

# Annual Comprehensive Financial Report

Fiscal Years Ended June 30, 2023 and 2022

## Pension Reserves Investment Trust Fund

(A Component Unit of the Commonwealth of Massachusetts)



Deborah B. Goldberg, Treasurer and Receiver General, Chair  
Michael G. Trotsky, CFA, Executive Director and Chief Investment Officer

**Annual Comprehensive Financial Report**

For the Years Ended June 30, 2023 and 2022

**Pension Reserves Investment Trust Fund**

(A Component Unit of the Commonwealth of Massachusetts)

**Prepared By**

**Pension Reserves Investment Management Board Staff**

## **For More Information**

**All correspondence may be directed to:**

**Client Services**

**Pension Reserves Investment Management Board**

**53 State Street**

**Boston, MA 02109**

**Telephone: 617-946-8401**

**Website: [www.mapension.com](http://www.mapension.com)**

**Table of Contents**

	<b>Page</b>
<b>Introductory Section:</b>	
Letter of Transmittal	3 – 9
Certificate of Achievement for Excellence in Financial Reporting	10
PRIM Board Trustees	11
Advisory Committees to the PRIM Board	12 – 13
PRIM Board Management Organizational Chart	14
PRIM Board Investment Advisors	15
<b>Financial Section:</b>	
Independent Auditors' Report	16 – 18
Management's Discussion and Analysis (Unaudited)	19 – 22
Basic Financial Statements:	
Statements of Pooled Net Position	23
Statements of Changes in Pooled Net Position	24
Notes to Financial Statements	25 – 58
Other Supplementary Information:	
Schedule of Pooled Net Position – Capital Fund and Cash Fund	59
Schedule of Changes in Pooled Net Position – Capital Fund and Cash Fund	60
<b>Investment Section:</b>	
Total PRIT Fund Performance Summary	61
Investment Strategy Overview	62 – 63
PRIT Core Performance: Fiscal Year 2023	64 – 65
Domestic Equity Portfolio	66 – 67
International Equity Portfolio	68 – 69
Emerging Markets Portfolio	70 – 71
Global Equity Emerging-Diverse Manager Program	71
Core Fixed Income Portfolio	72 – 74
Value-Added Fixed Income Portfolio	75 – 77
Real Estate Portfolio	78 – 80
Timberland Portfolio	81 – 82

Table of Contents, continued

	<b>Page</b>
Private Equity Portfolio	83 – 86
Portfolio Completion Strategies Portfolio	87 – 88
Overlay	88
Schedule of Time-Weighted Returns by Asset Class	89
Investment Summary at Fair Value	90
Summary Schedule of Broker Commissions	91
Schedule of Management Fees	92
Schedule of Retirement Systems by Investment	93 – 94
Investment Policy Statement	95 – 96
<b>Statistical Section:</b>	
Schedules of Changes in Pooled Net Position	97
Financial Highlights and Financial Highlights Ratios	98 – 107
PRIT Fund Asset Allocation	108

## *Introductory Section*





Pension Reserves Investment Management Board

---

November 30, 2023

To Chair Goldberg, the Trustees of the Pension Reserves Investment Management Board (the PRIM Board), Committee members, Participants and Beneficiaries:

I am pleased to transmit the *Annual Comprehensive Financial Report (ACFR)* of the Massachusetts Pension Reserves Investment Trust Fund (the PRIT Fund) for the fiscal year ending June 30, 2023. The document that follows is the 19<sup>th</sup> consecutive ACFR produced in the PRIM Board's 39-year history. We hope that you will find the ACFR useful in understanding the performance and financial position of the PRIT Fund as of and for the fiscal year ended June 30, 2023.

The ACFR contains the basic financial statements presented in accordance with U.S. generally accepted accounting principles (GAAP) and the standards applicable to financial audits set forth by *Government Auditing Standards*. The ACFR and the basic financial statements are the responsibility of the PRIM Board. The fiscal year 2023 audit was conducted by KPMG LLP, a firm of licensed certified public accountants.

The ACFR is divided into four major sections:

**Introductory Section:** This section contains the letter of transmittal, the *Certificate of Achievement for Excellence in Financial Reporting* and outlines the PRIM Board's organizational structure.

**Financial Section:** This section contains the report of the independent auditors, Management's Discussion and Analysis (MD&A), the financial statements of the PRIT Fund, the notes to the financial statements and supporting schedules.

**Investment Section:** This section contains a summary of the PRIT Fund's investment strategy, investment policies, investment holdings, investment results and supporting tables and schedules.

**Statistical Section:** This section contains information regarding financial ratios of the PRIT Fund.

Within the financial section, the MD&A follows the independent auditors' report and provides an overview of the PRIT Fund's financial statements and financial results. The MD&A complements this letter of transmittal and should be read in conjunction with this letter. Responsibility for both the accuracy and completeness of the data and the contents of this report rests with the PRIM Board. The PRIM Board has implemented a system of internal controls designed to provide reasonable assurance that the financial statements are free from material misstatements, that all assets will be properly safeguarded and that transactions will be properly executed. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits to be derived. The objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.



**Profile of the PRIT Fund**

The PRIT Fund is a pooled investment trust fund established to invest the assets of the Massachusetts State Teachers' and Employees' Retirement Systems, and the assets of county, authority, district, and municipal retirement systems. The PRIT Fund was created by the Legislature in 1983 (Chapter 661 of the Acts of 1983) with a mandate to accumulate assets through investment earnings to reduce the Commonwealth's unfunded pension liability, and to assist local participating retirement systems in meeting future pension obligations. The PRIT Fund merged with the Massachusetts State Teachers' and Employees' Retirement Systems (MASTERS) Trust in 1997, in accordance with Chapter 315 of the Acts of 1996.

The Massachusetts State Teachers', State Employees' and State-Boston/Teachers' Retirement Systems, and the State Retiree Benefits Trust Fund (SRBTF), are mandated by statute to invest all of their assets in the PRIT Fund. Other retirement systems may voluntarily invest all or part of their assets in the PRIT Fund. Furthermore, Chapter 84 of the Acts of 1996 explicitly granted retirement boards the ability to invest only in individual asset classes of the PRIT Fund through a segmentation program. See Note 1 of the financial statements for more information on the profile and background of the PRIT Fund.

The most recent Commonwealth Actuarial Valuation Report, dated November 21, 2022, calculated the Commonwealth's unfunded actuarial pension liability at \$40.0 billion. The Commonwealth Actuarial Valuation Report estimates that, as of January 1, 2022, the pension liability is 64.3% funded. It should be noted that the unfunded actuarial pension liability is calculated on a calendar year basis.

The PRIM Board seeks to maximize the return on the PRIT Fund investments within acceptable levels of risk and cost for a public pension fund, by broadly diversifying its investment portfolio, capitalizing on economies of scale to achieve cost-effective operations, and gaining access to high quality, innovative investment management firms. The PRIT Fund's Investment Policy Statement establishes investment objectives and policies designed to provide a framework for implementing investment strategy and oversight. A summary of the Investment Policy Statement is included in the Investment Section.

As of June 30, 2023, the PRIT Fund had approximately \$96.6 billion in net position compared to \$92.4 billion at the end of fiscal year 2022. The PRIM Board contracts with a custodian bank to safeguard investment holdings and to ensure the proper settlement and recording of investment and cash transactions.

**Executive Director/ Chief Investment Officer Discussion**

Fiscal Year 2023 (FY2023) was a successful and productive year in an abnormally volatile and complex investment environment. The PRIT Fund ended with a record balance of \$96.6 billion for the fiscal year ended June 30, 2023, surpassing the previous record of \$95.7 billion set in fiscal year 2021. Net outflows to pay pension benefits during the year were \$986 million. The PRIT Fund returned 6.0% (5.6%, net) for the fiscal year and posted strong positive gains in each of the last three quarters. In FY2023, U.S. stocks were up 19.7%, developed international stocks were up 17.5%, and emerging markets stocks were up 9.1%, while diversified bonds were down less than 1%. The highest returning PRIT Fund asset classes included Global Equities, up 17.4%, Value-Added Fixed Income, up 7.7%, and Timberland, up 5.9%. Core Fixed Income was weaker, down 2.7%, while Real Estate and Private Equity, which are lagged one quarter, were down 2.8% and 3.5%, respectively. The investment team researched and deployed \$5.4 billion in Board-approved investments in FY2023.

The solid gain in FY2023 followed the tumultuous fiscal year 2022 (FY2022) in which U.S. equities were down 10.6%, developed international equities were down 17.7%, emerging markets equities were down 25.2%, and diversified bonds were down 10.3%. The FY2022 PRIT Fund return of -3.0% (-3.4%, net) was a strong result in a weak market. While the PRIM Board cannot control market returns or the factors that have fueled the recent volatility in the markets, the PRIM Board staff carefully control the construction of the PRIT Fund to perform well in both strong and weak markets. The last three fiscal years have provided an extraordinary test, and 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. The PRIT Fund's trailing 3-, 5-, and 10-year returns remain strong and consistently above benchmarks and the required actuarial rate of return.

The PRIM Board is comprised of 68 highly trained, experienced, and dedicated employees after hiring eight new full-time employees and nine seasonal interns in FY2023. Six of the eight new employees are diverse in terms of race and/or gender and all interns are diverse. The PRIM Board's workforce is now 62% diverse with 52% of our workforce identifying as female.

The work of the PRIM Board staff continues to receive local and national recognition. In FY2023, the PRIM Board's Private Equity portfolio ranked third out of 176 U.S. public pension plans based on 10-year performance. The PRIM Board ranked eighth in the U.S. for assets managed by diverse managers according to *Pensions & Investments*. The PRIM Board received the Commonwealth's "Equity in Governance Award" for the FUTURE Initiative, Institutional Investor's "Partnership of the Year" award for our role in the Aggregate Confusion Project, and the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the eighteenth consecutive year. The PRIM Board also successfully completed the CFA Institute's Global Investment Performance Standards of Integrity and Transparency, a standard with which only a small handful of other pension funds comply.

More recently, PE-WIN, the Private Equity Women Investor Network, the preeminent organization for senior-level women investment professionals in private equity, recognized the PRIM Board as "Limited Partner of the Year" for "empowering women in private equity." The award reflected the PRIM Board's work on investing with women and diverse managers via the FUTURE Initiative and the strong leadership presence of women on our own Private Equity team. The PRIM Board's Private Equity team also won Alpha Edge recognition for Alpha Generation from "Institutional Investor." Institutional Investor cited the PRIM Board's strong leadership culture, collaboration, thesis-driven approach to manager selection, our annual commitment modeling process, and our strong long-term performance in the asset class.

The FUTURE Initiative, the program to increase the diversity of the PRIM Board's investment managers and vendors to at least 20% by increasing access for minorities, female, and disabled investment managers and business partners, had a successful year in FY2023, investing approximately \$2.2 billion with diverse managers over five asset classes. The PRIT Fund currently invests more than \$9.9 billion with diverse investment managers, more than 10% of the PRIT Fund. With a ranking of eighth among the largest 200 funds in the U.S. for our allocation to diverse managers, the PRIM Board is above its ranking in total assets under management. Additionally, the PRIM Board doubled its total deployment to emerging, diverse managers to more than \$470 million.

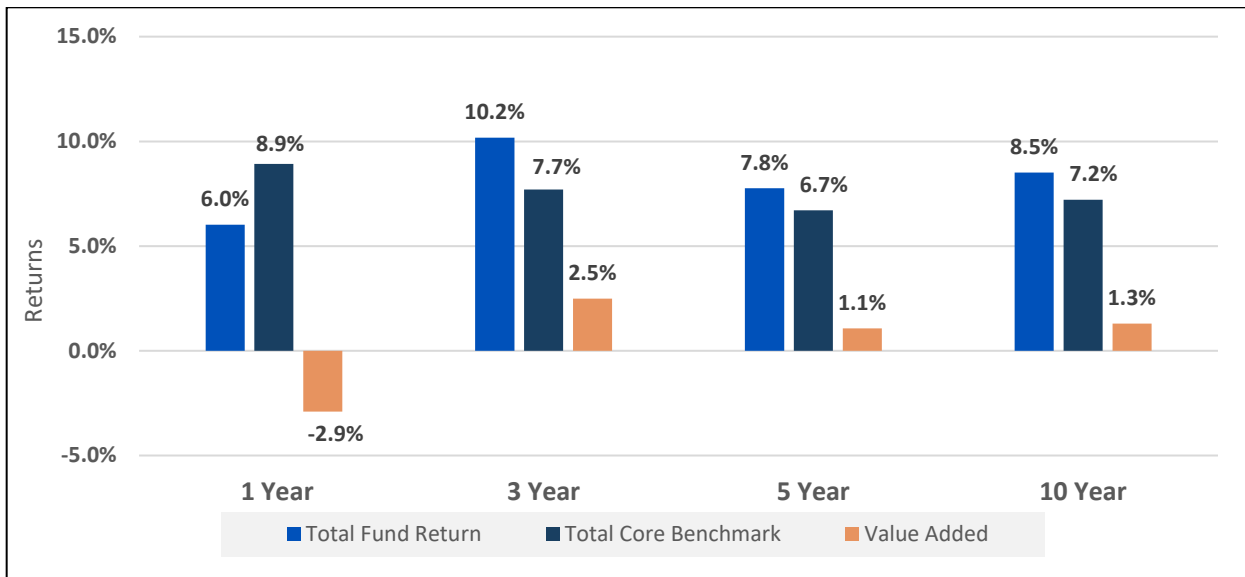
On Environmental, Social and Governance (ESG) issues, the PRIM Board developed and approved the ESG Committee Charter, members were appointed, and the Committee held its inaugural meeting. The PRIM

Board recruited and hired its first-ever Director of Stewardship to support the Committee and its work in the space. The PRIM Board voted 12,367 proxy ballots aligned with its 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. The PRIM Board adopted new proxy voting guidelines to vote for shareholder resolutions that require companies to provide access to the full range of reproductive healthcare and comprehensive parental leave and to vote for shareholder resolutions that request companies to provide greater disclosure of corporate campaign financing. The PRIM Board 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.

The focus and efforts of the PRIM team were nothing short of remarkable under the unique circumstances of the year, delivering not only strong investment performance but also extraordinary non-investment innovation and responsiveness. We thank the entire PRIM Board staff and our Board and committee members for their support, dedication, and hard work over the past year.

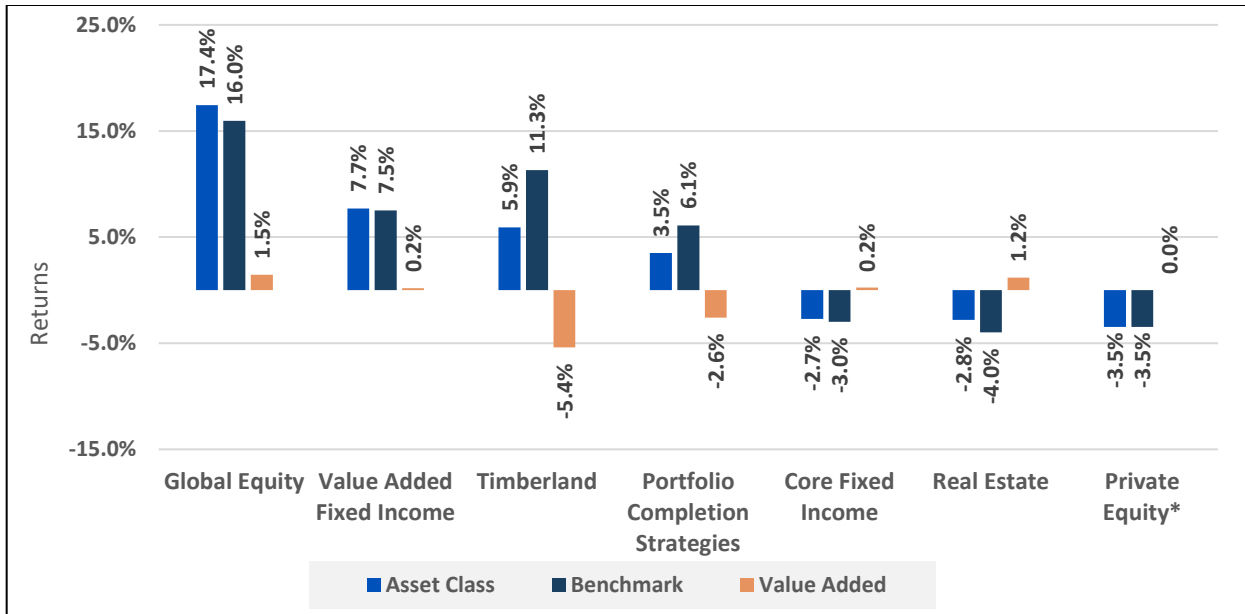
### PRIT Total Core Fund Returns

(Gross of Fees) Annualized Returns as of June 30, 2023



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

**PRIT Performance by Asset Class**  
(Gross of Fees) Annualized Returns as of June 30, 2023



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

**PRIT Fund Periodic Table of Returns**  
(Gross of Fees) as of June 30, 2023

1 Year	3 Year	5 Year	10 Year
GLOBAL EQUITY 17.4%	PRIVATE EQUITY 28.5%	PRIVATE EQUITY 21.3%	PRIVATE EQUITY 20.3%
VALUE-ADDED FIXED INCOME 7.7%	REAL ESTATE 12.6%	REAL ESTATE 8.9%	REAL ESTATE 9.8%
TIMBER 5.9%	GLOBAL EQUITY 11.9%	GLOBAL EQUITY 8.0%	GLOBAL EQUITY 9.0%
PCS 3.5%	TIMBER 8.4%	VALUE-ADDED FIXED INCOME 5.0%	TIMBER 6.3%
CORE FIXED INCOME (2.7%)	VALUE-ADDED FIXED INCOME 7.3%	TIMBER 5.0%	VALUE-ADDED FIXED INCOME 4.7%
REAL ESTATE (2.8%)	PCS 5.9%	PCS 2.8%	PCS 3.8%
PRIVATE EQUITY (3.5%)	CORE FIXED INCOME (5.1%)	CORE FIXED INCOME 1.1%	CORE FIXED INCOME 2.6%

Source: BNY Mellon. Returns as of June 30, 2023

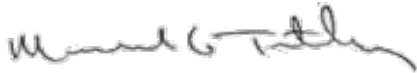
**Fiscal Year 2023 Highlights**

1. *Pension & Investments* ranked the PRIM Board eighth among the largest 200 funds in the U.S. for assets managed by diverse managers. The PRIM Board invests over \$9.9 billion, or more than 10% of the PRIT Fund, with diverse investment managers across all asset classes.
2. The PRIM Board received the Commonwealth's *Equity in Governance Award* for the FUTURE Initiative. The award recognizes "an employee or group of employees who have demonstrated commitment to and attainment of the principles of equity" for activity that "promotes the participation of minority and women business enterprises," among other things.
3. For the 18th consecutive year, the PRIM Board was awarded the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting.
4. For the 5th consecutive year, the PRIM Board has completed the CFA Institute's Global Investment Performance Standards of Integrity and Transparency. The PRIM Board is one of only a handful of large public pension plans to comply with the GIPS standards.
5. Anthony J. Falzone, the PRIM Board's Deputy Executive Director and Chief Operating Officer, and Jay Leu, Director of Risk, were awarded the Treasurer's 2022 Citation for Outstanding Performance. Those selected for this honor have made notable contributions to the office of the Treasurer, its agencies, and the citizens of Massachusetts.
6. The Office of the State Auditor Completed its audit of the PRIM Board, which "determined whether the PRIM Board developed a plan to ensure that not less than 20% of its investment managers are owned by minorities, women, or people with disabilities, in accordance with Section 23(8)(a-c) of Chapter 32 of the General Laws" noting "no significant instances of noncompliance."
7. The PRIM Board hosted its first Environmental, Social, and Governance (ESG) Committee meeting, presenting the PRIM Board's Stewardship Program Goals & Objectives and Workplan as well as an overview of the PRIM Board's current Stewardship initiatives, including: External DEI, Internal DEI, Proxy Voting, and the Aggregate Confusion Project.
8. The PRIM Board deployed \$5.4 billion in new investments during fiscal year 2023.
9. The PRIM Board recruited and onboarded eight new full-time employees, six diverse in regard to gender, race, or both.

***Acknowledgements***

The PRIM Board's success is inextricably linked to the diligence of our Board and its Chair, Treasurer Deborah B. Goldberg. We are truly privileged to have volunteers of such high caliber and professional achievement on the Board and its committees, and we recognize that our success is largely due to their dedication, hard work, and expert oversight.

Very respectfully,

A handwritten signature in black ink, appearing to read "Michael G. Trotsky". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael G. Trotsky, CFA  
Executive Director and Chief Investment Officer



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Pension Reserves Investment Trust Fund  
Massachusetts**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morill*

Executive Director/CEO

**Certificate of Achievement for Excellence in Financial Reporting**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the PRIM Board for its annual comprehensive financial report for the fiscal year ended June 30, 2022. This was the 18<sup>th</sup> consecutive year that the PRIM Board has achieved this prestigious award. In order to be awarded a Certificate of Achievement, an entity must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**PRIM Board Trustees**  
**June 30, 2023**

**Deborah B. Goldberg, Chair, Ex Officio Member**  
State Treasurer & Receiver General, Commonwealth of Massachusetts

**Robert L. Brousseau, Elected Representative, Teachers' Retirement System**  
Retired Teacher, Town of Wareham Public School System

**Catherine D'Amato, Designee of the Governor**  
President and CEO, Greater Boston Food Bank

**Ruth Ellen Fitch, Esq., Appointee of the State Treasurer**  
Retired President and CEO, The Dimock Center

**Theresa F. McGoldrick, Esq., Elected Member, State Employees' Retirement Board**  
National Executive Vice President, National Association of Government Employees

**Peter Monaco, Appointee of the Governor**  
Managing Director, Raptor Group Holdings

**Dennis J. Naughton, Elected Member, Teachers' Retirement Board**  
Retired Educator, Millis Public Schools

**Carly Rose, Appointee of the Governor**  
Public Safety Union Member

**Paul E. Shanley, Esq., Elected Representative, State Employees' Retirement System**  
Director of Professional Liability, Amity Insurance, Quincy, MA



## Advisory Committees to the PRIM Board

### June 30, 2023

#### Investment Committee

**Deborah B. Goldberg, Chair**

Ex Officio Board Member

**Joseph C. Bonfiglio**

Massachusetts & Northern New England Laborers' District Council

**C. LaRoy Brantley**

Investment Consultant

**Catherine D'Amato**

Board Member

**Michael Even**

Former President and CEO, Numeric Investors

**Constance M. Everson, CFA**

Managing Director, Capital Markets Outlook Group

**Ruth Ellen Fitch, Esq.**

Board Member

**James B. G. Hearty**

Retired Partner, Clough Capital

**Peter Monaco**

Board Member

**Phillip H. Perelmutter**

Former Managing Partner, Wellington Management

**Philip Rotner**

Chief Investment Officer, Boston Children's Hospital

**Paul E. Shanley, Esq.**

Board Member

**Glenn P. Strehle, CFA**

Treasurer Emeritus, MIT

**Timothy L. Vaill**

Former Chairman & CEO, Boston Private Financial

Current CFO, Anbaric Energy

#### Real Estate and Timberland Committee

**Jill S. Hatton, CRE, Chair**

Real Estate Investment Professional

**Deborah B. Goldberg**

Ex Officio Board Member

**Lydia Chesnick, Esq.**

Partner, Bernkopf Goodman LLP

**Robert Gifford**

RGA Corp

**Dr. Jack Lutz, PhD.**

Forest Research Group

**William F. McCall, Jr., CRE**

McCall & Almy, Inc.

**Garlan Morse, Jr., CRE**

Morris and Morse Company, Inc.

**Peter F. O'Connell**

Marina Bay Company

**Carly Rose**

Board Member

## Advisory Committees to the PRIM Board, continued

### June 30, 2023

#### Administration and Audit Committee

**Robert L. Brousseau, Chair**

Board Member

**Deborah B. Goldberg**

Ex Officio Board Member

**Patrick E. Brock**

Chairman, Hampshire County Retirement Board

**Catherine D'Amato**

Board Member

**James B. G. Hearty**

Retired Partner, Clough Capital

**Theresa F. McGoldrick, Esq.**

Board Member

**Dennis J. Naughton**

Board Member

**Michele A. Whitham, Esq.**

Founder & Principal, Whitham Law LLC

#### Compensation Committee

**Michele A. Whitham, Esq., Chair**

Founder & Principal, Whitham Law LLC

**Deborah B. Goldberg**

Ex Officio Board Member

**Patrick E. Brock**

Chairman, Hampshire County Retirement Board

**Robert L. Brousseau**

Board Member

**Catherine D'Amato**

Board Member

#### Environmental, Social and Governance (ESG) Committee

**Deborah B. Goldberg, Chair**

Ex Officio Board Member

**Mary Cerulli**

Founder, Climate Finance Action

**Michael Even**

Former President and CEO, Numeric Investors

**Ruth Ellen Fitch, Esq.**

Board Member

**Theresa F. McGoldrick, Esq.**

Board Member

**Dennis J. Naughton**

Board Member

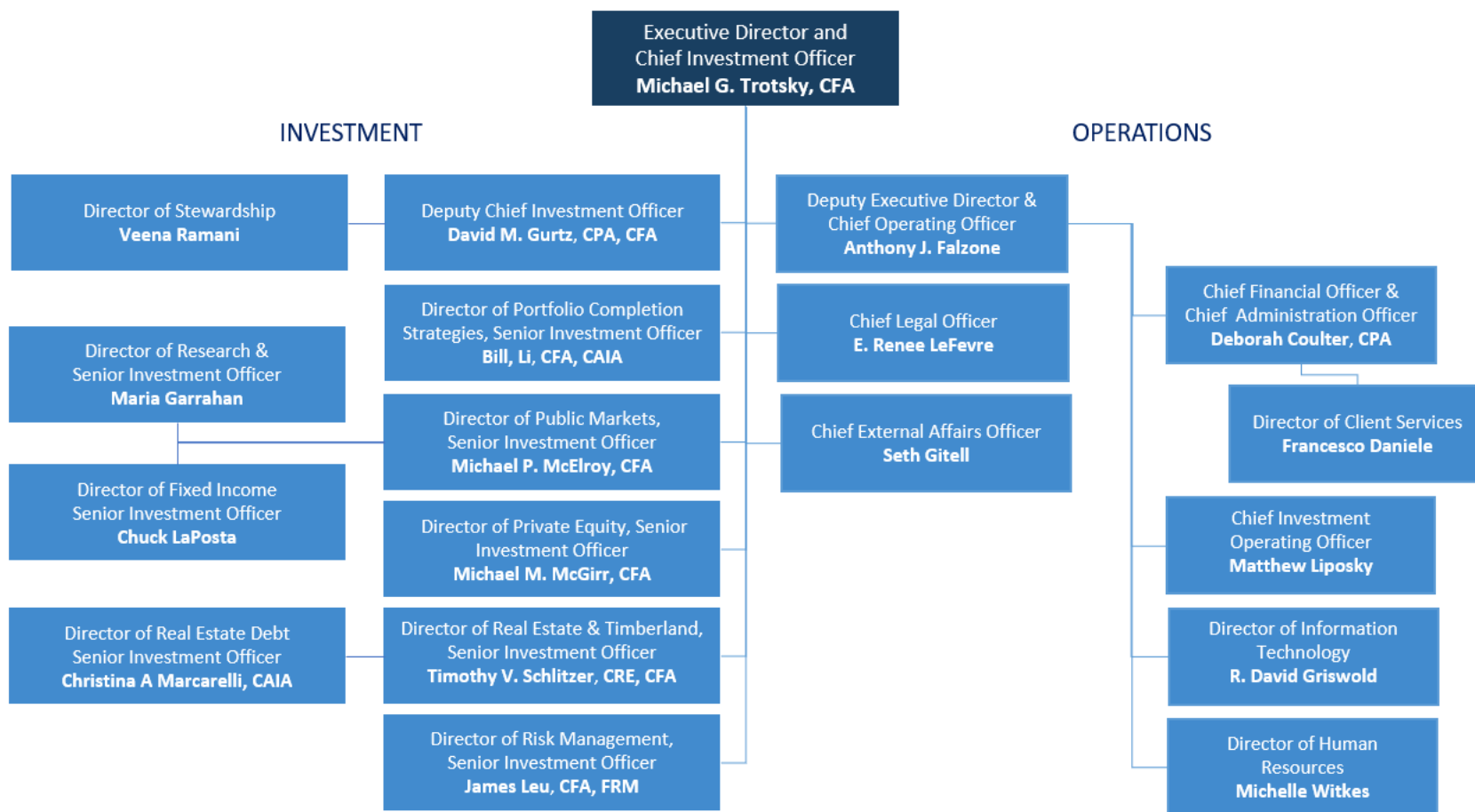
**Poonam Patidar**

Member, Mintz

**Marcela Pinilla**

Director of Sustainable Investing, Zevin

## PRIM Board Management Organizational Chart



## **PRIM Board Investment Advisors\***

**Aberdeen Asset Management Inc.**  
Portfolio Completion Strategies Advisory Services

**Hamilton Lane**  
Private Equity Advisory Services

**International Woodland Company**  
Timberland Advisory Services

**Meketa Investment Group**  
Public Market Advisory Services

**NEPC, LLC**  
Asset Allocation Advisory Services

**NewAlpha Asset Management**  
Portfolio Completion Strategies Advisory Services

\* List of investment managers is provided for each investment portfolio in the Investment Section on pages 66–88. See Schedule of Management Fees on page 92 in the Investment Section for investment management fees by asset class.

Summary Schedule of Broker Commissions listed by brokerage firms is in the Investment Section on page 91.

## *Financial Section*





KPMG LLP  
Two Financial Center  
60 South Street  
Boston, MA 02111

## Independent Auditors' Report

The Administration and Audit Committee and Trustees,  
Pension Reserves Investment Management Board:

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the Pension Reserves Investment Trust Fund (the PRIT Fund), a component unit of the Commonwealth of Massachusetts, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the PRIT Fund's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the pooled net position of the PRIT Fund as of June 30, 2023 and 2022, and the changes in its pooled net position for the years then ended in accordance with U.S. generally accepted accounting principles.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the PRIT Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the PRIT Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve



collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PRIT Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the PRIT Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit for the year ended June 30, 2023 was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the PRIT Fund's basic financial statements for the year ended June 30, 2023. The schedule of pooled net position – capital fund and cash fund and schedule of changes in pooled net position – capital fund and cash fund for the year ended June 30, 2023 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2023 and certain additional procedures, including comparing and reconciling





such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2023.

*Other Information*

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory, investment, and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2023 on our consideration of the PRIT Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the PRIT Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the PRIT Fund's internal control over financial reporting and compliance.

**KPMG LLP**

Boston, Massachusetts  
November 30, 2023

Required Supplementary Information –  
Management’s Discussion and Analysis

June 30, 2023 and 2022

(Unaudited)

This section presents management’s discussion and analysis of the Pension Reserves Investment Trust Fund’s (the PRIT Fund’s) financial performance for the fiscal years ended June 30, 2023 and 2022 and should be read in conjunction with the financial statements, which follow this section.

The PRIT Fund is a pooled investment fund, created in 1983 through Massachusetts legislation, that invests the assets of the State Teachers’ and State Employees’ Retirement Systems and the assets of county, authority, school district, and municipal retirement systems that choose to invest in the PRIT Fund, as well as the assets of the State Retiree Benefits Trust (SRBT) Fund.

The investment return percentages reported in management’s discussion and analysis are presented gross of management fees.

**Overview of the Financial Statements**

The financial statements include the statements of pooled net position and the statements of changes in pooled net position. They present the financial position of the PRIT Fund as of June 30, 2023 and 2022 and its financial activities for the years then ended. The notes to the financial statements provide further information that is essential to a full understanding of the financial statements. The notes describe the significant accounting policies of the PRIT Fund and provide detailed disclosures on certain account balances. The supplementary schedules of pooled net position and changes in pooled net position separately display the balances and activities of the Capital Fund and Cash Fund of the PRIT Fund.

The financial statements of the PRIT Fund are reported using the economic resources measurement focus and the accrual basis of accounting. They are prepared in conformity with U.S. generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB).

**Financial Highlights***Fiscal Year 2023*

- The net position of the PRIT Fund increased \$4.1 billion during the year ended June 30, 2023. Total net position was \$96.6 billion at June 30, 2023, compared to \$92.4 billion at June 30, 2022.
- Net investment income for fiscal year 2023 was \$5.1 billion, compared to net investment loss of \$3.2 billion for the prior fiscal year. The PRIT Fund returned 6.01%, gross of fees, in fiscal year 2023, compared to -2.95% in fiscal year 2022.
- Contributions to the PRIT Fund totaled \$3.5 billion during the year ended June 30, 2023, compared to \$4.3 billion during the year ended June 30, 2022.
- Redemptions from the PRIT Fund totaled \$4.5 billion during the year ended June 30, 2023, compared to \$4.4 billion during the year ended June 30, 2022.

(Continued)

Required Supplementary Information –  
Management's Discussion and Analysis

June 30, 2023 and 2022

(Unaudited)

*Fiscal Year 2022*

- The net position of the PRIT Fund Decreased \$3.3 billion during the year ended June 30, 2022. Total net position was \$92.4 billion at June 30, 2022, compared to \$95.7 billion at June 30, 2021.
- Net investment loss for fiscal year 2022 was \$3.2 billion, compared to net investment income of \$21.9 billion for the prior fiscal year. The PRIT Fund returned -2.95%, gross of fees, in fiscal year 2022, compared to 29.91% in fiscal year 2021.
- Contributions to the PRIT Fund totaled \$4.3 billion during the year ended June 30, 2022, compared to \$2.9 billion during the year ended June 30, 2021.
- Redemptions from the PRIT Fund totaled \$4.4 billion during the year ended June 30, 2022, compared to \$4.1 billion during the year ended June 30, 2021.

**Condensed Financial Information**

Summary balances and activities of the PRIT Fund as of and for the years ended June 30, 2023, 2022, and 2021 are presented below:

	<b>June 30</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Summary of pooled net position:			
Assets:			
Investments	\$ 100,382,001	96,805,918	99,813,545
Cash	160,920	254,404	219,795
Securities lending collateral	87,748	121,946	201,581
Receivables and other assets	1,855,800	1,494,813	2,169,161
Total assets	<u>102,486,469</u>	<u>98,677,081</u>	<u>102,404,082</u>
Liabilities:			
Other liabilities	5,029,914	5,258,318	6,202,728
Securities lending obligations	841,326	872,820	451,560
Management fees payable to PRIM	53,812	116,888	50,949
Total liabilities	<u>5,925,052</u>	<u>6,248,026</u>	<u>6,705,237</u>
Net position held in trust for pool participants	<u>\$ 96,561,417</u>	<u>92,429,055</u>	<u>95,698,845</u>

(Continued)

Required Supplementary Information –  
Management's Discussion and Analysis

June 30, 2023 and 2022

(Unaudited)

	<b>June 30</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Summary of changes in pooled net position:			
Additions:			
Contributions	\$ 3,469,500	4,342,091	2,910,244
Net investment income (loss)	5,118,252	(3,239,745)	21,944,914
Total additions	8,587,752	1,102,346	24,855,158
Deductions:			
Redemptions	4,455,390	4,372,136	4,142,072
Change in pooled net position	4,132,362	(3,269,790)	20,713,086
Net position held in trust for pool participants:			
Balance, beginning of year	92,429,055	95,698,845	74,985,759
Balance, end of year	\$ 96,561,417	92,429,055	95,698,845

**The PRIT Fund Performance during the year ended June 30, 2023**

The PRIT Fund began fiscal year 2023 with net position of \$92.4 billion and ended the fiscal year with a net position of \$96.6 billion, representing a 4.47% increase. Net investment income for the year ended June 30, 2023 was \$5.1 billion, which when added to net participant redemptions (contributions less redemptions) of \$985.9 million, resulted in an overall increase in net position of \$4.1 billion.

For the year ended June 30, 2023, the PRIT Fund returned 6.01% gross of fees, lagging its benchmark of 8.92% by 291 basis points. The benchmark provides a measure of how well the PRIT Fund has implemented its asset allocation plan.

The asset classes of the PRIT Fund and related investment returns, gross of fees, for the year ended June 30, 2023 are as follows: Global Equity 17.43%; Core Fixed Income -2.72%; Value-Added Fixed Income 7.70%; Private Equity -3.45%; Real Estate -2.81%; Timberland 5.93%; Portfolio Completion Strategies 3.52%; and Overlay 13.67%.

The PRIT Fund outperformed its benchmarks over the three-year, five-year, and ten-year periods and has returned an average of 9.28%, gross of fees, annually since January 1, 1985. According to the Trust Universe Comparison Service (TUCS) for Public Pension Funds, a widely accepted peer ranking of public pension funds performance, the PRIT Fund ranked in the top quartile of public pension plans with net position in excess of \$25 billion for the three-year period ended June 30, 2023.

(Continued)

Required Supplementary Information –  
Management’s Discussion and Analysis

June 30, 2023 and 2022

(Unaudited)

**The PRIT Fund Performance during the year ended June 30, 2022**

The PRIT Fund began fiscal year 2022 with net position of \$95.7 billion and ended the fiscal year with a net position of \$92.4 billion, representing a 3.42% decrease. Net investment loss for the year ended June 30, 2022 was \$3.2 billion, which when added to net participant redemptions (contributions less redemptions) of \$30.0 million, resulted in an overall decrease in net position of \$3.3 billion.

For the year ended June 30, 2022, the PRIT Fund returned -2.95% gross of fees, outperforming its benchmark of -4.90% by 195 basis points. The benchmark provides a measure of how well the PRIT Fund has implemented its asset allocation plan.

The asset classes of the PRIT Fund and related investment returns, gross of fees, for the year ended June 30, 2022 are as follows: Global Equity -16.14%; Core Fixed Income -11.46%; Value-Added Fixed Income -3.04%; Private Equity 27.29%; Real Estate 25.48%; Timberland 11.37%; Portfolio Completion Strategies -0.80%; and Overlay -10.68%.

**Other Information**

This financial report is designed to provide a general overview of the PRIT Fund’s financial results. Additional information can be found on the PRIM Board’s website at [www.mapension.com](http://www.mapension.com). Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Pension Reserves Investment Management Board, 53 State Street, Boston, Massachusetts 02109.

## Statements of Pooled Net Position

June 30, 2023 and 2022

(Dollars in thousands)

	2023	2022
Assets:		
Investments, at fair value:		
Short-term	\$ 1,239,749	1,635,564
Fixed income	20,656,079	20,686,408
Equity	36,843,256	33,243,865
Timberland	2,985,666	2,904,110
Private equity funds	16,619,860	16,837,964
Real estate:		
Real estate properties	10,199,278	9,796,738
Equity	1,033,887	1,336,488
Real estate funds	804,345	481,793
Other	139,964	75,973
Total real estate	12,177,474	11,690,992
Portfolio completion strategies:		
Investment funds	2,535,853	2,303,551
Equity	2,162,794	2,285,915
Fixed income	3,326,993	3,518,563
Cash and cash equivalents	1,278,224	1,106,108
Agricultural investments	556,053	592,878
Total portfolio completion strategies	9,859,917	9,807,015
Total investments	100,382,001	96,805,918
Cash	160,920	254,404
Securities lending collateral	87,748	121,946
Interest and dividends receivable	265,207	234,231
Receivable for investments sold and other assets	1,060,613	727,187
Securities sold on a when-issued basis	405,644	398,418
Foreign currency forward contracts	124,336	134,977
Total assets	102,486,469	98,677,081
Liabilities:		
Securities sold short and other liabilities, at fair value:		
Portfolio completion strategies	1,711,213	2,172,680
Fixed income	13,603	14,747
Total securities sold short and other liabilities	1,724,816	2,187,427
Payable for investments purchased and other liabilities	1,315,309	1,198,502
Real estate debt and other liabilities	804,256	875,298
Securities lending obligations	841,326	872,820
Securities purchased on a when-issued basis	1,041,180	915,314
Foreign currency forward contracts	144,353	81,777
Management fees payable to PRIM	53,812	116,888
Total liabilities	5,925,052	6,248,026
Net position held in trust for pool participants	\$ 96,561,417	92,429,055

See accompanying notes to financial statements.

Statements of Changes in Pooled Net Position  
Years ended June 30, 2023 and 2022  
(Dollars in thousands)

	2023	2022
Additions:		
Contributions:		
State employees	\$ 862,503	858,181
State teachers	1,097,164	1,058,832
Other participants	1,509,833	2,425,078
Total contributions	3,469,500	4,342,091
Net investment income (loss):		
From investment activities:		
Net realized gain on investments and foreign currency transactions	791,567	4,831,600
Net change in unrealized appreciation (depreciation) on investments and foreign currency translations	2,190,587	(9,901,811)
Interest	616,565	622,086
Dividends	951,652	910,551
Timberland	36,364	41,557
Private equity	83,568	134,138
Portfolio completion strategies	261,562	50,980
Real estate:		
Income	627,416	594,530
Expenses	(213,122)	(231,520)
Total real estate	414,294	363,010
Income (loss) from investment activities	5,346,159	(2,947,889)
Investment management and other management fees	(213,499)	(295,929)
Net income (loss) from investment activities	5,132,660	(3,243,818)
From securities lending activities:		
Securities lending income	6,609	6,359
Securities lending expenses	(21,017)	(2,286)
Net (loss) income from securities lending activities	(14,408)	4,073
Total net investment income (loss)	5,118,252	(3,239,745)
Total additions	8,587,752	1,102,346
Deductions:		
Redemptions:		
State employees	1,513,900	1,509,113
State teachers	1,422,089	1,507,198
Other participants	1,519,401	1,355,825
Total deductions	4,455,390	4,372,136
Net increase (decrease) in pooled net position	4,132,362	(3,269,790)
Net position held in trust for pool participants:		
Balance, beginning of year	92,429,055	95,698,845
Balance, end of year	\$ 96,561,417	92,429,055

See accompanying notes to financial statements.

## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

**(1) Description of the Pension Reserves Investment Trust Fund****(a) General**

The Pension Reserves Investment Trust Fund (the PRIT Fund), a component unit of the Commonwealth of Massachusetts, was created in 1983 under Chapter 661 of the Acts of 1983, as amended by Chapter 315 of the Acts of 1996. The PRIT Fund is a pooled investment fund that invests the assets of the State Teachers' and State Employees' Retirement Systems of Massachusetts and the assets of county, authority, school district, and municipal retirement systems that choose to invest in the PRIT Fund, as well as the assets of the State Retiree Benefits Trust (SRBT) Fund. The PRIT Fund is not registered with the Securities and Exchange Commission, but is subject to oversight provided by the Pension Reserves Investment Management Board (the PRIM Board). The PRIM Board was created by legislation to provide general supervision of the investments and management of the PRIT Fund. The PRIM Board is a separate legal entity that issues its own financial statements, which are not included in the accompanying financial statements of the PRIT Fund.

A nine-member Board of Trustees governs the PRIM Board. The Trustees include: (1) the Governor, ex officio, or her designee; (2) the State Treasurer, ex officio, or her designee who shall serve as Chair of the PRIM Board; (3) a private citizen experienced in the field of financial management appointed by the State Treasurer; (4) an employee or retiree who is a member of the State Teachers' Retirement System, elected by the members of such system for a term of three years; (5) an employee or retiree who is a member of the State Employees' Retirement System, elected by the members of such system for a term of three years; (6) the elected member of the State Retirement Board; (7) one of the elected members of the Teachers' Retirement Board chosen by the members of the Teachers' Retirement Board; (8) a person who is not an employee or official of the Commonwealth appointed by the Governor; and (9) a representative of a public safety union appointed by the Governor. Appointed members serve for a term of four years. The Board of Trustees has the authority to employ an Executive Director, outside investment managers, custodians, consultants, and others as it deems necessary; to formulate policies and procedures; and to take such other actions as necessary and appropriate to manage the assets of the PRIT Fund.

The PRIM Board seeks to manage the PRIT Fund to ensure that pension assets are well invested so that current and future benefit obligations are adequately funded in a cost-effective manner. The PRIM Board therefore seeks to maximize the total return on investment within acceptable levels of risk and cost for a public pension fund. Under current law, by the year 2040, the PRIT Fund plans to have grown, through annual payments in accordance with a legislatively approved funding schedule and through total return of the PRIT Fund, to an amount sufficient to meet the then-existing pension

(Continued)



## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

obligations of the Commonwealth. The Commonwealth has adopted a schedule of state pension appropriations that assumes a long-term actuarial rate of return for the PRIT Fund of 7.0%.

The State Teachers' and State Employees' Retirement Systems and the SRBT Fund are mandated by statute to invest all of their assets in the PRIT Fund and are, therefore, considered involuntary participants. The assets of the State-Boston Retirement System attributable to teachers who are members of that system are also mandated to be held in the PRIT Fund. Other retirement systems have the option to become Participating or Purchasing System participants in the PRIT Fund. Participating Systems must transfer all of their assets to the PRIT Fund, commit to remain invested for five years, and are entitled to share in appropriations made to the PRIT Fund by the Commonwealth in accordance with Massachusetts General Laws, Chapter 32, Section 22B. The Commonwealth has made no such appropriation to the PRIT Fund on behalf of Participating Systems since fiscal year 2000.

Purchasing Systems may invest all or a portion of their assets in the PRIT Fund and retain the ability to contribute and withdraw funds at their discretion; however, they are not entitled to state appropriations. Participating and Purchasing Systems share in the investment earnings of the PRIT Fund based on their proportionate share of net position. As of June 30, 2023, there were 38 Participating Systems and 62 Purchasing Systems invested in the PRIT Fund.

**(b) Investment Funds**

The PRIT Fund consists of two investment funds, the Capital Fund and the Cash Fund. Each of these funds is managed, accounted for, and held separately by the PRIT Fund's custodian.

The Cash Fund consists of short-term investments, which are used to meet the liquidity requirements of Participating and Purchasing Systems. All Cash Fund earnings are reinvested. The State Teachers' Retirement System and the State Employees' Retirement System make daily deposits into the Cash Fund, which is their source of funds for benefit payments and operating expenses. The Cash Fund maintains a stable net position value of \$1.00 per unit.

Assets contributed by retirement systems are initially deposited in the Cash Fund and then transferred to the Capital Fund. Funds transferred into the Capital Fund are generally invested in the General Allocation Account, which invests in all asset classes of the PRIT Fund in accordance with the PRIM Board's asset allocation plan and investment policy guidelines. The Capital Fund serves as the investment portfolio of the PRIT Fund and consists of the following accounts: General Allocation (holds units of all other accounts), Domestic Equity, International Equity, Emerging Markets Equity, Global Equity Emerging-Diverse Manager Program, Core Fixed Income, Public Value-Added Fixed Income, Real Estate, Timberland, Hedge Funds, Private Debt, Overlay, Real Assets, Other Credit

(Continued)

## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

Opportunities, Liquidating Portfolios, Private Equity Investments, and Private Equity Investments Vintage Years 2000-2023. Vintage Year refers to the calendar year in which the PRIT Fund made a commitment to invest in a private equity investment.

Upon deposit by a Participating or Purchasing System into the accounts of the Capital Fund, units of participation equal to the total value of the contribution are issued. The value of a unit of each account is determined monthly by dividing the value of the net position of the account by the number of units outstanding at each month-end valuation date. The unit price fluctuates with the performance of the Capital Fund. The number of units generally changes only when a retirement system makes a contribution or redemption.

Chapter 84 of the Acts of 1996 permits Massachusetts retirement boards to purchase units in the individual investment accounts of the PRIT Fund as an alternative to investing in its General Allocation Account. This investment option, also referred to as "segmentation," was established by an amendment to the PRIM Board's Operating Trust Agreement in 1994 in response to requests from retirement boards wishing to invest in certain asset classes of the PRIT Fund. Purchasing Systems, as "segmented investors," may invest in one or more of the following accounts of the Capital Fund: Domestic Equity, International Equity, Emerging Markets, Core Fixed Income, Public Value-Added Fixed Income, Real Estate, Hedge Funds, and Private Equity Vintage Year accounts. At June 30, 2023 and 2022, there were 44 segmented investors in the PRIT Fund. The remaining Purchasing Systems invested in the General Allocation Account.

**(2) Summary of Significant Accounting Policies****(a) Basis of Accounting and Financial Statement Presentation**

The financial statements of the PRIT Fund are reported using the economic resources measurement focus and the accrual basis of accounting. They are prepared in conformity with U.S. generally accepted accounting principles, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the dates of the financial statements and the reported amounts of additions and deductions during the reporting periods. Actual results could differ from those estimates.

The PRIT Fund follows Governmental Accounting Standards Board (GASB) guidance as applicable to external investment pools.

The PRIT Fund consolidates assets and liabilities of its single-member limited liability corporations.

(Continued)

## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

**(b) Investments**

The PRIM Board recognizes that over the long term, asset allocation is the single greatest contributor of return and risk to the PRIT Fund. The PRIM Board's asset allocation plan embodies its decisions to invest portions of the Capital Fund in global equity securities, core fixed income securities, value-added fixed income, real estate, timberland, private equity, portfolio completion strategies and, where appropriate, the various sub asset classes of each asset class. Statutes prohibit the PRIT Fund from investing in certain securities. The PRIM Board ensures that investment managers adhere to the requirements of Massachusetts General Laws.

Security transactions are recorded on the date the securities are purchased or sold. The cost of a security is the purchase price or, in the case of assets transferred to the PRIT Fund by a Participating or Purchasing System, the fair value of the securities on the transfer date. The calculation of realized gains (losses) is independent of the calculation of the net change in unrealized appreciation (depreciation) on investments. Realized gains and losses on investments sold in the current year include previously recorded unrealized amounts and are included in net realized gain on investments in the accompanying statements of changes in pooled net position. Realized gains and losses on security transactions are determined using cost calculated on an average cost basis.

The PRIM Board values investments in fixed income, money market, other short-term investments, and U.S. government agency obligations using independent pricing services. In determining the price, the services may reflect such factors as market prices, yields, maturities, and ratings, supplemented by dealer quotations. Investments in equity securities, including exchange-traded funds, traded on national securities exchanges are valued at the last daily sale price or, if no sale price is available, at the closing bid price. Securities traded on any other exchange are valued in the same manner or, if not so traded, on the basis of closing over-the-counter (OTC) bid prices. If no bid price exists, valuation is determined either by establishing the mean between the most recent published bid and asked prices or averaging quotations obtained from dealers, brokers, or investment bankers. Securities for which such valuations are unavailable are reported at their fair value as estimated in good faith by the PRIM Board based on information provided by the investment managers responsible for such investments. Fair values for investments in pooled investment vehicles (commingled funds), such as mutual and similar funds with a readily determinable fair value, are based on the commingled fund's published net asset value (NAV) which are valued based on the underlying marketable securities or, in the absence of readily ascertainable fair values, the price of similar securities or other observable or unobservable inputs.

The PRIT Fund invests a portion of its assets in emerging capital markets. These investments may involve greater risks than investments in more developed markets, and the prices of such

(Continued)

## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

investments may be volatile. The consequences of political, social, or economic changes in these markets may have disruptive effects on the market prices of these investments and the income they generate, as well as the PRIT Fund's ability to repatriate such amounts.

As described further below, certain qualifying investments may be measured using NAV as a practical expedient to estimate fair value unless as of the measurement date it is probable that the PRIT Fund's interest will be sold at an amount different than NAV. As of June 30, 2023 and 2022, the PRIT Fund had no plans or intentions to sell such investments at amounts other than NAV.

Investments in real estate represent the PRIT Fund's ownership interest in PRIT Core Realty Holdings LLC (the LLC). On October 19, 2001, the LLC was formed and was governed by an operating agreement entered into by the PRIM Board, as trustee of the PRIT Fund, as the sole member. The principal purpose of the LLC is to conduct the investment activities of the real estate program in a manner consistent with the PRIT Fund Declaration of Trust and any business or activities incidental to or in support of such investment activities.

The LLC holds investments in real estate properties, real estate fund investments, and Real Estate Investment Trust (REIT) securities. Investments in real estate properties are stated at fair value based on appraisals prepared by independent real estate appraisers or on estimated valuations determined by the PRIM Board assuming highest and best use of the assets. These estimated valuations are based on valuations prepared by the real estate investment managers under the general supervision of the PRIM Board. Generally, third-party appraisals are performed on each real estate property within 18 months of the date of acquisition and at least annually thereafter. Determination of fair value involves judgment because the actual fair value of a real estate investment can be determined only by negotiation between parties in a sales transaction. Due to the inherent uncertainty of valuation, fair values used may differ significantly from values that would have been determined had a ready market for the investments existed, and the differences could be material. Real estate fund investments are invested through limited partnerships and are recorded at fair value estimated by the PRIM Board, generally using the NAVs provided by general partners as a practical expedient. The NAVs provided by general partners are generally based on appraised value of underlying real estate investments, which considers inputs such as comparable sales, projected income, discount rate, and capitalization rates. REIT securities are publicly traded securities and are valued in the same manner as the PRIT Fund's traded equity securities.

Investments in timberland are valued similarly to investments made by the LLC in real estate properties. Independent appraisals of timberland investments are performed annually.

(Continued)

## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

Portfolio completion strategies investments represent the PRIT Fund's ownership in direct hedge funds, hedge fund-of-funds, a distressed loan fund, and real assets funds (collectively, the funds), managed accounts, and agricultural investments. The fair values of the PRIT Fund's interest in funds are estimated by the PRIM Board, generally using NAVs provided by fund managers as a practical expedient. NAVs for direct hedge funds, distressed loan, and real assets funds generally are based on the value of the underlying marketable securities or assets, or in the absence of readily ascertainable fair values, the price of identical or similar securities or assets. NAVs for hedge fund-of-funds are generally based on the value of the NAVs of the underlying funds which value their investments similar to direct hedge funds. Managed account investments in equity securities, fixed income, and other investments are valued using independent pricing services. In the event that pricing information is not available, then the investment is reported at fair value as estimated in good faith by the PRIM Board based on information provided by the investment manager responsible for such investment. Cash and cash equivalents held in managed accounts consist of cash and highly liquid investments that are readily convertible into cash. The carrying amount of these investments approximates fair value. Agricultural investments are valued similarly to investments made by the LLC in real estate properties and are generally appraised annually.

Private equity investments are typically made through limited partnerships that invest in venture capital, leveraged buyouts, private placements, and other investments whose structure, risk profile, and return potential differ from traditional equity and fixed income investments. These investments are recorded at fair values estimated by the PRIM Board, generally using the NAVs provided by general partners as a practical expedient. The NAVs generally are based on the value of underlying investment holdings, which are determined by investment managers and consider variables such as operating results, earnings of the underlying holdings, projected cash flows, recent sales prices, and other pertinent information. These estimated fair values are determined in good faith by investment managers or general partners using consistently applied procedures.

**(c) Investment Income**

Dividend income is recorded on the ex-dividend date and interest income is accrued as earned. For the years ended June 30, 2023 and 2022, foreign taxes withheld of \$30,906 and \$28,994, respectively, have been netted against dividend income in the statements of changes in pooled net position. Real estate income includes dividends earned on REIT securities as well as cash distributions of operating income from investments in real estate properties. Timberland income includes cash distributions of operating income from investments in timberland properties. Private equity income is recorded on a cash distribution basis. Portfolio completion strategies income includes cash distributions of operating income from agricultural investments as well as investment income from managed

(Continued)

## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

accounts. Distributions that represent returns of capital in excess of cumulative profits and losses are credited to investment cost rather than investment income.

**(d) Foreign Currency Translation and Transactions**

The accounting records of the PRIT Fund are maintained in U.S. dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the prevailing rates of exchange at month-end. Purchases and sales of securities, income receipts, and expense payments are translated into U.S. dollars at the prevailing exchange rate on the respective dates of the transactions.

Unrealized net currency gains and losses from valuing foreign currency-denominated assets and liabilities at month-end exchange rates are reflected within net unrealized appreciation (depreciation) on investments.

Net realized gains and losses on foreign currency transactions represent principally gains and losses from sales and maturities of forward foreign currency contracts, disposition of foreign currencies, and currency gains and losses realized between the trade and settlement dates on securities transactions.

**(e) Derivative Instruments**

In accordance with GASB Statement No. 53, *Accounting and Financial Reporting of Derivative Instruments*, the PRIT Fund has recorded all of its derivative activity at fair value as investment instruments within equity, fixed income, portfolio completion strategies, and real estate investments and the related change in such instruments within the net change in unrealized appreciation (depreciation) on investments and foreign currency translations in the accompanying financial statements. As described in GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72), a credit valuation adjustment should be applied, when applicable, for nonperformance risk using the PRIT Fund's credit risk (liability) in determining fair value.

The PRIT Fund regularly trades derivative financial instruments with off-balance sheet risk in the normal course of its investing activities to manage exposure to certain risks within the fund. The PRIT Fund also enters into derivative transactions to gain exposure to currencies and markets where derivatives are the most effective instrument. The PRIT Fund's derivative financial instruments include contracts for differences, foreign currency exchange contracts, financial and commodity futures contracts, and customized swap agreements (see note 7 for more detail). These derivative instruments can be exchange-traded or OTC contracts. The primary difference in risk associated with OTC contracts and exchange-traded contracts is credit and liquidity risks. For exchange-traded

(Continued)

## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

contracts, credit risk is limited to the role of the exchange or clearing corporation. OTC contracts contain credit risk for unrealized gains from various counterparties for the duration of the contract.

**(f) When-Issued Securities Transactions**

The PRIT Fund may purchase or sell securities on a “when-issued” or delayed-delivery basis. Delivery and payment for such securities may take place a month or more after the trade date. Normally, settlement occurs within three months. The price of the underlying securities and the date when the securities will be delivered and paid for are fixed at trade date. During the time a delayed delivery sell transaction is outstanding, the contract is marked to market daily and substantially equivalent deliverable securities are held by the PRIT Fund for the transaction to the extent available. For delayed delivery purchase transactions, the PRIT Fund maintains segregated assets with a fair value equal to or greater than the amount of its purchase commitments. The receivables and payables associated with the sale and purchase of delayed delivery securities are reflected in the accompanying statements of pooled net position as securities sold and purchased on a when-issued basis. Losses may arise due to changes in the value of the underlying securities, if the counterparty does not perform under the contract, or if the issuer does not issue the securities due to political, economic, or other factors.

The PRIT Fund may also enter into mortgage dollar-roll and reverse mortgage dollar-roll agreements on a when-issued basis. A mortgage dollar-roll is an agreement in which the PRIT Fund sells securities on a when-issued basis and simultaneously contracts with the same counterparty to repurchase similar (same type, coupon, and maturity) but not identical securities on a specified future date. During the roll period, principal and interest on these securities are not received. The PRIT Fund is compensated by the difference between the current sales price and the forward price for the future purchase. A reverse mortgage dollar-roll is an agreement to buy securities and to sell substantially similar securities on a specified future date. During the roll period, the PRIT Fund receives the principal and interest on the securities purchased. The receivables and payables associated with mortgage dollar-rolls and reverse mortgage dollar-rolls are also reflected in the accompanying statements of pooled net position as securities sold and purchased on a when-issued basis.

(Continued)

## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

**(3) Fair Value Measurements of Investments**

In accordance with GASB 72, except for investments measured using NAV as a practical expedient to estimate fair value, the PRIT Fund categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – Inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date. Most of the PRIT Fund’s directly held marketable securities, mutual funds and exchange traded funds would be examples of Level 1 investments.
- Level 2 – Inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Fair values are primarily obtained from third-party pricing services for identical or comparable assets or liabilities, such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2.
- Level 3 – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative financial instruments. Generally, the PRIT Fund’s directly held investments in real estate and timberland will be categorized in Level 3 because a preponderance of inputs used to estimate fair value are not observable. For similar reasons, certain fixed income securities may also be categorized in Level 3.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

(Continued)



Notes to Financial Statements  
June 30, 2023 and 2022  
(Dollars in thousands)

The following tables present a summary of the fair value hierarchy of investments that are measured at fair value on a recurring basis at June 30, 2023 and 2022:

Investments at fair value	2023					Unfunded commitments
	Fair value measurements using					
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs or not redeemable (Level 3)	Net asset value (NAV)	
Short-term:						
Money market investments	\$ 1,239,749	—	1,239,749	—	—	
Fixed income:						
U.S. government obligations (1)	7,867,869	7,867,869	—	—	—	
Domestic fixed income (2)	7,875,300	—	7,836,549	38,751	—	
International fixed income (3)	2,291,046	167,593	2,079,296	44,157	—	
Private debt (4)	1,110,078	—	—	—	1,110,078	518,098
Other credit opportunities (5)	1,511,786	91,235	579,582	436,509	404,460	1,173,539
	<u>20,656,079</u>	<u>8,126,697</u>	<u>10,495,427</u>	<u>519,417</u>	<u>1,514,538</u>	
Equity:						
Domestic equity securities	21,626,338	21,626,338	—	—	—	
International equity securities	15,216,918	15,216,918	—	—	—	
	<u>36,843,256</u>	<u>36,843,256</u>	<u>—</u>	<u>—</u>	<u>—</u>	
Timberland	2,985,666	—	—	2,985,666	—	
Private equity funds (6)	16,619,860	—	—	—	16,619,860	5,574,053
Real estate:						
Real estate properties	10,199,278	—	—	10,199,278	—	
Real estate equity securities	1,033,887	1,026,368	7,519	—	—	
Real estate funds (7)	804,345	—	—	—	804,345	256,546
Other	139,964	—	—	139,964	—	
	<u>12,177,474</u>	<u>1,026,368</u>	<u>7,519</u>	<u>10,339,242</u>	<u>804,345</u>	
Portfolio completion strategies:						
Event-driven hedge funds (8)	915,892	—	—	—	915,892	
Relative value hedge funds (9)	552,382	—	—	—	552,382	
Fund of funds (10)	725,144	—	—	—	725,144	
Distressed loan fund (11)	97,389	—	—	—	97,389	49,801
Real assets funds (12)	245,046	—	—	—	245,046	785,546
Investment funds	2,535,853	—	—	—	2,535,853	
Equity securities	2,162,794	1,972,396	41,776	148,622	—	
Fixed income securities	3,326,993	416,817	2,686,667	223,509	—	
Cash and cash equivalents	1,278,224	1,229,676	48,548	—	—	
Agricultural investments	556,053	—	—	556,053	—	
	<u>9,859,917</u>	<u>3,618,889</u>	<u>2,776,991</u>	<u>928,184</u>	<u>2,535,853</u>	
Total investments	<u>\$ 100,382,001</u>	<u>49,615,210</u>	<u>14,519,686</u>	<u>14,772,509</u>	<u>21,474,596</u>	

(Continued)

Notes to Financial Statements  
 June 30, 2023 and 2022  
 (Dollars in thousands)

Investments at fair value	2023				Net asset value (NAV)	Unfunded commitments
	Total	Fair value measurements using				
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs or not redeemable (Level 3)		
Securities lending collateral:						
Money market investments	\$ 87,748	—	87,748	—	—	
Total securities lending collateral	\$ 87,748	—	87,748	—	—	
Securities sold short and other liabilities at fair value:						
Portfolio completion strategies:						
Equity securities	\$ 699,712	682,486	17,226	—	—	
Cash and cash equivalents	595,525	257,972	337,553	—	—	
Fixed income securities	360,311	10,009	350,302	—	—	
Other	55,665	—	—	55,665	—	
	1,711,213	950,467	705,081	55,665	—	
Fixed income:						
Other credit opportunities (5)	13,603	13,603	—	—	—	
Total securities sold short and other liabilities	\$ 1,724,816	964,070	705,081	55,665	—	

(Continued)

Notes to Financial Statements  
June 30, 2023 and 2022  
(Dollars in thousands)

Investments at fair value	2022					Unfunded commitments
	Fair value measurements using					
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs or not redeemable (Level 3)	Net asset value (NAV)	
Short-term:						
Money market investments	\$ 1,635,564	—	1,635,564	—	—	
Fixed income:						
U.S. government obligations (1)	8,413,831	8,413,831	—	—	—	
Domestic fixed income (2)	7,622,270	5,434	7,578,712	38,124	—	
International fixed income (3)	2,334,432	160,437	2,122,135	51,860	—	
Private debt (4)	1,287,209	—	—	—	1,287,209	571,459
Other credit opportunities (5)	1,028,666	128,363	344,697	424,881	130,725	583,375
	<u>20,686,408</u>	<u>8,708,065</u>	<u>10,045,544</u>	<u>514,865</u>	<u>1,417,934</u>	
Equity:						
Domestic equity securities	18,632,240	18,603,880	27,554	806	—	
International equity securities	14,611,625	14,610,935	—	690	—	
	<u>33,243,865</u>	<u>33,214,815</u>	<u>27,554</u>	<u>1,496</u>	<u>—</u>	
Timberland	2,904,110	—	—	2,904,110	—	
Private equity funds (6)	16,837,964	—	—	—	16,837,964	6,274,745
Real estate:						
Real estate properties	9,796,738	—	—	9,796,738	—	
Real estate equity securities	1,336,488	1,329,261	7,227	—	—	
Real estate funds (7)	481,793	—	—	—	481,793	251,847
Other	75,973	—	—	75,973	—	
	<u>11,690,992</u>	<u>1,329,261</u>	<u>7,227</u>	<u>9,872,711</u>	<u>481,793</u>	
Portfolio completion strategies:						
Event-driven hedge funds (8)	890,751	—	—	—	890,751	
Relative value hedge funds (9)	388,591	—	—	—	388,591	
Fund of funds (10)	632,346	—	—	—	632,346	
Distressed loan fund (11)	83,361	—	—	—	83,361	52,724
Real assets funds (12)	308,502	—	—	—	308,502	675,748
Investment funds	2,303,551	—	—	—	2,303,551	
Equity securities	2,285,915	1,980,501	27,906	277,508	—	
Fixed income securities	3,518,563	938,159	2,116,424	463,980	—	39,500
Cash and cash equivalents	1,106,108	459,066	647,042	—	—	
Agricultural investments	592,878	—	—	592,878	—	
	<u>9,807,015</u>	<u>3,377,726</u>	<u>2,791,372</u>	<u>1,334,366</u>	<u>2,303,551</u>	
Total investments	<u>\$ 96,805,918</u>	<u>46,629,867</u>	<u>14,507,261</u>	<u>14,627,548</u>	<u>21,041,242</u>	

(Continued)

## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

Investments at fair value	2022					Unfunded commitments
	Fair value measurements using				Net asset value (NAV)	
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs or not redeemable (Level 3)		
Securities lending collateral:						
Money market investments	\$ 121,946	—	121,946	—	—	
Total securities lending collateral	\$ 121,946	—	121,946	—	—	
Securities sold short and other liabilities at fair value:						
Portfolio completion strategies:						
Equity securities	\$ 600,730	581,311	18,605	814	—	
Cash and cash equivalents	951,437	2,283	949,154	—	—	
Fixed income securities	563,101	180,038	356,398	26,665	—	
Other	57,412	—	—	57,412	—	
	2,172,680	763,632	1,324,157	84,891	—	
Fixed income:						
Cash and cash equivalents	14,747	—	14,747	—	—	
Total securities sold short and other liabilities	\$ 2,187,427	763,632	1,338,904	84,891	—	

- (1) Fiscal year 2023 rates range from 0.00% to 7.50%, and maturities range from 2023 to 2053. Fiscal year 2022 rates range from 0.00% to 7.50%, and maturities range from 2022 to 2052.
- (2) Fiscal year 2023 rates range from 0.00% to 17.50%, and maturities range from 2023 to 2122. Fiscal year 2022 rates range from 0.00% to 17.50%, and maturities range from 2022 to 2115.
- (3) Fiscal year 2023 rates range from -0.21% to 13.65%, and maturities range from 2023 to 2121. Fiscal year 2022 rates range from -0.36% to 49.10%, and maturities range from 2022 to 2121.
- (4) This represents investments in private partnerships that invest directly in distressed debt investment opportunities. The life cycles of the private partnerships are typically 10 to 15 years during which limited partners are unable to redeem their positions. Distributions are received as the partnerships liquidate the underlying assets of the funds.
- (5) This includes managed accounts and private partnerships that makes credit investments. Private partnerships typically have 10 to 15-year life cycles during which limited partners are unable to redeem

(Continued)

## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

their positions, but instead, receive distributions as the partnerships liquidate the underlying assets of the funds.

- (6) This includes private partnerships that invest in venture capital, leverage buyouts, private placements, and other investments. The private partnerships typically have a life cycle of 10 to 15 years during which limited partners are unable to redeem their positions. Distributions are received as the partnerships liquidate the underlying assets of the funds.
- (7) This includes 13 and 10 closed-end real estate funds that invest in U.S. real estate at June 30, 2023 and 2022, respectively. The funds generally have initial terms of seven to ten years during which limited partners are unable to redeem their positions. Distributions are received as the funds liquidate the underlying assets.
- (8) This includes four hedge funds that invest in event-driven strategies such as credit-event, equity-event, multi-event driven, and stressed/distressed credit positions at June 30, 2023 and 2022. Redemption frequency for these investments ranged from quarterly to semi-annually with 60 to 65 days' notice.
- (9) This includes one hedge fund that invest in relative value strategies such as fixed income relative value positions at June 30, 2023 and 2022. Redemption frequency for this investment is quarterly with 45 days' notice.
- (10) This includes one active hedge fund of funds manager, valued at \$712,460 and \$619,099, at June 30, 2023 and 2022, respectively, which invests in emerging hedge fund managers. Redemption frequency for this fund is monthly with 30 days' notice. The remaining balance represents investments in five liquidating portfolios in which distributions are received as the funds liquidate the underlying assets.
- (11) This includes one fund that is invested in distressed loans at June 30, 2023 and 2022. Limited partners in this fund are unable to redeem their positions and distributions are received as the fund liquidates the underlying assets.
- (12) This includes nine and ten funds that seek to make investments in real assets at June 30, 2023 and 2022, respectively. Limited partners in these funds are generally unable to redeem their positions and distributions are received as the funds liquidate the underlying assets.

(Continued)

## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

**(4) Deposits and Investments Risks****(a) Custodial Credit Risk**

Custodial credit risk is the risk that in the event of bank failure, the PRIT Fund's deposits and investments may not be returned. The PRIM Board manages the PRIT Fund's exposure to custodial credit risk by requiring all relevant investment managers to hold investments in separate accounts with the PRIM Board's custodian (see note 8). The PRIM Board has not adopted a formal custodial credit risk policy.

Cash balances represent amounts held in bank depository accounts that may be subject to custodial credit risk. The PRIT Fund maintains cash and cash equivalents with various major financial institutions. The combined account balances at a specific financial institution may periodically exceed federally insured limits. No losses have been incurred during the years ended June 30, 2023 and 2022.

**(b) Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of fixed income investments will adversely affect the fair value of an investment. While the PRIM Board does not have a formal policy relating to interest rate risk, the PRIM Board manages the PRIT Fund's exposure to fair value loss arising from movements in interest rates by establishing duration guidelines with its fixed income investment managers. The guidelines with each individual manager require that the effective duration of the domestic fixed income investment portfolio be within a specified percentage or number of years of the effective duration band of the appropriate benchmark index. For emerging markets fixed income investments, the portfolio must have duration with a band ranging from three to eight years. Effective duration is a measure of a fixed income investment's exposure to fair value changes arising from changes in interest rates. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows. These assumptions take into consideration factors indicative of investments highly sensitive to interest rate changes, including callable options, prepayments, and other factors. These factors are reflected in the effective duration numbers provided in the following table. The PRIM Board compares the effective duration of a manager's portfolio to their relevant benchmark including Bloomberg Aggregate Bond index, US Treasury STRIPS 20+ Year index, Bloomberg Treasury 1-3 Year index, Bloomberg US TIPS index, Bloomberg Inflation Linked Bonds index, Morningstar LSTA Leveraged Loan index, JP Morgan Emerging Markets Bond index, and the Intercontinental Exchange Bank of America High Yield index.

(Continued)

## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

The following table shows the debt investments by investment type, fair value, and effective weighted duration rate at June 30:

Investment	2023		2022	
	Fair value	Effective weighted duration rate (Years)	Fair value	Effective weighted duration rate (Years)
Asset-backed securities	\$ 689,768	2.98	651,727	3.10
Commercial mortgage – backed securities	321,608	4.72	342,068	2.33
Corporate bonds and other credits	8,336,465	3.80	8,524,904	3.93
U.S. government bonds	5,250,725	14.57	5,622,597	14.64
U.S. government agencies	100,287	9.17	73,356	1.98
U.S. government TIPS	2,945,055	6.79	3,028,434	6.94
U.S. government mortgage – backed securities	1,798,546	6.08	1,571,083	6.25
Global inflation linked bonds	228,498	7.97	221,162	8.04
Municipal bonds	49,398	9.64	52,931	9.86
Pooled money market fund (1)	1,284,315	N/A	1,671,652	N/A
Other pooled funds (2)	4,218,156	N/A	4,080,621	N/A
Total fixed income and short-term investments	\$ <u>25,222,821</u>		<u>25,840,535</u>	
Securities lending collateral investments:				
Pooled money market fund (1)	\$ <u>87,748</u>	N/A	<u>121,946</u>	N/A
Total securities lending collateral investments	\$ <u>87,748</u>		<u>121,946</u>	

(1) Short-term investments with maturities of less than three months.

(2) Other pooled funds have a weighted average maturity of approximately two years at June 30, 2023 and 2022.

**(c) Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will fail to meet its debt obligations.

The PRIM Board does not have a formal investment policy governing credit risk; each fixed income securities investment manager is given a specific set of guidelines to invest within based on the mandate for which it was hired. These guidelines vary depending on the manager's strategy and the role of its portfolio to the overall diversification of the PRIT Fund. The guidelines for the PRIT Fund's core fixed income portfolio establish the minimum credit rating for any security in the portfolio and

(Continued)

Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

the overall weighted average credit rating of the portfolio. For example, all securities held must generally be investment grade. The guidelines for the PRIT Fund's high yield fixed income portfolio establish a fair value range of securities to be held with a specific minimum credit rating and the overall weighted average credit rating of the portfolio.

Credit risk for derivative instruments held by the PRIT Fund results from counterparty risk. The PRIT Fund is exposed to credit risk resulting from counterparties being unable to meet their obligations under the terms of the derivative agreements. See note 7 for more information on the PRIT Fund's derivative instruments.

(Continued)



## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

The weighted average quality rating of the debt securities portfolio, excluding pooled investments, investments explicitly backed by the U.S. government and other nonrated investments was BBB at June 30, 2023 and 2022, respectively. The following tables present the PRIT Fund's fixed-income securities credit ratings at June 30:

	Total fair value	2023					Not rated
		Investment grade			Noninvestment grade		
		AAA	AA+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	
Asset-backed securities	\$ 689,768	48,115	73,012	8,343	43,000	218,203	299,095
Commercial mortgage-backed securities	321,608	154,726	9,381	8,026	27,530	40,011	81,934
Corporate bonds and other credits	8,336,465	309,984	983,929	1,602,024	1,805,814	416,756	3,217,958
U.S. government agencies	100,287	—	22,297	—	—	—	77,990
U.S. government mortgage-backed securities	1,548,748	3,468	984,054	—	7,710	—	553,516
Global inflation linked bonds	228,498	37,914	112,096	69,195	2,338	—	6,955
Municipal bonds	49,398	1,854	44,198	2,892	454	—	—
Pooled money market fund	1,284,315	—	—	—	—	—	1,284,315
Other pooled funds	4,218,156	—	—	—	—	—	4,218,156
Total credit risk, fixed income, and short-term investments	16,777,243	\$ 556,061	2,228,967	1,690,480	1,886,846	674,970	9,739,919
Fixed income investments explicitly backed by the U.S. government	8,445,578						
Total fixed income and short-term investments	\$ 25,222,821						
Securities lending collateral investments:							
Pooled money market fund	\$ 87,748	87,748	—	—	—	—	—
Total securities lending collateral investments	\$ 87,748	87,748	—	—	—	—	—

(Continued)

## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

	Total fair value	2022					Not rated
		Investment grade			Noninvestment grade		
		AAA	AA+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	
Asset-backed securities	\$ 651,727	30,610	106,494	6,987	15,731	230,178	261,727
Commercial mortgage-backed securities	342,068	190,083	28,213	932	18,900	34,621	69,319
Corporate bonds and other credits	8,524,904	371,400	1,163,529	1,597,478	1,647,554	431,205	3,313,738
U.S. government agencies	73,356	—	25,683	—	—	—	47,673
U.S. government mortgage-backed securities	1,398,808	125,098	729,757	19	—	—	543,934
Global inflation linked bonds	221,162	31,776	117,027	62,211	543	—	9,605
Municipal bonds	52,931	2,536	46,351	3,574	470	—	—
Pooled money market fund	1,671,652	—	—	—	—	—	1,671,652
Other pooled funds	4,080,621	—	—	—	—	—	4,080,621
Total credit risk, fixed income, and short-term investments	17,017,229	\$ 751,503	2,217,054	1,671,201	1,683,198	696,004	9,998,269
Fixed income investments explicitly backed by the U.S. government	8,823,306						
Total fixed income and short-term investments	\$ 25,840,535						
Securities lending collateral investments:							
Pooled money market fund	\$ 121,946	121,946	—	—	—	—	—
Total securities lending collateral investments	\$ 121,946	121,946	—	—	—	—	—

(Continued)

## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

**(d) Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investments. Although the PRIM Board has no overall policy regarding foreign currency risk, the PRIM Board does manage the PRIT Fund's exposure to foreign currencies by establishing investment guidelines with each of its managers who invest in securities not denominated in U.S. dollars. These guidelines set maximum investment balances for any currency and/or country holdings must be within a certain percentage of predefined benchmarks. In addition, the PRIM Board's investment managers may actively manage exposure to foreign currencies through the use of forward foreign currency contracts. The following tables present the PRIT Fund's foreign currency exposures at June 30 (stated in U.S. dollars in thousands):

	2023						Total
	Cash and short-term investments	Equity	Fixed income	Portfolio completion strategies	Private equity investments	Timberland investments	
Australian Dollar	\$ 1,753	444,643	9,537	(815)	—	424,302	879,420
Brazilian Real	2,985	207,217	75,733	122,483	—	—	408,418
British Pound	5,035	1,790,707	201,651	72,186	93,775	—	2,163,354
Canadian Dollar	2,525	801,059	25,133	25,098	4,908	—	858,723
Euro	62,828	3,076,196	335,355	104,887	1,801,503	—	5,380,769
Hong Kong Dollar	3,272	1,025,424	—	(604)	—	—	1,028,092
Indian Rupee	13,217	558,702	—	5,798	—	—	577,717
Japanese Yen	92,972	2,274,414	22,786	24,730	—	—	2,414,902
New Taiwan Dollar	409	531,611	—	505	—	—	532,525
South Korean Won	4,689	530,713	12,755	2,805	—	—	550,962
Swedish Krona	3,904	322,220	5,420	(1,296)	—	—	330,248
Swiss Franc	21,683	651,838	—	(3,592)	—	—	669,929
Other foreign currencies	28,669	1,377,834	29,292	250,116	—	—	1,685,911
Total securities subject to foreign currency risk	243,941	13,592,578	717,662	602,301	1,900,186	424,302	17,480,970
International investments denominated in U.S. dollars	—	1,624,340	1,654,565	—	—	212,020	3,490,925
Total international investments and cash deposits	\$ 243,941	15,216,918	2,372,227	602,301	1,900,186	636,322	20,971,895

(Continued)

## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

	Cash and short-term investments	2022					Total
		Equity	Fixed income	Portfolio completion strategies	Private equity investments	Timberland investments	
Australian Dollar	\$ 4,187	550,285	8,757	(4,358)	—	395,566	954,437
Brazilian Real	2,364	133,824	89,987	106,701	—	—	332,876
British Pound	10,014	1,710,668	216,163	104,517	80,413	—	2,121,775
Canadian Dollar	13,685	886,788	21,741	26,466	4,374	—	953,054
Chinese Yuan	355	166,412	—	172,868	—	—	339,635
Euro	50,939	2,565,328	254,010	140,502	1,802,466	—	4,813,245
Hong Kong Dollar	4,887	1,222,456	—	(2,000)	—	—	1,225,343
Indian Rupee	970	449,475	—	759	—	—	451,204
Japanese Yen	30,660	2,294,051	24,427	159,646	—	—	2,508,784
New Taiwan Dollar	941	416,779	24	227	—	—	417,971
South Korean Won	3,768	503,287	11,002	16,188	—	—	534,245
Swedish Krona	6,078	378,498	5,516	510	—	—	390,602
Swiss Franc	19,490	704,040	—	(3,260)	—	—	720,270
Other foreign currencies	45,559	1,274,592	17,261	13,360	—	—	1,350,772
Total securities subject to foreign currency risk	193,897	13,256,483	648,888	732,126	1,887,253	395,566	17,114,213
International investments denominated in U.S. dollars	—	1,355,142	1,709,439	—	—	226,040	3,290,621
Total international investments and cash deposits	\$ 193,897	14,611,625	2,358,327	732,126	1,887,253	621,606	20,404,834

**(e) Concentration of Credit Risk**

The PRIM Board manages the PRIT Fund's exposure to concentration of credit risk by establishing guidelines with each investment manager that limit the percentage of investment in any single issue or issuer. The PRIT Fund has no investments, at fair value, that exceed 5% of the PRIT Fund's total investments as of June 30, 2023 and 2022.

**(f) Financial Instruments with Off-Balance-Sheet Risk**

In the normal course of business, the PRIT Fund enters into financial instrument transactions with off-balance-sheet risk. These financial instruments involve varying degrees and type of risks, including credit and market risks, which may be in excess of the amounts recognized in the Statements of Pooled Net Position. Futures and foreign currency exchange contracts represent commitments to purchase or sell foreign currencies at a future date and at a specified price. The PRIT

(Continued)

## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

Fund could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts or if the value of the foreign currency changes unfavorably.

**(5) Securities Lending Program**

The PRIM Board uses a third-party securities lending agent to manage its securities lending program. The program loans domestic and international equity, REIT, and fixed income securities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. Securities on loan are secured with collateral ranging from 102% to 105% determined by the type of securities lent. Securities on loan are valued daily to maintain the collateral requirement and, where applicable, additional collateral is delivered. At June 30, 2023 and 2022, the PRIT Fund has no credit risk exposure to borrowers because the borrowers provided collateralization greater than 100% of the fair value of the securities on loan. The PRIT Fund cannot pledge or sell the collateral securities unless the lending agent defaults. The PRIT Fund is indemnified in the event that the lending agent fails to return the securities on loan (and if the collateral is inadequate to replace the securities on loan) or if the lending agent fails to perform its obligations as stipulated in the agreement. There was no lending agent default during the years ended June 30, 2023 and 2022.

Securities loans are terminable on demand therefore maturities of the securities loans do not generally match the maturities of investments made with cash collateral. Investments made with cash collateral are primarily in short-term investments with maximum maturity of three months from the date of purchase.

Securities on loan are included in investments at fair value in the accompanying statements of pooled net position. As of June 30, 2023 and 2022, the fair value of securities on loan was \$820,012 and \$841,435, respectively, and the associated collateral received in cash was \$841,326 and \$872,820, respectively. Securities lending obligations to repay the collateral are reported in the accompanying statements of pooled net position. There was no security collateral or noncash collateral at June 30, 2023 and 2022. The PRIT Fund pays a monthly rebate on approximately \$500,000 of the cash collateral received and is included in securities lending expenses in the accompanying statements of changes in pooled net position.

For the years ended June 30, 2023 and 2022, in accordance with the Securities Lending Agency Agreement, the PRIT Fund loaned \$750,000 of the cash collateral to the LLC to invest in real estate investments. \$250,000 of the loans mature on March 10, 2027 and can be prepaid at any time. Interest is paid monthly in arrears at a per annum rate equal to LIBOR. \$500,000 of the loans mature on November 18, 2031 and can be prepaid at any time. Interest is paid monthly in arrears at a per annum rate as agreed to by the parties. As these are inter-entity loans, they have been eliminated in consolidation in the accompanying financial statements. The fair value of the remaining cash collateral reinvested was \$87,748 and \$121,946

(Continued)

## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

at June 30, 2023 and 2022, respectively, and is reported as securities lending collateral in the accompanying statements of pooled net position.

**(6) Real Estate Debt****(a) Notes Payable**

The LLC's notes payable obligations consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Senior unsecured notes	\$ 350,000	525,000
Total	<u>\$ 350,000</u>	<u>525,000</u>

On February 14, 2013, the LLC issued 3.85% Series B Senior Notes in the aggregate principal amount of \$175,000 which matured on February 14, 2023 and 4.00% Series C Senior Notes in the aggregate principal amount of \$150,000 maturing February 14, 2025. Interest on the notes is payable semi-annually.

On February 12, 2020, the LLC issued 3.07% Series D Senior Notes in the aggregate principal amount of \$200,000 maturing February 12, 2030. Interest on the notes is payable semi-annually.

The Senior Unsecured Notes contain certain financial covenants as outlined in the respective agreements. The LLC was in compliance with such covenants at June 30, 2023 and 2022.

**(b) Mortgage Loans Payable**

The LLC had 11 and six property-level mortgage loans payable as of June 30, 2023 and 2022, respectively. The mortgages have a weighted average interest rate of 3.75% and 3.57% and a weighted average maturity of 5.4 and 6.0 years at June 30, 2023 and 2022, respectively. The following table presents the face value of mortgage loans payable at June 30:

	<u>2023</u>	<u>2022</u>
Mortgage loans payable	\$ 443,443	343,387
Total	<u>\$ 443,443</u>	<u>343,387</u>

(Continued)

## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

**(c) Other Liabilities**

The LLC had other liabilities of \$10,813 and \$6,911 as of June 30, 2023 and 2022, respectively.

**(7) Derivative Investments**

The PRIT Fund regularly trades financial instruments with off-balance-sheet risk in the normal course of its investing activities to assist in managing exposure to market risks. These financial instruments include contracts for differences, foreign currency exchange contracts, futures contracts, and swap contracts.

**(a) Contracts for differences**

A contract for differences is an instrument whose value is based on the price movement of the underlying asset. It allows for gain or losses to be realized when the underlying asset moves in relation to the position taken, although the actual underlying asset is not owned by the PRIT Fund. The fair value of these instruments is generally recorded at the contract's net equity value. The net equity value is calculated by determining the change in value of the underlying asset less the cost of any leverage. The changes in fair value are recorded by the PRIT Fund as unrealized gains or losses. When the contract is closed, the PRIT Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

Contracts for differences held at June 30 were as follows:

Description	Number of contracts	2023		
		Gross notional amount	Fair value of contracts	Unrealized appreciation (depreciation)
Long exposure	22,574,875	\$ 61,176	67,174	5,998
Short exposure	(731,603)	(35,236)	(34,772)	464
Total exposure		\$ 25,940	32,402	6,462

(Continued)

## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

Description	Number of contracts	2022		
		Gross notional amount	Fair value of contracts	Unrealized appreciation (depreciation)
Long exposure	21,677,450	\$ 85,327	82,381	(2,946)
Short exposure	(1,283,209)	(44,548)	(39,198)	5,350
Total exposure		\$ 40,779	43,183	2,404

For the years ended June 30, 2023 and 2022, the change in net unrealized appreciation (depreciation) on contracts for differences was \$4,058 and \$523, respectively.

**(b) Foreign Currency Exchange Contracts**

A foreign currency exchange contract is an agreement between two parties to buy or sell a fixed quantity of currency at a set price on a future date. The PRIT Fund may enter into foreign currency exchange contracts to hedge its exposure to the effect of changes in foreign currency exchange rates upon its non-U.S. dollar-denominated investments. The fair value of such contracts will fluctuate with changes in currency exchange rates. The contracts are valued daily, and the changes in fair value are recorded by the PRIT Fund as unrealized gains or losses. When the contract is closed, the PRIT Fund records a realized gain or loss equal to the difference between the cost of the contract at the time it was opened and the value at the time it was closed.

(Continued)



## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

Foreign currency exchange contracts open at June 30 (in U.S. dollars) were as follows:

	Fair value	Aggregate face value	2023	Unrealized appreciation	Unrealized depreciation
			Delivery date(s)		
Foreign currency exchange contracts purchased:					
Brazilian Real	\$ 395,160	\$ 387,779	7/3/23–1/3/24	\$ —	(7,381)
British Pound	607,159	598,869	7/3/23–12/20/23	—	(8,290)
Chinese Yuan	1,405,171	1,452,059	7/3/23–12/18/24	46,888	—
Euro	1,077,736	1,070,613	7/3/23–12/20/23	—	(7,123)
Hong Kong Dollar	1,809,682	1,812,910	7/3/23–12/18/24	3,228	—
Indian Rupee	524,328	518,500	7/3/23–8/1/24	—	(5,828)
Japanese Yen	1,143,657	1,178,969	7/3/23–6/18/25	35,312	—
Philippines Peso	246,612	243,568	7/3/23–9/20/24	—	(3,044)
Singapore Dollar	1,499,152	1,503,561	7/3/23–6/26/24	4,409	—
South Korean Won	508,037	513,625	7/3/23–6/21/24	5,588	—
Other foreign currencies	1,350,125	1,354,742	7/3/23–2/29/24	9,113	(4,496)
Foreign currency exchange contracts sold:					
Brazilian Real	343,571	341,455	7/3/23–9/20/23	2,116	—
British Pound	315,204	312,784	7/3/23–12/20/23	2,420	—
Chinese Yuan	1,425,204	1,472,889	7/3/23–12/18/24	—	(47,685)
Hong Kong Dollar	1,435,718	1,438,594	7/3/23–12/18/24	—	(2,876)
Indian Rupee	661,062	654,995	7/3/23–6/6/24	6,067	—
Japanese Yen	844,303	869,524	7/3/23–6/18/25	—	(25,221)
Mexican Peso	121,697	119,010	7/3/23–9/20/23	2,687	—
New Taiwan Dollar	211,576	214,308	7/3/23–2/7/24	—	(2,732)
Singapore Dollar	1,408,799	1,418,989	7/3/23–3/18/24	—	(10,190)
South Korean Won	406,584	420,540	7/3/23–6/21/24	—	(13,956)
Other foreign currencies	1,695,605	1,694,628	7/3/23–9/20/24	6,508	(5,531)
Total				\$ 124,336	(144,353)

(Continued)

## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

	2022				
	Fair value	Aggregate face value	Delivery date(s)	Unrealized appreciation	Unrealized depreciation
Foreign currency exchange contracts purchased:					
Australian Dollar	\$ 122,589	\$ 125,995	7/1/22–3/15/23	\$ 3,406	—
Brazilian Real	170,398	173,102	7/1/22–3/30/23	2,704	—
Chilean Peso	20,491	22,887	9/21/22	2,396	—
British Pound	700,800	715,032	7/1/22–3/15/23	14,232	—
Chinese Yuan	1,231,776	1,247,559	7/5/22–6/21/23	15,783	—
Euro	841,136	854,022	7/1/22–4/5/23	12,886	—
Israeli Shekel	107,118	111,211	7/1/22–5/3/23	4,093	—
Indian Rupee	284,605	288,796	7/5/22–6/26/23	4,191	—
Japanese Yen	379,939	410,715	7/1/22–5/23/23	30,776	—
New Taiwan Dollar	130,266	132,928	7/1/22–2/7/24	2,662	—
Philippines Peso	358,675	373,030	7/1/22–4/12/23	14,355	—
Singapore Dollar	488,427	496,346	7/1/22–9/25/23	7,919	—
South Korean Won	172,623	180,806	7/5/22–8/10/23	8,183	—
Other foreign currencies	1,874,911	1,884,878	7/1/22–6/21/23	10,983	(1,016)
Foreign currency exchange contracts sold:					
Australian Dollar	104,407	106,791	7/1/22–12/21/22	—	(2,384)
Brazilian Real	125,486	132,049	7/1/22–11/9/22	—	(6,563)
Chilean Peso	34,229	37,885	9/21/22	—	(3,656)
Chinese Yuan	1,125,990	1,142,410	7/5/22–6/21/23	—	(16,420)
Euro	496,264	499,751	7/1/22–4/5/23	—	(3,487)
Indian Rupee	328,091	332,754	7/5/22–3/20/24	—	(4,663)
Japanese Yen	193,214	196,299	7/1/22–5/23/23	—	(3,085)
New Taiwan Dollar	74,236	76,889	7/1/22–2/7/24	—	(2,653)
Philippines Peso	331,016	344,178	7/1/22–3/22/23	—	(13,162)
Singapore Dollar	665,745	670,881	7/1/22–9/25/23	—	(5,136)
South African Rand	149,973	154,205	7/5/22–5/31/23	—	(4,232)
Other foreign currencies	2,300,675	2,315,587	7/1/22–8/10/23	408	(15,320)
Total				\$ 134,977	(81,777)

For the years ended June 30, 2023 and 2022, the change in net unrealized (depreciation) appreciation on foreign currency exchange contracts was \$(73,217) and \$52,312, respectively.

**(c) Futures Contracts**

The PRIT Fund enters into financial and commodity futures on various exchanges. A futures contract is an agreement between two parties to buy or sell units of a particular index, security, or commodity at a set price on a future date. Upon entering into financial and commodity futures contracts, the PRIT Fund is required to pledge to the broker an amount of cash or securities equal to a certain percentage of the contract amount (initial margin deposit). Pursuant to the contract, the PRIT Fund agrees to receive from, or pay to, the broker an amount of cash equal to the daily fluctuation in value

(Continued)

## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

of the contract. Such receipts or payments are known as “variation margin” and are recorded by the PRIT Fund as unrealized gains or losses. When the contract is closed, the PRIT Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. The potential risk to the PRIT Fund is that the change in value of futures contracts primarily corresponds with the value of underlying instruments, which may not correspond to the change in value of the hedged instruments. The PRIT Fund is also subject to credit risk should its clearing brokers be unable to meet their obligations to the PRIT Fund.

Futures contracts held at June 30 were as follows:

Description	Number of contracts	Expiration dates (month/year)	2023		
			Gross notional amount	Fair value of contracts	Unrealized appreciation (depreciation)
Short cash and cash equivalents:					
3-Month SOFR	(1,643)	9/24-6/26	\$ (393,694)	(391,541)	2,153
Other short cash and cash equivalents	(1,990)	7/23-3/26	(619,628)	(619,904)	(276)
Long cash and cash equivalents:					
USD/CNH	804	9/23	79,950	81,341	1,391
Other long cash and cash equivalents	4,007	8/23-9/26	976,223	975,552	(671)
Short fixed income:					
US 5-Yr Treasury Notes	(604)	9/23	(64,685)	(63,658)	1,027
US 10-Yr Treasury Notes	(1,102)	9/23	(124,549)	(122,759)	1,790
Ultra US 10-Yr Treasury Notes	(1,488)	9/23	(176,239)	(174,128)	2,111
Other short fixed income	(1,910)	9/23-12/23	(258,963)	(258,792)	171
Long fixed income:					
US 2-Yr Treasury Notes	1,865	9/23	381,330	377,406	(3,924)
US 5-Yr Treasury Notes	3,252	9/23	354,461	348,214	(6,247)
Other long fixed income	4,731	7/23-9/23	591,489	590,345	(1,144)
Short equity and commodities:					
Agriculture	(476)	8/23-12/23	(21,959)	(21,020)	939
Metal	(1,021)	7/23-10/23	(71,325)	(67,952)	3,373
Oil and gas	(476)	7/23-8/23	(18,247)	(19,602)	(1,355)
Other short equity and commodities	(6,957)	7/23-12/23	(106,768)	(107,712)	(944)
Long equity and commodities:					
Agriculture	1,419	8/23-12/23	57,781	56,638	(1,143)
Metal	885	7/23-10/23	64,297	62,490	(1,807)
EURO STOXX 50 Index	1,343	9/23	64,084	65,156	1,072
KOSPI 200 Index	245	9/23	16,633	15,828	(805)
MSCI EAFE Index	1,860	9/23	198,881	200,462	1,581
MSCI Emerging Markets Index	2,567	9/23	129,624	128,080	(1,544)
Nasdaq 100 E-mini Index	98	9/23	30,061	31,129	1,068
Nikkei 225 Mini	1,915	9/23	43,948	44,890	942
S&P 500 E-mini Index	538	9/23	117,204	120,734	3,530
S&P Midcap 400 E-mini Index	187	9/23	48,373	49,711	1,338
S&P/TSX 60 Index	246	9/23	44,346	45,418	1,072
Other long equity and commodities	3,214	7/23-12/23	267,769	268,251	482
Total futures exposure			\$ 1,610,397	1,614,577	4,180

(Continued)

## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

Description	Number of contracts	Expiration dates (month/year)	2022		
			Gross notional amount	Fair value of contracts	Unrealized appreciation (depreciation)
Short cash and cash equivalents:					
Euro FX currency	(315)	9/22	\$ (41,493)	(40,495)	998
90-Day Eurodollar	(871)	12/22-9/25	(210,967)	(211,768)	(801)
Other short cash and cash equivalents	(2,789)	7/22-3/25	(692,477)	(692,342)	135
Long cash and cash equivalents:					
3-Month Euribor	837	12/23-6/24	214,620	215,531	911
Euro FX currency	288	9/22	38,881	37,937	(944)
Other long cash and cash equivalents	2,853	6/22-12/24	512,517	510,986	(1,531)
Short fixed income:					
Australian 3-Yr Treasury Bond	(1,255)	9/22	(92,738)	(93,912)	(1,174)
Euro-BOBL	(174)	9/22	(23,511)	(22,591)	920
Euro-BUND	(193)	9/22	(31,393)	(30,020)	1,373
US 2-Yr Treasury Notes	(2,818)	9/22	(591,839)	(589,455)	2,384
US 5-Yr Treasury Notes	(2,487)	9/22	(279,124)	(277,331)	1,793
US 10-Yr Treasury Notes	(2,124)	9/22	(251,731)	(248,930)	2,801
Other short fixed income	(2,283)	8/22-3/24	(368,929)	(368,742)	187
Long fixed income:					
Euro-BTP	169	9/22	22,945	21,753	(1,192)
US 2-Yr Treasury Notes	746	9/22	157,380	156,586	(794)
US 10-Yr Treasury Notes	1,738	9/22	207,165	206,007	(1,158)
Ultra US 10-Yr Treasury Notes	527	9/22	67,879	67,127	(752)
Ultra US Treasury Bond	633	9/22	98,494	97,723	(771)
Other long fixed income	5,335	8/22-3/23	623,958	625,141	1,183
Short equity and commodities:					
Metal	(323)	7/22-10/22	(31,924)	(28,718)	3,206
Other short equity and commodities	(1,626)	6/22-10/22	(77,804)	(76,131)	1,673
Long equity and commodities:					
Agriculture	585	7/22-12/22	29,022	28,001	(1,021)
Metal	248	7/22-9/22	26,174	21,843	(4,331)
Oil and gas	343	7/22-11/22	34,637	30,562	(4,075)
MSCI EAFE Index	1,949	9/22	183,940	180,926	(3,014)
MSCI Emerging Markets Index	2,807	9/22	142,025	140,729	(1,296)
Russell 2000 Mini Index	412	9/22	36,836	35,185	(1,651)
S&P 500 E-mini Index	3,621	9/22	680,258	686,089	5,831
S&P Midcap 400 E-mini Index	154	9/22	36,650	34,927	(1,723)
S&P/TSX 60 Index	227	9/22	42,802	40,210	(2,592)
TOPIX Index	219	8/22-9/22	32,003	30,057	(1,946)
Other long equity and commodities	3,872	7/22-12/22	145,509	143,563	(1,946)
Total futures exposure			\$ 639,765	630,448	(9,317)

For the years ended June 30, 2023 and 2022, the change in net unrealized appreciation (depreciation) on futures contracts was \$13,497 and \$(1,376), respectively.

(Continued)

## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

**(d) Swaps**

The PRIT Fund enters into swap agreements to gain exposure to certain markets and actively hedge other exposures to market and credit risks. The PRIT Fund utilizes interest rate, credit default, currency, inflation, and total return swaps within the portfolio. The PRIT Fund's OTC swap agreements are recorded at fair value as estimated by the PRIM Board. These estimated fair values are determined in good faith by using information from the PRIT Fund's investment managers, including methods and assumptions considering market conditions and risks existing at the date of the statements of pooled net position. Such methods and assumptions incorporate standard valuation conventions and techniques, such as discounted cash flow analysis and option pricing models. All methods utilized to estimate fair values result only in general approximations of value, and such values may or may not actually be realized.

Upon entering into centrally cleared swap contracts, the PRIT Fund is required to deposit an initial margin with the broker an amount of cash or securities. Pursuant to the contract, the PRIT Fund agrees to receive from, or pay to, the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as "variation margin" and are recorded by the PRIT Fund as unrealized gains or losses. Payments received from or paid to the counterparty, including at termination, are recorded by the PRIT fund as realized gains or losses.

Open swap contracts at June 30 were as follows:

	2023				
	PRIT pays/receives interest rate	PRIT pays/receives index/ protection	Maturity dates (month/year)	Gross notional amount	Net unrealized appreciation (depreciation)
Interest rate swaps	0.00%–13.65%	Various*	7/23-6/58	\$ 24,933,900	65,877
Credit default swaps	0.11%–16.20%	Credit default protection	7/23-12/72	3,223,985	(145,782)
Total return and other swaps	Variable	Various*	7/23-6/53	341,747	8,102
Total swaps				\$ 28,499,632	(71,803)

\* PRIT pays/receives counterparty based on 1-Week CNY, 1-Month JIBAR, 1-Month USD LIBOR, 1-Month WIBOR, 3-Month AUD Fixing Rate, 3-Month EURIBOR, 3-Month HKD, 3-Month KRW CD Rate, 3-Month MYR, 3-Month NZD Bank Bill, 3-Month NZD Fixing Rate, 3-Month TWD TWCPBA, 3-Month USD LIBOR, 6-Month AUD Fixing Rate, 6-Month EURIBOR, 6-Month PRIBOR, 6-Month WIBOR, AUD O/N OIS Rate, Brazil CDI rate, CORRA, CPI inflation rate, Effective Federal Funds Rate, ESTRON Index, Eurozone HICP rate, INR OIS ON, JPY ON, Mexican TIE rate, OBFR, SIBCSORA, SOFR, SONIA, SORA, TELBOR, TONA, THB ON Repo Rate, US CPI Urban Consumers NSA Index.

(Continued)

## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

	2022				
	PRIT pays/receives interest rate	PRIT pays/receives index/ protection	Maturity dates (month/year)	Gross notional amount	Net unrealized appreciation (depreciation)
Interest rate swaps	0.45%–13.54%	Various*	7/22-6/57	\$ 27,118,880	57,637
Credit default swaps	0.11%–16.20%	Credit default protection	7/22-12/72	4,018,177	(126,939)
Total return and other swaps	Variable	Various*	7/22-6/52	413,860	(21,458)
Total swaps				\$ 31,550,917	(90,760)

\* PRIT pays/receives counterparty based on 1-Week CNY, 1-Month AUD Fixing Rate, 1-Month HKD, 1-Month USD LIBOR, 3-Month AUD Fixing Rate, 3-Month CDOR, 3-Month HKD, 3-Month JIBAR, 3-Month JPY DTIBOR, 3-Month KRW CD Rate, 3-Month MYR, 3-Month NZD Bank Bill, 3-Month NZD Fixing Rate, 3-Month PRIBOR, 3-Month TELBOR, 3-Month TWD TWPBA, 3-Month USD LIBOR, 3-Month WIBOR, 6-Month AUD Fixing Rate, 6-Month BUBOR, 6-Month Euribor, 6-Month JPY LIBOR, 6-Month PRIBOR, 6-Month SGD, 6-Month WIBOR, AUD O/N OIS Rate, Brazil CDI rate, CPI inflation rate, Euro short-term rate, Eurozone HICP rate, INR OIS ON, JPY ON, Mexican TIIE rate, MIBOR, NZD ON OIS Rate, NZDOND, SOFR, SONIA, SORA, THB ON Repo Rate, UK RPI rate, USD FED Fund rate.

For the years ended June 30, 2023 and 2022, the change in net unrealized appreciation (depreciation) on swap contracts was \$18,957 and \$(7,008), respectively.

The PRIT Fund's exposures in the event of nonperformance by counterparties at June 30 were as follows:

Counterparty	Credit rating	2023					
		Interest rate swaps		Credit default swaps		Total return and other swaps	
		Gross notional	Fair value	Gross notional	Fair value	Gross notional	Fair value
Bank of America NA	A+	\$ —	—	7,423	(1,364)	150	(73)
Barclays Bank PLC	A+	—	—	590,398	(5,104)	699	(96)
BNP Paribas SA	A+	43,119	—	86,085	(38,461)	—	—
Goldman Sachs & Co	A+	695,514	65,096	1,885,784	(29,460)	—	—
Goldman Sachs International	A+	—	—	93,572	(12,729)	1,454	153
JPMorgan Chase Bank NA	A+	273,187	(7,740)	19,005	(6,577)	221,036	8,873
JP Morgan Securities	A+	22,216,016	(2,518)	92,186	(8,950)	13,239	713
LCH Ltd	AA-	815,893	(6,299)	—	—	59,874	(28)
Morgan Stanley & Co LLC	A+	—	—	158,573	(21,724)	8,022	(213)
Morgan Stanley Capital Services	A+	—	—	144,669	(22,286)	—	—
SMBC Capital Markets Inc.	A+	250,000	16,551	—	—	—	—
All others	Various	640,171	787	146,290	873	37,273	(1,227)
		\$ 24,933,900	65,877	3,223,985	(145,782)	341,747	8,102

(Continued)

## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

Counterparty	Credit rating	2022					
		Interest rate swaps		Credit default swaps		Total return and other swaps	
		Gross notional	Fair value	Gross notional	Fair value	Gross notional	Fair value
Barclays Bank PLC	A	\$ 65,406	331	616,832	2,285	—	—
BNP Paribas SA	A+	—	—	40,963	(23,534)	—	—
CME Group	AA-	148,902	(6,094)	—	—	—	—
Goldman Sachs & Co	A+	686,689	46,530	2,634,224	(10,925)	—	—
Goldman Sachs International	A+	—	—	97,459	(17,951)	25,524	375
Intercontinental Exchange	A-	—	—	112,104	(3,654)	—	—
JMP Securities LLC	A+	—	—	49,527	(17,979)	—	—
JPMorgan Chase Bank NA	A+	317,506	18,490	54,557	(13,579)	269,137	(18,298)
JP Morgan Securities LLC	A+	24,461,829	(8,060)	62,239	4,951	1,531	(39)
LCH Ltd	AA-	198,982	(2,448)	—	—	90,425	(644)
Morgan Stanley & Co Intl PLC	A+	20,011	451	91,580	(22,181)	415	(29)
Morgan Stanley Capital Services	A+	—	—	203,155	(24,796)	12,500	178
SMBC Capital Markets Inc.	A+	250,000	6,640	—	—	—	—
All others	Various	969,555	1,797	55,537	424	14,328	(3,001)
		<u>\$ 27,118,880</u>	<u>57,637</u>	<u>4,018,177</u>	<u>(126,939)</u>	<u>413,860</u>	<u>(21,458)</u>

**(8) Investment Management and Other Management Fees**

In accordance with the PRIM Board's Operating Trust Agreement, expenses incurred by the PRIM Board in managing the PRIT Fund are charged to the PRIT Fund in the form of management fees. These expenses consist of investment management fees, investment advisory fees, custodian fees and professional fees, as well as staff salaries and other administrative expenses of the PRIM Board.

**(a) Investment Management Fees**

Investment management fees are paid to discretionary managers pursuant to executed contracts. Total investment management fees were \$172,885 and \$257,331 for the years ended June 30, 2023 and 2022, respectively, of which \$94,287 and \$183,403 were incurred by the PRIM Board for the years ended June 30, 2023 and 2022, respectively. The remaining investment management fees were incurred by the single-member limited liability corporations that are consolidated into the PRIT Fund.

All domestic, international, and emerging market equity managers are paid a base fee calculated as a percentage of either current net position under management or an agreed-upon funded amount, typically equal to the amount of original and subsequent funding. In certain cases, this is subject to periodic revision. Base fees are paid quarterly. In addition, some active (nonindexed) equity managers are eligible to receive a performance fee.

(Continued)

## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

Fixed income managers are generally paid a quarterly asset-based fee. Certain managers are eligible for a performance fee.

Fees for private equity investments are typically a percentage of committed capital with the fee percentage decreasing over time. In addition, the general partners (investment managers) of private equity limited partnerships are allocated additional profit, known as carried interests, based on the net gains generally above a specified hurdle rate, on realized partnership investments.

The LLC's investment management fees generally consist of a base fee and a performance fee. Base fees are calculated and paid monthly. Performance fees are paid to managers who out-perform their respective hurdle rates, as defined in the investment management agreements.

Timberland investment management fees consist of a base fee and a performance fee component and are calculated and paid similar to the LLC's investment management fees.

Hedge fund-of-funds investment managers are paid base fees, which are calculated and paid quarterly.

Fees for portfolio completion strategies investments generally consist of a base fee and a performance fee based on return.

The majority of investment management fees for private equity and private debt investments are charged by the general partners to the investment partnerships and not to the limited partner investors directly. Investment management fees for portfolio completion strategies investments and commingled account investments are charged to the respective investments. Most base investment management fees for investments in real estate properties and timberland are charged against the respective investments. Therefore, the fair values of these investments are reported net of investment management fees and these investment management fees are not included in the accompanying statements of changes in pooled net position.

**(b) Investment Advisory Fees**

NEPC, LLC, Meketa Investment Group, Aberdeen Asset Management Inc., Hamilton Lane, International Woodland Company, and NewAlpha Asset Management served as the PRIM Board's principal investment advisors as of fiscal year end 2023. NEPC, LLC served as the asset allocation advisor, Meketa Investment Group served as the public markets advisor, Aberdeen Asset Management Inc. and NewAlpha Asset Management provided portfolio completion strategies advisory services, Hamilton Lane served as the private equity advisor, and International Woodland Company provided timberland advisory services. These investment advisors, among others,

(Continued)



## Notes to Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

provided the PRIM Board with comprehensive investment advisory services, including recommendations on asset allocation, selection of investment managers, and the monitoring of performance of the PRIT Fund and its individual investment managers.

For the years ended June 30, 2023 and 2022, investment advisory fees were \$14,433 and \$15,059, respectively, which are included in investment management and other management fees in the accompanying statements of changes in pooled net position.

**(c) Custodian Fees**

BNY Mellon is the investment custodian and record keeper for the PRIT Fund. BNY Mellon records all daily transactions, including investment purchases and sales, investment income, expenses, and all participant activity for the PRIT Fund. BNY Mellon also provides portfolio performance analysis each month for the PRIT Fund.

For the years ended June 30, 2023 and 2022, custodian fees were \$935 and \$936, respectively, and are included in investment management and other management fees in the accompanying statements of changes in pooled net position.

**(d) Other Administrative Fees**

For the years ended June 30, 2023 and 2022, other administrative expenses of the PRIM Board, including employee compensation, professional fees and occupancy costs, charged to the PRIT Fund totaled \$25,246 and \$22,603, respectively, which are included in investment management and other management fees in the accompanying statements of changes in pooled net position.

**(9) Commitments**

As of June 30, 2023 and 2022, the PRIT Fund had outstanding unfunded commitments to invest \$8,357,583 and \$8,449,398, respectively, in private debt, other credit opportunities, private equity, portfolio completion strategies, and real estate investments.

**(10) Subsequent Events**

For purposes of determining the effects of subsequent events on the financial statements, management has evaluated subsequent events after June 30, 2023 through November 30, 2023, the date on which the financial statements were available to be issued.

## Schedule of Pooled Net Position – Capital Fund and Cash Fund

June 30, 2023

(Dollars in thousands)

	Capital Fund	Cash Fund	Total
Assets:			
Investments, at fair value:			
Short-term	\$ 1,179,589	60,160	1,239,749
Fixed income	20,656,079	—	20,656,079
Equity	36,843,256	—	36,843,256
Timberland	2,985,666	—	2,985,666
Private equity funds	16,619,860	—	16,619,860
Real estate:			
Real estate properties	10,199,278	—	10,199,278
Equity	1,033,887	—	1,033,887
Real estate funds	804,345	—	804,345
Other	139,964	—	139,964
Total real estate	12,177,474	—	12,177,474
Portfolio completion strategies:			
Investment funds	2,535,853	—	2,535,853
Equity	2,162,794	—	2,162,794
Fixed income	3,326,993	—	3,326,993
Cash and cash equivalents	1,278,224	—	1,278,224
Agricultural investments	556,053	—	556,053
Total portfolio completion strategies	9,859,917	—	9,859,917
Total investments	100,321,841	60,160	100,382,001
Cash	160,429	491	160,920
Securities lending collateral	87,748	—	87,748
Interest and dividends receivable	264,218	989	265,207
Receivable for investments sold and other assets	1,060,613	—	1,060,613
Securities sold on a when-issued basis	405,644	—	405,644
Foreign currency forward contracts	124,336	—	124,336
Total assets	102,424,829	61,640	102,486,469
Liabilities:			
Securities sold short and other liabilities, at fair value:			
Portfolio completion strategies liabilities	1,711,213	—	1,711,213
Fixed income	13,603	—	13,603
Total securities sold short and other liabilities	1,724,816	—	1,724,816
Payable for investments purchased and other liabilities	1,315,309	—	1,315,309
Real estate debt and other liabilities	804,256	—	804,256
Securities lending obligations	841,326	—	841,326
Securities purchased on a when-issued basis	1,041,180	—	1,041,180
Foreign currency forward contracts	144,353	—	144,353
Management fees payable to PRIM	53,812	—	53,812
Total liabilities	5,925,052	—	5,925,052
Net position held in trust for pool participants	\$ 96,499,777	61,640	96,561,417

See accompanying independent auditors' report.

## Schedule of Changes in Pooled Net Position – Capital Fund and Cash Fund

Year ended June 30, 2023

(Dollars in thousands)

	Capital Fund	Cash Fund	Total
Additions:			
Contributions:			
State employees	\$ —	862,503	862,503
State teachers	—	1,097,164	1,097,164
Other participants	—	1,509,833	1,509,833
Total contributions	—	3,469,500	3,469,500
Net investment income (loss):			
From investment activities:			
Net realized gain on investments and foreign currency transactions	791,567	—	791,567
Net change in unrealized appreciation on investments and foreign currency translations	2,190,587	—	2,190,587
Interest	607,129	9,436	616,565
Dividends	951,652	—	951,652
Timberland	36,364	—	36,364
Private equity	83,568	—	83,568
Portfolio completion strategies	261,562	—	261,562
Real estate:			
Income	627,416	—	627,416
Expenses	(213,122)	—	(213,122)
Total real estate	414,294	—	414,294
Income from investment activities	5,336,723	9,436	5,346,159
Investment management and other management fees	(213,499)	—	(213,499)
Net income from investment activities	5,123,224	9,436	5,132,660
From securities lending activities:			
Securities lending income	6,609	—	6,609
Securities lending expenses	(21,017)	—	(21,017)
Net loss from securities lending activities	(14,408)	—	(14,408)
Total net investment income	5,108,816	9,436	5,118,252
Total additions	5,108,816	3,478,936	8,587,752
Deductions:			
Redemptions:			
State employees	—	1,513,900	1,513,900
State teachers	—	1,422,089	1,422,089
Other participants	—	1,519,401	1,519,401
Total deductions	—	4,455,390	4,455,390
Interfund transfers (out) in, net	(869,398)	869,398	—
Net increase (decrease) in pooled net position	4,239,418	(107,056)	4,132,362
Net position held in trust for pool participants:			
Balance, beginning of year	92,260,359	168,696	92,429,055
Balance, end of year	\$ 96,499,777	61,640	96,561,417

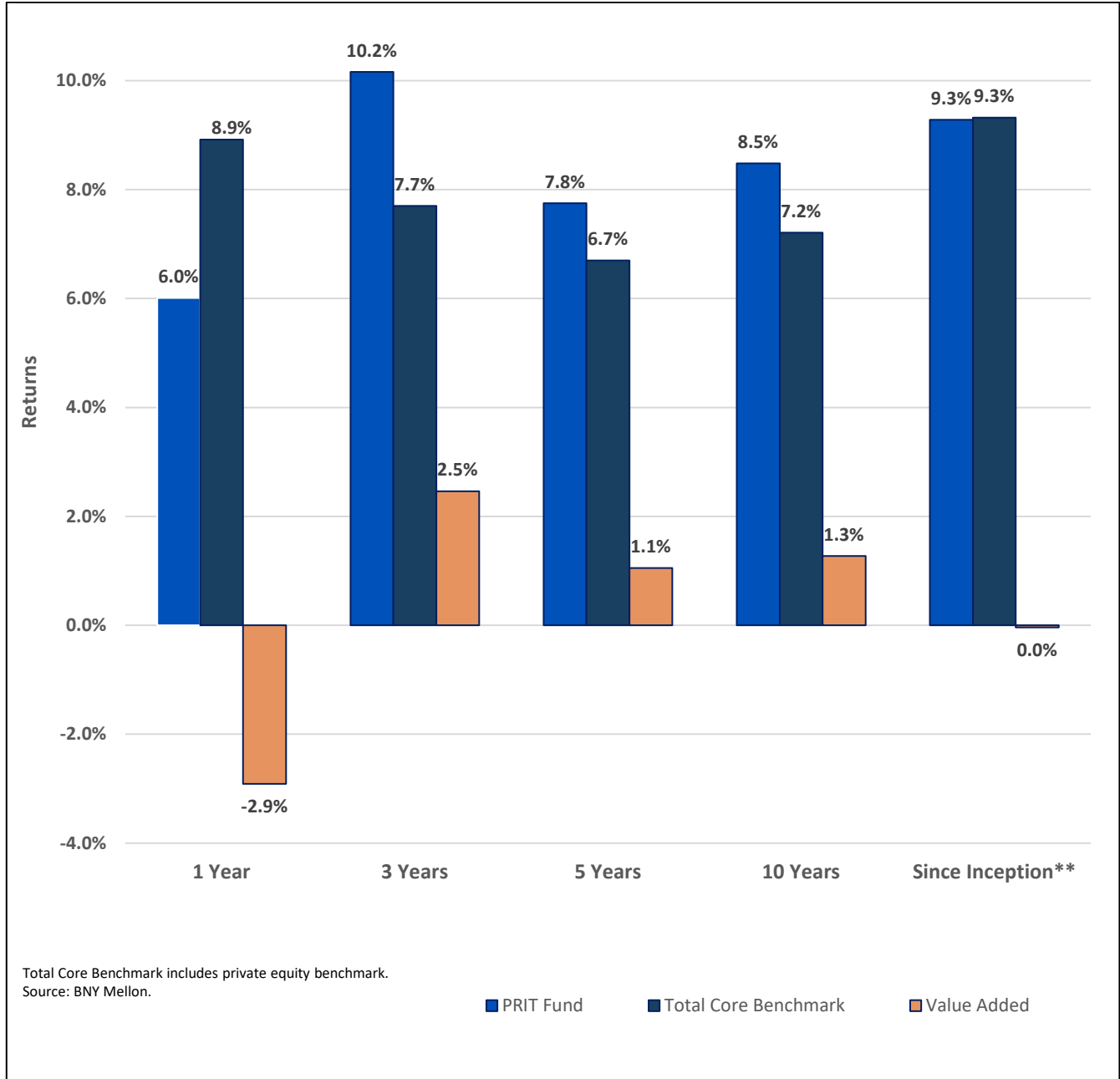
See accompanying independent auditors' report.

## *Investment Section*



## Total PRIT Fund Performance Summary\*

For the periods ended June 30, 2023



\* Gross of Fees. Total PRIT Fund includes the Core Fund and Cash Fund. Returns are annualized and calculated based on a time-weighted rate of return methodology.

\*\* Performance inception date of January 1, 1985

## Investment Strategy Overview

The PRIT Fund was formed in December 1983 with a mandate to accumulate assets through investment earnings to reduce the Commonwealth of Massachusetts' unfunded pension liability and, further on, to assist local participating retirement systems in meeting their future pension obligations. The PRIM Board is charged with the general oversight of the PRIT Fund. The PRIM Board seeks to maximize the return on investments within acceptable levels of risk and cost for a public pension fund, by broadly diversifying its investment portfolio, capitalizing on economies of scale to achieve cost-effective operations, and gaining access to high quality, innovative investment management firms, all under the management of a professional staff and members of the PRIM Board. The PRIM Board's overall investment performance goal is to achieve an annual rate of return that exceeds the targeted actuarial rate of return used in determining the Commonwealth of Massachusetts' pension obligations (currently 7.0%). A summary of other investment objectives is provided in the Investment Policy Statement at the end of this section.

The PRIM Board employs professional investment managers to manage the PRIT Fund's assets. The PRIT Fund had approximately \$96.6 billion in assets under management at June 30, 2023. Each investment manager operates within guidelines that are established by the PRIM Board and are delineated in a detailed investment management agreement or partnership agreement.

The PRIT Fund's net investment portfolio fair values reported in this section and used as a basis for calculating investment returns differ from those shown in the Financial Section and the Financial Highlights in the Statistical Section of this report. The values used in this section are the appropriate industry standard basis for investment return calculations and are net of all investment receivables and payables. Unless otherwise noted, all return information provided is gross of fees. In addition, "PRIT Core" return information refers to returns for the PRIT Capital Fund. PRIT Core return information excludes the impact of the Cash Fund on the total PRIT Fund return.

## Asset Allocation and Diversification Discussion

The Investment Policy Statement adopted by the PRIM Board in September 1998 with subsequent updates, most recently in February 2023, states that over the long-term, asset allocation is the single greatest contributor of return and risk to the PRIT Fund. At reasonable intervals of not more than three to five years, the PRIM Board will complete a comprehensive review of its Asset Allocation Plan and its underlying assumptions, including: the Commonwealth's current and projected pension assets and liabilities; long-term capital markets rate of return assumptions; and the PRIM Board's risk tolerances. The PRIM Board shall examine the Asset Allocation Plan annually and shall consider adjustments to the Plan as may be appropriate given the Plan's long-term nature and objectives.

The PRIM Board approved the current Asset Allocation Plan on February 16, 2023, as follows:

Asset Class	6/30/2023 Allocation % (3)	Target Range % (1)
Global Equity	39.3	32 - 42
Core Fixed Income	13.3	12 - 18
Value-Added Fixed Income	7.1	5 - 11
Real Estate	10.9	7 - 13
Private Equity	17.4	13 - 19
Timberland	3.1	1 - 7
Portfolio Completion Strategies	8.4	7 - 13
Overlay (2)	0.5	-

(1) Asset Allocation Plan approved February 16, 2023.

(2) This asset class does not have target range % because it's not a component of the long-term policy target asset allocation.

(3) Totals may not add due to rounding.

In addition to asset allocation, the PRIM Board seeks to diversify the PRIT Fund through a complementary diversification of investment styles within various asset classes. The PRIM Board requires detailed investment guidelines with each investment manager to ensure portfolios are managed with appropriate diversification and risk control.

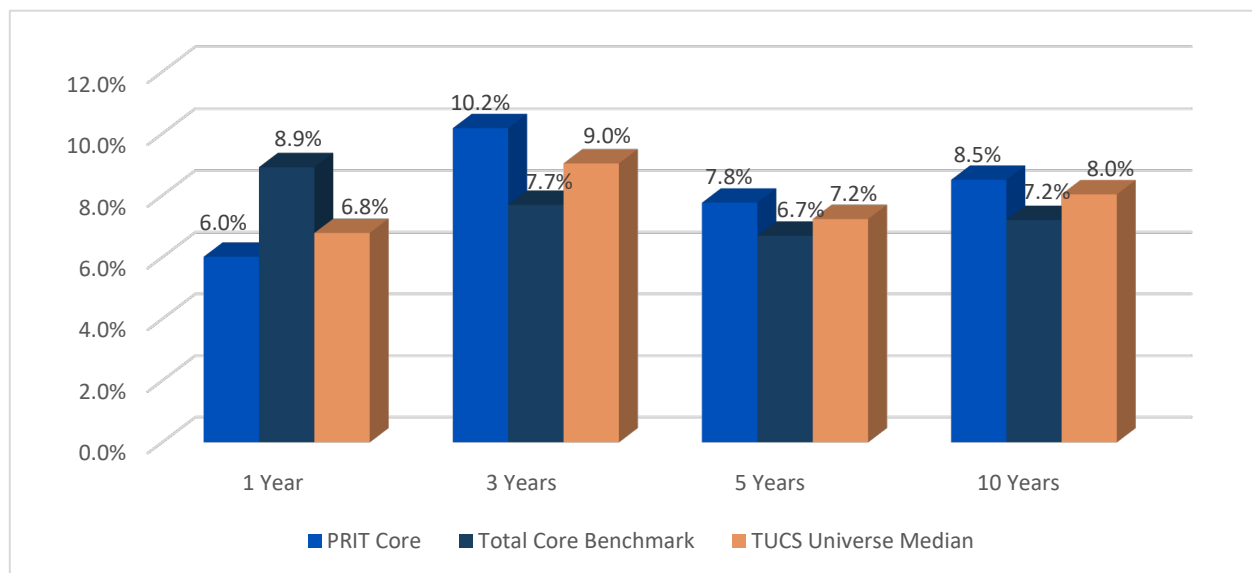
### Income and Expense Allocation

Income earned and expenses incurred in each investment account are allocated to retirement systems based on each individual retirement system's share of ownership in each investment account. Expenses are classified in three categories for purposes of allocation to retirement systems: 1) investment management fees, 2) investment advisory fees, and 3) operational fees. Investment management fees are those directly associated with the investment management of a certain account. Investment advisory fees are fees that are either directly associated with an individual asset class, or, for general advisors, are allocated pro-rata based on net asset values of each asset class. Operational fees are custodian and other administrative expenses incurred by the PRIM Board in managing the PRIT Fund and are allocated pro-rata based on net asset values of each asset class.



**PRIT Core Performance: Fiscal Year 2023**

Returns are calculated based on a time-weighted rate of return methodology. PRIT Core Returns (gross of fees) and benchmarks for the periods ended June 30, 2023:



In the fiscal year 2023, the PRIT Core Fund returned 6.02% compared to the Total Core benchmark return of 8.92%. The PRIT Fund began fiscal year 2023 with net position of \$92.4 billion and ended with \$96.6 billion. On a gross basis the fund increased \$4.1 billion, which is the result of \$5.1 billion in net investment income along with \$985.9 million in net redemptions from the State Employees, State Teachers' and Participant accounts.

The quarterly returns of the PRIT Core Fund in fiscal year 2023 were as follows:

- -4.58% for September 30, 2022 – versus a benchmark return of -2.70%.
- 4.15% for December 31, 2022 – versus a benchmark return of 4.98%.
- 3.74% for March 31, 2023 – versus a benchmark return of 3.87%.
- 2.84% for June 30, 2023 – versus a benchmark return of 2.66%.

The PRIT Fund seeks to outperform its three benchmarks in both up and down markets. In order of priority, these benchmarks are as follows: 1) beating the actuarial rate of return assumption (currently 7.00%); 2) exceeding the long-term Total Core Benchmark, which measures how well the PRIT Fund has implemented its asset allocation; and 3) achieving top quartile rankings in the Wilshire Trust Universe Comparison Service (TUCS) report, which measures the PRIT Fund's investment performance against its peers nationwide. Through June 30, 2023, the PRIT Core Fund returned 9.24% since inception, outperforming the actuarial rate of return of 7.00% by 224 basis points. The PRIT Core Fund outperforms its benchmark over the three-year, five-year, and ten-year periods. According to the TUCS ranking, the PRIT Fund's performance ranked in the top quartile of all U.S. Public Pension Funds over \$25 billion in size for the three-year period ending June 30, 2023.

## Management Costs

Expenses incurred by the PRIM Board in managing the PRIT Fund are charged to the PRIT Fund. These expenses consist of investment management fees, advisory fees, custodian fees, professional fees, salaries, and administrative expenses of the PRIM Board.

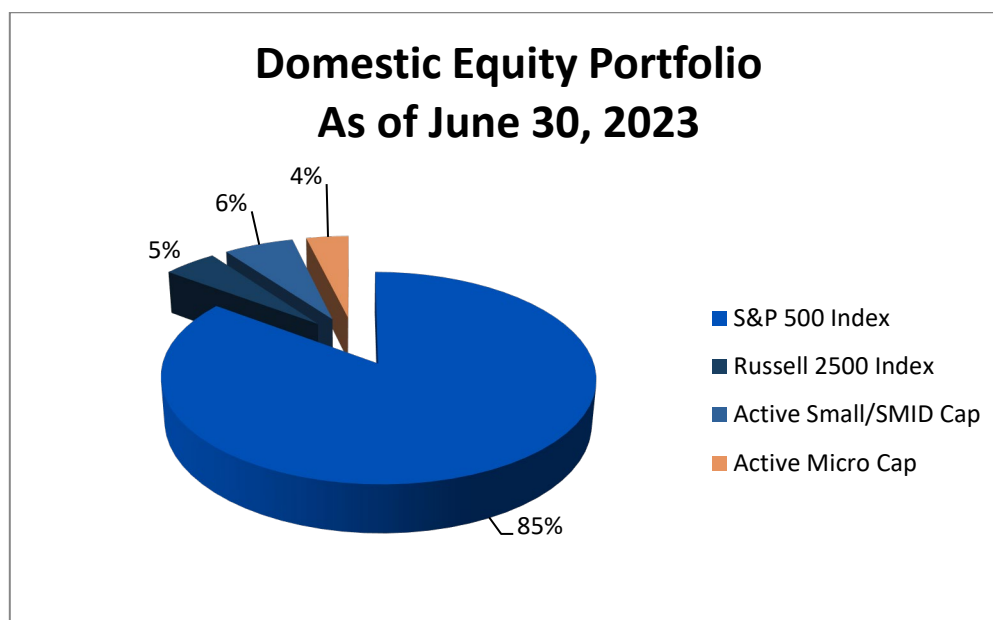
The PRIM Board tracks two types of fees: 1) direct fees and 2) indirect fees. Direct fees are fees the PRIM Board pays directly to vendors for services rendered. These fees include most investment management fees, advisory fees, custodian fees, and salaries and administrative expenses of the PRIM Board. Indirect fees are expenses typically incurred when investing in partnerships or other commingled investment vehicle structures, such as private equity funds, portfolio completion strategies, real estate, timberland, and other commingled funds. Indirect management fees incurred in these funds are charged to the respective investments. The fair value of these investments is reported net of indirect management fees.

The PRIM Board's investment managers operate with formal contracts. Investment management fees accounted for approximately 68.7% of the PRIM Board's total direct expenses for fiscal 2023. The PRIM Board also contracts with a custodian and investment advisors. Fees to these providers were approximately 11.2% of the PRIM Board's total expense for fiscal year 2023.

The total cost of managing the PRIT Fund for fiscal year 2023, *inclusive* of investment management (direct and indirect), advisory, custodial, and overhead charges was 46 basis points of the average net position of the PRIT Fund compared to 52 basis points in fiscal year 2022. For information on expense ratios for each investment account, refer to the *Financial Highlights and Financial Highlights Ratios* on pages 98-107 included in the Statistical Section of this report.

## Domestic Equity Portfolio

As of June 30, 2023, the Domestic Equity portfolio had approximately \$22.2 billion in net position, representing 23.0% of the PRIT Fund. As highlighted below, the Domestic Equity portfolio allocation is approximately 85% invested in passively managed large capitalization equity strategies (S&P500), 11% invested in small and mid-capitalization equity strategies (Russell 2500, small/SMID cap), and 4% invested in micro-capitalization equity strategies (Micro Cap). As of the fiscal year-end, the weighting of Domestic Equity was 58.6% of the Global Equity portfolio.



**Portfolio Risks.** Although historically and recently long-term returns in equity investments have exceeded all other public market asset classes (i.e., fixed income and cash), there is no guarantee that this trend will continue or that investment in the short-term or long-term will produce positive results. Prices may fluctuate based on changes in a company's financial condition and on overall market and economic conditions. Smaller companies are especially sensitive to these factors. There is a significant risk of loss of principal due to market and economic conditions.

**Portfolio Returns.** For the fiscal year, the Domestic Equity portfolio returned 18.90% compared to 18.48% for the portfolio benchmark. The PRIT Fund's large cap managers returned 19.67% compared to the 19.67% return of its benchmark, the customized S&P 500 Index (which excludes legislatively restricted securities in tobacco, Iran, Russia, and Sudan). The PRIT Fund's Small/SMID/Micro-cap managers returned 15.52% compared to the 12.03% return of the benchmark, which is calculated by applying the investment performance of the sub asset class benchmarks to the sub asset class weights within the Small/SMID/Micro-cap equity portfolio.

On a three-, five-, and 10-year basis through June 30, 2023, the PRIT Fund's Domestic Equity portfolio has returned 14.53%, 11.14%, and 12.17%, respectively, compared to the benchmark, which returned 13.88%, 10.98%, and 12.17%, respectively.

The top ten holdings in the Domestic Equity portfolio at June 30, 2023 are illustrated below. A complete listing of holdings is available upon request.

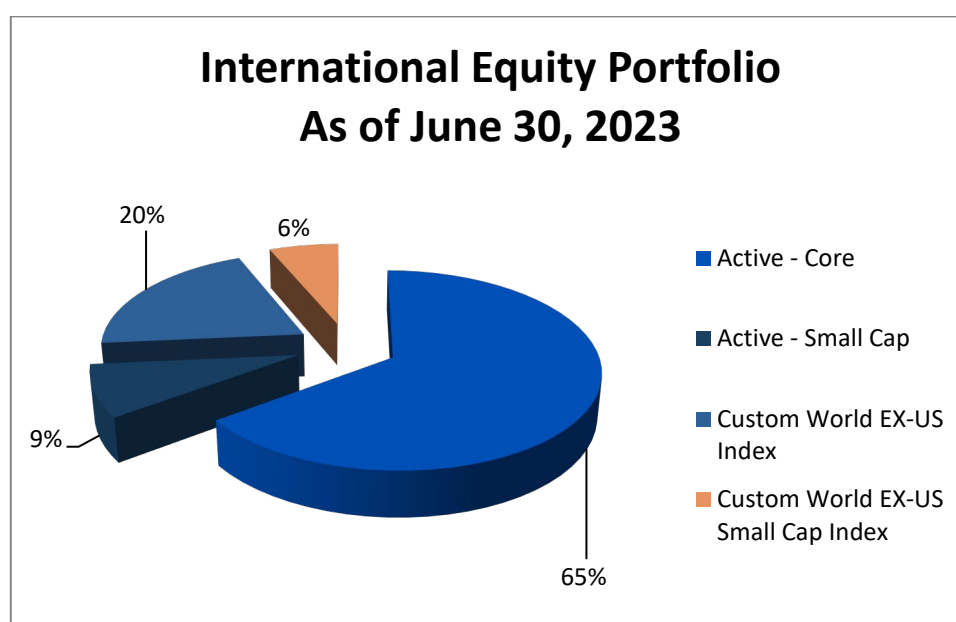
#	Issue Name	% of Account	
		Fair Value (\$000s)	Fair Value
1	Apple Inc.	\$ 1,481,339	6.67%
2	Microsoft Corp.	1,308,511	5.89%
3	Amazon.com Inc.	601,485	2.71%
4	Nvidia Corp	540,189	2.43%
5	Alphabet Inc - CL A	366,315	1.65%
6	Tesla Inc	364,283	1.64%
7	Meta Platforms Inc.	327,927	1.48%
8	Alphabet Inc - CL C	319,077	1.44%
9	Berkshire Hathaway Inc	314,111	1.41%
10	UnitedHealth Group Inc	230,358	1.04%
	TOTAL	<u>\$ 5,853,595</u>	<u>26.36%</u>

The PRIT Fund's Domestic Equity managers at June 30, 2023 are presented in the following table:

Manager	Investment Mandate	Portfolio Fair Value at June 30, 2023 (\$000s)
State Street Global Advisors	Custom S&P 500 Index	\$ 16,831,883
RhumbLine Advisers, LP	Custom S&P 500 Index	2,085,612
State Street Global Advisors	Custom Russell 2500 Index	1,062,434
Frontier Capital Management	Small Cap Value	524,244
Riverbridge Partners	SMID Cap Growth	403,257
Summit Creek Advisors	Small Cap Growth	465,503
Acadian Asset Management	Micro Cap Core	234,075
Brandywine Investment Management	Micro Cap Value	175,987
Lord, Abnett & Company	Micro Cap Growth	200,524
Driehaus Capital Management	Micro Cap Growth	229,982
Other portfolio net assets		(5,578)
<b>Total Portfolio Fair Value</b>		<u><u>\$ 22,207,923</u></u>

## International Equity Portfolio

As of June 30, 2023, the International Equity portfolio had approximately \$11.3 billion in net position, representing 11.7% of the PRIT Fund. The international core equity accounts are benchmarked against the Custom MSCI World ex-U.S. Standard Index – Net Dividends (Custom MSCI World ex-U.S. Standard – customized to exclude legislatively restricted securities in tobacco, Iran, Russia, and Sudan). The international small cap equity accounts are benchmarked against the Custom World ex-U.S. Small Cap Index – Net Dividends (Custom World ex-U.S. Small Cap – customized to exclude legislatively restricted securities in tobacco, Iran, Russia, and Sudan). The International Equity portfolio is allocated to one passive core equity account (20% of the portfolio), eight active core equity accounts (65% of the portfolio), one passive small cap equity account (6% of the portfolio), and four active small cap equity accounts (9% of the portfolio).



The primary strategy for this portfolio is investing in companies in developed markets, industrialized nations outside of the United States, including, but not limited to, Japan, Germany, the United Kingdom, France, Italy, Switzerland, Hong Kong, Canada, and Australia. As of the fiscal year-end, the weighting of International Equity was 29.8% of the Global Equity portfolio.

**Portfolio Risks.** Investing in developed markets outside of the United States carries additional risks as compared to U.S. domestic investments. The added risks are primarily associated with currency, higher trading and settlement costs, and less stringent investor protections and disclosure standards.

**Portfolio Returns.** For the fiscal year ending June 30, 2023, the International Equity portfolio returned 17.53% compared to the benchmark return of 16.15%. Five of the PRIT Fund's eight active international equity managers (two managers with inception date of October 31, 2022) outperformed the Custom MSCI World ex-U.S. Index. The PRIT Fund's four active international small cap equity managers outperformed the Custom World ex-U.S. Small Cap Index. The passive manager outperformed the Custom MSCI World ex-U.S. Index and the Custom World ex-U.S. Small Cap Index for the fiscal year. On a three-, five-, and 10-year basis through June 30, 2023, the

PRIT Fund's international equity managers posted returns of 8.88%, 4.56%, and 6.20%, respectively, ahead of the benchmark, which returned 8.49%, 3.98%, and 5.40%, respectively, over the same periods.

The top ten holdings in the International Equity portfolio at June 30, 2023 are illustrated below. A complete listing of holdings is available upon request.

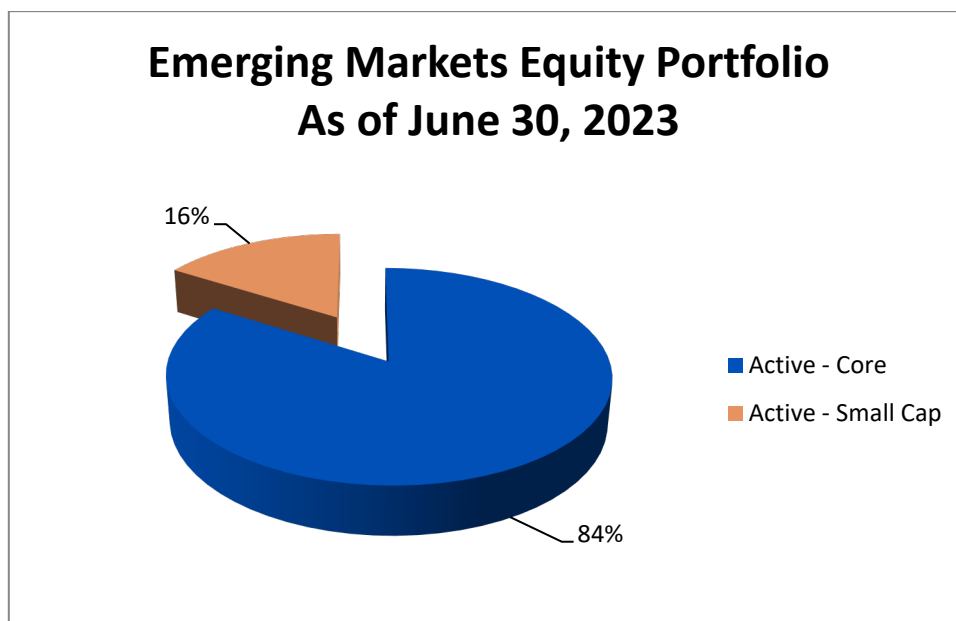
#	Issue Name	Fair Value (\$000s)	% of Account
			Fair Value
1	ASML Holding N.V.	\$ 116,248	1.03%
2	BP PLC	93,200	0.82%
3	CIE Financiere Richemont SA	89,806	0.79%
4	Novartis AG	87,954	0.78%
5	LVMH	87,216	0.77%
6	United Overseas Bank Ltd	87,155	0.77%
7	Novo Nordisk	87,055	0.77%
8	Roche Holding AG	86,314	0.76%
9	AIA Group Ltd	73,887	0.65%
10	Sanofi	72,710	0.64%
	TOTAL	\$ 881,545	7.79%

The PRIT Fund's International Equity managers at June 30, 2023 are presented in the following table:

Manager	Investment Mandate	June 30, 2023 (\$000s)
<i>State Street Global Advisors</i>	Custom World ex-US Index	\$ 2,279,191
<i>Marathon-London</i>	World ex-US	2,389,236
<i>Baillie Gifford</i>	World ex-US	1,734,242
<i>Mondrian Investment</i>	World ex-US	765,973
<i>ARGA Investment Management</i>	World ex-US	656,070
<i>Columbia Threadneedle</i>	World ex-US	553,931
<i>Causeway Capital Management</i>	World ex-US	488,274
<i>Pzena Investment Management</i>	World ex-US	408,203
<i>Xponance</i>	World ex-US	347,003
<i>State Street Global Advisors</i>	Custom World ex-US Small Cap Index	714,473
<i>Acadian Asset Management</i>	World ex-US Small Cap	360,854
<i>AQR Capital Management</i>	World ex-US Small Cap	234,850
<i>Artisan Partners</i>	World ex-US Small Cap	189,717
<i>Driehaus Capital Management</i>	World ex-US Small Cap	185,884
<i>Other portfolio net assets</i>		2,480
<b>Total Portfolio Fair Value</b>		<b>\$ 11,310,381</b>

## Emerging Markets Portfolio

As of June 30, 2023, the Emerging Markets Equity portfolio had approximately \$4.3 billion in net position, representing 4.4% of the PRIT Fund. The active emerging markets core equity managers are benchmarked against the Custom MSCI Emerging Markets Standard Index – Net Dividends (Custom MSCI Emerging Markets Standard – customized to exclude legislatively restricted securities in tobacco, Iran, Russia, and Sudan). The active emerging markets small cap equity managers are benchmarked against the Custom MSCI Emerging Markets Small Cap Net Dividends Index (Custom MSCI Emerging Markets Small Cap – customized to exclude legislatively restricted securities in tobacco, Iran, Russia, and Sudan). The emerging markets equity portfolio is allocated to five active core equity managers (which comprise about 84% of the emerging market portfolio) and two active small cap equity managers (16% of the portfolio). The PRIM Board maintains a target weighting of 100% active for the Emerging Markets Equity portfolio.



The primary strategy for this portfolio is investing in companies in developing countries, including, but not limited to, China, Brazil, South Korea, Taiwan, and India. These countries typically have less efficient securities markets, and thus there is opportunity for returns above benchmarks. As of the fiscal year end, the weighting of Emerging Markets Equity was 11.3% of the Global Equity portfolio.

**Portfolio Risks.** Investing in emerging markets carries risks above and beyond those inherent to domestic and developed international equity markets. Emerging markets tend to be less efficient than both U.S. and non-U.S. developed markets, and therefore, are more volatile. In addition to the added volatility, and those risks mentioned in association with investments in developed international equity markets, emerging market investments are subject to economic and political risks, exchange control regulation, expropriation, confiscatory taxation, and social instability.

**Portfolio Returns.** For the fiscal year, the Emerging Markets Equity portfolio returned 9.08% compared to the benchmark return of 3.04%. Three of the PRIT Fund's five active emerging markets core equity managers

outperformed the benchmark. One of the PRIT Fund's two active emerging markets small cap equity managers outperformed the MSCI Emerging Markets Small Cap Index for the fiscal year. On a three-, five-, and 10-year basis through June 30, 2023, the PRIT Fund's emerging markets equity managers posted returns of 7.02%, 4.01%, and 5.16%, respectively, compared to the asset class benchmark, which returned 3.60%, 1.45%, and 3.25% over the same periods.

The top ten holdings in the Emerging Markets Equity portfolio at June 30, 2023 are illustrated below. A complete listing of holdings is available upon request.

#	Issue Name	% of Account	
		Fair Value (\$000s)	Fair Value
1	Samsung Electronics	\$ 159,427	3.73%
2	Tawain Semiconductor Mfg. Co.	139,454	3.26%
3	Tencent Holdings Ltd	123,347	2.89%
4	Tawain Semiconductor Mfg. Co. Ltd. ADR	97,178	2.27%
5	Alibaba Group Holding Ltd HK	70,288	1.65%
6	Reliance Industries Ltd	53,536	1.25%
7	Hon Hai Precision Industry Co.	46,885	1.10%
8	Housing Development Finance Co.	45,452	1.06%
9	Petroleo Brasileiro SA ADR	36,824	0.86%
10	Galaxy Entertainment Group Ltd	36,213	0.85%
	TOTAL	<u>\$ 808,604</u>	<u>18.92%</u>

The PRIT Fund's Emerging Markets Equity managers at June 30, 2023 are presented in the following table:

Manager	Investment Mandate	Portfolio Fair Value at June 30, 2023 (\$000s)
AQR Emerging	EM Core	\$ 687,812
Baillie Gifford	EM Core	753,431
Driehaus Capital	EM Core	867,303
Pzena Investment Management, LLC	EM Core	1,028,880
T. Rowe Price	EM Core	245,725
Acadian	EM Small Cap	516,995
Wasatch	EM Small Cap	167,218
Other portfolio net assets		5,353
<b>Total Portfolio Fair Value</b>		<u><u>\$ 4,272,717</u></u>

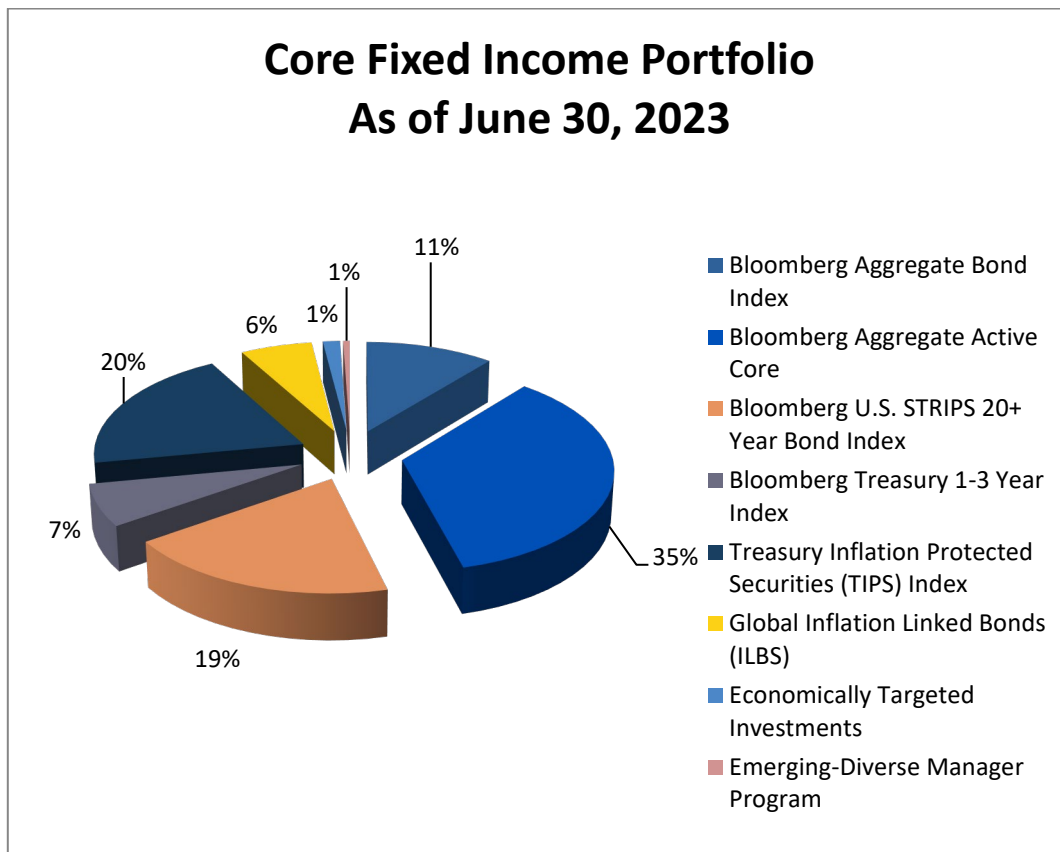
### Global Equity Emerging-Diverse Manager Program

As of June 30, 2023, the Global Equity Emerging-Diverse Manager Program (inception in May 2022), managed by Xponance (manager-of-managers), had \$108.0 million in net position, representing 0.3% of the Global Equity portfolio and 0.1% of the PRIT Fund. The Global Equity Emerging-Diverse Manager Program returned 15.31% for the fiscal year and 7.03% since its inception, compared to the asset class benchmark, which returned 13.13% and 2.51% over the same periods.



**Core Fixed Income Portfolio**

As of June 30, 2023, the Core Fixed Income Portfolio had approximately \$12.8 billion invested in investment grade Core Fixed Income positions, representing 13.3% of the PRIT Fund. The Core Fixed Income Portfolio is invested using the following strategies:



The Core Fixed Income portfolio is benchmarked to the Bloomberg Aggregate Bond Index for core fixed income securities, the Bloomberg U.S. STRIPS 20+ Year Bond Index for STRIPS securities, the Bloomberg Treasury 1-3 Year Index for short term fixed income securities, the Bloomberg US TIPS Index for U.S. TIPS securities, and the Bloomberg Inflation Linked Bond US\$ Hedged Index for the Global Inflation Linked Bonds (ILBs).

The Bloomberg Aggregate Bond Index replicates the investment grade bond market. The index is comprised of corporate, government, and mortgage-backed securities. The index portfolio is designed to approximate the performance of the Bloomberg Aggregate Bond Index, while the active managers’ mandate is to exceed the index return. The Core Fixed Income portfolio is designed to reduce the long-term volatility of the total PRIT Fund.

The Core Fixed Income portfolio also contains an investment with a manager under the PRIM Board’s Economically Targeted Investment (ETI) program, which is benchmarked against the Bloomberg Aggregate Bond Index. The allocations to TIPS and to the ILBs strategy are designed to provide hedges against rises in inflation. The STRIPS portfolio is designed to approximate the performance of the Bloomberg U.S. STRIPS 20+ Year Bond

Index and to lower overall volatility of the total PRIT Fund. The allocation to short term fixed income securities is designed to approximate the performance of the Bloomberg Treasury 1-3 Year Index and to reduce volatility while increasing liquidity within the Core Fixed Income portfolio. The Core Fixed Income investments with diverse managers represent 0.1% of the PRIT Fund. There is one manager-of-managers in the PRIT Fund Core Fixed Income Emerging-Diverse Manager Program.

**Portfolio Risks.** As in the case of equities, the prices of fixed income securities increase and decrease in value. Price fluctuations in bonds result from rising and falling interest rates, changes in market conditions, and other economic and political developments. The portfolio is subject to credit risk through defaults on bonds and other fixed income securities. Erosion in principal value can result from credit risk and price fluctuations and can adversely affect portfolio returns.

**Portfolio Returns.** For the fiscal year 2023, the Core Fixed Income composite returned -2.72% compared to the -2.97% return of the benchmark (46.6% Bloomberg Aggregate/20% Bloomberg U.S. STRIPS 20+ Year Bond Index /20% Bloomberg US TIPS/6.7% Bloomberg ILB US\$ Hedged/6.7% Bloomberg US Treasury 1-3 Year Index as of June 30, 2023). The Bloomberg Aggregate mandates returned -0.54%, compared to the Bloomberg Aggregate Bond Index return of -0.94%. The passively managed STRIPS mandate returned -10.64%, compared to the Bloomberg U.S. STRIPS 20+ Year Bond Index return of -10.81%. The passively managed TIPS mandate returned -1.35%, compared to the Bloomberg US TIPS Index which returned -1.40%. The actively managed ILBs mandate returned -3.56%, compared to the Bloomberg ILB US\$ Hedged Index return of -3.72%. The passively managed short-term fixed income securities mandate returned 0.18%, compared to the Bloomberg Treasury 1-3 Year Index return of 0.15%. The Core Fixed Income Emerging-Diverse Manager Program had a return of -0.57% compared to the custom benchmark return of -0.94%.

On a three-, five-, and 10-year basis through June 30, 2023, the PRIT Fund's Core Fixed Income portfolio has returned -5.09%, 1.07%, and 2.65%, respectively, compared to the benchmark, which returned -5.41%, 0.85%, and 2.43%, respectively.

The top ten Core Fixed Income holdings as of June 30, 2023, excluding certain pooled funds and repurchase agreements, are illustrated below. A complete listing of holdings is available upon request.

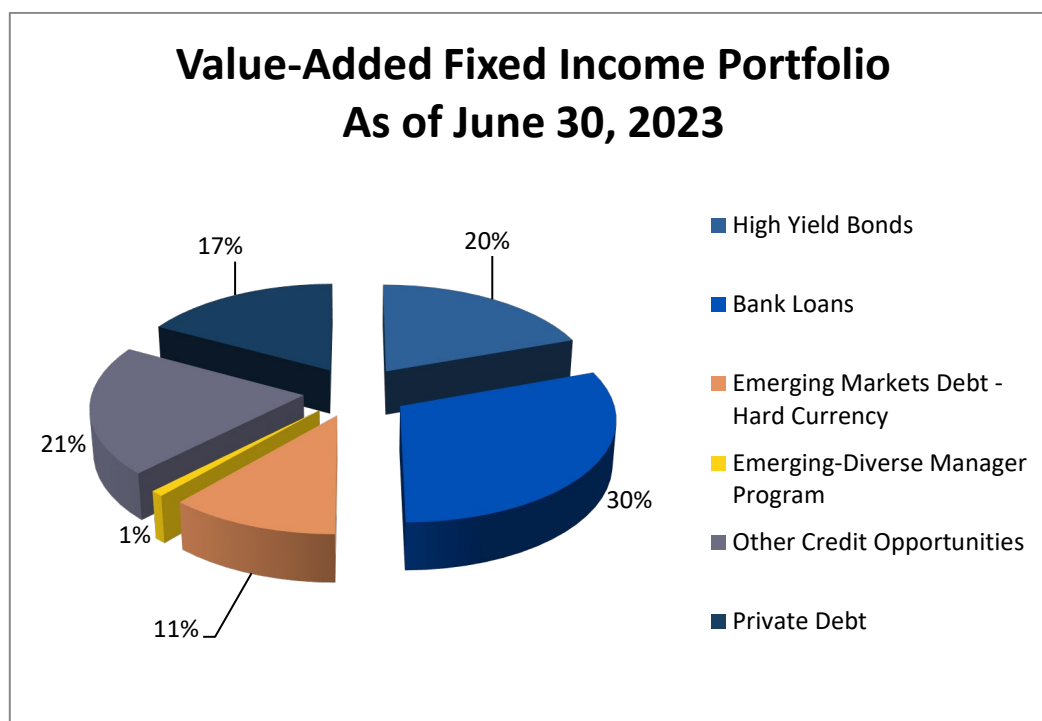
#	Issue Name	Fair Value (\$000s)	% of Account	
			Fair Value	
1	U.S. Treasury Bond Principal STRIP 0.000% November 2050	\$ 373,981		2.91%
2	U.S. Treasury Bond Principal STRIP 0.000% February 2051	168,117		1.31%
3	U.S. Treasury Bond Principal STRIP 0.000% August 2050	161,362		1.26%
4	U.S. Treasury Bond Principal STRIP 0.000% February 2048	133,603		1.04%
5	U.S. Treasury-CPI Inflation 0.625% July 2032	121,025		0.94%
6	U.S. Treasury Bond Principal STRIP 0.000% August 2051	114,720		0.89%
7	U.S. Treasury-CPI Inflation 1.625% October 2027	112,238		0.87%
8	Commit to Purchase FNMA 4.000% August 2053	110,296		0.86%
9	U.S. Treasury-CPI Inflation 1.250% April 2028	109,656		0.85%
10	U.S. Treasury-CPI Inflation 0.125% July 2030	108,218		0.84%
	TOTAL	\$ 1,513,216		11.77%

The PRIT Fund's Core Fixed Income portfolio managers at June 30, 2023 are presented in the following table:

<b>Manager</b>	<b>Investment Mandate</b>	<b>Portfolio Fair Value at June 30, 2023 (\$000s)</b>
<i>Blackrock Financial Management</i>	Core Index	\$ 1,399,819
<i>Loomis, Sayles &amp; Co., LP</i>	Active Core	1,758,293
<i>PIMCO</i>	Active Core	1,412,343
<i>Pugh Capital Management</i>	Active Core	463,912
<i>New Century Advisors</i>	Active Core	397,454
<i>Longfellow Investment Management</i>	Active Core	472,659
<i>Blackrock Financial Management</i>	Inflation Link Bonds	845,813
<i>Blackrock Financial Management</i>	STRIPS Index	2,472,331
<i>Blackrock Financial Management</i>	TIPS Index	2,547,807
<i>Blackrock Financial Management</i>	Short-Term Fixed Income	860,431
<i>AFL - CIO Housing Investment</i>	ETI - Active Core	131,834
<i>Bivium Capital Partners</i>	Emerging-Diverse	70,820
<i>Other portfolio net assets</i>		(2,254)
<b>Total Portfolio Fair Value</b>		<b>\$ 12,831,262</b>

### Value-Added Fixed Income Portfolio

As of June 30, 2023, the Value-Added Fixed Income portfolio had approximately \$6.9 billion in net position, representing 7.1% of the PRIT Fund. The Value-Added Fixed Income portfolio is invested using the following strategies:



**High Yield Bonds**, which represent 1.4% of the PRIT Fund, are securities that are typically rated below Investment Grade by Standard & Poor's, Fitch, or Moody's. There are three managers in the PRIT Fund high yield bond program, all through separate accounts. Each manager's mandate is to exceed the index return.

**Bank Loans**, 2.2% of the PRIT Fund, represents investments in senior secured bank loans. There are two managers in the PRIT Fund bank loan program; both invest through commingled funds. Each manager's mandate is to exceed the index return.

**Emerging Markets Debt**, 0.8% of the PRIT Fund, represents investments in debt issued within the emerging marketplace. There are two managers in the PRIT Fund emerging debt program, representing Hard Currency strategies; one is through a commingled emerging debt investment vehicle while the other is through a separate account. Each manager's mandate is to exceed the index return.

**Emerging-Diverse Manager Program**, 0.1% of the PRIT Fund, represents investments with diverse managers. There is one manager-of-managers in the PRIT Fund Value-Added Fixed Income Emerging-Diverse Manager Program.

**Other Credit Opportunities**, 1.5% of the PRIT Fund, represents investments in other credit strategies whose risk, return and liquidity characteristics lie between the public market strategies of high yield bonds, bank loans and emerging markets debt and the private partnerships in the private debt strategies. There are nine managers in the PRIT Fund Other Credit Opportunities program; five are through private partnerships while the rest are through separate accounts.

**Private Debt**, 1.2% of the PRIT Fund, represents investments in private partnerships that invest directly in distressed debt investment opportunities. As of June 30, 2023, the PRIT Fund had approximately \$1.1 billion in distressed debt investments with twelve investment managers.

**Portfolio Risks.** As in the core fixed income portfolio, the prices of these securities increase and decrease in value. Price fluctuations in bonds result from rising and falling interest rates, changes in market conditions, and other economic and political developments. Lower-quality securities typically offer higher yields, but also carry more credit risk. The allocation of investments to emerging markets, other credit strategies, and distressed debt expose the portfolio to additional risks. Investments in emerging markets are subject to higher settlement, trading and management costs and greater economic, regulatory, and political risk, as well as currency risk. Investments in Other Credit Opportunities and private distressed debt funds subject the portfolio to liquidity, valuation and other risks associated with private investments.

**Portfolio Returns:** In fiscal year 2023, the Value-Added Fixed Income composite returned 7.70% compared to 7.52% for the asset class benchmark. The PRIT Fund's three high yield bond managers returned 8.63%, while the Intercontinental Exchange Bank of America High Yield index returned 8.97%. The Emerging Markets Debt portfolio returned 6.91% during the fiscal year, compared to the JP Morgan Emerging Markets Bond Index, which returned 6.85%. The two bank loan managers, returned 10.02%, compared to the Morningstar LSTA Leveraged Loan index return of 10.71%. The Value-Added Fixed Income Emerging-Diverse Manager Program returned 5.55% compared to the custom benchmark of 8.08%. The Other Credit Opportunities portfolio returned 4.98% compared to the custom benchmark of 7.36%. The Private Debt portfolio returned 5.89% compared to the index return of 1.91%. The benchmark for the Private Debt portfolio at June 30, 2023 is the Burgiss Distressed Debt Universe Lagged Index.

On a three-, five-, and 10-year basis through June 30, 2023, the PRIT Fund's Value-Added Fixed Income portfolio has returned 7.35%, 5.00%, and 4.69%, respectively, compared to the benchmark, which returned 6.60%, 4.74%, and 3.51%, respectively.

The top ten holdings in the Value-Added Fixed Income portfolio at June 30, 2023, excluding investments in emerging debt pooled funds, bank loan funds, private debt and other credit opportunities partnerships, and other pooled funds, are illustrated below. A complete listing of holdings is available upon request.

#	Issue Name	% of Account	
		Fair Value (\$000s)	Fair Value
1	U.S. Treasury Bill 0.000% October 2023	\$ 18,844	0.27%
2	Petroleos Mexicanos 7.690% January 2050	7,592	0.11%
3	Charter Communications 3.700% April 2051	7,369	0.11%
4	First Quantum Minerals 6.875% March 2026	7,043	0.10%
5	Transdigm Inc 6.250% March 2026	6,857	0.10%
6	Uber Technologies Inc 8.000% November 2026	6,627	0.10%
7	Republic of South Africa 10.500% December 2026	6,077	0.09%
8	Tenet Healthcare Corp 4.250% June 2029	5,872	0.09%
9	Dish Network Corp 3.375% August 2026	5,803	0.08%
10	U.S. Treasury Note 3.125% August 2029	5,795	0.08%
	TOTAL	<u>\$ 77,879</u>	<u>1.12%</u>

The PRIT Fund's Value-Added Fixed Income portfolio managers at June 30, 2023 are presented in the following table:

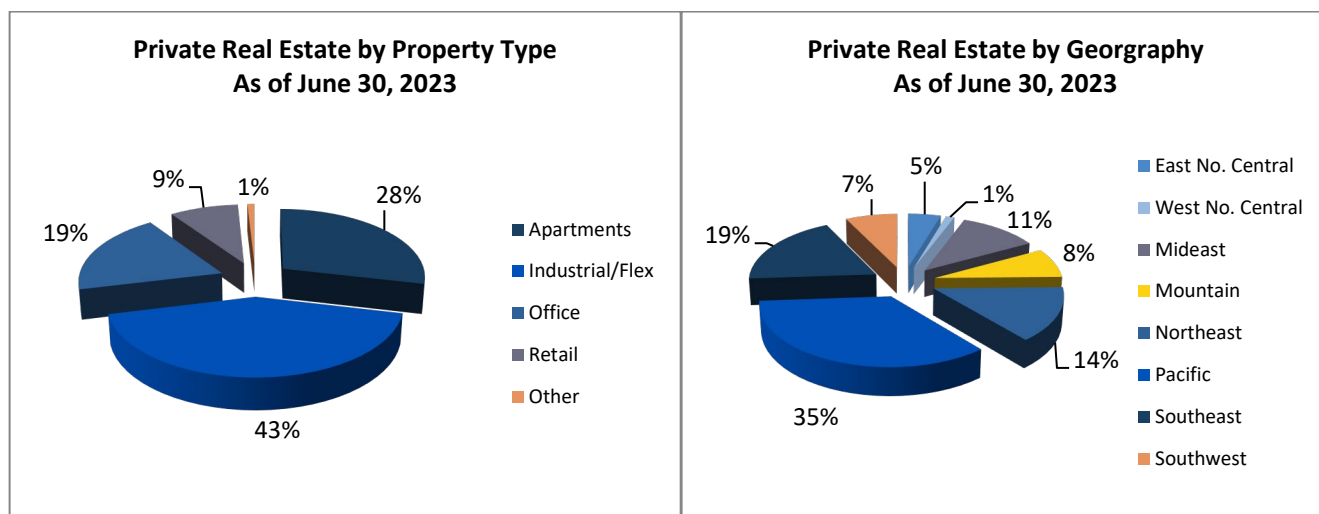
Manager	Investment Mandate	Portfolio Fair Value at June 30, 2023 (\$000s)
<i>Fidelity Management Trust</i>	High Yield Bond	\$ 477,973
<i>Loomis, Sayles &amp; Co., LP</i>	High Yield Bond	445,239
<i>Shenkman Capital Management</i>	High Yield Bond	422,333
<i>Ashmore Investment Management</i>	Emerging Markets Debt Hard Currency	398,492
<i>PIMCO</i>	Emerging Markets Debt Hard Currency	394,216
<i>Eaton Vance</i>	Bank Loans	1,063,045
<i>Voya</i>	Bank Loans	1,038,843
<i>Bivium Capital Partners</i>	Emerging-Diverse	61,547
<i>Various accounts and partnerships</i>	Other Credit Opportunities	1,420,265
<i>Various partnerships</i>	Private Debt	1,167,341
<i>Other portfolio net assets</i>		1,136
<b>Total Portfolio Fair Value</b>		<u><b>\$ 6,890,430</b></u>

**Real Estate Portfolio**

As of June 30, 2023, the PRIM Board had \$10.5 billion invested in real estate through the PRIT Fund’s ownership interest in PRIT Core Realty Holdings LLC (the LLC), representing 10.9% of the PRIT Fund. Real estate holdings consist of directly-owned properties, REITs, and investments in real estate funds. The PRIT Fund invests in real estate because it provides diversification and attractive returns. Real estate returns typically do not have a strong correlation with stock and bond returns, therefore offering an element of diversification to reduce volatility. Real estate can also offer attractive current returns as a portfolio of well-leased assets provides consistent cash flows from rental income.

Approximately 91% of the real estate allocation is dedicated to direct investments and private partnerships (the “Private Real Estate Investments”). The Private Real Estate Investments are subsequently broken down into Core and Non-Core real estate investments. As of June 30, 2023, \$9.0 billion (net of portfolio debt) of Core real estate investments and \$574.1 million of Non-Core real estate investments comprise PRIT’s Private Real Estate Investments, which represents 9.9% of the PRIT Fund. Typically, Core real estate investments are relatively low risk and substantially leased (80% or greater occupancy at the time of investment) institutional quality real estate. Non-Core real estate investments offer higher potential returns at a higher risk profile. The PRIM Board’s Non-Core program targets opportunities associated with development, vacancy and tenant exposure or the potential to physically or financially reposition an investment. Real estate investments with diverse managers represent less than 0.1% of the PRIT Fund. As of June 30, 2023, the Real Estate Emerging-Diverse Manager Program had 32.9 million in net position. Public REITs comprise the remainder of the investments in the PRIT Fund real estate portfolio. As of June 30, 2023, the PRIM Board had \$1.0 billion allocated to public REITs. The public REIT portfolio represents 1.1% of the PRIT Fund.

The following charts display the property type and geographic diversification of the PRIM Board’s directly-owned real estate assets, at June 30, 2023:



The PRIM Board's strategies utilize a disciplined portfolio approach to real estate investing that is focused on investments in equity interests in institutional quality real estate. The PRIM Board has established separate accounts with capable real estate investment managers under terms that are beneficial to the PRIM Board.

Because the PRIM Board is typically the sole owner of the real estate in each such account, the managers operate under clear policies and guidelines most appropriate to the PRIM Board's investment needs.

**Leverage.** The PRIM Board approved the Real Estate Portfolio Level Leverage Policy at its February 26, 2020 Board meeting. This policy permits portfolio level debt to be incurred subject to the following policy guidelines: (i) **Debt Service Coverage:** The ratio of i) portfolio EBITDA to ii) debt service on total indebtedness should be no lower than 1.5x at the time debt is placed, assuming actual debt service. (ii) **Spread of Operating Yield over Borrowing Rate:** PRIM will target a spread of 100 basis points between the property portfolio operating yield (EBITDA/portfolio value at cost) and the weighted average borrowing interest rate on total unsecured indebtedness at the time debt is placed. When acquiring Core Real Estate that requires an assumption of debt or placement of new debt, the property NOI Yield shall be at least 100 basis points, greater than the borrowing interest rate of the assumed or new debt. (iii) **Total Leverage Ratio:** The ratio should be no more than 40% of the total real estate property portfolio. This ratio includes any property-level financing in place as well as the portfolio level facility. The calculation of the loan-to-value ratio will be total debt/gross asset value of the real estate property portfolio. (iv) **Financing Characteristics:** PRIM may consider all sources of financing options that are available. Leverage may utilize fixed or floating interest rates and may utilize derivatives to achieve these rates. The decision to use fixed or floating rates will be determined at the time of borrowing and will be a function of availability, rate, and risk. Fixed rate financing will be the preferred method.

The LLC had portfolio level notes payable of \$350 million at June 30, 2023. In addition, the LLC utilized internal securities lending capabilities to increase portfolio leverage by \$750 million. By utilizing the securities lending financing capabilities, the LLC is able to achieve lower borrowing costs for the Real Estate portfolio and allow more flexibility within the real estate debt program. As the \$750 million loan is an inter-entity loan, it has been eliminated in consolidation from the financial statements presented in the *Financial Section*.

**Portfolio Risks.** Investments in real estate are subject to various risks, including adverse changes in economic conditions and in the capital markets, financial conditions of tenants, interest of buyers and sellers in real estate properties, environmental laws and regulations, zoning laws, governmental rules, uninsurable losses, and other factors beyond the control of the property owner. In addition, while diversification is an important tool used by the PRIM Board for mitigating risk, there is no assurance that diversification, either by geographic region or asset type, will consistently be maintained in the Core Real Estate Portfolio because of the illiquid nature of real estate. In addition, the portfolio is subject to valuation risk, as the valuation of the assets in this portfolio is based on estimates made by the PRIM Board in coordination with external appraisers and the investment managers. Furthermore, there can be no assurance that the fair value of the portfolio will ultimately correspond to the realized value of the underlying properties. Public REITs face risks similar to the risks of public equities both domestically and internationally since they are traded on public exchanges. They can experience corrections and price movements that are much more rapid than those experienced by private real estate portfolios and the share price can vary significantly from underlying net asset value.

**Performance.** During the fiscal year, the PRIM Board's private real estate portfolio outperformed relative to benchmark. The private real estate sector benefitted from a strong demand for quality industrial and multifamily real estate in core markets, two property types where PRIM has a relative overweight.

For fiscal year 2023, the real estate portfolio returned -2.81% compared to the -3.98% return of the asset class benchmark. The Private Real Estate Investments portfolio returned -2.79% for the year ended June 30, 2023,



outperforming the NCREIF NFI-ODCE Index (one quarter lag), which returned -3.91% over the same period. REIT investments returned -3.17%, outperforming the FTSE EPRA NAREIT Developed Net Total Return benchmark of -3.74%. Since its inception in July 2022, the Real Estate Emerging-Diverse Manager Program returned 6.52% compared to the custom benchmark of 6.93%.

On a three-, five-, and 10-year basis through June 30, 2023, the PRIT Fund's Real Estate portfolio has returned 12.59%, 8.88%, and 9.81%, respectively, compared to the benchmark, which returned 7.43%, 6.18%, and 7.80%, respectively.

The PRIT Fund's real estate investment managers at June 30, 2023 are presented in the following table:

Manager	Investment Mandate	Portfolio Fair Value at June 30, 2023 (\$000s)
<i>Invesco Realty Advisors</i>	Separate Accounts - Core	\$ 2,703,497
<i>LaSalle Investment Management</i>	Separate Accounts - Core	2,545,916
<i>AEW</i>	Separate Accounts - Core	2,499,230
<i>CBRE</i>	Separate Accounts - Core	671,625
<i>Stockbridge</i>	Separate Accounts - Core	613,952
<i>PRIM Board</i>	Separate Accounts - Core	738,609
<i>Invesco Realty Advisors - Transition Portfolio</i>	Separate Accounts - Core	60,933
<i>AEW - Transition Portfolio</i>	Separate Accounts - Core	65,953
<i>Various Partnerships</i>	Non-Core	574,075
<i>CenterSquare Investment Management</i>	Global REITs	674,505
<i>Brookfield Investment Management</i>	Global REITs	343,415
<i>Cambridge Associates</i>	Emerging-Diverse	32,857
<i>Other portfolio net assets (portfolio debt included)</i>		(1,001,346)
<b>Total Portfolio Fair Value</b>		<b>\$ 10,523,221</b>

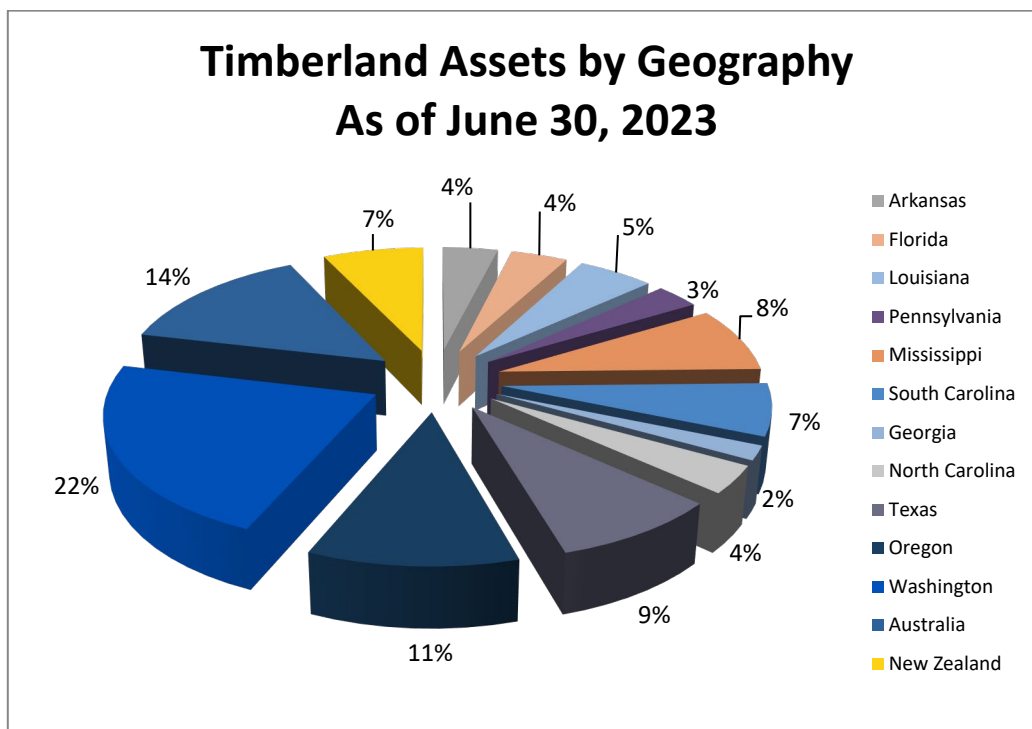
**Timberland Portfolio**

As of June 30, 2023, the PRIM Board had \$3.0 billion invested in timberland, representing 3.1% of the PRIT Fund. The PRIT Fund’s allocation to timberland is through two external timberland investment managers, Forest Investment Associates (FIA) and The Campbell Group (Campbell).

The United States timberland markets are divided into three regions, each with distinct economic characteristics: the Pacific Northwest, the Northeast, and the Southeast. The Pacific Northwest is a high value softwood market, in which the growing cycle to produce a mature tree is forty to fifty years. The high value tree in this region is Douglas Fir, which is used primarily to produce high quality dimensional and structural lumber. The timber growing cycle in the Southeast is much shorter, in the range of twenty-five years. Southern pine is the dominant species and is used typically to make pulp for the paper industry or lower quality framing lumber. The Northeast market is much smaller than the other two markets and consists of a wider range of trees, including high value specialty woods such as cherry and oak.

In Australia, there is approximately 2 million hectares (4.9 million acres) of plantation timberlands that are almost evenly split between hardwood and softwood species. Australia is a net importer of forest products, with limited domestic supply and high demand. Potential export opportunities exist for plantations within close proximity to ports due to fiber demand from China. There are approximately 2 million hectares of timberland plantations in New Zealand, comprised primarily of softwood (radiata pine). The country produces significantly more logs than it consumes, relying heavily on export markets, particularly China.

The geographical diversification of the PRIT Fund’s timberland portfolio at June 30, 2023 is presented below.



Investment returns from timberland investments are derived from the net cash flow generated from the sale of trees (referred to as stumpage sales) combined with capital appreciation from the biological growth of the trees. Both of these return factors depend to some degree upon the direction of forest product commodity prices (paper goods and lumber products). There can also be gains from timely land sales to buyers aiming to convert timberland into higher and better uses.

**Portfolio Risks.** Investments in timberland assets are subject to various risks, including adverse changes in general economic conditions, fluctuations in the market price of timber, damage to timber properties due to infestation and weather-related events, changes in regulatory conditions and other governmental rules. In addition, the portfolio is subject to valuation risk, as the valuation of the assets in this segment are based on estimates made by the PRIM Board through coordination with external appraisers and the PRIM Board's timberland investment managers. Accordingly, there can be no assurance that the fair value of investments will correspond to the ultimate realized value of the properties. International timberland investments are also subject to currency fluctuations that can result in unpredictable gains or losses when foreign currency is converted into U.S. dollars.

**Performance.** As of June 30, 2023, the one-year Timberland return was 5.93% as compared to the NCREIF Timberland Index (one quarter lag) of 11.31%. On a three-, five-, and 10-year basis through June 30, 2023, the PRIT Fund's Timberland portfolio has returned 8.40%, 4.99%, and 6.27%, respectively, compared to the benchmark return of 8.09%, 5.54%, and 5.82%, respectively.

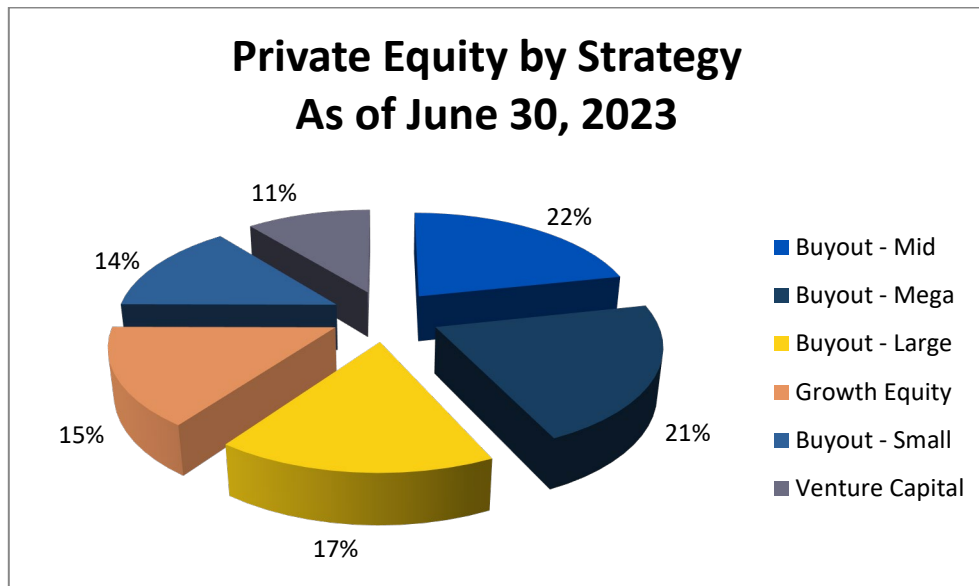
The PRIT Fund's Timberland investment managers at June 30, 2023 are presented in the following table:

<b>Manager</b>	<b>Investment Mandate</b>	<b>Portfolio Fair Value at June 30, 2023 (\$000s)</b>	
<i>Forest Investments Associates</i>	Separate Accounts - Timberland	\$	1,358,346
<i>The Campbell Group</i>	Separate Accounts - Timberland		1,624,479
<i>Other portfolio net assets</i>			13,149
<b>Total Portfolio Fair Value</b>		<b>\$</b>	<b>2,995,974</b>

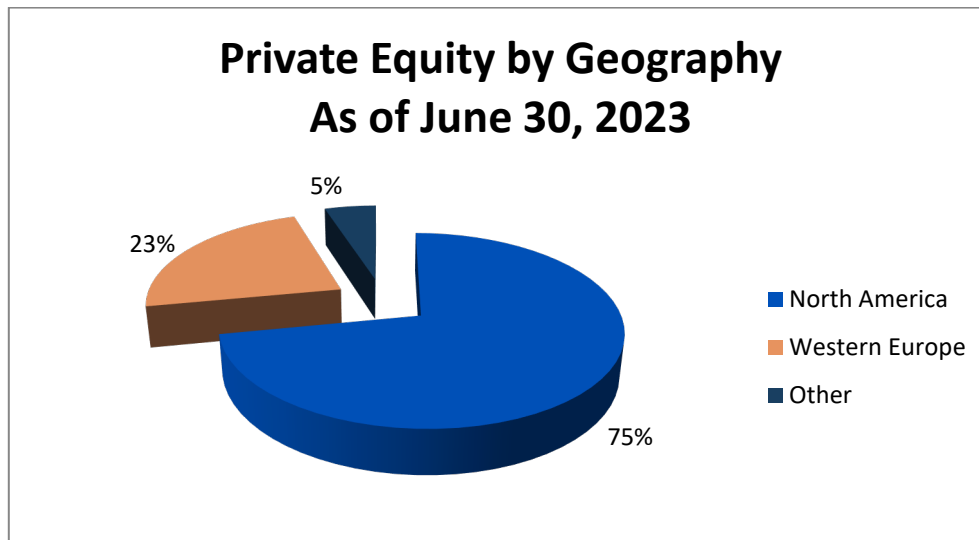
**Private Equity Portfolio**

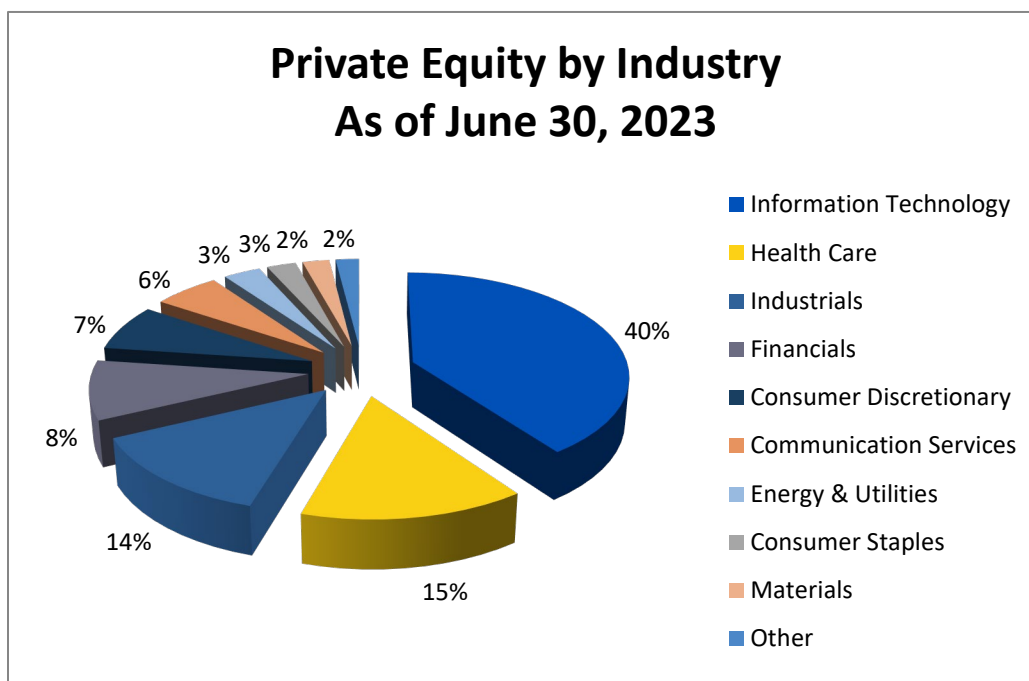
As of June 30, 2023, the fair value of the Private Equity portfolio was \$16.8 billion, representing 17.4% of the PRIT Fund. Unlike public equities, where investors have the ability to liquidate investments generally at any time, private equity investments are illiquid. Therefore, an investment in this category is a long-term commitment.

The Private Equity portfolio is well-diversified by strategy and the allocation as of June 30, 2023, is presented below.



The Private Equity portfolio is diversified at the partnership level by strategy as well as at the underlying portfolio company level by industry and geography. The portfolio’s current geographical and industry allocations are presented below.





Capital invested in private equity partnerships is subject to a relatively high degree of risk as compared to other potential investments, with the assumption that the investor will be rewarded with higher returns for that assumption of risk, i.e., the “risk/return trade-off”. This risk/return trade-off is the key consideration in determining if this asset is appropriate for a particular portfolio. These risks are highlighted below.

**Portfolio Risks.** Risks associated with investing in private equity limited partnerships include, but are not limited to:

- ***Liquidity:*** Limited partnership vehicles typically have 10-15-year life cycles during which limited partners are unable to liquidate their entire positions, but instead, will receive the cash flow from successful investments. A defined secondary market such as the New York Stock Exchange does not exist for private equity.
- ***Volatility:*** Volatility, as measured by standard deviation from a mean return, has historically been greater for private equity investing than many other assets.
- ***Management Fee Effect:*** Typically, general partners’ fees range from 150 to 250 basis points annually. This is usually drawn down against committed capital, although it may not be invested, and may result in negative returns until investments are realized successfully.
- ***Valuation of investments:*** Investment valuation at any time may not be reflective of fair market value. Private equity investments are generally valued at fair value. However, because of the inherent

uncertainty of the valuation of the portfolio companies, the estimated value may differ significantly from the value that would have been used had a ready market for these investments existed.

- **General Partner Discretion:** Investors lack control over the general partner's investment decisions. The general partner is provided capital to manage at its discretion and investors are provided limited rights, such as termination of the partnership in certain instances. (These rights may not prove practical except in extreme circumstances.)
- **Binding Commitments:** There is limited ability to reduce or terminate investments. Under the contractual terms of the partnership, investments may be terminated in some cases by super-majority vote of the investors and after the occurrence of certain events. (These rights may not prove practical except in extreme circumstances.)
- **Risk of Loss:** There is risk of losing 100% of the investment. Investments in partnerships are usually equity and their risk nature could result in loss of the entire investment.

**Performance.** The PRIT Fund's Private Equity portfolio delivered a one-year return of -3.45% through June 30, 2023. The PRIT Fund's Private Equity managers were active in making new investments as well as in generating liquidity in the year ending June 30, 2023. The PRIT Fund's managers called \$2.0 billion of capital for additional investments, management fees, and partnership expenses, which compares to the \$2.9 billion called during the prior fiscal year. From a liquidity standpoint, the portfolio generated total distributions of \$1.5 billion which compares to \$3.3 billion of distributions for the 2022 fiscal year.

While there is not currently a widely used or conventional benchmark in this asset class, the PRIM Board staff targets investment opportunities with the ability to generate a long-term rate of return equal to or greater than a custom benchmark (7-year annualized return of a blend of the 88% Russell 3000 + 3%/12% MSCI Europe IMI + 3% as of June 30, 2023). As of June 30, 2023, the PRIT Fund's Private Equity portfolio returned -3.45% compared to the custom benchmark return of 13.99%. On a three-, five-, and 10-year basis through June 30, 2023, the PRIT Fund's Private Equity portfolio has returned 28.50%, 21.30%, and 20.35%, respectively, compared to the custom benchmark return of 14.59%, 14.72%, and 14.26%, respectively. It is important to remember that there is a one quarter lag inherent in private equity valuations.

Since inception to June 30, 2023, the PRIT Fund has committed \$32.8 billion to 560 partnerships (383 active) of which \$27.7 billion has been invested. The program has generated \$32.5 billion in distributions. The net IRR since inception for the program is 14.01%.

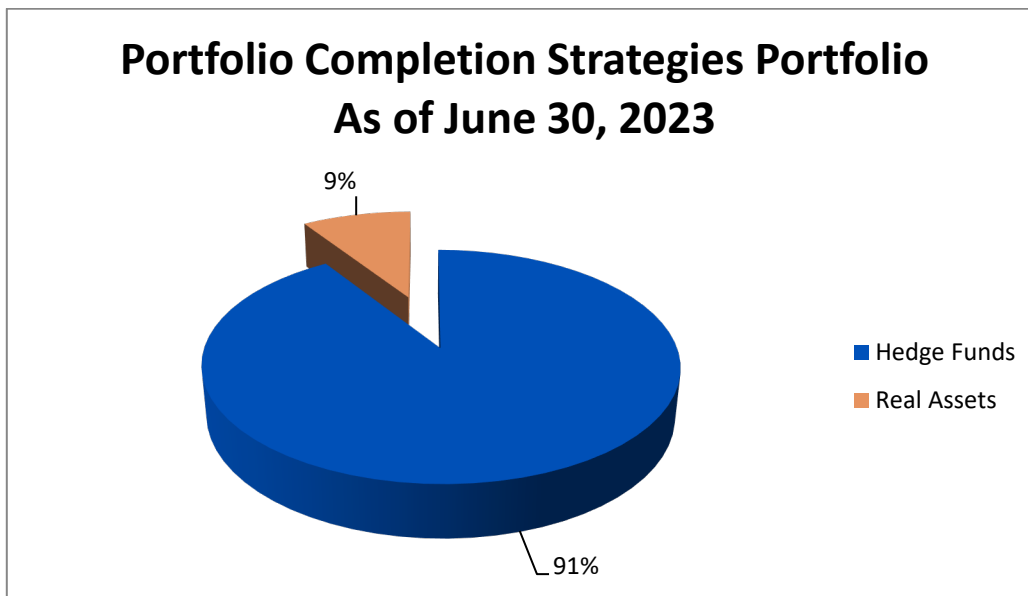
## PRIVATE EQUITY EXTERNAL MANAGERS

As of June 30, 2023

	Partnership	Location		Partnership	Location
1	1315 Capital	Philadelphia, PA	53	Madison Dearborn Partners LLC	Chicago, IL
2	ACON Investments	Washington, DC	54	Medicxi Ventures	London, UK
3	Advent International	Boston, MA	55	Menlo Ventures	Menlo Park, CA
4	Alta Communications	Boston, MA	56	Montagu Private Equity	London, UK
5	Altor	Stockholm, Sweden	57	Montreux Equity Partners	Menlo, CA
6	American Industrial Partners	New York, NY	58	Nash, Sell & Partners	London, UK
7	American Securities, LLC	New York, NY	59	Nautic Partners LLC	Providence, RI
8	Apollo Management	New York, NY	60	New Enterprise Associates	Baltimore, MD
9	Ascent Venture Partners	Boston, MA	61	NewView Capital Management	Burlingame, CA
10	Austin Ventures	Austin, TX	62	Nordic Capital	Stockholm, Sweden
11	Bain Capital	Boston, MA	63	Odyssey Investment Partners	New York, NY
12	Battery Ventures	Boston, MA	64	Olympus	Stamford, CT
13	Berkshire Partners	Boston, MA	65	Onex Corporation	Toronto, Canada
14	Blackstone	New York, NY	66	Permira Advisers Limited	London, UK
15	Bridgepoint Capital Ltd.	London, UK	67	Polaris	Boston, MA
16	Carlyle Group	Washington, DC	68	Polaris Growth Fund	Boston, MA
17	Catalyst Investors	New York, NY	69	Providence Equity Partners, Inc.	Providence, RI
18	Centerbridge Associates	New York, NY	70	PSG Equity L.L.C.	Boston, MA
19	Charlesbank Capital Partners	Boston, MA	71	Quad-C Management, Inc.	Charlottesville, VA
20	Charterhouse Capital Partners	London, UK	72	Quantum Energy Partners	Houston, TX
21	Chequers Partenaires	Paris, France	73	Red Arts Capital Management, LLC	Chicago, IL
22	CVC Capital Partners	London, UK	74	Rembrandt Venture Partners	Menlo Park, CA
23	Denham Capital Management LP	Boston, MA	75	Rhone Capital LLC	New York, NY
24	El Dorado Ventures	Menlo Park, CA	76	SAIF Partners	Hong Kong, China
25	Elysian Capital LLP	London, UK	77	Schroder Ventures Life Sciences	Boston, MA
26	Essex Woodlands Health Ventures	New York, NY	78	SCP Private Equity Management L.P.	Wayne, PA
27	Ethos Private Equity Ltd.	Johannesburg, South Africa	79	Sequoia China	Beijing, China
28	Exponent	London, UK	80	Sherbrooke Capital	Newton, MA
29	First Reserve Corporation	Greenwich, CT	81	Sofinnova Ventures Inc.	Menlo Park, CA
30	Flagship Ventures	Cambridge, MA	82	Spark Capital Partners, LLC	Boston, MA
31	Genstar Capital Partners	San Francisco, CA	83	Stone Point Capital	Greenwich, CT
32	Georgian Partners	Toronto, Canada	84	Summit Partners	Boston, MA
33	Gilde Buyout Partners	Utrecht, Netherlands	85	TA Associates	Boston, MA
34	Gores Technology Group	Los Angeles, CA	86	Technology Crossover Ventures	Menlo Park, CA
35	GTCR Golder Rauner, LLC	Chicago, IL	87	The Cypress Group LLC	Baltimore, MD
36	H.I.G. Capital	Miami, FL	88	THL Partners	Boston, MA
37	Hellman & Friedman LLC	San Francisco, CA	89	Thoma Bravo, LLC	San Francisco, CA
38	Highland Capital	Lexington, MA	90	Thoma Cressey Equity Partners	Chicago, IL
39	Hony Capital	Beijing, China	91	Thompson Street Capital Partners	St. Louis, MO
40	Index Ventures Management SA	London, UK	92	Tidemark Management Company LP	Menlo Park, CA
41	Insight Partners	New York, NY	93	TorQuest Partners	Toronto, Canada
42	Institutional Venture Partners	Menlo Park, CA	94	Towerbrook Capital Partners	New York, NY
43	InterWest Partners	Menlo Park, CA	95	TPG Capital	San Francisco, CA
44	JMI Management	Baltimore, MD	96	Trident Capital Management	Los Angeles, CA
45	Kelso & Company	New York, NY	97	Union Square Ventures	New York, NY
46	Kepha Partners	Waltham, MA	98	VantagePoint Venture Partners	San Bruno, CA
47	Keytone Capital Partners	Beijing, China	99	Vestar Equity Partners	New York, NY
48	Kinzie Capital Partners LLC	Chicago, IL	100	Vista Equity Partners	San Francisco, CA
49	Kohlberg Kravis Roberts & Co.	New York, NY	101	Waterland Private Equity Investments B.V.	Amsterdam, Netherlands
50	KPS	New York, NY	102	Westview Capital Management	Boston, MA
51	Lovell Minnick Partners	Radnor, PA	103	Wing Ventures	Palo Alto, CA
52	M/C Partners	Boston, MA	104	Xenon Private Equity Ltd.	Jersey, UK

### Portfolio Completion Strategies (PCS) Portfolio

As of June 30, 2023, the PCS portfolio had approximately \$8.1 billion in net position, representing 8.4% of the PRIT Fund. The PCS portfolio is invested in the following strategies:



The objective of the PCS portfolio is to provide the PRIT Fund access to broader investment opportunities. Investments selected for the PCS portfolio should enhance the risk/return profile of the PRIT Fund. Investments may include long-term strategic investments or short-term opportunistic investments.

The overall PCS portfolio is compared against a strategic benchmark, which is the weighted average of the subcategories' public index-based benchmarks. Meanwhile, each investment within the PCS portfolio has a secondary (implementation) benchmark, which is largely peer index-based, to measure the performance of individual managers.

**Portfolio Risks.** The PCS portfolio is subject to the various risks of underlying investments. The portfolio is subject to market risk through a general downturn in market conditions and a general reversal of the risk premia that the strategies are trying to capture, as well as credit risk inherent in fixed income strategies. The portfolio is also exposed to liquidity risk in unwinding underlying illiquid positions. In addition, the PCS portfolio is exposed to operational risks in executing investment strategies and valuing investment positions. The PRIM Board has developed a detailed PCS investment plan to manage these risks and ensure appropriate diversification within the asset class.

**Performance.** For the fiscal year, the PCS portfolio returned 3.52% compared to the asset class benchmark return of 6.11%. On a three-, five-, and 10-year basis through June 30, 2023, the PRIT Fund's PCS portfolio has returned 5.87%, 2.78%, and 3.77%, respectively, compared to the benchmark return of 6.98%, 4.17%, and 3.94%, respectively.



The PRIT Fund's PCS managers at June 30, 2023 are presented in the following table:

Manager	Strategy Focus	Location
1 400 Capital Management	Hedge Fund	New York, NY
2 Basswood Capital Management, LLC	Hedge Fund	New York, NY
3 BlackRock Financial Management	Real Assets	New York, NY
4 Breakout Funds, LLC	Hedge Fund	Chicago, IL
5 Bridgade Capital Management	Hedge Fund	New York, NY
6 Cantab Capital Partners	Hedge Fund	Cambridge, UK
7 Canvas Capital	Hedge Fund	Rio de Janeiro, Brazil
8 Capula Investment Management	Hedge Fund	Greenwich, CT
9 CKC Capital	Hedge Fund	New York, NY
10 Complus Asset Management Limited	Hedge Fund	Hong Kong, China
11 Contrarian Capital Management	Hedge Fund	Greenwich, CT
12 Davidson Kempner Capital Management	Hedge Fund	New York, NY
13 DLD Asset Management	Hedge Fund	New York, NY
14 East Lodge Capital	Hedge Fund	London, UK
15 Elliot Management Corporation	Hedge Fund	New York, NY
16 Fir Tree Partners	Hedge Fund	New York, NY
17 GaoTeng Global Asset Management Limited	Hedge Fund	Hong Kong, China
18 Investcorp Investment Advisers	Hedge Fund	New York, NY
19 JEN Partners	Real Assets	New York, NY
20 Land and Buildings Investment Management	Hedge Fund	Stamford, CT
21 LMCG Serenitas	Hedge Fund	New York, NY
22 Markel CATCo Investment Management	Real Assets	Hamilton, Bermuda
23 Mudrick Capital Management	Hedge Fund	New York, NY
24 Mygale	Hedge Fund	London, UK
25 North Peak Capital Management	Hedge Fund	New York, NY
26 PAAMCO	Hedge Fund	Newport Beach, CA
27 PGIM	Real Assets	Newark, NJ
28 Power Pacific Investment Management	Hedge Fund	Montreal, Canada
29 RV Capital Management	Hedge Fund	Singapore
30 Sightway Capital	Real Assets	New York, NY
31 Silver Creek Advisory Partners	Real Assets	Seattle, WA
32 Summit Partners Public Asset Management, LLC	Hedge Fund	Boston, MA
33 Tabor Asset Management	Hedge Fund	New York, NY
34 Valent Asset Management	Hedge Fund	New York, NY

## Overlay

As of June 30, 2023, the Overlay portfolio, managed in part by Parametric Portfolio Associates, had \$452.5 million in net position, representing 0.5% of the PRIT Fund. The Overlay portfolio returned 13.67% for the fiscal year, 6.72% over the three-year period, 7.33% over the five-year period, and 10.96% since its inception in October 2013.

The objective of the overlay program is to reduce performance drag by earning market returns on cash which is not invested. Investments are made through the futures market.

## SCHEDULE OF TIME-WEIGHTED RETURNS BY ASSET CLASS\*

### For the Periods Ended June 30, 2023

Asset Class	1 Year	3 Year	5 Year	10 Year
<i>Benchmark as of June 30, 2023</i>				
<b>Global Equity</b>	<b>17.43%</b>	<b>11.94%</b>	<b>8.01%</b>	<b>9.02%</b>
<i>56.9% Domestic Equity BM/43.1% Custom ACWI EX-US IMI NET DIVS</i>	15.96%	10.98%	7.36%	8.43%
<b>Domestic Equity</b>	<b>18.90%</b>	<b>14.53%</b>	<b>11.14%</b>	<b>12.17%</b>
<i>Asset Class BM (1)</i>	18.48%	13.88%	10.98%	12.17%
<b>International Equity</b>	<b>17.53%</b>	<b>8.88%</b>	<b>4.56%</b>	<b>6.20%</b>
<i>Custom MSCI World EX-US IMI NET DIVS</i>	16.15%	8.49%	3.98%	5.40%
<b>Emerging Markets Equity</b>	<b>9.08%</b>	<b>7.02%</b>	<b>4.01%</b>	<b>5.16%</b>
<i>Custom MSCI Emerging Markets IMI NET DIVS</i>	3.04%	3.60%	1.45%	3.25%
<b>Global Equity Emerging-Diverse Manager Program</b>	<b>15.31%</b>	<b>na</b>	<b>na</b>	<b>na</b>
<i>Global Equity Emerging-Diverse Manager Program Index (2)</i>	13.13%	na	na	na
<b>Core Fixed Income</b>	<b>-2.72%</b>	<b>-5.09%</b>	<b>1.07%</b>	<b>2.65%</b>
<i>46.6% Bloomberg Agg/20% Bloomberg US TIPS/6.7% Bloomberg ILB US\$ Hedged/20% Bloomberg US STRIPS 20+ Year/6.7% Bloomberg US Treasury 1-3 Year Index</i>	-2.97%	-5.41%	0.85%	2.43%
<b>Value-Added Fixed Income</b>	<b>7.70%</b>	<b>7.35%</b>	<b>5.00%</b>	<b>4.69%</b>
<i>Asset Class BM (3)</i>	7.52%	6.60%	4.74%	3.51%
<b>Real Estate</b>	<b>-2.81%</b>	<b>12.59%</b>	<b>8.88%</b>	<b>9.81%</b>
<i>Asset Class BM (4)</i>	-3.98%	7.43%	6.18%	7.80%
<b>Private Equity</b>	<b>-3.45%</b>	<b>28.50%</b>	<b>21.30%</b>	<b>20.35%</b>
<i>7 year annualized custom benchmark (5)</i>	13.99%	14.59%	14.72%	14.26%
<b>Timberland</b>	<b>5.93%</b>	<b>8.40%</b>	<b>4.99%</b>	<b>6.27%</b>
<i>NCREIF Timberland Index (one quarter lag)</i>	11.31%	8.09%	5.54%	5.82%
<b>Portfolio Completion Strategies</b>	<b>3.52%</b>	<b>5.87%</b>	<b>2.78%</b>	<b>3.77%</b>
<i>Total Portfolio Completion Strategies Composite Index (6)</i>	6.11%	6.98%	4.17%	3.94%
<b>Overlay (7)</b>	<b>13.67%</b>	<b>6.72%</b>	<b>7.33%</b>	<b>na</b>
<i>No Benchmark</i>	na	na	na	na
	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>10 Year</b>
<b>Total PRIT Core Fund</b>	<b>6.02%</b>	<b>10.18%</b>	<b>7.77%</b>	<b>8.51%</b>
<i>Policy Benchmark</i>	8.92%	7.70%	6.70%	7.21%
<i>TUCS Universe Median</i>	6.79%	9.04%	7.24%	8.04%
<i>TUCS Universe Ranking</i>	68th	25th	43rd	31st

- (1) Domestic Equity benchmark is calculated by applying the investment performance of the sub asset class benchmarks to the sub asset class weights within the domestic equity portfolio.
- (2) The Global Equity Emerging-Diverse Manager Program Index was established on May 1, 2022. The Composite Index is calculated by applying the underlying benchmark return for each manager to the manager's weight within the Global Equity Emerging-Diverse Manager Program Composite.
- (3) Value-Added Fixed Income benchmark is calculated by applying the investment performance of the sub asset class benchmarks to the sub asset class weights within the value-added fixed income portfolio, Private Debt component is using Burgiss Distressed Debt Universe Lagged, if the Burgiss return is not available, the actual portfolio net return will be used as a placeholder until the Burgiss Private Debt BM is published.
- (4) Real Estate benchmark is calculated by applying the investment performance of the sub asset class benchmarks to the sub asset class weights within the real estate portfolio.
- (5) 7-year annualized return of a blend of the 88% Russell 3000 + 3%/12% MSCI Europe IMI + 3% at 6/30/2023.
- (6) Total Portfolio Completion Strategies Composite Index was formed on April 1, 2017 by combining the prior Portfolio Completion Strategies with Total Hedge Funds. Total Portfolio Completion Strategies Composite Index is calculated by applying the underlying benchmark return for each sub asset class to the asset class's weight within the Total Portfolio Completion Strategies Composite.
- (7) The Overlay Account's inception date was October 31, 2013.

\* All return information is gross of fees. Returns are calculated based on a time-weighted rate of return methodology.

## Investment Summary at Fair Value

As of June 30, 2023

	Fair Value (\$000s)	% of Fair Value
Short-term:		
Money market investments	\$ 1,239,749	1.24%
Fixed income:		
U.S. government obligations	7,867,869	7.84%
Domestic fixed income	7,875,300	7.85%
International fixed income	2,291,046	2.28%
Private debt	1,110,078	1.11%
Other credit opportunities	1,511,786	1.51%
	20,656,079	20.59%
Equity:		
Domestic equity securities	21,626,338	21.54%
International equity securities	15,216,918	15.16%
	36,843,256	36.70%
Timberland	2,985,666	2.97%
Private equity	16,619,860	16.56%
Real estate:		
Real estate properties	10,199,278	10.16%
Real estate equity securities	1,033,887	1.03%
Real estate funds	804,345	0.80%
Other	139,964	0.14%
	12,177,474	12.13%
Portfolio completion strategies:		
Event-driven hedge funds	915,892	0.91%
Relative value hedge funds	552,382	0.55%
Fund of funds	725,144	0.72%
Distressed loan fund	97,389	0.10%
Real assets fund	245,046	0.24%
Equity securities	2,162,794	2.16%
Fixed income securities	3,326,993	3.31%
Cash and cash equivalent	1,278,224	1.27%
Agricultural investments	556,053	0.55%
	9,859,917	9.81%
<b>Total investments</b>	<b>\$ 100,382,001</b>	<b>100.00%</b>

## SUMMARY SCHEDULE OF BROKER COMMISSIONS

(Top 25 Brokers and Cumulative Fees Paid to Others)

Fiscal Year Ended June 30, 2023

Brokerage Firms	Fees Paid (\$)	% Total	Average \$ per share
JP Morgan	\$ 1,140,627	10.9%	0.0036
Morgan Stanley	847,157	8.1%	0.0024
Goldman Sachs	819,743	7.8%	0.0021
Merrill Lynch	751,826	7.2%	0.0024
UBS	715,544	6.8%	0.0018
Jefferies	559,813	5.3%	0.0049
Citigroup	492,096	4.7%	0.0029
Sanford C. Bernstein & Co	319,634	3.0%	0.0025
Instinet	286,189	2.7%	0.0016
Pershing	280,910	2.7%	0.0047
HSBC	246,703	2.4%	0.0017
Macquarie	232,879	2.2%	0.0035
Credit Suisse	230,902	2.2%	0.0014
Liquidnet	215,334	2.1%	0.0190
RBC Capital Markets	170,343	1.6%	0.0144
Credit Lyonnais	170,076	1.6%	0.0015
Virtu Americas LLC	169,806	1.6%	0.0124
William Blair & Co	168,985	1.6%	0.0337
National Financial Services	149,280	1.4%	0.0243
Barclays	146,174	1.4%	0.0028
Daiwa Securities	130,467	1.3%	0.0095
Banco BTG Pactual	109,920	1.0%	0.0037
Berenberg Gossler & CIE	103,888	1.0%	0.0090
Needham & Co	74,513	0.7%	0.0318
CLSA	73,519	0.7%	0.0023
Others	1,894,185	18.0%	0.0055
<b>Totals</b>	<b>\$ 10,500,513</b>	<b>100.0%</b>	<b>0.0030</b>

## SCHEDULE OF MANAGEMENT FEES

Fiscal Year Ended June 30, 2023

<b>Investment Management Fees by Asset Class:</b>	(\$000s)
Global Equity	\$ 74,659
Core Fixed Income	9,283
Value-Added Fixed Income	12,430
Real Estate	28,605
Timberland	(5,661)
Private Equity	13,549
Portfolio Completion Strategies	39,133
Overlay	887
<b>Total Investment Management Fees</b>	<b>172,885</b>
<b>Investment Advisory Fees</b>	<b>14,433</b>
<b>Custodian Fees</b>	<b>935</b>
<b>Other Administrative Fees</b>	<b>25,246</b>
<b>Total Management Fees charged to the PRIT Fund</b>	<b>\$ 213,499</b>

**SCHEDULE OF RETIREMENT SYSTEMS BY INVESTMENT**

Segmentation Accounts invested as of June 30, 2023

Retirement System	Net Asset Values (\$000s) 6/30/23	General Allocation	Domestic Equity	International Equity	Emerging Markets	Core Fixed Income	Real Estate	Private Equity	Hedge Funds	Public Value Added Fixed Income
Adams	\$ 39,279	X								
Amesbury	\$ 67,901	X								
Andover	\$ 293,685	X	X			X	X			X
Arlington	\$ 201,566	X								
Attleboro	\$ 16,628							X		
Barnstable	\$ 1,504,541	X								
Belmont	\$ 65,277	X		X	X		X	X	X	
Berkshire	\$ 327,846	X								
Beverly	\$ 177,808	X								
Blue Hills	\$ 14,027	X								
Boston Teachers	\$ 2,137,308	X								
Braintree	\$ 18,443							X	X	
Bristol County	\$ 129,807							X	X	
Brookline	\$ 429,278	X						X		
Cambridge	\$ 284,971						X	X	X	
Chelsea	\$ 258,008	X								
Chicopee	\$ 77,955						X	X	X	
Clinton	\$ 70,082	X						X		
Concord	\$ 98,899	X			X		X	X	X	
Danvers	\$ 55,758			X	X		X	X	X	
Dedham	\$ 182,255	X								
Dukes County	\$ 119,117	X		X			X	X		
Easthampton	\$ 70,981	X								
Essex	\$ 639,142	X								
Everett	\$ 251,465	X								
Fairhaven	\$ 85,402	X								
Fall River	\$ 356,999	X								
Falmouth	\$ 36,755						X	X	X	
Fitchburg	\$ 158,156	X								
Framingham	\$ 424,693	X								
Franklin County	\$ 110,919	X		X	X		X			X
Gardner	\$ 70,231	X								
Gloucester	\$ 144,996	X								
Greenfield	\$ 92,596	X								
Hampden County	\$ 482,251	X								
Hampshire County	\$ 431,729		X	X	X	X	X	X		X
Haverhill	\$ 213,509	X		X	X	X	X	X	X	X
Hingham	\$ 157,208	X								
Holliston	\$ 646	X								
Holyoke	\$ 23,074						X	X	X	
Hull	\$ 59,767	X								
Lawrence	\$ 311,024	X								
Leominster	\$ 269,471	X								
Lexington	\$ 26,493						X		X	
Lowell	\$ 477,937	X								
Lynn	\$ 480,974	X								
Marblehead	\$ 118,322	X								
Mass Turnpike	\$ 158,472	X								
Massport	\$ 163,433						X	X		
Maynard	\$ 29,374					X	X	X	X	X
MBTA	\$ 155,142				X		X	X	X	
Medford	\$ 71,737						X	X	X	

SCHEDULE OF RETIREMENT SYSTEMS BY INVESTMENT, continued

Retirement System	Net Asset Vaules (\$000s) 6/30/23	Segmentation Accounts invested as of June 30, 2023								
		General Allocation	Domestic Equity	International Equity	Emerging Markets	Core Fixed Income	Real Estate	Private Equity	Hedge Funds	Public Value Added Fixed Income
Melrose	\$ 104,640	X								
Methuen	\$ 220,765	X								
Middlesex	\$ 1,868,040	X								
Milford	\$ 124,646	X						X		
Milton	\$ 186,623	X								
Minuteman	\$ 15,388	X								
Montague	\$ 55,503	X								
MSCBA	\$ 5,596	X								
MWRA	\$ 35,396	X						X	X	
Natick	\$ 65,269	X					X	X		
Needham	\$ 213,874	X								
Newburyport	\$ 112,631	X								
Newton	\$ 473,907	X								
Norfolk	\$ 282,314					X	X	X	X	
North Adams	\$ 187							X		
Northbridge	\$ 49,285	X								
Northampton	\$ 334							X		
Norwood	\$ 14,949						X			
Peabody	\$ 190,255	X								
Pittsfield	\$ 175,123	X								
Plymouth	\$ 71,259	X					X	X	X	
Quincy	\$ 394,686	X				X		X		
Reading	\$ 178,041	X						X		
Revere	\$ 224,582	X								
Salem	\$ 247,230	X								
Saugus	\$ 83,129	X					X	X	X	
Shrewsbury	\$ 126,224	X	X	X	X	X	X			X
Somerville	\$ 12,990							X		
Southbridge	\$ 76,288	X								
Springfield	\$ 503,951	X								
State Employees'	\$ 34,968,862	X								
State Retiree Benefits Trust	\$ 3,085,250	X								
State Teachers'	\$ 36,792,015	X								
Stoneham	\$ 58,003	X					X	X	X	
Swampscott	\$ 54,815	X	X	X	X	X				X
Taunton	\$ 8,339							X		
Wakefield	\$ 157,680	X								
Waltham	\$ 84,386	X					X	X	X	
Watertown	\$ 86,956		X				X	X	X	
Webster	\$ 55,012	X						X		
Wellesley	\$ 266,227	X								
Westfield	\$ 25,581						X	X	X	
Weymouth	\$ 31,013						X		X	
Winchester	\$ 162,546	X								
Winthrop	\$ 97,028	X								
Woburn	\$ 180,979	X								
Worcester	\$ 704,660	X			X		X	X		
Worcester Regional	\$ 985,623	X								
	\$ 96,561,417									

## INVESTMENT POLICY STATEMENT

The following are significant elements and related excerpts from the PRIM Board's investment policy statement. The purpose of the statement is to delineate the investment policy and guidelines and to establish the overall investment strategies and discipline of the PRIM Board. This policy is intended to allow for sufficient flexibility to capture investment opportunities yet provide parameters that ensure prudence and care in the execution of the investment program. This policy is issued for the guidance of fiduciaries, including Trustees, staff professionals, investment managers, custodians, and investment consultants, for managing the assets of the PRIT Fund. The policy is intended to provide a foundation from which to oversee the management of the PRIT Fund in a prudent manner.

### A. Investment Objectives

PRIM's overall objective is to achieve the highest level of investment performance that is compatible with its risk tolerance and prudent investment practices. Because of the long-term nature of the Commonwealth's pension liabilities, PRIM maintains a long-term perspective in formulating and implementing its investment policies, and in evaluating its investment performance. Investment performance is measured by three integrated long-term objectives as described below:

- (a) The actuarial target rate of return is the key actuarial assumption affecting future Commonwealth funding rates and pension liabilities. Investment performance that exceeds or underperforms the target rate may materially impact future funding rates and liabilities. The PRIM Board seeks to have a long-term investment performance that will meet or exceed its actuarial target rate of return.
- (b) The investment policy benchmark is calculated by applying the investment performance of the asset class benchmarks to the PRIT Fund's asset allocation targets. The investment policy benchmark enables PRIM to compare the PRIT Fund's actual performance to a passively managed proxy and to measure the contribution of active investment management and policy implementation.
- (c) PRIM also compares its total fund performance to an appropriate public plan sponsor comparison universe. A peer universe comparison permits PRIM to compare its performance to large public and other pension plans. While PRIM seeks to rank consistently in the top half of comparable public pension funds, PRIM recognizes that other funds may have investment objectives and risk tolerances that differ substantially from PRIM's.

PRIM expects to meet or exceed these objectives over its long-term investment horizon. The expected volatility of markets and unique objectives of PRIM relative to other pension plans may not favor, over shorter periods, PRIM's strategic investment policies.

### B. Asset Allocation Plan

PRIM recognizes that over the long-term, asset allocation is the single greatest contributor of return and risk to the PRIT Fund. At reasonable intervals of not more than three to five years, PRIM will complete a comprehensive review of its Asset Allocation Plan and its underlying assumptions, including: the Commonwealth's current and projected pension assets and liabilities; long-term capital markets rate of return assumptions; and PRIM's risk



tolerances. The PRIM Board shall examine the Asset Allocation Plan annually and shall consider adjustments to the Plan as may be appropriate given the Plan's long-term nature and objectives.

### **C. Rebalancing Policy**

The actual asset allocation mix will deviate from the Asset Allocation Plan's target due to market movement, cash flows, and manager performance. Material deviations from the asset allocation targets can alter the expected return and risk of the PRIT Fund. Accordingly, the PRIM Board has adopted asset class ranges for each asset class, and positioning within a specified asset class range is acceptable and constitutes compliance with the Asset Allocation Plan. It is the responsibility of PRIM staff to keep actual asset class allocations within the asset allocation ranges. It is anticipated that the PRIM Board will make periodic revisions to the Asset Allocation Plan, and it is recognized that in some cases it may be prudent to allow an extended period of time to fully implement revisions to the Asset Allocation Plan. The spirit of this policy is to implement the investment strategy within the asset class ranges at a reasonable cost, recognizing that overly precise management of asset exposures can result in transactions costs that are not economically justified. In the circumstance that a rebalancing is warranted, staff shall have the discretion to instruct public securities managers (including an overlay manager) to use futures as a short-term tool to rebalance the PRIT Fund. The PRIM Board acknowledges that market conditions or circumstances beyond PRIM's control may lead to asset class weightings being temporarily out of their target ranges, especially as those ranges relate to illiquid asset classes.

## *Statistical Section*



## Schedules of Changes in Pooled Net Position

For Fiscal Years Ending June 30

(Dollars in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Additions</b>										
State Employees contributions	\$ 862,503	\$ 858,181	\$ 698,282	\$ 705,315	\$ 733,289	\$ 727,625	\$ 855,586	\$ 727,147	\$ 580,527	\$ 547,627
State teachers contributions	1,097,164	1,058,832	898,722	851,798	860,223	804,171	761,753	752,835	721,148	709,114
Other participants contributions	1,509,833	2,425,078	1,313,240	1,466,201	1,579,329	1,218,193	1,071,727	922,092	877,252	793,507
Net investment income (loss)	5,118,252	(3,239,745)	21,944,914	1,448,873	4,046,225	6,354,624	7,655,016	1,091,671	2,073,376	8,991,375
Total additions to pooled net position	8,587,752	1,102,346	24,855,158	4,472,187	7,219,066	9,104,613	10,344,082	3,493,745	4,252,303	11,041,623
<b>Deductions</b>										
State employees warrants	660,900	617,937	561,407	542,457	516,014	486,526	458,340	444,166	381,565	357,089
State teachers warrants	765,139	729,006	708,768	680,135	656,099	621,701	596,815	569,054	544,646	494,363
Participants redemptions	1,519,401	1,355,825	1,112,613	1,218,278	1,073,298	996,520	1,055,203	924,710	768,507	739,175
State appropriation funding	1,478,950	1,639,792	1,723,567	1,844,875	1,910,459	2,014,583	2,034,579	2,066,264	1,954,853	1,973,058
Operating expenses	31,000	29,576	35,717	36,321	29,200	34,082	41,509	40,491	35,761	30,789
Total deductions to pooled net position	4,455,390	4,372,136	4,142,072	4,322,066	4,185,070	4,153,412	4,186,446	4,044,685	3,685,332	3,594,474
Changes in pooled net position	\$ 4,132,362	\$ (3,269,790)	\$ 20,713,086	\$ 150,121	\$ 3,033,996	\$ 4,951,201	\$ 6,157,636	\$ (550,940)	\$ 566,971	\$ 7,447,149

The above table provides additional information regarding changes in pooled net position from that presented in the Statement of Changes in Pooled Net Position in the *Financial Section* of the ACFR. Deductions represent redemptions from the PRIT fund by state employees, state teachers and other participant retirement systems. Deductions also include redemptions for state appropriation funding and reimbursement of MASTERS operating expenses. State appropriation funding represents funds withdrawn to cover the shortfall in the pension appropriation of the Commonwealth of Massachusetts. Operating expenses represent redemptions made by state employees and state teachers for certain operating expenses. This information is derived from the same information used for the basic financial statements. Current fiscal year-end information should be read in conjunction with the Schedule of Changes in Pooled Net Position - Capital Fund and Cash Fund provided in the Financial Section.

## ***Financial Highlights and Financial Highlights Ratios***

Pages 99-101 provide the financial highlights of the PRIT Fund for the year ended June 30, 2023. In addition, pages 102-107 provide additional financial highlights ratios for the nine previous fiscal year ends. Together, these tables provide additional information regarding important ratios to assist the reader of the ACFR in understanding the financial position of the PRIT Fund. This information includes important return and expense ratios for the entire PRIT Fund as well as the various accounts that comprise the PRIT Fund. This information should be read in conjunction with the description of the investment program highlighted in the *Investment Section* of the ACFR.

## Financial Highlights

### For the year ended June 30, 2023

	General Allocation Account	Domestic Equity Account	International Equity Account	Emerging Markets Account	Core Fixed Income Account	Public Value- Added Fixed Income Account	Private Debt Account	Hedge Funds Account	Liquidating Portfolios Account	Private Equity Account	Private Equity Vintage Year 2000 Account	Private Equity Vintage Year 2001 Account	Private Equity Vintage Year 2002 Account	Private Equity Vintage Year 2003 Account
Net position per unit, beginning of year	\$ 499.07	509.94	347.50	557.01	298.67	322.92	221.75	101.10	76.61	451.39	223.15	1,037.13	696.33	502.36
Investment operations:														
Net investment income (loss)(1)	11.08	8.25	10.80	19.71	9.48	25.19	4.64	0.15	0.89	16.15	1.64	(0.39)	24.88	(0.18)
Net realized and unrealized gain (loss) on investments and foreign currency	17.53	88.14	49.06	27.45	(17.90)	2.28	5.64	4.29	(10.99)	(0.28)	(19.11)	9.06	34.29	(62.39)
Total from investment operations	28.61	96.39	59.86	47.16	(8.42)	27.47	10.28	4.44	(10.10)	15.87	(17.47)	8.67	59.17	(62.57)
Net position per unit, end of year	\$ 527.68	606.33	407.36	604.17	290.25	350.39	232.03	105.54	66.51	467.26	205.68	1,045.80	755.50	439.79
Ratios and supplementary data:														
Total net return(2)	5.73%	18.90%	17.23%	8.47%	(2.82)%	8.51%	4.64%	4.39%	(13.18)%	3.52%	(7.83)%	0.84%	8.50%	(12.46)%
Net position, end of year (\$'000s)	\$ 93,545,001	22,207,923	11,310,381	4,272,717	12,831,262	4,302,824	1,167,341	7,356,681	37,246	159,802	10,901	15,687	1,511	12,314
Units outstanding, end of year ('000s)	177,276	36,627	27,765	7,072	44,208	12,280	5,031	69,708	560	342	53	15	2	28
Ratios to average net assets:														
Ratio of expenses, including indirect management fees	0.46%	0.14%	0.28%	0.61%	0.10%	0.42%	1.20%	1.08%	0.06%	0.03%	0.04%	0.04%	0.04%	0.04%
Ratio of expenses, excluding indirect management fees	0.15%	0.14%	0.28%	0.61%	0.10%	0.19%	0.12%	0.03%	0.06%	0.03%	0.04%	0.04%	0.04%	0.04%

Note: Financial Highlights include only the Core Fund and does not include the Cash Fund which maintains a stable net asset value of \$1.00 per unit.

(1) Based on weighted average units outstanding with the exception of the Enhanced Equity Account which was liquidated in fiscal year 2023.

(2) Total net return calculation is based on the value of a single unit of participation outstanding throughout the year. It represents the percentage change in the net asset value per unit between the beginning and end of the year.

## Financial Highlights, continued

### For the year ended June 30, 2023

	Private Equity Vintage Year 2004 Account	Private Equity Vintage Year 2005 Account	Private Equity Vintage Year 2006 Account	Private Equity Vintage Year 2007 Account	Private Equity Vintage Year 2008 Account	Private Equity Vintage Year 2009 Account	Private Equity Vintage Year 2010 Account	Private Equity Vintage Year 2011 Account	Private Equity Vintage Year 2012 Account	Private Equity Vintage Year 2013 Account	Private Equity Vintage Year 2014 Account	Private Equity Vintage Year 2015 Account	Private Equity Vintage Year 2016 Account	Private Equity Vintage Year 2017 Account
Net position per unit, beginning of year	\$ 266.60	261.38	194.85	79.87	352.54	671.24	425.14	331.18	43.79	424.05	283.38	365.14	152.78	241.01
Investment operations:														
Net investment income (loss)(1)	(0.09)	1.74	0.40	0.15	2.66	(0.43)	(0.16)	0.35	0.00	1.88	0.06	1.50	0.26	0.09
Net realized and unrealized gain (loss) on investments and foreign currency	(51.51)	(14.67)	3.38	(11.72)	29.43	(166.24)	(104.13)	(21.55)	(5.58)	(49.83)	(9.22)	(22.64)	(19.86)	3.73
Total from investment operations	(51.60)	(12.93)	3.78	(11.57)	32.09	(166.67)	(104.29)	(21.20)	(5.58)	(47.95)	(9.16)	(21.14)	(19.60)	3.82
Net position per unit, end of year	\$ 215.00	248.45	198.63	68.30	384.63	504.57	320.85	309.98	38.21	376.10	274.22	344.00	133.18	244.83
Ratios and supplementary data:														
Total net return(2)	(19.35)%	(4.95)%	1.94%	(14.49)%	9.10%	(24.83)%	(24.53)%	(6.40)%	(12.74)%	(11.31)%	(3.23)%	(5.79)%	(12.83)%	1.58%
Net position, end of year (\$'000s)	\$ 4,730	12,671	114,608	114,876	437,324	94,860	410,052	519,834	470,703	696,916	1,469,533	1,784,350	705,837	1,808,809
Units outstanding, end of year ('000s)	22	51	577	1,682	1,137	188	1,278	1,677	12,319	1,853	5,359	5,187	5,300	7,388
Ratios to average net assets:														
Ratio of expenses, including indirect management fees	0.04%	0.16%	0.05%	0.35%	0.11%	0.22%	0.25%	0.70%	1.04%	0.72%	0.68%	0.87%	1.25%	1.06%
Ratio of expenses, excluding indirect management fees	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.08%	0.07%	0.04%	0.04%	0.11%	0.20%	0.04%	0.19%

Note: Financial Highlights include only the Core Fund and does not include the Cash Fund which maintains a stable net asset value of \$1.00 per unit.

(1) Based on weighted average units outstanding with the exception of the Enhanced Equity Account which was liquidated in fiscal year 2023.

(2) Total net return calculation is based on the value of a single unit of participation outstanding throughout the year. It represents the percentage change in the net asset value per unit between the beginning and end of the year.

## Financial Highlights, continued

### For the year ended June 30, 2023

	Private Equity Vintage Year 2018 Account	Private Equity Vintage Year 2019 Account	Private Equity Vintage Year 2020 Account	Private Equity Vintage Year 2021 Account	Private Equity Vintage Year 2022 Account	Private Equity Vintage Year 2023 Account	Real Estate Account	Timberland Account	Cash Overlay Account	Real Assets Account	Enhanced Equity Account	Other Credit Opportunities Account	Global Equity Emerging Diverse Account
Net position per unit, beginning of year	\$ 174.80	226.46	162.81	107.39	94.61	100.00	982.71	333.75	240.35	90.96	143.10	142.62	93.68
Investment operations:													
Net investment income (loss)(1)	1.41	0.81	(0.01)	0.00	(0.01)	(0.57)	33.12	5.89	67.23	0.54	(143.10)	0.96	1.75
Net realized and unrealized gain (loss) on investments and foreign currency	(2.59)	(3.88)	(6.38)	(5.62)	0.08	0.07	(63.85)	13.83	(34.14)	(6.05)	0.00	5.91	11.93
Total from investment operations	(1.18)	(3.07)	(6.39)	(5.62)	0.07	(0.50)	(30.73)	19.72	33.09	(5.51)	(143.10)	6.87	13.68
Net position per unit, end of year	\$ 173.62	223.39	156.42	101.77	94.68	99.50	951.98	353.47	273.44	85.45	0.00	149.49	107.36
Ratios and supplementary data:													
Total net return(2)	(0.68)%	(1.36)%	(3.92)%	(5.23)%	0.07%	(0.50)% (3)	(3.13)%	5.91%	13.77%	(6.06)%	(100.00)%	4.82%	14.60%
Net position, end of year (\$'000s)	\$ 2,094,784	1,733,955	1,641,438	1,705,904	691,556	63,678	10,523,221	2,995,979	452,538	736,761	—	1,420,265	108,004
Units outstanding, end of year ('000s)	12,065	7,762	10,494	16,763	7,304	640	11,054	8,476	1,655	8,622	—	9,501	1,006
Ratios to average net assets:													
Ratio of expenses, including indirect management fees	1.21%	1.03%	1.92%	3.00%	3.57%	1.82% (3)	0.33%	0.04%	0.07%	1.03%	0.36%	1.16%	0.61%
Ratio of expenses, excluding indirect management fees	0.14%	0.26%	0.04%	0.12%	0.18%	1.82% (3)	(0.01)%	(0.22)%	0.07%	0.04%	0.36%	0.16%	0.61%

Note: Financial Highlights include only the Core Fund and does not include the Cash Fund which maintains a stable net asset value of \$1.00 per unit.

(1) Based on weighted average units outstanding with the exception of the Enhanced Equity Account which was liquidated in fiscal year 2023.

(2) Total net return calculation is based on the value of a single unit of participation outstanding throughout the year. It represents the percentage change in the net asset value per unit between the beginning and end of the year.

(3) Denotes account commenced operations subsequent to the beginning of the fiscal year. Total net return and ratios not annualized.



## Financial Highlights Ratios

For the years ended June 30, 2022-2014

	General Allocation Account	Domestic Equity Account	International Equity Account	Emerging Markets Account	Core Fixed Income Account	Public Value-Added Fixed Income Account	Private Debt Account	Hedge Funds Account	Liquidating Portfolios Account (Z)	Private Equity Account	Vintage Year 2000 Account	Vintage Year 2001 Account	Vintage Year 2002 Account	Vintage Year 2003 Account	Vintage Year 2004 Account
<b>Ratios and supplementary data:</b>															
<b>2022</b>															
Total net return (1)	(3.75)%	(12.59)%	(20.00)%	(24.92)%	(11.54)%	(11.39)%	18.13%	(1.28)%	39.70%	0.15%	(5.22)%	23.10%	150.08%	1.39%	18.43%
Net position, end of year (\$'000s)	89,306,605	18,697,417	10,576,654	4,105,161	13,347,999	3,958,023	1,328,505	7,088,137	55,009	168,818	12,273	16,594	2,089	14,066	6,665
Units outstanding, end of year ('000s)	178,945	36,666	30,436	7,370	44,691	12,257	5,991	70,133	718	374	55	16	3	28	25
<b>2021</b>															
Total net return (1)	29.43%	45.07%	36.68%	47.71%	(0.83)%	13.30%	29.76%	17.27%	36.89%	(0.34)%	32.19%	9.32%	72.59%	(5.50)%	25.28%
Net position, end of year (\$'000s)	93,212,189	22,011,373	12,437,174	5,273,588	14,605,575	4,395,888	1,317,931	7,081,240	72,548	213,642	18,835	20,221	2,506	13,873	8,104
Units outstanding, end of year ('000s)	179,774	37,728	28,631	7,108	43,258	12,062	7,021	69,146	1,323	474	80	24	9	28	36
<b>2020</b>															
Total net return (1)	1.99%	5.49%	(3.51)%	(3.23)%	13.82%	(2.50)%	(7.70)%	(5.51)%	(45.46)%	1.34%	(29.66)%	0.89%	(29.91)%	(12.07)%	20.89%
Net position, end of year (\$'000s)	73,216,082	12,066,835	10,383,531	4,461,293	11,759,338	3,873,573	1,201,948	6,419,650	70,224	88,643	17,099	21,579	2,420	16,254	7,187
Units outstanding, end of year ('000s)	182,766	30,004	32,671	8,882	34,539	12,042	8,309	73,511	1,753	196	96	28	15	31	40
<b>2019</b>															
Total net return (1)	5.68%	8.66%	(0.13)%	1.42%	8.22%	6.44%	4.08%	2.79%	(18.07)%	3.53%	(13.15)%	0.06%	19.20%	20.65%	26.18%
Net position, end of year (\$'000s)	73,116,815	11,763,882	11,264,739	4,652,110	10,162,275	4,376,086	1,249,573	6,029,787	162,686	160,219	26,334	26,737	4,373	8,873	22,889
Units outstanding, end of year ('000s)	188,731	39,037	34,200	8,963	33,974	13,264	7,973	65,240	2,215	359	104	35	19	35	154
<b>2018</b>															
Total net return (1)	9.55%	15.50%	8.47%	8.62%	1.29%	1.47%	9.27%	6.06%	4.04%	6.02%	(0.51)%	3.54%	(10.09)%	27.26%	(2.24)%
Net position, end of year (\$'000s)	70,145,449	13,695,898	11,831,052	4,537,474	9,153,731	4,441,960	1,153,692	5,999,629	203,319	137,947	35,279	46,571	4,827	42,008	22,851
Units outstanding, end of year ('000s)	188,731	39,037	35,873	8,867	33,118	14,331	7,661	66,727	2,268	320	121	61	25	85	194
<b>2017</b>															
Total net return (1)	12.80%	18.49%	19.98%	27.49%	(4.48)%	7.67%	15.40%	9.32%	16.35%	2.00%	2.08%	18.17%	(7.69)%	2.31%	25.85%
Net position, end of year (\$'000s)	65,460,073	13,216,006	12,038,165	5,243,481	7,984,311	4,176,825	1,225,906	5,579,937	250,843	67,900	43,665	60,463	9,019	55,921	41,088
Units outstanding, end of year ('000s)	192,948	43,507	39,591	11,130	29,261	13,674	8,895	65,823	2,911	167	149	82	42	144	341
<b>2016</b>															
Total net return (1)	1.87%	1.51%	(7.86)%	(9.91)%	14.58%	2.79%	(6.84)%	(5.43)%	(20.30)%	(0.94)%	(6.12)%	(3.72)%	6.54%	(4.22)%	(4.63)%
Net position, end of year (\$'000s)	59,382,003	11,359,746	10,018,446	4,264,286	8,404,125	3,868,726	1,251,421	5,192,238	195,445	66,569	56,265	77,994	13,493	69,465	80,997
Units outstanding, end of year ('000s)	197,436	44,312	39,533	11,540	29,419	13,636	10,478	66,965	2,639	167	196	125	58	183	846
<b>2015</b>															
Total net return (1)	3.41%	6.60%	(2.94)%	(6.14)%	4.58%	(5.14)%	1.96%	3.64%	(4.25)%	5.03%	5.97%	7.56%	4.11%	13.06%	5.97%
Net position, end of year (\$'000s)	59,982,623	11,745,353	10,341,307	4,011,292	8,377,734	3,702,871	1,350,323	5,575,153	32,057	52,713	103,656	102,397	20,089	145,442	119,669
Units outstanding, end of year ('000s)	203,159	46,508	37,600	9,780	33,603	13,416	10,533	67,998	345	131	339	158	92	367	1,192
<b>2014</b>															
Total net return (1)	17.18%	24.78%	24.23%	13.76%	5.66%	6.90%	15.18%	10.72%	(5.88)%	8.25%	23.80%	27.29%	8.97%	21.56%	52.79%
Net position, end of year (\$'000s)	59,507,530	11,478,177	10,382,202	4,263,167	8,398,309	3,787,240	1,360,006	5,845,587	49,684	94,631	137,922	133,764	35,025	197,688	257,109
Units outstanding, end of year ('000s)	208,428	48,451	36,639	9,756	35,228	13,017	10,817	73,892	512	247	478	222	167	564	2,714
<b>Ratios to average net assets:</b>															
<b>2022</b>															
Ratio of expenses, including indirect management fees	0.52%	0.16%	0.24%	0.63%	0.09%	0.33%	1.20%	1.05%	0.11%	0.08%	0.04%	0.03%	0.03%	0.03%	(0.02)%
Ratio of expenses, excluding indirect management fees	0.24%	0.16%	0.24%	0.63%	0.09%	0.14%	0.10%	0.19%	0.11%	0.08%	0.04%	0.04%	0.03%	0.03%	0.04%
<b>2021</b>															
Ratio of expenses, including indirect management fees	0.49%	0.14%	0.23%	0.69%	0.08%	0.37%	2.94%	1.06%	0.37%	0.03%	0.04%	0.07%	0.04%	0.04%	0.38%
Ratio of expenses, excluding indirect management fees	0.20%	0.14%	0.23%	0.69%	0.08%	0.15%	0.07%	0.18%	0.03%	0.03%	0.04%	0.04%	0.04%	0.04%	0.03%
<b>2020</b>															
Ratio of expenses, including indirect management fees	0.51%	0.11%	0.24%	0.58%	0.08%	0.43%	1.57%	1.11%	0.75%	0.04%	0.04%	—	0.05%	0.04%	0.24%
Ratio of expenses, excluding indirect management fees	0.20%	0.11%	0.24%	0.58%	0.08%	0.19%	0.04%	0.13%	0.04%	0.04%	0.04%	0.04%	0.05%	0.04%	0.05%
<b>2019</b>															
Ratio of expenses, including indirect management fees	0.52%	0.11%	0.23%	0.57%	0.11%	0.44%	1.59%	1.11%	0.89%	0.06%	0.04%	0.03%	0.09%	0.04%	0.31%
Ratio of expenses, excluding indirect management fees	0.20%	0.11%	0.23%	0.57%	0.11%	0.22%	0.04%	0.12%	0.03%	0.06%	0.04%	0.04%	0.04%	0.04%	0.04%
<b>2018</b>															
Ratio of expenses, including indirect management fees	0.52%	0.11%	0.23%	0.47%	0.10%	0.44%	1.76%	1.17%	0.92%	0.05%	0.04%	0.01%	0.68%	0.04%	0.21%
Ratio of expenses, excluding indirect management fees	0.18%	0.11%	0.23%	0.47%	0.10%	0.23%	0.04%	0.09%	0.03%	0.05%	0.04%	0.04%	0.05%	0.04%	0.04%

## Financial Highlights Ratios, continued

For the years ended June 30, 2022-2014

	General Allocation Account	Domestic Equity Account	International Equity Account	Emerging Markets Account	Core Fixed Income Account	Public Value-Added Fixed Income Account	Private Debt Account	Hedge Funds Account	Liquidating Portfolios Account (2)	Private Equity Account	Vintage Year 2000 Account	Vintage Year 2001 Account	Vintage Year 2002 Account	Vintage Year 2003 Account	Vintage Year 2004 Account
<b>2017</b>															
Ratio of expenses, including indirect management fees	0.54%	0.10%	0.20%	0.58%	0.10%	0.47%	1.91%	1.25%	1.02%	0.06%	0.04%	0.15%	0.77%	0.15%	0.20%
Ratio of expenses, excluding indirect management fees	0.18%	0.10%	0.20%	0.58%	0.09%	0.29%	0.04%	0.09%	1.02%	0.06%	0.04%	0.09%	0.04%	0.04%	0.04%
<b>2016</b>															
Ratio of expenses, including indirect management fees	0.53%	0.13%	0.19%	0.44%	0.09%	0.47%	1.76%	1.42%	1.41%	0.08%	0.18%	0.17%	0.79%	0.28%	0.43%
Ratio of expenses, excluding indirect management fees	0.14%	0.13%	0.19%	0.44%	0.08%	0.30%	0.04%	0.06%	1.40%	0.08%	0.04%	0.07%	0.04%	0.04%	0.06%
<b>2015</b>															
Ratio of expenses, including indirect management fees	0.53%	0.14%	0.18%	0.31%	0.10%	0.47%	1.55%	1.40%	0.04%	0.04%	0.25%	0.22%	0.76%	0.38%	0.90%
Ratio of expenses, excluding indirect management fees	0.16%	0.14%	0.18%	0.31%	0.09%	0.30%	0.04%	0.04%	0.02%	0.04%	0.04%	0.05%	0.04%	0.04%	0.05%
<b>2014</b>															
Ratio of expenses, including indirect management fees	0.55%	0.14%	0.19%	0.27%	0.11%	0.49%	1.90%	1.50%	0.10%	0.03%	0.25%	0.59%	0.49%	0.59%	0.88%
Ratio of expenses, excluding indirect management fees	0.15%	0.14%	0.19%	0.24%	0.10%	0.31%	0.04%	0.05%	0.02%	0.03%	0.05%	0.07%	0.05%	0.04%	0.08%

(1) Total net return calculation is based on the value of a single unit of participation outstanding throughout the year. It represents the percentage change in the net asset value per unit between the beginning and end of the year.

(2) Includes Portable Alpha Wind Down, Hedge Funds closed portfolios, and Natural Resources Private Wind Down. Prior to January 31, 2016, Natural Resources Private assets were reflected in the Timberland portfolio.

## Financial Highlights Ratios, continued

For the years ended June 30, 2022-2014

	Vintage Year 2005 Account	Vintage Year 2006 Account	Vintage Year 2007 Account	Vintage Year 2008 Account	Vintage Year 2009 Account	Vintage Year 2010 Account	Vintage Year 2011 Account	Vintage Year 2012 Account	Vintage Year 2013 Account	Vintage Year 2014 Account	Vintage Year 2015 Account	Vintage Year 2016 Account	Vintage Year 2017 Account	Vintage Year 2018 Account	Vintage Year 2019 Account
<b>Ratios and supplementary data:</b>															
<b>2022</b>															
Total net return (1)	2.76%	13.73%	4.71%	27.45%	41.02%	6.30%	40.25%	(5.01)%	20.50%	31.36%	17.39%	29.31%	32.31%	35.45%	47.13%
Net position, end of year (\$'000s)	18,819	130,548	198,489	431,504	188,619	595,619	666,661	588,923	1,008,811	1,674,473	2,132,407	940,692	1,867,792	2,007,542	1,659,513
Units outstanding, end of year ('000s)	72	670	2,485	1,224	281	1,401	2,013	13,449	2,379	5,909	5,840	6,157	7,750	11,485	7,328
<b>2021</b>															
Total net return (1)	37.60%	52.84%	51.17%	49.24%	139.68%	108.80%	79.58%	79.10%	109.95%	57.44%	75.06%	64.51%	64.17%	65.15%	68.00%
Net position, end of year (\$'000s)	39,678	138,429	305,643	524,998	276,548	705,125	638,740	869,212	1,025,485	1,557,125	2,359,373	872,298	1,332,666	1,398,299	994,786
Units outstanding, end of year ('000s)	156	808	4,007	1,898	581	1,763	2,705	18,855	2,914	7,218	7,585	7,383	7,316	10,835	6,463
<b>2020</b>															
Total net return (1)	(14.41)%	(7.06)%	0.20%	(12.99)%	1.22%	(7.30)%	(1.55)%	6.80%	15.47%	5.34%	13.21%	7.87%	(1.83)%	(6.56)%	(7.67)%
Net position, end of year (\$'000s)	48,247	146,274	249,451	431,299	192,827	482,128	628,788	607,363	675,522	1,175,774	1,539,669	562,258	680,492	572,418	354,096
Units outstanding, end of year ('000s)	261	1,305	4,944	2,327	971	2,517	4,782	23,595	4,030	8,581	8,665	7,829	6,133	7,326	3,865
<b>2019</b>															
Total net return (1)	8.66%	9.35%	14.14%	13.88%	26.97%	18.09%	20.06%	12.46%	16.72%	23.83%	23.40%	4.10%	7.47%	(15.53)%	(0.77)% (2)
Net position, end of year (\$'000s)	84,655	236,036	443,048	574,946	262,119	611,034	759,937	645,784	711,849	1,214,210	1,467,994	503,055	389,158	245,699	57,257
Units outstanding, end of year ('000s)	392	1,957	8,798	2,699	1,336	2,957	5,690	26,792	4,904	9,335	9,353	7,556	3,443	2,938	577
<b>2018</b>															
Total net return (1)	10.58%	4.94%	16.60%	24.15%	20.66%	24.74%	18.83%	19.25%	14.10%	25.68%	29.69%	7.73%	5.21%	(0.99)% (2)	N/A
Net position, end of year (\$'000s)	135,744	306,512	538,342	726,311	343,201	701,188	866,997	739,683	623,594	1,087,916	941,586	290,614	127,993	15,842	N/A
Units outstanding, end of year ('000s)	683	2,779	12,203	3,883	2,221	4,007	7,794	34,520	5,014	10,357	7,403	4,544	1,217	160	N/A
<b>2017</b>															
Total net return (1)	19.15%	9.31%	23.14%	28.78%	16.27%	16.58%	23.76%	21.34%	19.87%	17.62%	15.25%	(28.04)%	(0.04)% (2)	N/A	N/A
Net position, end of year (\$'000s)	196,987	440,532	769,225	882,880	379,849	791,761	919,627	623,043	493,966	659,809	520,540	108,285	27,388	N/A	N/A
Units outstanding, end of year ('000s)	1,096	4,191	20,328	5,860	2,966	5,644	9,824	34,669	4,532	7,894	5,308	1,824	274	N/A	N/A
<b>2016</b>															
Total net return (1)	8.56%	2.52%	9.87%	12.84%	20.05%	15.08%	22.91%	8.34%	5.06%	5.15%	(9.23)%	(17.50)% (2)	N/A	N/A	N/A
Net position, end of year (\$'000s)	430,797	612,037	912,296	904,434	443,570	806,666	796,339	542,987	308,790	399,073	184,978	165	N/A	N/A	N/A
Units outstanding, end of year ('000s)	2,856	6,365	29,691	7,731	4,027	6,704	10,528	36,668	3,396	5,616	2,174	2	N/A	N/A	N/A
<b>2015</b>															
Total net return (1)	15.15%	11.51%	9.04%	16.66%	24.02%	19.09%	24.07%	11.77%	(5.24)%	(13.53)%	(6.26)% (2)	N/A	N/A	N/A	N/A
Net position, end of year (\$'000s)	594,274	848,797	1,154,470	1,017,713	494,545	762,278	704,428	425,548	170,840	177,995	40,871	N/A	N/A	N/A	N/A
Units outstanding, end of year ('000s)	4,277	9,049	41,282	9,816	5,390	7,290	11,447	31,126	1,974	2,634	436	N/A	N/A	N/A	N/A
<b>2014</b>															
Total net return (1)	20.33%	23.18%	22.67%	30.63%	27.66%	27.52%	17.90%	16.81%	(8.66)%	(21.85)% (2)	N/A	N/A	N/A	N/A	N/A
Net position, end of year (\$'000s)	703,977	1,098,091	1,319,704	1,050,050	401,949	597,679	435,298	215,895	52,887	3,204	N/A	N/A	N/A	N/A	N/A
Units outstanding, end of year ('000s)	5,834	13,054	51,443	11,815	5,433	6,807	8,777	17,648	579	41	N/A	N/A	N/A	N/A	N/A
<b>Ratios to average net assets:</b>															
<b>2022</b>															
Ratio of expenses, including indirect management fees	0.29%	(0.11)%	0.44%	0.16%	0.20%	0.37%	0.76%	0.84%	0.64%	0.59%	0.73%	1.10%	1.03%	1.24%	1.23%
Ratio of expenses, excluding indirect management fees	0.04%	(0.14)%	0.14%	0.06%	0.03%	0.06%	0.08%	0.04%	0.04%	0.07%	0.13%	0.03%	0.12%	0.03%	0.29%
<b>2021</b>															
Ratio of expenses, including indirect management fees	0.54%	(0.01)%	0.45%	0.35%	0.66%	0.61%	1.07%	0.99%	0.94%	0.97%	1.05%	1.69%	2.23%	2.66%	3.00%
Ratio of expenses, excluding indirect management fees	0.04%	(0.04)%	0.04%	0.08%	0.03%	0.03%	0.09%	0.04%	0.03%	0.03%	0.16%	0.03%	0.03%	0.03%	0.50%
<b>2020</b>															
Ratio of expenses, including indirect management fees	0.67%	0.42%	0.50%	0.46%	1.57%	0.93%	1.04%	1.28%	1.15%	1.02%	1.35%	2.37%	3.95%	6.23%	3.86%
Ratio of expenses, excluding indirect management fees	0.04%	0.07%	0.05%	0.09%	0.04%	0.04%	0.06%	0.04%	0.04%	0.04%	0.24%	0.08%	0.05%	0.08%	0.12%
<b>2019</b>															
Ratio of expenses, including indirect management fees	0.56%	0.55%	0.45%	0.56%	1.63%	0.79%	1.08%	1.39%	1.45%	1.58%	1.89%	3.33%	8.34%	4.39%	0.14% (2)
Ratio of expenses, excluding indirect management fees	0.04%	0.07%	0.04%	0.09%	0.04%	0.04%	0.09%	0.04%	0.04%	0.04%	0.32%	0.04%	0.04%	0.17%	0.14% (2)
<b>2018</b>															
Ratio of expenses, including indirect management fees	0.53%	0.62%	0.92%	0.70%	1.59%	1.25%	1.35%	1.59%	1.77%	2.19%	3.16%	6.59%	10.13%	0.14% (2)	N/A
Ratio of expenses, excluding indirect management fees	0.06%	0.08%	0.04%	0.09%	0.04%	0.04%	0.07%	0.04%	0.04%	0.04%	0.51%	0.04%	0.04%	0.14% (2)	N/A

## Financial Highlights Ratios, continued

For the years ended June 30, 2022-2014

	Vintage Year 2005 Account	Vintage Year 2006 Account	Vintage Year 2007 Account	Vintage Year 2008 Account	Vintage Year 2009 Account	Vintage Year 2010 Account	Vintage Year 2011 Account	Vintage Year 2012 Account	Vintage Year 2013 Account	Vintage Year 2014 Account	Vintage Year 2015 Account	Vintage Year 2016 Account	Vintage Year 2017 Account
<b>2017</b>													
Ratio of expenses, including indirect management fees	0.65%	0.74%	0.98%	0.75%	1.47%	1.15%	1.53%	1.82%	2.82%	3.69%	5.87%	10.75%	0.01% (2)
Ratio of expenses, excluding indirect management fees	0.06%	0.03%	0.04%	0.08%	0.04%	0.04%	0.15%	0.04%	0.04%	0.04%	0.74%	0.30%	0.01% (2)
<b>2016</b>													
Ratio of expenses, including indirect management fees	0.73%	0.77%	1.00%	0.98%	1.29%	1.30%	1.74%	2.28%	4.91%	4.71%	9.50%	(21.53)% (2)	N/A
Ratio of expenses, excluding indirect management fees	0.04%	0.03%	0.04%	0.14%	0.04%	0.04%	0.16%	0.04%	0.04%	0.05%	0.04%	(21.53)% (2)	N/A
<b>2015</b>													
Ratio of expenses, including indirect management fees	0.82%	0.80%	1.01%	0.97%	1.71%	1.61%	2.21%	3.27%	8.83%	9.28%	2.57% (2)	N/A	N/A
Ratio of expenses, excluding indirect management fees	0.05%	0.05%	0.04%	0.11%	0.04%	0.04%	0.15%	0.05%	0.04%	0.06%	0.02% (2)	N/A	N/A
<b>2014</b>													
Ratio of expenses, including indirect management fees	0.91%	0.84%	1.32%	1.70%	2.59%	2.55%	4.26%	7.53%	14.31%	10.58% (2)	N/A	N/A	N/A
Ratio of expenses, excluding indirect management fees	0.08%	0.06%	0.04%	0.15%	0.04%	0.04%	0.41%	0.05%	0.04%	0.11% (2)	N/A	N/A	N/A

(1) Total return calculation is based on the value of a single unit of participation outstanding throughout the year. It represents the percentage change in the net asset value per unit between the beginning and end of the year.

(2) Denotes account commenced operations subsequent to the beginning of the fiscal year. Total net return and ratios not annualized.

## Financial Highlights Ratios, continued

For the years ended June 30, 2022-2014

	Vintage Year 2020 Account	Vintage Year 2021 Account	Vintage Year 2022 Account	Real Estate Account	Timberland Account	Cash Overlay Account	Portfolio Completion Strategies Account (3)	Risk Premia Account (3)	Real Assets Account (3)	Enhanced Equity Account	Other Credit Opportunities Account	Global Equity Emerging Diverse Account
<b>Ratios and supplementary data:</b>												
<b>2022</b>												
Total net return (1)	24.09%	9.87%	(5.39)% (2)	24.24%	10.92%	(18.11)%	N/A	N/A	1.63%	(9.56)%	6.19%	(6.32)% (2)
Net position, end of year (\$'000s)	1,303,273	1,138,431	163,587	9,819,201	2,919,996	539,337	N/A	N/A	857,795	985,503	951,732	93,678
Units outstanding, end of year ('000s)	8,005	10,601	1,729	9,992	8,749	2,244	N/A	N/A	9,430	6,887	6,673	1,000
<b>2021</b>												
Total net return (1)	40.10%	(2.26)% (2)	N/A	16.44%	7.49%	30.45%	N/A	(100.00)%	1.07%	35.36%	24.40%	N/A
Net position, end of year (\$'000s)	333,380	174,180	N/A	7,945,278	2,833,009	941,595	N/A	—	837,883	1,083,781	897,070	N/A
Units outstanding, end of year ('000s)	2,541	1,782	N/A	10,045	9,415	3,208	N/A	—	9,362	6,850	6,679	N/A
<b>2020</b>												
Total net return (1)	(6.35)% (2)	N/A	N/A	0.56%	(1.74)%	15.21%	N/A	2.94%	(2.90)%	(0.34)%	(1.01)%	N/A
Net position, end of year (\$'000s)	51,697	N/A	N/A	6,921,152	2,766,226	444,807	N/A	2	832,035	4,589,770	574,855	N/A
Units outstanding, end of year ('000s)	552	N/A	N/A	10,189	9,882	1,977	N/A	—	9,396	39,267	5,324	N/A
<b>2019</b>												
Total net return (1)	N/A	N/A	N/A	5.56%	1.57%	1.34%	N/A	(0.60)%	(14.97)%	6.17%	5.95%	N/A
Net position, end of year (\$'000s)	N/A	N/A	N/A	6,992,131	2,888,192	465,349	N/A	615,528	804,725	4,586,863	257,835	N/A
Units outstanding, end of year ('000s)	N/A	N/A	N/A	10,351	10,138	2,383	N/A	6,005	8,825	39,107	2,364	N/A
<b>2018</b>												
Total net return (1)	N/A	N/A	N/A	8.86%	7.38%	2.64%	N/A	5.49%	5.95%	10.47%	2.94% (2)	N/A
Net position, end of year (\$'000s)	N/A	N/A	N/A	6,454,777	2,433,762	304,443	N/A	618,533	631,406	2,372,889	164,184	N/A
Units outstanding, end of year ('000s)	N/A	N/A	N/A	10,087	8,677	1,580	N/A	5,998	5,888	21,480	1,595	N/A
<b>2017</b>												
Total net return (1)	N/A	N/A	N/A	6.27%	7.65%	14.55%	N/A	(5.06)%	1.22%	N/A	N/A	N/A
Net position, end of year (\$'000s)	N/A	N/A	N/A	6,047,656	2,483,085	682,197	N/A	585,639	153,348	N/A	N/A	N/A
Units outstanding, end of year ('000s)	N/A	N/A	N/A	10,288	9,506	3,634	N/A	5,991	1,515	N/A	N/A	N/A
<b>2016</b>												
Total net return (1)	N/A	N/A	N/A	11.70%	(3.31)%	5.65%	8.62%	N/A	N/A	N/A	N/A	N/A
Net position, end of year (\$'000s)	N/A	N/A	N/A	6,302,436	2,012,000	286,627	736,581	N/A	N/A	N/A	N/A	N/A
Units outstanding, end of year ('000s)	N/A	N/A	N/A	11,394	8,292	1,749	7,154	N/A	N/A	N/A	N/A	N/A
<b>2015</b>												
Total net return (1)	N/A	N/A	N/A	11.30%	(2.04)%	5.19%	(5.21)% (2)	N/A	N/A	N/A	N/A	N/A
Net position, end of year (\$'000s)	N/A	N/A	N/A	6,093,142	2,347,050	567,427	94,882	N/A	N/A	N/A	N/A	N/A
Units outstanding, end of year ('000s)	N/A	N/A	N/A	12,305	9,353	3,658	1,001	N/A	N/A	N/A	N/A	N/A
<b>2014</b>												
Total net return (1)	N/A	N/A	N/A	12.91%	12.81%	47.46% (2)	N/A	N/A	N/A	N/A	N/A	N/A
Net position, end of year (\$'000s)	N/A	N/A	N/A	5,380,022	2,374,863	549,427	N/A	N/A	N/A	N/A	N/A	N/A
Units outstanding, end of year ('000s)	N/A	N/A	N/A	12,093	9,271	3,726	N/A	N/A	N/A	N/A	N/A	N/A
<b>Ratios to average net assets:</b>												
<b>2022</b>												
Ratio of expenses, including indirect management fees	2.98%	3.16%	0.31% (2)	1.06%	0.45%	0.06%	N/A	N/A	1.04%	0.43%	1.33%	0.21% (2)
Ratio of expenses, excluding indirect management fees	0.04%	0.06%	0.31% (2)	0.72%	0.19%	0.06%	N/A	N/A	0.03%	0.43%	1.33%	0.21% (2)
<b>2021</b>												
Ratio of expenses, including indirect management fees	5.65%	0.09% (2)	N/A	0.52%	0.46%	0.07%	N/A	—%	1.04%	0.42%	1.14%	N/A
Ratio of expenses, excluding indirect management fees	0.04%	0.09% (2)	N/A	0.17%	0.19%	0.07%	N/A	—%	0.04%	0.42%	1.14%	N/A
<b>2020</b>												
Ratio of expenses, including indirect management fees	4.22% (2)	N/A	N/A	0.49%	0.09%	0.07%	N/A	0.52%	1.23%	0.37%	1.14%	N/A
Ratio of expenses, excluding indirect management fees	1.91% (2)	N/A	N/A	0.15%	0.30%	0.07%	N/A	0.14%	0.05%	0.37%	1.14%	N/A
<b>2019</b>												
Ratio of expenses, including indirect management fees	N/A	N/A	N/A	0.49%	0.26%	0.08%	N/A	0.89%	1.48%	0.43%	0.92%	N/A
Ratio of expenses, excluding indirect management fees	N/A	N/A	N/A	0.15%	0.26%	0.08%	N/A	0.12%	0.07%	0.43%	0.92%	N/A
<b>2018</b>												
Ratio of expenses, including indirect management fees	N/A	N/A	N/A	0.50%	0.55%	0.06%	N/A	0.90%	1.37%	0.42%	0.62% (2)	N/A
Ratio of expenses, excluding indirect management fees	N/A	N/A	N/A	0.14%	0.21%	0.06%	N/A	0.11%	0.03%	0.03%	0.62% (2)	N/A

## Financial Highlights Ratios, continued

For the years ended June 30, 2022-2014

	Real Estate Account	Timberland Account	Cash Overlay Account	Portfolio Completion Strategies Account (3)	Risk Premia Account (3)	Real Assets Account (3)
<b>2017</b>						
Ratio of expenses, including indirect management fees	0.46%	0.67%	0.07%	N/A	1.27%	0.04%
Ratio of expenses, excluding indirect management fees	0.09%	0.34%	0.07%	N/A	0.15%	0.04%
<b>2016</b>						
Ratio of expenses, including indirect management fees	0.47%	0.23%	0.07%	0.90%	N/A	N/A
Ratio of expenses, excluding indirect management fees	0.09%	(0.11)%	0.07%	0.16%	N/A	N/A
<b>2015</b>						
Ratio of expenses, including indirect management fees	0.64%	0.70%	0.07%	0.29% (2)	N/A	N/A
Ratio of expenses, excluding indirect management fees	0.27%	0.40%	0.07%	0.10% (2)	N/A	N/A
<b>2014</b>						
Ratio of expenses, including indirect management fees	0.56%	0.55%	0.09% (2)	N/A	N/A	N/A
Ratio of expenses, excluding indirect management fees	0.17%	0.16%	0.09% (2)	N/A	N/A	N/A

- (1) Total return calculation is based on the value of a single unit of participation outstanding throughout the year. It represents the percentage change in the net asset value per unit between the beginning and end of the year.
- (2) Denotes account commenced operations subsequent to the beginning of the fiscal year. Total net return and ratios not annualized.
- (3) Prior to July 2016, Risk Premia and Real Assets were reflected in the Portfolio Completion Strategies account.

## PRIT Fund Asset Allocation

As of June 30:

The following table is intended to provide readers of this ACFR with further information regarding the financial position of the PRIT Fund over the past ten years. This table provides the change in assets during this time period. This table should be read in conjunction with the discussion on asset allocation in the *Investment Section* of this ACFR.

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Domestic Equity	23.0%	21.3%	24.2%	22.2%	21.9%	19.1%	19.8%	18.7%	19.2%	19.0%
International Equity	11.7%	11.5%	13.0%	13.9%	15.1%	16.5%	18.0%	16.5%	16.9%	17.1%
Emerging Markets	4.4%	4.4%	5.5%	6.0%	6.2%	6.3%	7.9%	7.0%	6.6%	7.0%
Global Equity Emerging-Diverse Manager Program	0.1%	0.1%	-	-	-	-	-	-	-	-
Core Fixed Income	13.3%	14.5%	15.3%	15.7%	13.6%	12.8%	12.0%	13.9%	13.7%	13.9%
Value-Added Fixed Income	7.1%	6.8%	6.9%	7.5%	7.9%	8.0%	8.1%	8.4%	8.3%	8.5%
Private Equity	17.4%	18.4%	14.5%	11.4%	11.3%	10.8%	10.6%	11.1%	11.3%	11.1%
Real Estate	10.9%	10.6%	8.3%	9.2%	9.4%	9.0%	9.1%	10.4%	10.0%	8.9%
Timberland	3.1%	3.2%	3.0%	3.7%	3.9%	3.4%	3.7%	3.3%	3.8%	3.9%
Hedge Funds (1)	-	-	-	-	-	-	-	8.6%	9.1%	9.6%
Liquidating Portfolios (2)	0.0%	0.1%	0.1%	0.1%	0.2%	0.3%	0.4%	0.3%	0.1%	0.1%
Overlay	0.5%	0.6%	1.0%	0.6%	0.6%	0.4%	1.0%	0.5%	0.9%	0.9%
Portfolio Completion Strategies (1)	8.4%	8.6%	8.3%	9.7%	10.0%	13.4%	9.5%	1.2%	0.2%	-

Totals may not add due to rounding.

- (1) At the February 14, 2017 Board meeting, the PRIM Board voted to combine the Hedge Funds and Portfolio Completion Strategies portfolios into a single portfolio (Portfolio Completion Strategies).
- (2) Includes Portable Alpha Wind Down, Hedge Funds closed portfolios, and Natural Resources Private Wind Down. Prior to January 31, 2016, Natural Resources Private assets were reflected in the Timberland portfolio.



||| Mass  
PRIM

53 State Street, Boston, MA 02109  
[www.mapension.com](http://www.mapension.com)