

November 2015

# PRIM Board Update



PENSION RESERVES  
INVESTMENT  
MANAGEMENT BOARD

## Massachusetts Pension Reserves Investment Management Board

### PRIM #1 Private Equity Ranking

We are very pleased to report that the Private Equity Growth Council 2015 rankings are out and PRIM was ranked the best in the nation among 155 U.S. public pension funds. "I am very proud of Mike Bailey and his team who work hard to make sure that the PRIM private equity portfolio is innovative, high-performing, and now (if I may say so) the envy of our peers," said Michael G. Trotsky, CFA, PRIM's Executive Director and Chief Investment officer.

### Market Snapshot for November 2015

U.S. Gross Domestic Product ("GDP") was revised to 2.1% for 3Q15, up from the previous estimate of 1.5% in the Commerce Department's second assessment. Unemployment fell 0.1% to 5.0%, the lowest since April 2008. The latest jobs report showed that average hourly earnings rose nine cents and jobless claims remained below 300,000 for the ninth straight month. The U.S. Purchasing Managers Index ("PMI") declined in November on weak new orders and slowing output growth. The U.S. Dollar Index appreciated 3.4% on bullish comments from the Federal Reserve (the "Fed"). European Central Bank ("ECB") stimulus speculation weakened the Euro, which fell 4.4%. Oil prices fell to \$41.6 a barrel, down 10.6 in November, as OPEC producers kept output high, despite recent pledges to stabilize prices.

U.S. equities rose modestly in November, as investors remained on hold ahead of the holiday season and the Fed's decision on interest rates. Small cap equities gained 3.3%, outperforming large caps, which rose 0.3%.

International equities fell 1.6%. European equities lost 1.8%, as the downing of a Russian fighter jet by Turkey, weakening commodities, and a decline in Chinese equities weighed on market sentiment. Japanese equities returned -1.0% after reports that GDP contracted for the second consecutive quarter, signaling an economic recession.

Emerging markets equities declined 3.9% in November. Chinese shares fell 3.2%, as manufacturing data deteriorated and three major brokerages reported that they are under investigation for alleged misconduct. Russian equity markets rose 0.6% as U.S. and foreign leaders indicated they are open to including Moscow in a global coalition against the Islamic state in Syria. Brazilian

equities lost 3.2% amid a recession forecast as GDP contracted more than expected. This comes on the heels of an impending corruption probe of top government officials. Frontier Markets returned -4.4% in November.

The 20+year STRIPS index fell -1.1%, and was up 1.2% for the trailing one-year period. U.S. Treasury 20+year STRIPS yields were 5 basis points (bps) higher in November. Diversified bonds, as measured by the Barclays Aggregate Index, returned -0.3%, as yields rose 7 bps on the month. (Price and yield move in the opposite direction.) Credit spreads were mixed in November: investment grade credit fell 0.2%, as spreads tightened by 3 bps; high yield bonds returned -2.2% as yields widened by 52 bps.

Emerging markets debt ("EMD") U.S. Dollar denominated fell 0.1% in November. EMD local currency lost 2.2% for the month, as yields were 3 bps higher. Bond prices fell 0.3%, while the EM FX (foreign currency exchange) depreciated 2.3%. Colombia, South Africa, Mid East Africa, and Poland were the worst performing countries.

**PRIT FUND ASSETS: \$60,289,738,000**

### PRIT Core Fund Recap – November 30, 2015

Portfolio	Month	CYTD	1-Year
<b>PRIT Core Total</b>	<b>-0.49%</b>	<b>1.81%</b>	<b>2.04%</b>
U.S. Equity	0.64%	2.47%	2.56%
International Equity	-1.15%	2.48%	-0.19%
Emerging Markets Equity	-2.98%	-11.10%	-14.90%
Core Fixed Income	-0.44%	-1.66%	0.95%
Public Value Added FI*	-1.06%	-2.72%	-5.80%
Total Value Added FI**	-0.86%	-1.76%	-4.02%
Private Equity	-0.78%	14.33%	17.02%
Core Real Estate	-0.16%	9.13%	12.49%
Timber/Natural Resources	-0.06%	-3.06%	0.42%
Hedge Funds (net of fees)	0.38%	-1.10%	-0.79%
Portfolio Completion Strategies	-0.66%	-1.97%	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 November 30, 2015

### Global Equity Markets

#### U.S. Equities:

Index	Month	CYTD	1-Year
S&P 500	0.30%	3.01%	2.75%
Russell 2000 Growth	3.66%	3.56%	6.63%
Russell 2000 Value	2.84%	-2.32%	0.35%
Russell 2500 Growth	2.26%	3.47%	4.79%
Russell 2500	1.96%	1.22%	2.60%

#### International Equities:

Index	Month	CYTD	1-Year
Custom World IMI Ex-US	-1.42%	-0.63%	-3.54%
MSCI Emerging Mkts. IMI	-3.67%	-12.14%	-15.85%

### Fixed Income

Index	Month	CYTD	1-Year
Barclays Aggregate	-0.26%	0.88%	0.97%
BC US Treas 20+Yr STRIPS	-1.13%	-4.10%	1.15%
ML High Yield Master II	-2.23%	-2.09%	-3.53%
JPM EM Debt Global	-0.06%	2.77%	-0.17%
JPM GBI EMI Global Div.	-2.16%	-12.98%	-18.14%

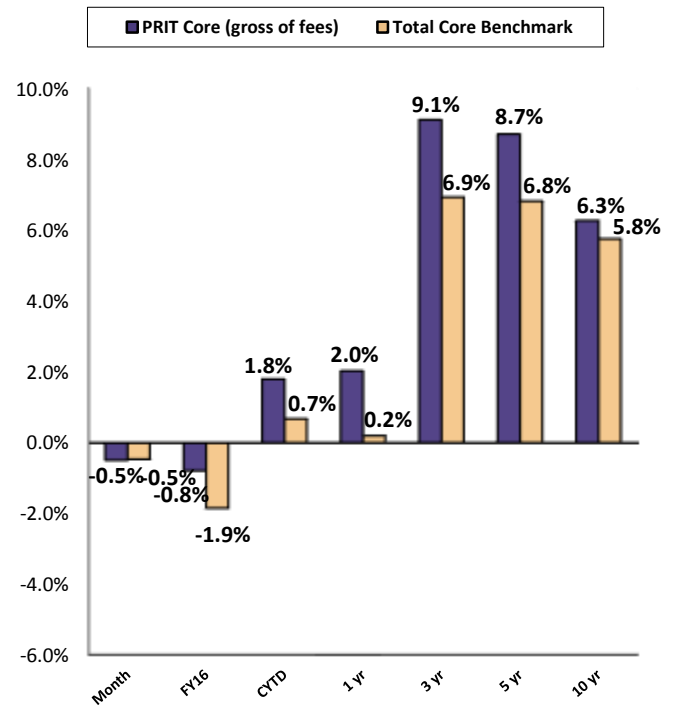
### Real Estate

NCREIF 1-Qtr Lag Private	0.00%	10.08%	12.98%
FTSE EPRA NAREIT Global	-2.17%	-1.01%	-0.56%

### Hedge Funds

Index	Month	CYTD	1-Year
HFRI Fund of Funds	0.41%	0.29%	0.65%

## PRIT Core Fund as of 11/30/2015



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