

# PRIM Board Quarterly Update

## Third Quarter 2023



*PRIM Executive Director and Chief Investment Officer Michael G. Trotsky, CFA provided the following information to the PRIM Board at its November 30, 2023, meeting:*

### **Executive Director and Chief Investment Officer Report**

Financial markets declined modestly in the September quarter following three consecutive quarters of robust gains from the end of last year through this past June. In the September quarter, U.S. and emerging markets equities and diversified bonds were down 3% or more; developed international equities were down 4%, while long duration US Treasury STRIPs were down almost 20%. Fortunately, PRIM's alternative investments such as Private Equity, Hedge Funds, Private Debt, Other Credit Opportunities, and Timberland, all posted gains in the September quarter, and as a result, the PRIT Fund fared better: down only 1.7% net of fees in the quarter. This is a strong result in a weak market. The PRIT Fund was down approximately half as much as the markets in the quarter, and this comes after Fiscal Year 2023 ended at a record high level.

We believe the hallmark of a well-constructed portfolio is that it has components that will perform well in any environment. PRIM's trailing one-year gain of 9% through September is strong and well above our required rate of return. Moreover, the 3-, 5-, and 10-year returns also remain strong, up 7.4%, 6.8%, and 7.8%, respectively – again, driven mainly by the strong performance of alternative investments. The PRIT Fund has performed well over a long period of time through strong and weaker markets and through turbulent times; we remain confident in its ability to do so in the future.

### **PRIT Fund Performance**

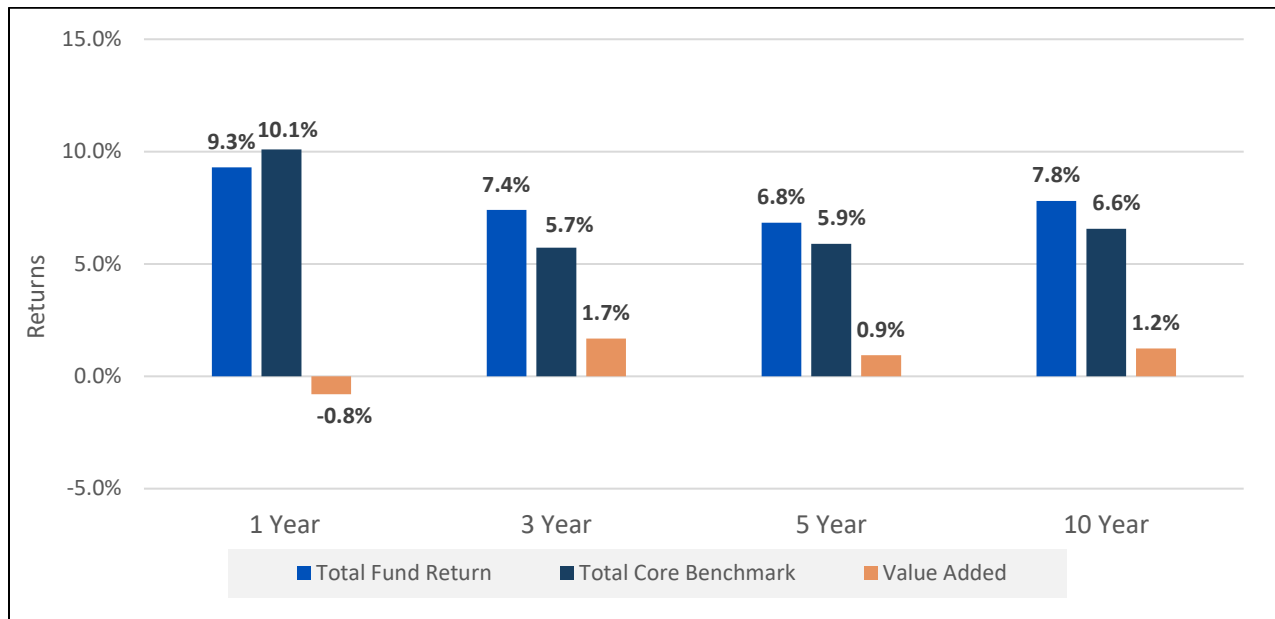
The PRIT Fund gained 9.3% (8.8%, net) for the one year ended September 30, 2023, underperforming the total benchmark by 1.2%, net of fees.

- This performance equates to an investment gain of \$7.8 billion.
- This underperformance equates to \$1.1 billion of value below the benchmark return.
- Net total outflows to pay benefits for the one-year ended September 30, 2023 were approximately \$1.1 billion.

The following charts summarize the PRIT Fund performance for the one year ended September 30, 2023.

## Total PRIT Fund Returns

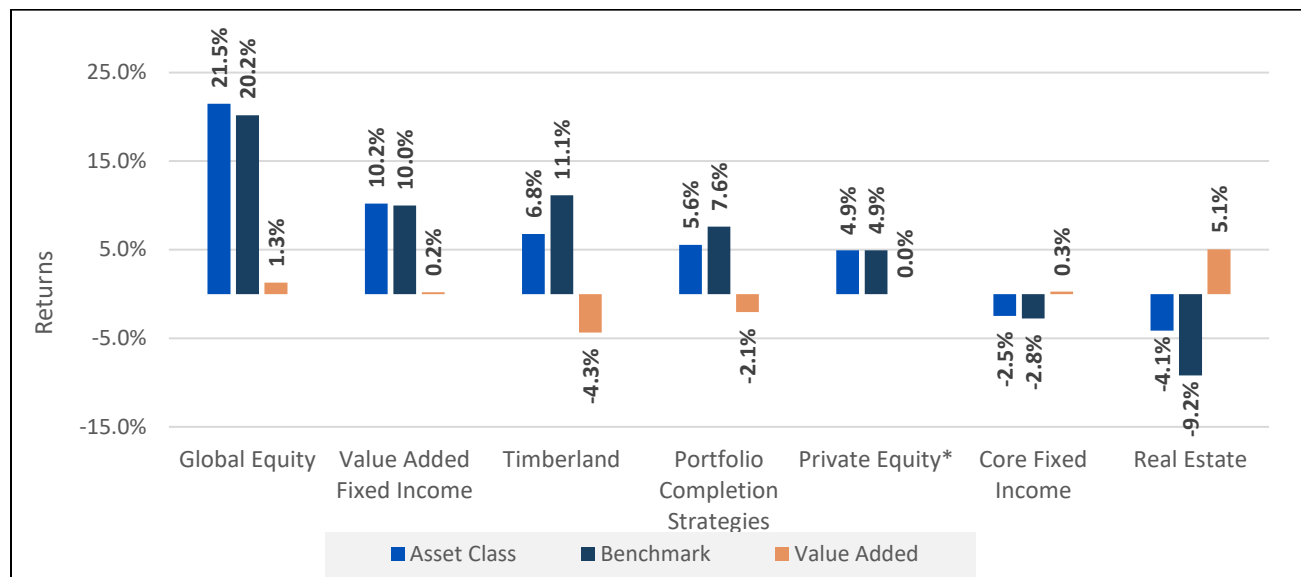
Annualized Returns as of September 30, 2023 (Gross of Fees)



Source: BNY Mellon. Total Core Benchmark includes private equity benchmark.

## PRIT Performance by Asset Class

One Year ended September 30, 2023 (Gross of Fees)



Source: BNY Mellon. Totals may not add due to rounding. \*Benchmark is actual performance.

## PRIT Fund Periodic Table of Returns

September 30, 2023 (Gross of Fees)

1 Year	3 Year	5 Year	10 Year
GLOBAL EQUITY 21.5%	PRIVATE EQUITY 23.0%	PRIVATE EQUITY 20.0%	PRIVATE EQUITY 20.0%
VALUE-ADDED FIXED INCOME 10.2%	REAL ESTATE 11.5%	REAL ESTATE 8.2%	REAL ESTATE 9.3%
TIMBER 6.8%	TIMBER 8.5%	GLOBAL EQUITY 6.6%	GLOBAL EQUITY 7.8%
PCS 5.6%	GLOBAL EQUITY 7.9%	TIMBER 5.1%	TIMBER 6.1%
PRIVATE EQUITY 4.9%	VALUE-ADDED FIXED INCOME 6.0%	VALUE-ADDED FIXED INCOME 4.9%	VALUE-ADDED FIXED INCOME 4.7%
CORE FIXED INCOME (2.5%)	PCS 5.6%	PCS 2.6%	PCS 3.7%
REAL ESTATE (4.1%)	CORE FIXED INCOME (7.4%)	CORE FIXED INCOME 0.0%	CORE FIXED INCOME 1.9%

Source: BNY Mellon. Returns as of September 30, 2023

### Organizational Updates

#### PRIM Client Conference

On October 25, 2023, PRIM staff hosted the 2023 Client Conference at Babson College. The event was a resounding success. PRIM staff successfully demonstrated, through numerous panels, how PRIM is a steward of our clients' capital, delivering strong risk adjusted returns in all market conditions and during an evolving technological landscape.

The first panel, which included each asset class head and PRIM's Director of Risk, demonstrated how the PRIT Fund successfully navigates volatile markets to protect capital and achieve its long-term return objective. The second panel provided a deeper dive into Private Equity, an asset class that has generated an 18.6% return (\$11.2 billion in additional value) over a 10-year period. Each asset class plays a critical role in the PRIT Fund.

The final Operations panel highlighted that PRIM not only has a deep investment staff, but half of the PRIM staff is dedicated to safeguarding the assets. The panel highlighted everything from PRIM's Stewardship framework to a robust operational infrastructure. The discussion covered PRIM's award-winning annual financial reporting and the team's role in facilitating clean audits of the PRIM and PRIT accounts, as well as Project SAVE's work in saving \$275 million annually. Additionally, PRIM's stewardship activities, legal, regulatory, governance, and investment operations processes were discussed to highlight how PRIM keeps up with best practices, limits operational risk, and enhances transparency via PRIM's dedication to GIPS standards.

Two outside speakers complemented the panels. Ryan Barret, Founder and Chief Executive Officer, ORAM Cybersecurity Advisors, gave a riveting presentation on cybersecurity, and the keynote speaker Gargi Chaudhuri, Managing Director and Head of iShares Investment Strategy Americas at BlackRock, spoke to the current risks and opportunities in the market.

Richer Leung, CFA joined PRIM in November as an Investment Officer on the Public Markets team. Richer comes to PRIM from DoubleLine Capital, a Los Angeles based fixed income manager where he was a data management analyst. Prior to Doubleline, he was an assistant vice president working on CDO (collateral debt obligations) analytics for U.S. Bank in Boston. Richer received a Bachelor of Science in Business Administration and Management from Boston University in 2016 and is a CFA charter holder. Richer has a strong background in data analysis and fixed income analytics, and will report to PRIM's Director of Fixed Income, Chuck LaPosta.

### **Recent Recognition**

Michael G. Trotsky, CFA, PRIM's Executive Director and Chief Investment Officer, was named to the 2023 CIO Power 10 List by the publication, *Chief Investment Officer*. The designation honors leaders "who continue to guide their funds through volatile times and are disciplined enough to navigate whatever is ahead."

PRIM was awarded two Commonwealth Citations for Outstanding Performance by Treasurer Deborah B. Goldberg. Eliza Haynes, Investment Analyst, was recognized as a key individual on PRIM's Private Equity Team for her sourcing and underwriting work. The PRIM Real Estate Leverage Team was recognized for an innovative program that works across asset classes to save the Commonwealth in borrowing costs while bolstering the returns of the Real Estate Portfolio. Recipients included Melissa Ng, Matt Liposky, and George Tsipakis from the Finance Team, Jay Leu from the Risk Team, and David Gurtz, John LaCara, and Chuck LaPosta from the Investment Team.

Sara Coelho, Manager of Finance, recently earned the CFA Investment Foundations certificate. She is a graduate of the UMass Amherst School of Management with a master's degree in accounting.

### **PRIM Board Actions**

#### **Committee Membership Recommendation**

The PRIM Board appointed Marian A. Tse to the Compensation Committee. Ms. Tse, a retired partner and former chair of Goodwin's ERISA & Executive Compensation Practice, has more than 30 years of experience in the areas of executive compensation and employee benefits. Ms. Tse is recognized as one of the nation's leading attorneys in her field by *Chambers USA*, where clients describe her as "technically very smart and very practical." She formerly served on the firm's Executive Committee.

Ms. Tse represented public and private company clients in the design, implementation and administration of many types of executive compensation programs and broad-based employee benefit plans, as well as the treatment of equity and employee benefits in hundreds of corporate mergers and acquisitions. She is well-versed in tax, accounting and securities laws affecting executive compensation, as well as governance issues raised by institutional shareholders. Ms. Tse also represented both employers and executives in the negotiation of employment and severance agreements and equity participation.

#### **ESG Committee Name Change**

The PRIM Board approved changing the name of the ESG Committee to the Stewardship and Sustainability Committee.

### **Portfolio Completion Strategies**

#### **New Investment Recommendation: Quadra Capital-Liquidation Advisor**

The PRIM Board ratified and confirmed the approval of Quadra Capital as the liquidation advisor to the Canvas Brazil Distressed Credit separately managed account.

### **Private Equity**

#### **New Investment Recommendation: BlackFin Financial Services Fund IV**

The PRIM Board approved an initial commitment of up to €100 million to BlackFin Financial Services Fund IV and added BlackFin Capital Partners to the Board-approved bench of co-investment managers. Founded in 2009, BlackFin Capital Partners is a leading sector specialist private equity group focused on primarily investing in lower middle market asset light financial services businesses across Western Europe.

#### **Follow-on Investment Recommendation: American Securities Partners IX, L.P.**

The PRIM Board approved a commitment of up to \$150 million to American Securities Partners IX, L.P. PRIM has invested in four prior American Securities LLC (“American Securities”) funds and made two co-investments since 2008. American Securities is a value-oriented private equity manager focused on the industrial sector.

### **Finance and Administration**

#### **Fiscal Year 2023 Audit Results**

The PRIM Board accepted the Fiscal Year 2023 PRIM and PRIT Audited financial statements

#### **Consent Agenda**

The PRIM Board approved the following proposed consent agenda items:

- 1) Approval of the PRIM Board Minutes of its August 15, 2023, meeting.
- 2) Approval of the Draft Fiscal Year 2023 Annual Comprehensive Financial Report.
- 3) Approval of the Investment Performance Reporting Services RFP Recommendation.
- 4) Approval of the Proposed 2024 PRIM Board and Committee Meeting Schedule.

*The Client Services team will continue to meet with the retirement boards of PRIM’s member retirement systems throughout the year. To schedule a visit, please contact Francesco at [fdaniele@mapension.com](mailto:fdaniele@mapension.com), Laura at [Istrickland@mapension.com](mailto:Istrickland@mapension.com), Emily at [egreen@mapension.com](mailto:egreen@mapension.com), or call 617-946-8401. We look forward to seeing you soon.*