

UNIVERSITY OF MAINE SYSTEM  
Board of Trustees  
**Investment Committee**

March 6, 2025  
Zoom

**Present: Committee Members:** Kelly Martin; Chair, Trish Riley, John Moore, Elise Baldacci.  
**Other Trustees:** Riley Worth. **Non-Voting, Non-Trustee Committee Members:** James Bradley, Matthew Skaves. **System Staff:** Tracy Elliott, Carolyn Dorsey, Beth Stickler, Paul Chan. **Others:** Kelly Regan – NEPC, Matt Landen – NEPC, Mike Pratico – CAPTRUST, Barry Schmitt, CAPTRUST.

**Absent:** Lisa Eames, David MacMahon.

**Approval of Non-Voting, Non-Trustee Member – John (Jack) Moore**

Trustee Martin, Chair of the Investment Committee, and Board of Trustees Chair Riley, recommend the appointment of John (Jack) Moore to a (returning) first term as a non-voting, non-trustee member of the Investment Committee.

Jack was welcomed back to the committee as a non-voting, non-trustee member after having previously served in this capacity from 2009 to 2017. During his previous tenure, Jack's expertise in investment matters and his insightful questions were crucial in shaping discussions and decision-making. His continued dedication to the university is greatly appreciated, and we look forward to his ongoing contributions.

Jack is the Managing Partner and Chief Investment Officer at Harpswell Capital Advisors, LLC, and has more than 25 years of finance experience, including over 20 years in institutional investing. As the firm's CIO and Strategist, Jack leads client relationships and directs efforts in manager selection and tactical positioning.

His extensive background includes managing Harpswell Capital Management, a hedge fund, and serving as a Principal at Vanguard Group. Additionally, Jack has held roles as Vice President and Portfolio Manager at Bryn Mawr Capital and as a fixed-income Analyst at MetLife. Jack holds a Bachelor of Arts from Hobart College and a Master of Science from the London School of Economics.

**RESOLUTION:**

On a motion by Trustee Moore, which was seconded by Trustee Baldacci, the Board of Trustees, acting through the Investment Committee, approved the appointment of John Moore to a three-year term as a non-voting, non-trustee member of the Investment Committee, effective March 6, 2025.

## **Defined Contribution Plan – Quarterly Review**

### ***Market Commentary:***

CAPTRUST provided market thoughts and comments about political and monetary policy crosscurrents which drove market volatility in the final quarter of calendar 2024. It was noted that while high interest rates remain a hurdle for many sectors, U.S. mega-cap growth stocks continue to rise.

### ***Quarterly Review:***

CAPTRUST reviewed all funds in a manner consistent with the Investment Policy Statement noting that all funds are in good standing with five exceptions. CAPTRUST emphasized the following:

#### **JP Morgan Equity Income (marked for review):**

This fund is a pure value option that will generally underperform peers in strong growth oriented markets but provide downside protection in more challenged environments. The fund has performed appropriately. The fund provided good downside protection in 2022 (top 20th percentile peer relative) and is off to a strong start in 2025 (top 15th percentile). CAPTRUST continues to recommend holding the fund.

#### **American Funds Europacific Growth (marked for review):**

This fund finished the fourth quarter ahead of the benchmark. While the three and five-year trailing returns continue to reflect poorly, more recently the results have generally improved and have provided a return that is slightly above the median of the peer group and in line with the benchmark over a two-year period. CAPTRUST continues to recommend holding the fund based on the deep and experienced team and long-term track record but will monitor closely in the coming months.

#### **Victory Small Cap Value (marked for review):**

After having significantly outperformed the Russell 2000 Value index and its relative peers in 2022, the strategy underperformed both in 2023. In the fourth quarter of 2024, the strategy outperformed the index and was in the top half of its peer group; however, for the year, it trailed the benchmark and peer group. At its December 12, 2024 meeting, the Investment Committee approved replacing the Victory Small Cap Value fund with the Vanguard Small Cap Value Index and this update to the fund menu will be in place for participants by March 19<sup>th</sup>.

#### **CREF Social Choice:**

The CREF Social Choice fund is lagging on a peer relative basis in large part due to the screening out of three securities: Apple, Alphabet and Amazon. CAPTRUST continues to believe that the fund is an appropriate option for the UMS plans. CAPTUST further noted that the Vanguard FTSE Social Index fund will be available to participants by March 19<sup>th</sup>. This new fund offering was approved by the Investment Committee at its December 12, 2024, meeting and is an additional Socially Responsible fund for those participants who desire an all-equity social choice fund that has muted exposure to fossil fuels.

**TIAA Real Estate (marked for review):**

The TIAA Real Estate Account has experienced challenging absolute and relative performance over the trailing three years. The strategy declined -4.1% in 2024 and has generated a -3.6% return over the trailing three years. The Account's underperformance is primarily due to property type selection. Despite efforts to reduce exposure to traditional office and retail sectors, the account still has a higher weight in these areas compared to the index. CAPTRUST remains confident in TIAA's ability to manage the strategy and believes that the positioning changes TIAA is implementing will lead to a stronger portfolio in the long term.

**Defined Contribution Plan – Annual Share Class Analysis**

CAPTRUST delivered their Share Class Analysis report with results demonstrating that the individual funds available to participants in the UMS Plans remain competitive in the marketplace. Fees are compared to Morningstar peers and the lower the expense ratio, the better. The vast majority of fund investment expenses are below the 50th percentile peer relative with several below the 25th percentile.

CAPTRUST also noted that several of the frozen TIAA and CREF funds have lower share class options available to plan participants. As these frozen funds are individual (not group) contracts, plan participants must initiate any changes desired as UMS has no authority to move (map) frozen assets.

**NEPC Capital Markets Review & Quarterly Performance****Market Update:**

Matt Landen (NEPC) provided NEPC's market update noting that domestic equities outperformed their international peers in the 4<sup>th</sup> quarter. U.S. equities led performance with the S&P 500 Index posting gains of 2.4%, led by US Large Cap Growth. International Developed and Emerging Markets were down 8.1% and 8.0%, respectively, driven by a strong US dollar. However, this performance has since reversed somewhat with International Developed leading all major asset classes in 2025 year to date.

Within Fixed Income, markets saw yields back up significantly at year-end despite two additional cuts by the Fed. High Yield was the place to be in 2024 with returns over 8% as spreads tightened to historic lows.

Matt also outlined NEPC's 2025 market outlook noting that a backdrop of elevated global geopolitical tensions heightens economic tail risks and introduces uncertainty for capital markets with themes including pockets of euphoria, artificial intelligence spending, tariffs and world affairs.

**Performance Review:**

Matt Landen (NEPC), reviewed performance for all three UMS portfolios with the following highlights.

**Operating Fund.** The Operating Fund improved 0.2% during the 4<sup>th</sup> quarter, net of fees. The Fund's total market value was \$245.8 million as of 12/31/2024 representing a decrease of \$66.4

million quarter over quarter. During the 4<sup>th</sup> quarter, managers were in-line with their respective benchmarks in aggregate (Composite vs. Allocation Index) but trailed slightly over the trailing one year. The Fund's manager performance has been strong over the long-term, outperforming the Allocation Index during the 5 and 10-year time periods. At the end of the 4<sup>th</sup> quarter, the asset allocation of the Fund was within policy ranges. NEPC reviewed the portfolio's current positioning and is recommending no changes.

**Defined Benefit Pension Fund.** The Pension Fund declined by 2% during the 4<sup>th</sup> quarter, net of fees. The Pension's total market value was \$17.2 million as of 12/31/2024 representing a decrease of \$1.1 million quarter over quarter. The decrease was due to pension distributions as well as investment losses. During both the 4<sup>th</sup> quarter and trailing year, managers underperformed their respective benchmarks in aggregate (Composite vs. Allocation Index). During the quarter, Walter Scott and BlackRock SIO were the largest detractors to relative performance. Relative underperformance over the trailing year was primarily due to more conservative positions which underperformed during a strong market period as well as weaker performance within the Fund's equity allocations. At the end of the 4<sup>th</sup> quarter, the asset allocation of the Pension was within policy ranges.

**Managed Investment Pool (MIP).** The Managed Investment Pool (MIP) declined by 2.2% during the 4<sup>th</sup> quarter, net of fees. The MIP's total market value was \$373.7 million as of 12/31/2024 representing a decrease of \$9.3 million quarter over quarter. The decrease was due in part to cash outflows but also to investment losses. During both the 4<sup>th</sup> quarter and trailing year, managers underperformed their respective benchmarks in aggregate (Composite vs. Allocation Index), driven by weak performance in the Global Equity composite and a more defensive positioning. The MIP ranked in the 90<sup>th</sup> percentile of the Endowments and Foundation universe during the 4<sup>th</sup> quarter as weak active management within the Fund's Equity managers detracted relative to peers. Additionally, the MIP has a 0% target to private equity while the median peer has a roughly 10% allocation. It is expected that the MIP will rank well when public equity does well and private equity falls short; however, over the long-term NEPC expects that private equity will outperform public equity resulting in below median rankings. At the end of the 4<sup>th</sup> quarter, the asset allocation of the MIP was within policy ranges.

#### **Asset Allocation Review and Recommendations**

Kelly Regan provided an asset allocation update for all three portfolios with specific recommendations for the MIP and Pension Fund.

#### **Managed Investment Pool – Asset Allocation:**

Regarding the MIP, there were no recommendations for the high-level Equity, Fixed Income, and Multi-Asset targets, but NEPC did make recommendations regarding the make-up of the underlying Equity targets. NEPC recommended adjusting the allocations across the US, International Developed, and Emerging Markets to benchmark neutral weighting to the MSCI All Country World IMI, consistent with NEPC's updated house views. This results in an allocation of roughly 65% to the US, 25% to International Developed, and 10% to Emerging Markets. The recommendation to have roughly 20% allocated to small cap within each sub-asset class remains the same. Additionally, NEPC recommended reallocating the Emerging Markets Small Cap exposure to Emerging Markets All Cap.

### **Pension Portfolio - Asset Allocation:**

For the Pension Fund, NEPC had no recommendations for the high-level Cash, Equity, Fixed Income, Real Assets, and Multi-Asset targets, but did make recommendations regarding the make-up of the underlying Equity targets. Given concerns around the existing Emerging Markets Small Cap manager, NEPC recommended removing the allocation and reallocating the funds to Global Equity. As part of this change, NEPC recommended diversifying the Global Equity exposure by trimming the current manager (Walter Scott) and funding two additional managers - Lindsell Train and Impax for approximately 11% each. NEPC also outlined a second scenario in which the total Equity exposure was increased by 10%, illustrating how an increase in risk would only marginally increase the return. This allocation was ultimately not recommended by NEPC at this time. After discussion, the Committee voted to:

### **RESOLUTION:**

On a motion by Trustee Riley, which was seconded by Trustee Baldacci, the Board of Trustees, acting through the Investment Committee, approved the following asset allocation recommendations.

### **Managed Investment Pool**

1. Reallocate Emerging Market Small Cap Equity allocation to Emerging Market All Cap Equity
2. Realign the Equity targets to NEPC's preferred MSCI ACWI IMI benchmark neutral weights by increasing Large Cap Equity by 1%, increasing Small Cap Equity by 0.25% and reducing Emerging Market Equity by 1.25%

### **Pension Fund**

1. Reallocate the Emerging Market Small Cap Equity Allocation to Global Equity

### **Emerging Market & Global Equity Manager Recommendations**

#### **Managed Investment Pool:**

Kelly Regan walked the committee through an Emerging Market Manager search that was conducted to find a replacement manager for Mondrian Emerging Markets Small Cap in the MIP portfolio. Mondrian was placed on Hold by NEPC Research and downgraded due to significant asset under management (AUM) decline and poor performance. NEPC profiled six investment options within the Emerging Markets Small Cap space and ultimately recommended that MIP hire the Acadian Emerging Markets Fossil Fuel Free strategy. While this strategy is not rated by NEPC, it follows the same process as the Flagship strategy, which is 1-rated by NEPC Research. Acadian has strong trailing and calendar year performance, a strong track record in both up and down markets, exposure to Emerging Markets Small Cap, and fossil fuels are excluded from its investment process. The strategy does have relatively small assets under management, but the underlying client base is well diversified and growing. After discussion, the Committee voted to:

#### **Pension Portfolio:**

For the Pension Fund, NEPC recommended terminating Mondrian Emerging Markets Small Cap

and using the proceeds to diversify the Global Equity allocation, improving manager diversification while still providing exposure to Emerging Markets. NEPC recommended that the current Global Equity manager (Walter Scott) be trimmed to roughly 11% and Lindsell Train Global Equity and Impax Leader be hired for 11% each. After discussion, the Committee voted to:

### **Emerging Market & Global Equity Manager Recommendations**

#### **RESOLUTION:**

On a motion by Trustee Moore, which was seconded by Trustee Baldacci, the Board of Trustees, acting through the Investment Committee, approved the following manager recommendations.

#### **Managed Investment Pool**

1. Terminate Mondrian Emerging Markets Small Cap and replace with Acadian Emerging Markets Fossil Fuel Free for approximately 3% of total Portfolio assets.
2. Use the residual proceeds to rebalance the Equity portfolio consistent with the asset allocation targets.

#### **Pension Fund**

1. Terminate Mondrian Emerging Markets Small Cap and use the proceeds to diversify the Global Equity allocation.
2. Trim the allocation to Walter Scott Global Equity Fund down to approximately 11% of total Portfolio assets
3. Hire Lindsell Train Global Equity and Impax Leaders for approximately 11% each of the total Portfolio assets

Additional information about the meeting can be found on the Board of Trustees website:  
<https://www.maine.edu/board-of-trustees/meeting-agendas-materials/investment-committee/>

Adjournment  
Tracy Elliott for  
Elizabeth Stickler, Clerk