Principal STRIP 0.000% August 2042	67,289	0.80%
	TOTAL	$ 1,230,262	14.65%

The PRIT Fund's Core Fixed Income portfolio managers at June 30, 2014 are presented in the following table:

Manager	Investment Mandate	Portfolio Fair Value at June 30, 2014 ($000s)
Blackrock Financial Management	Core Index	$ 1,600,225
Loomis, Sayles & Co., LP	Active Core	1,306,470
PIMCO	Active Core	1,384,390
Blackrock Financial Management	Inflation Link Bonds	1,159,393
Blackrock Financial Management	STRIPS Index	2,103,349
Blackrock Financial Management	TIPS Index	595,333
AFL - CIO Housing Investment	ETI	121,743
Access Capital	ETI	100,169
Community Capital Management	ETI	27,027
Other portfolio net assets		210
Total Portfolio Fair Value		**$ 8,398,309**

Value-Added Fixed Income Portfolio

The PRIM Board had approximately $5.1 billion invested in the Value-Added Fixed Income portfolio, representing 8.5% of the PRIT Core Fund as of June 30, 2014. The Value-Added Fixed Income portfolio is invested using the following strategies:



Distressed debt, 2.2% of the PRIT Core Fund, represents investments in private partnerships that invest directly in distressed debt investment opportunities. As at June 30, 2014 the PRIT Fund had approximately $1.4 billion in distressed debt investments with eleven investment managers.

High yield bonds, which represent 1.6% of the PRIT Core Fund, are securities that are typically rated below Investment Grade by Standard & Poor's, Fitch or Moody's. These bonds are issued by companies without long track records of sales or earnings, or by those with questionable credit strength. This strategy also includes bonds that were Investment Grade at time of issue but have since declined in quality to below Investment Grade, referred to as "Fallen Angels". Despite the below Investment Grade rating, the PRIM Board's managers have successfully constructed portfolios and selected securities of high yield bonds to generate substantial returns and to mitigate risk by managing the expected default rate. There are three managers in the PRIT Fund high yield bond program, all through separate accounts.

Emerging markets debt, 3.3% of the PRIT Core Fund, represents investments in debt issued within the emerging marketplace. There are five managers in the PRIT emerging debt program, representing both Hard Currency and Local Currency strategies; one is through a commingled emerging debt investment vehicle while the others are through separate accounts.

Bank Loans, 1.5% of the PRIT Core Fund, represents investments in senior secured bank loans. There are two managers in the PRIT Fund bank loan program; both invest through commingled funds.

Portfolio Risks. As in the core fixed income portfolio, the prices of these securities increase and decrease in value. Price fluctuations in bonds result from rising and falling interest rates, changes in market conditions, and other economic and political developments. Lower-quality securities typically offer higher yields, but also carry more credit risk. The allocation of investments to emerging markets and distressed debt expose the portfolio to additional risks. Investments in emerging markets are subject to higher settlement, trading and management costs and greater economic, regulatory and political risk, as well as currency risk. Investments in private distressed debt funds subject the portfolio to liquidity, valuation and other risks associated with private investments.

Portfolio Returns: In fiscal year 2014, the Value-Added Fixed Income composite returned 9.98% compared to 9.49% for the asset class benchmark. The PRIT Core Fund's three high yield bond managers, Shenkman, Fidelity, and Loomis Sayles, returned 12.14%, while the Merrill Lynch High Yield Master II Constrained index returned 11.79%. The Emerging Markets Debt Hard Currency portfolio, managed by Ashmore and PIMCO, returned 11.18% during the fiscal year, outperforming the JP Morgan Emerging Markets Bond Index (JPM EMBI Global Index), which returned 11.05%. The Emerging Markets Debt Local Currency portfolio, managed by three managers, Investec, Pictet, and Stone Harbor, returned 2.87%, underperforming the JP Morgan GBI Emerging Markets Global Diversified index return of 3.91%. The two bank loan managers, Eaton Vance and ING, returned 5.13%, underperforming the S&P LSTA Leveraged Loan index return of 5.60%. The Distressed Debt portfolio returned 17.35% compared to the index return of 13.93%. Distressed debt investments are limited partnerships, and the PRIT Fund has invested a total of $1.4 billion with eleven different managers: Anchorage Capital Group; Oaktree Capital Management; Angelo, Gordon & Co.; Avenue Capital Group; Wayzata Investment Partners; H.I.G. Capital; Providence Equity Partners; Centerbridge Capital; GSO Capital Partners; Summit Partners; and Trust Company of the West (TCW)/Crescent Capital. The benchmark for the Distressed Debt portfolio is the Altman NYU Salomon Center Combined Defaulted Public Bond & Bank Loan Index, since distressed debt resides within the Value-Added Fixed Income portfolio and high yield bond investments are used as a substitute for the distressed debt when there are no good distressed debt opportunities.

The top ten holdings in the Value-Added Fixed Income portfolio at June 30, 2014, excluding investments in emerging debt pooled funds, bank loan funds, distressed debt partnerships and other pooled funds, are illustrated below. A complete listing of holdings is available upon request.

#	Issue Name	Fair Value ($000s)	% of Account Fair Value
1	Notas Do Tesouro Nacional 10.000% January 2017	$ 59,538	1.16%
2	Notas Do Tesouro Nacional 10.000% January 2021	43,470	0.84%
3	Russia Foreign Bond 7.850% March 2018	22,655	0.44%
4	Turkey Government Bond 9.500% January 2022	22,258	0.43%
5	Malaysia Government Bond 4.262% September 2016	21,072	0.41%
6	Poland Government Bond 5.250% October 2017	16,688	0.32%
7	Indonesia Treasury Bond 7.000% May 2022	16,485	0.32%
8	Turkey Government Bond 9.000% March 2017	16,326	0.32%
9	South Africa Government Bond 10.500% December 2026	16,290	0.32%
10	Mexican Bonos 6.500% June 2022	16,036	0.31%
	TOTAL	$ 250,818	4.87%

The PRIT Fund's Value-Added Fixed Income portfolio managers at June 30, 2014 are presented in the following table:

Manager	Investment Mandate		Portfolio Fair Value at June 30, 2014 ($000s)
Fidelity Management Trust	High Yield Bond	$	320,772
Loomis, Sayles & Co., LP	High Yield Bond		324,024
Shenkman Capital Management	High Yield Bond		298,851
Ashmore Investment Management	Emerging Markets Debt Hard Currency		512,364
PIMCO	Emerging Markets Debt Hard Currency		316,702
Investec	Emerging Markets Debt Local Currency		318,358
Pictet	Emerging Markets Debt Local Currency		502,789
Stone Harbor	Emerging Markets Debt Local Currency		313,340
Eaton Vance	Bank Loans		442,620
ING	Bank Loans		437,382
Various partnerships	Distressed Debt		1,329,099
Other portfolio net assets			30,946
Total Portfolio Fair Value		**$**	**5,147,247**

Real Estate Portfolio

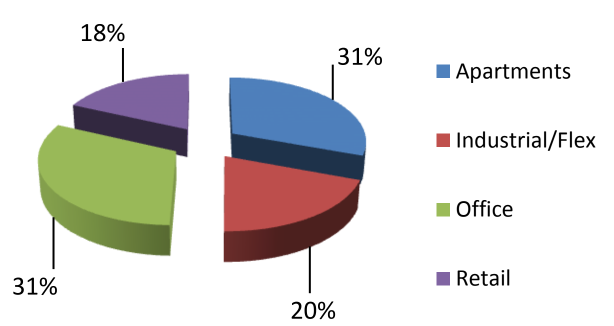
As of June 30, 2014 the PRIM Board had $5.4 billion invested in real estate through the PRIT fund's ownership interest in PRIT Core Realty Holdings LLC (the LLC), representing 8.9% of the PRIT Core Fund. Real estate holdings consist of directly-owned properties, REITs, Investment in real estate private equity funds, and three ETI investments. The PRIT Fund invests in real estate because it provides the PRIT Fund with diversification and attractive returns. Real estate returns typically do not have a strong correlation with stock and bond returns, therefore offering an element of diversification to reduce volatility. Real estate can also offer attractive current returns as a portfolio of well-leased assets provides consistent cash flows from rental income.

Approximately 72% of the real estate allocation is dedicated to direct investments and private partnerships (the "Private Real Estate Investments"). The Private Real Estate Investments are subsequently broken down into Core and Non-Core real estate investments. As of June 30, 2014, $3.5 billion (net of portfolio debt) of Core real estate investments and $437 million of Non-Core real estate investments comprise PRIT's Private Real Estate Investments. Typically, Core investments are relatively low risk and substantially leased (80% or greater occupancy at the time of investment) institutional quality real estate. Non-Core investments offer higher potential returns at a higher risk profile, managed by the investment advisor. The PRIM Board's Non-Core program targets opportunities associated with development, vacancy and tenant exposure or the potential to physically or financially reposition an investment. Public REITs comprise the remainder of the investments in the PRIT Fund real estate portfolio. As of June 30, 2014, the PRIM Board had approximately $1.5 billion allocated to public REITs. In June 2009, the Board voted to reduce the target allocation to public REITs from 3% of the PRIT Fund to 2% and increase the international (ex-U.S.) REIT allocation from 30% of total REITs to 50%. In April 2012, the Board voted to amend the 50% U.S. REIT / 50% international REIT (ex-U.S.) target allocation to a global weight linked to EPRA NAREIT and adopt the FTSE EPRA NAREIT Developed Net Total Return benchmark for the REIT program.

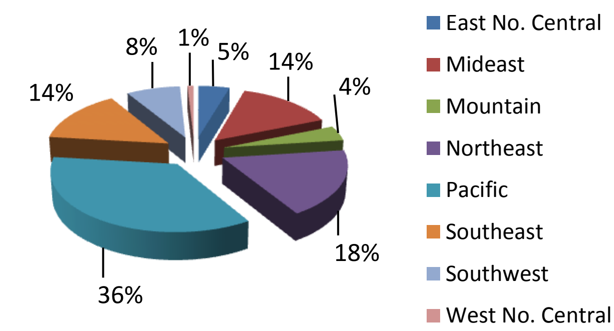
The public REIT portfolio represents 2.5% of the total PRIT fund.

The following charts display the property type and geographic diversification of the PRIM Board's directly owned Real Estate assets, at June 30, 2014:

Private Real Estate by Property Type
As of June 30, 2014



Private Real Estate by Geography
As of June 30, 2014



The PRIM Board's strategies utilize a disciplined portfolio approach to real estate investing that is focused on investments in equity interests in institutional quality real estate. The PRIM Board's fiscal 2014 allocation to real estate is 10% of total plan assets, which allows the PRIM Board to establish separate accounts with capable real estate investment managers under terms that are beneficial to the PRIM Board. Because the PRIM Board is typically the sole owner of the real estate in each such account, the managers operate under clear policies and guidelines most appropriate to the PRIM Board's investment needs.

Leverage. The PRIM Board approved the Real Estate Portfolio Level Leverage Policy at its April 3, 2012 Board meeting. This policy permits portfolio level debt to be incurred subject to the following policy guidelines: (i) **Debt Service Coverage:** The amount of free cash flow to cover debt service should be no lower than 1.5x at the time debt is placed. In the event the debt service coverage ratio falls to 1.25x, leverage should be reduced to bring the ratio back into compliance with the 1.5x level. This ratio is to be calculated using a one-year trailing measure. (ii)**Spread of NOI over Borrowing Rate:** The spread of NOI over borrowing interest rate should be no lower than 200 basis points at the time debt is placed. In the event the spread is reduced to 100 basis points, leverage should be reduced until a 200 basis point spread can be achieved. This ratio is to be calculated using a one-year trailing measure. (iii)**Loan-to-Value Ratio:** The loan-to-value ratio should be no more than 40% of the total portfolio. This ratio would include any property-level financing (on separate account properties or funds, but exclusive of public securities debt) in place as well as the portfolio level facility. The calculation of the loan-to-value ratio will be: total debt/gross asset value of the private portfolio. (iv)**Fixed and Floating Interest Rates:** The facility may utilize fixed or floating interest rates and may utilize derivatives to achieve these rates. The decision to use fixed or floating rates will be determined at the time of borrowing and will be a function of availability, rate and risk. Fixed rate financing will be the preferred method. (v)**Allocation of Debt to Managers:** Managers will be allocated capital from the leverage facility at the discretion of staff with Board approval. The debt will be held at the portfolio level and will not affect the performance of the managers. New allocations of capital to the managers will essentially be considered as equity.

In February 2013, the LLC completed a $1.0 billion portfolio level real estate financing through the issuances of a senior unsecured term loan and senior unsecured notes. At June 30, 2014, the LLC had portfolio level debt of $1.0 billion and property level debt of $548.9 million. The LLC was in compliance with the debt covenants at June 30, 2014.

Portfolio Risks Investments in real estate are subject to various risks, including adverse changes in economic conditions and in the capital markets, financial conditions of tenants, interest of buyers and sellers in real estate properties, environmental laws and regulations, zoning laws, governmental rules, uninsurable losses, and other factors beyond the control of the property owner. In addition, while diversification is an important tool used by the PRIM Board for mitigating risk, there is no assurance that diversification, either by geographic region or asset type, will consistently be maintained in the Core Real Estate Portfolio because of the illiquid nature of real estate. In addition, the portfolio is subject to valuation risk, as the valuation of the assets in this portfolio is based on estimates made by the PRIM Board in coordination with external appraisers and the investment managers. Furthermore, there can be no assurance that the fair value of the portfolio will ultimately correspond to the realized value of the underlying properties. Public REITs face risks similar to the risks of public equities both domestically and internationally since they are traded on public exchanges. They can experience corrections and price movements that are much more rapid than those experienced by private real estate portfolios and the share price can vary significantly from underlying NAV.

Performance. During the fiscal year, the PRIM Board's direct real estate and REIT investments produced strong performance in response to improving employment data, a continued low interest rate environment and strong demand for real estate in core markets.

For the fiscal year 2014, the real estate portfolio returned 13.52%, outperforming the asset class benchmark (80% NCREIF Property Index (one quarter lag)/20% FTSE EPRA NAREIT Developed Net Total Return) by 1.65%. The private real estate portfolio returned 13.15% for the year ended June 30, 2014, comparing to the NCREIF Property Index (one quarter lag), which returned 11.18% over the same period. REIT investments returned 14.56%, outperforming its benchmark by 0.31%.

The Real Estate portfolio returned 12.09% over the past three-years versus the asset class benchmark return of 11.69%. On a five-year basis, returns were 11.85% compared to the benchmark return of 10.22%. On a 10-year basis, the real estate portfolio returned 10.29% compared to the benchmark return of 8.90%.

The PRIT Fund's real estate investment managers at June 30, 2014 are presented in the following table:

Manager	**Investment Mandate**	**Portfolio Fair Value at June 30, 2014 ($000s)**
Invesco Realty Advisors	Separate Accounts - Core	$ 762,677
LaSalle Investment Management	Separate Accounts - Core	1,353,510
AEW	Separate Accounts - Core	605,280
J.P. Morgan Investment Management	Separate Accounts - Core	595,982
TA Associates Realty	Separate Accounts - Core	1,129,438
Various Non-Core Partnerships	Non-Core	420,290
European Investors	Global REITs	507,267
Invesco Realty Advisors	Global REITs	261,345
CenterSquare Investment Management	Global REITs	739,254
Canyon Johnson	ETI	5,977
Intercontinental	ETI	2,587
New Boston	ETI	8,242
Other portfolio net assets (portfolio debt included)		(1,011,827)
Total Portfolio Fair Value		**$ 5,380,022**

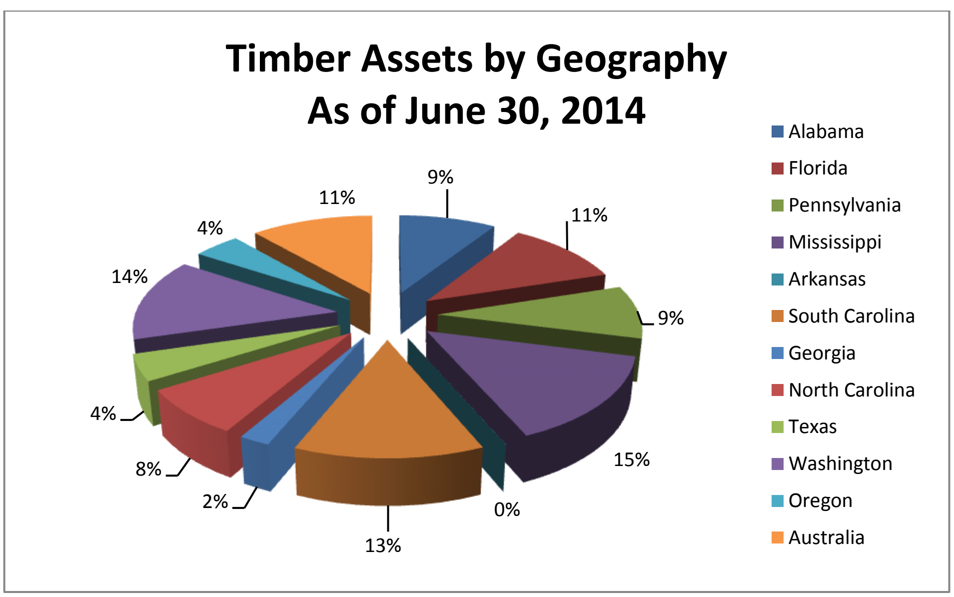
Timber and Natural Resources Portfolio

As of June 30, 2014, the PRIM Board had $1.5 billion invested in timber, representing 2.4% of the PRIT Core Fund. The PRIT Fund's allocation to timber is through two external timber investment managers, Forest Investment Associates (FIA) and The Campbell Group (Campbell). In February 2008, the Board voted to add a 2% allocation to Natural Resources in order to complement the timber allocation. In June 2009, the Board voted to set a 4% long-term target allocation to timber. In order to fund this allocation, the Board authorized the liquidation of the 2% allocation to publicly traded natural resources at the appropriate time. As of June 30, 2014, the PRIM Board had $568.9 million invested with two Natural Resources managers, Jennison and T. Rowe Price, representing 0.9% of the PRIT Core Fund. These managers invest in publicly traded companies who focus on natural resource oriented companies (e.g. oil, mining, energy companies). An additional $332.8 million is invested in natural resources through PRIM's Private Equity program, representing 0.5% of the PRIT Core Fund.

The United States timberland markets are divided into three regions, each with distinct economic characteristics: the Pacific Northwest, the Northeast and the Southeast. The Pacific Northwest is a high value softwood market, in which the growing cycle to produce a mature tree is forty to fifty years. The high value tree in this region is Douglas Fir, which is used primarily to produce high quality dimensional and structural lumber. The timber growing cycle in the Southeast is much shorter, in the range of twenty-five years. Southern pine is the dominant species and it is used typically to make pulp for the paper industry or lower quality-framing lumber. The Northeast market is much smaller than the other two markets and consists of a wider range of trees, including high value specialty woods such as cherry and oak.

In Australia, there is approximately 2 million hectares (4.9 million acres) of plantation timberlands that are almost evenly split between hardwood and softwood species. Australia is a net importer of forest products, with limited domestic supply and high demand. With increasing fiber demand from China, export opportunities exist for plantations with close proximity to ports.

The geographical diversification of the PRIT Fund's timber portfolio at June 30, 2014 is presented below.



Investment returns from timberland investments are derived from the net cash flow generated from the sale of trees (referred to as stumpage sales) combined with capital appreciation from the biological growth of the trees. Both of these return factors depend to some degree upon the direction of forest product commodity prices (paper goods and lumber products). There can also be gains from the timely sale of timberland and from the conversion of timberland into higher and better uses, such as vacation property sales.

Portfolio Risks. Investments in timberland assets are subject to various risks, including adverse changes in general economic conditions, fluctuations in the market price of timber, damage to timber properties due to infestation and weather related events, changes in regulatory conditions and other governmental rules. In addition, the portfolio is subject to valuation risk, as the valuation of the assets in this segment are based on estimates made by the PRIM Board through coordination with external appraisers and the PRIM Board's timber investment managers. Accordingly, there can be no assurance that the fair value of investments will correspond to the ultimate realized value of the properties. International timberland investments are also subject to currency fluctuations that can result in unpredictable gains or losses when foreign currency is converted into U.S. dollars.

Performance. As of June 30, 2014, the one-year Timber return was 11.77% as compared to the NCREIF Timber Index (one quarter lag) of 9.77%. Since its inception, in January 2002, the Timber portfolio has produced an annualized return of 9.86%. With a 2.4% investment in timber at fiscal year-end, the PRIM Board was slightly over its target of 2% for the year. However, both staff and its managers continue to evaluate new strategies and opportunities.

For the year ended June 30, 2014, the publicly traded Natural Resource portfolio returned 34.07%, outperforming the Lipper Natural Resources Global Fund index return of 28.42%, by 565 basis points. The private Natural Resources investments returned -5.60% for the fiscal year. As of June 30, 2014, the one-year combined Timber/Natural Resources return was 13.43% as compared to the blended NCREIF Timber / Lipper Natural Resources Global Fund / Actual Private Natural Resources Index of 14.79%. On a three-, five-, and 10-year basis through June 30, 2014, the PRIT Fund's combined Timber/Natural Resources portfolio has returned 3.75%, 4.90%, and 7.86%, respectively, compared to the benchmark return of 4.75%, 7.08%, and 7.24%, respectively.

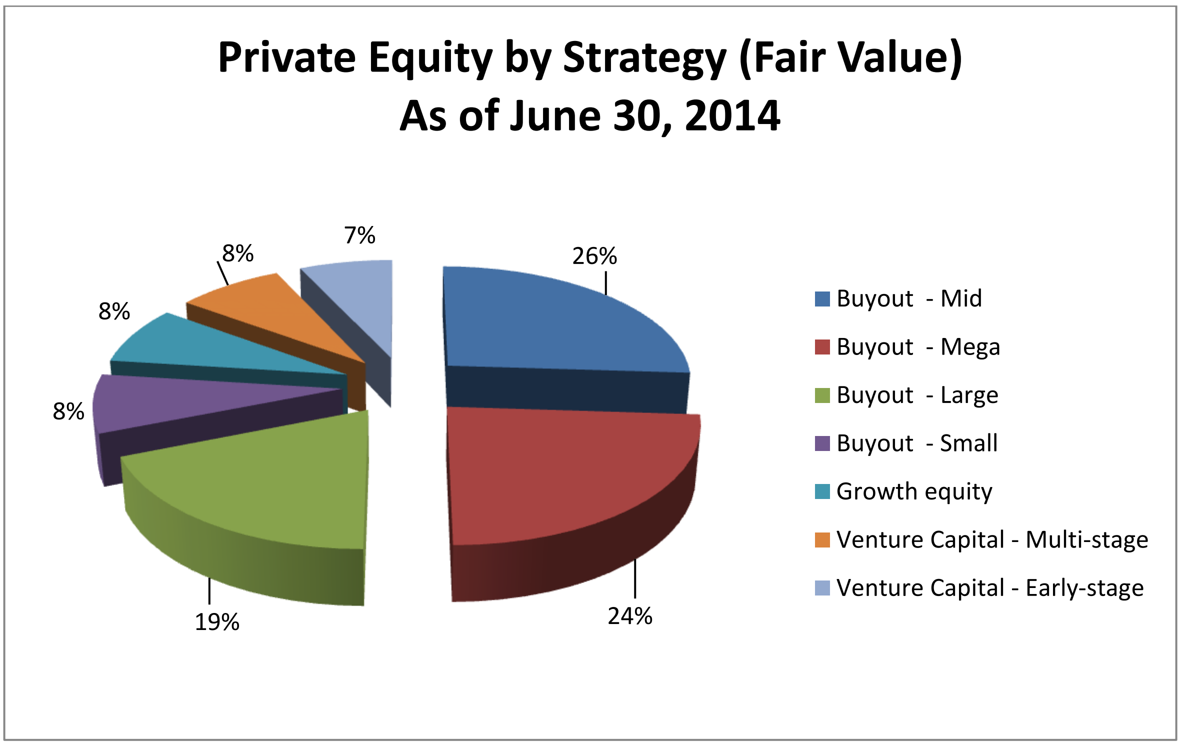
The PRIT Fund's Timber and Natural Resources investment managers at June 30, 2014 are presented in the following table:

Manager	**Investment Mandate**	**Portfolio Fair Value at June 30, 2014 ($000s)**	
Forest Investments Associates	Separate Accounts - Timber	$	1,064,570
The Campbell Group	Separate Accounts - Timber		446,118
Jennison	Global Natural Resources		303,505
T. Rowe Price	Global Natural Resources		265,363
Various Private Equity Investments	Natural Resources - Private		335,000
Other portfolio net assets			(39,693)
Total Portfolio Fair Value		**$**	**2,374,863**

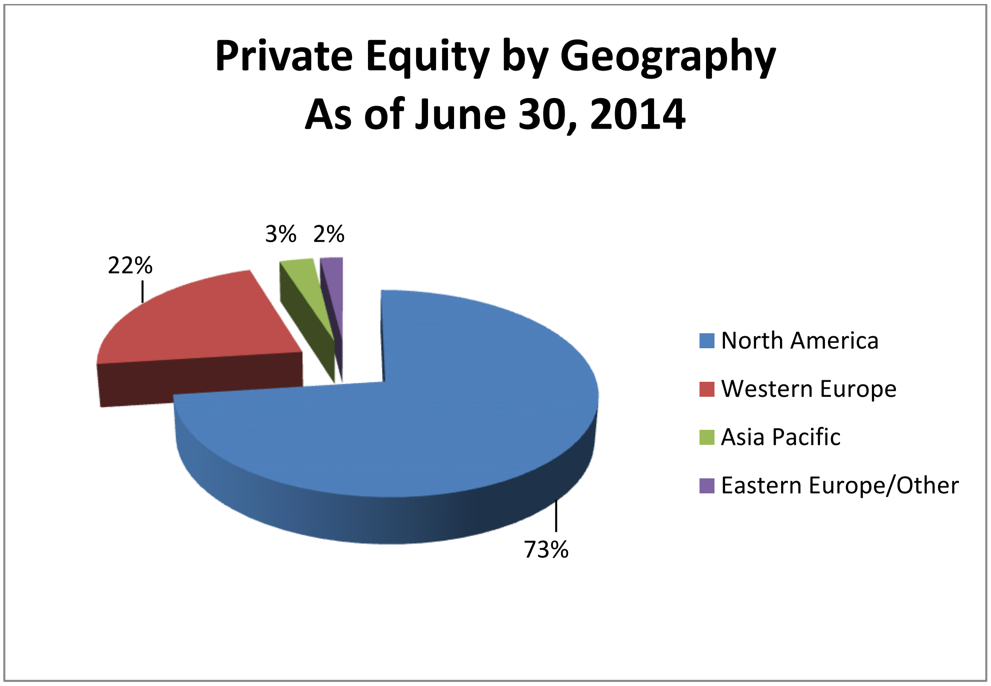
Private Equity Portfolio

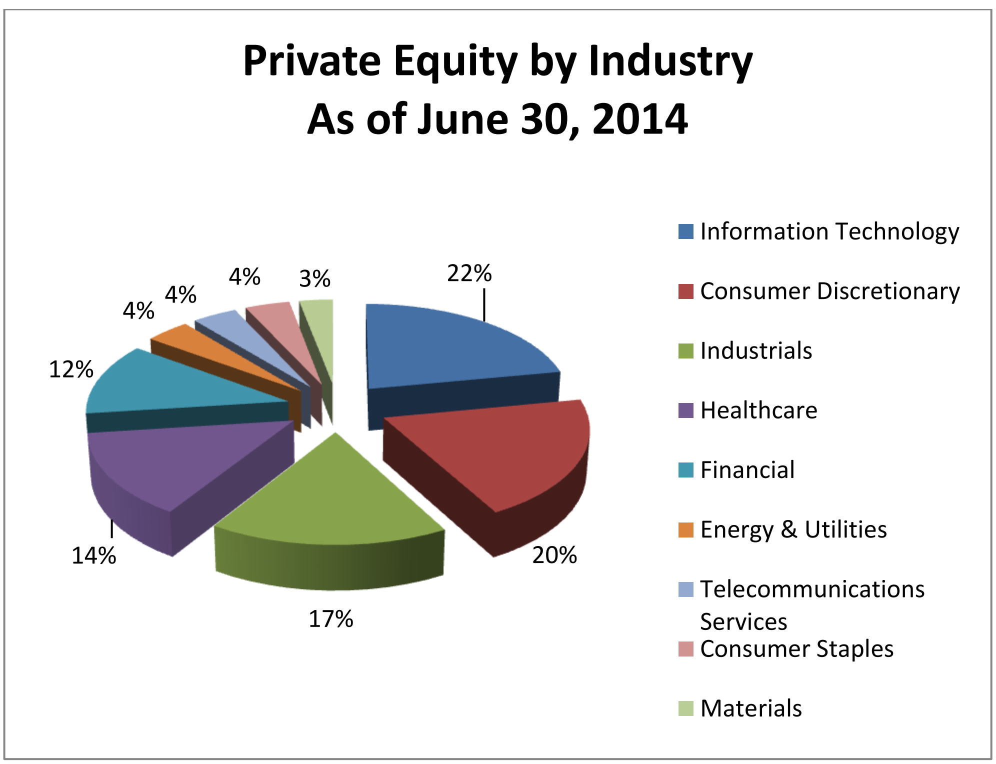
As of June 30, 2014 the market value of the Private Equity portfolio was $6.7 billion or 11.1% of the total PRIT Core Fund. The PRIT Fund's long-term target allocation to Private Equity investments is 10%. Two components comprise the PRIT Fund's Private Equity portfolio: venture capital (early-stage and multi-stage) and special equity partnerships (large market buyout, middle market buyout, and growth equity). Unlike public markets, where the investor has the ability to "cash out" of positions at any time, these private market investments are illiquid. Therefore, an investment in this category is a long-term commitment.

The Private Equity portfolio is well-diversified by strategy and the allocation as of June 30, 2014 is highlighted below.



The Private Equity portfolio is diversified at the partnership level by strategy as well as at the underlying portfolio company level by industry and geography. The portfolio's current geographical and industry allocations are presented below.





Capital invested in private equity partnerships is subject to a relatively high degree of risk as compared to other potential investments, with the assumption that the investor will be rewarded with higher returns for that assumption of risk, i.e. the "risk/return trade-off". This risk/return trade-off is the key consideration in determining if this asset is appropriate for a particular portfolio. These risks are highlighted below.

Portfolio Risks. Risks associated with investing in private equity limited partnerships include, but are not limited to:

- *Illiquidity*: Limited partnership vehicles typically have 10-15 year life cycles during which limited partners are unable to liquidate their entire positions, but instead, will receive the cash flow from successful investments. A defined secondary market such as the New York Stock Exchange does not exist for private equity.

- *Volatility*: Volatility, as measured by standard deviation from a mean return, has historically been greater for private equity investing than many other assets. It is generally recognized that standard deviations for private equity should be estimated at approximately 25%, versus 17% for domestic public equity.

- *Management Fee Effect*: Typically, general partners' fees range from 150 to 250 basis points annually. This is usually drawn down against committed capital, although it may not be invested, and may result in negative returns until investments are realized successfully.

- *Valuation of investments*: Investment valuation at any time may not be reflective of fair market value. Due to recent U.S. accounting rule changes (ASC 820) Private Equity investments are generally valued at fair value. However, because of the inherent uncertainty of the valuation of the portfolio companies, the estimated value may differ significantly from the value that would have been used had a ready market for these securities existed.

- *General Partner Discretion*: Investors lack control over the general partner's investment decisions. The general partner is provided capital to manage at its discretion and investors are provided limited rights, such as termination of the partnership in certain instances. (These rights may not prove practical except in extreme circumstances.)

- *Binding Commitments*: There is limited ability to reduce or terminate investments. Under the contractual terms of the partnership, investments may be terminated in some cases by super-majority vote of the investors and after the occurrence of certain events. (These rights may not prove practical except in extreme circumstances.)

- *Risk of Loss*: There is risk of losing 100% of the investment. Investments in partnerships are usually equity and the risk nature of these investments could result in loss of the entire investment.

Performance. The PRIT Fund's Private Equity portfolio delivered a one-year return of 26.75% through June 30, 2014. The PRIT Fund's Private Equity managers were active in making new investments as well as in generating liquidity in the year ending June 30, 2014. The PRIT Fund's managers called $1.1 billion of capital for additional investments including management fees and partnership expenses, which is higher than the $985 million called during the prior fiscal year. From a liquidity standpoint, the portfolio generated total distributions of $2.0 billion which is well ahead of the $1.5 billion distributed in the 2013 fiscal year.

While there is not currently a widely used or conventional benchmark in this asset class, the PRIM Board staff targets investment opportunities with the ability to generate a long-term rate of return equal to or greater than the Russell 3000 + 3%. The PRIT Fund's Private Equity program has achieved this goal over the 10-year period, outperforming the Russell 3000 by a minimum of 300 basis points. Over the long term the PRIT Fund's Private Equity portfolio has performed well with a 10-year annual return of 17.93% as of June 30, 2014, exceeding the Russell 3000 index return of 8.23% by 970 basis points. On a five-year basis, the portfolio fell behind the Russell 3000 by 47 basis points, 18.86% compared to 19.33%. For the three-year period ending June 30, 2014, the Private Equity portfolio returned 17.23%, outperforming the Russell 3000 index return of 16.46% by 77 basis points. For the one-year period ending June 30, 2014, the Private Equity portfolio returned 26.75%, outperforming the Russell 3000 index return of 25.22% by 153 basis points. It is important to remember that there is a one quarter lag inherent in private equity valuations. For this reason the June 30, 2014 results for the Private Equity portfolio do not reflect the same level of appreciation in asset values that are reflected in public market indices such as the Russell 3000.

Since inception to June 30, 2014, the PRIT Fund has committed over $15.4 billion to 331 partnerships (251 active) of which $12.5 billion has been invested. The program has generated $13.1 billion in distributions. The net IRR since inception for the program is 13.20%.

PRIVATE EQUITY EXTERNAL MANAGERS

As of June 30, 2014

	Partnership	Location		Partnership	Location
1	ACON Investments	Washington, DC	53	Kepha Partners	Waltham, MA
2	Advent International	Boston, MA	54	Keytone Ventures	Beijing, China
3	Alchemy Partners	London, UK	55	Kohlberg Kravis Roberts & Co.	New York, NY
4	Alta Communications	Boston, MA	56	KPS Capital Partners	New York, NY
5	American Securities	New York, NY	57	Madison Dearborn Capital Partners	Chicago, IL
6	APAX Partners & Co.	London, UK	58	M/C Venture Partners	Boston, MA
7	Apollo Management Co.	New York, NY	59	Menlo Ventures	Menlo Park, CA
8	Austin Ventures	Austin, TX	60	Montagu Private Equity	London, UK
9	Ascent Ventures	Boston, MA	61	Montreux Equity Partners	Palo Alto, CA
10	Bain Capital	Boston, MA	62	Nautic Partners	Providence, RI
11	Battery Ventures	Wellesley, MA	63	New Enterprise Associates	Baltimore, MD
12	Berkshire Partners, LLC	Boston, MA	64	Nordic Capital	Stockholm, Sweden
13	The Blackstone Group	New York, NY	65	Odyssey Investment Partners	New York, NY
14	Boston Ventures	Boston, MA	66	Olympus Growth Fund	Stamford, CT
15	Bridgepoint	London, UK	67	Onex Partners	Toronto, CA
16	Candover	London, UK	68	PAI Partners	Paris, France
17	Carlyle Partners	Washington, DC	69	Permira Europe	London, UK
18	Castile Ventures	Waltham, MA	70	Polaris Venture Partners	Waltham, MA
19	Catalyst Investors	New York, NY	71	Providence Equity Partners	Providence, RI
20	Centerbridge Capital Partners	New York, NY	72	Quad - C Management, Inc.	Charlottesville, VA
21	Charles River Ventures	Waltham, MA	73	Quantum Energy Partners	Houston, TX
22	Charlesbank Capital Partners	Boston, MA	74	Rembrandt Venture Partners	Menlo Park, CA
23	Charterhouse Capital Partners	London, UK	75	Richland Ventures	Nashville, TN
24	Chequers Capital	Paris, France	76	SAIF Partners	Hong Kong, China
25	Code Hennessey & Simmons	Chicago, IL	77	SCP Vitalife	Tel Aviv, Israel
26	Commonwealth Capital Ventures	Wellesley, MA	78	Sherbrooke Capital	Newton, MA
27	CVC Capital (Europe)	London, UK	79	Sofinnova Venture Partners	Menlo Park, CA
28	Cypress Merchant Banking	New York, NY	80	Spark Capital	Boston, MA
29	Denham Capital Management	Boston, MA	81	Spectrum Equity Partners	Boston, MA
30	DLJ Merchant Banking	New York, NY	82	Summit Ventures	Boston, MA
31	El Dorado Ventures	Menlo Park, CA	83	SV Life Sciences	Boston, MA
32	Equitable Capital Management	New York, NY	84	TA Associates	Boston, MA
33	Essex Woodlands	Houston, TX	85	TCV	Menlo Park, CA
34	Ethos Private Equity	Johannesburg, South Africa	86	Tenaska Power Fund	Omaha, NE
35	Exponent Partners	London, UK	87	Texas Pacific Group	San Fran./Fort Worth
36	First Reserve Corporation	Greenwich, CT	88	Thoma Bravo	Chicago/San Francisco
37	Flagship Ventures	Cambridge, MA	89	Thoma Cressey	Chicago, IL
38	Forstmann, Little & Co.	New York, NY	90	Thomas H. Lee Equity Partners	Boston, MA
39	Freeman Spogli Equity Partners	Los Angeles, CA	91	Torquest Partners	Toronto, CA
40	Genstar Capital Partners	San Francisco, CA	92	Towerbrook Capital Partners	New York/London
41	Guilde Buy Out Partners	Utrecht, Netherlands	93	Trident Capital	Palo Alto, CA
42	The Gores Group	Los Angeles, CA	94	Union Square Ventures	New York, NY
43	GTCR Golder, Rauner	Chicago, IL	95	VantagePoint Partners	San Bruno, CA
44	Hellman & Friedman Capital Partners	San Francisco, CA	96	Vestar Capital Partners	New York, NY
45	H.I.G. Capital	Miami, Fla.	97	Vista Equity Partners	San Francisco, CA
46	Highland Capital Partners	Boston, MA	98	Welsh CarsonAnderson & Stowe	New York, NY
47	Hony Capital	Beijing, China	99	Weston Presidio Capital	Boston/San Francisco
48	Index Ventures	Geneva, Switzerland	100	Westview Capital Partners	Boston, MA
49	Insight Venture Partners	New York, NY	101	Whitney & Co.	Stamford, CT
50	Institutional Venture Partners	Menlo Park, CA	102	William Blair Mezzanine Capital Fund	Chicago, IL
51	InterWest Partners	Menlo Park, CA/Dallas, TX	103	Willis Stein	Chicago, IL
52	Kelso & Company	New York, NY	104	Xenon Private Equity	Milan, Italy

Hedge Fund Portfolio

As of June 30, 2014 the Hedge Fund portfolio had approximately $5.8 billion in assets, which represented 9.6% of the PRIT Fund. The PRIM Board has investments with twenty-two direct hedge fund managers, one active hedge fund of funds manager, and two residual liquidating fund of funds portfolios. The Rock Creek Group is managing the liquidation of the Ivy Asset Management portfolio.

The PRIT Fund's Hedge Fund managers at June 30, 2014 are presented in the following table:

Manager	Strategy Focus	Portfolio Fair Value at June 30, 2014 ($000s)
PAAMCO	*Core - Emerging Managers*	$ 1,436,251
Arden Asset Management - Liquidation	*Equity Market Neutral/Fundamental Credit*	122,113
Ivy Asset Management Corp. - Liquidation	*N/A*	8,372
Direct Hedge Funds	*Core*	4,278,802
Other portfolio net assets		49
Total Portfolio Fair Value		**$ 5,845,587**

Portfolio Risks. The Hedge Fund portfolio is subject to the various risks of underlying investments in hedge funds. The portfolio is subject to market risk through a general downturn in market conditions, credit risk inherent in fixed income hedge fund strategies. The portfolio is also exposed to liquidity risk in unwinding underlying hedge fund investment positions. In addition, the hedge fund space is exposed to operational risks in executing investment strategies, and valuing investment positions. The PRIM Board has developed a detailed hedge fund investment plan to manage these risks and ensure appropriate diversification within the asset class.

The PRIT Fund's Hedge Fund portfolio managers returned 10.78% for the fiscal year versus a return of 7.69% for the benchmark HFRI Fund of Funds Composite Index. The Hedge Fund portfolio has returned 6.93% and 7.09% over the three and five year periods versus the asset class benchmark of 3.99% and 3.49%, respectively. All performance figures for this asset class are reported 'net of fees'.

Portable Alpha Wind Down

In October 2009, the PRIM Board voted to terminate the Portable Alpha program. Beginning January 1, 2010, the Rock Creek Group began managing the liquidation and wind down of the portfolios. As of June 30, 2014, the Portable Alpha Wind Down portfolio had $49.7 million in assets which represents 0.1% of the PRIT Fund. Prior to January 1, 2010, the returns of the Portable Alpha program are included in the Domestic Equity portfolio.

Overlay

At the August 8, 2013 Board meeting, the PRIM Board voted to hire the Clifton Group for the Cash Overlay program. As of June 30, 2014, the Overlay portfolio had $549.4 million in assets which represents 0.9% of the PRIT Fund. Since its inception in October 2013, the Overlay portfolio had a return of 9.52%.

SCHEDULE OF TIME-WEIGHTED RETURNS BY ASSET CLASS*

For the Periods Ended June 30, 2014

Asset Class *Benchmark as of June 30, 2014*	1 Year	3 Year	5 Year	10 Year
Global Equity (1)	**23.07%**	**11.11%**	**15.52%**	**7.86%**
35% S&P 500/9% Russell 2500/40% Custom MSCI World EX-US NET DIVS IMI/16% Custom MSCI EM IMI NET DIVS	*23.03%*	*10.18%*	*14.38%*	*7.51%*
Domestic Equity	**24.93%**	**16.51%**	**19.09%**	**6.96%**
80% S&P 500/20% Russell 2500 (2)	*24.83%*	*16.38%*	*18.31%*	*7.85%*
International Equity	**24.44%**	**9.40%**	**13.47%**	**7.94%**
Custom World EX-US IMI NET DIVS	*24.57%*	*7.68%*	*11.92%*	*7.04%*
Emerging Markets	**14.07%**	**0.15%**	**10.00%**	**11.44%**
Custom MSCI EM IMI NET DIVS	*14.03%*	*-0.13%*	*9.28%*	*12.03%*
Core Fixed Income (3)	**5.77%**	**4.46%**	**6.08%**	**5.02%**
54% BC Agg/25%BC US STRIPS 20+ Year /7%BC US TIPS/14% BC ILB US$ HEDGED	*5.37%*	*4.01%*	*5.28%*	*4.61%*
Value-Added Fixed Income (3)	**9.98%**	**7.07%**	**13.84%**	**9.52%**
18% ML Master II HY Constrained Index/17% S&P LSTA Leveraged Loan Index/16% JPM EMBI Global/22% JPM GBI-EM Global/27% Altman Index	*9.49%*	*6.82%*	*11.51%*	*8.67%*
Real Estate	**13.52%**	**12.09%**	**11.85%**	**10.29%**
80% NCREIF Property One Qtr. Lag/20% FTSE EPRA NAREIT DEVELOPED Net Total Return	*11.87%*	*11.69%*	*10.22%*	*8.90%*
Private Equity	**26.75%**	**17.23%**	**18.86%**	**17.93%**
No Benchmark	*na*	*na*	*na*	*na*
Timber/Natural Resources (4)	**13.43%**	**3.75%**	**4.90%**	**7.86%**
64% NCREIF Timber/22% Lipper Natural Resources Global Fund Index/14% Actual Natural Resources - Private	*14.79%*	*4.75%*	*7.08%*	*7.24%*
Hedge Funds (5)	**10.78%**	**6.93%**	**7.09%**	**5.18%**
HFRI Fund of Funds Composite Index (7)	*7.69%*	*3.99%*	*3.49%*	*5.31%*
Portable Alpha Wind Down (6)	**-5.78%**	**-3.71%**	**2.31%**	**na**
HFRI Fund of Funds Composite Index (7)	*7.69%*	*3.99%*	*4.92%*	*na*
	1 Year	**3 Year**	**5 Year**	**10 Year**
Total PRIT Core Fund	**17.60%**	**9.83%**	**12.85%**	**7.94%**
Policy Benchmark	*14.92%*	*8.21%*	*10.61%*	*7.50%*
TUCS Universe Median	*17.39%*	*10.01%*	*12.83%*	*7.52%*
TUCS Universe Ranking	*41st*	*58th*	*50th*	*25th*

(1) The Global Equity composite inception date coincides with the establishment of the MSCI All Country World Index on January 1, 2001.

(2) Current Domestic Equity benchmark is 80% S&P 500/20% Russell 2500. It was Dow Jones Wilshire 5000 through 4/30/08; Russell 3000 through 6/30/09; 78% Russell 3000/22% 3 Month Libor + 3% through 12/31/09; Russell 3000 through 10/31/11.

(3) Prior to July 2001, all high yield returns are reflected in the Fixed Income Account.

(4) The Timber Account's inception date was January 1, 2002; Natural Resources Account's inception was August 1, 2008.

(5) The Hedge Fund Account's inception date was July 1, 2004.

(6) Prior to January 1, 2010, Portable Alpha returns are reflected in the Domestic Equity Account.

(7) The HFRI index benchmark commenced on January 1, 2010. Prior, the Hedge Fund index consisted of the ML 90-Day T-Bill plus 4%, while the Portable Alpha Index was tied to the Domestic Equity Index +3%.

*** All return information is gross of fees, except Hedge Fund fees, which is net of fees. Returns are calculated based on a time-weighted rate of return methodology.**

Investment Summary at Fair Value

As of June 30, 2014

		Fair Value ($000s)	% of Fair Value
Short-term:			
Money market investments	$	1,152,040	1.84%
Fixed income:			
U.S. Government obligations		4,463,870	7.14%
Domestic fixed income		5,545,436	8.87%
International fixed income		3,604,539	5.77%
Distressed debt		1,329,099	2.13%
Equity:			
Domestic equity securities		10,409,415	16.66%
International equity securities		14,714,199	23.54%
Real estate		6,964,718	11.14%
Timber		1,510,688	2.42%
Private Equity:			
Venture capital		1,389,868	2.22%
Special equity		5,522,375	8.84%
Hedge Funds:			
Direct hedge funds and hedge fund of funds		5,845,788	9.35%
Portable Alpha hedge fund of funds		49,682	0.08%
Total investments	$	62,501,717	100.00%

SUMMARY SCHEDULE OF BROKER COMMISSIONS

(Top 25 Brokers and Cumulative Fees Paid to Others)

Fiscal Year Ended June 30, 2014

Brokerage Firms	Fees Paid ($)	% Total	Average $ per share
UBS	$ 691,952	10.8%	0.0027
Merrill Lynch	531,792	8.3%	0.0005
Morgan Stanley	457,393	7.2%	0.0037
Credit Suisse	425,416	6.7%	0.0016
JP Morgan Securities	402,986	6.3%	0.0044
Citigroup Global Markets	374,406	5.9%	0.0025
Goldman Sachs	292,295	4.6%	0.0044
Deutsche Bank	280,402	4.4%	0.0036
Credit Lyonnais Securities	193,437	3.0%	0.0029
Instinet	171,036	2.7%	0.0027
HSBC	160,889	2.5%	0.0028
Macquarie	157,463	2.5%	0.0015
Barclays	115,497	1.8%	0.0000
Jefferies & Co	96,697	1.5%	0.0131
Rosenblatt Securities	72,284	1.1%	0.0231
BNY ConvergEx	69,796	1.1%	0.0221
BNP Paribas	69,306	1.1%	0.0027
Investment Technology Group	56,986	0.9%	0.0039
Banco Santander	53,271	0.8%	0.0086
State Street	52,966	0.8%	0.0043
Sanford C. Bernstein & Co	52,340	0.8%	0.0186
Guzman & Company	51,619	0.8%	0.0182
Salomon Smith Barney	46,915	0.7%	0.0392
Weeden & Co	45,229	0.7%	0.0207
William Blair & Company	45,122	0.7%	0.0379
Others	1,428,914	22.3%	0.0018
Totals	$ 6,396,409	100%	0.0003

The PRIM Board has commission recapture agreements with several brokers. A summary of the commission recapture program is included in the Investment Policy Statement included at the end of the Investment Section. For the fiscal year ended June 30, 2014 the PRIT Fund earned approximately $18 thousand from the commission recapture program.

SCHEDULE OF DIRECT MANAGEMENT FEES

Fiscal Year Ended June 30, 2014

Investment Management Fees by Asset Class:		($000s)
Domestic Equity	$	13,962
Emerging Markets Equity		8,822
International Equity		17,327
Core Fixed Income		5,902
Value-Added Fixed Income		10,411
Real Estate		7,206
Timber/Natural Resources		2,997
Private Equity		2,937
Total Investment Management Fees		69,564
Investment Advisory (Consulting) Fees		4,493
Custodian Fees		690
Other Administrative Fees		9,417
Total Direct Management Fees charged to PRIT	$	84,164

SCHEDULE OF RETIREMENT SYSTEMS BY INVESTMENT

Segmentation Accounts invested as of June 30, 2014

Retirement System		Net Asset Vaules ($000s) 6/30/14	General Allocation	Domestic Equity	International Equity	Emerging Markets	Core Fixed Income	Real Estate	Private Equity	Hedge Funds	Value Added Fixed Income
Amesbury	$	46,267	X								
Andover	$	111,492	X								
Arlington	$	121,942	X								
Athol	$	21,093	X								
Attleboro	$	11							X		
Barnstable	$	815,750	X						X		
Belmont	$	25,006	X		X			X	X	X	
Berkshire	$	187,737	X								
Beverly	$	97,251	X								
Blue Hills	$	9,488	X								
State Boston/Teachers	$	1,464,396	X								
Braintree	$	43,665	X					X		X	
Bristol County	$	31,022							X	X	
Brookline	$	25,411							X	X	
Cambridge	$	72,973								X	
Chelsea	$	114,313	X								
Chicopee	$	26,215						X		X	
Clinton	$	37,685	X					X	X		
Concord	$	53,127	X					X	X		
Danvers	$	38,199			X	X			X	X	
Dedham	$	108,968	X								
Dukes County	$	57,856	X		X			X			
Easthampton	$	41,628	X								
Essex	$	322,130	X								
Everett	$	95,541	X								
Fairhaven	$	48,841	X								
Fall River	$	224,347	X								
Falmouth	$	10,079								X	
Fitchburg	$	92,559	X								
Framingham	$	251,119	X								
Franklin County	$	72,010	X					X			
Gardner	$	45,574	X								
Gloucester	$	83,239	X								
Greenfield	$	57,582	X								
Hampden County	$	278,318	X								
Hampshire County	$	72,583				X		X	X	X	
Haverhill	$	80,803			X	X	X	X	X	X	X
Hingham	$	94,283	X	X	X	X	X	X	X	X	X
Holyoke	$	8,640								X	
Hull	$	35,667	X								
Lawrence	$	170,688	X								
Leominster	$	83,332	X							X	
Lexington	$	13,373								X	
Lowell	$	291,798	X								
Lynn	$	242,540	X								
Marblehead	$	89,575	X								
Mass Turnpike	$	194,282	X								
Massport	$	69,940						X	X		

SCHEDULE OF RETIREMENT SYSTEMS BY INVESTMENT, continued

Segmentation Accounts invested as of June 30, 2014

Retirement System	Net Asset Vaules ($000s) 6/30/14	General Allocation	Domestic Equity	International Equity	Emerging Markets	Core Fixed Income	Real Estate	Private Equity	Hedge Funds	Value Added Fixed Income
Maynard	$ 12,370				X	X	X		X	
Medford	$ 33,710						X	X	X	
Melrose	$ 64,713	X								
Methuen	$ 103,287	X								
Middlesex	$ 953,665	X								
Milford	$ 73,900	X								
Milton	$ 104,866	X								
Minuteman	$ 12,834	X								
Montague	$ 33,305	X								
MSCBA	$ 4,246	X								
MWRA	$ 36,613	X					X	X	X	
Natick	$ 13,994	X					X	X	X	
Needham	$ 132,387	X								
Newburyport	$ 67,954	X								
Newton	$ 284,227	X								
Norfolk	$ 75,708						X		X	
North Adams	$ 1,450							X	X	
Northbridge	$ 28,051	X								
Northampton	$ 1,714							X	X	
Norwood	$ 23,537						X		X	
Peabody	$ 126,135	X								
Pittsfield	$ 104,943	X								
Plymouth	$ 25,690	X					X	X	X	
Quincy	$ 9,761	X						X	X	
Reading	$ 116,043	X								
Revere	$ 121,810	X								
Salem	$ 120,118	X								
Saugus	$ 80,198	X								
Shrewsbury	$ 91,689	X	X	X		X	X			
Southbridge	$ 36,989	X								
Springfield	$ 274,696	X								
State Employees'	$ 23,687,886	X								
State Retiree Benefits Trust	$ 629,069	X								
State Teachers'	$ 25,324,715	X								
Stoneham	$ 71,331	X								
Swampscott	$ 31,239	X								
Wakefield	$ 101,947	X								
Waltham	$ 170,595	X								
Watertown	$ 29,138		X				X	X	X	
Webster	$ 5,804						X	X	X	
Wellesley	$ 147,430	X								
Westfield	$ 16,539						X		X	
Weymouth	$ 27,486						X		X	
Winchester	$ 24,068					X			X	
Winthrop	$ 52,319	X								
Woburn	$ 48,729			X	X		X		X	X
Worcester	$ 60,605						X		X	
Worcester Regional	$ 496,933	X								
	$ 60,676,774									

INVESTMENT POLICY STATEMENT

The following are significant elements and related excerpts from the PRIM Board's investment policy statement. The purpose of the statement is to delineate the investment policy and guidelines and to establish the overall investment strategies and discipline of the PRIM Board. This policy is intended to allow for sufficient flexibility to capture investment opportunities, yet provide parameters that ensure prudence and care in the execution of the investment program. This policy is issued for the guidance of fiduciaries, including Trustees, staff professionals, investment managers, custodians, and investment consultants, for managing the assets of the PRIT Fund. The policy is intended to provide a foundation from which to oversee the management of the PRIT Fund in a prudent manner.

A. Investment Objectives

PRIM's overall objective is to achieve the highest level of investment performance that is compatible with its risk tolerance and prudent investment practices. Because of the long-term nature of the Commonwealth's pension liabilities, PRIM maintains a long-term perspective in formulating and implementing its investment policies, and in evaluating its investment performance. Investment performance is measured by three integrated long-term objectives: 1) the actuarial target rate of return, 2) the investment policy benchmark, and 3) peer universe comparisons.

The *actuarial target rate of return* is the key actuarial assumption affecting future Commonwealth funding rates and pension liabilities. Investment performance that exceeds or underperforms the target rate may materially impact future funding rates and liabilities. The PRIM Board seeks to have a long-term investment performance that will reasonably exceed its actuarial target rate of return of 8.00% (previously 8.25%).

The *investment policy benchmark* is calculated by applying the investment performance of the asset class benchmarks to the Fund's asset allocation targets. The investment policy benchmark permits the Board to compare the Fund's actual performance to a passively managed proxy, and to measure the contribution of active investment management and policy implementation.

PRIM also compares its total fund performance to appropriate public plan sponsor *comparison universes*. A universe comparison permits PRIM to compare its performance to large statewide public and other pension plans. (While PRIM seeks to rank consistently in the top half of comparable public pension funds, the Board recognizes that other funds may have investment objectives and risk tolerances that differ substantially from PRIM's.)

PRIM expects to meet or exceed these objectives over its long-term investment horizon. Over shorter periods, the expected volatility of markets and unique objectives of PRIM relative to other pension plans may not favor PRIT's strategic investment policies.

B. Asset Allocation Plan

The PRIM Board recognizes that over the long-term, asset allocation is the single greatest contributor of return and risk to the PRIT Fund. The Asset Allocation Plan embodies the Board's decisions about what proportions of the Fund shall be invested in domestic and international equity and fixed income securities, real estate, alternative investments, and, where appropriate the various sub-asset classes of each. At reasonable intervals of not more than three to five years, the Board will undertake a comprehensive review of its Asset Allocation Plan and its underlying assumptions, including: the Commonwealth's current and projected pension assets and liabilities; long-term capital markets rate of return assumptions; and the Board's risk tolerances. The comprehensive review will identify: a reasonable time horizon and investment strategy for matching assets and liabilities; a fund level total return target; and an optimal allocation among available asset classes and sub-asset classes. The Board shall examine the Asset Allocation Plan annually, and shall consider adjustments to the Plan as may be appropriate given the Plan's long-term nature and objectives.

The PRIM Board conducted an asset/liability study in February 2014 to determine the optimum long-term asset allocation for the PRIT Fund, using the Massachusetts Public Employee Retirement Administration Commission (PERAC) valuation report as of January 1, 2013 and estimating the components of the valuation report as of January 1, 2014, which estimated a 60.6% and 61.5% funded ratio, respectively.

C. Commission Recapture Policy

In order to minimize the net costs of trading, PRIM will encourage its investment managers, on a "best efforts" basis, to execute 20% of total trades annually through brokers who have a commission recapture program. Should managers exceed the 20% suggested, the PRIT Fund will participate in those trades as well.

PRIM's investment managers may select two or three brokers to take part in this program. Any credits earned under the program should be remitted monthly or quarterly to the PRIT Fund.

PRIM's policies require managers to seek the best price and execution on all trades; this means that commission recapture trades should only be executed when such trades meet this standard. This program should not interfere with or reduce an investment manager's incentive to reduce trading costs.

D. Rebalancing Policy

Rebalancing is not time-based (e.g., every twelve months), but is triggered when an asset class exceeds or falls below its target allocation range. Staff will review the PRIT Fund's asset allocation on the 20th day after the end of each quarter. The benefit of this timing is that the asset allocation of the PRIT Fund will reflect the most recent valuations for alternatives, real estate, distressed debt, and timber.

During this review, if a public securities asset class exceeds or falls below its target allocation range, staff will take action after considering the cash flow of the PRIT Fund. This review should include cash in-flow from employee contributions, cash out-flow from paying benefits, capital calls or return of capital from alternatives, real estate, timber, and distressed debt, and other investment funding needs or proceeds such as the hiring or termination of investment managers.

In the circumstance that a rebalancing is warranted, staff shall have the discretion to instruct public securities managers to use futures as a "temporary" solution to rebalance back, as closely as practical, to the precise interim target allocation. During this time, staff will take steps to reduce the futures positions and replace such positions with physical securities as soon as is practical.

The Board has mandated that rebalancing not be performed at calendar quarter ends (March, June, September or December month-end) to avoid the market volatility that may arise at those dates due to the activity of other investors.

The illiquid nature of PRIM's Alternative Investments, Distressed Debt and Real Estate portfolios requires different rebalancing methods for these asset classes.

E. Proxy Voting Policy

Under the contractual arrangements between the Pension Reserves Investment Management Board (the "Board") and its domestic and international separate account investment managers, the responsibility for voting proxies on the corporate shares owned is retained by the Board. Further, the Board may retain a consultant to assist staff in evaluating shareholder proposals, communicating its vote to the corporation, and keeping account records of these votes.

The purpose of this policy is to outline the general principles applied by the Board in voting proxies. The Board recognizes that in applying these general rules exceptions will apply. The Executive Director and staff will vote in accordance with their best judgment in each circumstance.

The PRIM Board periodically reviews the PRIM Board Proxy Voting Policy to ensure that it contains appropriate guidance for staff in determining how votes will be cast on a variety of matters and the underlying rationale for such determination.

The main goal in voting any proxy question is to enhance the value of the security. PRIM staff will not vote the proxies in a manner that would reduce the value of shares owned by PRIT.

F. Economically Targeted Investment Program

PRIM recognizes its obligations under Massachusetts law include a responsibility to seek out investment opportunities that will benefit the economic climate of the Commonwealth as a whole, provided that such investments are consistent with the Board's obligations to the members and beneficiaries of its participating retirement systems. (See M.G.L. Ch. 32, sec. 23(2A) (h)) Accordingly, in cases where investment characteristics, including returns, risk, liquidity, compliance with allocation policy, and others, are equal, PRIM will favor those investments that have a substantial, direct and measurable benefit to the economy of the Commonwealth.

Such Economically Targeted Investments ("ETIs") must meet the following criteria:

1. Investments must target risk-adjusted, market-rate returns and provide net returns equivalent to or higher than other available investments, at commensurate levels of risk. Economic or social benefits will not justify a lower return on any PRIM investment. When evaluating ETI opportunities, PRIM will discount projected returns for any subsidies, deferral of income, higher risk levels, and other concessions to reach a real rate of return for comparison with other ETI and non-ETI investment alternatives. Similarly, ETI benefits will not justify higher investment risk. However, where appropriate, the PRIM staff, its managers, and its consultants will actively seek out and develop guarantees, third

party recourse, hedging, and other acceptable and customary risk management vehicles to reduce or eliminate risk in ETI investments.

2. Investments must not exceed a reasonable weighting in the portfolio, including tracking the degree of exposure to the Massachusetts economy and ensuring appropriate geographic diversification. Investments should maintain the overall portfolio's compliance with its asset allocation strategy. ETI benefits will not justify deviation from the Asset Allocation Plan adopted by the PRIM Board.
3. Investments should be placed with an experienced and capable manager through an objective and transparent process. Investments should be managed by qualified discretionary investment managers. PRIM will not make any direct investments.
4. Investments should target a "capital gap" where there are likely to be underserved markets.
5. Investments must be tracked (both investment performance and collateral benefits) and managed with the same rigor and discipline imposed on other investments. Investments should be reviewed and monitored by PRIM staff and consultants without disproportionate expenditure of time and resources.

Statistical Section

Schedules of Changes in Pooled Net Position

For Fiscal Years Ending June 30

Additions	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
State Employees contributions	$ 547,627	$ 529,031	$ 544,166	$ 538,898	$ 475,591	$ 462,471	$ 464,330	$ 420,199	$ 409,515	$ 366,262
State teachers contributions	709,114	669,815	640,056	616,533	593,147	599,410	573,984	548,229	527,820	506,711
Other participants contributions	793,507	613,345	898,837	1,535,681	620,865	991,362	2,347,537	1,047,285	759,088	111,557
Net investment income (loss)	8,991,375	5,922,932	(280,407)	9,169,664	4,676,706	(12,492,194)	(1,185,523)	8,228,782	5,466,443	4,212,098
Total additions to pooled net position	11,041,623	7,735,123	1,802,652	11,860,776	6,366,309	(10,438,951)	2,200,328	10,244,495	7,162,866	5,196,628
Deductions										
State employees warrants	357,089	347,330	315,943	282,398	259,285	242,694	239,452	227,510	218,831	211,746
State teachers warrants	494,363	496,987	451,844	418,153	388,366	361,773	341,575	299,612	273,209	234,729
Participants redemptions	739,175	683,279	532,873	508,579	364,648	383,748	202,723	128,843	108,577	164,889
State appropriation funding	1,973,058	1,815,315	1,851,504	1,663,799	1,731,617	1,465,275	1,184,774	1,100,000	939,100	888,000
Operating expenses	30,789	30,394	28,447	26,391	27,332	24,954	23,294	15,447	18,305	17,057
Total deductions to pooled net position	3,594,474	3,373,305	3,180,611	2,899,320	2,771,248	2,478,444	1,991,818	1,771,412	1,558,022	1,516,421
Changes in pooled net position	$ 7,447,149	$ 4,361,818	$ (1,377,959)	$ 8,961,456	$ 3,595,061	$ (12,917,395)	$ 208,510	$ 8,473,083	$ 5,604,844	$ 3,680,207

The above table provides additional information regarding changes in pooled net position from that presented in the Statement of Changes in Pooled Net Position in the *Financial Section* of the CAFR. Deductions represent redemptions from the PRIT fund by state employees, state teachers and other participant retirement systems. Deductions also include redemptions for state appropriation funding and reimbursement of MASTERS operating expenses. State appropriation funding represents funds withdrawn to cover the shortfall in the pension appropriation of the Commonwealth of Massachusetts. Operating expenses represent redemptions made by state employees and state teachers for certain operating expenses. This information is derived from the same information used for the basic financial statements. Current fiscal year-end information should be read in conjunction with the Schedules of Changes in Pooled Net Position - Capital Fund and Cash Fund provided in the Financial Section.

Financial Highlights and Financial Highlights Ratios

Pages 101-102 provide the financial highlights of the PRIT Core Fund for the year ended June 30, 2014. In addition, pages 103-106 provide additional financial highlights ratios for the nine previous fiscal year ends. Together, these tables provide additional information regarding important ratios to assist the reader of the CAFR in understanding the financial position of the PRIT Core Fund. This information includes important return and expense ratios for the entire PRIT Fund as well as the various accounts that comprise the PRIT Core Fund. This information should be read in conjunction with the description of the investment program highlighted in the *Investment Section* of the CAFR.

Financial Highlights

For the year ended June 30, 2014

	General Allocation Account	Domestic Equity Account	International Equity Account	Emerging Markets Account	Core Fixed Income Account	Value-Added Fixed Income Account	Distressed Debt Account (3)	Hedge Funds Account	Portable Alpha Wind Down Account	Private Equity Account	Private Equity Vintage Year 2000 Account	Private Equity Vintage Year 2001 Account	Private Equity Vintage Year 2002 Account	Private Equity Vintage Year 2003 Account
Net asset value, beginning of year	$ 243.66	189.86	228.10	384.11	225.63	272.17	109.16	71.45	103.10	353.92	233.07	473.35	192.46	288.35
Investment operations:														
Net investment income (loss)(1)	6.51	3.53	8.38	8.50	5.67	15.00	2.32	(0.04)	(0.02)	8.12	6.66	6.46	(0.10)	6.89
Net realized and unrealized gain (loss) on investments and foreign currency	35.34	43.51	46.88	44.37	7.10	3.78	14.25	7.70	(6.04)	21.08	48.81	122.73	17.37	55.27
Total from investment operations	41.85	47.04	55.26	52.87	12.77	18.78	16.57	7.66	(6.06)	29.20	55.47	129.19	17.27	62.16
Net asset value, end of year	$ 285.51	236.90	283.36	436.98	238.40	290.95	125.73	79.11	97.04	383.12	288.54	602.54	209.73	350.51
Ratios and supplementary data:														
Total net return(2)	17.18%	24.78%	24.23%	13.76%	5.66%	6.90%	15.18%	10.72%	(5.88)%	8.25%	23.80%	27.29%	8.97%	21.56%
Net assets, end of year ($'000s)	$ 59,507,530	11,478,177	10,382,202	4,263,167	8,398,309	3,787,240	1,360,006	5,845,587	49,684	94,631	137,922	133,764	35,025	197,688
Units outstanding, end of year ('000s)	208,428	48,451	36,639	9,756	35,228	13,017	10,817	73,892	512	247	478	222	167	564
Ratios to average net assets:														
Ratio of expenses, including indirect management fees	0.55%	0.14%	0.19%	0.27%	0.11%	0.49%	1.90%	1.50%	0.10%	0.03%	0.25%	0.59%	0.49%	0.59%
Ratio of expenses, excluding indirect management fees	0.15%	0.14%	0.19%	0.24%	0.10%	0.31%	0.04%	0.05%	0.02%	0.03%	0.05%	0.07%	0.05%	0.04%
Ratio of net investment income (loss)	2.45%	1.65%	3.23%	2.10%	2.57%	5.41%	1.98%	(0.05)%	(0.02)%	1.82%	2.47%	1.16%	(0.05)%	2.20%

Note: Financial Highlights include only the Core Fund and does not include the Cash Fund which maintains a stable net asset value of $1.00 per unit.

(1) Based on weighted average units outstanding.
(2) Total net return calculation is based on the value of a single unit of participation outstanding throughout the year. It represents the percentage change in the net asset value per unit between the beginning and end of the year.
(3) Prior to April 1, 2013, Distressed Debt assets were reflected in the Value-Added Fixed Income Account.

Financial Highlights, continued

For the year ended June 30, 2014

	Private Equity Vintage Year 2004 Account	Private Equity Vintage Year 2005 Account	Private Equity Vintage Year 2006 Account	Private Equity Vintage Year 2007 Account	Private Equity Vintage Year 2008 Account	Private Equity Vintage Year 2009 Account	Private Equity Vintage Year 2010 Account	Private Equity Vintage Year 2011 Account	Private Equity Vintage Year 2012 Account	Private Equity Vintage Year 2013 Account	Private Equity Vintage Year 2014 Account	Real Estate Account	Timber/ Natural Resources Account	Cash Overlay Account
Net asset value, beginning of year	$ 62.00	100.28	68.29	20.91	68.03	57.95	68.85	42.07	10.47	100.00	100.00	394.03	227.07	100.00
Investment operations:														
Net investment income (loss)(1)	3.41	3.53	1.96	0.29	2.59	1.41	0.49	(0.06)	0.03	(21.50)	(0.01)	19.53	1.23	(0.16)
Net realized and unrealized gain (loss) on investments and foreign currency	29.32	16.86	13.87	4.45	18.25	14.62	18.46	7.59	1.73	12.84	(21.84)	31.33	27.86	47.62
Total from investment operations	32.73	20.39	15.83	4.74	20.84	16.03	18.95	7.53	1.76	(8.66)	(21.85)	50.86	29.09	47.46
Net asset value, end of year	$ 94.73	120.67	84.12	25.65	88.87	73.98	87.80	49.60	12.23	91.34	78.15	444.89	256.16	147.46
Ratios and supplementary data:														
Total net return(2)	52.79%	20.33%	23.18%	22.67%	30.63%	27.66%	27.52%	17.90%	16.81%	(8.66)%	(21.85)% (3)	12.91%	12.81%	47.46% (3)
Net assets, end of year ($'000s)	$ 257,109	703,977	1,098,091	1,319,704	1,050,050	401,949	597,679	435,298	215,895	52,887	3,204	5,380,022	2,374,863	549,427
Units outstanding, end of year ('000s)	2,714	5,834	13,054	51,443	11,815	5,433	6,807	8,777	17,648	579	41	12,093	9,271	3,726
Ratios to average net assets:														
Ratio of expenses, including indirect management fees	0.88%	0.91%	0.84%	1.32%	1.70%	2.59%	2.55%	4.26%	7.53%	14.31%	10.58% (3)	0.56%	0.55%	0.09% (3)
Ratio of expenses, excluding indirect management fees	0.08%	0.08%	0.06%	0.04%	0.15%	0.04%	0.04%	0.41%	0.05%	0.04%	0.11% (3)	0.17%	0.16%	0.09% (3)
Ratio of net investment income (loss)	4.30%	3.18%	2.54%	1.24%	3.35%	2.18%	0.65%	(0.14)%	0.29%	18.06%	(0.11)% (3)	4.69%	0.51%	(0.08)% (3)

Note: Financial Highlights include only the Core Fund and does not include the Cash Fund which maintains a stable net asset value of $1.00 per unit.

(1) Based on weighted average units outstanding.

(2) Total net return calculation is based on the value of a single unit of participation outstanding throughout the year. It represents the percentage change in the net asset value per unit between the beginning and end of the year.

(3) Denotes account commenced operations subsequent to the beginning of the fiscal year. Total return and ratios not annualized.

Financial Highlights Ratios

For the years ended June 30, 2013-2005

	General Allocation Account	Domestic Equity Account	International Equity Account	Emerging Markets Account	Core Fixed Income Account	Value-Added Fixed Income Account	Distressed Debt Account	Hedge Funds Account	Portable Alpha Wind Down Account (2)	Private Equity Account	Vintage Year 2000 Account	Vintage Year 2001 Account	Vintage Year 2002 Account
Ratios and supplementary data:													
2013													
Total net return (1)	12.28%	21.98%	19.34%	5.10%	(0.45)%	3.07%	9.16% (3)	12.20%	2.39%	3.28%	8.68%	10.18%	11.79%
Net assets, end of year ($'000s)	52,274,725	11,066,413	9,531,557	3,438,125	6,712,701	3,444,265	1,269,546	4,903,178	72,275	160,679	173,402	189,340	58,316
Units outstanding, end of year ('000s)	214,541	58,286	41,787	8,951	29,751	12,655	11,630	68,628	701	454	744	400	303
2012													
Total net return (1)	(0.54)%	3.64%	(12.15)%	(16.79)%	7.96%	2.81%	N/A	(1.74)%	(7.47)%	(0.35)%	5.23%	(2.66)%	26.76%
Net assets, end of year ($'000s)	48,101,609	9,415,207	8,155,824	3,261,031	6,352,958	4,180,242	N/A	4,809,557	110,458	177,159	278,587	242,301	66,969
Units outstanding, end of year ('000s)	221,647	60,491	42,670	8,923	28,029	15,830	N/A	75,522	1,097	517	1,299	564	389
2011													
Total net return (1)	21.97%	32.07%	30.69%	28.88%	5.31%	16.18%	N/A	7.48%	6.43%	20.27%	15.85%	23.12%	32.48%
Net assets, end of year ($'000s)	49,546,154	11,073,922	10,865,457	3,304,907	6,619,356	3,024,257	N/A	3,611,056	220,570	275,801	370,120	298,784	121,827
Units outstanding, end of year ('000s)	227,076	73,736	49,937	7,525	31,528	11,775	N/A	55,719	2,027	802	1,816	677	897
2010													
Total net return (1)	12.47%	14.50%	9.50%	23.57%	11.56%	32.22%	N/A	7.10%	2.25%	15.73%	14.13%	17.76%	12.96%
Net assets, end of year ($'000s)	40,753,645	8,188,194	8,264,027	2,338,946	5,774,372	2,897,661	N/A	3,154,587	776,629	339,078	480,643	324,708	100,441
Units outstanding, end of year ('000s)	227,816	72,008	49,641	6,864	28,965	13,107	N/A	52,318	7,595	1,186	2,732	906	980
2009													
Total net return (1)	(24.41)%	(32.13)%	(31.95)%	(31.98)%	(5.57)%	(11.60)%	N/A	(14.45)%	N/A	(23.13)%	(18.99)%	(22.76)%	(27.47)%
Net assets, end of year ($'000s)	37,113,501	9,164,719	7,146,289	1,887,971	4,897,346	2,883,436	N/A	2,135,634	N/A	343,288	483,606	317,591	86,586
Units outstanding, end of year ('000s)	233,338	92,280	47,004	6,846	27,405	17,245	N/A	37,934	N/A	1,390	3,137	1,043	954
2008													
Total net return (1)	(2.30)%	(15.69)%	(9.27)%	(0.03)%	14.18%	2.04%	N/A	1.73%	N/A	19.23%	17.10%	18.39%	19.01%
Net assets, end of year ($'000s)	49,845,944	13,180,182	10,119,936	2,761,180	8,510,469	2,511,813	N/A	2,614,238	N/A	457,054	642,580	417,740	114,619
Units outstanding, end of year ('000s)	236,891	90,077	45,297	6,810	44,973	13,280	N/A	39,723	N/A	1,422	3,377	1,060	916
2007													
Total net return (1)	19.53%	20.60%	26.15%	42.26%	4.78%	14.73%	N/A	13.82%	N/A	24.53%	23.15%	50.18%	26.70%
Net assets, end of year ($'000s)	49,519,109	15,049,415	10,574,561	2,750,631	7,800,673	2,329,393	N/A	2,569,001	N/A	533,033	698,900	509,022	102,564
Units outstanding, end of year ('000s)	229,913	86,717	42,945	6,782	47,065	12,568	N/A	39,711	N/A	1,977	4,301	1,529	976
2006													
Total net return (1)	14.87%	9.30%	27.01%	36.12%	(0.51)%	5.80%	N/A	11.18%	N/A	36.45%	34.70%	55.07%	38.67%
Net assets, end of year ($'000s)	41,257,962	11,516,779	8,303,709	2,455,151	6,452,906	2,208,795	N/A	2,114,139	N/A	777,941	764,926	480,794	79,588
Units outstanding, end of year ('000s)	228,973	80,029	42,540	8,612	40,794	13,672	N/A	37,197	N/A	3,594	5,797	2,169	959
2005													
Total net return (1)	12.91%	7.64%	13.86%	36.85%	7.42%	15.07%	N/A	6.64%	N/A	16.39%	21.89%	56.20%	(3.28)%
Net assets, end of year ($'000s)	35,997,752	11,807,278	5,657,388	2,054,560	5,866,994	2,707,704	N/A	1,726,208	N/A	881,979	647,335	407,768	52,257
Units outstanding, end of year ('000s)	229,491	89,680	36,812	9,810	36,898	17,732	N/A	33,767	N/A	5,559	6,608	2,853	873
Ratios to average net assets:													
2013													
Ratio of expenses, including indirect management fees	0.55%	0.08%	0.19%	0.33%	0.14%	0.85%	0.92% (3)	1.33%	0.13%	—%	0.39%	0.59%	0.77%
Ratio of expenses, excluding indirect management fees	0.14%	0.08%	0.19%	0.32%	0.12%	0.34%	0.01% (3)	0.05%	0.02%	(0.03)%	0.07%	0.09%	0.05%
Ratio of net investment income (loss)	2.53%	2.02%	2.93%	2.59%	2.87%	6.27%	2.37% (3)	(0.05)%	(0.02)%	3.86%	4.02%	2.53%	1.19%
2012													
Ratio of expenses, including indirect management fees	0.50%	0.09%	0.19%	0.32%	0.14%	0.89%	N/A	0.91%	0.09%	0.24%	0.54%	0.73%	0.81%
Ratio of expenses, excluding indirect management fees	0.14%	0.09%	0.19%	0.30%	0.13%	0.18%	N/A	0.04%	0.02%	0.04%	0.07%	0.08%	0.04%
Ratio of net investment income (loss)	2.55%	1.91%	3.37%	2.61%	3.41%	4.67%	N/A	(0.04)%	(0.02)%	0.38%	2.74%	0.96%	1.13%
2011													
Ratio of expenses, including indirect management fees	0.50%	0.08%	0.19%	0.35%	0.15%	0.96%	N/A	0.81%	0.06%	0.32%	1.25%	1.49%	0.97%
Ratio of expenses, excluding indirect management fees	0.14%	0.08%	0.19%	0.32%	0.14%	0.15%	N/A	0.03%	0.02%	(0.01)%	0.06%	0.08%	0.06%
Ratio of net investment income (loss)	2.54%	1.76%	3.05%	2.34%	3.88%	3.67%	N/A	(0.03)%	(0.01)%	0.57%	2.34%	3.65%	(0.04)%

Financial Highlights Ratios

For the years ended June 30, 2013-2005

	General Allocation Account	Domestic Equity Account	International Equity Account	Emerging Markets Account	Core Fixed Income Account	Value-Added Fixed Income Account	Hedge Funds Account	Portable Alpha Wind Down Account (2)	Private Equity Account	Vintage Year 2000 Account	Vintage Year 2001 Account	Vintage Year 2002 Account
2010												
Ratio of expenses, including indirect management fees	0.54%	0.20%	0.23%	0.25%	0.16%	1.08%	0.82%	0.14%	0.79%	1.57%	1.07%	1.13%
Ratio of expenses, excluding indirect management fees	0.15%	0.08%	0.23%	0.17%	0.14%	0.28%	0.03%	0.02%	0.16%	0.08%	0.08%	0.06%
Ratio of net investment income (loss)	2.34%	1.49%	2.69%	1.59%	3.85%	4.07%	(0.02)%	(0.01)%	0.75%	2.11%	1.47%	(0.05)%
2009												
Ratio of expenses, including indirect management fees	0.51%	0.29%	0.29%	0.48%	0.14%	0.89%	0.85%	N/A	0.94%	1.39%	1.21%	1.19%
Ratio of expenses, excluding indirect management fees	0.10%	0.11%	0.29%	0.38%	0.12%	0.16%	0.04%	N/A	0.16%	0.06%	0.07%	0.06%
Ratio of net investment income (loss)	2.78%	1.72%	3.19%	2.19%	4.60%	5.97%	(0.03)%	N/A	0.04%	0.31%	1.18%	(0.02)%
2008												
Ratio of expenses, including indirect management fees	0.52%	0.27%	0.26%	0.21%	0.17%	0.85%	0.76%	N/A	0.98%	1.43%	0.99%	1.13%
Ratio of expenses, excluding indirect management fees	0.25%	0.17%	0.26%	0.10%	0.16%	0.21%	0.04%	N/A	0.14%	0.02%	0.02%	0.02%
Ratio of net investment income (loss)	2.70%	1.49%	2.84%	2.23%	5.32%	5.41%	(0.02)%	N/A	1.85%	0.58%	1.63%	0.15%
2007												
Ratio of expenses, including indirect management fees	0.54%	0.29%	0.27%	0.46%	0.13%	0.70%	1.26%	N/A	1.06%	1.61%	1.02%	1.55%
Ratio of expenses, excluding indirect management fees	0.27%	0.16%	0.27%	0.33%	0.13%	0.24%	0.03%	N/A	0.19%	0.08%	0.09%	0.08%
Ratio of net investment income (loss)	2.93%	1.87%	2.73%	2.76%	4.96%	5.95%	(0.03)%	N/A	2.89%	2.56%	6.96%	—%
2006												
Ratio of expenses, including indirect management fees	0.63%	0.23%	0.23%	0.82%	0.14%	0.31%	1.09%	N/A	1.16%	1.99%	1.31%	2.43%
Ratio of expenses, excluding indirect management fees	0.41%	0.23%	0.23%	0.82%	0.14%	0.30%	0.03%	N/A	0.14%	0.08%	0.09%	0.08%
Ratio of net investment income (loss)	2.78%	1.51%	2.66%	2.33%	5.13%	6.22%	(0.02)%	N/A	1.73%	1.84%	3.28%	(0.07)%
2005												
Ratio of expenses, including indirect management fees	0.52%	0.16%	0.26%	0.68%	0.11%	0.42%	1.06%	N/A	1.40%	2.61%	1.94%	4.28%
Ratio of expenses, excluding indirect management fees	0.30%	0.16%	0.26%	0.68%	0.11%	0.32%	0.04%	N/A	0.11%	0.10%	0.09%	0.09%
Ratio of net investment income (loss)	2.96%	1.60%	2.32%	2.39%	4.80%	6.31%	(0.04)%	N/A	2.64%	3.64%	6.39%	(0.09)%

(1) Total net return calculation is based on the value of a single unit of participation outstanding throughout the year. It represents the percentage change in the net asset value per unit between the beginning and end of the year.

(2) Prior to January 1, 2010, Portable Alpha assets were reflected in the Domestic Equity portfolio.

(3) Denotes account commenced operations subsequent to the beginning of the fiscal year. Total return and ratios not annualized.

Financial Highlights Ratios

For the years ended June 30, 2013-2005

	Vintage Year 2003 Account	Vintage Year 2004 Account	Vintage Year 2005 Account	Vintage Year 2006 Account	Vintage Year 2007 Account	Vintage Year 2008 Account	Vintage Year 2009 Account	Vintage Year 2010 Account	Vintage Year 2011 Account	Vintage Year 2012 Account	Core Real Estate Account	Noncore Real Estate Account	Timber / NR Account
Ratios and supplementary data:													
2013													
Total net return (1)	4.52%	8.87%	13.07%	13.29%	14.39%	17.96%	15.65%	14.41%	(1.98)%	(21.87)%	12.28%	N/A	6.27%
Net assets, end of year ($'000s)	270,764	265,784	801,538	1,217,424	1,212,620	895,341	301,492	391,799	201,700	61,569	4,382,052	N/A	2,129,694
Units outstanding, end of year ('000s)	939	4,287	7,993	17,827	57,995	13,161	5,203	5,691	4,794	5,879	11,121	N/A	9,379
2012													
Total net return (1)	0.80%	9.06%	16.13%	13.20%	11.33%	14.15%	0.62%	(9.88)%	(54.42)%	(86.60)% (2)	9.41%	N/A	(8.68)%
Net assets, end of year ($'000s)	345,110	360,592	879,582	1,291,372	1,072,936	685,645	184,789	214,792	97,989	134	4,724,457	N/A	1,903,043
Units outstanding, end of year ('000s)	1,251	6,332	9,918	21,422	58,687	11,889	3,688	3,569	2,283	10	13,463	N/A	8,906
2011													
Total net return (1)	22.22%	50.10%	19.74%	23.61%	20.56%	20.34%	(7.45)%	(29.52)%	(5.84)% (2)	N/A	20.17%	N/A	19.20%
Net assets, end of year ($'000s)	416,819	415,720	872,773	1,208,620	804,057	439,750	86,944	44,610	1,789	N/A	4,103,735	N/A	2,003,721
Units outstanding, end of year ('000s)	1,523	7,961	11,428	22,699	48,975	8,704	1,746	668	19	N/A	12,794	N/A	8,563
2010													
Total net return (1)	24.05%	14.37%	15.50%	15.53%	11.18%	6.01%	(46.19)%	(5.25)% (2)	N/A	N/A	2.35%	N/A	(5.90)%
Net assets, end of year ($'000s)	411,075	365,651	750,824	913,119	467,426	203,969	18,978	7,080	N/A	N/A	3,767,749	N/A	1,671,981
Units outstanding, end of year ('000s)	1,826	10,458	11,670	20,982	33,927	4,786	349	74	N/A	N/A	13,815	N/A	8,517
2009													
Total net return (1)	(22.82)%	(19.91)%	(25.79)%	(23.62)%	(19.41)%	N/A	N/A	N/A	N/A	N/A	(23.90)%	(100.00)%	(14.84)%
Net assets, end of year ($'000s)	393,043	318,973	629,918	708,085	285,173	62,947	N/A	N/A	N/A	N/A	4,090,525	—	1,776,921
Units outstanding, end of year ('000s)	2,177	10,485	11,408	18,991	23,279	1,590	N/A	N/A	N/A	N/A	15,686	—	8,518
2008													
Total net return (1)	18.81%	21.15%	22.18%	2.80%	(84.80)%	N/A (2)	N/A	N/A	N/A	N/A	4.41%	N/A	20.69%
Net assets, end of year ($'000s)	531,381	388,181	748,612	783,796	163,835	8,038	N/A	N/A	N/A	N/A	5,520,030	2	1,065,586
Units outstanding, end of year ('000s)	2,272	10,222	10,060	16,056	10,778	91	N/A	N/A	N/A	N/A	16,109	—	4,350
2007													
Total net return (1)	63.10%	22.32%	13.02%	(38.73)%	—% (2)	N/A	N/A	N/A	N/A	N/A	15.65%	318.62%	14.67%
Net assets, end of year ($'000s)	555,480	319,874	385,139	251,773	740	N/A	N/A	N/A	N/A	N/A	4,316,265	2	1,598,166
Units outstanding, end of year ('000s)	2,822	10,204	6,325	5,301	7	N/A	N/A	N/A	N/A	N/A	13,152	—	7,874
2006													
Total net return (1)	32.12%	(4.55)%	(32.12)%	(22.49)% (2)	N/A	N/A	N/A	N/A	N/A	N/A	22.70%	106.43%	18.52%
Net assets, end of year ($'000s)	351,371	143,419	106,808	3,182	N/A	N/A	N/A	N/A	N/A	N/A	4,618,446	38	1,480,574
Units outstanding, end of year ('000s)	2,911	5,596	1,982	41	N/A	N/A	N/A	N/A	N/A	N/A	16,275	—	8,365
2005													
Total net return (1)	12.58%	(73.15)%	(20.63)% (2)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	29.33%	(30.98)%	11.54%
Net assets, end of year ($'000s)	178,524	13,401	910	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,950,852	822	1,316,382
Units outstanding, end of year ('000s)	1,954	499	11	N/A	N/A	N/A	N/A	N/A	N/A	N/A	12,759	9	8,815
Ratios to average net assets:													
2013													
Ratio of expenses, including indirect management fees	0.90%	0.94%	1.01%	0.97%	1.70%	1.88%	3.26%	3.69%	7.38%	14.26%	0.49%	N/A	0.67%
Ratio of expenses, excluding indirect management fees	0.05%	0.12%	0.09%	0.10%	0.04%	0.16%	0.04%	0.04%	0.17%	0.08%	0.13%	N/A	0.15%
Ratio of net investment income (loss)	2.11%	1.60%	2.49%	1.84%	1.58%	1.03%	0.79%	0.36%	(0.13)%	(0.22)%	4.56%	N/A	0.13%
2012													
Ratio of expenses, including indirect management fees	0.83%	0.80%	1.02%	1.11%	2.12%	2.54%	5.61%	7.85%	16.15%	8.19% (2)	0.50%	N/A	0.78%
Ratio of expenses, excluding indirect management fees	0.04%	0.11%	0.08%	0.19%	0.04%	0.21%	0.04%	0.04%	0.04%	0.25% (2)	0.15%	N/A	0.19%
Ratio of net investment income (loss)	2.23%	2.08%	0.77%	1.14%	1.18%	0.28%	0.81%	—%	0.62%	(488.92)% (2)	4.59%	N/A	0.03%
2011													
Ratio of expenses, including indirect management fees	0.89%	1.05%	1.43%	1.45%	3.81%	3.98%	15.75%	13.44%	10.80%	N/A	0.53%	N/A	0.83%
Ratio of expenses, excluding indirect management fees	0.02%	0.09%	0.11%	0.20%	(0.01)%	0.22%	0.04%	0.05%	0.02%	N/A	0.16%	N/A	0.22%
Ratio of net investment income (loss)	2.12%	0.79%	2.14%	2.23%	0.53%	1.16%	0.66%	(0.04)%	(0.02)%	N/A	5.02%	N/A	0.26%

Financial Highlights Ratios

For the years ended June 30, 2013-2005

	Vintage Year 2003 Account	Vintage Year 2004 Account	Vintage Year 2005 Account	Vintage Year 2006 Account	Vintage Year 2007 Account	Vintage Year 2008 Account	Vintage Year 2009 Account	Vintage Year 2010 Account	Core Real Estate Account	Noncore Real Estate Account	Timber / NR Account
2010											
Ratio of expenses, including indirect management fees	0.89%	1.16%	1.93%	2.03%	5.66%	9.21%	51.16%	0.06%	0.53%	N/A	0.57%
Ratio of expenses, excluding indirect management fees	0.06%	0.18%	0.19%	0.30%	0.06%	0.06%	0.06%	0.06%	0.15%	N/A	0.07%
Ratio of net investment income (loss)	2.94%	0.99%	0.15%	0.90%	0.46%	0.72%	0.15%	(32.74)%	4.80%	N/A	0.60%
2009											
Ratio of expenses, including indirect management fees	0.96%	1.67%	1.67%	2.20%	7.96%	23.91%	N/A	N/A	(0.26)%	N/A	1.00%
Ratio of expenses, excluding indirect management fees	0.06%	0.27%	0.18%	0.28%	0.05%	0.06%	N/A	N/A	(0.59)%	N/A	0.60%
Ratio of net investment income (loss)	0.37%	0.43%	0.12%	0.31%	0.37%	4.62%	N/A	N/A	5.53%	N/A	(0.90)%
2008											
Ratio of expenses, including indirect management fees	0.58%	0.97%	2.07%	2.37%	16.71%	—%	N/A	N/A	0.79%	N/A	2.33%
Ratio of expenses, excluding indirect management fees	0.02%	0.27%	0.09%	0.18%	0.02%	—%	N/A	N/A	0.50%	N/A	2.10%
Ratio of net investment income (loss)	0.32%	0.62%	0.14%	—%	(0.11)%	—%	N/A	N/A	4.18%	N/A	(1.64)%
2007											
Ratio of expenses, including indirect management fees	0.94%	1.49%	5.20%	10.88%	—%	N/A	N/A	N/A	1.13%	N/A	0.98%
Ratio of expenses, excluding indirect management fees	0.08%	0.31%	0.22%	1.81%	—%	N/A	N/A	N/A	0.80%	N/A	0.72%
Ratio of net investment income (loss)	4.57%	0.22%	3.70%	(1.47)%	—%	N/A	N/A	N/A	3.94%	N/A	0.09%
2006											
Ratio of expenses, including indirect management fees	2.37%	6.73%	20.92%	19.76%	N/A	N/A	N/A	N/A	1.66%	1.00%	2.27%
Ratio of expenses, excluding indirect management fees	0.08%	1.04%	2.03%	0.21%	N/A	N/A	N/A	N/A	1.29%	1.00%	2.00%
Ratio of net investment income (loss)	0.66%	(0.97)%	(1.66)%	(0.22)%	N/A	N/A	N/A	N/A	3.57%	2.85%	(0.04)%
2005											
Ratio of expenses, including indirect management fees	7.39%	53.44%	22.43%	N/A	N/A	N/A	N/A	N/A	1.58%	1.79%	1.50%
Ratio of expenses, excluding indirect management fees	0.09%	6.95%	—%	N/A	N/A	N/A	N/A	N/A	1.10%	0.03%	1.26%
Ratio of net investment income (loss)	0.70%	(6.95)%	—%	N/A	N/A	N/A	N/A	N/A	6.49%	6.46%	1.29%

(1) Total return calculation is based on the value of a single unit of participation outstanding throughout the year. It represents the percentage change in the net asset value per unit between the beginning and end of the year.
(2) Denotes account commenced operations subsequent to the beginning of the fiscal year. Total return and ratios not annualized.

PRIT Core Fund Asset Allocation

As of June 30:

The following table is intended to provide readers of this CAFR with further information regarding the financial position of the PRIT Core Fund over the past ten years. This table provides the change in assets during this time period. This table should be read in conjunction with the discussion on asset allocation in the *Investment Section* of this CAFR.

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Domestic Equity	19.0%	20.8%	19.2%	22.0%	19.9%	24.4%	26.1%	29.9%	27.5%	32.6%
International Equity	17.1%	18.0%	16.7%	21.7%	20.0%	19.0%	20.0%	21.0%	19.8%	15.6%
Emerging Markets	7.0%	6.5%	6.7%	6.6%	5.7%	5.0%	5.5%	5.5%	5.9%	5.7%
Core Fixed Income	13.9%	12.6%	13.0%	13.2%	14.0%	13.0%	16.8%	15.4%	15.4%	16.2%
Value-Added Fixed Income	8.5%	8.9%	8.6%	6.0%	7.0%	7.7%	5.0%	4.6%	5.3%	7.5%
Private Equity	11.1%	11.7%	12.1%	10.7%	10.6%	9.6%	8.4%	6.7%	6.5%	6.0%
Real Estate	8.9%	8.2%	9.7%	8.2%	9.1%	10.9%	10.9%	8.6%	11.0%	8.1%
Timber/Natural Resources	3.9%	4.0%	3.9%	4.0%	4.1%	4.7%	2.1%	3.2%	3.5%	3.6%
Hedge Funds	9.6%	9.2%	9.9%	7.2%	7.7%	5.7%	5.2%	5.1%	5.1%	4.8%
Portable Alpha Wind Down (1)	0.1%	0.1%	0.2%	0.4%	1.9%	-	-	-	-	-
Overlay	0.9%	-	-	-	-	-	-	-	-	-

(1) Prior to January 1, 2010, Portable Alpha assets were reflected in the Domestic Equity portfolio.

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