

City of Newton, Massachusetts
OPEB Trust Fund
Comparative Statement of Fiduciary Net Position

	<u>February 29, 2016</u>	<u>February 28, 2015</u>
ASSETS:		
Cash and cash equivalents	\$ 124,263.55	83,697.61
Investments	<u>2,728,855.54</u>	<u>1,660,631.90</u>
Total assets	<u>2,853,119.09</u>	<u>1,744,329.51</u>
NET POSITION:		
Assets held in trust for other post employment benefits	<u>\$ 2,853,119.09</u>	<u>\$ 1,744,329.51</u>

City of Newton, Massachusetts
OPEB Trust Fund
Comparative Statement of Changes in Fiduciary Net Position

	<u>July 1, 2015 - February 29, 2016</u>	<u>July 1, 2014 - February 28, 2015</u>
ADDITIONS:		
Employer contributions	<u>\$ 838,634.82</u>	<u>\$ 564,656.66</u>
Investment income		
Net appreciation/(depreciation) in fair value of investments	(133,131.42)	47,241.00
Interest and dividends	<u>36,207.26</u>	<u>16,553.00</u>
Total investment income/(loss)	(96,924.16)	63,794.00
Less: investment expense	<u>(7,329.63)</u>	<u>(3,932.15)</u>
Net investment income/(loss)	<u>(104,253.79)</u>	<u>59,861.85</u>
Change in Net Position	<u>734,381.03</u>	<u>624,518.51</u>
NET POSITION AT BEGINNING OF FISCAL YEAR	<u>2,118,738.06</u>	<u>1,119,811.00</u>
NET POSITION AT FEBRUARY 28/29	<u>\$ 2,853,119.09</u>	<u>\$ 1,744,329.51</u>

February 2016

PRIM Board Update



PENSION RESERVES
INVESTMENT
MANAGEMENT BOARD

Massachusetts Pension Reserves Investment Management Board

February PRIT Performance

After being down 10.5% year-to-date as of February 11th, the S&P 500 staged a solid comeback, but remained negative at month-end. Long duration U.S. Treasuries continued to climb in February, and were up 11.8% year-to-date. The PRIT Core Fund returned 0.10% in February, helped by its Core Fixed Income, Emerging Markets Debt, High Yield Bond, Real Estate, and Timber allocations. A hypothetical 60%/40% mix of global equities and core bonds would have returned -0.2% in February. *Please see the chart accompanying this piece showing the PRIT Core Fund vs. one month, fiscal 2016, calendar year, one-year, three-year, five-year and 10-year benchmarks.*

Market Snapshot for February 2016

U.S. Gross Domestic Product ("GDP") was revised to 1.0% for 4Q15, up from the previous estimate of 0.7% in the Commerce Department's second assessment. Unemployment fell to 4.9% from 5.0%, the lowest reading since February 2008. Jobless claims, a proxy for layoffs, fell to 270,250 at the end of the month. The U.S. Institute for Supply Management ("ISM") Purchasing Manufacturing Index ("PMI") contracted for the fifth consecutive month in February at 49.5, higher than 48.2 in January and above market expectations of 48.5. A reading below 50 indicates that the manufacturing sector of the economy is contracting. On Wednesday, the St. Louis Federal Reserve (the "Fed") President James Bullard reiterated his opposition to further interest rate hikes, citing the decline in market-based inflation expectations. The U.S. Dollar Index depreciated -1.4%, while the Sterling fell to a seven-year low on the back of British exit concerns. Oil prices rose to \$33.8 a barrel (0.4% in February) after hitting a 13-year low of \$26.2 earlier in the month. Oil prices rallied in the second half of February after Saudi Arabia announced it will work with producers to curb crude production.

U.S. equities were mixed despite positive economic data and a late-February rebound in oil prices. Small Caps were up 0.7%, outperforming Large Caps, which fell 0.1%.

International equities returned -1.8%. European equities fell 1.8% after the G20 meeting failed to deliver new stimulus measures; corporate earnings disappointed. Japanese equities lost 2.7% on weak Chinese economic data, disappointing Japanese capital spending, and negative interest rates for benchmark government 10-year bonds.

Emerging markets equities fell 0.2%. Brazilian equities rose 6.2%, led by miner Vale SA and other commodity producers. New stimulus measures in China, Brazil's largest

trading partner, bolstered sentiment for raw materials. Chinese shares fell 2.5%, as investors were left disappointed by weak manufacturing data. At the Shanghai G20 meeting, Chinese officials reassured world leaders that there will be no large Yuan devaluation in the near future. Frontier Markets rose 3.5% in February.

In fixed income markets, the 20+ Year STRIPS Index rose 4.6% (up 3.3% trailing one-year and 11.8% CYTD). The Barclays Aggregate rose 0.7% in February. Yields were lower by 8 bps on the month (2.26% vs. 2.34% in January), while credit and mortgage markets were weaker (price and yield move in opposite directions). Positive returns were due to a rally in treasury yields. U.S. High Yield bonds rose 0.5%, as spreads were generally unchanged. Emerging Markets Debt US dollar denominated (EMD\$) rose 2.0% as spreads tightened and treasury rates rallied. EMD Local rose 1.4% for the month. Yields were 3 bps lower (6.85% vs. 6.88%). Bond prices rose 0.3% while FX rose by 0.7% and coupon added 0.5%. Only South Africa, Colombia, and Malaysia posted negative returns for the month.

PRIT FUND ASSETS: \$57,900,129,000

PRIT Core Fund Recap – February 29, 2016

Portfolio	Month	CYTD	1-Year
PRIT Core Total	0.07%	-2.45%	-3.63%
U.S. Equity	0.06%	-5.74%	-8.05%
International Equity	-1.21%	-7.85%	-12.13%
Emerging Markets Equity	-0.63%	-6.91%	-20.44%
Core Fixed Income	2.07%	5.57%	0.62%
Public Value Added FI*	0.82%	0.00%	-5.87%
Total Value Added FI**	0.57%	-0.04%	-4.82%
Private Equity	0.01%	-0.28%	18.22%
Core Real Estate	0.37%	-0.32%	9.72%
Timberland	0.07%	-0.15%	0.33%
Hedge Funds (net of fees)	-0.88%	-2.50%	-6.31%
Portfolio Completion Strategies	-0.32%	1.86%	-0.85%

Returns are gross of fees unless otherwise noted. Timberland, Total Value-Added Fixed Income, and Portfolio Completion Strategies sleeves are currently not available through Segmentation; however, the *Public Value Added Fixed Income sleeve is available as of April 1, 2013. **Total Value-Added FI includes returns of Public Value-Added FI and Private Debt. Private Equity is available to Segmented Systems through the Vintage Year Program.

Market Recap February 29, 2016

Global Equity Markets

U.S. Equities:

Index	Month	CYTD	1-Year
S&P 500	-0.13%	-5.09%	-6.19%
Russell 2000 Growth	-0.71%	-11.47%	-16.65%
Russell 2000 Value	0.68%	-6.08%	-13.35%
Russell 2500 Growth	0.30%	-9.62%	-14.65%
Russell 2500	0.70%	-7.33%	-13.30%

International Equities:

Index	Month	CYTD	1-Year
Custom World IMI Ex-US	-1.19%	-8.20%	-14.85%
MSCI Emerging Mkts. IMI	-0.16%	-6.95%	-22.59%

Fixed Income

Index	Month	CYTD	1-Year
Barclays Aggregate	0.71%	2.10%	1.50%
BC US Treas 20+Yr STRIPS	4.56%	11.76%	3.33%
ML High Yield Master II	0.47%	-1.12%	-8.51%
JPM EMBI Global	2.02%	1.82%	1.45%
JPM GBI EM Global Div.	1.44%	1.80%	-12.50%

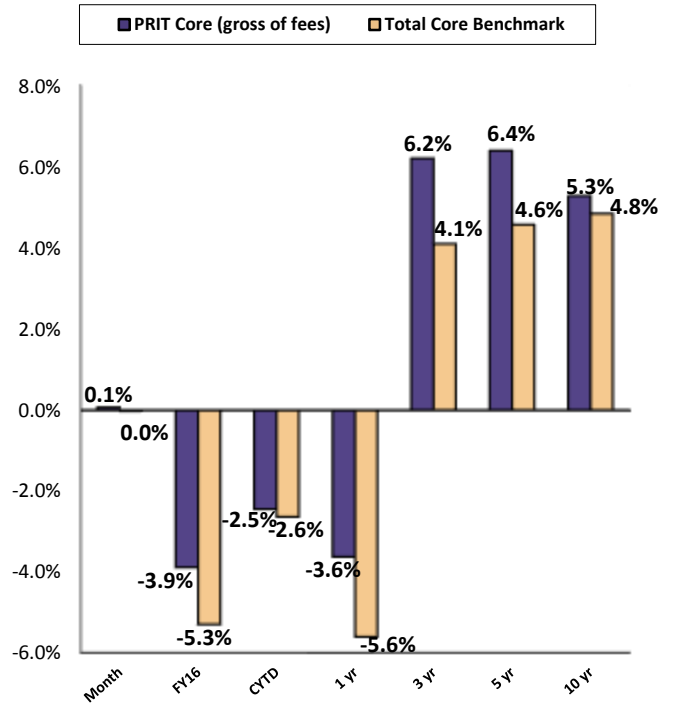
Real Estate

NCREIF 1-Qtr Lag Private	0.00%	0.00%	13.48%
FTSE EPRA NAREIT Global	0.48%	-3.88%	-7.90%

Hedge Funds

Index	Month	CYTD	1-Year
HFRI Fund of Funds	-1.27%	-3.88%	-5.80%

PRIT Core Fund as of 2/29/2016



Senior Client Service Officer
 Paul Todisco - (617) 946-8423
 ptodisco@mapension.com