October 2015

PRIM Board Update

Massachusetts Pension Reserves Investment Management Board

Market Snapshot for October 2015

U.S. Gross Domestic Product ("GDP") expanded by 1.5% in 3Q15, according to the Commerce Department's first estimate. Unemployment fell to 5.0%, and the latest jobs report showed that average hourly earnings grew 2.5% between October 2014 and October 2015, the highest growth rate since the Great Recession. U.S. manufacturing remained weak, as the U.S. Purchasing Managers Index ("PMI"), fell to 50.1 from 50.2 in September. The U.S. Dollar Index appreciated 0.7% on speculation that the Federal Reserve (the "Fed") may raise interest rates by year-end, and dovish comments from the European Central Bank ("ECB") placed downward pressure on the Euro. Oil prices rose to $46.6 a barrel, up 3.3% in October, on growing expectations that crude production will decline.

U.S. equities rallied in October on better-than-estimated quarterly earnings and speculation that Europe will bolster its economy. Large cap equities, were up 8.4%, outperforming small caps, which rose 5.6%.

International equities gained 7.8%. European equities rose 7.2% after ECB President Mario Draghi's statements that policy makers will review its bond buyback program and investigate new stimulus measures. Japanese equities returned 10.1% after a news report said that the Bank of Japan ("BoJ") was considering additional fiscal stimulus and companies reported strong quarterly earnings.

Emerging markets equities were up 7.1% in October. Chinese shares rose 9.1% after the People's Bank of China ("PBOC") lowered its benchmark interest rate by 25 basis points ("bps") and cut its reserve requirement ratio by 0.5%, boosting demand for risker assets. Russian equity markets gained 6.2% as the price of crude oil rose, and on the prospect of an ECB stimulus. Brazil was up 5.2% after Petrobas announced a plan to cut expenditures. Frontier Markets also rose 3.7% in October.

The 20+year STRIPS index returned -0.3% in October, but the benchmark was up 6.7%% for the trailing one-year period. U.S. Treasury 20+year STRIPS yields were 2 bps higher in October. Diversified bonds, as measured by the Barclays Aggregate Index, were flat, as yields rose 7 bps on the month. (Price and yield move in the opposite direction.) Credit spreads tightened in October, as high yield bonds rose 2.7%.

Emerging markets debt ("EMD") U.S. Dollar denominated gained 3.2% in October as spreads tightened. EMD local currency also rose 4.5% for the month, as yields were 27 bps lower. Bond prices rose 1.6%, while the EM FX (foreign currency exchange) appreciated 2.4%. Indonesia, Turkey, Colombia, and Russia were the best performing countries.

PRIT FUND ASSETS: $60,738,891,000

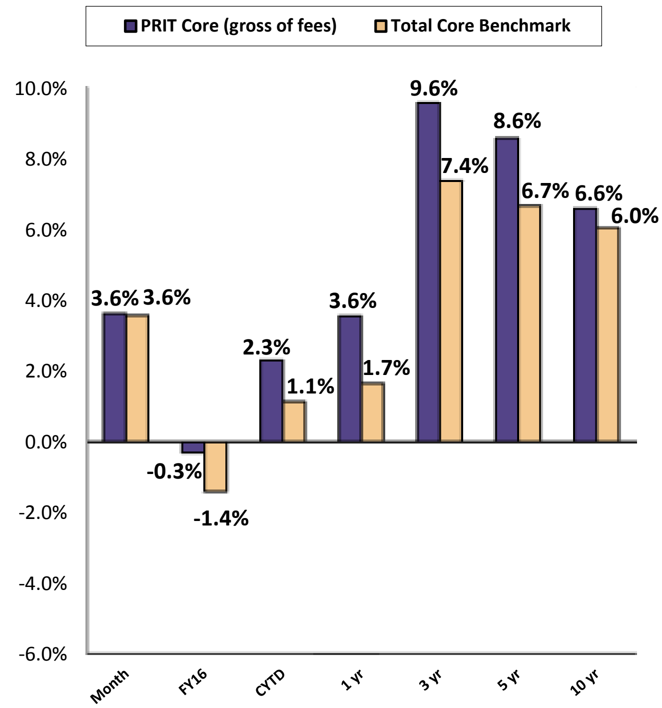
PRIT Core Fund Recap – October 31, 2015

Portfolio	Month	CYTD	1-Year
PRIT Core Total	**3.62%**	**2.31%**	**3.55%**
U.S. Equity	7.77%	1.82%	4.15%
International Equity	7.68%	3.67%	2.01%
Emerging Markets Equity	7.07%	-8.37%	-12.84%
Core Fixed Income	-0.01%	-1.22%	3.83%
Public Value Added FI*	2.70%	-1.68%	-5.29%
Total Value Added FI**	1.94%	-0.90%	-3.58%
Private Equity	-0.21%	15.23%	17.75%
Core Real Estate	1.29%	9.31%	13.21%
Timber/Natural Resources	1.57%	-3.00%	-1.50%
Hedge Funds (net of fees)	0.51%	-1.48%	0.04%
Portfolio Completion Strategies	0.66%	-1.32%	N/A

Returns are gross of fees unless otherwise noted. Timber/Natural Resources, Total Value-Added Fixed Income, and Portfolio Completion Strategies sleeves are currently not available through Segmentation; however, the *Public Value Added Fixed Income sleeve is available as of April 1, 2013. **Total Value-Added FI includes returns of Public Value-Added FI and Private Debt. Private Equity is available to Segmented Systems through the Vintage Year Program.

Market Recap – October 31, 2015			
Global Equity Markets			
U.S. Equities:			
Index	Month	CYTD	1-Year
S&P 500	8.44%	2.70%	5.20%
Russell 2000 Growth	5.67%	-0.10%	3.52%
Russell 2000 Value	5.60%	-5.02%	-2.88%
Russell 2500 Growth	5.23%	1.18%	4.17%
Russell 2500	5.59%	-0.73%	1.50%
International Equities:			
Index			
Custom World IMI Ex-US	7.28%	0.80%	-1.14%
MSCI Emerging Mkts. IMI	6.93%	-8.79%	-13.46%
Fixed Income			
Index			
Barclays Aggregate	0.02%	1.14%	1.96%
BC US Treas 20+Yr STRIPS	-0.32%	-3.01%	6.65%
ML High Yield Master II	2.72%	0.15%	-2.03%
JPM EM Debt Global	3.16%	2.83%	-0.50%
JPM GBI EMI Global Div.	4.53%	-11.06%	-17.42%
Real Estate			
NCREIF 1-Qtr Lag Private	0.00%	10.08%	12.98%
FTSE EPRA NAREIT Global	5.72%	1.19%	2.53%
Hedge Funds			
Index			
HFRI Fund of Funds	0.83%	-0.12%	1.46%

PRIT Core Fund as of 10/31/2015



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