PRIM Board Quarterly Update

Fourth Quarter 2025

PRIM Executive Director and Chief Investment Officer Michael G. Trotsky, CFA provided the following information to the Board at the February 26, 2026, meeting:

Executive Director and Chief Investment Officer Report

The PRIT Fund ended with another new record balance of $123.3 billion, surpassing the previous record balance set last quarter. For the December quarter alone, the PRIT Fund returned 2.1%, net of all fees, and for the trailing twelve months, the PRIT Fund returned 12.6% net, which equates to an investment gain of $13.8 billion. We are very proud of the 12.6% 12-month gain, which is nearly twice the target return of 7%, the state's actuarial rate of return.

The 12.6% net gain for calendar year 2025 is the third consecutive year of outstanding gains and follows gains of 9% in 2024 and 11% in 2023. This represents a 3-year annualized rate of return of 11% and a three-year total investment gain of $34.6 billion. Over this last three-year period, US equities remained unusually strong, up nearly 23% annualized, while international markets were weaker, but still up more than 17%. To put things in perspective: A three-year streak with an annualized return of roughly 23% for US equities is exceptionally rare: It's a "Super Streak." Similar performance levels have occurred only a handful of times in the last 100 years, usually during major technological shifts or recoveries from deep, bear markets. A 23% annualized return means the market has nearly doubled in just 3 years.

While examining any "what happens next" scenarios may be interesting, PRIM doesn't try to predict the future because we believe that nobody is consistently good at it. That sentiment is one of our core investment beliefs, and we believe that wisdom is one of the very best guideposts of investing. PRIM's asset allocation recommendations do not rely on future predictions of returns. Instead, PRIM's internally developed process utilizes quantitative, statistical techniques to express the well-proven and Nobel Prize -winning economic science of portfolio construction through diversification. We don't try to anticipate market returns or outcomes; we engineer our portfolio to be resilient through all market environments.

In the December quarter, U.S. equities were up 2.7%, while Developed International equities were up 5.2%, and Emerging Market equities were up 4.7%. Bonds were up 1.0% as yields fell slightly. The benchmark 10-year Treasury yield stood at 4.17% at the end of December and has been stable in that range. For the calendar year through December 31, the 12-month period, Domestic equities were up 17.8%, Developed International equities were up 31.7%, and Emerging Markets equities were up 33.4%. Notable is that International equities outperformed US equities for the first time in many years, and they are doing so by a wide margin – International returns were nearly twice the returns of the U.S. for the year. China was up 31% for the year, Germany up 36.1%, the UK up 35%, and Japan up 24.5% while US equities were up 17.8%.

Over the past three years, Public equities have delivered exceptional returns, supported by resilient earnings growth, falling inflation expectations – resulting in falling interest rates, strong balance sheets, and a generational technology shift driven by artificial intelligence. Public equities have also benefited from liquidity and rapid price discovery, allowing them to be repriced more quickly as macroeconomic conditions improved after the Pandemic slowdown. The past three years was a “Goldilocks” period for public markets – a near perfect environment for strong performance.

At any given time, PRIM should expect to have strong performing asset classes and weaker ones. Even with outstanding absolute returns, the past few years have been a difficult period for active management generally in global equities, both public and private, because the strong market returns have been so narrowly focused on the Magnificent 7 companies and companies linked to AI infrastructure buildouts. This narrowness is unlikely to persist forever and more recently we are seeing some broadening of market participation.

In contrast to the recent surge in public markets, private equity's strength is best viewed through its robust 5-to-10-year track record, a period in which entry valuations were attractive, debt financing costs were exceptionally low, and public equity markets experienced a prolonged and modest expansion.

PRIM closely monitors all managers across asset classes and manages risk exposures to maintain a well-diversified portfolio that performs well under various conditions. PRIM's asset allocation framework gradually adjusts strategic allocations over time, promoting evidence-based and patient investing. This approach ensures PRIM is not tied to any specific asset class or strategy, acknowledging the investment industry's evolving nature.

PRIT Fund Performance

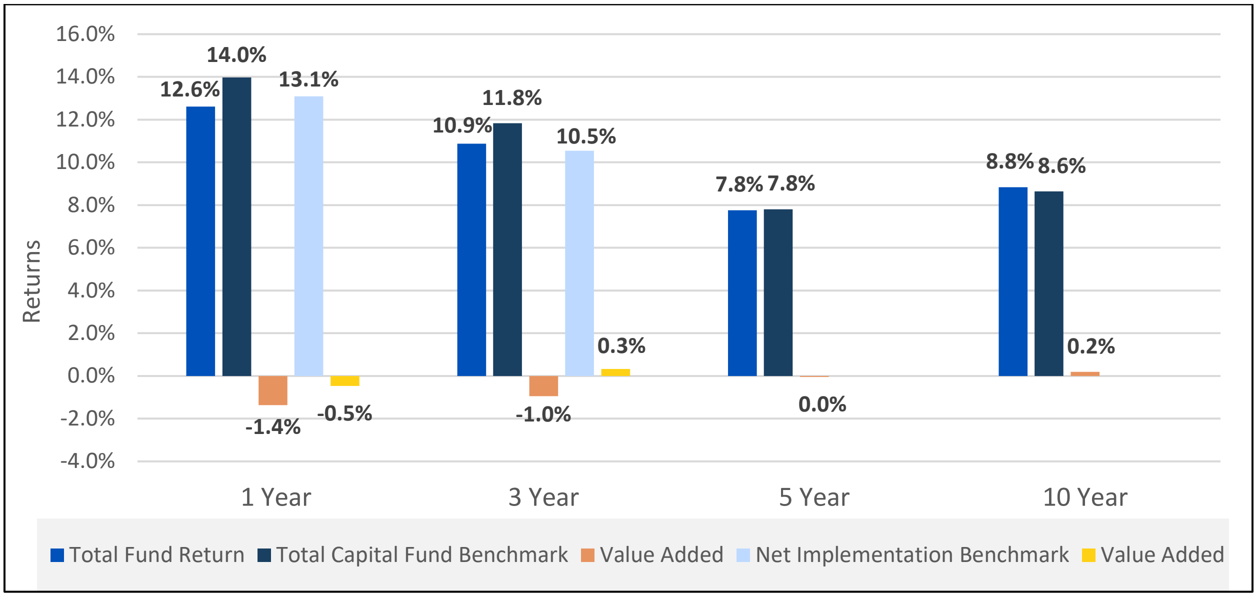
For the one-year ended December 31, 2025, the PRIT Fund was up 12.6%, underperforming the total capital fund benchmark of 14.0% by 137 basis points.

- This performance equates to an investment gain of $13.8 billion, net of fees.
- This underperformance equates to $1.5 billion of value below the benchmark return, net of fees.
- Net total outflows to pay benefits for the one-year ended December 31, 2025 were approximately $231 million.

The following charts summarize the PRIT Fund performance for the year ended December 31, 2025.

Total PRIT Fund Returns

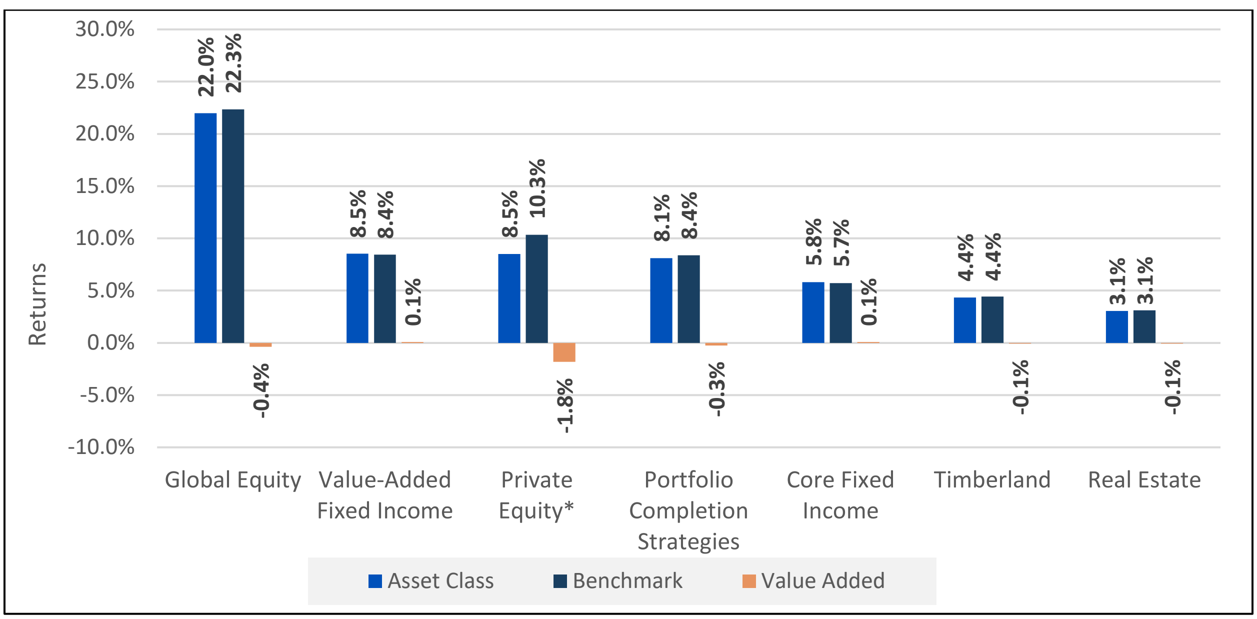
Annualized Returns as of December 31, 2025 (Net of Fees)



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

PRIT Asset Class Performance Summary

One Year ended December 31, 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

December 31, 2025 (Net of Fees)

1 Year	3 Year	5 Year	10 Year
GLOBAL EQUITY 22.0%	GLOBAL EQUITY 19.9%	PRIVATE EQUITY 13.8%	PRIVATE EQUITY 16.0%
VALUE-ADDED FIXED INCOME 8.5%	VALUE-ADDED FIXED INCOME 10.1%	GLOBAL EQUITY 10.9%	GLOBAL EQUITY 11.6%
PRIVATE EQUITY 8.5%	PCS 10.0%	TIMBER 7.5%	VALUE-ADDED FIXED INCOME 6.5%
PCS 8.1%	PRIVATE EQUITY 7.3%	PCS 7.2%	TIMBER 5.7%
CORE FIXED INCOME 5.8%	TIMBER 6.1%	VALUE-ADDED FIXED INCOME 6.8%	REAL ESTATE 5.7%
TIMBER 4.4%	CORE FIXED INCOME 3.0%	REAL ESTATE 5.0%	PCS 5.3%
REAL ESTATE 3.1%	REAL ESTATE (2.2%)	CORE FIXED INCOME (2.2%)	CORE FIXED INCOME 1.9%

Source: BNY.

Recent Recognition

Michael G. Trotsky, CFA, PRIM's Executive Director and Chief Investment Officer, has been named to the Markets Group 2026 list of Elite Institutional Chief Investment Officers. The designation honor is to those who, "have excelled amid shifting macroeconomic conditions, geopolitical complexity [and] evolving risk frameworks [...] They continue to strengthen long-term resilience, elevate portfolio construction and governance standards, and steward capital with purpose and accountability." This summary highlights PRIM's collective achievements.

PRIM Board Actions

Asset Allocation Recommendation

The PRIM Board approved the 2026 asset allocation recommendation, which represents no changes to the prior year recommendation.

Public Markets

Global Equity Recommendations

The PRIM Board approved enhancements to the PRIT Fund's Global Equity portfolio.

Other Credit Opportunities – Follow-On Investment Recommendation: KKR Opportunities Real Estate Credit Fund III, L.P.

The PRIM Board approved a commitment of up to $200 million to KKR Opportunistic Real Estate Credit Fund III, L.P.

<u>**Portfolio Completion Strategies**</u>

Follow-On Investment Recommendation: JEN 9 LP

The PRIM Board approved a commitment of up to $180 million to JEN 9 LP.

Portfolio Completion Strategies (PCS) and Other Credit Opportunities (OCO) Advisory Services RFP Recommendation

The PRIM Board approved Aberdeen Investments to provide PCS Advisory Services and Aksia LLC to provide OCO Advisory Services. Additionally, the PRIM Board approved four firms to be placed on PRIM's list of project-based advisors.

<u>**Private Equity**</u>

Follow-On Investment Recommendation: Quad-C Partners XI, L.P.

The PRIM Board approved a commitment of up to $200 million to Quad-C Partners Fund XI, L.P.

Follow-On Investment Recommendation: Spark Capital IX, L.P., and Spark Capital Growth VI, L.P.

The PRIM Board approved commitments of up to $18 million to Spark Capital IX, L.P. and up to $42 million to Spark Capital Growth VI, L.P.

<u>**Stewardship and Sustainability**</u>

2026 Proxy Voting Guidelines

The PRIM Board approved the 2026 Custom Proxy Voting Guidelines.

The Client Services team will continue to meet with PRIM member retirement systems throughout the year. To schedule an investment review, please contact a member of the Client Services Team.

Please remember to notify the Client Services Team of any staffing changes within your organization at clientservice@mapension.com.