

# PRIM Board Quarterly Update

## Third Quarter 2025



*PRIM Executive Director and Chief Investment Officer Michael G. Trotsky, CFA provided the following information to the PRIM Investment Committee on November 18, 2025 and the Board at the December 4, 2025, meeting:*

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

Financial markets continued to be strong in the quarter ending September 30, 2025, and the PRIT Fund ended with yet another new record balance of \$121.1 billion, surpassing the previous record balance set last quarter, and the first time the balance has ever been more than \$120 billion. For the September quarter, the PRIT Fund returned 4.4%, net of all fees, and for the trailing twelve months, the PRIT Fund returned 9.6%, net, which equates to an investment gain of \$10.6 billion. We believe a 9.6%, 12-month gain is another very solid accomplishment, bringing us again to a new record balance of \$121.1 billion.

Last quarter we reported a very strong Fiscal Year 2025 in which the PRIT Fund was up 9.6% with domestic and international equities posting gains between 15% and 20%. The strength of last year continued into the September quarter – the PRIT Fund was up another 4.4% net. With all the uncertainty and turbulence, financial markets have continued to climb the proverbial wall of worry. U.S. Equities were up 8.1% in the September quarter alone, while developed international equities were up 5.3% and emerging market equities were up 10.6%. Bonds were up 2.0% as yields fell slightly. The benchmark 10-year Treasury yield stood at 4.15% at the end of September, slightly down from previous levels earlier in the year. It remains at roughly that level today. For the calendar year through September 30, domestic equities were up 14.8%, developed international equities were up 25.3%, and emerging markets equities were up 27.5%. As I mentioned last quarter, this is the first year in a long time that international equities have outperformed domestic equities, and they are doing so by a wide margin – international returns are twice the returns of the U.S. for the year. Of interest is the fact that through yesterday, China is up 36.3% for the year, while Germany is up 28.7%, the UK is up 28.8%, and Japan is up 24.0%, while the U.S. is up 14.7%. U.S. markets are essentially flat so far this quarter.

Turning to PRIT Fund performance, I want to highlight a couple of more recent challenges and successes. As you all know, the PRIT Fund is a carefully designed and diversified portfolio with components that will perform well in any investment environment. We remain pleased and confident about the resiliency of the PRIT Fund and its performance over all time periods and throughout several different market environments – in both up markets and in down markets. At any given time, we should expect to have strong performing asset classes and weaker ones. Recently, even though absolute return of the total global equity portfolio has been astoundingly strong with one-year performance of 16.3% and three-year performance of 22.6%, compounded, the relative performance of global equities to its benchmark has lagged very slightly. The past few years have been a difficult period for active management generally in global equities because the strong market returns have been so narrowly focused on the Magnificent 7 companies and companies linked to AI infrastructure buildouts. According to a recent Goldman Sachs report, these AI stocks drove 67%, or 2/3rds of the entire year to date return of the S&P500 index in 2025, while only accounting for 40% of the index's overall market capitalization. What this means to us is that only about 40% of our active managers outperformed their benchmarks over the 1-year period, but we usually see 50-70% of our active managers outperforming. While this small underperformance is not typical for us, it is easy to understand, and the magnitude is both short-term and within our expected range of outcomes. We are keeping a very close eye on all our managers and tightly managing our risk exposures.

Fortunately, we have a diversified portfolio with other areas of strength. For example, Private Equity posted its 11<sup>th</sup> straight positive quarter of performance, Real Estate has turned the corner and posted a positive return for the trailing 1-year period after a long downturn. But it is PRIM's Hedge Fund portfolio which has had the most outstanding recent period of success. The strong 11.5% one-year return of Hedge Funds is 3.5% above its benchmark, and the three-year performance is similarly strong. Bill Li, Senior Investment Officer and Director of Portfolio Completion Strategies, and his excellent team, comprised of Ethan Spencer, Joy Seth, Eleni Klempner, and Liu Liu, deserve recognition for their excellent work over a long period of time.

They have literally transformed this portfolio: Remember in 2010 or so this portion of our portfolio was implemented with 5 Hedge Fund of Fund managers and more than 500 individual investment managers and it was underperforming; today, the entire portfolio is comprised of a couple of dozen talented and focused managers, most of which are in separate account structures. Bill and his team literally pioneered separate accounts in hedge funds, and now most of the world has emulated us and followed suit. Separate accounts provide more control, better customization, lower fees, and higher returns. Additionally, Bill and team have developed sophisticated quantitative screens – what we call the Alternative Beta Framework- which help us identify managers with differentiated skill. More recently, you may remember that Bill and team reorganized the portfolio into two distinct strategies with their own appropriate benchmarks; the portfolio is now organized into directional hedge funds and stable value hedge funds – directional funds generally follow equity or bond returns with a measurably superior risk return profile, while stable value funds seek low correlation to equity and bond returns providing stable returns in times of market volatility. Together these transformations have been a huge success, providing the superior returns I have just described.

### **Economic Indicators and Markets**

The Federal government shutdown and other factors have led to the delay and possible cancelation of recent economic data. The Bureau of Economic Analysis, Bureau of Labor Statistics, and Census Bureau have missed reporting the consumer price index since October; and GDP, unemployment, payroll growth, producer price index, and retail sales numbers haven't been reported since September. This has made

assessing the health of the economy more difficult, forcing participants, including presumably the Fed, to rely more heavily on private economic data collectors.

The U.S. economy (GDP) grew at an annualized 3.8% in Q2 2025, the June quarter. That was the strongest quarterly pace since Q3 2023. The upside surprise was driven largely by a substantial upward revision to consumer spending. Fixed investment was also revised higher. Offsetting some of these gains, net trade contributed less. Exports declined more sharply (-1.8%) and imports were revised slightly higher but still in the context of a steep overall drop in imports (-29.3%).

The annual inflation rate (CPI) rose to 3.0% in September, up slightly from 2.9% in August and the highest since January, though marginally below the consensus expectation of 3.1%. The unemployment rate rose to 4.3% in August from 4.2% in July, matching market expectations and marking the highest jobless rate since October 2021. ISM Manufacturing PMI declined to 48.7 in October from 49.1 in September, below expectations of 49.5 and signaling an eighth consecutive month of contraction.

In other large economies, China's economy (GDP) grew 4.8% year-over-year in Q3 2025, down from 5.2% in Q2 and the slowest pace since Q3 2024. While broadly in line with expectations, the data signaled a loss of momentum following a strong start to the year. The unemployment rate fell to 5.2% in September, inflation remained subdued and the People's Bank left rates unchanged.

The Eurozone economy (GDP) grew 1.3% year-over-year in Q3 2025, easing from 1.5% in Q2 but slightly above expectations of 1.2%, according to the flash estimate. The unemployment rate held steady at 6.3% in September, unchanged from August and July. The inflation rate eased to 2.1% year-over-year in October, down from 2.2% in September. The European Central bank also left rates unchanged at its recent meeting.

Japan's economy (GDP) grew 0.5% quarter-over-quarter in Q2 2025. This marked the fifth consecutive quarter of expansion. The unemployment rate held at 2.6% in September, and the annual inflation rate rose to 2.9% in September from August's 10-month low of 2.7%. Japan's Central bank also left rates unchanged.

With this global backdrop the Federal Reserve lowered the federal funds rate by 25 basis points to a target range of 3.75%-4.00% at its October meeting, in line with market expectations. The cut followed a similar move in September and brought policy rates to their lowest level since 2022. Policymakers at the Fed cited rising downside risks to employment in recent months, even as inflation has firmed since early 2025 and remains somewhat elevated. Apparently, the lack of timely data and the tension between slowing employment and higher inflation have led to some historic dissent among Fed governors as we approach the December meeting and the futures market now are predicting a 42% chance of a rate cut in December; only 3 weeks ago, the futures predicted a 100% chance of a December cut.

### **PRIT Fund Performance**

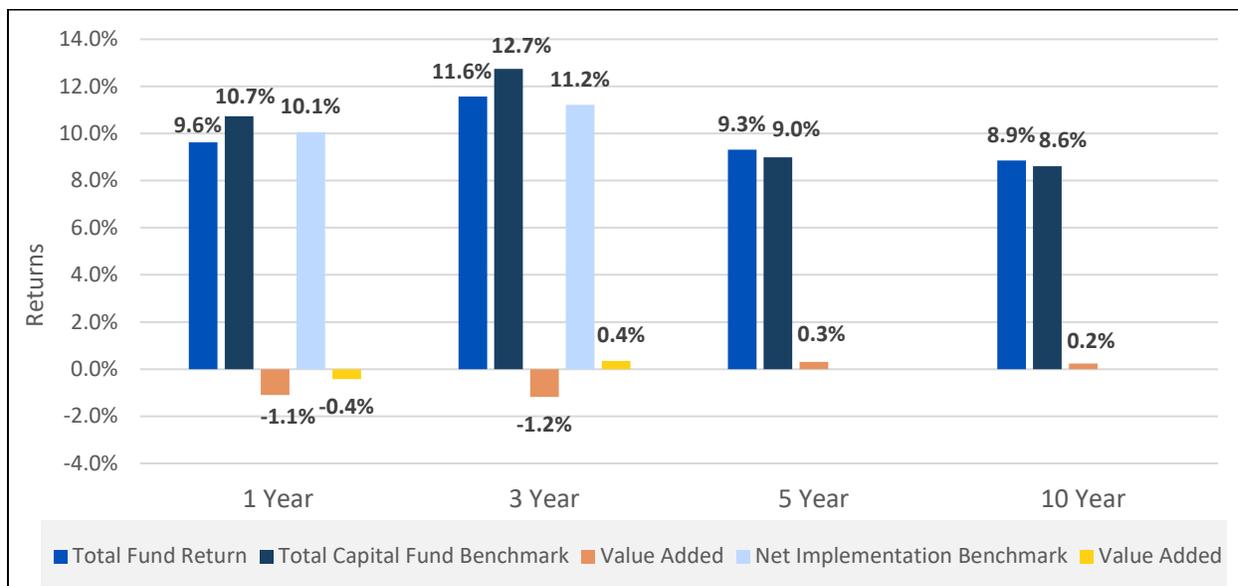
For the one-year ended September 30, 2025, the PRIT Fund was up 9.6%, net of fees, underperforming the total capital fund benchmark of 10.7% by 110 basis points.

- This performance equates to an investment gain of \$10.6 billion, net of fees.
- This underperformance equates to \$1.2 billion of value below the benchmark return, net of fees.
- Net total outflows to pay benefits for the one-year ended September 30, 2025, were approximately \$42 million.

The following charts summarize the PRIT Fund performance for the one-year ended September 30, 2025.

### Total PRIT Fund Returns

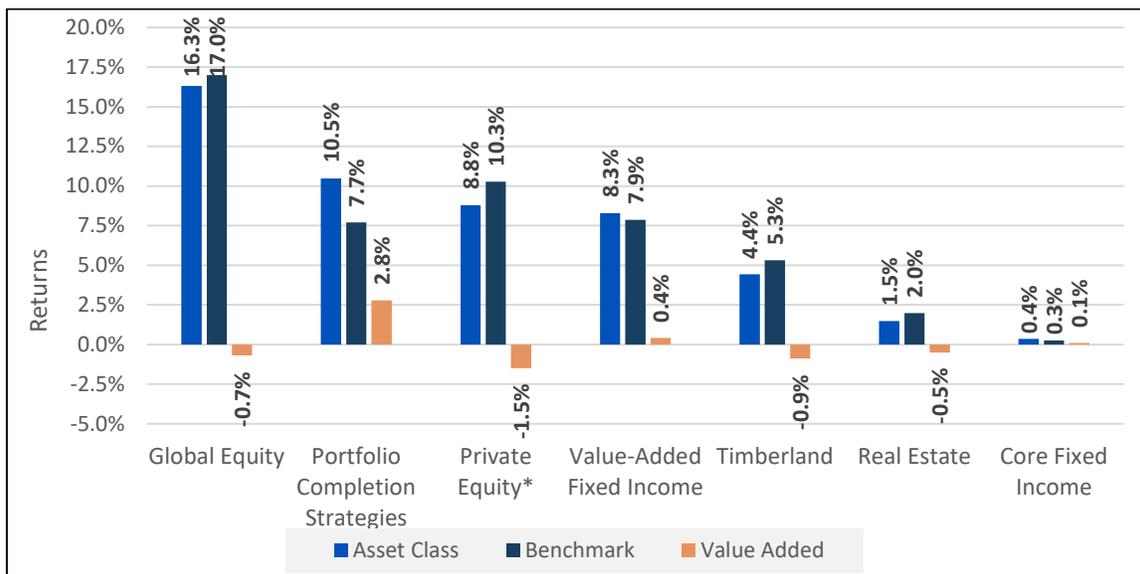
Annualized Returns as of September 30, 2025 (Net of Fees)



Source: BNY. Total Capital Fund Benchmark includes private equity benchmark

### PRIT Asset Class Performance Summary

One Year ended September 30, 2025 (Net of Fees)



Source: BNY. Totals may not add due to rounding. \*Benchmark is State Street PE Index.

## PRIT Fund Annualized Returns by Asset Class

September 30, 2025 (Net of Fees)

1 Year	3 Year	5 Year	10 Year
GLOBAL EQUITY 16.3%	GLOBAL EQUITY 22.5%	PRIVATE EQUITY 15.9%	PRIVATE EQUITY 15.9%
PCS 10.5%	VALUE-ADDED FIXED INCOME 10.4%	GLOBAL EQUITY 13.6%	GLOBAL EQUITY 11.8%
PRIVATE EQUITY 8.8%	PCS 9.5%	PCS 7.9%	VALUE-ADDED FIXED INCOME 6.1%
VALUE-ADDED FIXED INCOME 8.3%	TIMBER 7.1%	TIMBER 7.8%	REAL ESTATE 5.9%
TIMBER 4.4%	PRIVATE EQUITY 6.5%	VALUE-ADDED FIXED INCOME 7.6%	TIMBER 5.4%
REAL ESTATE 1.5%	CORE FIXED INCOME 3.1%	REAL ESTATE 5.6%	PCS 5.1%
CORE FIXED INCOME 0.4%	REAL ESTATE (2.7%)	CORE FIXED INCOME (2.3%)	CORE FIXED INCOME 1.8%

Source: BNY.

### Organizational Updates

PRIM announced five new promotions in November. We are fortunate to have identified and cultivated exceptional talent, adding depth to our already skilled team.

Helen Huang was promoted to Senior Investment Officer and Director of Growth and Venture Capital. Helen was hired in June of 2021 as a Senior Investment Officer on the Private Equity Team, reporting to Michael McGirr. Helen has a particular expertise in covering our Growth and Venture investments. She led a redesign of PRIM’s venture capital investment process and strategy, leading the sourcing and evaluation of high-quality managers, which led to successful new partnerships. She has enhanced PRIM’s long-term pipeline building efforts and helped us gain access to hard-to-access managers. Helen is an excellent communicator, and her commitment to continuous improvement is evident in her openness to feedback and her proactive efforts to strengthen team collaboration. As mentioned last quarter, Helen was recognized as one of Private Equity International’s “40 under 40: Future Leaders of Private Equity,” a prestigious accolade that honors rising stars across the industry who demonstrate exceptional leadership, innovation, and impact. Two years ago, Helen received recognition from PEWIN for her accomplishments. Helen’s achievements reflect her commitment to innovation, excellence, and the advancement of both PRIM and the broader private equity industry.

Vivian Liang was promoted to Investment Officer. Vivian first joined PRIM in June of 2021 as an Intern on the Research team and was hired in April 2022 as an Investment Analyst reporting to Maria Garrahan. Vivian has become a valued contributor and collaborator, working on projects across all PRIM asset teams. With her outstanding technical skills and approachable demeanor, she has demonstrated the ability to drive complex research project projects. She has become the point person on the PRIM asset allocation workstream where she applies quantitative techniques to optimize the PRIT Fund.

Jessica Murphy was promoted to Director of Performance Reporting. Jessica was hired in October of 2022 as a Manager of Performance reporting to Matt Liposky and has been a tremendous asset for PRIM since her arrival. Specifically, over the past two years, Jessica led the effort on the new and enhanced performance reports. This new process automates and improves our performance reporting, saving significant time and improving accuracy. In addition, Jessica has worked closely with all asset class heads to configure specialty reporting for their respective asset classes. Her expertise, thoughtfulness, ability to collaborate, and affability is exemplary. We were also delighted that on October 6<sup>th</sup>, Treasurer Goldberg and her team awarded Jessica the Commonwealth’s Performance Recognition award.

Colleen Nulty was promoted to Senior Corporate Accountant. Since joining PRIM in March of 2021 and reporting to Dan Eckman, Colleen has become an indispensable member of both the Finance and Client Cash teams. Her contributions have been instrumental in modernizing our month-end closing procedures and transitioning them into a more streamlined and efficient electronic format. She has also played a key role in enhancing other payables’ processes. With outstanding attention to detail and process, Colleen has helped PRIM maintain exceptional service standards for our clients and improved other important organizational processes. In addition, Colleen recently earned the CFA Investment Foundations certificate, a valuable learning program and credential.

Ethan Spencer was promoted to Senior Investment Officer and Director of Fundamental Hedge Funds. Ethan was hired in February of 2023 as a Senior Investment Officer on the Portfolio Completion Strategies team reporting to Bill Li. Ethan has demonstrated exceptional investment expertise and he is a remarkable team player. He leads fundamental hedge fund coverage and has independently sourced and structured several impactful mandates. Ethan is a generous mentor and an active voice in cross-team investment debates. As a visible ambassador for PRIM at top industry conferences, Ethan elevates the firm’s profile.

### **Recent Recognition**

Michael G. Trotsky, CFA, PRIM’s Executive Director and Chief Investment Officer, was named to the 2025 CIO Power 100 list for the third consecutive year.

### **PRIM Board Actions**

#### **Public Markets**

**Other Credit Opportunities – Investment Recommendation: PIMCO Private Mortgage Opportunities Feeder Onshore, L.P.**

The PRIM Board approved a commitment of up to \$200 million to the PIMCO Private Mortgage Opportunities Feeder Onshore, L.P.

#### **Private Equity**

**Follow-On Investment Recommendation: TowerBrook Investors VII, L.P.**

The PRIM Board approved a commitment of up to \$200 million to TowerBrook Investors VII, L.P.

#### **Stewardship and Sustainability**

**Recommendation: Responsible Workforce Management Policy**

The PRIM Board approved the Responsible Workforce Management Policy.

#### **Finance and Administration**

**Fiscal Year 2025 Audit Results**

The PRIM Board accepted the Fiscal Year 2025 PRIM and PRIT Audited financial statements.

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

***Please remember to notify the Client Services Team of any staffing changes within your organization.***

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