



# FOSSIL FUEL DIVESTMENT UPDATE

UNIVERSITY OF MAINE SYSTEM

JANUARY 29, 2025

Kelly Regan, Partner

Matt Landen, CFA, Consultant

Lauren Lambrinos, Consulting Analyst



# SUMMARY

- **The University of Maine System has adopted several impact investing approaches:**

- Coal Divestment: approved in 2015
- Environmental, Social and Governance (ESG) investing: approved in 2016
- Fossil Fuel Divestment: approved April 28, 2022, by the Investment Committee and July 1, 2022, by the Board of Trustees

- **This presentation:**

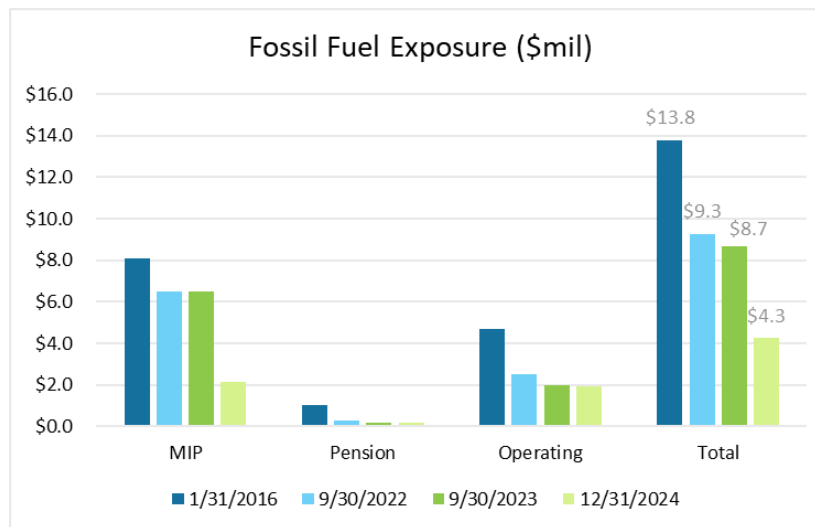
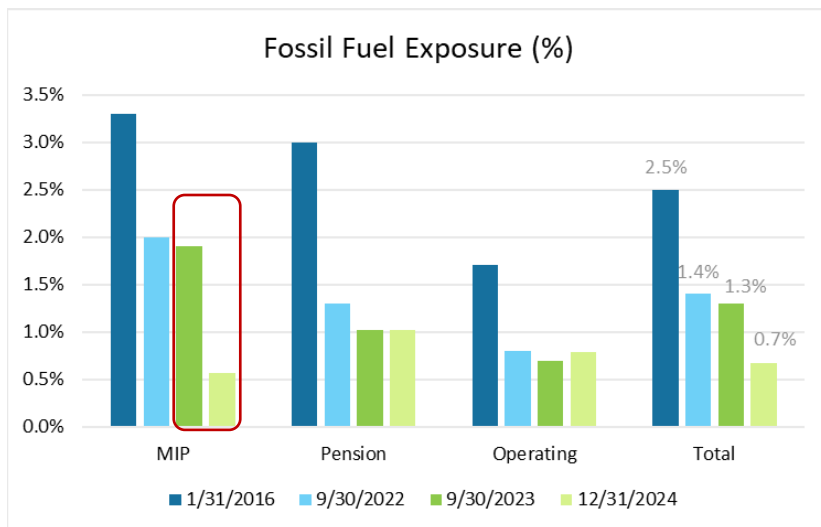
- Provides estimated fossil fuel exposure as of December 31, 2024, compared to the annual reviews in 2022 and 2023 as well as the time of the first measurement<sup>1</sup>
  - The ESG initiative reduced the total fossil fuel exposure by 44% across all three portfolios from 2.5% to 1.4% over a six-year time frame
  - The Fossil Fuel Divestment initiative further reduced the total fossil fuel exposure by 50% across all three portfolios from 1.4% to 0.7% over a two-year time frame
    - The MIP portfolio's allocation to fossil fuels declined from 2.0% in 2022 to 0.6% in 2024, this equates to a 70% decline over two years
  - The total dollar allocation to fossil fuels has declined from \$13.8 million in 2016 to \$4.3 million as of December 31, 2024

<sup>1</sup>Exposure was first measured in 2014 which included all energy exposure. For the purposes of this presentation the first measurement is from January 31, 2016 when the exposure was measured as all fossil fuels.

# FOSSIL FUEL EXPOSURE

*UMS' ESG focus began in 2016 and led to a significant decline in fossil fuel exposure until the Fossil Fuel Divestment initiative began in 2022.*

*The Fossil Fuel Divestment program led to further declines in exposure from 2022 to 2024.*



*Fossil Fuel exposure declined significantly year over year in the MIP due to a new asset allocation strategy resulting in the termination of five managers.*

*The total dollars allocated to fossil fuels has declined from \$13.8m to \$4.3m.*



Source: Manager supplied exposures and portfolios' market values as of 1/31/2016, 9/30/2023 and 12/31/2024.

# NEXT STEPS

- **NEPC will continue to work with the UMS Investment Committee to reduce the remaining fossil fuel exposure per the Board resolution**
- **The resolution passed by the Board of Trustees stated:**
  - “That the Board of Trustees endorses the May 23, 2022 UMS Divestment Statement which includes short-term actions and long-term goals for divestment in fossil fuels for the Managed Investment Pool, Operating Fund and Pension Fund, approved by the Investment Committee on April 28, 2022.”
    - The stated short-term action, "As of May 31, 2022, UMS will divest from direct fossil fuel investments" *was accomplished.*
    - The stated long-term goal to "Divest from actively managed commingled and mutual fund fossil fuel investments by 2030" *is still underway but progress has been made.*

# APPENDIX & DISCLAIMERS



PROPRIETARY & CONFIDENTIAL

# FOSSIL FUEL EXPOSURE - MIP

MIP Managers	September 30, 2023				December 31, 2024			
	9/30/23 Weights	Fossil Fuel Exposure %	Estimated Total Plan (%)	Estimated Total Plan \$	12/31/24 Weights	Fossil Fuel Exposure %	Estimated Total Plan (%)	Estimated Total Plan \$
SSgA S&P 500 Index	6.1%	9.0%	0.5%	\$ 1,919,604	0.0%	N/A	N/A	\$ -
SSgA Fossil Fuel Free S&P 500 Index	18.6%	0.0%	0.0%	\$ -	14.9%	0.0%	0.0%	\$ -
Westfield Small/Mid Cap Growth Equity	2.4%	0.0%	0.0%	\$ -	3.1%	0.0%	0.0%	\$ -
DFA US Targeted Value	2.5%	7.6%	0.2%	\$ 667,840	0.0%	N/A	N/A	\$ -
Silchester International Value Equity	5.2%	0.0%	0.0%	\$ -	6.7%	0.0%	0.0%	\$ -
Jo Hambro International Select Fund	4.5%	2.1%	0.1%	\$ 322,556	0.0%	N/A	N/A	\$ -
Axiom International Small Cap Equity	2.0%	2.6%	0.1%	\$ 181,820	0.0%	N/A	N/A	\$ -
Aberdeen Emerging Markets Equity	4.7%	3.8%	0.2%	\$ 619,553	0.0%	N/A	N/A	\$ -
Mondrian EM Small Cap	2.0%	0.0%	0.0%	\$ -	3.9%	0.0%	0.0%	\$ -
Walter Scott Global Equity Fund	9.5%	0.0%	0.0%	\$ -	10.0%	0.0%	0.0%	\$ -
Impax Global Environmental Markets	0.0%	N/A	N/A	\$ -	9.8%	0.0%	0.0%	\$ -
Lindsell Train Global Equity	0.0%	N/A	N/A	\$ -	9.9%	0.0%	0.0%	\$ -
Commonfund Multi-Strategy Bond Fund	6.5%	1.2%	0.1%	\$ 272,731	6.5%	0.7%	0.0%	\$ 165,171
Fidelity Intermediate Treasury Bond Index	5.1%	0.0%	0.0%	\$ -	4.8%	0.0%	0.0%	\$ -
Vanguard Inflation Protected Securities Fund	4.9%	0.0%	0.0%	\$ -	5.0%	0.0%	0.0%	\$ -
Blackrock Strategic Income Opportunities	4.8%	2.6%	0.1%	\$ 436,369	5.1%	3.3%	0.2%	\$ 628,920
Bain Capital Senior Loan Fund	5.8%	1.6%	0.1%	\$ 328,535	5.0%	1.8%	0.1%	\$ 328,847
Newton Global Real Return	7.3%	3.6%	0.3%	\$ 911,235	7.7%	0.8%	0.1%	\$ 218,683
Lighthouse Global Long/Short Fund	7.5%	3.0%	0.2%	\$ 797,213	7.1%	3.0%	0.2%	\$ 795,959
Landmark Equity Partners XV	0.3%	1.4%	0.0%	\$ 14,685	0.2%	0.9%	0.0%	\$ 6,726
Distribution Account (Cash)	0.4%	0.0%	0.0%	\$ -	0.3%	0.0%	0.0%	\$ -
<b>Estimated Total Plan Exposure</b>	<b>100%</b>		<b>1.9%</b>	<b>\$ 6,472,142</b>	<b>100%</b>		<b>0.6%</b>	<b>\$ 2,144,306</b>

Source: Fossil fuel exposure provided by investment managers



# FOSSIL FUEL EXPOSURE - PENSION

Pension Plan Managers	September 30, 2023				December 31, 2024			
	9/30/23 Weights	Fossil Fuel Exposure %	Estimated Total Plan (%)	Estimated Total Plan \$	12/31/24 Weights	Fossil Fuel Exposure %	Estimated Total Plan (%)	Estimated Total Plan \$
Walter Scott Global Equity Fund	29.4%	0.0%	0.0%	\$ -	29.4%	0.0%	0.0%	\$ -
Mondrian EM Small Cap	3.6%	0.0%	0.0%	\$ -	2.3%	0.0%	0.0%	\$ -
Baird Aggregate Bond Fund	24.0%	1.6%	0.4%	\$ 70,572	27.2%	1.9%	0.5%	\$ 86,868
Fidelity Intermediate Treasury Bond Index	4.4%	0.0%	0.0%	\$ -	5.0%	0.0%	0.0%	\$ -
Vanguard Inflation Protected Securities Fund	2.2%	0.0%	0.0%	\$ -	6.0%	0.0%	0.0%	\$ -
Blackrock Strategic Income Opportunities	5.0%	2.6%	0.1%	\$ 23,892	5.4%	3.3%	0.2%	\$ 30,598
Bain Capital Senior Loan Fund	5.4%	1.6%	0.1%	\$ 16,077	6.5%	1.8%	0.1%	\$ 19,643
Newton Global Real Return	7.7%	3.6%	0.3%	\$ 50,520	8.6%	0.8%	0.1%	\$ 11,813
Lighthouse Global Long/Short Fund	3.9%	3.0%	0.1%	\$ 21,789	4.7%	3.0%	0.1%	\$ 24,210
Principal US Real Estate Core Property	8.3%	0.3%	0.0%	\$ 4,576	2.9%	0.4%	0.0%	\$ 1,892
Distribution Account (Cash)	6.1%	0.0%	0.0%	\$ -	2.0%	0.0%	0.0%	\$ -
<b>Estimated Total Plan Exposure</b>	<b>100%</b>		<b>1.01983%</b>	<b>\$ 187,426</b>	<b>100%</b>		<b>1.0193%</b>	<b>\$ 175,024</b>



Source: Fossil fuel exposure provided by investment managers

# FOSSIL FUEL EXPOSURE - OPERATING

Operating Fund Managers	September 30, 2023				December 31, 2024			
	9/30/23 Weights	Fossil Fuel Exposure %	Estimated Total Plan (%)	Estimated Total Plan \$	12/31/24 Weights	Fossil Fuel Exposure %	Estimated Total Plan (%)	Estimated Total Plan \$
State Pool (Cash)	25.3%	0.0%	0.0%	\$ -	12.8%	0.0%	0.0%	\$ -
BoA Non-Interest Bearing & Transition Cash (Cash)	0.3%	0.0%	0.0%	\$ -	0.6%	0.0%	0.0%	\$ -
Federated Government Obligations (Cash)	3.6%	0.0%	0.0%	\$ -	7.5%	0.0%	0.0%	\$ -
JP Morgan (Cash)	5.3%	0.0%	0.0%	\$ -	3.9%	0.0%	0.0%	\$ -
IR&M Short 1-3 Year	24.9%	0.0%	0.0%	\$ -	27.4%	0.0%	0.0%	\$ -
Blackrock Strategic Income Opportunities	6.4%	2.6%	0.2%	\$ 463,914	7.3%	3.3%	0.2%	\$ 592,017
Bain Capital Senior Loan Fund	5.4%	1.6%	0.1%	\$ 243,890	8.6%	1.8%	0.2%	\$ 371,970
Baird Aggregate Bond Fund	7.0%	1.6%	0.1%	\$ 312,250	7.7%	1.9%	0.1%	\$ 351,966
Lighthouse Global Long/Short Fund	4.7%	3.0%	0.1%	\$ 398,342	5.9%	3.0%	0.2%	\$ 434,981
Newton Global Real Return	3.7%	3.6%	0.1%	\$ 368,260	3.8%	0.8%	0.0%	\$ 74,709
PIMCO All Asset	3.6%	2.4%	0.1%	\$ 241,882	4.0%	1.2%	0.0%	\$ 117,961
Silchester International Value Equity	3.1%	0.0%	0.0%	\$ -	3.8%	0.0%	0.0%	\$ -
SSgA Fossil Fuel Free S&P 500 Index	6.7%	0.0%	0.0%	\$ -	6.6%	0.0%	0.0%	\$ -
<b>Estimated Total Plan Exposure</b>	<b>100%</b>		<b>0.7%</b>	<b>\$ 2,028,538</b>	<b>100%</b>		<b>0.8%</b>	<b>\$ 1,943,605</b>



Source: Fossil fuel exposure provided by investment managers



# DISCLAIMERS & DISCLOSURES

Past performance is no guarantee of future results.

Returns for pooled funds, e.g. mutual funds and collective investment trusts, are collected from third parties; they are not generally calculated by NEPC. Returns for separate accounts, with some exceptions, are calculated by NEPC. Returns are reported net of manager fees unless otherwise noted.

A “since inception” return, if reported, begins with the first full month after funding, although actual inception dates (e.g. the middle of a month) and the timing of cash flows are taken into account in Composite return calculations.

NEPC’s preferred data source is the plan’s custodian bank or record-keeper. If data cannot be obtained from one of the preferred data sources, data provided by investment managers may be used. Information on market indices and security characteristics is received from additional providers. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within. In addition, some index returns displayed in this report or used in calculation of a policy index, allocation index or other custom benchmark may be preliminary and subject to change.

All investments carry some level of risk. Diversification and other asset allocation techniques are not guaranteed to ensure profit or protect against losses.

The opinions presented herein represent the good faith views of NEPC as of the date of this presentation and are subject to change at any time. Neither fund performance nor universe rankings contained in this report should be considered a recommendation by NEPC.

This report may contain confidential or proprietary information and may not be copied or redistributed to any party not legally entitled to receive it.

Source of private fund performance benchmark data: Cambridge Associates, via Refinitiv



# DISCLAIMER

- This report contains summary information regarding the investment management approaches described herein but is not a complete description of the investment objectives, policies or portfolio management and research that supports these approaches. This analysis does not constitute a recommendation to implement any of the aforementioned approaches.
- Past performance is no guarantee of future results.
- Information on market indices was provided by sources external to NEPC, and other data used to prepare this report was obtained directly from the investment manager(s). While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
- This report may contain confidential or proprietary information and may not be copied or redistributed to any party not legally entitled to receive it.

