

# PRIM Board Quarterly Update

## Second Quarter 2024



*PRIM Executive Director and Chief Investment Officer Michael G. Trotsky, CFA provided the following information to the PRIM Board at its August 15, 2024 meeting:*

### **Executive Director and Chief Investment Officer Report**

Fiscal Year 2024, which ended June 30, 2024, was another successful and productive year. The PRIT Fund ended with a record balance of \$105.3 billion, surpassing the previous record of \$96.6 billion last year. The PRIT Fund returned 9.9% (9.5%, net) for a net gain of \$9.1 billion in the fiscal year with five of the seven asset classes outperforming their benchmarks. Staff researched and deployed \$6.6 billion in attractive new investments during the year.

Organizationally, PRIM is on very solid footing; not a single person left during the year. Zero turnover is a very rare achievement in today's highly mobile workforce. PRIM also successfully onboarded three outstanding full-time staff members and welcomed eight interns. All three new employees and all eight interns in the "class of 2024" are diverse in terms race and/or gender. 63% of PRIM's workforce is diverse and 52% of the PRIM workforce is female.

The stability of the PRIM staff and their ability to hire talent is particularly noteworthy because, except for a short time during the peak of the pandemic, PRIM has adopted an in-the-office five days a week policy with only a limited remote work allowance. This speaks to the unique culture PRIM has built where employees are dedicated to our mission and to each other. Seventy people strong, PRIM has attracted a group of highly trained, experienced, and dedicated employees who want to be together in person and want to be part of a winning team achieving strong results.

The work of the PRIM staff continues to receive local and national recognition. Last year, PRIM's Private Equity program was awarded Alpha Edge recognition for alpha generation and was recognized as "Limited Partner of the Year" for "empowering women in private equity", and this year, the Private Equity program once again finished in the top five (#4) in the American Investment Council's annual ranking of public pension plans, based on 10-year performance. In addition, Bill Li, CFA, CAIA, Director of Portfolio Completion Strategies, received Alpha Edge Next Generation Recognition. PRIM ranked fourth in the U.S.

for assets managed by diverse managers according to *Pensions and Investments*, and PRIM was awarded two Commonwealth Citations for Outstanding Performance. Additionally, Michael Trotsky was notified he will receive a Lifetime Achievement award, and was named on the CIO Power 100 list. PRIM earned the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the 19th consecutive year and successfully completed the CFA's Institute's Global Investment Performance Standards of Integrity and Transparency (GIPS), a standard with which only a small handful of other pension funds comply. PRIM completed more than 30 separate audits, and all of them resulted in unmodified (clean) opinions.

All these accomplishments happened against the backdrop of an unusually turbulent worldwide investing and geopolitical environment. Yet, markets remained very strong: U.S. equities were up 24.6%, developed international equities were up 11.2%, and emerging markets equities were up 12.5%. Diversified bonds were up 2.6% for the fiscal year as interest rates (and inflation) began to decline. The highest returning PRIT Fund asset classes included Global Equities, Value-Added Fixed Income, Hedge Funds, and Timberland, all returning more than 10% net of fees. Private Equity returned nearly 8%, net of fees, continuing its strong rebound. Real Estate was the weakest, down nearly 7% for the year but still far outpacing the benchmark and peers.

While the last three fiscal years have provided an extraordinary test for staff and the PRIT Fund, the PRIT Fund and its performance remain resilient over all time periods and throughout several different market environments. The PRIT Fund's trailing 3-year performance was negatively impacted from dropping the fiscal year 2021 gain of 30% from the calculation, but the 5- and 10-year returns remain strong and consistently above benchmarks and the required actuarial rate of return.

The FUTURE Initiative, the program to increase the diversity of PRIM's investment managers and vendors to at least 20% by increasing access for minorities, female, and disabled investment managers and business partners, had another successful year, investing more than \$2.3 billion with diverse managers over six asset classes, including approximately \$270 million to emerging diverse managers. The PRIT Fund currently invests more than \$12.6 billion with diverse investment managers, nearly 12% of the PRIT Fund.

PRIM adopted its first ever Stewardship Framework and Stewardship Policy while also approving the Stewardship Priorities. PRIM voted 12,182 proxy ballots aligned with PRIM's progressive proxy voting guidelines on areas such as board diversity requirements, over-boarded directors, gender pay gaps, labor and human rights, climate change, and executive compensation. PRIM also enhanced the Custom Proxy Voting guidelines to explicitly make the connection between expected corporate behavior and long-term value while updating language on biodiversity risks and other key issues. PRIM continues to support the MIT Sloan School of Management's Aggregate Confusion Project (ACP) as its first founding member. The goal of ACP is to develop tools to address inconsistencies in the measurement of ESG data, which has become widely recognized as an obstacle in ESG investing.

While the last three fiscal years have provided an extraordinary test for staff and the PRIT Fund, we remain pleased and confident in the resiliency of the PRIT Fund and its performance over all time periods and throughout several different market environments. We have assembled a talented staff who have consistently produced strong investment performance and extraordinary non-investment innovation and responsiveness. We are a steady ship for an uncertain time.

### **PRIT Fund Performance**

For the one-year period ended June 30, 2024, the PRIT Fund was up 9.9%, (9.5% net), underperforming the total core benchmark of 10.3% by 35 basis points (81 bps net).

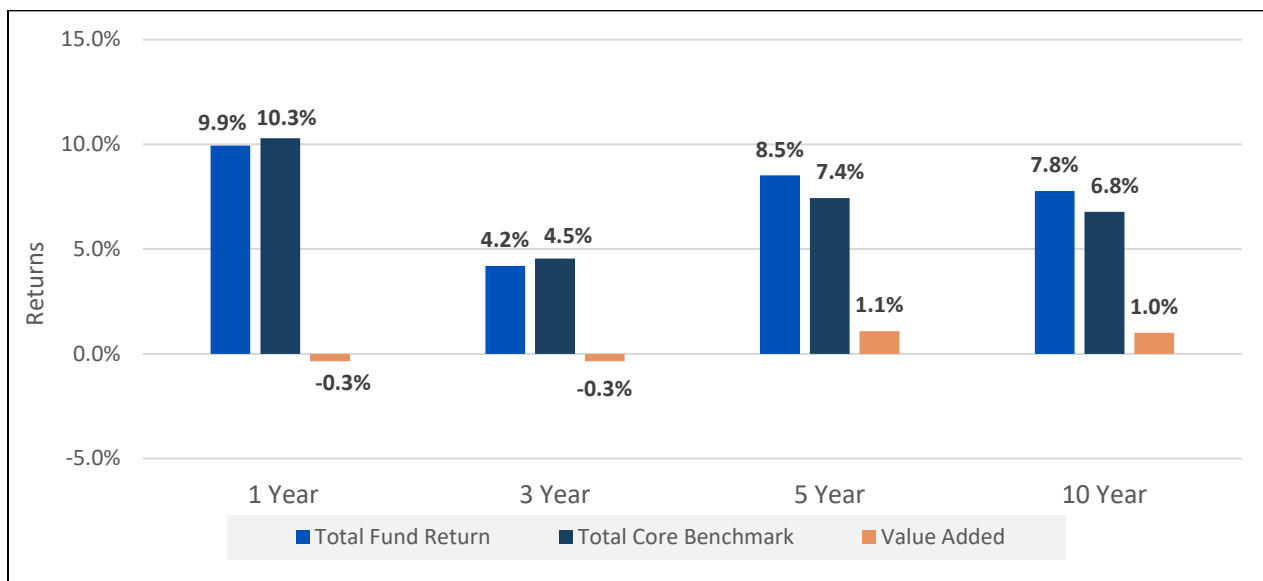
- This performance equates to an investment gain of \$9.1 billion, net of fees.

- This underperformance equates to \$784 million of value below the benchmark return, net of fees.
- Net total outflows to pay benefits for the one-year period ended June 30, 2024, were approximately \$449 million.

The following charts summarize the PRIT Fund performance for the one-year ended June 30, 2024.

### Total PRIT Fund Returns

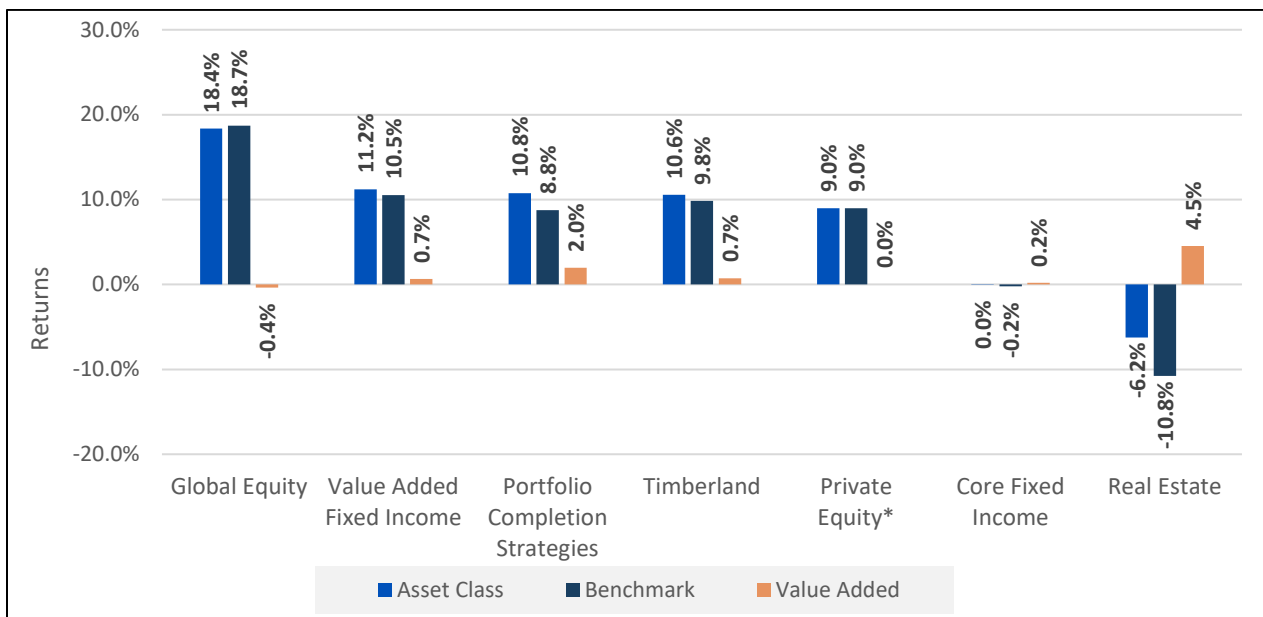
Annualized Returns as of June 30, 2024 (Gross of Fees)



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

### PRIT Performance by Asset Class Summary

Annualized Returns as of June 30, 2024 (Gross of Fees)



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

## PRIT Fund Periodic Table of Returns

As of June 30, 2024 (Gross of Fees)

1 Year	3 Year	5 Year	10 Year
GLOBAL EQUITY 18.4%	PRIVATE EQUITY 10.2%	PRIVATE EQUITY 19.3%	PRIVATE EQUITY 18.5%
VALUE-ADDED FIXED INCOME 11.2%	TIMBER 9.3%	GLOBAL EQUITY 10.8%	GLOBAL EQUITY 8.6%
PCS 10.8%	GLOBAL EQUITY 5.2%	TIMBER 6.7%	REAL ESTATE 7.7%
TIMBER 10.6%	VALUE-ADDED FIXED INCOME 5.1%	REAL ESTATE 6.2%	TIMBER 6.2%
PRIVATE EQUITY 9.0%	REAL ESTATE 4.6%	VALUE-ADDED FIXED INCOME 5.9%	VALUE-ADDED FIXED INCOME 4.8%
CORE FIXED INCOME 0.0%	PCS 4.4%	PCS 4.6%	PCS 3.8%
REAL ESTATE (6.2%)	CORE FIXED INCOME (4.9%)	CORE FIXED INCOME (0.5%)	CORE FIXED INCOME 2.1%

Source: BNY Mellon. Returns as of June 30, 2024

### Organizational Updates

**Katherine Kovach** joined PRIM in June as an Investment Analyst on the Private Equity team. Previously, Katherine was an Alternatives Senior Analyst at Corebridge Financial. Katherine holds a Bachelor of Science degree in commerce with concentrations in accounting and finance from the University of Virginia.

### PRIM Board Actions

#### Engagement Policy

The PRIM Board approved PRIM’s Engagement Policy, which identifies when and how PRIM will engage with portfolio companies.

#### Stewardship Prioritization Recommendations

The PRIM Board approved PRIM’s Stewardship Prioritization recommendations.

*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](mailto:fdaniele@mapension.com), Laura at [Istrickland@mapension.com](mailto:Istrickland@mapension.com), Emily at [egreen@mapension.com](mailto: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.**