

February 2012

PRIM Board Update



Massachusetts Pension Reserves Investment Management Board

Hopeful Economic News Sparks Rally in Global Equities

The month of February saw global equity markets rise amid optimism that the economic recovery was gaining momentum. For the first time since 2008 – the year of the global financial crisis – the S&P 500 index and the Dow Jones Industrials Average reached pre-crisis levels. U.S. small cap equities showed improvement in February, but trailed mid- and large cap issues. On a style basis, growth maintained its edge over value. Foreign equities, in both the developed and emerging markets, continued to improve in February, as the European Central Bank and China's central bank made moves to loosen liquidity restraints and support economic recovery in those regions. Investment grade fixed income markets stumbled in February, as U.S. Treasury prices fell over disappointment the Federal Reserve would not expand its economic stimulus efforts. As a result, there was greater demand for high yield bonds, which boosted returns in those markets. Globally, the publicly traded REIT markets posted a third consecutive month of positive returns.

PRIT FUND ASSETS: \$49,820,601,000

PRIT Segmentation Recap – February 29, 2012

Portfolio	Month	CYTD	1-Year
PRIT CORE Total	2.68%	6.21%	3.44%
Domestic Equity	4.13%	9.42%	4.40%
International Equity	5.67%	11.53%	-5.80%
Emerging Mkts. Eq.	6.11%	17.94%	-0.84%
Core Fixed Income	0.18%	1.59%	9.11%
Core Real Estate	1.10%	3.10%	12.52%
Hedge Funds (net)	1.41%	3.23%	-1.39%

Hedge Funds (formerly Absolute Return) are Net of Fees. All other segments are gross of fees. Core Fixed Income (formerly Total Fixed Income) includes TIPS and inflation-linked bonds. Timber/Natural Resources and Value Added Fixed Income (formerly High Yield Debt) sleeves are not available through Segmentation. Private Equity is available to Segmented Systems through the Vintage Year Program.

PRIT Core Fund as of 2/29/12

Market Recap – February 29, 2012

Global Equity Markets:

Domestic Equities:

Index	Month	CYTD	1-Year
S&P 500	4.32%	9.00%	5.12%
Dow Jones Industrials	2.89%	6.55%	8.83%
NASDAQ (Price Change)	5.44%	13.89%	6.64%
Russell 2500	3.71%	10.60%	1.45%

Developed International and Emerging Markets Equities:

Index	Month	CYTD	1-Year
Custom World IMI	5.47%	11.68%	-8.05%
Ex-US (net dividends)			
MSCI EM IMI (net divs.)	6.37%	18.25%	-0.99%

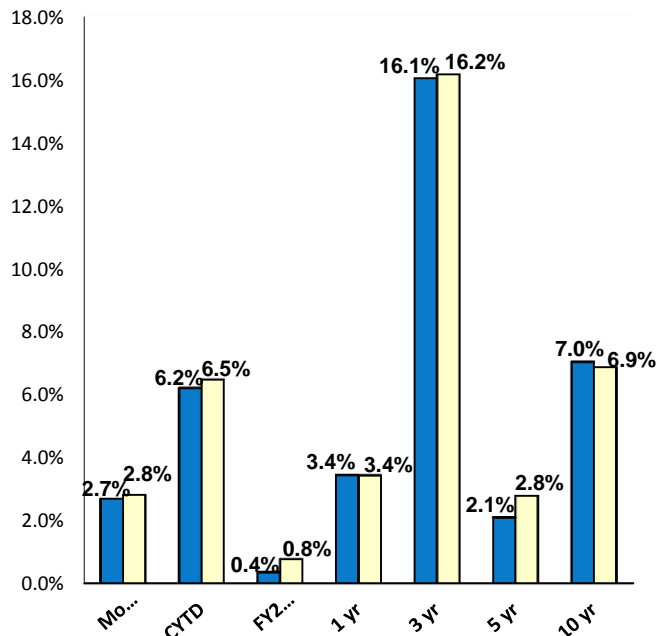
Fixed Income, High Yield Bonds & Real Estate:

Index	Month	CYTD	1-Year
Barclays Aggregate	-0.02%	0.85%	8.37%
ML HY Master II	2.28%	5.25%	6.17%
NCREIF One QTR Lag	0.00%	0.00%	16.10%
NAREIT Developed (Global REITs)	3.52%	11.55%	0.76%

Hedge Funds:

Index	Month	CYTD	1-Year
HFRI Fund-of-Funds Composite	1.97%	3.94%	-1.46%

■ PRIT Core (gross of fees) □ Benchmark



Senior Client Service Officer
Paul Todisco - (617) 946-8423