



Minutes of the PRIM Real Estate and Timberland Committee Meeting
Wednesday, July 29, 2020

Committee members present:

- Treasurer Deborah Goldberg
- Jill Hatton, CRE, Chair
- Garlan Morse, Jr., CRE
- Lydia Chesnick, Esq.
- Anthony Hubbard, Esq.
- Jack Lutz, Ph.D.
- William McCall, Jr., CRE
- Carly Rose
- Robert Gifford
- Peter O'Connell

Committee members not present:

The PRIM Real Estate and Timberland Committee meeting was called to order at 9:35 a.m. Chair Jill Hatton, CRE, announced that the meeting was being held by internet and telephone in accordance with the provisions of the Governor's March 12, 2020 Order that allows remote participation by all members of a public body and suspends the requirement that a quorum and the chair be physically present, provided that the public has access to the meeting through technology that enables the public to clearly follow the proceedings while they are occurring. Accordingly, all members of the Committee participated remotely via telephone and/or internet enabled audio and video conferencing, and public access to the deliberations of the Committee was likewise provided via telephone.

I. Approval of the Minutes (Voting Item)

The PRIM Real Estate and Timberland Committee voted (by unanimous roll-call vote of all members present) to approve the minutes of its May 6, 2020 meeting.

II. Executive Director/Chief Investment Officer Comments

Michael G. Trotsky, CFA, Executive Director and Chief Investment Officer, made comments to the Committee, including:

Organizational Update

Mr. Trotsky announced three new summer interns:

Claire Xie (Zia) joined PRIM on June 22nd and is working on the Real Estate/Timberland team, reporting to Christina Marcarelli. Claire comes to PRIM through the CFA Boston Internship program and is a rising senior at Bentley University as well as a candidate for a Bachelor of Science in Corporate Finance and Accounting with a minor in Data Technology. Honors include the Dean's List, Women in Leadership Scholarship, Forte Foundation. For fun, Claire likes to go sky diving!

Olivia Larder joined PRIM on July 6th and is working on the Public Markets team, reporting to Andre Abouhala. Olivia comes to PRIM through the Girls Who Invest Scholar program and is a rising junior at Boston College, Carroll School of Management. She is a candidate for a Bachelor of Science in

Management, with a concentration in Finance and Managing for Social Impact and the Public Good. Honors include Dean's List, ACC Academic Honor Roll. Leadership and activities include BC Women's Rowing team, member of Consultants for Social Impact and Smart Women's Securities, and Secretary of Student Government Association. For fun, Olivia enjoys travel, sailing and skiing.

Siyuan (C Juan) Yang joined PRIM on July 20th and is working on the PCS team, reporting to Bill Li. Siyuan comes to PRIM through Brandeis University International Business School. He is a candidate for a Master of Science in Finance (STEM Designated). Relevant coursework includes Python and Application to finance, Corporate Financial Modeling, Credit Risk Analysis, Advanced Corporate Finance and Investments. Activities include Boston Startup Week Volunteer, Co-President Global Market Investment Club, Business School Development and Alumni Relations and member of the Flag Football team.

Mr. Trotsky offered an update on the reopening of PRIM's 84 State Street offices. All employees were invited to return to the PRIM offices beginning on Monday, June 29th and everyone has been encouraged to adopt an approach that works for them and their own personal circumstances. It was made very clear that returning to the office is entirely voluntary. Mr. Trotsky was very pleased that approximately 30 to 40% (between 15 to 20 people) of the staff is back in the office each day.

Mr. Trotsky emphasized that the re-opening was made possible by the Governor's directives and guidance. The operations team at PRIM studied the guidance and protocols thoroughly and determined that PRIM's office configuration and spacing permits PRIM to adhere completely and comfortably to the applicable safety and health protocols. PRIM is well within the directives and guidance, but PRIM has the benefit of being on the second and third floors, which greatly reduces the need to use elevators.

Mr. Trotsky gave special recognition to Deb Coulter, PRIM's CFO, Michelle Witkes, PRIM's HR Director, Dan Eckman, PRIM's Director of Finance and Administration, and Tony Falzone, PRIM's COO, who have really enabled the reopening. Together they prepared specific guidance regarding office safety protocols, and Michelle prepared and conducted detailed training, along with written training materials. No PRIM employee may return to the office prior to receiving that training. Mr. Trotsky expressed his gratitude toward all staff, committee and Board members - for their commitment, dedication, hard work, and understanding while PRIM adapts to the new way of conducting business – all while navigating a very difficult and volatile investment landscape.

Before moving to markets and PRIT Fund performance, Mr. Trotsky reported that on Tuesday, July 21, 2020, the American Investment Council announced that PRIM Private Equity (PE) ranked #2 in private equity returns among 176 U.S. public pension funds based on 10-year performance. PRIM is the only fund that has been in the top five 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. The 10-year performance of our Private Equity portfolio was 16.4% net of fees and was only 30 basis points behind the #1 ranked fund in the country. Private Equity is an important return driver at PRIM; it is PRIM's highest performing asset class by more than 5% annualized. Mr. Trotsky congratulated Mike Bailey and the PRIM PE team for this accomplishment and recognition.

Market and PRIT Fund Performance Summary

The market correction in March 2020, when equities fell 34% in 20 days, was the fastest on record going back to the Great Depression, but it was not the deepest. The deepest correction in history was during the Great Depression when stocks fell 86% over 34 months. The March 2020 market correction lasted only 20 days, not 20 months, which is the average of the 14 major corrections since the Great Depression. The March correction was unusually sharp and steep, and the rebound, the bounce off the bottom, was also unusually fast and steep. Since the lows on March 23rd the S&P is up 47%, very near the levels in February, before the COVID pandemic. Stocks were down 20% or more in the March quarter (the three

months ended March 2020) and in the June quarter (the three months ended June 2020) stocks were up 20%. Nearly a complete reversal in three months.

A 40% swing in a short period and extreme market volatility is difficult to navigate. Despite this extreme market volatility, the PRIT Fund returned a positive 2.4% (gross) for fiscal year 2020. PRIM continues to believe that the carefully constructed, broadly diversified PRIT Fund will continue to perform well over the long term as it has consistently performed strongly in both up, and perhaps more importantly, down markets. As a result of our strategic, long-term asset allocation studies, we have gradually decreased the PRIT Fund's exposure to equities from a midpoint of 50% five years ago to 39% today. Lower exposure to equities contributed to our relatively strong performance in the March quarter, but the lower exposure to equities was a headwind in the June quarter when equities soared. For the fiscal year, PRIM's Core Fixed Income portfolio returned nearly 14%, providing downside protection when we needed it. An important component of Core Fixed Income is the U.S. Treasury STRIPs position, long-duration Treasuries, which returned more than 35% in FY2020, making it the top performer for the fiscal year. PRIM's second-best performing asset class was Private Equity, which returned 4.4% for the fiscal year, which is valued on a quarter lag, meaning that Private Equity was valued as of March 31, 2020, which was near the bottom of the market. Notably, the PRIT Fund continues to have no liquidity issues and we are fully able to meet our benefit obligations.

Ironically, while PRIM's Private Equity portfolio is garnering national recognition and continues to be our best performing asset class over the long-term and the second best performer in the fiscal year, it is also the primary reason the PRIT Fund underperformed its benchmark by approximately 150 basis points in the fiscal year. The relative underperformance was due almost entirely to a private equity benchmarking anomaly in the June quarter. It is in no way indicative of the underlying strength of our Private Equity portfolio, but these anomalies happen from time to time and are exaggerated during periods of extreme volatility. The Private Equity 1-year performance (4.4%) is compared to a long-term, 7-year average public markets benchmark (14.3%), in a period when public markets have been strong. This is a mismatch in time periods. If we were to compare similar time periods, the 7-year average return of the PRIM PE portfolio of 18.8% to the 7-year average return of the benchmark (14.3%), the PRIT Fund outperformed by more than 4%. Comparing short-term performance (1-year) to a longer-term benchmark (7-year average) can result in dramatic differences, especially during volatile markets, which is what occurred during this reporting period.

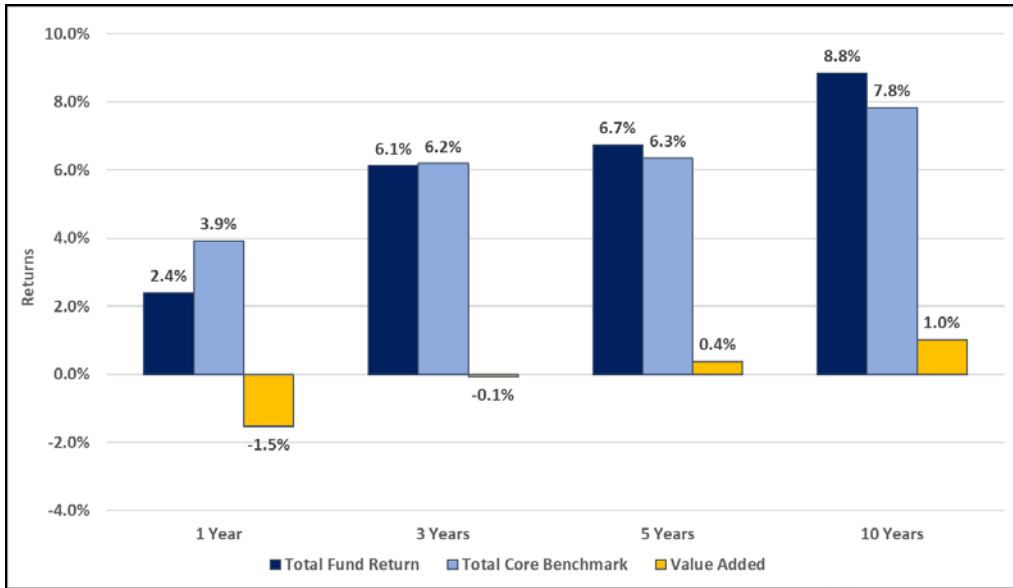
We expect this phenomenon to reverse over time, just as it did during the Global Financial Crisis in 2008/2009 when the PRIT Fund last exhibited the same benchmarking anomaly. Based on early reports, we are optimistic that in September, private equity performance will rebound faster than we expected when we reported the June performance. In fact, we expect the June quarter gains may more than offset the March quarter decline, and we are now more confident that the benchmarking anomaly, which impacted relative performance last quarter will reverse materially this quarter.

We continue to believe that the pandemic has caused severe economic damage and the challenges this economy faces in restarting are enormous. We believe it will likely take a long time. In the meantime, we expect more volatility, and believe that the PRIT Fund is appropriately positioned.

Mr. Trotsky made reference in his remarks to the following charts:

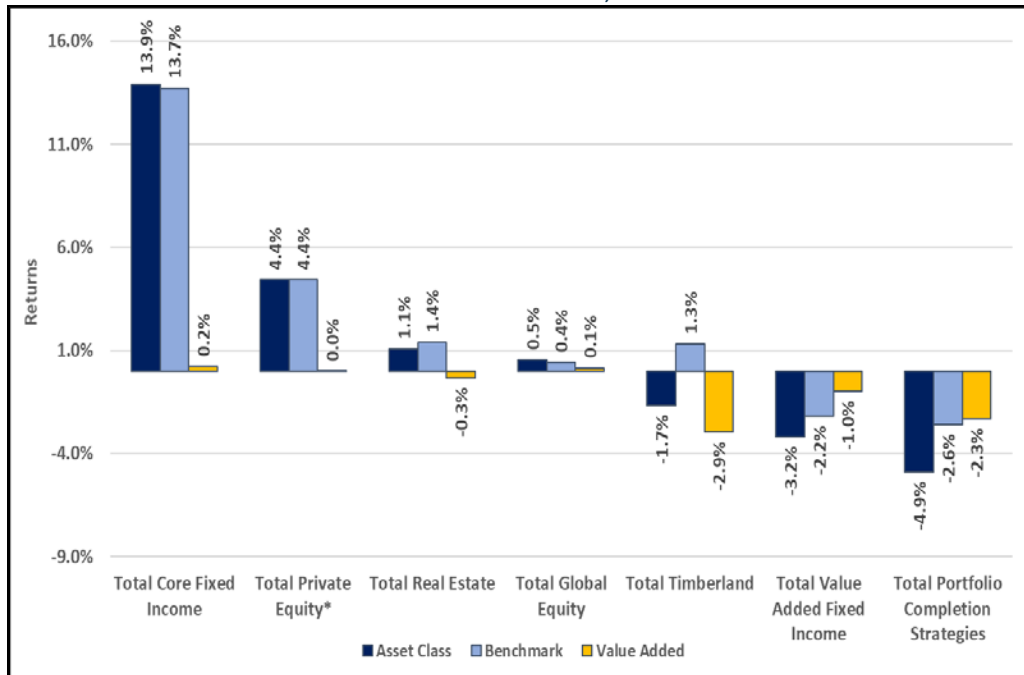
Total PRIT Fund Returns (Gross of Fees)

Annualized Returns as of June 30, 2020



PRIT Asset Class Performance (Gross of Fees)

One Year Ended June 30, 2020



*Benchmark is actual performance

PRIT Fund Periodic Table of Returns (Gross of Fees)

Years Ended June 30, 2020

1 Year	3 Year	5 Year	10 Year
CORE FIXED INCOME 13.9%	PRIVATE EQUITY 14.7%	PRIVATE EQUITY 15.4%	PRIVATE EQUITY 16.9%
PRIVATE EQUITY 4.4%	CORE FIXED INCOME 7.8%	REAL ESTATE 7.0%	REAL ESTATE 10.3%
REAL ESTATE 1.1%	GLOBAL EQUITY 5.5%	CORE FIXED INCOME 6.5%	GLOBAL EQUITY 9.5%
GLOBAL EQUITY 0.5%	REAL ESTATE 5.5%	GLOBAL EQUITY 6.4%	CORE FIXED INCOME 5.6%
TIMBER (1.7%)	TIMBER 2.6%	VALUE-ADDED FIXED INCOME 3.6%	VALUE-ADDED FIXED INCOME 5.3%
VALUE-ADDED FIXED INCOME (3.2%)	VALUE-ADDED FIXED INCOME 2.3%	TIMBER 3.3%	TIMBER 4.9%
PORTFOLIO COMPLETION STRATEGIES (4.9%)	PORTFOLIO COMPLETION STRATEGIES 1.1%	PORTFOLIO COMPLETION STRATEGIES 1.3%	PORTFOLIO COMPLETION STRATEGIES 3.8%

III. Presentation – Dave Martel, Executive Managing Director and William Anderson, Executive Managing Director at Newmark Knight Frank

Dave Martel and Bill Anderson presented an update on the Boston office and lab markets.

IV. Performance Review and Market Update

There were no questions or comments on the performance information contained in Appendix E.

Christina Marcarelli, CAIA, Senior Investment Officer – Real Estate and Timberland, presented updated operating information on the private real estate and timberland portfolios.

Ms. Marcarelli discussed rent relief requests, noting that two-thirds of requests are from retail tenants, with the balance split between office and industrial properties. Most of the requests have resulted in negotiated rent deferrals. Occupancy and collections remain above 90% across the major property types, with the exception of retail properties.

Ms. Marcarelli also commented on PRIM’s timberland portfolio. Harvest volume and timber sales were lower, as expected, due to a reduction in mill capacity and reduced operating hours during the second quarter. Expenses are also lower, partially offsetting the decline in property cashflow. PRIM has observed recent improvement in pricing as mills operate at a higher capacity. Housing starts were lower this quarter but were partially offset as renovation and remodeling activity increased in the second quarter.

The PRIM Real Estate and Timberland Committee meeting adjourned at 11:50 a.m.

List of documents and exhibits used during the meeting:

- *Minutes of the PRIM Real Estate and Timberland Committee Meeting of May 6, 2020*
- *PRIT Fund Performance Report*
- *BNY Mellon Gross of Fees Performance Report*
- *Newmark Knight Frank Presentation*
- *Real Estate and Timberland Performance Charts*