

July 2015

# PRIM Board Update



PENSION RESERVES  
INVESTMENT  
MANAGEMENT BOARD

## Massachusetts Pension Reserves Investment Management Board

### Market Snapshot for July 2015

U.S. Gross Domestic Product ("GDP") expanded by 2.3% in 2Q15, according to the Commerce Department's first estimate. Unemployment remained level at 5.3%, while the labor market experienced the smallest wage increase on record. U.S. manufacturing expanded in July, as the US Purchasing Managers Index ("PMI") rose slightly to 53.8 vs. 53.5 last month. The U.S. Dollar Index appreciated 1.7%, as more analysts and investors anticipated the Federal Reserve Bank ("the Fed") would hike interest rates in September. Oil prices fell to \$47.1 a barrel (down 20.8% in July) on reports that producers in the Middle East were continuing to increase production. This was oil's largest monthly drop since the 2008 global financial crisis.

U.S. equities were mixed in July. Large cap stocks rose 2.1% on positive quarterly earnings reports. Small caps stocks returned -1.2%, as the Russell 2000 energy sector fell 20.7%, in line with the drop in oil.

International equities gained 2.1% for the month. European equities rose 3.0%, as strong corporate earnings and economic indicators offset the slump in Greece and weak Chinese data. Japanese equities were up 0.5% after the Toshiba accounting probe details were released, following months of uncertainty.

Emerging markets equities returned -6.9% in July. Russian equities fell -5.6%, as the Ruble further depreciated and oil prices fell. Chinese shares, down 10.8% in July, continued to sell off after weak manufacturing and growth data. Frontier markets also fell in July, returning -2.9%.

The 20+year STRIPS index gained 5.9% in July, and is up 13.7% for the trailing one-year period. 30-year yields were 22 basis points ("bps") lower in July, at 2.91%, compared to 3.12% in June. Recent STRIPS outperformance may be due to changes in global growth estimates and deflationary pressures from oil prices. The Barclays Aggregate Index rose 0.7% in July, as the yield fell 4 bps on the month. (Price and yield move in the opposite direction.) Credit spreads widened in July. High yield bonds fell -0.6%, mostly driven by spread widening in Energy issuers. Conversely, Investment Grade Credit rose 0.6%.

Emerging markets debt ("EMD") U.S. Dollar denominated gained 0.4% despite spreads widening. EMD local currency fell -2.6% in July. Yields were actually 7 bps lower, but the FX return (foreign currency exchange) of -3.3% brought down the total return for the index.

### PRIM Organizational Update

We are pleased to announce Amaran Soja joined PRIM in July as the new Executive Assistant to Executive Director and Chief Investment Officer Michael G. Trotsky, CFA, and Deputy Executive Director and General Counsel, Christopher J. Supple. Amaran joins PRIM from Governo Law Firm where she was a Senior Legal Secretary supporting senior partners. Prior to that, Amaran worked at Liberty Mutual and also interned for Senator Ted Kennedy in Constituent Services. Amaran graduated from Westfield State with a B.A. in Political Science. She has already begun studying for the CFA Institute's Claritas Program, which covers the essentials of finance, ethics, and global investments.

Erin McCafferty, on the Private Equity team, was promoted to Senior Investment Officer. Erin joined PRIM in April 2014 as an Investment Officer. At the time of her hiring, it was the only opening available on the team, but we communicated to her that if she performed well, she would be eligible for a promotion after one year's time when another Senior Investment Officer position would be available in the budget. Erin performed very well over her first year and we are delighted to promote her. She is a highly-valued member of the PRIM team and we look forward to her contributions.

**PRIT FUND ASSETS: \$61,745,487,000**

### PRIT Core Fund Recap – July 31, 2015

Portfolio	Month	CYTD	1-Year
<b>PRIT Core Total</b>	<b>0.49%</b>	<b>3.12%</b>	<b>5.19%</b>
U.S. Equity	1.51%	3.49%	10.71%
International Equity	1.45%	8.12%	0.55%
Emerging Markets Equity	-5.89%	-4.37%	-12.58%
Core Fixed Income	2.83%	-1.58%	7.26%
Public Value Added FI*	-0.69%	0.17%	-4.69%
Total Value Added FI**	-0.56%	0.19%	-2.58%
Private Equity	-0.48%	8.76%	15.74%
Core Real Estate	0.96%	6.21%	12.62%
Timber/Natural Resources	-1.85%	-2.92%	-2.13%
Hedge Funds (net of fees)	0.46%	3.05%	4.69%
Portfolio Completion Strategies	3.43%	-1.84%	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 – July 31, 2015

### Global Equity Markets

#### U.S. Equities:

Index	Month	CYTD	1-Year
S&P 500	2.10%	3.35%	11.21%
Russell 2000 Growth	0.41%	9.18%	20.07%
Russell 2000 Value	-2.76%	-2.02%	4.30%
Russell 2500 Growth	1.19%	9.38%	18.59%
Russell 2500	-0.19%	4.61%	11.19%

#### International Equities:

Index	Month	CYTD	1-Year
Custom World IMI Ex-US	1.27%	6.10%	-2.12%
MSCI Emerging Mkts. IMI	-7.10%	-3.74%	-12.35%

### Fixed Income

Index	Month	CYTD	1-Year
Barclays Aggregate	0.70%	0.59%	2.82%
BC US Treas 20+Yr STRIPS	5.85%	-4.28%	13.72%
ML High Yield Master II	-0.61%	1.87%	0.17%
JPM EM Debt Global	0.41%	2.18%	-1.28%
JPM GBI EMI Global Div.	-2.56%	-7.32%	-16.68%

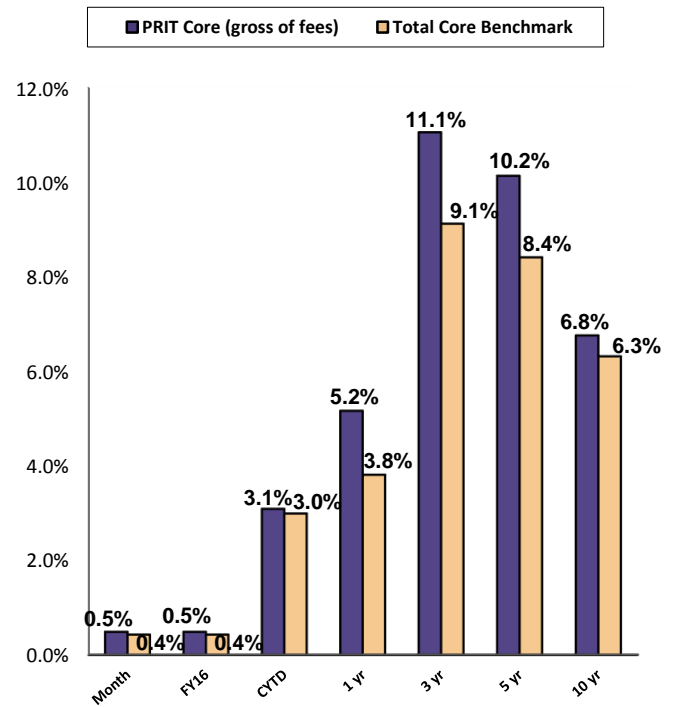
### Real Estate

NCREIF 1-Qtr Lag Private	0.00%	6.72%	12.72%
FTSE EPRA NAREIT Global	3.46%	0.49%	3.41%

### Hedge Funds

Index	Month	CYTD	1-Year
HFRI Fund of Funds	0.11%	2.80%	4.43%

## PRIT Core Fund as of 7/31/2015



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