

PRIM Board Quarterly Update

First Quarter 2024



PRIM Executive Director and Chief Investment Officer Michael G. Trotsky, CFA provided the following information to the PRIM Board at its May 30, 2024 meeting:

Executive Director and Chief Investment Officer Report

The PRIT Fund achieved a record balance of \$104.2 billion for the quarter ended March 31, 2024, the third fiscal quarter. This is the largest balance in the history of the PRIT Fund. The markets were strong and the economy in the U.S. continues to grow. For the March quarter the PRIT Fund was up 3.7% gross (3.6% net) and for the trailing twelve months the PRIT Fund was up 11.4% gross (10.9% net). This return equates to a net investment gain of \$10.3 billion for the trailing twelve months; net outflows to pay benefits were \$655 million.

Fundamentals in the economy that were strong and propelled the markets in the March quarter recently turned more tepid. GDP growth was reported lower, inflation was higher, and the unemployment rate was slightly higher. This caused a change in consensus among Fed watchers who now believe there will be only one rate cut this year where previously they were expecting four to six cuts this year.

- U.S. GDP expanded an annualized 1.6% in Q1 2024, compared to 3.4% in the previous quarter and below forecasts of 2.5%. It was the lowest growth since the contractions in the first half of 2022.
- The U.S. Consumer Price Index accelerated for a second straight month to 3.5% in March, the highest since September, compared to 3.2% in February and above forecasts of 3.4%.
- The U.S. Unemployment Rate edged up to 3.9% in April from 3.8% in the previous month and surprising market expectations, which had forecasted the rate to remain unchanged.
- The Federal Reserve kept the target range for the Federal Funds Rate at its 23-year high of 5.25%-5.50% for a sixth consecutive meeting in May, in line with expectations. Policymakers acknowledged that while inflation has moderated over the past year, it remains elevated, and there has been a notable lack of further progress towards achieving the central bank's goal in recent months. Chair

Powell stated that he does not foresee a hike as likely and believes that the current policy is sufficiently restrictive to achieve the 2% inflation target.

- Market volatility has risen slightly year-to-date as the VIX Index increased slightly from 12.45 to 13.49, as of May 3, 2024. This is well below the 5-year and 10-year averages of 21 and 18, respectively.
- The ISM Manufacturing U.S. PMI fell back below 50 again to 49.2 in April after hitting 50.3 in March. A reading below 50 indicates contraction.
- U.S. Housing Starts plunged 14.7% month over month to an annualized rate of 1.321 million in March. It is the lowest reading since August and the largest decline since April 2020, as a rise in mortgage rates weighed on potential buyers.
- The University of Michigan's Consumer Sentiment was revised lower to 77.2 in April. Both current conditions and expectations declined more than initially expected
- Season Earnings Stats: More than 90% of S&P 500 companies have reported 1Q 2024 results, and sales growth was +4.1% and earnings growth was +5.4% – surprising on the upside and better than expected.

Sources: Trading Economics, Federal Reserve Economic Data (FRED), CNBC, Reuters, Bloomberg, WSJ, FactSet, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, U.S. Department of Labor, CME Group, Institute for Supply Management, U.S. Census Bureau, University of Michigan, and the Federal Reserve.

Select International Economies

- Chinese GDP advanced 5.3% year over year in Q1 2024, exceeding market forecasts of 5.0% and unemployment edged down.
- Eurozone GDP expanded by 0.3% in Q1 2024, the fastest rate since Q3 2022, slightly beating market expectations.
- Japanese GDP grew by 0.1% quarter over quarter in Q4 2023, and narrowly escaped a recession as markets expected a 0.3% rise.

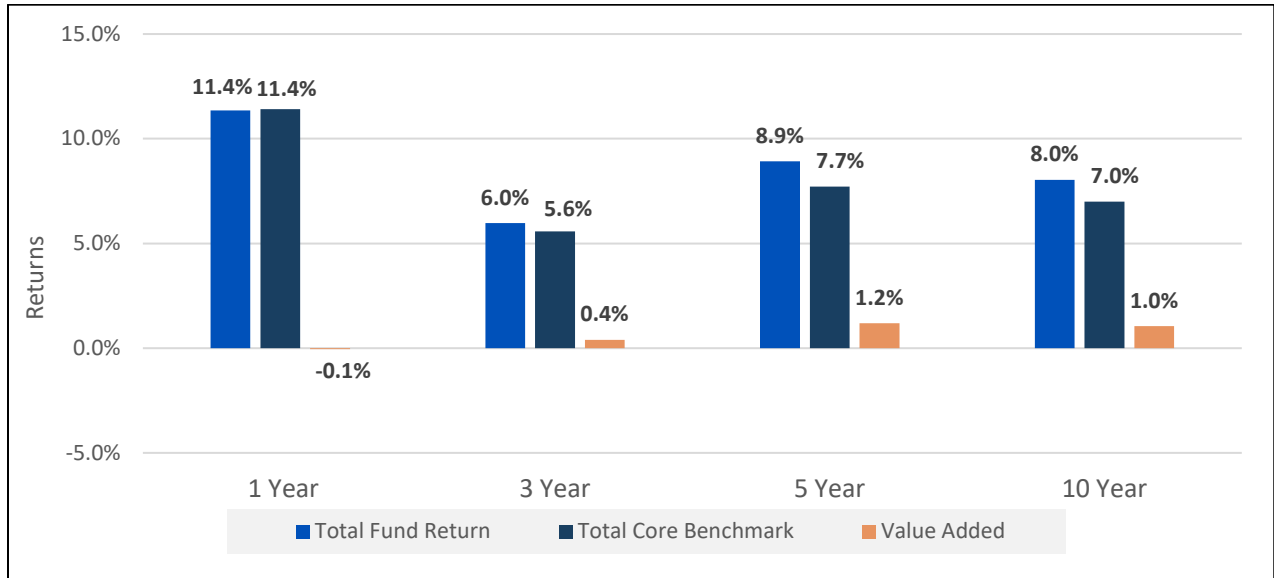
Sources: Japan Cabinet Office, Ministry of Internal Affairs & Communications, Bank of Japan, Ministry of Economy, Trade, & Industry, and Markit Economics.

The Investment Committee discussed the recent rise in market volatility and its recent softness. Many of the largest risks to the markets are very hard to analyze and harder to forecast. As such, it is critical to diversify the portfolio – to engineer a portfolio with components that will perform well no matter what the future holds. This is exactly what our processes at PRIM are designed to do. PRIM does not forecast the future, instead we try to focus on having components in the portfolio that will perform well no matter what the future brings, and for each investment we focus on its risk, return, and cost. Our portfolio is carefully designed to weather whatever the future brings.

The following charts summarize the PRIT Fund performance for the one-year ended March 31, 2024.

Total PRIT Fund Returns

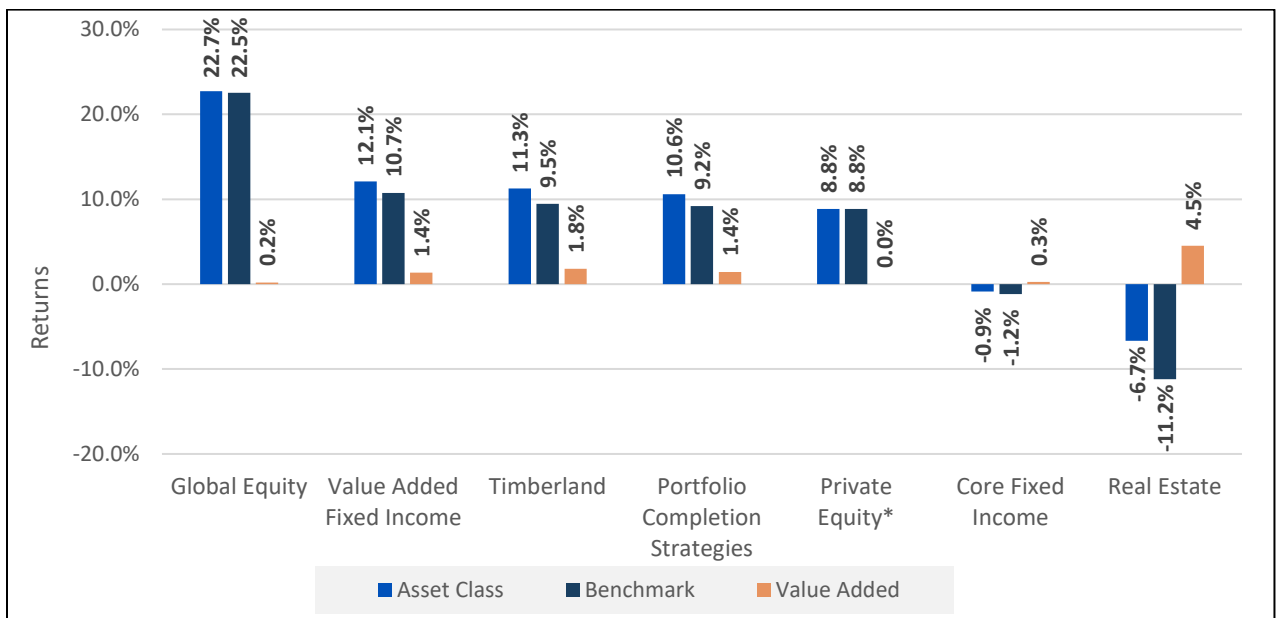
Annualized Returns as of March 31, 2024 (Gross of Fees)



Source: BNY Mellon. Total Core Benchmark includes private equity benchmark.

PRIT Asset Class Performance Summary

One Year ended March 31, 2024 (Gross of Fees)



Source: BNY Mellon. Totals may not add due to rounding. *Benchmark is actual performance.

PRIT Fund Annualized Returns By Asset Class

March 31, 2024 (Gross of Fees)

1 Year	3 Year	5 Year	10 Year
GLOBAL EQUITY 22.7%	PRIVATE EQUITY 14.6%	PRIVATE EQUITY 20.2%	PRIVATE EQUITY 18.7%
VALUE-ADDED FIXED INCOME 12.1%	TIMBER 10.2%	GLOBAL EQUITY 11.1%	GLOBAL EQUITY 8.9%
TIMBER 11.3%	REAL ESTATE 6.9%	TIMBER 6.8%	REAL ESTATE 8.2%
PCS 10.6%	GLOBAL EQUITY 6.8%	REAL ESTATE 6.3%	TIMBER 6.1%
PRIVATE EQUITY 8.8%	VALUE-ADDED FIXED INCOME 6.0%	VALUE-ADDED FIXED INCOME 6.1%	VALUE-ADDED FIXED INCOME 5.0%
CORE FIXED INCOME (0.9%)	PCS 4.5%	PCS 4.6%	PCS 3.8%
REAL ESTATE (6.7%)	CORE FIXED INCOME (3.6%)	CORE FIXED INCOME 0.3%	CORE FIXED INCOME 2.4%

Source: BNY Mellon. Returns as of March 31, 2024

Organizational Updates

The Allocator from With Intelligence announced that they will honor PRIM’s Executive Director and Chief Investment Officer, **Michael Trotsky**, CFA, with its Lifetime Achievement Award in October. The publication called MassPRIM “a beacon of public service and investment prowess for the people of the Commonwealth of Massachusetts.” It also lauded PRIM as “one of the country’s best public investment operations over nearly 15 years of service.”

Eliza Haynes, Investment Officer on the Private Equity team, passed the CFA Institute’s level three exam, and is now a Chartered Financial Analyst.

Bill Li, CFA, CAIA, Director of Portfolio Completion Strategies received *Institutional Investor’s* Next Generation Recognition in May. The award honors “distinguished leaders within the allocator community for their outstanding contributions to portfolio construction.”

PRIM welcomed 7 interns from various programs including: Girls Who Invest, CFA Society Boston Women in Investment Management, UNCF Lighted Pathways, and the Treasury Finance Fellowship.

PRIM Board Actions

Public Markets

New Manager Recommendations: Developed International Growth Equity

The PRIM Board approved initial allocations of up to \$400 million to C WorldWide Asset Management; up to \$400 million to PineStone Asset Management; and up to \$400 million to Walter Scott & Partners to provide active investment management services for a World ex-US Growth Equity mandate.

Multi-Asset Class Credit Investment Strategies Request for Proposals Recommendations

The PRIM Board approved an initial allocation of up to \$2.0 billion across Anchorage Capital Advisors, HPS Investment Partners, KKR Credit, and Shenkman Capital Management to provide active investment management services for Multi-Asset Class Credit Investment Strategies within the Value-Added Fixed Income portfolio of the PRIT Fund.

New Investment Recommendation: Morgan Properties

The PRIM Board approved an initial allocation of up to \$200 million to Morgan Properties as part of the Other Credit Opportunities allocation.



Portfolio Completion Strategies

Follow-on Investment Recommendation: Eidos Italian Distressed Loan Fund III

The PRIM Board approved a commitment of up to \$175 million to Eidos Italian Distressed Loan Fund III.

Private Equity

New Investment Recommendation: Five Elms Fund VI, L.P.

The PRIM Board approved a commitment of up to \$100 million to Five Elms Fund VI, L.P. and added Five Elms Capital to the Board-approved bench of co-investment managers.

Follow-on Investment Recommendations: Thoma Bravo Fund XVI, L.P. and Thoma Bravo Discover Fund V, L.P.

The PRIM Board approved commitments of up to \$200 million to Thoma Bravo Fund XVI, L.P. and up to \$125 million to Thoma Bravo Discover Fund V, L.P.

Follow-on Investment Recommendation: Trident X, L.P.

The PRIM Board approved a commitment of up to \$175 million to Trident X, L.P.

Real Estate

Issuance of a Request for Proposals (RFP) for U.S. REIT Investment Management Services

The PRIM Board approved the issuance of an RFP for U.S. REIT Investment Management Services. The purpose of the RFP is to select one or more firms to provide public long-only U.S. REIT Investment Management Services via separate account vehicles.

Finance and Administration

PRIM Board Fiscal Year 2025 Budget

The PRIM Board approved the Fiscal Year 2025 Budget. The budget reflects the investment management, advisory, and operational costs necessary to implement, measure, and monitor the investments of the Pension Reserves Investment Trust Fund.

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, Laura at Istrickland@mapension.com, Emily at 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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