



PENSION RESERVES INVESTMENT TRUST FUND

(A Component Unit of the Commonwealth of Massachusetts)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Years Ended June 30, 2019 and 2018

Deborah B. Goldberg, Treasurer and Receiver General, Chair

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

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For the Years Ended June 30, 2019 and 2018

Prepared By

Pension Reserves Investment Management Board Staff

For More Information

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Introductory Section



PENSION RESERVES
INVESTMENT
MANAGEMENT BOARD



**PENSION RESERVES
INVESTMENT
MANAGEMENT BOARD**

84 State Street, Second Floor
Boston, Massachusetts 02109

Deborah B. Goldberg, Treasurer and Receiver General, Chair
Michael G. Trotsky, CFA, Executive Director and Chief Investment Officer

November 14, 2019

To Chair Goldberg, 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, 2019. The document that follows is the 15th consecutive CAFR produced in the PRIM Board's 35-year history. We hope that you will find the CAFR useful in understanding the performance and financial position of the PRIT Fund as of and for the fiscal year ended June 30, 2019.

The CAFR contains the basic financial statements presented in accordance with U.S. generally accepted accounting principles (GAAP) and the standards applicable to financial audits set forth by *Government Auditing Standards*. The CAFR and the basic financial statements are the responsibility of the PRIM Board. The fiscal year 2019 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, and 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 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, and the State Retiree Benefits Trust Fund (SRBTF), 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 October 17, 2019, calculated the Commonwealth's unfunded actuarial pension liability at \$44.0 billion. The PERAC valuation report estimates that, as of January 1, 2019, the pension liability is 56.3% 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 and cost for an approximately 60% funded public pension fund, 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, 2019, the PRIT Fund had approximately \$74.8 billion in net position compared to \$71.8 billion at the end of fiscal year 2018, which is an increase of \$3.0 billion in net position. 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

During fiscal year 2019, the PRIT Fund increased by approximately \$3.0 billion to \$74.8 billion despite a challenging market marked by extreme volatility, heightened geopolitical tensions, and deteriorating global economic conditions. The year included sharp sell-offs in equity markets followed by historic snapbacks. For example, the month of December 2018 was the worst month since 1931 with the S&P 500 falling more than 6%. The December quarter was the weakest in many years with the S&P 500 falling nearly 14% and the NASDAQ falling more than 17%. Global markets were even weaker. But that weakness did not last long. In the March 2019 quarter, markets posted the strongest snapback in more than 20 years with the S&P 500

gaining more than 13% and, for the first half of the calendar year through June, the S&P 500 was up more than 17% - the best first half-year since 1997. The month of June alone, with the S&P 500 up nearly 7%, was the best June on record since 1955.

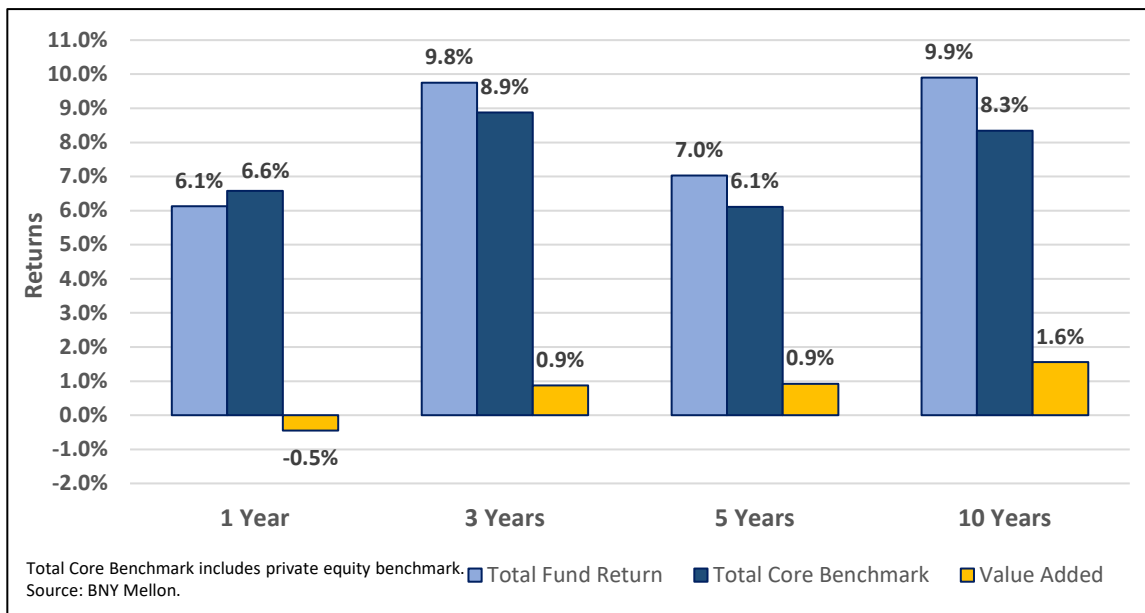
This environment of extreme swings is difficult for money managers and, for a fund the size of the PRIT Fund, it makes tracking our target asset allocation very difficult. The PRIT Fund's trailing 3-, 5-, and 10-year returns remain strong on both a relative and absolute basis, as was the fiscal year 2019 return, but it was weaker and lagged the benchmark slightly (by less than half of a percentage point). More than half of the fiscal year's slight underperformance was due to the extreme volatility of the markets and the fact that our actual asset allocation diverged from the target allocation on which the benchmark is derived. The target allocation is comprised of an increasing allocation of high performing, illiquid alternative investments such as Private Equity and Private Real Estate. It takes some time to identify worthy managers, funds and investments in those asset classes, and on average for the fiscal year, we were underweight (relative to our target allocation and our benchmark) those high performing asset classes, and actually overweight modestly-performing Global Equities. So, the real news here is in fact very good news, namely that our asset allocation changes were effective and increased our targets in asset classes that are performing well – it's just taking a while to move the actual assets to these new targets. Additionally, some specific asset classes struggled to keep up with their benchmarks in the volatile environment, but we understand the causes, and our investment staff has already taken necessary steps to address these underperforming areas.

PRIT Fund Performance

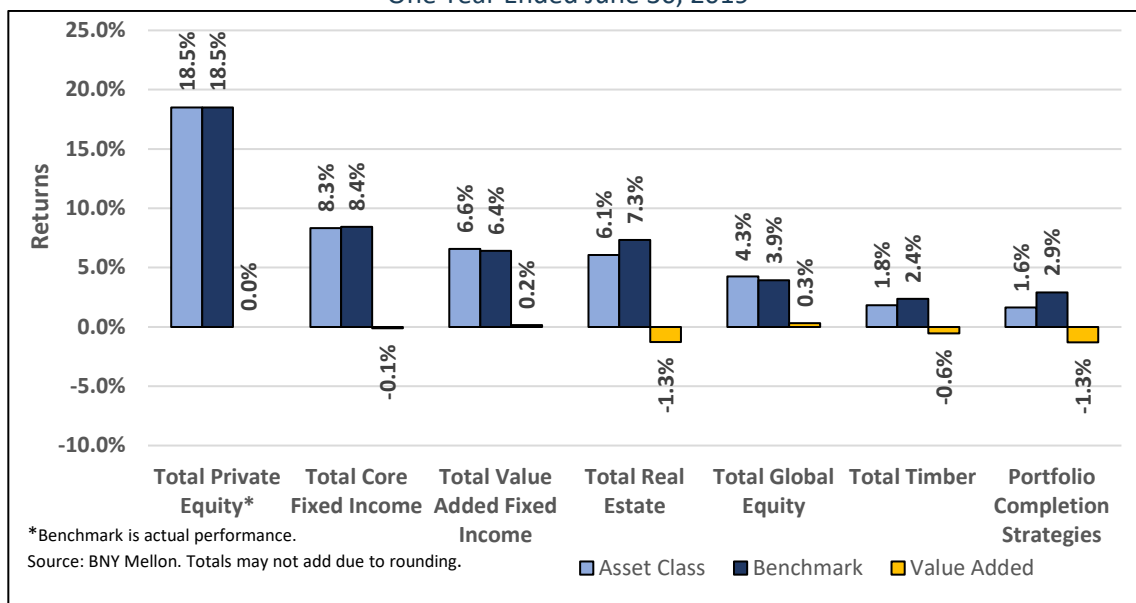
- For the one-year ended June 30, 2019, the PRIT Fund was up 6.1% (5.7% net), underperforming the total core benchmark of 6.6% by 45 basis points (90 bps, net).
- This performance equates to an investment gain of \$4.0 billion, net of fees.
- Net total outflows to pay benefits for the one-year ended June 30, 2019 were approximately \$1.0 billion.

PRIT Total Core Fund Returns (Gross of Fees)

Annualized Returns as of June 30, 2019

**PRIT Asset Class Performance (Gross of Fees)**

One Year Ended June 30, 2019



PRIT Fund Periodic Table of Returns (Gross of Fees)

Years Ended June 30, 2019

1 Year	3 Year	5 Year	10 Year
PRIVATE EQUITY 18.5%	PRIVATE EQUITY 20.5%	PRIVATE EQUITY 17.8%	PRIVATE EQUITY 18.3%
CORE FIXED INCOME 8.3%	GLOBAL EQUITY 12.1%	REAL ESTATE 9.3%	GLOBAL EQUITY 10.9%
VALUE-ADDED FIXED INCOME 6.6%	REAL ESTATE 7.4%	GLOBAL EQUITY 6.5%	REAL ESTATE 10.5%
REAL ESTATE 6.1%	VALUE-ADDED FIXED INCOME 6.9%	TIMBER 5.6%	VALUE-ADDED FIXED INCOME 8.7%
GLOBAL EQUITY 4.3%	TIMBER 6.0%	CORE FIXED INCOME 4.8%	CORE FIXED INCOME 5.4%
TIMBER 1.8%	TOTAL PCS 5.4%	VALUE-ADDED FIXED INCOME 3.7%	TOTAL PCS 5.0%
TOTAL PCS 1.6%	CORE FIXED INCOME 1.7%	TOTAL PCS 3.0%	TIMBER 3.3%

Fiscal Year 2019 Highlights

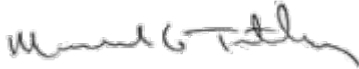
1. For the second consecutive year, **PRIM Private Equity ranked #1** in private equity returns among 163 U.S. public pension funds based on 10-year performance. The PRIT Fund is the only fund that has been in the Top 5 of all private equity portfolios in every year the *American Investment Council* has performed the study – including #1 rankings in 2019, 2018, 2015 and 2013.
2. For the 14th consecutive year, the PRIT Fund was awarded the Government Finance Officer Association's **Certificate of Achievement for Excellence in Financial Reporting** for the completeness and timeliness of our Comprehensive Annual Financial Report.
3. The PRIM Board's Executive Director and Chief Investment Officer was elected Chair of the CFA Society of Boston in early June for a one-year term following in the footsteps of Investment Committee member, Glenn Strehle, who himself is a former Chair of the CFA Society Boston. The CFA Society Boston serves more than 6,000 members in the greater Boston area. The CFA Society Boston is the local chapter of the International CFA Institute which serves 175,000 members in more than 164 countries (157 societies).
4. Staff identified and recommended, and the Board approved, \$5.7 billion in new investments during fiscal year 2019.

- a. Funded 16 Private Equity Funds totaling \$1.8 billion.
 - b. Added six new managers to the Portfolio Completions Strategies portfolio for \$1.4 billion.
 - c. Developed and launched an innovative new Emerging Managers Direct Hedge Fund program for \$200 million.
 - d. Selected three new Real Estate investment managers - \$1 billion in capital committed.
 - e. Invested additional \$100 million (33%) in industrial development – warehousing space.
 - f. Acquired 191,000 acres of prime timberland in New Zealand for \$210 million.
5. The Project SAVE Phase II Initiative deployed approximately \$698 million in lower fee, directly managed structures.
 - a. Completed two new direct Real Estate purchases totaling \$530 million in equity plus debt.
 - b. Completed 10 new Private Equity co-investments totaling \$168 million.
 6. The Project SAVE Phase I initiative realized approximately \$193 million in annualized value. The original goal was \$100 million.
 7. The PRIM Board was nominated for the “**Plan of the Year**” award for an unprecedented fourth year in a row by Institutional Investor magazine.
 8. The PRIM Board has been recognized for adopting the **CFA Institute’s Global Investment Performance Standards (GIPS)** of integrity and transparency. The PRIT Fund is now one of a handful of large public pension plan funds to comply with GIPS, the worldwide performance reporting standard.
 9. Bill Li, CFA, CAIA, Senior Investment Officer, Director of Portfolio Completion Strategies, was inducted into the **EQDerivatives Investing Hall of Fame**, which recognizes individuals who have led the line in volatility and alternative risk premia thought leadership.
 10. For the second year in a row, Eric Nierenberg, Ph.D., Chief Strategy Officer, has been listed on **Institutional Investor’s “Most Wanted Allocators”** list. This is the global “Top 50” list of allocators deemed to be most coveted for potential future chief investment officer roles.
 11. The PRIM Board recruited and on-boarded six new full-time employees.
 12. The PRIM Board promoted six staff members.
 13. No senior level employees departed in fiscal year 2019.
 14. Implemented robust Diversity and Inclusion Initiatives.

Acknowledgements

The PRIM Board's success is inextricably linked to the diligence of our Board and its Chair, Treasurer Deborah B. Goldberg. We are truly privileged to have volunteers of such high caliber and professional achievement on the PRIM Board and its committees, and we recognize that our success is due in large part to their dedication, hard work, and expert oversight.

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, 2018

Christopher P. Morrell

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, 2018. This was the 14th 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.

PRIM Board Trustees

Deborah B. Goldberg, Chair, Ex Officio Member

State Treasurer & Receiver General, Commonwealth of Massachusetts

Robert L. Brousseau, Elected Representative, Teachers' Retirement System

Retired Teacher, Town of Wareham Public School System

Ruth Ellen Fitch, Appointee of the State Treasurer

Retired President and CEO, The Dimock Center

James B. G. Hearty, Designee of the Governor

Retired Partner, Clough Capital

Theresa F. McGoldrick, Esq., Elected Member, State Employees' Retirement Board

President, SEIU/NAGE Unit 6, Local 207

Peter Monaco, Appointee of the Governor

Managing Director, Raptor Group Holdings

Dennis J. Naughton, Elected Member, Teachers' Retirement Board

Retired Educator, Millis Public Schools

Carly Rose, Appointee of the Governor

Public Safety Union Member

Paul E. Shanley, Elected Representative, State Employees' Retirement System

Director of Professional Liability, Amity Insurance, Quincy, MA

Advisory Committees to the PRIM Board

Investment Committee

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Ex Officio Board Member

Joseph C. Bonfiglio

Massachusetts & Northern New England Laborers' District Council

C. LaRoy Brantley

Principal, Meketa Investment Group

Michael Even, CFA

Former President and CEO, Numeric Investors

Constance M. Everson, CFA

Managing Director, Capital Markets Outlook Group

Ruth Ellen Fitch

Board Member

James B. G. Hearty

Board Member

Peter Monaco

Board Member

Philip Rotner

Chief Investment Officer, Boston Children's Hospital

Paul E. Shanley

Board Member

Glenn P. Strehle, CFA

Treasurer Emeritus, MIT

Timothy L. Vaill

Former Chairman & CEO, Boston Private Financial

Current CFO, Anbaric Energy

Real Estate Committee

Jill S. Hatton, CRE, Chair

Real Estate Investment Professional

Deborah B. Goldberg

Ex Officio Board Member

Lydia Chesnick, Esq.

Partner, Bernkopf Goodman LLP

Robert Gifford

Robert Gifford Advisory

Anthony E. Hubbard, Esq.

CVS Corporation

Dr. Jack Lutz, PhD.

Forest Research Group

William F. McCall, Jr., CRE

McCall & Almy, Inc.

Garlan Morse, Jr., CRE

Morris and Morse Company, Inc.

Peter F. O'Connell

Marina Bay Company

Carly Rose

Board Member

Advisory Committees to the PRIM Board, continued

Administration and Audit Committee

Robert L. Brousseau, Chair

Board Member

Deborah B. Goldberg

Ex Officio Board Member

Patrick E. Brock

Chairman, Hampshire County Retirement Board

Joseph Connolly

Managing Director, Strategic Development, TerraCap Management

Karen E. Gershman, CPA

Retired Partner and Chief Operating Officer, Health Advances

Eileen Glovsky

Consultant, Syncom Consulting

James B. G. Hearty

Board Member

Theresa F. McGoldrick, Esq.

Board Member

Dennis J. Naughton

Board Member

Michele A. Whitham, Esq.

Founder & Principal, Whitham Law LLC

Compensation Committee

Michele A. Whitham, Esq., Chair

Founder & Principal, Whitham Law LLC

Deborah B. Goldberg

Ex Officio Board Member

Robert L. Brousseau

Board Member

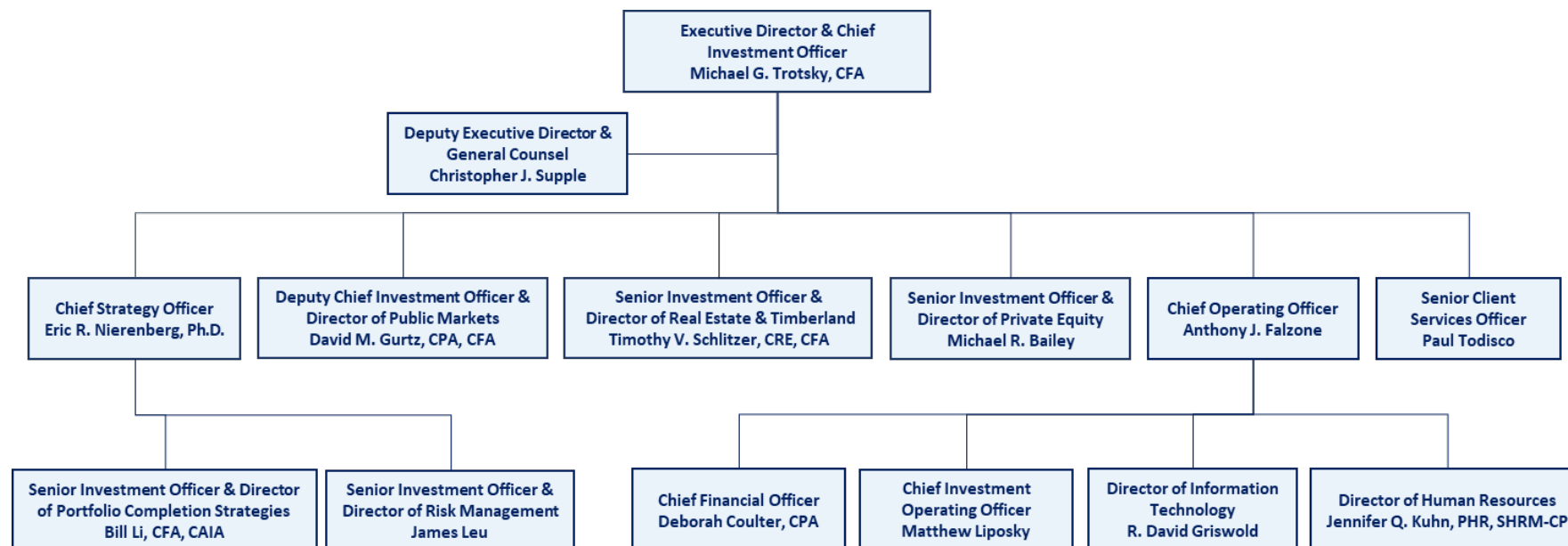
Patrick E. Brock

Chairman, Hampshire County Retirement Board

Joseph Connolly

Managing Director, Strategic Development, TerraCap Management

PRIM Board Management Organizational Chart



PRIM Board Investment Advisors

Aberdeen Asset Management Inc.
Portfolio Completion Strategies Advisory Services

Callan Associates
Public Market Advisory Services

Hamilton Lane
Private Equity Advisory Services

International Woodland Company
Timberland Advisory Services

NEPC, LLC
Asset Allocation Advisory Services

NewAlpha Asset Management
Portfolio Completion Strategies Advisory Services

The Townsend Group
Real Estate Advisory Services

Financial Section



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

Independent Auditors' Report

The Administration 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, 2019 and 2018, 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, 2019 and 2018, 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 19-22 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 Schedule of Pooled Net Position – Capital Fund and Cash Fund and Schedule 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 subjected 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 November 14, 2019 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 grant agreements 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 the effectiveness of the PRIT Fund's 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

Boston, Massachusetts
November 14, 2019

Required Supplementary Information –
Management's Discussion and Analysis

June 30, 2019 and 2018

(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, 2019 and 2018 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, 2019 and 2018 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 59 and 60 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).

Financial Highlights

Fiscal Year 2019

- The net position of the PRIT Fund increased \$3.0 billion during the year ended June 30, 2019. Total net position was \$74.8 billion at June 30, 2019, compared to \$71.8 billion at June 30, 2018.
- Net investment income for fiscal year 2019 was \$4.0 billion, compared to net investment income of \$6.4 billion for the prior fiscal year. The PRIT Fund returned 6.12%, gross of fees, in fiscal year 2019, compared to 9.97% in fiscal year 2018.
- Contributions to the PRIT Fund totaled \$3.2 billion during the year ended June 30, 2019, compared to \$2.7 billion during the year ended June 30, 2018.
- Redemptions from the PRIT Fund totaled \$4.2 billion in each of the years ended June 30, 2019 and 2018.

(Continued)

Required Supplementary Information –
Management's Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

Fiscal Year 2018

- The net position of the PRIT Fund increased \$5.0 billion during the year ended June 30, 2018. Total net position was \$71.8 billion at June 30, 2018, compared to \$66.9 billion at June 30, 2017.
- Net investment income for fiscal year 2018 was \$6.4 billion, compared to net investment income of \$7.7 billion for the prior fiscal year. The PRIT Fund returned 9.97%, gross of fees, in fiscal year 2018, compared to 13.20% in fiscal year 2017.
- Contributions to the PRIT Fund totaled \$2.7 billion in each of the years ended June 30, 2018 and 2017.
- Redemptions from the PRIT Fund totaled \$4.2 billion in each of the years ended June 30, 2018 and 2017.

Condensed Financial Information

Summary balances and activities of the PRIT Fund as of and for the years ended June 30, 2019, 2018, and 2017 are presented below:

		June 30	
	2019	2018	2017
		(Dollars in thousands)	
Summary of pooled net position:			
Assets:			
Investments	\$ 77,737,290	75,621,192	70,069,983
Cash	230,363	169,376	267,019
Securities lending collateral	119,541	256,445	306,659
Receivables and other assets	1,104,847	1,188,043	1,195,196
Total assets	79,192,041	77,235,056	71,838,857
Liabilities:			
Other liabilities	3,942,977	4,884,830	4,392,325
Securities lending obligations	368,928	505,746	556,237
Management fees payable to PRIM	44,498	42,838	39,854
Total liabilities	4,356,403	5,433,414	4,988,416
Net position held in trust for pool participants	\$ 74,835,638	71,801,642	66,850,441

(Continued)

Required Supplementary Information –
Management's Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

		June 30	
	2019	2018	2017
		(Dollars in thousands)	
Summary of changes in pooled net position:			
Additions:			
Contributions	\$ 3,172,841	2,749,989	2,689,066
Net investment income	4,046,225	6,354,624	7,655,016
Total additions	7,219,066	9,104,613	10,344,082
Deductions:			
Redemptions	4,185,070	4,153,412	4,186,446
Change in pooled net position	3,033,996	4,951,201	6,157,636
Net position held in trust for pool participants:			
Balance, beginning of year	71,801,642	66,850,441	60,692,805
Balance, end of year	\$ 74,835,638	71,801,642	66,850,441

The PRIT Fund Performance during the year ended June 30, 2019

The PRIT Fund began fiscal year 2019 with net position of \$71.8 billion and ended the fiscal year with a net position of \$74.8 billion, representing a 4.23% increase. Net investment income for the year ended June 30, 2019 was \$4.0 billion, which when added to net participant redemptions (contributions less redemptions) of \$1.0 billion, resulted in an overall increase in net position of \$3.0 billion.

For the year ended June 30, 2019, the PRIT Fund returned 6.12% gross of fees, lagging its benchmark of 6.58% by 46 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, gross of fees, for the year ended June 30, 2019 are as follows: Global Equity 4.25%; Core Fixed Income 8.33%; Value-Added Fixed Income 6.57%; Private Equity 18.51%; Real Estate 6.07%; Timberland 1.83%; Portfolio Completion Strategies 1.63%; and Overlay 1.48%.

The PRIT Fund underperformed its benchmark for the fiscal year ended June 30, 2019 but continues to outperform its benchmark longer term and has returned an average of 9.41%, gross of fees, annually since January 1, 1985. According to the Trust Universe Comparison Service (TUCS) for Public Pension Funds, a widely-accepted peer ranking of public pension funds performance, the PRIT Fund ranked in the top quartile of public pension plans with net position in excess of \$25 billion over the three-year and five-year periods ended June 30, 2019.

(Continued)

Required Supplementary Information –
Management's Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

The PRIT Fund Performance during the year ended June 30, 2018

The PRIT Fund began fiscal year 2018 with net position of \$66.9 billion and ended the fiscal year with a net position of \$71.8 billion, representing a 7.41% increase. Net investment income for the year ended June 30, 2018 was \$6.4 billion, which when added to net participant redemptions (contributions less redemptions) of \$1.4 billion, resulted in an overall increase in net position of \$5.0 billion.

For the year ended June 30, 2018, the PRIT Fund returned 9.97% gross of fees, exceeding its benchmark of 8.14% by 183 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, gross of fees, for the year ended June 30, 2018 are as follows: Global Equity 11.92%; Core Fixed Income 1.40%; Value-Added Fixed Income 3.82%; Private Equity 21.84%; Real Estate 9.41%; Timberland 7.94%; Portfolio Completion Strategies 6.94%; and Overlay 3.12%.

Other Information

This financial report is designed to provide a general overview of the PRIT Fund's financial results. Additional information can be found on the PRIM Board's website at www.mapension.com. 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, 2019 and 2018

(Dollars in thousands)

	2019	2018
Assets:		
Investments, at fair value:		
Short-term	\$ 1,844,046	1,621,234
Fixed income	17,610,397	16,187,499
Equity	29,954,299	30,972,917
Timberland	2,875,480	2,420,914
Private equity funds	8,345,095	7,570,364
Real estate:		
Real estate properties	7,000,778	6,265,041
Equity	1,620,020	1,614,349
Real estate funds	76,438	74,591
Other	52,348	66,055
Total real estate	8,749,584	8,020,036
Portfolio completion strategies:		
Investment funds	2,529,840	3,399,187
Equity	1,897,528	2,253,931
Fixed income	1,825,098	1,386,652
Cash and cash equivalents	1,573,611	1,393,918
Agricultural investments	500,372	393,303
Other	31,940	1,237
Total portfolio completion strategies	8,358,389	8,828,228
Total investments	77,737,290	75,621,192
Cash	230,363	169,376
Securities lending collateral	119,541	256,445
Interest and dividends receivable	243,419	202,232
Receivable for investments sold and other assets	400,210	499,162
Securities sold on a when-issued basis	383,787	435,489
Foreign currency forward contracts	77,431	51,160
Total assets	79,192,041	77,235,056
Liabilities:		
Payable for investments purchased and other liabilities	452,987	810,099
Real estate debt and other liabilities	1,434,633	1,425,825
Securities lending obligations	368,928	505,746
Securities purchased on a when-issued basis	718,888	949,570
Foreign currency forward contracts	90,803	28,659
Management fees payable to PRIM	44,498	42,838
Portfolio completion strategies liabilities:		
Securities sold short, at fair value	1,183,159	1,616,583
Other	62,507	54,094
Total portfolio completion strategies liabilities	1,245,666	1,670,677
Total liabilities	4,356,403	5,433,414
Net position held in trust for pool participants	\$ 74,835,638	71,801,642

See accompanying notes to financial statements.

Statements of Changes in Pooled Net Position

Years ended June 30, 2019 and 2018

(Dollars in thousands)

	2019	2018
Additions:		
Contributions:		
State employees	\$ 733,289	727,625
State teachers	860,223	804,171
Other participants	1,579,329	1,218,193
Total contributions	3,172,841	2,749,989
Net investment income:		
From investment activities:		
Net realized gain on investments and foreign currency transactions	3,148,833	3,859,853
Net change in unrealized (depreciation) appreciation on investments and foreign currency translations	(516,330)	991,372
Interest	437,885	357,027
Dividends	815,586	791,098
Timberland	35,701	48,301
Private equity	99,730	122,014
Portfolio completion strategies	(110,407)	46,046
Real estate:		
Income	516,145	503,136
Expenses	(221,300)	(215,158)
Total real estate	294,845	287,978
Income from investment activities	4,205,843	6,503,689
Investment management and other management fees	(167,867)	(159,459)
Net income from investment activities	4,037,976	6,344,230
From securities lending activities:		
Securities lending income	9,510	12,030
Securities lending expenses	(1,261)	(1,636)
Net income from securities lending activities	8,249	10,394
Total net investment income	4,046,225	6,354,624
Total additions	7,219,066	9,104,613
Deductions:		
Redemptions:		
State employees	1,445,514	1,442,808
State teachers	1,666,258	1,714,084
Other participants	1,073,298	996,520
Total deductions	4,185,070	4,153,412
Net increase in pooled net position	3,033,996	4,951,201
Net position held in trust for pool participants:		
Balance, beginning of year	71,801,642	66,850,441
Balance, end of year	\$ 74,835,638	71,801,642

See accompanying notes to financial statements.

Notes to Financial Statements

June 30, 2019 and 2018

(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, as well as the assets of the State Retiree Benefits Trust (SRBT) 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 manage the PRIT Fund to ensure that pension assets are well invested so that current and future benefit obligations are adequately funded in a cost-effective manner. The PRIM Board therefore seeks to maximize the total return on investment within acceptable levels of risk and cost for an approximately 60% funded public pension fund. Under current law, by the year 2040, the PRIT Fund plans to 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

(Continued)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

a schedule of state pension appropriations that assumes a long-term actuarial rate of return for the PRIT Fund of 7.25%.

The State Teachers' and State Employees' Retirement Systems of Massachusetts and the SRBT Fund are mandated by statute to invest all of their assets in the PRIT Fund and are, therefore, considered involuntary participants. The assets of the Boston Retirement System attributable to teachers who are members of that system are also mandated to be held in the PRIT Fund. 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 position. As of June 30, 2019, there were 37 Participating Systems and 62 Purchasing Systems invested in the PRIT Fund.

(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 position value of \$1.00 per unit.

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, 2019: General Allocation (holds units of all other accounts), Domestic Equity, International Equity, Emerging Markets Equity, Core Fixed Income, Value-Added Fixed Income, Real Estate, Timberland, Hedge Funds, Distressed Debt, Overlay, Risk Premia, Real Assets, Other Credit Opportunities, Liquidating
(Continued)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

Portfolios, Private Equity Investments, and Private Equity Investments Vintage Years 2000-2019. 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, 2018: General Allocation (holds units of all other accounts), Domestic Equity, International Equity, Emerging Markets Equity, Core Fixed Income, Value-Added Fixed Income, Real Estate, Timberland, Hedge Funds, Distressed Debt, Overlay, Risk Premia, Real Assets, Equity Hedge, Other Credit Opportunities, Liquidating Portfolios, Private Equity Investments, and Private Equity Investments Vintage Years 2000-2018.

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 position 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, Public Value-Added Fixed Income, Real Estate, Hedge Funds, and Private Equity Vintage Year accounts. At June 30, 2019 and 2018, there were 44 and 42 segmented investors, respectively, in the PRIT Fund. The remaining Purchasing Systems invested in the General Allocation Account.

(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.

(Continued)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

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

The PRIT Fund consolidates assets and liabilities of its single-member limited liability corporations.

In addition, certain amounts have been reclassified in the 2018 financial statements to conform to the 2019 presentation.

(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 global equity securities, core fixed income securities, value-added fixed income, real estate, timberland, private equity, portfolio completion strategies 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.

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 include previously recorded unrealized amounts and 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, including exchange-traded funds, 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), such as mutual and similar funds with a readily determinable fair value,

(Continued)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

are based on the commingled fund's published net asset value (NAV) which are valued based on the underlying marketable securities or, in the absence of readily ascertainable market values, the price of identical or similar securities.

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.

As described further below, certain qualifying investments may be measured using NAV as a practical expedient to estimate fair value unless as of the measurement date it is probable that the PRIT Fund's interest will be sold at an amount different than NAV. As of June 30, 2019 and 2018, the PRIT Fund had no plans or intentions to sell such investments at amounts other than NAV.

Investments in real estate represent the PRIT Fund's ownership interest in PRIT Core Realty Holdings LLC (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.

The LLC holds investments in real estate properties, real estate 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 assuming highest and best use of the assets. 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. 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 fund investments are invested through limited partnerships and are recorded at fair value estimated by the PRIM Board, generally using the NAVs provided by general partners as a practical expedient. The NAVs provided by general partners are generally based on appraised value of underlying real estate investments, which considers inputs such as comparable sales, projected income, discount rate, and

(Continued)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

capitalization rates. REIT securities are publicly traded securities and are valued in the same manner as the PRIT Fund's traded equity securities.

Investments in timberland are valued similarly to investments made by the LLC in real estate properties. Independent appraisals of timberland investments are performed annually.

Portfolio completion strategies investments represent the PRIT Fund's ownership in direct hedge funds, hedge fund-of-funds, risk premia funds, and real assets funds (collectively, the funds), managed accounts, and agricultural investments. The fair values of the PRIT Fund's interest in funds are estimated by the PRIM Board, generally using NAVs provided by fund managers as a practical expedient. NAVs for direct hedge funds, risk premia, and real assets funds generally are based on the value of the underlying marketable securities or assets, or in the absence of readily ascertainable market values, the price of identical or similar securities or assets. NAVs for hedge fund-of-funds are generally based on the value of the NAVs of the underlying funds which value their investments similar to direct hedge funds. Managed account investments in equity securities, fixed income, and other investments are valued using independent pricing services. In the event that pricing information is not available, then the investment is reported at fair value as estimated in good faith by the PRIM Board based on information provided by the investment manager responsible for such investment. Cash and cash equivalents held in managed accounts consist of highly liquid investments that are readily convertible into cash. The carrying amount of these securities approximates fair value. Agricultural investments are valued similarly to investments made by the LLC in real estate properties and are generally appraised annually.

Private equity investments are typically made through limited partnerships that invest in venture capital, leveraged buyouts, private placements, and other investments whose 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 NAVs provided by general partners as a practical expedient. The NAVs generally are based on the value of underlying investment holdings, which are determined by investment managers and consider variables such as operating results, earnings of the underlying holdings, projected cash flows, recent sales prices, and other pertinent information. 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, 2019 and 2018, foreign taxes withheld of \$23,200 and \$23,211, respectively, have been netted against dividend income in the statements of changes in pooled net

(Continued)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

position. Real estate income includes dividends earned on REIT securities as well as cash distributions of operating income from investments in real estate properties. Timberland income includes cash distributions of operating income from investments in timberland properties. Private equity income is recorded on a cash distribution basis. Portfolio completion strategies income includes cash distributions of operating income from agricultural investments as well as investment income from managed accounts.

(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 within net unrealized appreciation (depreciation) on investments.

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 equity, fixed income, portfolio completion strategies, 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. In accordance with GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72), a credit valuation adjustment is applied, when applicable, for nonperformance risk using the PRIT Fund's credit risk (liability) in determining fair value.

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

(Continued)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

include contracts for differences, 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.

(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 to the extent of the difference, if any, 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, 2019 and 2018

(Dollars in thousands)

(3) Fair Value Measurements of Investments

In accordance with GASB 72, except for investments measured using NAV as a practical expedient to estimate fair value, the PRIT Fund categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – Inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the PRIT Fund has the ability to access at the measurement date.
- Level 2 – Inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Fair values are primarily obtained from third-party pricing services for identical or comparable assets or liabilities, such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2.
- Level 3 – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative financial instruments. Generally, the PRIT Fund's directly held investments in real estate and timberland will be categorized in Level 3 because a preponderance of inputs used to estimate fair value are not observable. For similar reasons, certain fixed income securities may also be categorized in Level 3.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

(Continued)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

The following tables present a summary of the fair value hierarchy of investments that are measured at fair value on a recurring basis at June 30, 2019 and 2018:

Investments at fair value	2019					Unfunded commitments
	Fair value measurements using					
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs or not redeemable (Level 3)	Net asset value (NAV)	
Short-term:						
Money market investments	\$ 1,844,046	—	1,844,046	—	—	
Fixed income:						
U.S. government obligations (1)	7,130,346	7,130,346	—	—	—	
Domestic fixed income (2)	6,378,162	13,007	6,313,202	51,953	—	
International fixed income (3)	2,601,248	150,918	2,448,869	1,461	—	
Distressed debt (4)	1,237,660	—	—	—	1,237,660	1,039,221
Other credit opportunities (5)	262,981	—	109,033	132,148	21,800	260,238
	17,610,397	7,294,271	8,871,104	185,562	1,259,460	
Equity:						
Domestic equity securities	14,433,454	14,315,187	109,823	8,444	—	
International equity securities	15,520,845	15,502,593	1,984	16,268	—	
	29,954,299	29,817,780	111,807	24,712	—	
Timberland	2,875,480	—	—	2,875,480	—	
Private equity funds:						
Special equity (6)	6,158,085	—	—	—	6,158,085	4,933,040
Venture capital (7)	2,064,020	—	—	—	2,064,020	537,340
Natural resources (8)	122,990	—	—	—	122,990	46,760
	8,345,095	—	—	—	8,345,095	
Real estate:						
Real estate properties	7,000,778	—	—	7,000,778	—	
Real estate equity securities	1,620,020	1,607,981	6,923	5,116	—	
Real estate funds (9)	76,438	—	—	—	76,438	93,161
Other	52,348	—	—	52,348	—	
	8,749,584	1,607,981	6,923	7,058,242	76,438	
Portfolio completion strategies:						
Event-driven hedge funds (10)	816,739	—	—	—	816,739	
Relative value hedge funds (11)	319,943	—	—	—	319,943	
Equity long/short hedge funds (12)	1,721	—	—	—	1,721	
Fund of funds (13)	810,250	—	—	—	810,250	
Risk premia funds (14)	187,843	—	—	—	187,843	
Real assets funds (15)	393,344	—	—	—	393,344	702,805
Investment funds	2,529,840	—	—	—	2,529,840	
Equity securities	1,897,528	1,859,942	20,178	17,408	—	
Fixed income securities	1,825,098	95,016	1,614,006	116,076	—	207,500
Cash and cash equivalents	1,573,611	1,327,023	246,588	—	—	
Agricultural investments	500,372	—	—	500,372	—	
Other	31,940	—	—	31,940	—	
	8,358,389	3,281,981	1,880,772	665,796	2,529,840	
Total investments	\$ 77,737,290	42,002,013	12,714,652	10,809,792	12,210,833	

(Continued)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

Investments at fair value	2019					Unfunded commitments
	Fair value measurements using					
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs or not redeemable (Level 3)	Net asset value (NAV)	
Securities lending collateral:						
Repurchase agreements	\$ 100,000	—	100,000	—	—	
Money market investments	19,541	—	19,541	—	—	
Total securities lending collateral	\$ 119,541	—	119,541	—	—	
Portfolio completion strategies liabilities at fair value						
Securities sold short:						
Equity securities	\$ 584,519	576,520	7,999	—	—	
Cash and cash equivalents	458,335	5,565	452,770	—	—	
Fixed income securities	140,305	28,960	111,345	—	—	
	1,183,159	611,045	572,114	—	—	
Other	62,507	—	—	62,507	—	
Total portfolio completion strategies liabilities	\$ 1,245,666	611,045	572,114	62,507	—	

(Continued)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

Investments at fair value	2018					Unfunded commitments
	Fair value measurements using					
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs or not redeemable (Level 3)	Net asset value (NAV)	
Short-term:						
Money market investments	\$ 1,621,234	—	1,621,234	—	—	
Fixed income:						
U.S. government obligations (1)	5,910,344	5,910,344	—	—	—	
Domestic fixed income (2)	6,020,961	1,812	5,971,090	48,059	—	
International fixed income (3)	2,907,782	141,278	2,760,137	6,367	—	
Distressed debt (4)	1,148,148	—	—	—	1,148,148	1,322,760
Other credit opportunities (5)	200,264	394	49,886	140,728	9,256	45,063
	16,187,499	6,053,828	8,781,113	195,154	1,157,404	
Equity:						
Domestic equity securities	14,693,919	14,693,882	37	—	—	
International equity securities	16,278,998	16,245,557	—	33,441	—	
	30,972,917	30,939,439	37	33,441	—	
Timberland	2,420,914	—	—	2,420,914	—	
Private equity funds:						
Special equity (6)	5,567,287	—	—	—	5,567,287	4,895,680
Venture capital (7)	1,836,814	—	—	—	1,836,814	443,597
Natural resources (8)	166,263	—	—	—	166,263	52,204
	7,570,364	—	—	—	7,570,364	
Real estate:						
Real estate properties	6,265,041	—	—	6,265,041	—	
Real estate equity securities	1,614,349	1,598,418	15,931	—	—	
Real estate funds (9)	74,591	—	—	—	74,591	108,857
Other	66,055	—	—	66,055	—	
	8,020,036	1,598,418	15,931	6,331,096	74,591	
Portfolio completion strategies:						
Event-driven hedge funds (10)	1,429,571	—	—	—	1,429,571	25,832
Relative value hedge funds (11)	301,348	—	—	—	301,348	
Equity long/short hedge funds (12)	157,464	—	—	—	157,464	
Fund of funds (13)	996,974	—	—	—	996,974	
Risk premia funds (14)	217,627	—	—	—	217,627	
Real assets funds (15)	296,203	—	—	—	296,203	12,000
Investment funds	3,399,187	—	—	—	3,399,187	
Equity securities	2,253,931	2,208,149	21,132	24,650	—	
Fixed income securities	1,386,652	—	1,266,781	119,871	—	105,000
Cash and cash equivalents	1,393,918	1,294,247	99,671	—	—	
Agricultural investments	393,303	—	—	393,303	—	
Other	1,237	—	—	1,237	—	
	8,828,228	3,502,396	1,387,584	539,061	3,399,187	
Total investments	\$ 75,621,192	42,094,081	11,805,899	9,519,666	12,201,546	

(Continued)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

Investments at fair value	2018					Unfunded commitments
	Fair value measurements using					
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs or not redeemable (Level 3)	Net asset value (NAV)	
Securities lending collateral:						
Repurchase agreements	\$ 250,000	—	250,000	—	—	
Money market investments	6,445	—	6,445	—	—	
Total securities lending collateral	\$ 256,445	—	256,445	—	—	
Portfolio completion strategies liabilities at fair value						
Securities sold short:						
Equity securities	\$ 1,211,002	1,208,864	2,138	—	—	
Cash and cash equivalents	349,612	1,800	347,812	—	—	
Fixed income securities	55,969	6,961	49,008	—	—	
	1,616,583	1,217,625	398,958	—	—	
Other	54,094	—	—	54,094	—	
Total portfolio completion strategies liabilities	\$ 1,670,677	1,217,625	398,958	54,094	—	

- (1) Fiscal 2019 rates range from 0.00% to 8.13%, and maturities range from 2019 to 2049. Fiscal 2018 rates range from 0.00% to 8.13%, and maturities range from 2018 to 2048.
- (2) Fiscal 2019 rates range from 0.00% to 15.45%, and maturities range from 2019 to 2116. Fiscal 2018 rates range from 0.00% to 16.99%, and maturities range from 2018 to 2116.
- (3) Fiscal 2019 rates range from 0.00% to 68.47%, and maturities range from 2019 to 2115. Fiscal 2018 rates range from 0.00% to 36.75%, and maturities range from 2018 to 2115.
- (4) This represents investments in 38 and 39 private partnerships that invest directly in distressed debt investment opportunities at June 30, 2019 and 2018, respectively. These investments cannot be redeemed. Distributions are received as the partnerships liquidate the underlying assets of the funds. The life cycles of the private partnerships are typically 10 to 15 years.
- (5) This includes managed accounts and private partnerships that makes credit investments. Private partnerships typically have 10 to 15-year life cycles during which limited partners are unable to redeem their positions, but instead, receive distributions as the partnerships liquidate the underlying assets of the funds.
- (6) This includes investments in 200 and 189 private partnerships focused on acquisition financing, equity infusion capital, recovery investments, and special situations at June 30, 2019 and 2018,

(Continued)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

respectively. These private partnerships typically have 10 to 15-year life cycles during which limited partners are unable to redeem their positions, but instead, receive distributions as the partnerships liquidate the underlying assets of the funds.

- (7) This includes investments in 120 and 113 private partnerships focused on investing in companies in a range of stages of development from start-up/seed-stage, to early stage, to later-stage at June 30, 2019 and 2018, respectively. These investments are not redeemable. Distributions are received as the partnerships liquidate the underlying assets of the funds. The private partnerships typically have a life cycle of 10 to 15 years.
- (8) This represents investments in four private partnerships that make investments in the energy and natural resources industries at June 30, 2019 and 2018. Limited partners are unable to withdraw from the partnerships. Distributions are received as the partnerships liquidate the underlying assets. The four private partnerships have life cycles of 10 to 11 years and a weighted average remaining life of approximately one year at June 30, 2019 and 2018.
- (9) This includes six closed-end real estate funds that invest in U.S. real estate at June 30, 2019 and 2018. These investments are not redeemable. The funds have initial terms of eight to 11 years with extension of one to two years, and have a weighted average remaining life of approximately six years at June 30, 2019 and 2018.
- (10) This includes seven and nine hedge funds that invest in event-driven strategies such as credit-event, equity-event, multi-event driven, and stressed/distressed credit positions at June 30, 2019 and 2018, respectively. Redemption frequency for these investments ranged from quarterly to two years with 45 to 90 days' notice.
- (11) This includes one and two hedge funds that invest in relative value strategies such as fixed income relative value, credit-relative value, and multi-relative value positions at June 30, 2019 and 2018, respectively. Redemption frequency for these investments is quarterly with 45 days' notice.
- (12) This includes two and three hedge funds that invests in equity long/short strategies where there is combination of long and short positions primarily in publicly traded equities at June 30, 2019 and 2018. Redemption frequency for these investments ranged from quarterly to three years with 60 days' notice.
- (13) This includes one active hedge fund of funds manager, valued at \$784,668 and \$959,006, at June 30, 2019 and 2018, respectively, which invests in emerging hedge fund managers. Redemption frequency for this fund is monthly with 30 days' notice. The remaining balance represents

(Continued)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

investments in five liquidating portfolios in which distributions are received as the funds liquidates the underlying assets.

- (14) This includes one fund that is invested in a multi-strategy risk premia program at June 30, 2019 and 2018. Redemption frequency for this fund is monthly with 30 days' notice.
- (15) This includes eight and three funds that seeks to make investments in real assets at June 30, 2019 and 2018, respectively. Investments in these funds are generally not redeemable and distributions are received as the funds liquidate the underlying assets.

(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. The PRIT Fund maintains cash and cash equivalents with various major financial institutions. The combined account balances at a specific financial institution may periodically exceed federally insured limits. No losses have been incurred as of June 30, 2019 and 2018.

(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

(Continued)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

table. The PRIM Board compares the effective duration of a manager's portfolio to their relevant benchmark including Bloomberg Barclays Capital Aggregate index, US Treasury STRIPS 20+ Year index, Bloomberg Barclays Capital US TIPS index, Barclays Capital Inflation Linked Bonds index, S&P LSTA Leveraged Loan index, JP Morgan Global Emerging Markets Bond index, JP Morgan Global Diversified Emerging Markets Bond index, and the Intercontinental Exchange Bank of America Merrill Lynch (ICE BofAML) High Yield index.

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

Investment	2019		2018	
	Fair value	Effective weighted duration rate	Fair value	Effective weighted duration rate
		(Years)		(Years)
Asset-backed securities	\$ 523,378	2.59	417,981	1.69
Commercial mortgage – backed securities	246,519	2.10	248,079	2.31
Commercial paper and CDs	12,620	0.14	200	0.18
Corporate bonds and other credits	5,077,698	6.18	5,102,987	5.42
U.S. government bonds	4,552,758	16.03	3,000,887	15.31
U.S. government agencies	15,591	4.33	23,944	3.05
U.S. government TIPS	2,672,950	6.53	2,909,457	5.41
U.S. government mortgage – backed securities	1,370,942	2.70	1,360,894	5.00
Global inflation linked bonds	287,770	9.18	420,781	8.86
Municipal bonds	50,674	8.19	38,702	8.12
Pooled money market fund (1)	1,844,156	N/A	1,621,234	N/A
Other pooled funds (2)	4,624,485	N/A	4,050,239	N/A
Total fixed income and short-term investments	\$ 21,279,541		19,195,385	
Securities lending collateral investments:				
Pooled money market fund (1)	19,541	N/A	6,445	N/A
Repurchase agreements (1)	100,000	N/A	250,000	N/A
Total securities lending collateral investments	\$ 119,541		256,445	

(1) Short-term investments with maturities of less than three months.

(2) Other pooled funds have a weighted average maturity of approximately two years at June 30, 2019 and 2018.

(Continued)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

(c) Credit Risk

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

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, 2019 and 2018

(Dollars in thousands)

The weighted average quality 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, 2019 and 2018. The following tables present the PRIT Fund's fixed-income securities credit ratings at June 30:

Investment	Total fair value	2019					
		Investment grade			Noninvestment grade		
		AAA	AA+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Not rated
Asset-backed securities	\$ 523,378	38,306	64,890	6,777	42,611	239,917	130,877
Commercial mortgage-backed securities	246,519	87,497	26,583	6,181	21,270	87,532	17,456
Commercial paper and CDs	12,620	—	—	—	—	—	12,620
Corporate bonds and other credits	5,077,698	181,086	839,570	1,195,634	1,603,918	302,885	954,605
U.S. government agencies	15,591	—	15,591	—	—	—	—
U.S. government mortgage-backed securities	1,133,823	3,069	787,465	—	1,001	—	342,288
Global inflation linked bonds	287,770	54,443	145,049	80,193	—	—	8,085
Municipal bonds	50,674	1,468	43,646	2,919	2,641	—	—
Pooled money market fund	1,844,156	—	—	—	—	—	1,844,156
Other pooled funds	4,624,485	—	—	—	—	—	4,624,485
Total credit risk, fixed income, and short-term investments	13,816,714	365,869	1,922,794	1,291,704	1,671,441	630,334	7,934,572
Fixed income investments explicitly backed by the U.S. government	7,462,827						
Total fixed income and short-term investments	\$ 21,279,541						
Securities lending collateral investments:							
Pooled money market fund	19,541	19,541	—	—	—	—	—
Repurchase agreements	100,000	—	25,000	—	—	—	75,000
Total securities lending collateral investments	\$ 119,541	19,541	25,000	—	—	—	75,000

(Continued)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

Investment	Total fair value	2018					
		Investment grade			Noninvestment grade		Not rated
		AAA	AA+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	
Asset-backed securities	\$ 417,981	27,597	40,299	3,984	63,224	203,652	79,225
Commercial mortgage-backed securities	248,079	74,783	11,633	7,209	18,282	68,600	67,572
Commercial paper and CDs	200	—	—	—	—	—	200
Corporate bonds and other credits	5,102,987	126,070	947,590	1,136,307	1,426,207	360,662	1,106,151
U.S. government agencies	23,944	—	23,944	—	—	—	—
U.S. government mortgage-backed securities	1,145,561	2,145	613,730	—	2,049	—	527,637
Global inflation linked bonds	420,781	82,534	222,944	99,455	—	—	15,848
Municipal bonds	38,702	662	33,641	1,997	2,237	165	—
Pooled money market fund	1,621,234	—	—	—	—	—	1,621,234
Other pooled funds	4,050,239	—	—	—	—	—	4,050,239
Total credit risk, fixed income, and short-term investments	13,069,708	313,791	1,893,781	1,248,952	1,511,999	633,079	7,468,106
Fixed income investments explicitly backed by the U.S. government	6,125,677						
Total fixed income and short-term investments	\$ 19,195,385						
Securities lending collateral investments:							
Pooled money market fund	6,445	6,445	—	—	—	—	—
Repurchase agreements	250,000	—	175,000	—	—	—	75,000
Total securities lending collateral investments	\$ 256,445	6,445	175,000	—	—	—	75,000

(Continued)

Notes to Financial Statements

June 30, 2019 and 2018

(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 managers who invest in securities not denominated in U.S. dollars. 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 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):

	2019						Total
	Cash and short-term investments	Equity	Fixed income	Portfolio completion strategies	Private equity investments	Timberland investments	
Australian Dollar	\$ 5,088	555,570	9,874	4,794	—	315,232	890,558
Brazilian Real	525	203,172	116,214	50,390	—	—	370,301
British Pound	18,626	2,090,942	205,635	54,879	11,675	—	2,381,757
Canadian Dollar	12,534	435,372	21,952	54,693	2,217	—	526,768
Euro	56,312	2,629,559	305,133	212,829	1,121,986	—	4,325,819
Hong Kong Dollar	7,248	1,285,775	—	1,193	—	—	1,294,216
Indian Rupee	762	356,488	(284)	—	—	—	356,966
Japanese Yen	65,996	2,486,262	46,336	45,370	—	—	2,643,964
New Taiwan Dollar	4,542	387,441	—	—	—	—	391,983
South Korean Won	5,765	512,949	24,763	(3,898)	—	—	539,579
Swedish Krona	627	398,176	5,741	227	—	—	404,771
Swiss Franc	29,243	695,324	—	804	—	—	725,371
Other foreign currencies	36,227	1,597,278	392,127	69,183	—	—	2,094,815
Total securities subject to foreign currency risk	243,495	13,634,308	1,127,491	490,464	1,135,878	315,232	16,946,868
International investments denominated in U.S. dollars	—	1,886,537	1,473,757	—	—	—	3,360,294
Total international investments and cash deposits	\$ 243,495	15,520,845	2,601,248	490,464	1,135,878	315,232	20,307,162

(Continued)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

	2018						Total
	Cash and short-term investments	Equity	Fixed income	Portfolio completion strategies	Private equity investments	Timberland investments	
Australian Dollar	\$ 8,269	566,790	14,391	11,142	—	286,221	886,813
British Pound	21,223	2,341,679	376,298	62,471	18,443	—	2,820,114
Canadian Dollar	10,031	462,698	35,458	46,014	1,879	—	556,080
Danish Krone	4,436	310,531	3,220	914	—	—	319,101
Euro	40,148	2,887,294	335,248	219,433	1,138,093	—	4,620,216
Hong Kong Dollar	5,079	1,307,737	—	1,320	—	—	1,314,136
Indian Rupee	983	364,244	178	—	—	—	365,405
Japanese Yen	58,165	2,649,494	82,337	2,814	—	—	2,792,810
New Taiwan Dollar	1,692	424,752	—	—	—	—	426,444
S. African Comm Rand	560	253,296	69,888	(213)	—	—	323,531
South Korean Won	9,884	551,859	30,858	(75)	—	—	592,526
Swedish Krona	498	411,961	11,440	(550)	—	—	423,349
Swiss Franc	19,951	687,681	—	684	—	—	708,316
Other foreign currencies	28,362	1,141,878	601,004	32,284	—	—	1,803,528
Total securities subject to foreign currency risk	209,281	14,361,894	1,560,320	376,238	1,158,415	286,221	17,952,369
International investments denominated in U.S. dollars	—	1,917,104	1,347,462	—	—	—	3,264,566
Total international investments and cash deposits	\$ 209,281	16,278,998	2,907,782	376,238	1,158,415	286,221	21,216,935

(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, 2019 and 2018.

(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.

(Continued)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

(5) Securities Lending Program

In October 2014, the PRIM Board hired a third-party securities lending agent to launch a securities lending program on January 2, 2015. The program loans domestic and international equity, REIT, and fixed income securities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. Securities on loan are secured with collateral ranging from 102% to 105% determined by the type of securities lent. Securities on loan are valued daily to maintain the collateral requirement and, where applicable, additional collateral is delivered. At June 30, 2019 and 2018, the PRIT Fund has no credit risk exposure to borrowers because the borrowers provided collateralization greater than 100% of the fair value of the securities on loan. The PRIT Fund cannot pledge or sell the collateral securities unless the lending agent defaults. The lending agent is required to indemnify the PRIT Fund in the event that it fails to return the securities on loan (and if the collateral is inadequate to replace the securities on loan) or if the lending agent fails to perform its obligations as stipulated in the agreement. There was no loss during the years ended June 30, 2019 and 2018 resulting from default by the lending agent.

Securities loans are terminable on demand therefore maturities of the securities loans do not generally match the maturities of investments made with cash collateral. Investments made with cash collateral are primarily in short-term investments with maximum maturity of three months from the date of purchase.

Securities on loan are included in investments at fair value in the accompanying statements of pooled net position. As of June 30, 2019 and 2018, the fair value of securities on loan was \$342,315 and \$481,339, respectively, and the associated collateral received in cash was \$368,928 and \$505,746, respectively. Securities lending obligations to repay the collateral are reported in the accompanying statements of pooled net position. There was no security collateral or noncash collateral at June 30, 2019 and 2018. During the years ended June 30, 2019 and 2018, in accordance with the Securities Lending Agency Agreement, the PRIT Fund loaned \$250,000 of the cash collateral to the LLC to invest in real estate investments. Interest is paid monthly in arrears at a per annum rate equal to LIBOR. The loans mature on March 10, 2027 and can be prepaid at any time. As this is an inter-entity loan, it has been eliminated in consolidation. The fair value of reinvested cash collateral was \$119,541 and \$256,445 at June 30, 2019 and 2018, respectively, and is reported as securities lending collateral in the accompanying statements of pooled net position.

(Continued)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

(6) Real Estate Debt**(a) Notes Payable**

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

	2019	2018
Senior unsecured term loan	\$ 500,000	500,000
Senior unsecured notes	500,000	500,000
Total	\$ 1,000,000	1,000,000

Scheduled long-term maturities of existing indebtedness at June 30, 2019 in each of the next five years and in the aggregate thereafter are as follows:

	Amount
Year ending June 30:	
2020	\$ 175,000
2021	—
2022	500,000
2023	175,000
2024–2025	150,000
	\$ 1,000,000

(i) Senior Unsecured Term Loan

On November 21, 2016, the LLC issued Senior Unsecured Term Loans with aggregate principal amounts of \$300,000 and \$200,000, maturing November 21, 2021. 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 agreements. As of June 30, 2019 and 2018, 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.

(Continued)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

Both the Senior Unsecured Term Loans 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, 2019 and 2018.

(b) Mortgage Loans Payable

The LLC had 13 property-level mortgage loans payable as of June 30, 2019 and 2018. The mortgages have a weighted average interest rate of 3.93% and 3.87% and a weighted average maturity of 5.4 and 4.8 years at June 30, 2019 and 2018, respectively. The following table presents the face value of mortgage loans payable at June 30:

	<u>2019</u>	<u>2018</u>
Mortgage loans payable	\$ 413,008	422,942
Total	\$ <u>413,008</u>	<u>422,942</u>

(c) Other Liabilities:

The LLC had other liabilities of \$21,625 and \$2,883 as of June 30, 2019 and 2018, respectively.

(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 contracts for differences, foreign currency exchange contracts, futures contracts, and swap contracts.

(a) Contracts for differences

A contract for differences is an instrument whose value is based on the price movement of the underlying asset. It allows for gain or losses to be realized when the underlying asset moves in relation to the position taken, although the actual underlying asset is not owned by the PRIT Fund. The fair value of these instruments is generally recorded at the contract's net equity value. The net equity value is calculated by determining the change in value of the underlying asset less the cost of any leverage. 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 value 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, 2019 and 2018

(Dollars in thousands)

Contracts for differences held at June 30 were as follows:

Description	2019			
	Number of contracts	Gross notional amount	Fair value of contracts	Unrealized appreciation (depreciation)
Long exposure	38,090,747	\$ 263,977	272,958	8,981
Short exposure	(34,046,724)	(261,436)	(264,401)	(2,965)
Total exposure		\$ 2,541	8,557	6,016

Description	2018			
	Number of contracts	Gross notional amount	Fair value of contracts	Unrealized appreciation (depreciation)
Long exposure	25,579,225	\$ 125,765	122,315	(3,450)
Short exposure	(13,498,623)	(120,488)	(120,546)	(58)
Total exposure		\$ 5,277	1,769	(3,508)

For the years ended June 30, 2019 and 2018, the change in net unrealized appreciation (depreciation) on contracts for differences was \$9,524 and \$(3,508), respectively.

(b) 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, 2019 and 2018

(Dollars in thousands)

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

	2019				
	Fair value	Aggregate face value	Delivery date(s)	Unrealized gains	Unrealized losses
Foreign currency exchange contracts purchased:					
British Pound	\$ 770,871	767,517	7/1/19-11/22/19	\$ —	(3,354)
Canadian Dollar	155,995	152,901	7/2/19-12/3/19	—	(3,094)
Chilean Peso	272,419	265,745	7/1/19-9/27/19	—	(6,674)
Colombian Peso	92,956	90,162	7/2/19-9/18/19	—	(2,794)
Euro	1,115,744	1,105,913	7/1/19-6/22/20	—	(9,831)
Indonesian Rupiah	158,838	156,809	7/1/19-12/5/19	—	(2,029)
Indian Rupee	258,337	250,832	7/1/19-6/22/20	—	(7,505)
Japanese Yen	423,543	419,881	7/1/19-11/12/19	—	(3,662)
New Zealand Dollar	278,662	273,619	7/1/19-9/18/19	—	(5,043)
Philippines Peso	209,007	202,118	7/1/19-3/12/20	—	(6,889)
Singapore Dollar	304,536	301,520	7/1/19-9/18/19	—	(3,016)
South Korean Won	372,349	366,131	7/1/19-9/20/19	—	(6,218)
Swedish Krona	187,735	184,632	7/1/19-9/18/19	—	(3,103)
Swiss Franc	143,756	140,644	7/19/19-9/18/19	—	(3,112)
South African Comm Rand	87,056	84,141	7/1/19-9/18/19	—	(2,915)
Turkish Lira	152,513	146,921	7/1/19-3/18/20	—	(5,592)
Other foreign currencies	3,508,884	3,495,216	7/1/19-6/30/20	1,297	(14,965)
Foreign currency exchange contracts sold:					
Australian Dollar	369,626	366,393	7/1/19-3/26/20	3,233	—
Brazilian Real	258,818	252,306	7/1/19-9/18/19	6,512	—
Canadian Dollar	150,429	148,055	7/2/19-9/18/19	2,374	—
Colombian Peso	122,792	119,042	7/2/19-9/18/19	3,750	—
Euro	544,568	541,776	7/1/19-6/22/20	2,792	—
Indonesian Rupiah	230,799	226,721	7/1/19-12/5/19	4,078	—
Indian Rupee	398,826	390,418	7/1/19-6/22/20	8,408	—
Philippines Peso	278,858	272,178	7/1/19-3/12/20	6,680	—
Polish Zloty	195,066	192,072	7/1/19-9/18/19	2,994	—
Russian Ruble	244,970	239,601	7/1/19-9/18/19	5,369	—
South African Comm Rand	79,262	76,625	7/1/19-9/18/19	2,637	—
Swedish Krona	92,860	90,708	7/1/19-9/18/19	2,152	—
Swiss Franc	130,490	128,381	7/22/19-9/18/19	2,109	—
Turkish Lira	155,111	150,758	7/5/19-3/18/20	4,353	—
Other foreign currencies	4,214,358	4,196,672	7/1/19-6/17/20	18,693	(1,007)
Total				\$ 77,431	(90,803)

(Continued)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

		2018				
		Fair value	Aggregate face value	Delivery date(s)	Unrealized gains	Unrealized losses
Foreign currency exchange contracts purchased:						
Australian Dollar	\$	117,853	118,824	7/2/18-12/14/18	\$ 971	—
Brazilian Real		239,520	248,004	7/2/18-5/11/20	8,484	—
British Pound		903,946	907,625	7/2/18-11/26/18	3,679	—
Canadian Dollar		199,948	200,988	7/3/18-9/19/18	1,040	—
Euro		885,319	886,429	7/2/18-3/15/19	1,110	—
Israeli Shekel		120,242	122,891	7/9/18-9/20/18	2,649	—
Japanese Yen		303,822	306,944	7/2/18-9/19/18	3,122	—
Mexican New Peso		104,384	102,883	7/2/18-3/3/19	—	(1,501)
New Zealand Dollar		121,565	124,229	7/2/18-9/19/18	2,664	—
South Korean Won		136,202	139,521	7/2/18-9/19/18	3,319	—
Swedish Krona		197,915	202,968	7/2/18-9/19/18	5,053	—
Swiss Franc		303,583	306,226	7/2/18-9/19/18	2,643	—
South African Comm Rand		91,583	95,471	7/2/18-9/19/18	3,888	—
Other foreign currencies		669,984	675,231	7/2/18-9/19/18	6,118	(871)
Foreign currency exchange contracts sold:						
Australian Dollar		148,449	150,956	7/2/18-9/19/18	—	(2,507)
Brazilian Real		90,751	92,414	7/3/18-9/19/18	—	(1,663)
British Pound		544,461	546,183	7/2/18-9/19/18	—	(1,722)
Canadian Dollar		134,017	134,470	7/3/18-9/19/18	—	(453)
Euro		420,035	419,639	7/2/18-9/19/18	396	—
Japanese Yen		245,647	247,207	7/2/18-9/19/18	—	(1,560)
Mexican New Peso		277,269	271,777	7/2/18-9/26/18	5,492	—
Norwegian Krone		95,617	96,205	7/2/18-9/26/18	—	(588)
Russian Ruble		108,936	109,206	7/2/18-10/31/18	—	(270)
South African Comm Rand		101,814	105,718	7/2/18-9/19/18	—	(3,904)
Turkish Lira		185,444	185,569	7/2/18-9/28/18	—	(125)
Other foreign currencies		845,650	858,613	7/2/18-1/3/19	532	(13,495)
Total					\$ 51,160	(28,659)

For the years ended June 30, 2019 and 2018, the change in net unrealized appreciation (depreciation) on foreign currency exchange contracts was \$(35,873) and \$27,325, respectively.

(c) 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

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Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

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.

Futures contracts held at June 30 were as follows:

Description	Number of contracts	Expiration date	2019		
			Gross notional amount	Fair value of contracts	Unrealized appreciation (depreciation)
Short cash and cash equivalents:					
90-Day Eurodollar	(5,752)	9/19-6/21	\$ (1,407,261)	(1,414,702)	(7,441)
Other short cash and cash equivalents	(1,710)	9/19-2/20	(350,131)	(352,128)	(1,997)
Long cash and cash equivalents:					
3-Month Euribor	1,703	12/19-6/22	480,249	486,901	6,652
90-Day Eurodollar	5,226	9/19-12/22	1,281,952	1,285,396	3,444
Other long cash and cash equivalents	4,208	9/19-6/22	682,775	683,324	549
Short fixed income:					
Australian 10-Yr Treasury Bond	(1,800)	9/19	(178,124)	(181,452)	(3,328)
Canada 10-Yr Government Bond	(1,439)	9/19	(152,908)	(157,395)	(4,487)
Euro-BTP	(374)	9/19	(55,291)	(57,200)	(1,909)
Euro-Schatz	(2,198)	9/19	(274,608)	(281,059)	(6,451)
US 5-Yr Treasury Notes	(1,624)	9/19	(189,530)	(191,886)	(2,356)
Other short fixed income	(4,193)	9/19	(682,235)	(689,189)	(6,954)
Long fixed income:					
Australian 10-Yr Treasury Bond	1,643	9/19	162,448	165,625	3,177
Euro-BOBL	959	9/19	144,221	146,823	2,602
Euro-BUND	1,590	9/19	305,622	312,779	7,157
Euro-Schatz	1,214	9/19	153,077	155,234	2,157
Long GILT	1,383	9/19	227,197	229,347	2,150
US 10-Yr Treasury Notes	3,342	9/19	421,742	427,672	5,930
US Treasury Bond	539	9/19	81,948	83,865	1,917
Ultra US Treasury Bond	565	9/19	97,762	100,323	2,561
Other long fixed income	4,977	8/19-9/19	935,468	945,059	9,591
Short equity and commodities:					
Agriculture	(14,345)	7/19-3/20	(362,971)	(362,166)	805
Metal	(2,496)	7/19-10/19	(156,456)	(158,908)	(2,452)
Oil and gas	(2,855)	7/19-8/19	(134,582)	(141,552)	(6,970)
S&P 500 E-mini Index	(2,973)	9/19	(430,783)	(437,655)	(6,872)
Other short equity and commodities	(4,023)	7/19-10/19	(222,041)	(225,531)	(3,490)
Long equity and commodities:					
Agriculture	8,753	7/19-2/20	227,833	225,047	(2,786)
Metal	1,678	8/19-12/19	103,709	105,971	2,262
Oil and gas	3,264	7/19-11/19	160,085	168,577	8,492
Euro STOXX 50 Index	2,206	6/19-9/19	84,944	87,079	2,135
MSCI EAFE Index	2,226	9/19	208,518	214,063	5,545
MSCI Emerging Markets Index	2,562	9/19	129,943	134,941	4,998
S&P 500 E-mini Index	2,113	9/19	306,569	311,055	4,486
Other long equity and commodities	6,621	6/19-9/19	628,239	642,008	13,769
Total			\$ 2,227,380	2,260,266	32,886

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June 30, 2019 and 2018

(Dollars in thousands)

Description	Number of contracts	Expiration date	2018		
			Gross notional amount	Fair value of contracts	Unrealized appreciation (depreciation)
Short cash and cash equivalents:					
3-Month Euribor	(444)	12/18	\$ (131,399)	(129,967)	1,432
90-Day Bank Bill	(652)	9/18-12/18	(492,158)	(479,366)	12,792
Other short cash and cash equivalents	(9,239)	9/18-6/21	(2,094,058)	(2,091,885)	2,173
Long cash and cash equivalents:					
3-Month Euribor	1,403	12/18-6/21	414,221	409,617	(4,604)
90-Day Bank Bill	125	12/18-6/19	93,375	91,898	(1,477)
90-Day Sterling	1,037	9/18-6/21	171,805	169,611	(2,194)
Other long cash and cash equivalents	6,817	9/18-9/21	1,393,334	1,391,068	(2,266)
Short fixed income:					
Canada 10-Yr Government Bond	(2,345)	9/18	(242,713)	(243,707)	(994)
Japan 10-Yr Government Bond	(104)	9/18	(143,140)	(141,627)	1,513
Other short fixed income	(9,701)	9/18	(1,420,607)	(1,422,511)	(1,904)
Long fixed income:					
Australian 10-Yr Treasury Bond	3,057	9/18	295,875	292,185	(3,690)
Japan 10-Yr Government Bond	460	9/18	629,619	626,429	(3,190)
Euro-BUND	3,492	9/18	656,624	662,730	6,106
US 10-Yr Treasury Notes	1,787	9/18	213,532	214,775	1,243
Ultra US Treasury Bond	428	9/18	66,843	68,293	1,450
Other long fixed income	7,554	8/18-9/18	837,050	840,965	3,915
Short equity and commodities:					
Agriculture	(7,730)	7/18-12/18	(197,823)	(192,820)	5,003
Metal	(1,131)	7/18-10/18	(107,122)	(103,880)	3,242
Oil and gas	(561)	7/18	(35,368)	(36,595)	(1,227)
S&P 500 E-mini Index	(3,022)	9/18	(419,636)	(411,234)	8,402
S&P 500 Index	(67)	9/18	(46,619)	(45,587)	1,032
Other short equity and commodities	(7,196)	7/18-9/18	(238,615)	(236,546)	2,069
Long equity and commodities:					
Metal	1,170	7/18-10/18	93,806	89,832	(3,974)
Oil and gas	2,403	7/18-11/18	153,583	160,083	6,500
Amsterdam Index	265	7/18	35,159	34,133	(1,026)
DAX Index	99	9/18	37,230	35,568	(1,662)
Euro STOXX 50 Index	1,742	9/18	70,987	68,969	(2,018)
FTSE 100 Index	792	9/18	80,746	79,484	(1,262)
IBEX 35 Index	392	7/18	45,076	43,945	(1,131)
KOSPI 200 Index	468	9/18	33,865	31,494	(2,371)
MSCI EAFE Index	1,535	9/18	154,787	150,077	(4,710)
MINI MSCI Emerging Markets Index	2,141	9/18	120,925	113,826	(7,099)
S&P 500 E-mini Index	1,728	9/18	239,985	235,146	(4,839)
S&P Midcap 400 E-mini Index	247	9/18	49,456	48,316	(1,140)
TOPIX Index	699	9/18	112,928	109,206	(3,722)
Other long equity and commodities	9,737	7/18-3/19	436,173	433,065	(3,108)
Total			\$ 867,726	864,990	(2,736)

For the years ended June 30, 2019 and 2018, the change in net unrealized depreciation on futures contracts was \$35,622 and \$(247), respectively.

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June 30, 2019 and 2018

(Dollars in thousands)

(d) 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, inflation, 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.

Open swap contracts at June 30 were as follows:

Description	2019				
	PRIT pays/receives interest rate	PRIT pays/receives index/ protection	Maturity date	Gross notional amount	Net unrealized appreciation (depreciation)
Interest rate swaps	-0.24%–9.15%	Various*	7/19-3/54	\$ 308,991,067	(30,129)
Credit default swaps	0.00%–7.00%	Credit default protection	12/19-11/63	2,705,652	(8,915)
Total return and other swaps	Variable	Various*	7/19-6/49	3,909,623	135,881
Total swaps				<u>\$ 315,606,342</u>	<u>96,837</u>

* PRIT pays/receives counterparty based on 1-Month EUR LIBOR, 1-Month JPY LIBOR, 3-Month AUD-BBR-BBSW, 3-Month GBP LIBOR, 3-Month HIBOR, 3-Month JIBAR, 3-Month KLIBOR, 3-Month KWDC, 3-Month MosPrime, 3-Month NZD BBR, 3-Month USD LIBOR, 6-Month AUD-BBR-BBSW, 6-Month BUBOR, 6-Month GBP LIBOR, 6-Month JPY LIBOR, 6-Month MIBOR, 12-Month NZ OCR, 6-Month PRIBOR, 6-Month THBFIX, 6-Month USD LIBOR, Brazil CDI rate, 7-Day CNY Repo Fixing Rate, Euribor rate, Federal Funds Rate, Mexican TIIE rate, RBA Overnight Cash Rate.

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(Dollars in thousands)

Description	2018				
	PRIT pays/receives interest rate	PRIT pays/receives index/ protection	Maturity date	Gross notional amount	Net unrealized appreciation (depreciation)
Interest rate swaps	0.27%–7.97%	Various*	12/18-3/48	\$ 3,066,531	45,097
Credit default swaps	0.11%–5.00%	Credit default protection	12/18-11/63	1,784,958	(11,290)
Total return and other swaps	Variable	Various*	8/18-6/48	2,219,681	(20,091)
Total swaps				\$ 7,071,170	13,716

* PRIT pays/receives counterparty based on 1-Month JIBAR, 3-Month CAD CDOR, 3-Month EUR LIBOR, 3-Month GBP LIBOR, 3-Month JIBAR, 3-Month JPY LIBOR, 3-Month KLIBOR, 3-Month USD LIBOR, 6-Month GBP LIBOR, 6-Month Euribor rate, 6-Month JPY LIBOR, 6-Month MIBOR, 6-Month NIBOR, 6-Month PRIBOR, 6-Month SIBOR, 6-Month USD LIBOR, 6-Month WIBOR, Mexican TIIE rate, Sterling Overnight rate.

For the years ended June 30, 2019 and 2018, the change in net unrealized appreciation on swap contracts was \$83,121 and \$7,147, respectively.

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

Counterparty	Credit rating	2019					
		Interest rate swaps		Credit default swaps		Total return and other swaps	
		Gross notional	Fair value	Gross notional	Fair value	Gross notional	Fair value
Citibank NA	A+	\$ 5,810	—	6,178	(295)	331,795	15,145
CME Group Inc.	AA-	1,302,534	(4,548)	—	—	8,080	29
Credit Suisse	A	—	—	1,346,835	20,492	—	—
Goldman Sachs	A+	—	—	107,902	274	36,392	1,973
LCH.Clearnet Ltd	AA-	608,982	(12,004)	—	—	339,948	(1,949)
Merrill Lynch	A+	—	—	24,280	(243)	2,288,028	78,094
Morgan Stanley	A+	—	—	274,194	(3,031)	597,467	40,941
SMBC Capital Markets Inc.	A+	250,000	(9,271)	—	—	—	—
U.S. Bank National Association	A+	500,000	(1,265)	—	—	—	—
All others (1)	Various	306,323,741	(3,041)	946,263	(26,112)	307,913	1,648
		\$ 308,991,067	(30,129)	2,705,652	(8,915)	3,909,623	135,881

(1) A majority of these swaps are centrally cleared and are settled daily.

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Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

Counterparty	Credit rating	2018					
		Interest rate swaps		Credit default swaps		Total return and other swaps	
		Gross notional	Fair value	Gross notional	Fair value	Gross notional	Fair value
Bank of America NA	A+	\$ —	—	28,171	(4,247)	—	—
Citibank NA	A+	4,085	(51)	6,400	(271)	445,417	(4,433)
CME Group Inc.	AA-	595,149	7,169	—	—	—	—
Credit Suisse	A	—	—	1,155,603	16,369	—	—
Deutsche Bank AG	A	—	—	7,777	42	885,001	(16,277)
Goldman Sachs	A+	—	—	69,560	(3,363)	32,481	(1,059)
LCH.Clearnet Ltd	A	1,543,716	11,577	—	—	279,131	(311)
Morgan Stanley	A+	—	—	36,661	(9,098)	—	—
SMBC Capital Markets Inc.	A+	250,000	9,969	—	—	—	—
U.S. Bank National Association	A+	500,000	15,828	—	—	—	—
All others	Various	173,581	605	480,786	(10,722)	577,651	1,989
		<u>\$ 3,066,531</u>	<u>45,097</u>	<u>1,784,958</u>	<u>(11,290)</u>	<u>2,219,681</u>	<u>(20,091)</u>

(8) Investment Management and Other 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 \$140,221 and \$137,133 for the years ended June 30, 2019 and 2018, respectively; of which \$100,050 and \$100,836, respectively, were incurred by the PRIM Board, and the remaining investment management fees were incurred by the single-member limited liability corporations that are consolidated into the PRIT Fund.

All domestic, international, and emerging market equity managers are paid a base fee calculated as a percentage of either current net position 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.

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

(Continued)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

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 allocated additional profit, known as carried interests, based on the net gains generally above a specified hurdle rate, on realized partnership investments.

The LLC's investment management fees generally consist of a base fee and a performance fee to managers who out-perform their respective hurdle rates.

Timberland investment management fees consist of a base fee and a performance fee.

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

Fees for portfolio completion strategies investments generally consist of a base fee and a performance fee based on 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. Investment management fees for portfolio completion strategies investments and commingled account investments are charged to the respective investments. Base investment management fees for investments in real estate properties and timberland are charged against the respective investments. Therefore, the fair values of these investments are reported net of "indirect" management fees.

(b) Investment Advisory Fees

NEPC, LLC, Callan Associates, Aberdeen Asset Management Inc., Hamilton Lane, International Woodland Company, NewAlpha Asset Management, and The Townsend Group served as the PRIM Board's principal investment advisors in fiscal year 2019. NEPC, LLC served as the asset allocation advisor, Callan Associates served as the public markets advisor, Aberdeen Asset Management Inc. and NewAlpha Asset Management provided portfolio completion strategies advisory services, Hamilton Lane served as the private equity advisor, International Woodland Company provided timberland advisory services, and The Townsend Group provided real estate 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.

(Continued)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

For the years ended June 30, 2019 and 2018, investment advisory fees were \$11,588 and \$8,572, respectively, which are included in investment management and other management fees in the accompanying statements of changes in pooled net position.

(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.

For the years ended June 30, 2019 and 2018, custodian fees were \$808 and \$758, respectively, and are included in investment management and other management fees in the accompanying statements of changes in pooled net position.

(d) Other Administrative Fees

For the years ended June 30, 2019 and 2018, other administrative expenses of the PRIM Board, including employee compensation, professional fees and occupancy costs, charged to the PRIT Fund totaled \$15,250 and \$12,996, respectively, which are included in investment management and other management fees in the accompanying statements of changes in pooled net position.

(9) Commitments

As of June 30, 2019 and 2018, the PRIT Fund had outstanding unfunded commitments to invest \$7,820,065 and \$7,010,993, respectively, in distressed debt, private equity funds, portfolio completion strategies investments, and real estate investments.

Schedule of Pooled Net Position – Capital Fund and Cash Fund

June 30, 2019

(Dollars in thousands)

	Capital Fund	Cash Fund	Total
Assets:			
Investments, at fair value:			
Short-term	\$ 1,748,773	95,273	1,844,046
Fixed income	17,610,397	—	17,610,397
Equity	29,954,299	—	29,954,299
Timberland	2,875,480	—	2,875,480
Private equity funds	8,345,095	—	8,345,095
Real estate:			
Real estate properties	7,000,778	—	7,000,778
Equity	1,620,020	—	1,620,020
Real estate funds	76,438	—	76,438
Other	52,348	—	52,348
Total real estate	8,749,584	—	8,749,584
Portfolio completion strategies:			
Investment funds	2,529,840	—	2,529,840
Equity	1,897,528	—	1,897,528
Fixed income	1,825,098	—	1,825,098
Cash and cash equivalents	1,573,611	—	1,573,611
Agricultural investments	500,372	—	500,372
Other	31,940	—	31,940
Total portfolio completion strategies	8,358,389	—	8,358,389
Total investments	77,642,017	95,273	77,737,290
Cash	230,355	8	230,363
Securities lending collateral	119,541	—	119,541
Interest and dividends receivable	243,023	396	243,419
Receivable for investments sold and other assets	400,210	—	400,210
Securities sold on a when-issued basis	383,787	—	383,787
Foreign currency forward contracts	77,431	—	77,431
Total assets	79,096,364	95,677	79,192,041
Liabilities:			
Payable for investments purchased and other liabilities	452,987	—	452,987
Real estate debt and other liabilities	1,434,633	—	1,434,633
Securities lending obligations	368,928	—	368,928
Securities purchased on a when-issued basis	718,888	—	718,888
Foreign currency forward contracts	90,803	—	90,803
Management fees payable to PRIM	44,498	—	44,498
Portfolio completion strategies liabilities:			
Securities sold short, at fair value	1,183,159	—	1,183,159
Other	62,507	—	62,507
Total portfolio completion strategies liabilities	1,245,666	—	1,245,666
Total liabilities	4,356,403	—	4,356,403
Net position held in trust for pool participants	\$ 74,739,961	95,677	74,835,638

See accompanying independent auditors' report.

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

Year ended June 30, 2019

(Dollars in thousands)

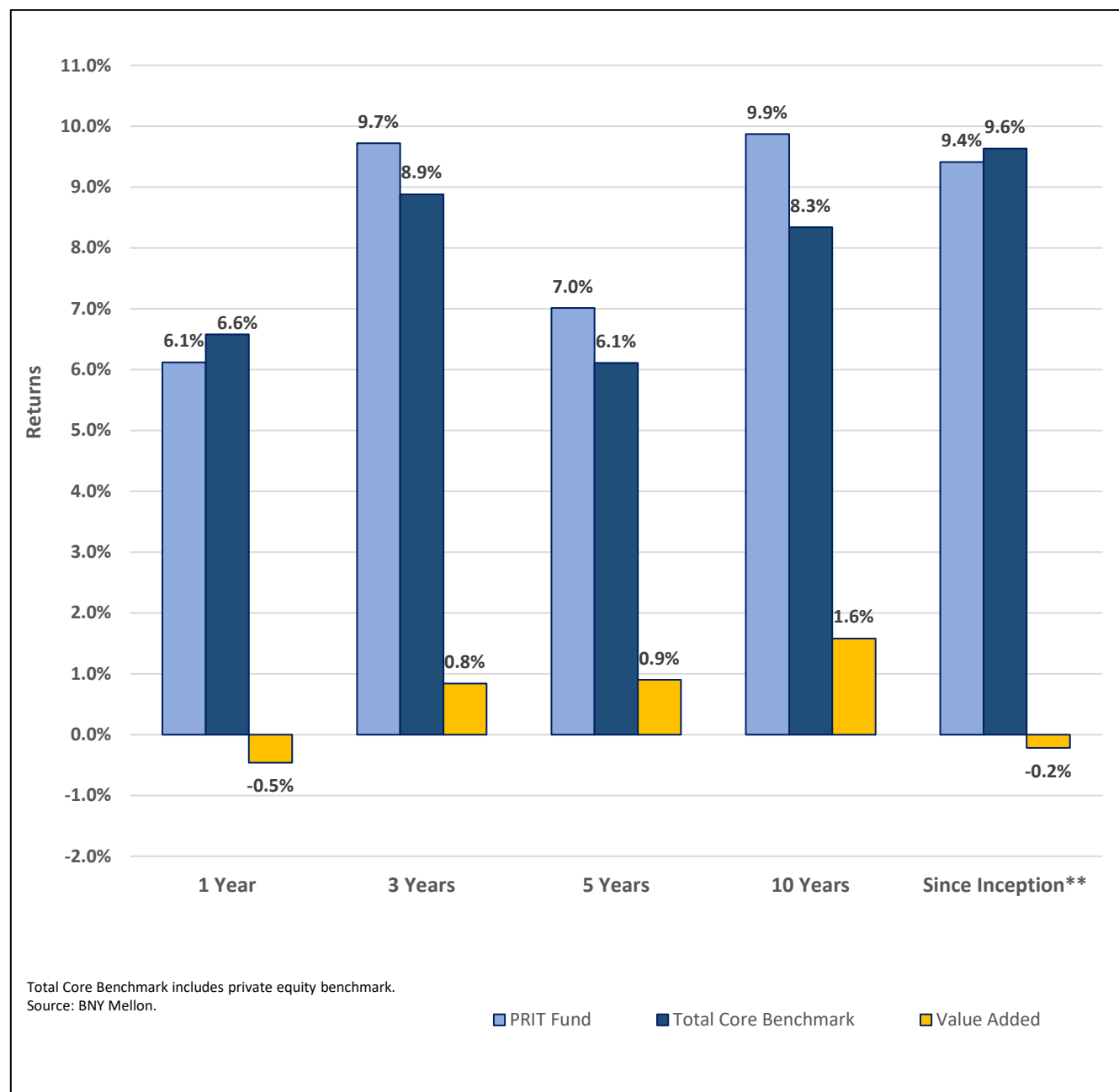
	Capital Fund	Cash Fund	Total
Additions:			
Contributions:			
State employees	\$ —	733,289	733,289
State teachers	—	860,223	860,223
Other participants	—	1,579,329	1,579,329
Total contributions	—	3,172,841	3,172,841
Net investment income:			
From investment activities:			
Net realized gain on investments and foreign currency transactions	3,148,833	—	3,148,833
Net change in unrealized depreciation on investments and foreign currency translations	(516,330)	—	(516,330)
Interest	432,614	5,271	437,885
Dividends	815,586	—	815,586
Timberland	35,701	—	35,701
Private equity	99,730	—	99,730
Portfolio completion strategies	(110,407)	—	(110,407)
Real estate:			
Income	516,145	—	516,145
Expenses	(221,300)	—	(221,300)
Total real estate	294,845	—	294,845
Income from investment activities	4,200,572	5,271	4,205,843
Investment management and other management fees	(167,867)	—	(167,867)
Net income from investment activities	4,032,705	5,271	4,037,976
From securities lending activities:			
Securities lending income	9,510	—	9,510
Securities lending expenses	(1,261)	—	(1,261)
Net income from securities lending activities	8,249	—	8,249
Total net investment income	4,040,954	5,271	4,046,225
Total additions	4,040,954	3,178,112	7,219,066
Deductions:			
Redemptions:			
State employees	—	1,445,514	1,445,514
State teachers	—	1,666,258	1,666,258
Other participants	—	1,073,298	1,073,298
Total deductions	—	4,185,070	4,185,070
Interfund transfers (out) in, net	(1,032,748)	1,032,748	—
Net increase (decrease) in pooled net position	3,008,206	25,790	3,033,996
Net position held in trust for pool participants:			
Balance, beginning of year	71,731,755	69,887	71,801,642
Balance, end of year	\$ 74,739,961	95,677	74,835,638

See accompanying independent auditors' report.

Investment Section

Total PRIT Fund Performance Summary*

For the periods ended June 30, 2019



* 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 and cost for an approximately 60% funded public pension fund, 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 7.25%). A summary of other investment objectives is provided in the Investment Policy Statement at the end of this section.

As of June 30, 2019, the PRIM Board employed thirty-seven public markets investment managers, one hundred one private equity markets managers, eight real estate and timberland managers, thirty-three portfolio completion strategies managers, and seven external investment advisors. The PRIT Fund had approximately \$74.8 billion in assets under management at June 30, 2019. 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 with subsequent updates, most recently in February 2019, states that over the long-term, asset allocation is the single greatest contributor of return and risk to the PRIT Fund. At reasonable intervals of not more than three to five years, the PRIM Board will complete 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 PRIM Board's risk tolerances. The PRIM 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's last comprehensive review of the PRIT Fund asset allocation was conducted during fiscal year 2017.

Asset Class	6/30/2019 Allocation % (3)	Target Range % (1)
Global Equity	43.2	34 - 44
Core Fixed Income	13.6	12 - 18
Value-Added Fixed Income	7.9	5 - 11
Real Estate	9.4	7 - 13
Private Equity	11.3	10 - 16
Timberland	3.9	1 - 7
Portfolio Completion Strategies	10.0	8 - 14
Overlay (2)	0.6	-
Liquidating Portfolios (2)	0.2	-

(1) Asset allocation approved February 26, 2019.

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

(3) Totals may not add due to rounding.

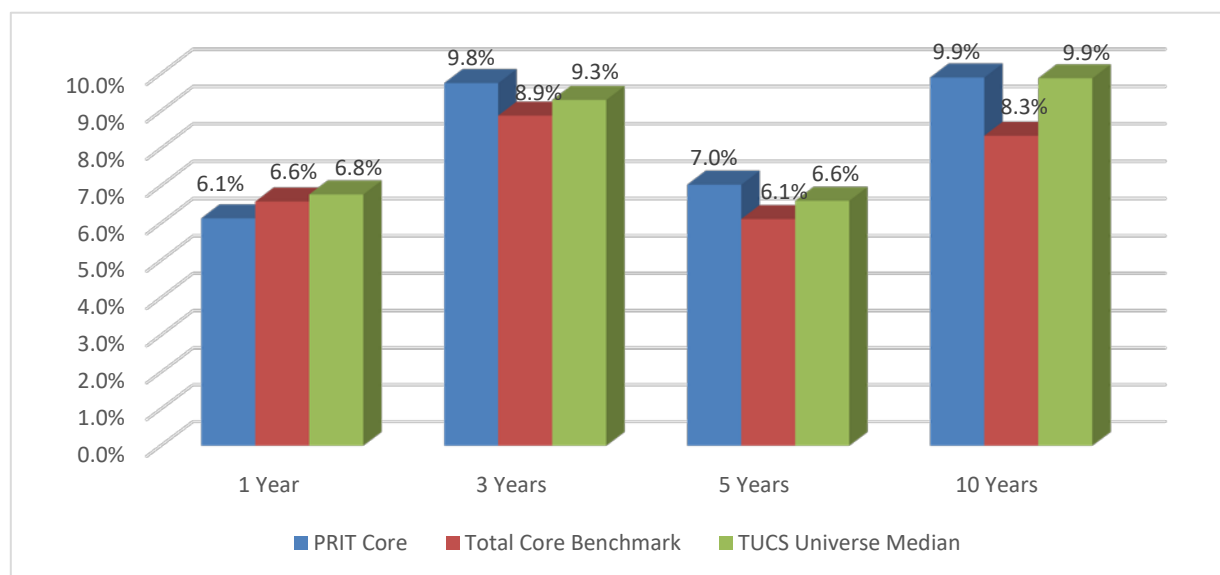
In addition to asset allocation, the PRIM Board seeks to diversify the PRIT Fund through a complementary diversification of investment styles within various asset classes. The PRIM Board requires detailed investment guidelines with each investment manager to ensure portfolios are managed with appropriate diversification and risk control.

Income and Expense Allocation

Income earned and expenses incurred in each investment account are allocated to retirement systems based on each individual retirement system's share of ownership in each investment account. Expenses are classified in three categories for purposes of allocation to retirement systems: 1) investment management fees, 2) investment advisory fees, and 3) operational fees. Investment management fees are those directly associated with the investment management of a certain account. Investment advisory fees are fees that are either directly associated with an individual asset class, or, for general advisors, are allocated pro-rata based on net asset values of each asset class. Operational fees are custodian and other administrative 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.

PRIT Core Performance: Fiscal Year 2019

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, 2019:



In the fiscal year 2019, the PRIT Core Fund returned 6.13%, lagging the Total Core benchmark return of 6.58% by 45 basis points. The PRIT Fund began fiscal year 2019 with net position of \$71.8 billion and ended with \$74.8 billion. On a gross basis the fund increased \$3.0 billion, which is the result of \$4.0 billion in net investment income along with \$1.0 billion in net redemptions from the State Employees, State Teachers' and Participant accounts.

The quarterly returns of the PRIT Core Fund in fiscal year 2019 were as follows:

- 2.75% for September 30, 2018 – versus a benchmark return of 2.19%.
- -6.08% for December 31, 2018 – versus a benchmark return of -5.34%.
- 6.39% for March 31, 2019 – versus a benchmark return of 6.99%.
- 3.37% for June 30, 2019 – versus a benchmark return of 2.99%.

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 7.25%; 2) exceeding the long-term Total Core Benchmark, which measures how well the PRIT Fund has implemented its asset allocation; and 3) achieving top quartile rankings in the Wilshire Trust Universe Comparison Service (TUCS) report, which measures the PRIT Fund's investment performance against its peers nationwide. Through June 30, 2019, the PRIT Core Fund returned 9.37% since inception, outperforming the actuarial rate of return of 7.25% by 212 basis points. According to the TUCS ranking, the PRIT Fund's performance ranked in the top quartile of all U.S. Public Pension Funds over \$25 billion in size for the three and five-year periods ending June 30, 2019.

Management Costs

Expenses incurred by the PRIM Board in managing the PRIT Fund are charged to the PRIT Fund. These expenses consist of investment management fees, advisory fees, custodian fees, professional fees, salaries and administrative expenses of the PRIM Board.

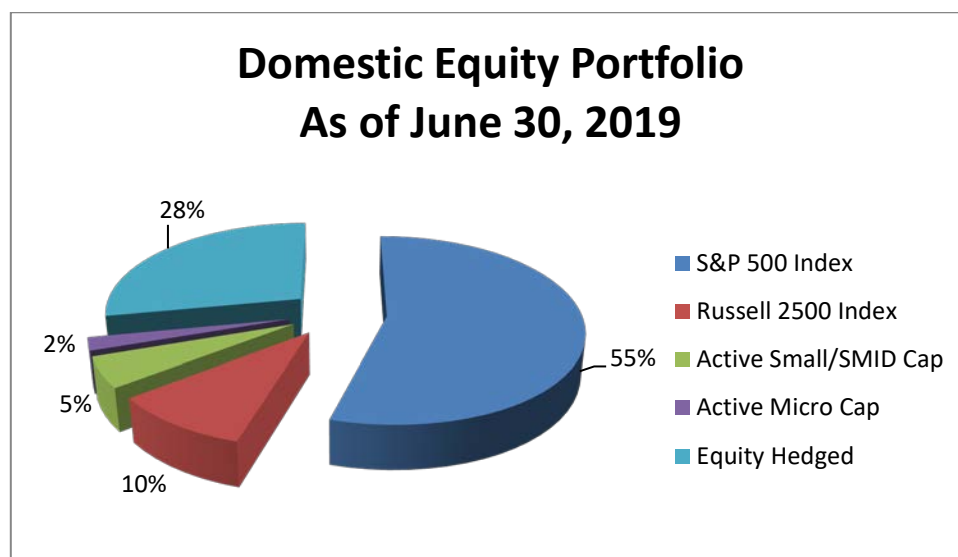
The PRIM Board tracks two types of fees: 1) direct fees and 2) indirect fees. Direct fees are fees the PRIM Board pays directly to vendors for services rendered. These fees include most investment management fees, advisory fees, custodian fees, and salaries and administrative expenses of the PRIM Board. Indirect fees are expenses typically incurred when investing in partnerships or other commingled investment vehicle structures, such as private equity funds, portfolio completion strategies, real estate, timberland, and other commingled funds. Indirect management fees incurred in these funds are charged to the respective investments. The fair value of these investments are reported net of indirect management fees.

The PRIM Board's investment managers operate with formal contracts. Investment management fees accounted for approximately 76.4% of the PRIM Board's total direct expenses for fiscal 2019. The PRIM Board also contracts with a custodian and investment advisors. Fees to these providers were approximately 9.5% of the PRIM Board's total expense for fiscal year 2019.

The total cost of managing the PRIT Fund for fiscal year 2019, *inclusive* of investment management (direct and indirect), advisory, custodial and overhead charges remained unchanged at 52 basis points of the average net position of the PRIT Fund compared to fiscal year 2018. For information on expense ratios for each investment account, refer to the *Financial Highlights and Financial Highlights Ratios* on pages 99-108 included in the Statistical Section of this report.

Domestic Equity Portfolio

As of June 30, 2019, the Domestic Equity portfolio had approximately \$16.4 billion in net position, representing 21.9% of the PRIT Fund. As of June 30, 2019, the Domestic Equity portfolio allocation is approximately 55% invested in a passively managed large capitalization equity strategy (large cap), 28% invested in a put-spread-collar equity hedged strategy (equity hedged), 15% invested in small and middle capitalization equity strategies (small/smld cap), with the remaining 2% invested in micro capitalization equity strategies (micro cap) as highlighted below.



During the fiscal year, the S&P 500 Index portfolio, the Russell 2500 Index portfolio and the three active small/smld capitalization managers outperformed their respective benchmarks. The equity hedged portfolio underperformed its benchmark. Since inception in April 2019, two of the four active micro capitalization managers outperformed their respective benchmarks. As of fiscal year end, the weighting of Domestic Equity was 50.7% 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 an 8.48% return compared to 8.04% for the portfolio benchmark. The PRIT Fund's large cap manager returned 10.65% compared to the 10.56% return of the large cap benchmark, the customized S&P 500 index (customized to exclude legislatively restricted securities in

tobacco, Iran, and Sudan). The PRIT Fund's small/smld/micro cap managers returned 2.19% compared to the 0.12% return of the small/smld/micro cap benchmark which is calculated by applying the investment performance of the sub asset class benchmarks to the sub asset class weights within the small/smld/micro cap equity portfolio. The PRIT Fund's equity hedged manager returned 6.69% compared to the 9.06% return of the equity hedged benchmark (80% S&P 500 index/20% LIBOR as of June 30, 2019).

On a three-, five-, and 10-year basis through June 30, 2019, the PRIT Fund's Domestic Equity portfolio has returned 14.16%, 10.05%, and 14.48%, respectively, compared to the benchmark, which returned 13.94%, 10.13%, and 14.15%, respectively.

The top ten holdings in the Domestic Equity portfolio at June 30, 2019, excluding certain swap collateral accounts, are illustrated below. A complete listing of holdings is available upon request.

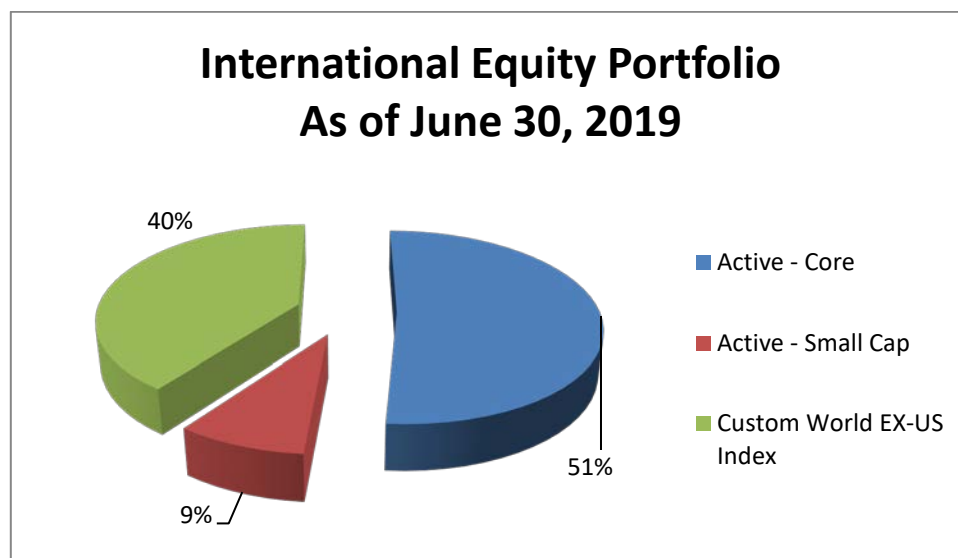
#	Issue Name	% of Account	
		Fair Value (\$000s)	Fair Value
1	Microsoft Corp.	\$ 510,171	3.12%
2	Apple Inc.	430,371	2.63%
3	Amazon.com Inc.	389,885	2.38%
4	Facebook Inc.	230,977	1.41%
5	Berkshire Hathaway Inc.	206,101	1.26%
6	Johnson & Johnson	184,256	1.13%
7	JPMorgan Chase & Co.	180,253	1.10%
8	Alphabet Inc - CL C	165,018	1.01%
9	Alphabet Inc - CL A	161,597	0.99%
10	Exxon Mobil Corp.	161,063	0.99%
TOTAL		\$ 2,619,692	16.02%

The PRIT Fund's Domestic Equity managers at June 30, 2019 are presented in the following table:

Manager	Investment Mandate	Portfolio Fair Value at June 30, 2019 (\$000s)
State Street Global Advisors	Custom S&P 500 Index	\$ 8,908,306
Goldman Sachs Asset Management	Equity Hedged	4,586,863
State Street Global Advisors	Custom Russell 2500 Index	1,624,643
Frontier Capital Management	Small Cap Value	304,754
Riverbridge Partners	SMID Cap Growth	217,695
Summit Creek Advisors	Small Cap Growth	347,387
Acadian Asset Management	Micro Cap Core	101,572
Brandywine Investment Management	Micro Cap Value	101,841
Lord, Abbett & Company	Micro Cap Growth	106,333
Driehaus Capital Management	Micro Cap Growth	54,108
Other portfolio net assets		(2,757)
Total Portfolio Fair Value		\$ 16,350,745

International Equity Portfolio

As of June 30, 2019, the International Equity portfolio had approximately \$11.3 billion in net position, representing 15.1% of the PRIT Fund. The active international core equity managers are benchmarked against the Custom MSCI EAFE Net Dividends index (Custom MSCI EAFE – customized to exclude legislatively restricted securities in tobacco, Iran, and Sudan), whose name is derived from the geographical areas of inclusion – Europe, Australia and the Far East. The active international small cap equity managers are benchmarked against the Custom MSCI EAFE Small Cap Net Dividends index (Custom MSCI EAFE Small Cap – customized to exclude legislatively restricted securities in tobacco, Iran, and Sudan). The International Equity portfolio is allocated to one passively managed account (which comprises 40% of the portfolio), four active core equity accounts (51% of the portfolio), and five active small cap equity accounts (9% of the portfolio). The passive manager is benchmarked against the Custom World ex-U.S. Investable Market Index – Net Dividends (Custom World ex-U.S. IMI – customized to exclude legislatively restricted securities in tobacco, Iran, and Sudan). The PRIM Board maintains a target weighting of 40% passive and 60% 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 34.9% 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, 2019, the International Equity portfolio returned 0.10% compared to the asset class benchmark return (50% Custom MSCI EAFE/9% Custom MSCI EAFE Small Cap/41% Custom World ex-U.S. IMI as of June 30, 2019) of 0.31%. Two of the PRIT Fund's four active international equity managers outperformed the Custom MSCI EAFE index for the fiscal year. Two of the PRIT Fund's five active

international small cap equity managers outperformed the Custom MSCI EAFE Small Cap index. 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 asset class benchmark. On a three-, five-, and 10-year basis through June 30, 2019, the PRIT Fund's international equity managers posted returns of 9.36%, 3.26%, and 8.25%, respectively, ahead of the benchmark, which returned 9.26%, 2.31%, and 7.01%, respectively, over the same periods.

The top ten holdings in the International Equity portfolio at June 30, 2019 are illustrated below. A complete listing of holdings is available upon request.

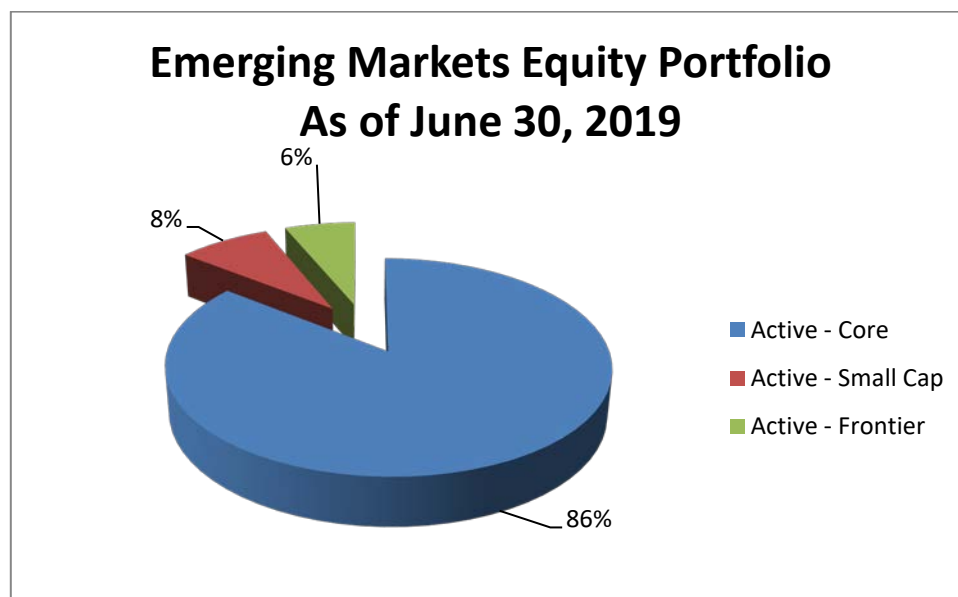
#	Issue Name	% of Account	
		Fair Value (\$000s)	Fair Value
1	AIA Group Ltd	\$ 102,107	0.91%
2	Novartis AG	91,591	0.81%
3	BP PLC	87,402	0.78%
4	Shiseido Co Ltd	85,559	0.76%
5	United Overseas Bank Ltd	81,140	0.72%
6	Nestle SA	80,601	0.72%
7	Roche Holding AG	79,924	0.71%
8	Adidas AG	76,018	0.67%
9	Legrand SA	74,946	0.67%
10	Mettler-Toledo International	74,406	0.66%
	TOTAL	<u>\$ 833,694</u>	<u>7.41%</u>

The PRIT Fund's International Equity managers at June 30, 2019 are presented in the following table:

Manager	Investment Mandate	Portfolio Fair Value at June 30, 2019 (\$000s)	
State Street Global Advisors	Custom World ex-US IMI Index	\$	4,504,123
Marathon-London	EAFE Core		2,672,406
Baillie Gifford	EAFE Core		2,040,796
Mondrian Investment	EAFE Core		936,820
FIS Group, Inc.	EAFE Core		134,155
TimeSquare Capital Management	EAFE Small Cap		271,705
Strategic Global Advisors	EAFE Small Cap		105,993
Acadian Asset Management	EAFE Small Cap		332,036
LMCG Investments	EAFE Small Cap		109,370
AQR Capital Management	EAFE Small Cap		156,282
Other portfolio net assets			1,053
Total Portfolio Fair Value		<u>\$</u>	<u>11,264,739</u>

Emerging Markets Portfolio

As of June 30, 2019, the Emerging Markets Equity portfolio had approximately \$4.7 billion in net position, representing 6.2% of the PRIT 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 – customized to exclude legislatively restricted securities in tobacco, Iran, and Sudan). The active emerging markets small cap equity managers are benchmarked against the Custom MSCI Emerging Markets Small Cap Net Dividends Index (Custom MSCI Emerging Markets Small Cap – customized to exclude legislatively restricted securities in tobacco, Iran, and Sudan). The active frontier market equity managers are benchmarked against the Custom MSCI Frontier Markets 15% Country Capped Net Dividends Index (Custom MSCI Frontier Markets 15% Country Capped – customized to exclude legislatively restricted securities in tobacco, Iran, and Sudan). The emerging markets equity portfolio is allocated to six active core equity managers (which comprise about 86% of the emerging market portfolio), two active small cap equity managers (8% of the portfolio), and two frontier equity managers (6% of the portfolio). The PRIM Board maintains a target weighting of 100% active 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, and India. These countries typically have less efficient securities markets, and thus there is opportunity for returns above benchmarks. As of fiscal year end, the weighting of Emerging Markets Equity was 14.4% 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 2.01% compared to the custom asset class benchmark return of 0.54%. Four of the PRIT Fund's six active emerging markets core equity managers outperformed the Custom MSCI Emerging Markets Standard index. The PRIT Fund's two active emerging markets small cap equity managers outperformed the MSCI Emerging Markets Small Cap index for the fiscal year. The two active frontier equity managers underperformed the Custom MSCI Frontier Markets Country Capped index. On a three-, five-, and 10-year basis through June 30, 2019, the PRIT Fund's emerging markets equity managers posted returns of 12.57%, 3.98%, and 6.95%, respectively, compared to the custom asset class benchmark, which returned 10.18%, 2.47%, and 5.82% over the same periods.

The top ten holdings in the Emerging Markets Equity portfolio at June 30, 2019 are illustrated below. A complete listing of holdings is available upon request.

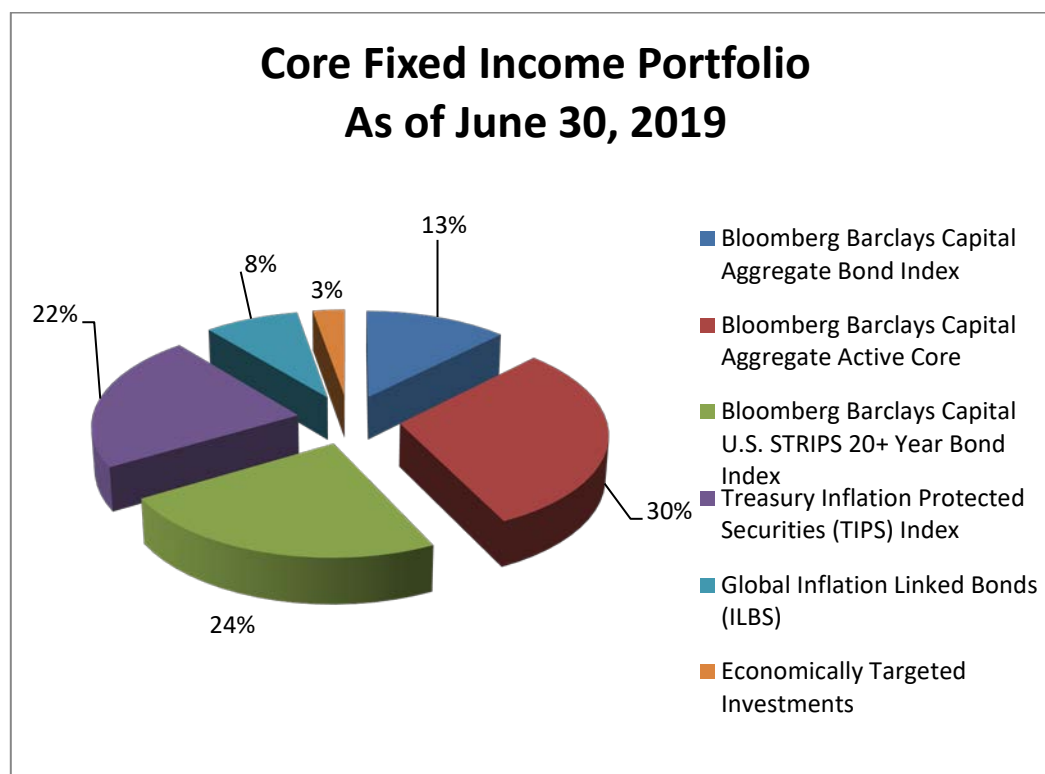
#	Issue Name	% of Account	
		Fair Value (\$000s)	Fair Value
1	Tencent Holdings Ltd	\$ 143,280	3.08%
2	Alibaba Group Holding Ltd	137,004	2.94%
3	Samsung Electronics	127,538	2.74%
4	Tawain Semiconductor Mfg. Co.	107,390	2.31%
5	Ping An Insurance	75,792	1.63%
6	Sberbank of Russia	63,458	1.36%
7	Housing Development Finance Co.	51,178	1.10%
8	LUKOIL	49,358	1.06%
9	Tawain Semiconductor Mfg. Co. Ltd. ADR	43,998	0.95%
10	Wal-Mart de Mexico S.A.B. de C.V.	41,143	0.88%
TOTAL		\$ 840,139	18.05%

The PRIT Fund's Emerging Markets Equity managers at June 30, 2019 are presented in the following table:

Manager	Investment Mandate	Portfolio Fair Value at June 30, 2019 (\$000s)	
AQR Emerging	EM Core	\$	724,094
Baillie Gifford	EM Core		772,772
Driehaus Capital	EM Core		691,878
Harding Loevner	EM Core		424,100
Pzena Investment Management, LLC	EM Core		836,237
T. Rowe Price	EM Core		534,636
Wasatch	EM Small Cap		124,364
Acadian	EM Small Cap		253,256
Acadian	Frontier		125,677
City of London	Frontier		164,770
Other portfolio net assets			326
Total Portfolio Fair Value		\$	4,652,110

Core Fixed Income Portfolio

As of June 30, 2019, the Core Fixed Income Portfolio had approximately \$10.2 billion invested in investment grade Core Fixed Income positions, representing 13.6% of the PRIT Fund. The Core Fixed Income Portfolio is invested using the following strategies:



The Core Fixed Income portfolio is benchmarked to the Bloomberg Barclays Capital Aggregate Bond Index for core fixed income securities, the Bloomberg Barclays Capital U.S. STRIPS 20+ Year Bond Index for STRIPS securities, the Bloomberg 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 Bloomberg Barclays Capital Aggregate Index replicates the investment grade bond market. The index is comprised of corporate, government, and mortgage-backed securities. The index portfolio is designed to approximate the performance of the Bloomberg Barclays Capital Aggregate Bond Index, while the active managers' mandate is to exceed the index return. The Core Fixed Income portfolio is designed to reduce the long-term volatility of the total PRIT Fund.

The Core Fixed Income portfolio also contains investments with three managers under the PRIM Board's Economically Targeted Investment (ETI) program, which are benchmarked against the Bloomberg Barclays Capital Aggregate Bond Index. 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 Bloomberg 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. Erosion in principal value can result from credit risk and price fluctuations, and can adversely affect portfolio returns.

Portfolio Returns. For the fiscal year 2019, the Core Fixed Income composite returned 8.33% compared to the 8.44% return of the benchmark (41.6% Bloomberg Barclays Capital Aggregate/24.4% Bloomberg Barclays Capital U.S. STRIPS 20+ Year Bond Index /25% Bloomberg Barclays Capital US TIPS/9% Bloomberg Barclays Capital ILB US\$ Hedged as of June 30, 2019). The Bloomberg Barclays Capital Aggregate mandates returned 8.07%, compared to the Bloomberg Barclays Capital Aggregate Bond Index return of 7.87%. The STRIPS mandate returned 14.19%, compared to the Bloomberg Barclays Capital U.S. STRIPS 20+ Year Bond Index return of 14.30%. The passively managed TIPS mandate returned 4.82%, compared to its benchmark (Bloomberg Barclays Capital US TIPS) which returned 4.84%. The actively managed ILBs mandate returned 6.33%, compared to the Barclays Capital ILB US\$ Hedged Index return of 6.63%.

On a three-, five-, and 10-year basis through June 30, 2019, the PRIT Fund's Core Fixed Income portfolio has returned 1.65%, 4.75%, and 5.41%, respectively, compared to the benchmark, which returned 1.50%, 4.64%, and 4.96%, respectively.

The top ten Core Fixed Income holdings as of June 30, 2019, excluding certain pooled funds, are illustrated below. A complete listing of holdings is available upon request.

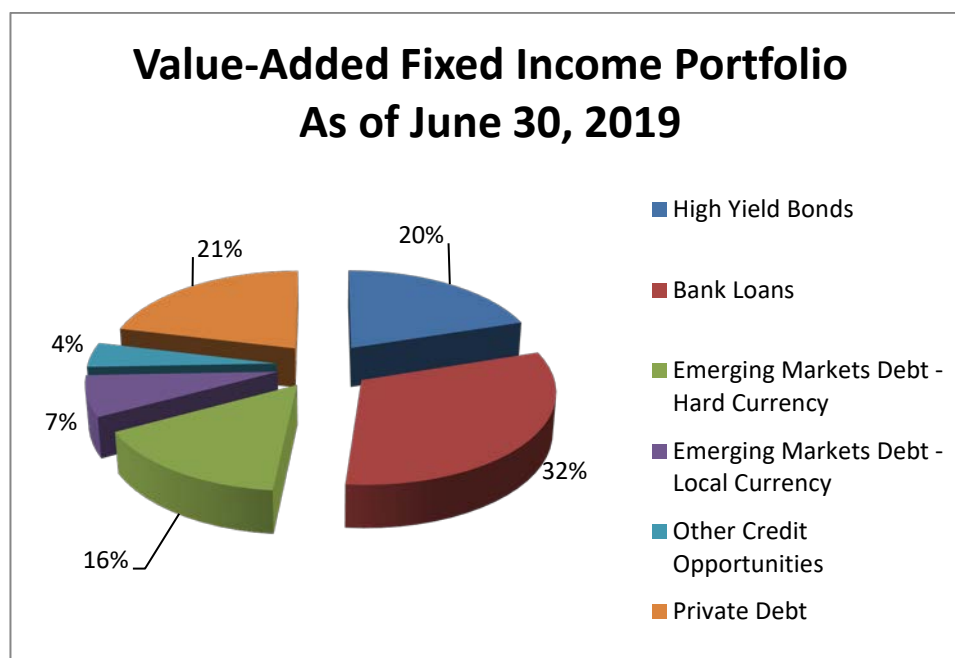
#	Issue Name	% of Account	
		Fair Value (\$000s)	Fair Value
1	U.S. Treasury Bond Principal STRIP 0.000% February 2045	\$ 191,090	1.88%
2	U.S. Treasury Bond Principal STRIP 0.000% February 2048	169,369	1.67%
3	U.S. Treasury Bond Principal STRIP 0.000% May 2043	138,228	1.36%
4	U.S. Treasury-CPI Inflation 0.125% January 2022	131,615	1.30%
5	U.S. Treasury Bond Principal STRIP 0.000% August 2045	128,172	1.26%
6	U.S. Treasury Note 2.250% November 2024	127,480	1.25%
7	U.S. Treasury-CPI Inflation 0.250% January 2025	125,655	1.24%
8	U.S. Treasury-CPI Inflation 0.625% January 2026	124,746	1.23%
9	U.S. Treasury-CPI Inflation 0.125% July 2024	119,889	1.18%
10	U.S. Treasury-CPI Inflation 0.375% January 2027	118,607	1.17%
TOTAL		\$ 1,374,851	13.54%

The PRIT Fund's Core Fixed Income portfolio managers at June 30, 2019 are presented in the following table:

Manager	Investment Mandate	Portfolio Fair Value at June 30, 2019 (\$000s)
<i>Blackrock Financial Management</i>	Core Index	\$ 1,269,127
<i>Loomis, Sayles & Co., LP</i>	Active Core	1,400,312
<i>PIMCO</i>	Active Core	1,354,328
<i>Progress Investment Management</i>	Active Core	325,218
<i>Blackrock Financial Management</i>	Inflation Link Bonds	836,434
<i>Blackrock Financial Management</i>	STRIPS Index	2,411,814
<i>Blackrock Financial Management</i>	TIPS Index	2,281,424
<i>AFL - CIO Housing Investment</i>	ETI - Active Core	140,019
<i>Access Capital</i>	ETI - Active Core	112,574
<i>Community Capital Management</i>	ETI - Active Core	31,044
<i>Other portfolio net assets</i>		(19)
Total Portfolio Fair Value		\$ 10,162,275

Value-Added Fixed Income Portfolio

As of June 30, 2019, the Value-Added Fixed Income portfolio had approximately \$5.9 billion in net position, representing 7.9% of the PRIT Fund. The Value-Added Fixed Income portfolio is invested using the following strategies:



High Yield Bonds, which represent 1.6% of the PRIT Fund, are securities that are typically rated below Investment Grade by Standard & Poor's, Fitch or Moody's. There are three managers in the PRIT Fund high yield bond program, all through separate accounts.

Bank Loans, 2.5% of the PRIT Fund, represents investments in senior secured bank loans. There are two managers in the PRIT Fund bank loan program; both invest through commingled funds.

Emerging Markets Debt, 1.8% of the PRIT 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.

Other Credit Opportunities, 0.3% of the PRIT Fund, represents investments in other credit strategies whose risk, return and liquidity characteristics lie between the public market strategies of high yield bonds, bank loans and emerging markets debt and the private partnerships in the private debt strategies. There are four managers in the PRIT Fund Other Credit Opportunities program; one is through a private partnership while the rest are through separate accounts.

Private Debt, 1.7% of the PRIT Fund, represents investments in private partnerships that invest directly in distressed debt investment opportunities. As of June 30, 2019, the PRIT Fund had approximately \$1.2 billion in distressed debt investments with twelve investment managers.

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 2019, the Value-Added Fixed Income composite returned 6.57% compared to 6.41% for the asset class benchmark. The PRIT Fund's three high yield bond managers returned 7.91%, while the Intercontinental Exchange Bank of America Merrill Lynch (ICE BofAML) High Yield index returned 7.58%. The Emerging Markets Debt Hard Currency portfolio returned 12.98% during the fiscal year, compared to the JP Morgan Emerging Markets Bond Index (JPM EMBI Global Index), which returned 11.32%. The Emerging Markets Debt Local Currency portfolio, managed by three managers, returned 8.25%, compared to the JP Morgan GBI Emerging Markets Global Diversified index return of 8.99%. The two bank loan managers, returned 3.65%, compared to the S&P LSTA Leveraged Loan index return of 3.97%. The Other Credit Opportunities portfolio returned 6.13% compared to the custom benchmark of 4.32%. The Private Debt portfolio returned 5.72% (3-year annualized return of 9.51%) compared to the index return of 10.52%. The benchmark for the Private Debt portfolio at June 30, 2019 is the 3-year annualized return of the Altman NYU Salomon Center Combined Defaulted Public Bond & Bank Loan Index.

On a three-, five-, and 10-year basis through June 30, 2019, the PRIT Fund's Value-Added Fixed Income portfolio has returned 6.86%, 3.73%, and 8.67%, respectively, compared to the benchmark, which returned 7.48%, 1.70%, and 6.50%, respectively.

The top ten holdings in the Value-Added Fixed Income portfolio at June 30, 2019, excluding investments in emerging debt pooled funds, bank loan funds, private debt and other credit opportunities partnerships, and other pooled funds, are illustrated below. A complete listing of holdings is available upon request.

#	Issue Name	% of Account	
		Fair Value (\$000s)	Fair Value
1	Thailand Government Bond 3.775% June 2032	\$ 13,944	0.24%
2	Mexican Bonos 7.500% June 2027	11,630	0.20%
3	Coinmach 6/17 Cov-Lite TLB1	10,790	0.18%
4	Brazil Notas Do Tesouro Nacional 10.000% January 2021	10,067	0.17%
5	Lineage Logistics 0.000% February 2025	9,520	0.16%
6	Brazil Notas Do Tesouro Nacional 10.000% January 2023	9,481	0.16%
7	Brazil Letras Do Tesouro Nacional 0.000% January 2020	9,265	0.16%
8	South Africa Government Bond 10.500% December 2026	8,715	0.15%
9	Petroleos Mexicanos 6.500% June 2041	8,591	0.15%
10	Indonesia Treasury Bond 8.375% March 2034	7,851	0.13%
TOTAL		<u>\$ 99,854</u>	<u>1.70%</u>

The PRIT Fund's Value-Added Fixed Income portfolio managers at June 30, 2019 are presented in the following table:

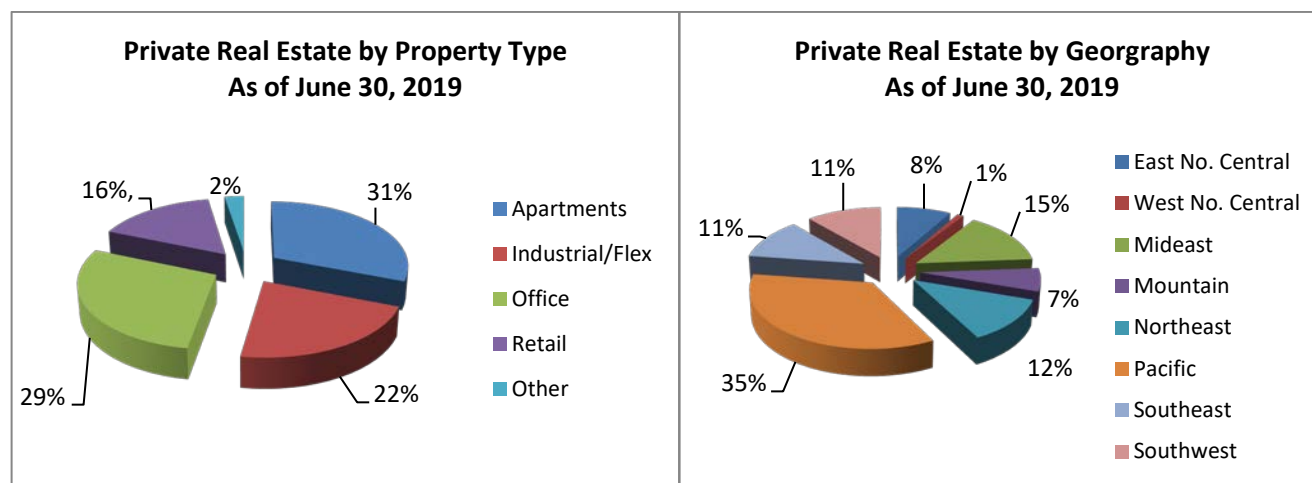
Manager	Investment Mandate	Portfolio Fair Value at June 30, 2019 (\$000s)
<i>Fidelity Management Trust</i>	High Yield Bond	\$ 404,139
<i>Loomis, Sayles & Co., LP</i>	High Yield Bond	404,752
<i>Shenkman Capital Management</i>	High Yield Bond	371,365
<i>Ashmore Investment Management</i>	Emerging Markets Debt Hard Currency	520,971
<i>PIMCO</i>	Emerging Markets Debt Hard Currency	398,429
<i>Investec</i>	Emerging Markets Debt Local Currency	143,237
<i>Pictet</i>	Emerging Markets Debt Local Currency	208,691
<i>Stone Harbor</i>	Emerging Markets Debt Local Currency	75,496
<i>Eaton Vance</i>	Bank Loans	925,729
<i>Voya</i>	Bank Loans	923,189
<i>Various accounts</i>	Other Credit Opportunities	257,835
<i>Various partnerships</i>	Private Debt	1,237,660
<i>Other portfolio net assets</i>		12,001
Total Portfolio Fair Value		<u>\$ 5,883,494</u>

Real Estate Portfolio

As of June 30, 2019, the PRIM Board had \$7.0 billion invested in real estate through the PRIT Fund's ownership interest in PRIT Core Realty Holdings LLC (the LLC), representing 9.4% of the PRIT Fund. Real estate holdings consist of directly-owned properties, REITs, and investments in real estate funds. The PRIT Fund invests in real estate because it provides 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 77% 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, 2019, \$5.1 billion (net of portfolio debt) of Core real estate investments and \$265 million of Non-Core real estate investments comprise PRIT's Private Real Estate Investments, which represents 7.2% of the PRIT Fund. Typically, Core real estate investments are relatively low risk and substantially leased (80% or greater occupancy at the time of investment) institutional quality real estate. Non-Core real estate investments offer higher potential returns at a higher risk profile. 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, 2019, the PRIM Board had approximately \$1.6 billion allocated to public REITs. The public REIT portfolio represents 2.2% of the 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, 2019:



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 has established 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. In November 2016, the LLC refinanced the existing \$500 million senior unsecured term loan with a new loan facility with U.S. Bank of the same amount. In addition, the LLC utilized internal securities lending capabilities to increase portfolio leverage by \$250 million. By utilizing the securities lending financing capabilities, the LLC is able to achieve lower borrowing costs for the Real Estate portfolio and allow more flexibility within the real estate debt program. As the \$250 million loan is an inter-entity loan, it has been eliminated in consolidation from the financial statements presented in the *Financial Section*.

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 net asset value.

Performance. During the fiscal year, the PRIM Board's private real estate portfolio underperformed relative to benchmark due, in part, to debt mark-to-market, select write-downs of certain assets, and benchmark lag. However, the private real estate sector continues to experience strong economic fundamentals, including a low interest rate environment, strong demand for real estate in core markets, particularly industrial assets.

For the fiscal year 2019, the real estate portfolio returned 6.07% compared to the 7.33% return of the asset class benchmark (80% NCREIF Property Index (one quarter lag)/20% FTSE EPRA NAREIT Developed Net Total Return). The Private Real Estate Investments portfolio returned 5.38% for the year ended June 30, 2019, comparing to the NCREIF Property Index (one quarter lag), which returned 6.83% over the same period. REIT investments returned 8.79%, outperforming its benchmark return of 8.45%.

On a three-, five-, and 10-year basis through June 30, 2019, the PRIT Fund's Real Estate portfolio has returned 7.40%, 9.26%, and 10.54%, respectively, compared to the benchmark, which returned 6.82%, 8.55%, and 9.38%, respectively.

The PRIT Fund's real estate investment managers at June 30, 2019 are presented in the following table:

Manager	Investment Mandate	Portfolio Fair Value at June 30, 2019 (\$000s)
<i>Invesco Realty Advisors</i>	Separate Accounts - Core	\$ 2,047,016
<i>LaSalle Investment Management</i>	Separate Accounts - Core	1,984,575
<i>AEW</i>	Separate Accounts - Core	1,673,863
<i>Invesco Realty Advisors - Transition Portfolio</i>	Separate Accounts - Core	241,672
<i>AEW - Transition Portfolio</i>	Separate Accounts - Core	71,250
<i>PRIM Board</i>	Separate Accounts - Core	312,370
<i>Various Partnerships</i>	Non-Core	265,244
<i>CenterSquare Investment Management</i>	Global REITs	1,031,274
<i>Presima</i>	Global REITs	345
<i>Brookfield Investment Management</i>	Global REITs	607,298
<i>Other portfolio net assets (portfolio debt included)</i>		(1,242,776)
Total Portfolio Fair Value		\$ 6,992,131

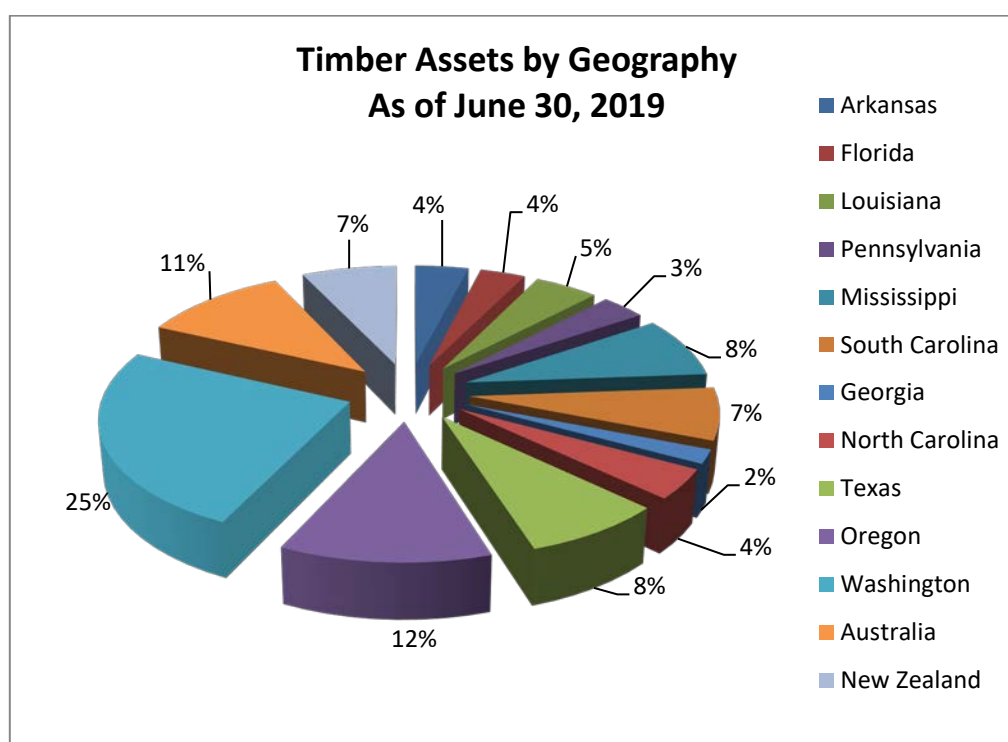
Timberland Portfolio

As of June 30, 2019, the PRIM Board had \$2.9 billion invested in timberland, representing 3.9% of the PRIT Fund. The PRIT Fund's allocation to timberland is through two external timberland investment managers, Forest Investment Associates (FIA) and The Campbell Group (Campbell).

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. There are approximately 2 million hectares of timberland plantations in New Zealand, comprised primarily of softwood (radiata pine). The country produces significantly more logs than it consumes, relying heavily on export markets, particularly China.

The geographical diversification of the PRIT Fund's timberland portfolio at June 30, 2019 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, 2019, the one-year Timberland return was 1.83% as compared to the NCREIF Timberland Index (one quarter lag) of 2.38%. On a three-, five-, and 10-year basis through June 30, 2019, the PRIT Fund's Timberland portfolio has returned 5.99%, 5.58%, and 3.34%, respectively, compared to the benchmark return of 3.27%, 4.63%, and 4.01%, respectively.

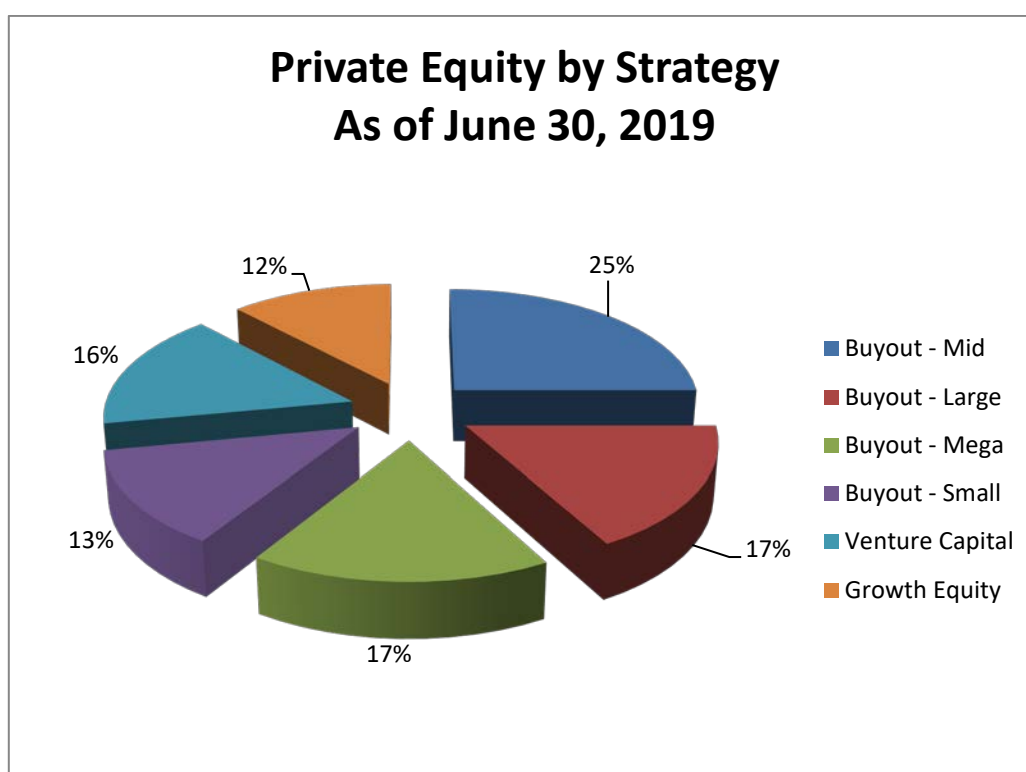
The PRIT Fund's Timberland investment managers at June 30, 2019 are presented in the following table:

Manager	Investment Mandate	Portfolio Fair Value at June 30, 2019 (\$000s)	
<i>Forest Investments Associates</i>	Separate Accounts - Timberland	\$	1,298,433
<i>The Campbell Group</i>	Separate Accounts - Timberland		1,567,338
<i>Other portfolio net assets</i>			22,419
Total Portfolio Fair Value		\$	2,888,190

Private Equity Portfolio

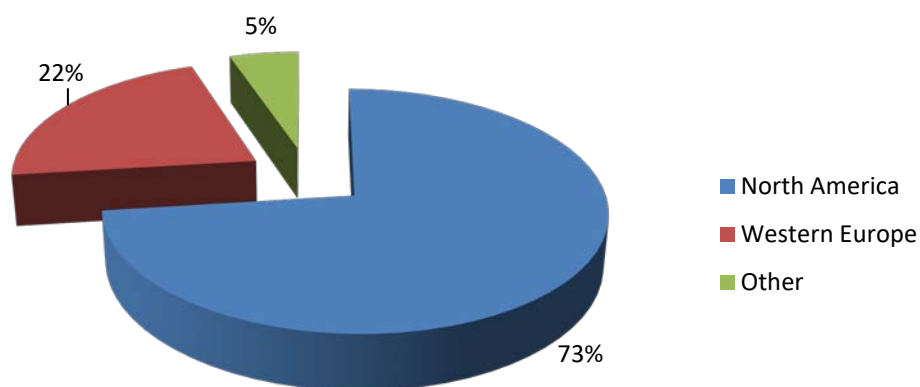
As of June 30, 2019, the fair value of the Private Equity portfolio was \$8.5 billion, representing 11.3% of the PRIT Fund. Two components comprise the PRIT Fund's Private Equity portfolio: venture capital (venture capital and growth equity) and special equity partnerships (buyout). Additionally, the PRIT Fund had approximately \$123.0 million of natural resources investments in the Liquidating portfolios. 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, 2019 is presented below.

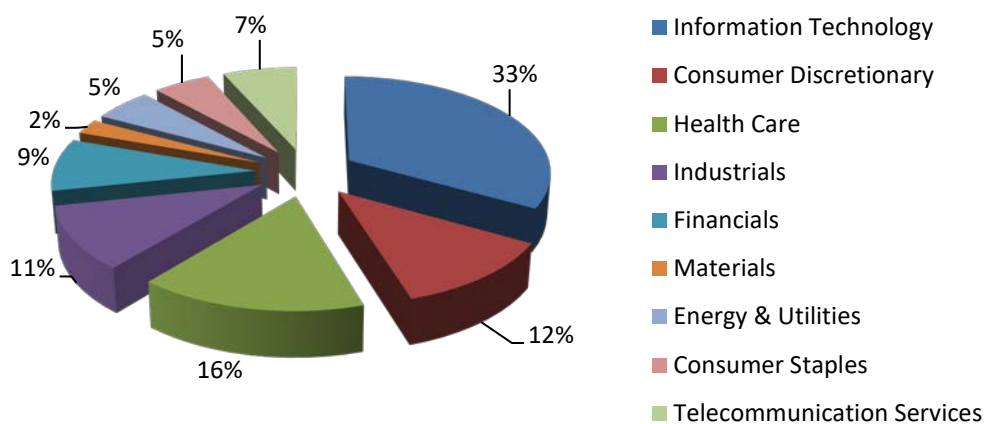


The Private Equity portfolio is diversified at the partnership level by strategy as well as at the underlying portfolio company level by industry and geography. The portfolio's current geographical and industry allocations are presented below.

Private Equity by Geography As of June 30, 2019



Private Equity by Industry As of June 30, 2019



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.
- **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 their risk nature could result in loss of the entire investment.

Performance. The PRIT Fund’s Private Equity portfolio delivered a one-year return of 18.51% through June 30, 2019. 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, 2019. The PRIT Fund’s managers called \$1.5 billion of capital for additional investments, management fees, and partnership expenses, which compares to the \$1.4 billion called during the prior fiscal year. From a liquidity standpoint, the portfolio generated total distributions of \$1.9 billion which approximates the \$1.9 billion for the 2018 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 a custom benchmark (82% Russell 3000 + 3%/18% MSCI Europe IMI + 3% as of June 30, 2019). Over the long term the PRIT Fund's Private Equity portfolio has performed well with a 10-year annual return of 18.33% as of June 30, 2019, exceeding the custom benchmark return of 11.50% by 683 basis points. On a five-year basis, the portfolio outperformed the custom benchmark by 274 basis points, 17.81% compared to 15.07%. For the three-year period ending June 30, 2019, the Private Equity portfolio returned 20.53%, outperforming the custom benchmark return of 15.82% by 471 basis points. For the one-year period ending June 30, 2019, the Private Equity portfolio returned 18.51%, outperforming the custom benchmark return of 15.49% by 302 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, 2019 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 and the MSCI Europe IMI.

Since inception to June 30, 2019, the PRIT Fund has committed over \$22.4 billion to 424 partnerships (298 active) of which \$18.6 billion has been invested. The program has generated \$22.9 billion in distributions. The net IRR since inception for the program is 13.50%.

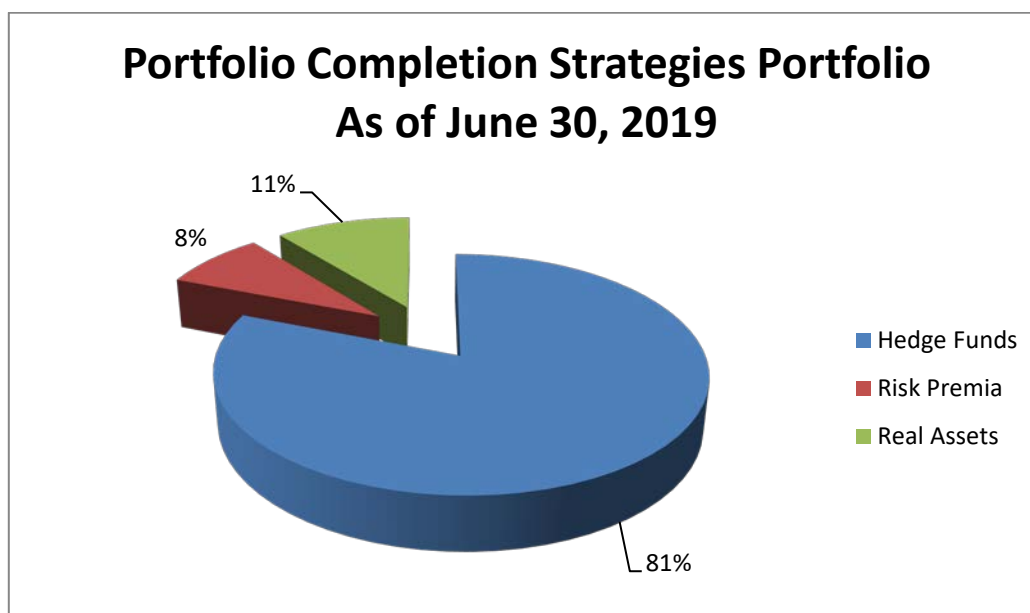
PRIVATE EQUITY EXTERNAL MANAGERS

As of June 30, 2019

Partnership	Location	Partnership	Location
1 Acon Investments	Washington, DC	52 KPS Capital Partners	New York, NY
2 Advent International	Boston, MA	53 Lovell Minnick Partners	Radnor, PA
3 Alchemy Partners	London, UK	54 M/C Venture Partners	Boston, MA
4 Alta Communications	Boston, MA	55 Madison Dearborn Capital Partners	Chicago, IL
5 American Industrial Partners	New York, NY	56 Medicxi Ventures	London, UK
6 American Securities Capital Partners	New York, NY	57 Menlo Ventures	Menlo Park, CA
7 Apollo Management Co.	New York, NY	58 Montagu	London, UK
8 Ascent Venture Partners	Boston, MA	59 Montreux Equity Partners	Menlo, CA
9 Austin Ventures	Austin, TX	60 Nautic Partners	Providence, RI
10 Bain Capital	Boston, MA	61 New Enterprise Associates	Baltimore, MD
11 Battery Ventures	Boston, MA	62 Nordic Capital	Stockholm, Sweden
12 Berkshire Partners	Boston, MA	63 Odyssey Investment Partners	New York, NY
13 Blackstone Capital Partners	New York, NY	64 Olympus Growth Fund	Stamford, CT
14 Bridgepoint Capital Limited	London, UK	65 Onex Capital Partners	Toronto, Canada
15 Candover	London, UK	66 PAI Europe	Paris, France
16 Carlyle Partners	Washington, DC	67 Permira Ventures	London, UK
17 Castile Ventures	Waltham, MA	68 Polaris Venture Partners	Waltham, MA
18 Catalyst Investors	New York, NY	69 Providence Equity Partners	Providence, RI
19 Centerbridge Capital	New York, NY	70 Quad-C Management	New York, NY
20 Charles River Ventures	Waltham, MA	71 Quantum Energy Partners	Houston, TX
21 Charlesbank Capital Partners	Boston, MA	72 Rembrandt Venture Partners	Menlo Park, CA
22 Charterhouse Group	New York, NY	73 Rhône Group LLC	New York, NY
23 Chequers	Paris, France	74 SAIF Partners	Hong Kong, China
24 Code, Hennessey & Simmons	Chicago, IL	75 SCP Vitalife	Tel Aviv, Israel
25 Commonwealth Capital Ventures	Wellesley, MA	76 Sherbrooke Capital	Newton, MA
26 CVC Capital	London, UK	77 Sofinnova Ventures, Inc.	Menlo Park, CA
27 Cypress Merchant Banking Partners	New York, NY	78 Spark Capital	Cambridge, MA
28 Denham Capital Management	Boston, MA	79 Spectrum Equity Partners	Boston, MA
29 El Dorado Ventures	Menlo Park, CA	80 Stone Point Capital	Greenwich, CT
30 Essex Woodlands Health Ventures	Chicago, IL	81 Summit Ventures	Boston, MA
31 Ethos Private Equity	Johannesburg, South Africa	82 SV Life Sciences Advisors	Boston, MA
32 Exponent Private Equity Partners	London, UK	83 TA Associates	Boston, MA
33 First Reserve Corporation	Greenwich, CT	84 Technology Crossover Ventures	Palo Alto, CA
34 Flagship Ventures	Cambridge, MA	85 Texas Pacific Group	Fort Worth, TX
35 Freeman Spogli Equity Partners	Los Angeles, CA	86 The Gores Group	Los Angeles, CA
36 GENSTAR Capital	San Francisco, CA	87 Thoma Bravo	San Francisco, CA
37 Gilde Buy Out Partner AG	Utrecht, Netherlands	88 Thoma Cressey Partners	Chicago, IL
38 GTCR Golder Rauner	Chicago, IL	89 Thomas H. Lee Equity Partners	Boston, MA
39 Hellman & Friedman Capital Ptrs	San Francisco, CA	90 Thompson Street Capital Partners	St. Louis, MO
40 HIG Capital Partners	Miami, FL	91 Torquest Partners	Toronto, Canada
41 Highland Capital Partners	Lexington, MA	92 TowerBrook Capital Partners	New York, NY
42 Hony Capital	Beijing, China	93 Trident Capital	Los Angeles, CA
43 Index Ventures	London, UK	94 Union Square Ventures	New York, NY
44 Insight Venture Partners	New York, NY	95 VantagePoint Partners	San Bruno, CA
45 Institutional Venture Partners	Menlo Park, CA	96 Vestar Capital Partners	New York, NY
46 InterWest Partners	Menlo Park, CA / Dallas, TX	97 Vista Equity Partners	San Francisco, CA
47 JMI Equity	Baltimore, MD	98 Waterland Private Equity	Amsterdam, Netherlands
48 Kelso & Company	New York, NY	99 Weston Presidio Capital	Boston, MA
49 Kepha Partners	Waltham, MA	100 WestView Capital Partners	Boston, MA
50 Keytone Ventures	Beijing, China	101 Xenon Private Equity, LTD.	Jersey, UK
51 Kohlberg Kravis Roberts & Co.	New York, NY		

Portfolio Completion Strategies (PCS) Portfolio

As of June 30, 2019, the PCS portfolio had approximately \$7.5 billion in net position, representing 10.0% of the PRIT Fund. The PCS portfolio is invested in the following strategies:



The objective of the PCS portfolio is to provide the PRIT Fund access to broader investment opportunities. Investments selected for the PCS portfolio should enhance the risk/return profile of the PRIT Fund. Investments may include long-term strategic investments or short-term opportunistic investments.

Each investment within the PCS portfolio is compared against an appropriate benchmark. The overall PCS portfolio benchmark is the weighted-average of each of the underlying investment benchmarks.

Portfolio Risks. The PCS portfolio is subject to the various risks of underlying investments. The portfolio is subject to market risk through a general downturn in market conditions and a general reversal of the risk premia that the strategies are trying to capture, as well as credit risk inherent in fixed income strategies. The portfolio is also exposed to liquidity risk in unwinding underlying illiquid positions. In addition, the PCS portfolio is exposed to operational risks in executing investment strategies and valuing investment positions. The PRIM Board has developed a detailed PCS investment plan to manage these risks and ensure appropriate diversification within the asset class.

Performance. For the fiscal year, the PCS portfolio returned 1.63% compared to the asset class benchmark return of 2.92%. On a three-, five-, and 10-year basis through June 30, 2019, the PRIT Fund's PCS portfolio has returned 5.39%, 2.99%, and 5.02%, respectively, compared to the benchmark return of 5.02%, 2.77%, and 3.12%, respectively.

The PRIT Fund's PCS managers at June 30, 2019 are presented in the following table:

Manager	Strategy Focus	Location
1 400 Capital Management	Hedge Fund	New York, NY
2 Aeolus Capital Management Ltd	Real Assets	Hamilton, Bermuda
3 AgIS Capital	Real Assets	Boston, MA
4 Alcova Asset Management	Hedge Fund	London, UK
5 Anchorage Capital Group	Hedge Fund	New York, NY
6 AQR Capital Management	Risk Premia	Greenwich, CT
7 Basswood Capital Management, LLC	Hedge Fund	New York, NY
8 Bridgade Capital Management	Hedge Fund	New York, NY
9 Cantab Capital Partners	Hedge Fund	Cambridge, UK
10 Canvas Capital	Hedge Fund	Rio de Janeiro, Brazil
11 Capula Investment Management	Hedge Fund	Greenwich, CT
12 CKC Capital	Hedge Fund	New York, NY
13 Complus Asset Management Limited	Hedge Fund	Hong Kong, China
14 Contrarian Capital Management	Hedge Fund	Greenwich, CT
15 Davidson Kempner Capital Management	Hedge Fund	New York, NY
16 East Lodge Capital	Hedge Fund	London, UK
17 Elliot Management Corporation	Hedge Fund	New York, NY
18 Global Sigma Group	Hedge Fund	Boca Raton, FL
19 Goldman Sachs Asset Management	Risk Premia	New York, NY
20 Highfields Capital	Hedge Fund	Boston, MA
21 IPM Informed Portfolio Management AB	Hedge Fund	Stockholm, Sweden
22 JEN Partners	Real Assets	New York, NY
23 Land and Buildings Investment Management	Hedge Fund	Stamford, CT
24 Markel CATCo Investment Management	Real Assets	Hamilton, Bermuda
25 Mudrick Capital Management	Hedge Fund	New York, NY
26 PAAMCO	Hedge Fund - Emerging Managers	Newport Beach, CA
27 PanAgora Asset Management	Hedge Fund, Risk Premia	Boston, MA
28 SECOR Capital Advisors LP	Hedge Fund	New York, NY
29 Sightway Capital	Real Assets	New York, NY
30 Steadfast Capital Management, LP	Hedge Fund	New York, NY
31 Summit Partners Public Asset Management, LLC	Hedge Fund	Boston, MA
32 Tiber Capital, LLP	Hedge Fund	London, UK
33 Winton Capital Management	Hedge Fund	London, UK

Overlay

As of June 30, 2019, the Overlay portfolio, managed in part by Parametric Portfolio Associates, had \$465.3 million in net position, representing 0.6% of the PRIT Fund. The Overlay portfolio returned 1.48% for the fiscal year, 3.78% over the three-year period, 3.03% over the five-year period, and 4.27% since its inception in October 2013.

The objective of the overlay program is to provide market exposure to cash which is not invested with a similar risk/return profile of the PRIT Fund. Investments are made through the futures market.

SCHEDULE OF TIME-WEIGHTED RETURNS BY ASSET CLASS*

For the Periods Ended June 30, 2019

Asset Class	1 Year	3 Year	5 Year	10 Year
<i>Benchmark as of June 30, 2019</i>				
Global Equity	4.25%	12.14%	6.45%	10.89%
48.7% Domestic Equity BM/38.5% Interantional Equity BM/12.8%				
Emerging Markets BM	3.93%	11.61%	5.87%	10.04%
Domestic Equity	8.48%	14.16%	10.05%	14.48%
Asset Class BM (1)	8.04%	13.94%	10.13%	14.15%
International Equity	0.10%	9.36%	3.26%	8.25%
41% Custom MSCI World EX-US IMI NET DIVS/50% Custom MSCI EAFE Standard Index NET DIVS/9% Custom MSCI EAFE Small Cap Index NET DIVS	0.31%	9.26%	2.31%	7.01%
Emerging Markets	2.01%	12.57%	3.98%	6.95%
25% Custom MSCI EM IMI NET DIVS/64% MSCI EM Standard NET DIVS/7% Custom MSCI EM Small Cap NET DIVS/4% Custom MSCI FM 15% Country Capped Index NET DIVS	0.54%	10.18%	2.47%	5.82%
Core Fixed Income	8.33%	1.65%	4.75%	5.41%
41.6% BC Agg/24.4% BC US STRIPS 20+ Year /25% BC US TIPS/9% BC ILB US\$ HEDGED	8.44%	1.50%	4.64%	4.96%
Value-Added Fixed Income	6.57%	6.86%	3.73%	8.67%
Asset Class BM (2)	6.41%	7.48%	1.70%	6.50%
Real Estate	6.07%	7.40%	9.26%	10.54%
80% NCREIF Property One Qtr. Lag/20% FTSE EPRA NAREIT DEVELOPED Net Total Return	7.33%	6.82%	8.55%	9.38%
Private Equity	18.51%	20.53%	17.81%	18.33%
No Benchmark	na	na	na	na
Timberland	1.83%	5.99%	5.58%	3.34%
NCREIF Timberland Index (one quarter lag)	2.38%	3.27%	4.63%	4.01%
Portfolio Completion Strategies	1.63%	5.39%	2.99%	5.02%
Total Portfolio Completion Strategies Composite Index (3)	2.92%	5.02%	2.77%	3.12%
Overlay (4)	1.48%	3.78%	3.03%	na
No Benchmark	na	na	na	na
	1 Year	3 Year	5 Year	10 Year
Total PRIT Core Fund	6.13%	9.75%	7.03%	9.90%
Policy Benchmark	6.58%	8.88%	6.11%	8.34%
TUCS Universe Median	6.77%	9.30%	6.60%	9.88%
TUCS Universe Ranking	87th	25th	18th	43rd

- (1) Domestic Equity benchmark is calculated by applying the investment performance of the sub asset class benchmarks to the sub asset class weights within the domestic equity portfolio.
- (2) Value-Added Fixed Income benchmark is calculated by applying the investment performance of the sub asset class benchmarks to the sub asset class weights within the value-added fixed income portfolio, Distressed Debt component is using actual Distressed Debt Returns.
- (3) Total Portfolio Completion Strategies Composite Index benchmark was formed on April 1, 2017 by combining the prior Portfolio Completion Strategies with Total Hedge Funds. Total Portfolio Completion Strategies Composite Index benchmark is calculated by applying the underlying benchmark return for each sub asset class to the asset class's weight within the Total Portfolio Completion Strategies Composite.
- (4) The Overlay Account's inception date was October 31, 2013.

* All return information is gross of fees. Returns are calculated based on a time-weighted rate of return methodology.

Investment Summary at Fair Value

As of June 30, 2019

	Fair Value (\$000s)	% of Fair Value
Short-term:		
Money market investments	\$ 1,844,046	2.37%
Fixed income:		
U.S. government obligations	7,130,346	9.17%
Domestic fixed income	6,378,162	8.20%
International fixed income	2,601,248	3.35%
Distressed debt	1,237,660	1.59%
Other credit opportunities	262,981	0.34%
	<u>17,610,397</u>	<u>22.65%</u>
Equity:		
Domestic equity securities	14,433,454	18.57%
International equity securities	15,520,845	19.97%
	<u>29,954,299</u>	<u>38.54%</u>
Timberland	2,875,480	3.70%
Private Equity:		
Special equity	6,158,085	7.92%
Venture capital	2,064,020	2.66%
Natural resources	122,990	0.16%
	<u>8,345,095</u>	<u>10.74%</u>
Real estate:		
Real estate properties	7,000,778	9.01%
Real estate equity securities	1,620,020	2.08%
Real estate funds	76,438	0.10%
Other	52,348	0.07%
	<u>8,749,584</u>	<u>11.26%</u>
Portfolio completion strategies:		
Event-driven hedge funds	816,739	1.05%
Relative value hedge funds	319,943	0.41%
Equity long/short hedge funds	1,721	0.00%
Fund of funds	810,250	1.04%
Risk premia fund	187,843	0.24%
Real assets fund	393,344	0.51%
Equity securities	1,897,528	2.44%
Fixed income securities	1,825,098	2.35%
Cash and cash equivalent	1,573,611	2.02%
Agricultural investments	500,372	0.64%
Other	31,940	0.04%
	<u>8,358,389</u>	<u>10.74%</u>
Total investments	<u>\$ 77,737,290</u>	<u>100.00%</u>

SUMMARY SCHEDULE OF BROKER COMMISSIONS

(Top 25 Brokers and Cumulative Fees Paid to Others)

Fiscal Year Ended June 30, 2019

Brokerage Firms	Fees Paid (\$)	% Total	Average \$ per share
Morgan Stanley	\$ 963,286	12.0%	0.0033
JP Morgan	601,847	7.5%	0.0036
Citigroup	526,278	6.6%	0.0034
UBS	512,588	6.4%	0.0031
Merrill Lynch	470,290	5.9%	0.0017
Credit Suisse	466,232	5.8%	0.0015
Goldman Sachs	453,036	5.6%	0.0016
HSBC	406,522	5.1%	0.0022
Jefferies & Co	278,567	3.5%	0.0053
Macquarie	255,898	3.2%	0.0032
Instinet	180,154	2.2%	0.0015
Deutsche Bank	148,070	1.8%	0.0013
Liquidnet	134,375	1.7%	0.0181
ITG	121,749	1.5%	0.0022
Credit Lyonnais Securities	114,685	1.4%	0.0014
Societe Generale	101,530	1.3%	0.0011
Sanford C. Bernstein & Co	98,781	1.2%	0.0024
CLSA	92,273	1.1%	0.0055
Daiwa Securities	75,538	0.9%	0.0040
China International Capital Corporation	75,227	0.9%	0.0073
BNP Paribas	73,920	0.9%	0.0022
DSP Merrill Lynch Limited	67,986	0.9%	0.0071
Cowen	60,693	0.8%	0.0245
Edelweiss Securities	52,050	0.7%	0.0166
RBC Capital Markets	48,740	0.6%	0.0221
Others	1,644,890	20.5%	0.0003
Totals	\$ 8,025,205	100.0%	0.0009

SCHEDULE OF MANAGEMENT FEES

Fiscal Year Ended June 30, 2019

Investment Management Fees by Asset Class:	(\$000s)
Global Equity	\$ 62,864
Core Fixed Income	7,784
Value-Added Fixed Income	9,454
Real Estate	29,375
Timberland	1,280
Private Equity	4,224
Portfolio Completion Strategies	24,463
Overlay	777
Total Investment Management Fees	140,221
Investment Advisory Fees	11,588
Custodian Fees	808
Other Administrative Fees	15,250
 Total Management Fees charged to the PRIT Fund	 \$ 167,867

SCHEDULE OF RETIREMENT SYSTEMS BY INVESTMENT

Segmentation Accounts invested as of June 30, 2019

Retirement System	Net Asset Values (\$000s) 6/30/19	General Allocation	Domestic Equity	International Equity	Emerging Markets	Core Fixed Income	Real Estate	Private Equity	Hedge Funds	Public Value Added Fixed Income
Adams	\$ 7,124	X			X		X	X	X	
Amesbury	\$ 56,471	X								
Andover	\$ 119,490	X	X	X	X	X	X			X
Arlington	\$ 150,921	X								
Attleboro	\$ 3,526							X		
Barnstable	\$ 1,141,781	X								
Belmont	\$ 42,002	X		X	X		X	X	X	
Berkshire	\$ 250,332	X								
Beverly	\$ 132,360	X								
Blue Hills	\$ 11,539	X								
Boston Teachers	\$ 1,676,624	X								
Braintree	\$ 10,411							X	X	
Bristol County	\$ 68,676							X	X	
Brookline	\$ 293,112	X						X		
Cambridge	\$ 174,400							X	X	
Chelsea	\$ 176,640	X								
Chicopee	\$ 38,173						X	X	X	
Clinton	\$ 52,095	X						X		
Concord	\$ 62,676	X					X	X	X	
Danvers	\$ 47,507			X	X		X	X	X	
Dedham	\$ 147,764	X								
Dukes County	\$ 84,631	X		X			X	X		
Easthampton	\$ 54,855	X								
Essex	\$ 467,010	X								
Everett	\$ 163,752	X								
Fairhaven	\$ 65,162	X								
Fall River	\$ 266,736	X								
Falmouth	\$ 19,907						X	X	X	
Fitchburg	\$ 118,904	X								
Framingham	\$ 322,563	X								
Franklin County	\$ 92,308	X		X	X		X			X
Gardner	\$ 55,741	X								
Gloucester	\$ 107,263	X								
Greenfield	\$ 71,634	X								
Hampden County	\$ 365,966	X								
Hampshire County	\$ 145,551				X	X	X	X		
Haverhill	\$ 143,939	X						X		
Hingham	\$ 122,918	X								
Holyoke	\$ 17,387						X		X	
Hull	\$ 50,114	X								
Lawrence	\$ 231,245	X								
Leominster	\$ 168,172	X								
Lexington	\$ 32,779						X		X	
Lowell	\$ 374,731	X								
Lynn	\$ 350,560	X								
Marblehead	\$ 100,282	X								
Mass Turnpike	\$ 169,813	X								
Massport	\$ 96,043						X	X		
Maynard	\$ 20,107				X	X	X		X	X
Medford	\$ 40,608						X	X	X	

SCHEDULE OF RETIREMENT SYSTEMS BY INVESTMENT, continued

Segmentation Accounts invested as of June 30, 2019

Retirement System	Net Asset Values (\$000s) 6/30/19	General Allocation	Domestic Equity	International Equity	Emerging Markets	Core Fixed Income	Real Estate	Private Equity	Hedge Funds	Public Value Added Fixed Income
Melrose	\$ 83,051	X								
Methuen	\$ 157,799	X								
Middlesex	\$ 1,355,438	X								
Milford	\$ 98,048	X								
Milton	\$ 140,641	X								
Minuteman	\$ 13,739	X								
Montague	\$ 43,896	X								
MSCBA	\$ 5,230	X								
MWRA	\$ 23,503	X						X	X	
Natick	\$ 34,044	X					X	X	X	
Needham	\$ 167,484	X								
Newburyport	\$ 84,609	X								
Newton	\$ 355,990	X								
Norfolk	\$ 153,117					X	X	X	X	
North Adams	\$ 249							X		
Northbridge	\$ 37,095	X								
Northampton	\$ 462							X		
Norwood	\$ 35,029				X		X			
Peabody	\$ 155,103	X								
Pittsfield	\$ 139,400	X								
Plymouth	\$ 43,856	X					X	X	X	
Quincy	\$ 28,960	X				X		X		
Reading	\$ 130,534	X						X		
Revere	\$ 163,691	X								
Salem	\$ 182,540	X								
Saugus	\$ 77,598	X						X		
Shrewsbury	\$ 132,637	X	X	X	X	X	X			X
Somerville	\$ 646							X		
Southbridge	\$ 55,043	X								
Springfield	\$ 338,863	X								
State Employees'	\$ 28,404,746	X								
State Retiree Benefits Trust	\$ 1,762,309	X								
State Teachers'	\$ 29,365,494	X								
Stoneham	\$ 37,704	X					X	X	X	
Swampscott	\$ 45,537	X	X	X	X	X	X			X
Taunton	\$ 101							X		
Wakefield	\$ 124,482	X								
Waltham	\$ 73,660	X					X	X	X	
Watertown	\$ 52,421		X				X	X	X	
Webster	\$ 8,161						X	X	X	
Wellesley	\$ 200,859	X								
Westfield	\$ 15,008						X		X	
Weymouth	\$ 26,520						X		X	
Winchester	\$ 126,213	X								
Winthrop	\$ 73,539	X								
Woburn	\$ 143,098	X								
Worcester	\$ 427,920	X			X		X	X		
Worcester Regional	\$ 725,266	X								
	<u>\$ 74,835,638</u>									

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 meet or exceed its actuarial target rate of return.

The *investment policy benchmark* is calculated by applying the investment performance of the asset class benchmarks to the PRIT Fund's asset allocation targets. The investment policy benchmark enables PRIM to compare the PRIT 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 peer universe comparison permits PRIM to compare its performance to large public and other pension plans. While PRIM seeks to rank consistently in the top half of comparable public pension funds, PRIM 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. The expected volatility of markets and unique objectives of PRIM relative to other pension plans may not favor, over shorter periods, PRIM's strategic investment policies.

B. Asset Allocation Plan

PRIM recognizes that over the long-term, asset allocation is the single greatest contributor of return and risk to the PRIT Fund. At reasonable intervals of not more than three to five years, PRIM will complete 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 PRIM's risk tolerances. The PRIM 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.

C. Rebalancing Policy

The actual asset allocation mix will deviate from the Asset Allocation Plan's target due to market movement, cash flows, and manager performance. Material deviations from the asset allocation targets can alter the expected return and risk of the PRIT Fund. Accordingly, the PRIM Board has adopted asset class ranges for each asset class, and positioning within a specified asset class range is acceptable and constitutes compliance with the Asset Allocation Plan. It is the responsibility of PRIM staff to keep actual asset class allocations within the asset allocation bands. It is anticipated that the PRIM Board will make periodic revisions to the Asset Allocation Plan, and it is recognized that in some cases it may be prudent to allow an extended period of time to fully implement revisions to the Asset Allocation Plan. The spirit of this policy is to implement the investment strategy within the asset class ranges at a reasonable cost, recognizing that overly precise management of asset exposures can result in transactions costs that are not economically justified. In the circumstance that a rebalancing is warranted, staff shall have the discretion to instruct public securities managers (including an overlay manager) to use futures as a short-term tool to rebalance the PRIT Fund. The PRIM Board acknowledges that market conditions or circumstances beyond PRIM's control may lead to asset class weightings being temporarily out of their target ranges, especially as those ranges relate to illiquid asset classes.

Statistical Section

Schedules of Changes in Pooled Net Position

For Fiscal Years Ending June 30

(Dollars in thousands)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Additions										
State Employees contributions	\$ 733,289	\$ 727,625	\$ 855,586	\$ 727,147	\$ 580,527	\$ 547,627	\$ 529,031	\$ 544,166	\$ 538,898	\$ 475,591
State teachers contributions	860,223	804,171	761,753	752,835	721,148	709,114	669,815	640,056	616,533	593,147
Other participants contributions	1,579,329	1,218,193	1,071,727	922,092	877,252	793,507	613,345	898,837	1,535,681	620,865
Net investment income (loss)	4,046,225	6,354,624	7,655,016	1,091,671	2,073,376	8,991,375	5,922,932	(280,407)	9,169,664	4,676,706
Total additions to pooled net position	7,219,066	9,104,613	10,344,082	3,493,745	4,252,303	11,041,623	7,735,123	1,802,652	11,860,776	6,366,309
Deductions										
State employees warrants	516,014	486,526	458,340	444,166	381,565	357,089	347,330	315,943	282,398	259,285
State teachers warrants	656,099	621,701	596,815	569,054	544,646	494,363	496,987	451,844	418,153	388,366
Participants redemptions	1,073,298	996,520	1,055,203	924,710	768,507	739,175	683,279	532,873	508,579	364,648
State appropriation funding	1,910,459	2,014,583	2,034,579	2,066,264	1,954,853	1,973,058	1,815,315	1,851,504	1,663,799	1,731,617
Operating expenses	29,200	34,082	41,509	40,491	35,761	30,789	30,394	28,447	26,391	27,332
Total deductions to pooled net position	4,185,070	4,153,412	4,186,446	4,044,685	3,685,332	3,594,474	3,373,305	3,180,611	2,899,320	2,771,248
Changes in pooled net position	\$ 3,033,996	\$ 4,951,201	\$ 6,157,636	\$ (550,940)	\$ 566,971	\$ 7,447,149	\$ 4,361,818	\$ (1,377,959)	\$ 8,961,456	\$ 3,595,061

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 Schedule of Changes in Pooled Net Position - Capital Fund and Cash Fund provided in the Financial Section.

Financial Highlights and Financial Highlights Ratios

Pages 100-102 provide the financial highlights of the PRIT Fund for the year ended June 30, 2019. In addition, pages 103-108 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 Fund. This information includes important return and expense ratios for the entire PRIT Fund as well as the various accounts that comprise the PRIT 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, 2019

	General	Domestic	International	Emerging	Core	Public					Private	Private	Private	Private
	Allocation	Equity	Equity	Markets	Fixed	Value-	Distressed	Hedge	Liquidating	Private	Equity	Equity	Equity	Equity
	Account	Account	Account	Account	Income	Added	Debt	Funds	Portfolios	Equity	Year	Year	Year	Year
		Account	Account	Account	Account	Income	Account	Account	Account	Account	2000	2001	2002	2003
						Account					Account	Account	Account	Account
Net position per unit, beginning of year	\$ 371.67	350.84	329.80	511.73	276.40	309.95	150.59	89.91	89.65	431.08	291.56	763.46	193.08	494.21
Investment operations:														
Net investment income (loss)(1)	8.29	6.84	3.68	10.90	6.51	18.63	4.89	0.04	(0.03)	14.34	(0.03)	4.25	(0.08)	(0.20)
Net realized and unrealized gain (loss) on investments and foreign currency	12.82	23.55	(4.10)	(3.61)	16.21	1.34	1.25	2.47	(16.17)	0.87	(38.32)	(3.80)	37.16	102.25
Total from investment operations	21.11	30.39	(0.42)	7.29	22.72	19.97	6.14	2.51	(16.20)	15.21	(38.35)	0.45	37.08	102.05
Net position per unit, end of year	\$ 392.78	381.23	329.38	519.03	299.12	329.92	156.73	92.42	73.45	446.29	253.21	763.91	230.16	596.26
Ratios and supplementary data:														
Total net return(2)	5.68%	8.66%	(0.13)%	1.42%	8.22%	6.44%	4.08%	2.79%	(18.07)%	3.53%	(13.15)%	0.06%	19.20%	20.65%
Net position, end of year (\$'000s)	\$ 73,116,815	11,763,882	11,264,739	4,652,110	10,162,275	4,376,086	1,249,573	6,029,787	162,686	160,219	26,334	26,737	4,373	20,869
Units outstanding, end of year ('000s)	186,154	30,858	34,200	8,963	33,974	13,264	7,973	65,240	2,215	359	104	35	19	35
Ratios to average net assets:														
Ratio of expenses, including indirect management fees	0.52%	0.11%	0.23%	0.57%	0.11%	0.44%	1.59%	1.11%	0.89%	0.06%	0.04%	0.03%	0.09%	0.04%
Ratio of expenses, excluding indirect management fees	0.20%	0.11%	0.23%	0.57%	0.11%	0.22%	0.04%	0.12%	0.03%	0.06%	0.04%	0.04%	0.04%	0.04%

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.

Financial Highlights, continued**For the year ended June 30, 2019**

	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	Private Equity Vintage Year 2015 Account	Private Equity Vintage Year 2016 Account	Private Equity Vintage Year 2017 Account
Net position per unit, beginning of year	\$ 117.79	198.75	110.30	44.12	187.05	154.53	174.99	111.24	21.43	124.37	105.04	127.19	63.96	105.17
Investment operations:														
Net investment income (loss)(1)	0.07	1.52	1.65	0.53	3.74	0.70	1.85	0.40	0.05	1.13	0.62	0.69	0.02	0.53
Net realized and unrealized gain (loss) on investments and foreign currency	30.77	15.69	8.66	5.71	22.23	40.97	29.80	21.92	2.62	19.66	24.41	29.07	2.60	7.33
Total from investment operations	30.84	17.21	10.31	6.24	25.97	41.67	31.65	22.32	2.67	20.79	25.03	29.76	2.62	7.86
Net position per unit, end of year	\$ 148.63	215.96	120.61	50.36	213.02	196.20	206.64	133.56	24.10	145.16	130.07	156.95	66.58	113.03
Ratios and supplementary data:														
Total net return(2)	26.18%	8.66%	9.35%	14.14%	13.88%	26.97%	18.09%	20.06%	12.46%	16.72%	23.83%	23.40%	4.10%	7.47%
Net position, end of year (\$'000s)	\$ 22,889	84,655	236,036	443,048	574,946	262,119	611,034	759,937	645,784	711,849	1,214,210	1,467,994	503,055	389,158
Units outstanding, end of year ('000s)	154	392	1,957	8,798	2,699	1,336	2,957	5,690	26,792	4,904	9,335	9,353	7,556	3,443
Ratios to average net assets:														
Ratio of expenses, including indirect management fees	0.31%	0.56%	0.55%	0.45%	0.56%	1.63%	0.79%	1.08%	1.39%	1.45%	1.58%	1.89%	3.33%	8.34%
Ratio of expenses, excluding indirect management fees	0.04%	0.04%	0.07%	0.04%	0.09%	0.04%	0.04%	0.09%	0.04%	0.04%	0.04%	0.32%	0.04%	0.04%

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.

Financial Highlights, continued**For the year ended June 30, 2019**

	Private Equity Vintage Year 2018 Account	Private Equity Vintage Year 2019 Account	Real Estate Account	Timberland Account	Cash Overlay Account	Risk Premia Account	Real Assets Account	Equity Hedge Account	Other Credit Opportunities Account
Net position per unit, beginning of year	\$ 99.01	100.00	639.91	280.48	192.69	103.12	107.24	110.47	102.94
Investment operations:									
Net investment income (loss)(1)	(0.33)	(0.51)	25.46	5.89	1.05	(0.12)	(0.94)	1.27	0.25
Net realized and unrealized gain (loss) on investments and foreign currency	(15.05)	(0.26)	10.13	(1.48)	1.54	(0.50)	(15.11)	5.55	5.88
Total from investment operations	(15.38)	(0.77)	35.59	4.41	2.59	(0.62)	(16.05)	6.82	6.13
Net position per unit, end of year	\$ 83.63	99.23	675.50	284.89	195.28	102.50	91.19	117.29	109.07
Ratios and supplementary data:									
Total net return(2)	(15.53)%	(0.77)% (3)	5.56%	1.57%	1.34%	(0.60)%	(14.97)%	6.17%	5.95%
Net position, end of year (\$'000s)	\$ 245,699	57,257	6,992,131	2,888,192	465,349	615,528	804,725	4,586,863	257,835
Units outstanding, end of year ('000s)	2,938	577	10,351	10,138	2,383	6,005	8,825	39,107	2,364
Ratios to average net assets:									
Ratio of expenses, including indirect management fees	4.39%	0.14% (3)	0.49%	0.26%	0.08%	0.89%	1.48%	0.43%	0.92%
Ratio of expenses, excluding indirect management fees	0.17%	0.14% (3)	0.15%	0.26%	0.08%	0.12%	0.07%	0.43%	0.92%

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

(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, 2018-2010

	General Allocation Account	Domestic Equity Account	International Equity Account	Emerging Markets Account	Core Fixed Income Account	Public Value-Added Fixed Income Account	Distressed Debt Account	Hedge Funds Account	Liquidating Portfolios Account (2)	Private Equity Account	Vintage Year 2000 Account	Vintage Year 2001 Account	Vintage Year 2002 Account	Vintage Year 2003 Account	Vintage Year 2004 Account
Ratios and supplementary data:															
2018															
Total net return (1)	9.55%	15.50%	8.47%	8.62%	1.29%	1.47%	9.27%	6.06%	4.04%	6.02%	(0.51)%	3.54%	(10.09)%	27.26%	(2.24)%
Net position, end of year (\$'000s)	70,145,449	13,695,898	11,831,052	4,537,474	9,153,731	4,441,960	1,153,692	5,999,629	203,319	137,947	35,279	46,571	4,827	42,008	22,851
Units outstanding, end of year ('000s)	188,731	39,037	35,873	8,867	33,118	14,331	7,661	66,727	2,268	320	121	61	25	85	194
2017															
Total net return (1)	12.80%	18.49%	19.98%	27.49%	(4.48)%	7.67%	15.40%	9.32%	16.35%	2.00%	2.08%	18.17%	(7.69)%	2.31%	25.85%
Net position, end of year (\$'000s)	65,460,073	13,216,006	12,038,165	5,243,481	7,984,311	4,176,825	1,225,906	5,579,937	250,843	67,900	43,665	60,463	9,019	55,921	41,088
Units outstanding, end of year ('000s)	192,948	43,507	39,591	11,130	29,261	13,674	8,895	65,823	2,911	167	149	82	42	144	341
2016															
Total net return (1)	1.87%	1.51%	(7.86)%	(9.91)%	14.58%	2.79%	(6.84)%	(5.43)%	(20.30)%	(0.94)%	(6.12)%	(3.72)%	6.54%	(4.22)%	(4.63)%
Net position, end of year (\$'000s)	59,382,003	11,359,746	10,018,446	4,264,286	8,404,125	3,868,726	1,251,421	5,192,238	195,445	66,569	56,265	77,994	13,493	69,465	80,997
Units outstanding, end of year ('000s)	197,436	44,312	39,533	11,540	29,419	13,636	10,478	66,965	2,639	167	196	125	58	183	846
2015															
Total net return (1)	3.41%	6.60%	(2.94)%	(6.14)%	4.58%	(5.14)%	1.96%	3.64%	(4.25)%	5.03%	5.97%	7.56%	4.11%	13.06%	5.97%
Net position, end of year (\$'000s)	59,982,623	11,745,353	10,341,307	4,011,292	8,377,734	3,702,871	1,350,323	5,575,153	32,057	52,713	103,656	102,397	20,089	145,442	119,669
Units outstanding, end of year ('000s)	203,159	46,508	37,600	9,780	33,603	13,416	10,533	67,998	345	131	339	158	92	367	1,192
2014															
Total net return (1)	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%	52.79%
Net position, 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	257,109
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	2,714
2013															
Total net return (1)	12.28%	21.98%	19.34%	5.10%	(0.45)%	3.07%	9.16%	(3)	12.20%	3.28%	8.68%	10.18%	11.79%	4.52%	8.87%
Net position, 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	270,764	265,784
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	939	4,287
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%	0.80%	9.06%
Net position, 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	345,110	360,592
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	1,251	6,332
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%	22.22%	50.10%
Net position, 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	416,819	415,720
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	1,523	7,961
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%	24.05%	14.37%
Net position, 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	411,075	365,651
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	1,826	10,458
Ratios to average net assets:															
2018															
Ratio of expenses, including indirect management fees	0.52%	0.11%	0.23%	0.47%	0.10%	0.44%	1.76%	1.17%	0.92%	0.05%	0.04%	0.01%	0.68%	0.04%	0.21%
Ratio of expenses, excluding indirect management fees	0.18%	0.11%	0.23%	0.47%	0.10%	0.23%	0.04%	0.09%	0.03%	0.05%	0.04%	0.04%	0.05%	0.04%	0.04%
2017															
Ratio of expenses, including indirect management fees	0.54%	0.10%	0.20%	0.58%	0.10%	0.47%	1.91%	1.25%	1.02%	0.06%	0.04%	0.15%	0.77%	0.15%	0.20%
Ratio of expenses, excluding indirect management fees	0.18%	0.10%	0.20%	0.58%	0.09%	0.29%	0.04%	0.09%	1.02%	0.06%	0.04%	0.09%	0.04%	0.04%	0.04%
2016															
Ratio of expenses, including indirect management fees	0.53%	0.13%	0.19%	0.44%	0.09%	0.47%	1.76%	1.42%	1.41%	0.08%	0.18%	0.17%	0.79%	0.28%	0.43%
Ratio of expenses, excluding indirect management fees	0.14%	0.13%	0.19%	0.44%	0.08%	0.30%	0.04%	0.06%	1.40%	0.08%	0.04%	0.07%	0.04%	0.04%	0.06%
2015															
Ratio of expenses, including indirect management fees	0.53%	0.14%	0.18%	0.31%	0.10%	0.47%	1.55%	1.40%	0.04%	0.04%	0.25%	0.22%	0.76%	0.38%	0.90%
Ratio of expenses, excluding indirect management fees	0.16%	0.14%	0.18%	0.31%	0.09%	0.30%	0.04%	0.04%	0.02%	0.04%	0.04%	0.04%	0.04%	0.04%	0.05%
2014															
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%	0.88%
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%	0.08%

Financial Highlights Ratios, continued

For the years ended June 30, 2018-2010

	General Allocation Account	Domestic Equity Account	International Equity Account	Emerging Markets Account	Core Fixed Income Account	Public Value-Added Fixed Income Account	Distressed Debt Account	Hedge Funds Account	Liquidating Portfolios Account (2)	Private Equity Account	Vintage Year 2000 Account	Vintage Year 2001 Account	Vintage Year 2002 Account	Vintage Year 2003 Account	Vintage Year 2004 Account
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%	0.90%	0.94%
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%	0.05%	0.12%
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%	0.83%	0.80%
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%	0.04%	0.11%
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%	0.89%	1.05%
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%	0.02%	0.09%
2010															
Ratio of expenses, including indirect management fees	0.54%	0.20%	0.23%	0.25%	0.16%	1.08%	N/A	0.82%	0.14%	0.79%	1.57%	1.07%	1.13%	0.89%	1.16%
Ratio of expenses, excluding indirect management fees	0.15%	0.08%	0.23%	0.17%	0.14%	0.28%	N/A	0.03%	0.02%	0.16%	0.08%	0.08%	0.06%	0.06%	0.18%

(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) Includes Portable Alpha Wind Down and Natural Resources Private Wind Down. Prior to January 1, 2010, Portable Alpha assets were reflected in the Domestic Equity portfolio. Prior to January 31, 2016, Natural Resources Private assets were reflected in the Timberland portfolio.

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

Financial Highlights Ratios, continued

For the years ended June 30, 2018-2010

	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	Vintage Year 2013 Account	Vintage Year 2014 Account	Vintage Year 2015 Account	Vintage Year 2016 Account	Vintage Year 2017 Account	Vintage Year 2018 Account	Core Real Estate Account
Ratios and supplementary data:															
2018															
Total net return (1)	10.58%	4.94%	16.60%	24.15%	20.66%	24.74%	18.83%	19.25%	14.10%	25.68%	29.69%	7.73%	5.21%	(0.99)% (2)	8.86%
Net position, end of year (\$'000s)	135,744	306,512	538,342	726,311	343,201	701,188	866,997	739,683	623,594	1,087,916	941,586	290,614	127,993	15,842	6,454,777
Units outstanding, end of year ('000s)	683	2,779	12,203	3,883	2,221	4,007	7,794	34,520	5,014	10,357	7,403	4,544	1,217	160	10,087
2017															
Total net return (1)	19.15%	9.31%	23.14%	28.78%	16.27%	16.58%	23.76%	21.34%	19.87%	17.62%	15.25%	(28.04)%	(0.04)% (2)	N/A	6.27%
Net position, end of year (\$'000s)	196,987	440,532	769,225	882,880	379,849	791,761	919,627	623,043	493,966	659,809	520,540	108,285	27,388	N/A	6,047,656
Units outstanding, end of year ('000s)	1,096	4,191	20,328	5,860	2,966	5,644	9,824	34,669	4,532	7,894	5,308	1,824	274	N/A	10,288
2016															
Total net return (1)	8.56%	2.52%	9.87%	12.84%	20.05%	15.08%	22.91%	8.34%	5.06%	5.15%	(9.23)%	(17.50)% (2)	N/A	N/A	11.70%
Net position, end of year (\$'000s)	430,797	612,037	912,296	904,434	443,570	806,666	796,339	542,987	308,790	399,073	184,978	165	N/A	N/A	6,302,436
Units outstanding, end of year ('000s)	2,856	6,365	29,691	7,731	4,027	6,704	10,528	36,668	3,396	5,616	2,174	2	N/A	N/A	11,394
2015															
Total net return (1)	15.15%	11.51%	9.04%	16.66%	24.02%	19.09%	24.07%	11.77%	(5.24)%	(13.53)%	(6.26)% (2)	N/A	N/A	N/A	11.30%
Net position, end of year (\$'000s)	594,274	848,797	1,154,470	1,017,713	494,545	762,278	704,428	425,548	170,840	177,995	40,871	N/A	N/A	N/A	6,093,142
Units outstanding, end of year ('000s)	4,277	9,049	41,282	9,816	5,390	7,290	11,447	31,126	1,974	2,634	436	N/A	N/A	N/A	12,305
2014															
Total net return (1)	20.33%	23.18%	22.67%	30.63%	27.66%	27.52%	17.90%	16.81%	(8.66)%	(21.85)% (2)	N/A	N/A	N/A	N/A	12.91%
Net position, end of year (\$'000s)	703,977	1,098,091	1,319,704	1,050,050	401,949	597,679	435,298	215,895	52,887	3,204	N/A	N/A	N/A	N/A	5,380,022
Units outstanding, end of year ('000s)	5,834	13,054	51,443	11,815	5,433	6,807	8,777	17,648	579	41	N/A	N/A	N/A	N/A	12,093
2013															
Total net return (1)	13.07%	13.29%	14.39%	17.96%	15.65%	14.41%	(1.98)%	(21.87)%	N/A	N/A	N/A	N/A	N/A	N/A	12.28%
Net position, end of year (\$'000s)	801,538	1,217,424	1,212,620	895,341	301,492	391,799	201,700	61,569	N/A	N/A	N/A	N/A	N/A	N/A	4,382,052
Units outstanding, end of year ('000s)	7,993	17,827	57,995	13,161	5,203	5,691	4,794	5,879	N/A	N/A	N/A	N/A	N/A	N/A	11,121
2012															
Total net return (1)	16.13%	13.20%	11.33%	14.15%	0.62%	(9.88)%	(54.42)%	(86.60)% (2)	N/A	N/A	N/A	N/A	N/A	N/A	9.41%
Net position, end of year (\$'000s)	879,582	1,291,372	1,072,936	685,645	184,789	214,792	97,989	134	N/A	N/A	N/A	N/A	N/A	N/A	4,724,457
Units outstanding, end of year ('000s)	9,918	21,422	58,687	11,889	3,688	3,569	2,283	10	N/A	N/A	N/A	N/A	N/A	N/A	13,463
2011															
Total net return (1)	19.74%	23.61%	20.56%	20.34%	(7.45)%	(29.52)%	(5.84)% (2)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	20.17%
Net position, end of year (\$'000s)	872,773	1,208,620	804,057	439,750	86,944	44,610	1,789	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4,103,735
Units outstanding, end of year ('000s)	11,428	22,699	48,975	8,704	1,746	668	19	N/A	N/A	N/A	N/A	N/A	N/A	N/A	12,794
2010															
Total net return (1)	15.50%	15.53%	11.18%	6.01%	(46.19)%	(5.25)% (2)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.35%
Net position, end of year (\$'000s)	750,824	913,119	467,426	203,969	18,978	7,080	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3,767,749
Units outstanding, end of year ('000s)	11,670	20,982	33,927	4,786	349	74	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	13,815
Ratios to average net assets:															
2018															
Ratio of expenses, including indirect management fees	0.53%	0.62%	0.92%	0.70%	1.59%	1.25%	1.35%	1.59%	1.77%	2.19%	3.16%	6.59%	10.13%	0.14% (2)	0.50%
Ratio of expenses, excluding indirect management fees	0.06%	0.08%	0.04%	0.09%	0.04%	0.04%	0.07%	0.04%	0.04%	0.04%	0.51%	0.04%	0.04%	0.14% (2)	0.14%
2017															
Ratio of expenses, including indirect management fees	0.65%	0.74%	0.98%	0.75%	1.47%	1.15%	1.53%	1.82%	2.82%	3.69%	5.87%	10.75%	0.01% (2)	N/A	0.46%
Ratio of expenses, excluding indirect management fees	0.06%	0.03%	0.04%	0.08%	0.04%	0.04%	0.15%	0.04%	0.04%	0.04%	0.74%	0.30%	0.01% (2)	N/A	0.09%
2016															
Ratio of expenses, including indirect management fees	0.73%	0.77%	1.00%	0.98%	1.29%	1.30%	1.74%	2.28%	4.91%	4.71%	9.50%	(21.53)% (2)	N/A	N/A	0.47%
Ratio of expenses, excluding indirect management fees	0.04%	0.03%	0.04%	0.14%	0.04%	0.04%	0.16%	0.04%	0.04%	0.05%	0.04%	(21.53)% (2)	N/A	N/A	0.09%
2015															
Ratio of expenses, including indirect management fees	0.82%	0.80%	1.01%	0.97%	1.71%	1.61%	2.21%	3.27%	8.83%	9.28%	2.57% (2)	N/A	N/A	N/A	0.64%
Ratio of expenses, excluding indirect management fees	0.05%	0.05%	0.04%	0.11%	0.04%	0.04%	0.15%	0.05%	0.04%	0.06%	0.02% (2)	N/A	N/A	N/A	0.27%
2014															
Ratio of expenses, including indirect management fees	0.91%	0.84%	1.32%	1.70%	2.59%	2.55%	4.26%	7.53%	14.31%	10.58% (2)	N/A	N/A	N/A	N/A	0.56%
Ratio of expenses, excluding indirect management fees	0.08%	0.06%	0.04%	0.15%	0.04%	0.04%	0.41%	0.05%	0.04%	0.11% (2)	N/A	N/A	N/A	N/A	0.17%

Financial Highlights Ratios, continued

For the years ended June 30, 2018-2010

	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
2013									
Ratio of expenses, including indirect management fees	1.01%	0.97%	1.70%	1.88%	3.26%	3.69%	7.38%	14.26%	0.49%
Ratio of expenses, excluding indirect management fees	0.09%	0.10%	0.04%	0.16%	0.04%	0.04%	0.17%	0.08%	0.13%
2012									
Ratio of expenses, including indirect management fees	1.02%	1.11%	2.12%	2.54%	5.61%	7.85%	16.15%	8.19% (2)	0.50%
Ratio of expenses, excluding indirect management fees	0.08%	0.19%	0.04%	0.21%	0.04%	0.04%	0.04%	0.25% (2)	0.15%
2011									
Ratio of expenses, including indirect management fees	1.43%	1.45%	3.81%	3.98%	15.75%	13.44%	10.80%	N/A	0.53%
Ratio of expenses, excluding indirect management fees	0.11%	0.20%	(0.01)%	0.22%	0.04%	0.05%	0.02%	N/A	0.16%
2010									
Ratio of expenses, including indirect management fees	1.93%	2.03%	5.66%	9.21%	51.16%	0.06%	N/A	N/A	0.53%
Ratio of expenses, excluding indirect management fees	0.19%	0.30%	0.06%	0.06%	0.06%	0.06%	N/A	N/A	0.15%

(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.

Financial Highlights Ratios, continued

For the years ended June 30, 2018-2010

	Timberland Account	Cash Overlay Account	Portfolio Completion Strategies Account (3)	Risk Premia Account (3)	Real Assets Account (3)	Equity Hedged Account	Other Credit Opportunities Account
Ratios and supplementary data:							
2018							
Total net return (1)	7.38%	2.64%	N/A	5.49%	5.95%	10.47%	2.94% (2)
Net position, end of year (\$'000s)	2,433,762	304,443	N/A	618,533	631,406	2,372,889	164,184
Units outstanding, end of year ('000s)	8,677	1,580	N/A	5,998	5,888	21,480	1,595
2017							
Total net return (1)	7.65%	14.55%	N/A	(5.06)%	1.22%	N/A	N/A
Net position, end of year (\$'000s)	2,483,085	682,197	N/A	585,639	153,348	N/A	N/A
Units outstanding, end of year ('000s)	9,506	3,634	N/A	5,991	1,515	N/A	N/A
2016							
Total net return (1)	(3.31)%	5.65%	8.62%	N/A	N/A	N/A	N/A
Net position, end of year (\$'000s)	2,012,000	286,627	736,581	N/A	N/A	N/A	N/A
Units outstanding, end of year ('000s)	8,292	1,749	7,154	N/A	N/A	N/A	N/A
2015							
Total net return (1)	(2.04)%	5.19%	(5.21)% (2)	N/A	N/A	N/A	N/A
Net position, end of year (\$'000s)	2,347,050	567,427	94,882	N/A	N/A	N/A	N/A
Units outstanding, end of year ('000s)	9,353	3,658	1,001	N/A	N/A	N/A	N/A
2014							
Total net return (1)	12.81%	47.46% (2)	N/A	N/A	N/A	N/A	N/A
Net position, end of year (\$'000s)	2,374,863	549,427	N/A	N/A	N/A	N/A	N/A
Units outstanding, end of year ('000s)	9,271	3,726	N/A	N/A	N/A	N/A	N/A
2013							
Total net return (1)	6.27%	N/A	N/A	N/A	N/A	N/A	N/A
Net position, end of year (\$'000s)	2,129,694	N/A	N/A	N/A	N/A	N/A	N/A
Units outstanding, end of year ('000s)	9,379	N/A	N/A	N/A	N/A	N/A	N/A
2012							
Total net return (1)	(8.68)%	N/A	N/A	N/A	N/A	N/A	N/A
Net position, end of year (\$'000s)	1,903,043	N/A	N/A	N/A	N/A	N/A	N/A
Units outstanding, end of year ('000s)	8,906	N/A	N/A	N/A	N/A	N/A	N/A
2011							
Total net return (1)	19.20%	N/A	N/A	N/A	N/A	N/A	N/A
Net position, end of year (\$'000s)	2,003,721	N/A	N/A	N/A	N/A	N/A	N/A
Units outstanding, end of year ('000s)	8,563	N/A	N/A	N/A	N/A	N/A	N/A
2010							
Total net return (1)	(5.90)%	N/A	N/A	N/A	N/A	N/A	N/A
Net position, end of year (\$'000s)	1,671,981	N/A	N/A	N/A	N/A	N/A	N/A
Units outstanding, end of year ('000s)	8,517	N/A	N/A	N/A	N/A	N/A	N/A
Ratios to average net assets:							
2018							
Ratio of expenses, including indirect management fees	0.55%	0.06%	N/A	0.90%	1.37%	0.42%	0.62% (2)
Ratio of expenses, excluding indirect management fees	0.21%	0.06%	N/A	0.11%	0.03%	0.03%	0.62% (2)
2017							
Ratio of expenses, including indirect management fees	0.67%	0.07%	N/A	1.27%	0.04%	N/A	N/A
Ratio of expenses, excluding indirect management fees	0.34%	0.07%	N/A	0.15%	0.04%	N/A	N/A
2016							
Ratio of expenses, including indirect management fees	0.23%	0.07%	0.90%	N/A	N/A	N/A	N/A
Ratio of expenses, excluding indirect management fees	(0.11)%	0.07%	0.16%	N/A	N/A	N/A	N/A
2015							
Ratio of expenses, including indirect management fees	0.70%	0.07%	0.29% (2)	N/A	N/A	N/A	N/A
Ratio of expenses, excluding indirect management fees	0.40%	0.07%	0.10% (2)	N/A	N/A	N/A	N/A
2014							
Ratio of expenses, including indirect management fees	0.55%	0.09% (2)	N/A	N/A	N/A	N/A	N/A
Ratio of expenses, excluding indirect management fees	0.16%	0.09% (2)	N/A	N/A	N/A	N/A	N/A

Financial Highlights Ratios, continued

For the years ended June 30, 2018-2010

	<u>Timberland Account</u>
2013	
Ratio of expenses, including indirect management fees	0.67%
Ratio of expenses, excluding indirect management fees	0.15%
2012	
Ratio of expenses, including indirect management fees	0.78%
Ratio of expenses, excluding indirect management fees	0.19%
2011	
Ratio of expenses, including indirect management fees	0.83%
Ratio of expenses, excluding indirect management fees	0.22%
2010	
Ratio of expenses, including indirect management fees	0.57%
Ratio of expenses, excluding indirect management fees	0.07%

- (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.
- (3) Prior to July 2016, Risk Premia and Real Assets were reflected in the Portfolio Completion Strategies account.

PRIT 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 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.

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Domestic Equity (1)	21.9%	19.1%	19.8%	18.7%	19.2%	19.0%	20.8%	19.2%	22.0%	19.9%
International Equity	15.1%	16.5%	18.0%	16.5%	16.9%	17.1%	18.0%	16.7%	21.7%	20.0%
Emerging Markets	6.2%	6.3%	7.9%	7.0%	6.6%	7.0%	6.5%	6.7%	6.6%	5.7%
Core Fixed Income	13.6%	12.8%	12.0%	13.9%	13.7%	13.9%	12.6%	13.0%	13.2%	14.0%
Value-Added Fixed Income	7.9%	8.0%	8.1%	8.4%	8.3%	8.5%	8.9%	8.6%	6.0%	7.0%
Private Equity	11.3%	10.8%	10.6%	11.1%	11.3%	11.1%	11.7%	12.1%	10.7%	10.6%
Real Estate	9.4%	9.0%	9.1%	10.4%	10.0%	8.9%	8.2%	9.7%	8.2%	9.1%
Timberland	3.9%	3.4%	3.7%	3.3%	3.8%	3.9%	4.0%	3.9%	4.0%	4.1%
Hedge Funds (2)	0.0%	0.0%	0.0%	8.6%	9.1%	9.6%	9.2%	9.9%	7.2%	7.7%
Liquidating Portfolios (3)	0.2%	0.3%	0.4%	0.3%	0.1%	0.1%	0.1%	0.2%	0.4%	1.9%
Overlay	0.6%	0.4%	1.0%	0.5%	0.9%	0.9%	-	-	-	-
Portfolio Completion Strategies (1,2)	10.0%	13.4%	9.5%	1.2%	0.2%	-	-	-	-	-

Totals may not add due to rounding.

- (1) Includes Equity Hedged. Prior to March 1, 2019, Equity Hedged assets were reflected in the Portfolio Completion Strategies portfolio.
- (2) At the February 14, 2017 Board meeting, the PRIM Board voted to combine the Hedge Funds and Portfolio Completion Strategies portfolios into a single portfolio (Portfolio Completion Strategies).
- (3) Includes Portable Alpha Wind Down and Natural Resources Private Wind Down. Prior to January 1, 2010, Portable Alpha assets were reflected in the Domestic Equity portfolio. Prior to January 31, 2016, Natural Resources Private assets were reflected in the Timberland portfolio.

A low-angle photograph of a classical building's corner, featuring a golden dome and a weather vane with cardinal directions (N, S, E, W) marked. The building is set against a backdrop of a modern glass skyscraper with a grid-like pattern of windows. The sky is a clear, pale blue.

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