I. Minutes (Voting Item)

The minutes of the February 15, 2024, PRIM Board meeting are attached as **Appendix A**.

II. Executive Director/Chief Investment Officer Report

A. Markets and PRIT Fund Performance

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

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

- U.S. **GDP** expanded an annualized 1.6% in Q1 2024, compared to 3.4% in the previous quarter and below forecasts of 2.5%. It was the lowest growth since the contractions in the first half of 2022.
- The U.S. **Consumer Price Index** accelerated for a second straight month to 3.5% in March, the highest since September, compared to 3.2% in February and above forecasts of 3.4%.
- The U.S. **Unemployment Rate** edged up to 3.9% in April from 3.8% in the previous month and surprising market expectations, which had forecasted the rate to remain unchanged. –
- The Federal Reserve kept the target range for the **Federal Funds Rate** at its 23-year high of 5.25%-5.50% for a sixth consecutive meeting in May, in line with expectations. Policymakers acknowledged that while inflation has moderated over the past year, it remains elevated, and there has been a notable lack of further progress towards achieving the central bank's goal in recent months. Still, Chair Powell stated that he does not foresee a hike as likely and believes that the current policy is sufficiently restrictive to achieve the 2% inflation target.
- **Market volatility** has risen slightly year-to-date as the VIX Index increased slightly from 12.45 to 13.49, as of May 3, 2024. This is well below the 5-year and 10-year averages of 21 and 18, respectively.
- The **ISM Manufacturing U.S. PMI** fell back below 50 again to 49.2 in April after hitting 50.3 in March. A reading below 50 indicates contraction.
- U.S. **Housing Starts** plunged 14.7% month over month to an annualized rate of 1.321 million in March. It is the lowest reading since August and the largest decline since April 2020, as a rise in mortgage rates weighed on potential buyers.
- The **University of Michigan's Consumer Sentiment** was revised lower to 77.2 in April. Both current conditions and expectations declined more than initially expected
- **Season Earnings Stats:** More than 90% of S&P 500 companies have reported 1Q 2024 results, and sales growth was +4.1% and earnings growth was +5.4% – surprising on the upside and better than expected.

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

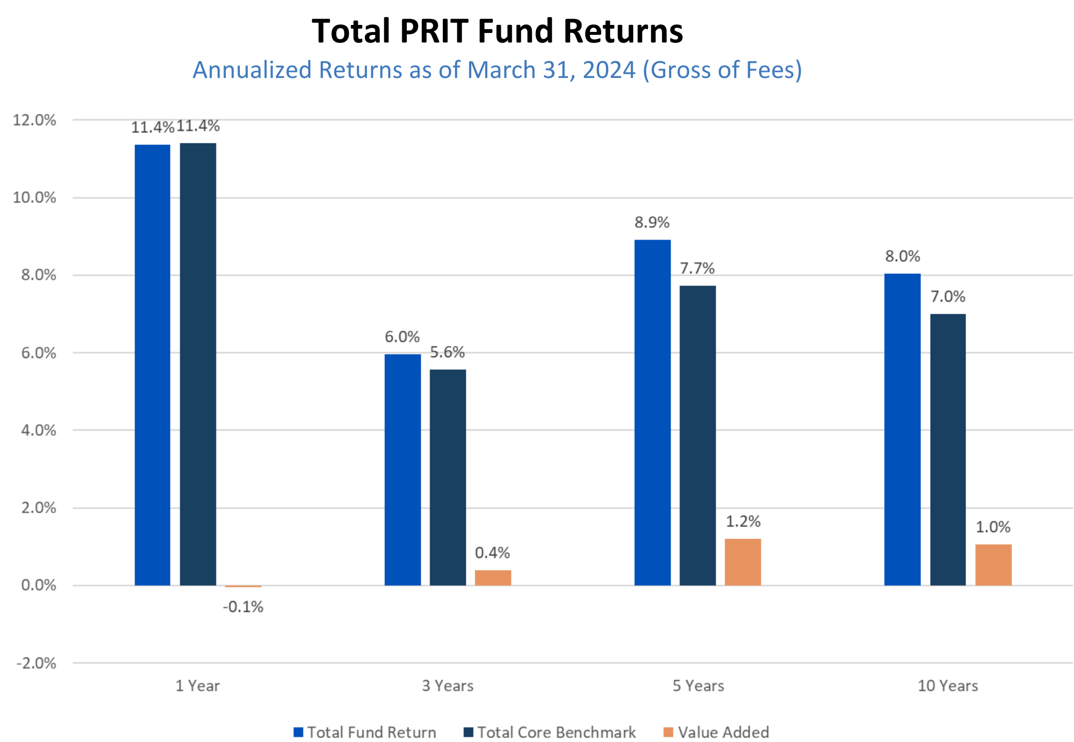
<u>Select International Economies</u>

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

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

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

The following charts summarize the PRIT Fund performance for the one-year ended March 31, 2024. More detailed PRIT Fund performance reports are included in the Board package at **Appendix B** and **Appendix C**.



Source: BNY Mellon. Totals may not add due to rounding. Total Core Benchmark includes private equity benchmark.

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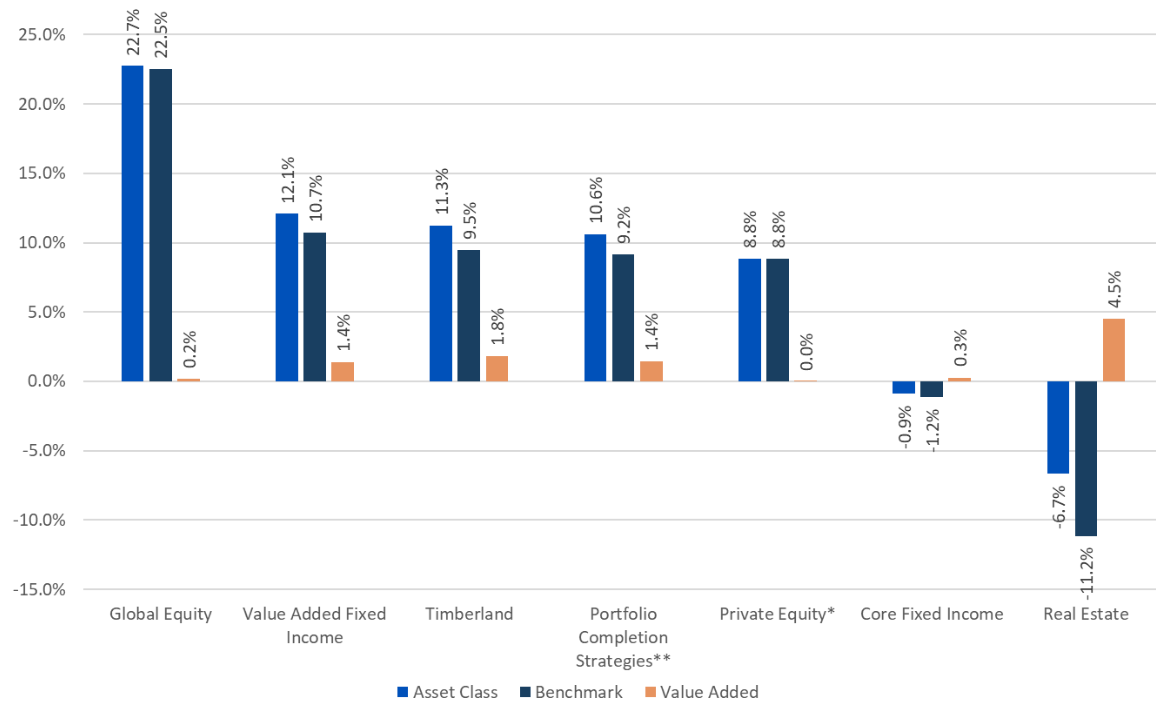
PRIT Asset Class Performance Summary

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



Source: BNY Mellon. Totals may not add due to rounding. *Benchmark is actual performance. **Hedge Fund returns are net of fees.

PRIT Fund Annualized Returns by Asset Class

(March 31, 2024 - Gross of Fees)

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

Source: BNY Mellon

B. Organizational Updates

PRIM welcomed one new employee during the quarter. **Raluca Zelinschi** joined the Real Estate and Timberland team as an Investment Officer. She will help the team cover the private and public real estate portfolios and the timberland investments. Prior to joining PRIM, Raluca was an Associate Director of Portfolio Management at Intercontinental Real Estate where she worked on a $3 billion private real estate portfolio invested across various sectors and geographies. Raluca also previously held positions at STAG Industrial, a publicly traded real estate company, and AEW Capital Management. Raluca is a Chartered Financial Analyst (CFA), and she earned a Master's degree in International Economics & Finance from the International Business School at Brandeis University and a Bachelor's degree in Economics & Political Science from Whittier College.

Eliza Haynes on the Private Equity team recently passed the CFA Institute's level three exam, that's the final one - now having also attained the requisite work experience Eliza is now a Chartered Financial Analyst.

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

III. Investment Report

A. Public Markets

1. Performance Summary

Staff will provide a Public Markets performance summary.

2. Manager Recommendations: Developed International Growth Equity (Voting Item)

PRIM staff and the Investment Committee recommend (unanimously) to the PRIM Board that the Board approve initial allocations of up to $400 million to C WorldWide Asset Management (C WorldWide); up to $400 million to PineStone Asset Management (PineStone); and up to $400 million to Walter Scott & Partners (Walter Scott) to provide active investment management services for a World ex-US Growth equity mandate.

PRIM staff's presentation is attached as **Appendix D**. Meketa's report and Albourne's operational due diligence memorandum are attached as **Appendices E** and **F**, respectively.

Executive Summary

<u>Benefits</u>

- Style and Manager Diversification: The selected managers have distinct approaches to growth investing, resulting in low correlation of excess returns, and mitigating style and manager-specific risk within the growth portion of the portfolio.
- Enhance Risk-Return Profile: The selected managers have demonstrated a consistent track record of strong risk-adjusted returns over a long period of time. This allocation should reduce the portfolio's active risk and enhance portfolio stability.
- Increase Flexibility: Multiple managers allows for more granular rebalancing and the ability to capitalize on opportunities or mitigate risks as they arise.

<u>Risks</u>

- As with all investments, there are risks that need to be considered including market conditions, volatility, exposure to an economic downturn or exogenous events, and firm specific risks.

Staff also reviewed the following risks and concerns associated with these managers:

- Ownership and Alignment Risk: Concerns may stem from the ownership structure, such as when an external party holds a significant stake, or when employee ownership is minimal. Changes in ownership can lead to shifts in strategy or management instability, potentially affecting the firm's performance and strategic direction.
- Key Person Risk: This risk occurs when a firm's success and operational stability are heavily dependent on one or a few individuals. If these key individuals were unable to continue their roles, due to incapacity or departure, it could jeopardize the firm's performance and long-term viability. This risk highlights the importance of succession planning and the potential vulnerability of an organization's structure.

C WorldWide Asset Management

Manager Size:	$17.4 billion
Strategy Size:	$600 million
Recommendation:	Initial allocation of up to $400 million

C WorldWide is a Copenhagen-based equity boutique investment management firm founded in 1986, with a single investment style, philosophy, and process across its nine strategies. The firm, majority-owned by Altor Equity Partners since 2009 with a 20% management and employee stake, has grown its assets under management (AUM) to more than $17 billion, primarily from institutional clients. C WorldWide's portfolio managers are supported by a collaborative, generalist investment team of 17 professionals with an average tenure of over 13 years, focused on identifying businesses with durable moats, strong governance, and clear long-term strategies that can sustain consistent growth. The firm's research process is iterative and extensive, involving around 3,000 annual meetings and continuous monitoring of up to 100 stocks. C WorldWide's thematic approach, a core part of their investment process for over 30 years, seeks to understand the drivers of change in equity markets, economies, and societies over a 5–10-year timeframe, diversifying across multiple themes to mitigate timing risk. The concentrated portfolio of 25-30 stocks is constructed qualitatively, emphasizing diversification across themes rather than geographic regions, with position sizes based on conviction.

PineStone Asset Management

Manager Size:	$47.8 billion
Strategy Size:	$11.6 billion
Recommendation:	Initial allocation of up to $400 million

PineStone, an employee-owned investment management firm founded by CEO and CIO Nadim Rizk in 2021, spun out of Fiera while maintaining a sub-advisory arrangement. The firm, headquartered in Montreal, manages more than $47 billion in assets, with more than $11 billion in the International Equity strategy (primarily institutional). The investment team, led by Nadim Rizk and Andrew Chan as Head of Research, consists of 26 employees. PineStone employs a bottom-up, fundamental, long-term, and concentrated investment approach, seeking to identify best-of-breed companies with competitive advantages and growth potential at attractive valuations. The research-intensive process involves proprietary screening, in-depth analysis, and collaboration among team members, with buy decisions requiring unanimous agreement. The portfolio typically holds between 20-35 positions. Portfolio construction is driven by bottom-up stock selection, with position sizes determined by conviction and risk/reward profile, as assessed by their proprietary scoring system.

Walter Scott & Partners

Manager Size:	$82.5 billion
Strategy Size:	$30.5 billion
Recommendation:	Initial allocation of up to $400 million

Walter Scott, an Edinburgh-based investment management firm founded in 1983 and fully acquired by Mellon Corporation in 2006, operates autonomously as a subsidiary of Bank of New York Mellon. Under the leadership of Managing Director Jane Henderson, the firm has grown to 180 employees while maintaining a collaborative culture and consistent investment philosophy and process. Walter Scott manages over $82 billion in assets with more than $30 billion in the EAFE equity strategy (primarily institutional). The firm employs a bottom-up, fundamental, and long-term investment approach, seeking to identify world-leading businesses that can compound over decades. The investment team, consisting of 20 members organized into three regional groups, is responsible for research and rotates across the regional teams to become global generalists. The research process involves ongoing due diligence on existing portfolio holdings and new idea generation, with decisions being the culmination of an ongoing research process and requiring unanimous team approval. Portfolios are constructed based on a bottom-up stock selection process, typically holding 40-60 equally-weighted positions.

3. Multi-Asset Class Credit Investment Strategies Request for Proposals (RFP) Recommendations (Voting Item)

In August 2023, the Board approved the issuance of a Request for Proposals (RFP) for Multi-Asset Class Credit Investment Strategies within the Value-Added Fixed Income portfolio of the PRIT Fund. PRIM staff will present the Mult-Asset Class Credit Investment Strategies RFP Evaluation Committee's recommendation to select Anchorage Capital Advisors, LLC (Anchorage), HPS Investment Partners (HPS), KKR Credit (KKR), and Shenkman Capital Management (Shenkman).

PRIM staff and the Investment Committee recommend (unanimously) to the PRIM Board that the Board approve an initial allocation of up to $2.0 billion across Anchorage, HPS, KKR, and Shenkman to provide active investment management services for a Multi-Asset Class Credit Investment Strategies.

The Evaluation Committee's presentation is attached as **Appendix G**. Meketa's report and Albourne's operational due diligence memorandum are attached as **Appendices H** and **I**, respectively.

Executive Summary

<u>Benefit</u>

PRIM staff identified several existing managers in the Public Value-Added Fixed Income portfolio that were underperforming their respective benchmarks. As part of the performance analysis, PRIM researched the benefit of Multi-Asset Class Credit strategies that included both High Yield Bonds and Bank Loans in the opportunity set, allowing for more manager flexibility in generating returns.

PRIM staff is recommending this mandate primarily for the following reasons:

- Interest rate management flexibility – Managers can better control duration risk using a combination of fixed and floating rate instruments.
- Relative value opportunities across capital structure – Companies can issue varying credit obligations. Managers can analyze the entire capital structure of a company in an industry

and find relative value between its bonds, loans, or convertibles, both secured and unsecured.

- Rotation between asset classes as an additional alpha source – Managers can rotate between asset classes during different points in the credit cycle, generating additional alpha to enhance returns.
- Increased flexibility and asset types – Managers can leverage additional asset classes (Collateralized Loan Obligations "CLOs", convertible bonds, etc.) to achieve greater risk-adjusted returns.

Risks

- Complexity – Managing multiple asset classes can be more operationally complex versus a single-asset strategy, requiring a higher level of expertise and oversight.
- Liquidity Risks – Some types of credit assets can be less liquid than others in certain market conditions.
- Credit Risk – Multi-Asset Class Credit strategies tend to tilt lower in credit quality, requiring strong underwriting practices to support the strategy.

Fees

- The effective management fee for the proposed allocation will be 33.5bps per year.
- This represents a 5.8bps reduction from initial fee proposals which equates to approximately $1.1 million in annual savings.

Anchorage Capital Advisors, LLC

Firm Size:	$26.7 billion AUM
Strategy AUM:	$5.8 billion
Recommendation:	Initial allocation of up to $300 million

Anchorage was founded in June 2003 and began as a long/short hedge fund, primarily focusing on credit investing across a wide range of products including loans, bonds, credit derivatives, defaulted debt, and restructured equity. In 2009, Anchorage launched its illiquid funds that were developed to capture illiquid risk outside of the traditional hedge fund structure. The Multi-Asset Credit (AMAC) strategy employs an active, long-only performing credit strategy, with the flexibility to invest across credit vehicles, including high yield bonds, investment grade bonds, bank loans, and structured credit such as CLOs. Anchorage combines strong fundamental credit research with highly active trading and frequent repositioning of the portfolio to capture relative value across adjacent credit asset classes. Understanding the asymmetric risk profile of credit investing, Anchorage places a strong emphasis on stress testing and downside analysis to identify potential weaknesses. The firm also leverages its extensive experience in special situations and distressed investing to take advantage of lower quality credits where they can extract value relative to their peers.

HPS Investment Partners

Firm Size:	$106.0 billion AUM
Strategy AUM:	$3.7 billion
Recommendation:	Initial allocation of up to $600 million

HPS was founded in 2007 as a subsidiary of Highbridge Capital Management, LLC. In March 2016, senior executives of HPS acquired HPS and its subsidiaries from JPMorgan and Highbridge. HPS Governing Partners and other senior members of the firm own 100% of the voting interest in the company. The Institutional Credit Strategy seeks to generate attractive risk-adjusted returns by investing in a portfolio that rotates exposures across leveraged loans, high yield and investment grade bonds, and securitized assets, with a strong emphasis on performing credit. The strategy emphasizes fundamental credit selection and ongoing relative value assessments across asset classes and industry sectors to select investments. The team is highly selective and limits the number of credits in the portfolio, leading to more concentrated exposures – while less diversified, they believe their credit selection ability helps them avoid defaults and outperform the broader index on a risk-adjusted basis. The firm is active in the private credit space as well, HPS will often leverage the knowledge gained in the private side of the HPS platform to inform decisions in the public space.

KKR Credit (Multi-Asset Credit "KMAC" & Global Credit Opportunities Fund "GCOF")

Firm Size:	$202.0 billion AUM (KKR Credit)
Strategy AUM:	$1.6 billion (KMAC) & $3.9 billion (GCOF)
Recommendation:	Initial allocation of up to $500 million in KMAC and $200 million in GCOF

KKR is a global investment firm founded in 1976 by Kohlberg, Kravis, and Roberts and began as a leading private equity business. KKR Credit was formed in 2004 so the firm could pursue credit investments as part of its asset management strategy. With a broad platform across not only credit but also private equity, infrastructure, and real estate, the firm is able to achieve economies of scale and access a broader opportunity set of investments.

KMAC is a diversified credit strategy that invests across bank loans, high yield bonds, structured credit, and convertible bonds to generate consistent income across a large pool of assets. The investment process combines fundamentally driven rigorous credit research and macroeconomic views to construct a portfolio focused on capital preservation and diversification. Deal sourcing by leveraging the full resources of the KKR platform, including its private equity, capital markets, and advisor professionals, gives KKR credit the opportunity to view a larger number of opportunities not widely available to smaller competitors.

GCOF is a high conviction strategy that analyzes a similar opportunity set to KMAC but takes on relatively larger position sizes, especially in companies that show favorable attributes, tilting towards lower rated, mispriced credits. While KMAC will maintain a portfolio of roughly 400-500 issuers, GCOF will aim to hold 100-150 issuers, with individual position sizing up to 5%. This concentrated portfolio leads to a higher risk and return profile with more upside but also more drawdown risk. An allocation to each KKR strategy will allow PRIM to capitalize on the best ideas of KKR Credit in GCOF while also leveraging KKR's scale to gain broad market exposure through KMAC.

Shenkman Capital Management

Firm Size:	$29.4 billion AUM
Strategy AUM:	$3.2 billion
Recommendation:	Initial allocation of up to $400

Shenkman was founded by veteran Mark Shenkman in 1985 as a pioneer in the high yield and leveraged finance markets. The MAC strategy began in 2010 and was built around the belief that dynamically making tactical allocations across non-investment grade credit can result in superior returns for investors when compared to siloed allocations. Shenkman's MAC strategy places a strong emphasis on interest income and principal appreciation through careful credit selection, using a disciplined checklist grading scale to capture the credit risk associated with non-investment grade assets. They believe their ability to synthesize fundamental credit views with broad credit market outlooks allows them to realize higher returns and lower volatility. In addition to their top-down view on asset allocation, a key element of their portfolio construction is the use of convertible bonds, which provide a return-seeking equity optionality with controlled downside, limiting risk but allowing the strategy to enhance returns.

4. Other Credit Opportunities: New Investment Recommendation: Morgan Properties (Voting Item)

Manager Name:	Morgan Properties ("Morgan")
Vehicle Name:	Morgan Properties Separately Managed Account
Manager Size:	$18 billion AUM
Recommendation:	Initial allocation of up to $200 million

Recommendation

PRIM staff and the Investment Committee recommend (unanimously) to the PRIM Board that the Board approve an initial allocation of up to $200 million to Morgan Properties Separately Managed Account (the "Account") as part of the Other Credit Opportunities allocation. The Account's strategy will be to acquire Freddie Mac B-piece securities, the junior-most tranche of Freddie Mac loan securitizations.

PRIM staff is recommending this investment primarily for the following reasons:

- Attractive Risk-Adjusted Returns: Risk-adjusted returns are comparable to PRIM's value-add fixed income portfolio and add exposure to real estate credit and are backed by physical collateral.
- Historically low default rate of Freddie Mac multifamily debt.
- Morgan Properties' extensive experience in the strategy.
- Additional exposure to an attractive sector that is difficult to access.
- Defensive nature of the underlying collateral: The securitized loans are collateralized primarily by suburban, Class B, workforce housing, a sector with limited new supply and positive demand drivers.

Sponsor Summary

Morgan Properties ("Morgan") is the third largest multifamily property owner in the United States with a portfolio of approximately 330 communities totaling over 93,000 units in 20 states. Additionally, Morgan Properties is an active multifamily credit investor across Freddie K-series investments, preferred equity, mezzanine lending and whole loan investments. Overall, Morgan Properties has assets under management of approximately $18 billion.

The firm was founded in 1985 by Mitchell Morgan and is based in Conshohocken, Pennsylvania. The firm is privately owned by the Morgan family. Morgan Properties continues to be managed by Mitchell Morgan along with his two sons, Jonathan Morgan and Jason Morgan. The firm has a vertically integrated team of over 2,500 employees including 500 corporate level employees and an executive team with average industry experience of over 20 years.

Team Members Leading the Strategy

<u>Jason Morgan, Co-President, Morgan Properties</u>

Jason Morgan joined the company in May 2017. His primary responsibilities involve sourcing, underwriting, and executing multifamily acquisition and debt investments. Jason sits on Morgan Properties' Investment Committee where he evaluates all of the company's acquisition and debt investment opportunities. Jason has been instrumental in developing the processes that Morgan has utilized to become a major investor in the Freddie Mac K-series space.

Prior to joining Morgan Properties, Jason worked at Sculptor Capital Management, formerly known as Och-Ziff Capital Management, where he focused on equity investments, preferred equity structures, mezzanine financing, and senior loans across traditional and niche real estate asset classes. Before Sculptor, Jason worked at Goldman Sachs in the real estate investment banking group. Jason received a Bachelor of Science in Economics with a concentration in Finance and Real Estate from The Wharton School at the University of Pennsylvania. He is a member of the Chamber's Policy Research and Legislation Committee and contributes to Forbes' Real Estate Council.

<u>Jonathan Morgan, Co-President, Morgan Properties</u>

As President and Founder of Morgan Properties JV, an affiliate of Morgan Properties, Jonathan handles the day-to-day management and operations of the company's portfolio and oversees acquisitions and capital markets. His responsibilities involve sourcing, underwriting, negotiating, and closing acquisitions, dispositions, recapitalizations and refinancing all transactions consummated by Morgan Properties. He also sources and establishes Morgan Properties' joint venture partnerships with institutional investors.

Since its inception in 2011, Morgan Properties JV has been one of the most active and fastest-growing multifamily investors in the country. Under Jonathan's leadership, the company has purchased over $8 billion in acquisition volume and over 50,000 units, asserting its proven track record of creating value for its investors through value-add repositioning, rehabilitation, and professional management expertise.

Prior to joining Morgan Properties, Jonathan worked at Apollo Real Estate Advisors where he focused on investment activities involving high-yielding debt opportunities and equity investments in real estate assets and real estate operating companies. Prior to joining Apollo, Jonathan worked at Bear Stearns in the commercial mortgage-backed securities division. Jonathan holds a Bachelor of Science degree from the University of Pennsylvania and an MBA from Columbia Business School.

<u>Rimas Petrulis, Executive Vice President, Acquisitions and Capital Markets</u>

Rimas Petrulis leads Morgan Properties' team of investment professionals responsible for underwriting multifamily equity and debt investments as well as structuring and executing real estate acquisition, disposition, and financing transactions.

Since joining the company in 2004, Rimas has helped Morgan Properties develop one of the most successful value-add acquisition programs in the market, as well as one of the most capable multifamily financing platforms. During his tenure at Morgan, Rimas has executed over $10 billion in acquisition transactions and over $11 billion in financings.

Prior to joining Morgan Properties, Rimas served in an investment management role at Oxford Realty Financial Group. Rimas attended the University of Maine, where he received his Bachelor of Science in Business Administration with a major in finance. He later received an MBA from the University of Maryland's Smith School of Business.

Background of Freddie Mac K-Series Program

Freddie Mac's core mission is to provide liquidity, stability, and affordability to the U.S. housing market. Freddie Mac's Multifamily platform helps to ensure an ample supply of affordable rental housing by purchasing mortgages secured by apartment buildings. According to Freddie Mac, approximately 67% of the eligible units financed in 2023 were affordable to households earning at or below 80% of the area median income (AMI).

Freddie Mac began its multifamily lending platform in the mid-1990's. Freddie Mac buys loans from a group of approved multifamily originators. All loans are originated by third party lenders using a prescribed set of strict underwriting and credit guidelines created by Freddie Mac. Final approval of each loan is completed by Freddie Mac. Disciplined credit standards have contributed to the strong performance of Freddie Mac multifamily loans historically.

Starting in 2009, to privatize multifamily loan holdings and shift credit risk from the taxpayers to the private sector, Freddie Mac began securitizing multifamily loans. These securitizations are known as K-Series transactions and are structured like commercial mortgage-backed securities (CMBS), whereby a group of commercial loans are pooled together to create one security with several tranches. Each tranche has a different repayment priority and risk level and is priced accordingly. The subject strategy will acquire the "B-Piece," which is the riskiest tranche of the securitization, or first loss position. The securitizations are comprised solely of multifamily loans underwritten to Freddie Mac loan requirements and underwriting standards. Loans are collateralized by stabilized, income-producing multifamily properties that are largely Class B, workforce housing. Securitizations can be either fixed rate or floating rate and can range in duration from five-, seven-, or ten-year terms.

Experience in the Sector

Morgan Properties has grown to become one of the most active Freddie Mac B-piece buyers since they began acquiring these securities. Morgan has a long-standing relationship with Freddie Mac as both a B-buyer and a borrower. Morgan leverages its relationship with Freddie Mac and experience as a multifamily operator to effectively underwrite K-series opportunities.

Competitive Advantages and Differentiating Factors

Freddie Mac limits access to K-series B-piece acquisitions to a select group of investors, of which Morgan Properties is one. These groups have a strong relationship with Freddie Mac and extensive experience owning and operating multifamily properties. The pool of eligible buyers is very concentrated with five groups purchasing appropriately 60% of Freddie Mac's annual deal flow.

Key Risk Factors

- Risk of Material Default. The B-piece represents the bottom 5-7.5% of the credit stack, or first loss position. If there is a material default of an underlying loan in the securitization, the B-piece holder could lose some, or all, of its investment.
    - Freddie Mac loans have exhibited strong credit performance and low delinquency rates. The percentage of Freddie Mac's multifamily loan portfolio that has defaulted has been minimal, peaking at 1.6% in 2006, with peak individual year losses of 44 bps for the 2006 vintage.
    - There have been approximately $55 million in total losses (representing less than 2 bps of total issuance) since inception of the K-series program in 2009.
    - Underlying loans are originated at 55-70% loan-to-value, creating a 30-45% equity cushion ahead of the debt position.
    - Each securitized pool of loans is comprised of approximately 40-60 loans. Loan pools are highly diversified across properties, markets, and sponsors with no major concentrations. There is very limited exposure to specialty property types like senior housing and student housing.
    - If a material default occurs, Morgan Properties, as B-piece holder, would control the modification or foreclosure of the loan. With Morgan's extensive experience operating multifamily properties, they are well-equipped to take over and manage the property, reducing the likelihood of a significant loss of the B-piece position.

- Deterioration of Multifamily Fundamentals. Occupancy rates and rental rates could decrease translating to lower cash flow and valuations.
  - Loans are collateralized by suburban workforce housing which has continued to experience strong demand across the country, as they are affordable to a wider percentage of the population.
  - As discussed above, loans are originated at 55-70% loan-to-value, creating a significant equity cushion ahead of the debt position.
  - Loans are originated with adequate debt service coverage ratios (DSCR) based on in place occupancy and rents to provide a margin of safety against deteriorating fundamentals. Importantly no credit is given to projected increases in occupancy or rent growth when originating a loan.
- Continued Increase in Interest Rates.
  - Freddie Mac has tightened its lending criteria since interest rates began increasing 12-18 months ago. Loans being originated today will be subject to lower LTV and higher debt service coverage requirements. Loans originated today are sized to today's higher interest rates.
  - Floating rate loans are subject to rate cap purchase requirements.
- Allocation Risk. Since inception of the program, Freddie Mac has awarded B-piece securities on a non-marketed, rotational basis to a select group of investors. Freddie could expand the buyer pool thereby reducing the flow of deals to Morgan and/or decreasing returns.
  - This is a risk inherent to the strategy. The SMA structure allows PRIM to pull back on its commitment to the strategy if we feel the returns aren't commensurate with the risk or if there are more attractive investments opportunities elsewhere.
  - Freddie Mac prefers to sell B-pieces to buyers with significant experience as multifamily operators, limiting the potential buyer pool.
  - Morgan has a positive, long-term relationship with Freddie Mac as both borrower and B-piece purchaser and is likely to maintain a firm position in the buyer rotation.

B. Portfolio Completion Strategies

1. Performance Summary

Staff will provide a Portfolio Completion Strategies performance summary.

2. Follow-On Investment Recommendation: Eidos Italian Distressed Loan Fund III (Voting Item)

Manager Name:	Eidos Partners srl ("Eidos")
Manager Size:	€528 million
Fund Name:	Eidos Italian Distressed Loan Fund III ("Fund III")
Fund Size:	€350 million
Recommendation:	Commitment of up to $175 million

Recommendation

PRIM staff and the Investment Committee recommend (unanimously) to the PRIM Board that the Board approve a commitment of up to $175 million to Eidos Italian Distressed Loan Fund III ("the Fund"). PRIM has invested in the predecessor vehicle, Eidos Italian Distressed Loan Fund II, via a feeder fund organized by Investcorp. PRIM will invest directly in Fund III. Based in Milan, Italy, Eidos takes a specialist approach investing in non-performing loans ("NPLs") secured by residential and commercial real estate in Italy.

Investment Strategy Overview

The Fund will purchase small pools of NPLs predominantly from Italy's banks and from secondary sellers at steep discounts to their underlying collateral valuation. Subsequently, the Fund will target to recover the loan either through mutual settlement with the borrower or through a court-based foreclosure process.

Typical loan profile will be as follows:

- Collateralized with real estate (focused on collaterals that are not primary residences).
- Collateralized by assets located in regions with a reliable judicial system.
- Unsecured loans underwritten at zero valuation (full optionality to the upside).

The investment period will be three years from the Fund's final close, followed by a harvest period of four years, with the option to extend by two one-year periods.

Investcorp conducted FX hedging in the Fund II feeder vehicle; however, for Fund III, PRIM staff is exploring a more efficient FX hedging service to be provided by Parametric, PRIM's existing cash overlay manager.

Executive Summary

<u>Benefits</u>

- Reasonably large opportunity set.
  - The inventory of Italian NPLs is approximately €300 billion represents one of the largest stocks of NPLs in Europe. However, very few banks and funds in Italy have decent capability of servicing bad loans.
  - Regulators are pressing Italian banks to provision and/or sell bad debts as efficiently as possible.
  - Italian legislators have reformed the asset foreclosure and bankruptcy process to be more creditor friendly.
- Clearly defined sweet spot differentiated from its larger peers.
  - Unlike most other competitors that conduct mass sourcing, the Fund will remain nimble.
  - Eidos focuses on a) small- to mid-sized loans, that are b) secured by quality collaterals, c) relatively straightforward to resolve, and d) vetted and priced on a line-by-line basis.
  - Eidos has a strong track record of investing in Italian NPLs since 2016 and has demonstrated the ability to achieve strong returns through quality underwriting and efficient loan resolution.
- High quality team and infrastructure.
  - Despite being a smaller AUM size than its peers, Eidos has one of the most well-connected and seasoned originations teams in Italy. Eidos has a proven ability to source and underwrite NPLs from local banks at a more favorable price than other larger peers.
  - Organized workflow and methodical monitoring are key to resolving a large number of loans. Eidos, through its special servicer, has built an impressive platform to track each loan. The platform provides live data at both the collateral and portfolio levels and is central to the workflow process as loans move through purchase to resolution.

<u>Risks</u>

As with all distressed investments there are risks that need to be considered including illiquidity risk and regulatory uncertainty.

Staff reviewed the following specific risks associated with the subject investment strategy:

- Economic Downturn: In the event a significant economic downturn occurs, collateral valuation could decrease, negatively affecting fund performance.
    - Eidos acquires loans at a significant discount to collateral valuation, creating significant cushion before a loss would occur.
- Decreased Deal Flow: After reaching its peak in 2015, the stock of NPLs on bank books has consistently decreased.
    - Because there are fewer NPLs on bank books, loan pools will be smaller. Eidos is in a unique position to acquire these smaller pools as many of the "jumbo" buyers are no longer active.
    - There are over €300 billion of total NPLs in the market, including on the secondary market. A significant portion of the loans transferred by banks in previous years remain outstanding and require management. In addition, there are over €200 billion of "unlikely to pay" loans that require close monitoring.
- Political Uncertainty: A tail risk would be Italy leaving the Eurozone, a scenario not advocated by the country's largest political parties. While highly unlikely, if this scenario occurs, loan collateral value will likely fall, negatively impacting the Fund's debt recovery rate and speed.
- Special servicer risk: The special servicer's capability to resolve NPLs is critical to the strategy's success.
    - Eidos has secured a dedicated team of loan managers at Nexus, its special servicer, to work on the Fund's loan portfolio.
- Firm specific risks: Riccardo Banchetti, as Chairman of Eidos, play a critical role in sourcing and resolving NPLs.
    - Mr. Banchetti will be named a Key Person.

Firms Overview and Key Persons

Founded in 2003 and based in Milan, Italy, Eidos initially specialized in corporate finance and capital markets, advising companies and private equity funds on accessing capital markets through IPOs. In August 2011, Pactum Advisers Limited ("Pactum") acquired Eidos. Pactum was co-founded in March 2009 by Riccardo Banchetti. Eidos and its subsidiaries now have more than 25 individuals fully dedicated to NPLs, with average experience of over 18 years.

Eidos launched Fund I in 2016 with Investcorp's help. In 2019, Investcorp provided a USD feeder fund for Eidos Fund II; PRIM started investing in Fund II. As regard to Fund III, Eidos and PRIM believe a direct investment into the master fund will be more efficient in terms of cost control and cash flow management.

Additionally, a third-party Alternative Investment Fund Manager ("AIFM[1]") called Lemanik Asset Management S.A., provides oversight of the master fund which is incorporated in Luxembourg. Lemanik oversees the fund's fair value and is responsible for ensuring the fund's compliance with applicable European Union Directives.

[1] Alternative Investment Fund Manager (AIFM) is any legal person whose regular business is managing one or more alternative investment funds (AIFs). AIFM provides a wide range of services for the fund manager, including investment oversight, tailored risk management services, compliance, and governance. Using AFIM is a typical setup for a Luxembourg fund.

Biographies of Key Persons:

Riccardo Banchetti (Chairman of Eidos)

Mr. Banchetti has over 25 years of experience in fixed income markets, including 15 years of experience sourcing and investing in real estate and NPL assets in Italy. He joined Lehman Brothers in 1992, eventually becoming the co-Chief Executive of Lehman Brothers in Europe and Middle East. At Lehman Brothers, Mr. Banchetti and his team invested €6 billion in real estate and NPLs. In 2009, he founded Pactum which later acquired Eidos Partners in 2011. As the Chairman of Eidos, Mr. Banchetti has advised on more than €18 billion of NPLs portfolios.

Arnaldo Grimaldi (Deputy Chairman, Head of Origination)

Mr. Grimaldi used to work in RAS Group as an asset manager after teaching at SDA Bocconi University for a short period of time. In 1989, Mr. Grimaldi co-founded BancaProfilo where he served as CEO and Vic President. During his experience in BancaProfilo he also developed the capital markets division. In 1999, the bank was listed, and in 2003 he founded Profilo Merchant and was appointed President. Mr. Grimaldi has a degree in Economics from the University L. Bocconi in Milan.

Andrea Sbarbaro (Investments)

In 2015 Mr. Barbaro joined the Eidos investment team as a financial analyst focused on corporate debt restructurings and NPEs. Andrea is involved in the underwriting process of investments across Eidos' strategies. Mr. Barbaro started his career in the Special Situation division of Guber Bank, one of the major players in the NPE market. He has a degree in Economics of Banks, Insurances and Financial Institutions from University of Milano-Bicocca.

Investment Process

Eidos has developed a methodical approach managing the full process from origination, underwriting, and eventually resolution of each loan. With its strong track record in Fund I and Fund II, Eidos has demonstrated thoroughness and attention-to-detail throughout the investment process.

Origination and Underwriting

Italian banks, especially local and regional banks, are relationship driven. Eidos's seasoned origination team leverages their extensive networks developed over lengthy careers to source loans. Acquiring non-performing loans with local and regional banks requires extensive local knowledge and significant due diligence. Eidos's nimble team, strong analytical capabilities, and deep legal expertise have enabled them to engage in complicated transactions, which typically generate higher returns than other opportunities. Frequent communication helps develop relationships between Eidos and the banks. In addition to primary market acquisitions, a secondary market has developed as some competitors are exploring exits of their primary market acquisitions. This new dynamic is favorable to Eidos's bargaining power in sourcing for Fund III.

Eidos has developed a strong reputation for being thorough in legal due diligence and pricing. Unlike most peers that use statistical analysis and credit curves to price a portfolio of loans, Eidos prices each loan individually. Eidos engages external lawyers to confirm each loan's documents are in. Eidos tends to use the most conservative valuation from vendors.

Resolution Process

Italian banks are generally not agile enough or proficient at working out non-performing loans. Any foreclosure in Italy must go through a lengthy court process discouraging Italian banks from optimizing their internal special servicing capabilities. Traditionally, most NPLs remained on bank books without being resolved. As a result, defaulted borrowers have little direct communication with the creditor until loans are sold to outside investors. In comparison, purchasers are more incentivized to resolve non-performing loans together with the debtor as efficiently as possible.

There are two primary ways for a loan to be resolved, either a) through a judicial court proceeding, or b) through out of court settlement. Eidos strives to avoid the costlier, lengthier court settlement resolution by encouraging an early payoff. Eidos focuses on loans collateralized with assets other than primary residence, as borrowers usually have more flexibility settling debt secured by non-primary residences. Loan managers at Nexus, Eidos's special servicer, are properly compensated and only assigned to handle a reasonable number of loan workouts. A lower manager-to-loan ratio generally ensures a better recovery outcome.

Prior Fund Performance

Eidos has demonstrated strong performance, with no deal-level losses underscoring Eidos's meticulous underwriting. Eidos does not employ leverage in its funds. At the fund level, Eidos outperformed almost all their peer funds, based on the information collected by PRIM staff from the local ecosystem. But given that none of the direct peers report return figures to Hamilton Lane, it is difficult to conduct a numerical peer comparison.

C. Private Equity

1. Performance Summary and Cash Flows

PRIM Board Private Equity Portfolio Performance as of March 31, 2024 [1]					
Committed	Contributed [2]	Distributed	Market Value	Total Value	Net IRR [3]
33,788,435,116	28,940,481,911	34,069,219,465	17,225,759,161	51,294,978,626	13.92%

[1] Excludes Private Debt and Private Natural Resources partnerships.

[2] Contributions include fees.

[3] Net IRR since inception, as calculated by Hamilton Lane's Portfolio Reporting System.

2024 Cash flows [1]			
Quarter	Contributions [2]	Distributions	Net Cash Flow
31-Mar-24	388,219,194	535,219,396	147,000,202
TOTAL	***$388,219,194***	***$535,219,396***	***$147,000,202***

[1] Excludes Private Debt and Private Natural Resources partnerships.

[2] Contributions include fees.

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2. Commitment Summary

PRIM Private Equity 2024 Investment Summary (in millions)	
*Denotes existing PRIM relationship	
Partnership	
Approved at the February 15th Board Meeting	
Flagship Pioneering Fund VIII, L.P.*	$60
Spark Capital VIII, L.P.*	$17
Spark Capital Growth Fund V, L.P.*	$34
Approved Co-Investments & GP-Led Secondaries	$81
Total	**$192**
2024 Investment Plan	**$2,200 - $3,000**

3. New Investment Recommendation: Five Elms Fund VI, L.P. (Voting Item)

Manager Name:	Five Elms Capital
Manager Size:	$2.4 billion
Fund Name:	Five Elms Fund VI, L.P.
Fund Size:	$850 million
Recommendation:	Commitment of up to $100 million

Recommendation

PRIM staff and the Investment Committee recommend (unanimously) to the PRIM Board that the Board approve a commitment of up to $100 million to Five Elms Fund VI, L.P. ("Fund VI") and add Five Elms Capital to the Board-approved bench of co-investment managers. Founded in 2007, Five Elms Capital ("Five Elms") is a growth equity firm that invests in growth-stage software companies primarily based in North America. PRIM has not invested in Five Elms' prior funds.

Executive Summary

Benefits

- Provides access to lower-middle market, growth-oriented companies.
- Strong sourcing capabilities.
- Portfolio exhibits strong growth characteristics.
- Highly talented team with proven investment skills.

As with all investments there are risks and concerns that need to be considered including illiquidity, exposure to an economic downturn, private equity market conditions, and firm specific risks.

Staff also reviewed the following risks and concerns associated with Fund VI:

- Technology Market Risks: Similar to technology investing in publicly traded companies, private companies are exposed to technology market risks such as customer adoption, scalability, competition, and disruption from other technologies.
- Manager Risk: If Five Elms were to lose any of its senior investment professionals, it would likely disrupt the firm. Smaller firms are more reliant on their partners to run the business and invest the fund than larger investment firms.

4. Follow-on Investment Recommendations: Thoma Bravo Fund XVI, L.P. and Thoma Bravo Discover Fund V, L.P. (Voting Item)

Manager Name:	Thoma Bravo, LLC
Manager Size:	$134 billion
Fund Name:	Thoma Bravo Fund XVI, L.P.
Fund Size:	$20 billion
Recommendation:	Commitment of up to $200 million
Fund Name:	Thoma Bravo Discover Fund V, L.P.
Fund Size:	$7 billion
Recommendation:	Commitment of up to $125 million

Recommendation

PRIM staff and the Investment Committee recommend (unanimously) to the PRIM Board that the Board approve commitments of up to $200 million to Thoma Bravo Fund XVI, L.P. ("Fund XVI") and up to $125 million to Thoma Bravo Discover Fund V, L.P. ("Discover Fund V"). PRIM has invested in seventeen prior Thoma Bravo, LLC ("Thoma Bravo") funds and seven co-investments since 2000. Thoma Bravo is a sector specialist private equity group focusing on investing in businesses that provide application, infrastructure, or security software products or technology enabled services.

Executive Summary

Benefits

- Consistently strong performance.
- Firm invests in software businesses with significant opportunities to become market leaders.
- Highly talented organization with proven investment skills.

Risks

As with all investments, there are risks and concerns that need to be considered including illiquidity, exposure to an economic downturn, private equity market conditions, and firm specific risks.

Staff also reviewed the following risks and concerns associated with the Thoma Bravo Funds:

- Manager Risk: The fund's success relies on the performance of the firm's investment professionals to execute its investment strategy. It may be more difficult to succeed if the firm is unable to attract and retain talent.
- Technology market risk: Similar to technology investing in publicly traded companies, private companies are exposed to technology market risks such as customer adoption, scalability, competition, and disruption from other technologies.
- Thoma Bravo's fund size has grown, and fundraising pace has increased, which creates pressure on the organization to continue to generate outstanding investment performance while managing larger funds and deploying them quickly.

5. Follow-On Investment Recommendation: Trident X, L.P. (Voting Item)

Manager Name:	Stone Point Capital
Manager Size:	$46.7 billion
Fund Name:	Trident X, L.P.
Fund Size:	$9.0 billion
Recommendation:	Commitment of up to $175 million

Recommendation

PRIM staff and the Investment Committee recommend (unanimously) to the PRIM Board that the Board approve a commitment of up to $175 million to Trident X, L.P. ("Trident X"). PRIM has invested in three prior Stone Point Capital ("Stone Point") funds and made six co-investments since 2017. Stone Point is an established sector specialist private equity manager focusing primarily on investments in large and middle market financial services companies in North America. Stone Point's senior team has worked together for an average of 19 years.

Executive Summary

Benefits

- Consistently strong performance.
- Stone Point invests in financial services businesses with significant opportunities to become market leaders.
- Highly talented organization with proven investment skills.

Risks

As with all investments there are risks and concerns that need to be considered including illiquidity, exposure to an economic downturn, private equity market conditions, and firm specific risks.

Staff also reviewed the following risks and concerns associated with Trident X:

- Financial services exposure: Similar to financial services investing in publicly traded companies, private companies are exposed to financial market risks which can be procyclical in nature.
- Manager Risk: The fund's success relies on the performance of the Firm's investment professionals' ability to execute its investment strategy. It may be more difficult to succeed if the firm is unable to attract and retain talent.

D. Real Estate and Timberland Performance Summary

1. Performance Summary

Staff will provide a Real Estate and Timberland performance summary. Performance data for Real Estate and Timberland is attached as **Appendix J.**

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

PRIM staff and the Real Estate and Timberland Committee recommend (unanimously) to the PRIM Board that the Board approve the issuance of an RFP for U.S. REIT Investment Management Services. The purpose of the RFP is to select one or more firms to provide public long-only U.S. REIT Investment Management Services via separate account vehicles. A successful RFP process will improve portfolio diversification and increase the depth of investment managers.

The RFP's U.S. only strategy is consistent with the Asset Allocation Recommendation approved by the PRIM Board on February 15, 2024, which concluded that U.S. REITs are more favorable to the PRIT Fund with respect to diversification, risk-return profile, correlation with equity markets, and appraisal ratio analysis. Pursuant to this Asset Allocation Recommendation, staff will convert the existing global REIT portfolio to a U.S. only strategy.

IV. Finance and Administration Report

A. Draft Fiscal Year 2025 Operating Budget (Voting Item)

PRIM staff and the Administration and Audit Committee recommend (unanimously) to the PRIM Board that the Board approve the Draft Fiscal Year 2025 PRIM Operating Budget attached as **Appendix K**.

The Fiscal Year 2025 budget reflects an increase of $38.9 million, or 7.5%. Costs remain well controlled, and the PRIT Fund's expense ratio has remained consistent, even with the increased allocation to alternative investment and the addition of new staff and resources to support PRIM's many new initiatives.

B. Legal / Legislative Update

The Board will receive an update on legal and legislative matters.

C. Other Matters

1. March 2024 PRIM Operating Budget (Appendix L)

Global Equity

Fee Type	Actual	Budget	Variance	Percent
Base Fees	51,245,064	56,760,750	5,515,686	10%
Performance Fees	14,462,896	-	(14,462,896)	N/A
Total:	65,707,960	56,760,750	(8,947,210)	-16%

Base fees variance is due to lower than projected assets. Performance fees variance is due to two managers who are earning a fee. Note, no performance fees are budgeted.

Core Fixed Income

Fee Type	Actual	Budget	Variance	Percent
Base Fees	6,231,975	6,375,000	143,025	2%
Performance Fees	853,495	-	(853,495)	N/A
Total:	7,085,470	6,375,000	(710,470)	-11%

Base fees variance is within expectations. Performance fees variance is due to one manager who is earning a fee. Note, no performance fees are budgeted.

Value Added Fixed Income

Fee Type	Actual	Budget	Variance	Percent
Base Fees	32,588,681	38,115,000	5,526,319	14%

Base fees variance is mainly due to lower than projected assets.

Real Estate

Fee Type	Actual	Budget	Variance	Percent
Base Fees	34,048,205	36,063,750	2,015,545	6%
Performance Fees	7,330,227	-	(7,330,227)	N/A
Total:	41,378,432	36,063,750	(5,314,682)	-15%

Base fees variance is due to lower than projected assets. Performance fees variance is due to two managers who are earning a fee. Note, no performance fees are budgeted.

Timberland

Fee Type	Actual	Budget	Variance	Percent
Base Fees	5,697,765	8,925,000	3,227,235	36%
Performance Fees	(2,606,522)	-	2,606,522	N/A
Total:	3,091,243	8,925,000	5,833,757	65%

Base fees variance is due to lower than projected assets and timing of budgeted fee increases. Performance fees variance is due to the claw-back for one manager. Note, no performance fees are budgeted.

Private Equity

Fee Type	Actual	Budget	Variance	Percent
Base Fees	145,924,937	144,525,000	(1,399,937)	-1%

Base fees variance is within expectations.

Portfolio Completion Strategies

Fee Type	Actual	Budget	Variance	Percent
Base Fees	61,415,071	59,770,500	(1,644,571)	-3%

Base fees variance is within expectations.

Overlay & Foreign Currency

Fee Type	Actual	Budget	Variance	Percent
Transaction	596,387	768,750	172,363	22%

Variance is due to lower than budgeted foreign currency transactions.

Third Party Service Providers and Operations

Fee Type	Actual	Budget	Variance	Percent
Operations and Contractual	31,978,662	38,905,375	6,926,713	18%

Variance is due primarily to lower than budgeted Real Estate & Timberland and General third-party service provider fees and lower compensation expense due to open positions.

2. Travel Report

A detailed report of expenses associated with travel (including for due diligence and fiduciary education/professional development) that have been reimbursed to employees since our prior report is attached as **Appendix M**.

3. Client Services

Currently 100 entities, including the State Retiree Benefits Trust Fund (SRBTF – the Commonwealth's Other Post-Employment Benefits (OPEB) liability fund), invest in the PRIT Fund. PRIM serves as an investment manager for approximately 90% of all state and local retirement systems. PRIM clients are classified as "Participating Systems," or "Purchasing Systems," via our Segmentation Program. Segmentation allows systems to invest in individual asset classes, or "segments," of the PRIT Fund as an alternative to investing in the aggregate Fund.

Client and Other Meetings

The Client Services team continues to meet virtually and in person with many of PRIM's member retirement systems. The Client Services team also meets with professional organizations and government entities interested in learning more about the State Retiree Benefits Trust Fund (SRBTF). The following is a list of completed and upcoming meetings since we updated the Board on February 15, 2024.

Date	Name of Retirement System/Entity
2/21/2024	Northbridge Retirement Board
2/26/2024	Burlington OPEB
2/26/2024	MSCBA
2/27/2024	Bedford OPEB
2/27/2024	PRIM Advisory Council
2/28/2024	Fall River Retirement Board
2/28/2024	Woburn Retirement Board
2/28/2024	Holyoke Retirement Board
2/28/2024	Tewksbury OPEB
2/29/2024	Ayer OPEB
2/29/2024	Blackstone OPEB
3/1/2024	Wilmington OPEB
3/6/2024	Hampden County Regional Board
3/13/2024	Needham Retirement Board
3/14/2024	SRBTF Board
3/21/2024	Webster Retirement Board
3/25/2024	Belmont Retirement Board
3/26/2024	Barnstable County Retirement Board
3/26/2024	Hull Retirement Board
3/26/2024	Stoneham Retirement Board

3/26/2024	Winchester Retirement Board
3/27/2024	Bristol County Retirement Board
3/27/2024	Salem Retirement Board
3/28/2024	Dalton OPEB
4/18/2024	Chelsea Retirement Board
4/18/2024	Lincoln OPEB
4/23/2024	Easthampton Retirement Board
4/23/2024	Swampscott Retirement Board
4/24/2024	Middleton OPEB
4/24/2024	Gloucester Retirement Board
4/25/2024	Southbridge Retirement Board
4/29/2024	Brookline Retirement Board
4/30/2024	Blue Hills Retirement Board
4/30/2024	Wellesley Retirement Board
5/2/2024	MWRA Retirement Board
5/16/2024	Quincy Retirement Board
5/21/2024	Lynn Retirement Board
5/22/2024	Middlesex Regional Retirement Board
5/22/2024	Hampshire County Retirement Board
5/22/2024	Longmeadow OPEB
5/23/2024	Greenfield Retirement Board
5/28/2024	Newton Retirement Board
5/29/2024	Berkshire County Regional Retirement Board
5/29/2024	Gardner Retirement Board
6/2-5/2024	MACRS Conference
6/13/2024	SRBTF Board
6/18/2024	Chicopee Retirement Board
6/20/2024	Concord Retirement Board
7/18/2024	Wakefield Retirement Board
7/30/2024	Worcester Regional Retirement Board
8/22/2024	Newburyport Retirement Board
9/12/2024	SRBTF Board
9/24/2024	Montague Retirement Board
9/24/2024	Framingham Retirement Board
9/25/2024	Danvers Retirement Board
9/25/2024	Natick Retirement Board
9/26/2024	Amesbury Retirement Board
9/26/2024	Chelmsford Retirement Board
9/26/2024	Methuen Retirement Board
9/30/2024	Adams Retirement Board
10/2/2024	Springfield Retirement Board
10/8/2024	Haverhill Retirement Board
10/7/2024	Worcester Retirement Board
10/18/2024	Chicopee Retirement Board
10/22/2024	Fairhaven Retirement Board
10/24/2024	Andover Retirement Board
10/24/2024	Braintree Retirement Board
10/29/2024	Lancaster OPEB
10/29/2024	Clinton Retirement Board
10/31/2024	Lawrence Retirement Board
11/14/2024	Lowell Retirement Board
11/19/2024	Peabody Retirement Board

11/19/2024	Newton Retirement Board
11/21/2024	Beverly Retirement Board
11/21/2024	Pittsfield Retirement Board
12/12/2024	SRBTF Board
12/19/2024	Concord Retirement Board
12/20/2024	Reading Retirement Board

State Retiree Benefits Trust Fund (SRBTF) Update

As of March 31, 2024, the total market value of the SRBTF assets was $3.6 billion, of which approximately $1.2 billion were "local" governmental unit assets. There are currently 84 governmental units, including MA Retirees, that invest in the SRBTF.

V. Executive Session Litigation Update (Pursuant to M.G.L. c. 30A, s. 21 (a) (3))

PRIM's outside counsel will provide the Board with a litigation update.