



EMERGING MARKET EQUITY RECOMMENDATION

UNIVERSITY OF MAINE SYSTEM

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INTRODUCTION

- **The System invests in the Mondrian Emerging Markets Small Cap strategy across two portfolios**
 - MIP: \$14.7 million, incepted in June 2014
 - Pension: \$0.4 million, incepted in June 2014
- **In December 2024, Mondrian had a due diligence announcement and NEPC placed the strategy on HOLD and downgraded the strategy to a 3-rating**
 - AUM Decline: Peak assets of \$1.7 Billion in 2014, reduced to \$178 million as of December 31, 2024
 - Performance: Strategy has lagged the MSCI EM SC benchmark over the trailing 1-, 3-, 5- and 10-year time periods
 - While performance has struggled compared to benchmark, the strategy has outperformed large cap EM peers and has ranked favorably, the exposure to EM SC has benefited the UMS portfolios
- **Given the rating downgrade and concerns around recent AUM declines of the strategy, NEPC recommends that the System consider other alternatives**
- **NEPC conducted a search and profiled six investment options**
 - Focused on All Cap EM strategies given the sole mandate in the portfolios
 - Included managers that incorporate both growth and value (core approach)
 - Given the System’s divestments goals, NEPC has provided information on the managers fossil fuel exposure and included a fossil fuel free specific strategy
 - Acadian’s Fossil Fuel Free strategy is not rated by NEPC but follows the same process as the Flagship strategy which is 1-rated
- **NEPC recommends that further consideration be given to the Acadian Emerging Markets Fossil Fuel Free strategy for the MIP only**
 - Strong trailing and calendar year performance
 - Solid track record in both up and down markets
 - Exposure to small cap markets which provides opportunity and diversification
 - Fossil fuels excluded from the investment process
 - Considerations: Relatively small assets under management



SEARCH CANDIDATES

The following is a list of managers under consideration for this search. The table below summarizes the products proposed for each manager.

Firm	Strategy	Fossil Fuel Exposure	Vehicle	Liquidity	Fee (bps)
ABS Investment Management LLC	ABS Emerging Market Strategic	2.5%	CF	Monthly	75**
Acadian Asset Management LLC	Acadian Emerging Markets Equity	3.2%*	CF	Daily	75
Acadian Asset Management LLC	Acadian Emerging Markets Fossil Fuel Free <i>Strategy Included at Client Request</i>	0.0%*	CF	Daily	75
FIAM LLC	Fidelity Select Emerging Markets Equity	4.3%	CF	Daily	70
Global Delta Capital, LLC	Global Delta Emerging Markets Equity	0.0%*	CF	Monthly	60**
Mondrian Investment Partners Limited	Emerging Markets Small Cap	0.0%	CF	Monthly	95
Schroder Investment Management Ltd	Schroder Global Emerging Markets Core Equity	1.9%*	MF	Daily	96

*denotes fossil fuel exposure measured by the Carbon Underground 200

** negotiated fee for NEPC clients



PRODUCT INFORMATION

Firm Name	Location	Year Firm Founded	Total Assets Under Mgmt (\$MM)	Ownership	Strategy Assets (\$MM)	PRI Signatory and ESG Policy
Emerging Markets Equity						
ABS Investment Management LLC	Stamford, Connecticut	2002	7,766	79% Employee Owned/21% Other Ownership	2,023	Yes
Acadian Asset Management LLC	Boston, Massachusetts	1986	118,812	100% Other Ownership	17,719 (Flagship) 329 (Fossil Free)	Yes
FIAM LLC	Boston, Massachusetts	2005	476,479	100% Parent Owned (FMR LLC)	15,695	Yes
Global Delta Capital, LLC	Boston, Massachusetts	2022	146	100% Employee Owned	146	Yes
Schroder Investment Management Ltd	London, England	1804	890,342	52% Public/44% Other Ownership/4% Employee Owned	32,238	Yes

PERFORMANCE – NET OF FEES

Trailing Returns		Benchmark	Qtr	YTD	1 Year	3 Year	5 Year	7 Year	10 Year
	ABS - EMS Portfolio	1	(6.66%)	4.95%	4.95%	(3.36%)	3.42%	2.57%	5.32%
	Acadian - Emerging Markets	1	(4.96%)	14.05%	14.05%	3.44%	6.06%	3.69%	5.37%
	Acadian - Fossil Fuel Free	1	(4.02%)	15.35%	15.35%	4.52%	7.49%	5.12%	-
	Fidelity - Select EME	1	(7.77%)	4.55%	4.55%	(4.24%)	0.95%	0.60%	3.99%
	Global Delta - Emerging Market Equity	1	(7.57%)	3.21%	3.21%	-	-	-	-
	Schroders - Emerging Mkts Equity	1	(6.88%)	8.25%	8.25%	(2.96%)	1.44%	1.53%	4.29%
1	MSCI EM		(7.84%)	8.05%	8.05%	(1.48%)	2.10%	1.78%	4.04%

Calendar Year Returns		Benchmark	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	ABS - EMS Portfolio	1	4.95%	12.60%	(23.64%)	6.00%	23.70%	19.38%	(15.43%)	36.57%	8.15%	(4.87%)
	Acadian - Emerging Markets	1	14.05%	21.92%	(20.41%)	7.66%	12.66%	17.16%	(18.04%)	38.30%	13.55%	(16.62%)
	Acadian - Fossil Fuel Free	1	15.35%	22.92%	(19.47%)	9.12%	15.15%	18.58%	(16.61%)	-	-	-
	Fidelity - Select EME	1	4.55%	11.44%	(24.64%)	(4.96%)	25.66%	22.33%	(18.68%)	44.61%	11.70%	(12.22%)
	Global Delta - Emerging Market Equity	1	3.21%	-	-	-	-	-	-	-	-	-
	Schroders - Emerging Mkts Equity	1	8.25%	8.65%	(22.31%)	(4.53%)	23.15%	22.25%	(15.33%)	41.31%	10.46%	(12.30%)
1	MSCI EM		8.05%	10.26%	(19.74%)	(2.22%)	18.69%	18.88%	(14.24%)	37.75%	11.60%	(14.60%)



As of December 31, 2024

PERFORMANCE – NET OF FEES

	Excess Return (%)				Tracking Error (%)				Information Ratio				Beta vs.
	3 Yrs	5 Yrs	7 Yrs	10 Yrs	3 Yrs	5 Yrs	7 Yrs	10 Yrs	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Index
ABS - EMS Portfolio	(1.89)	1.32	0.79	1.28	3.90	3.91	3.95	4.38	(0.48)	0.34	0.20	0.29	0.87
Acadian - Emerging Markets	4.92	3.96	1.91	1.33	4.96	5.05	4.63	4.10	0.99	0.78	0.41	0.33	0.97
Acadian - Fossil Fuel Free	6.00	5.39	3.34	-	4.65	4.73	4.55	-	1.29	1.14	0.73	-	0.97
Fidelity - Select EME	(2.76)	(1.15)	(1.18)	(0.05)	4.06	3.82	3.55	3.28	(0.68)	(0.30)	(0.33)	(0.01)	1.07
Global Delta - Emerging Market Equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Schroders - Emerging Mkts Equity	(1.48)	(0.66)	(0.25)	0.25	3.18	3.06	2.78	2.79	(0.47)	(0.22)	(0.09)	0.09	0.98

	Trailing 3 Years		Trailing 5 Years	
	Up Capture	Down Capture	Up Capture	Down Capture
ABS - EMS Portfolio	83.31%	92.78%	96.03%	90.47%
Acadian - Emerging Markets	102.62%	82.40%	101.60%	85.73%
Acadian - Fossil Fuel Free	104.50%	79.80%	102.40%	80.95%
Fidelity - Select EME	101.16%	112.65%	104.02%	108.92%
Global Delta - Emerging Market Equity	-	-	-	-
Schroders - Emerging Mkts Equity	96.22%	102.78%	98.50%	101.15%

PORTFOLIO POSITIONING

Market Cap Range	ABS - EMS Portfolio	Acadian - Emerging Markets	Acadian - Fossil Fuel Free	Fidelity - Select EME	Global Del - Emerging Market Equity	Schroders - Emerging Mkts Equity	MSCI EM
> \$50 Billion	24.50%	34.78%	37.72%	61.21%	21.88%	53.81%	44.00%
\$15-\$50 Billion	15.50%	18.62%	15.78%	19.86%	25.92%	26.61%	27.00%
\$7.5-\$15 Billion	16.40%	21.11%	16.78%	12.38%	17.62%	16.46%	18.00%
\$1.5-\$7.5 Billion	30.30%	18.89%	19.17%	6.05%	18.64%	3.07%	11.00%
\$0.75-\$1.5 Billion	8.20%	4.13%	4.04%	0.50%	4.54%	0.04%	0.00%
\$400-\$750 Million	3.30%	1.51%	2.82%	0.00%	2.15%	0.00%	0.00%
< \$400 Million	1.80%	0.96%	3.69%	0.00%	9.25%	0.00%	0.00%



As of December 31, 2024

PRODUCT SUMMARY

Firm/Product	Investment Style/Strategy	Performance Expectations	Portfolio Positioning
Emerging Markets Equity			
ABS - EMS Portfolio	Qualitative, bottom-up approach in identifying local specialists to source names, in conjunction with their proprietary investment and risk management tool called the ABSolute.	The strategy aims to generate 3-5% net alpha over the MSCI EM IMI Index over a full market cycle which equates to a gross alpha of roughly 4-6%.	The strategy is well diversified, typically holding about 400-600 names. The strategy tends to hold names for longer periods of time with annual turnover historically being about 40%. Will tend to hold more small cap names than peers and is benchmarked to the MSCI EM IMI index.
Acadian - Emerging Markets	The strategy is a quantitative model that focuses on valuation, price trend, quality, and earnings. It is slightly different than other Acadian models as the EM team uses a top-down country model in their process.	This strategy will do better in markets where value is in favor.	Quantitative blend of top-down country model and bottom-up stock selection model. Can be a stand alone EM manager or paired with a bottom-up fundamental manager.
Acadian - Fossil Fuel Free	NA	NA	NA
Fidelity - Select EME	This strategy is designed to be core/growth in style and run country and sector neutral to the MSCI EM benchmark.	The strategy is expected to have moderate tracking error and is expected to outperform if growth is in favor.	The final portfolio will be about 100-125 names. This strategy is focused on stock specific risk and will be country and sector neutral to the benchmark.
Global Delta - Emerging Market Equity	The strategy is value-oriented but also puts weight on quality and growth signals. The goal of the strategy is to be a diversified core manager. Their quantitative model is based on factors that fall into valuation, momentum/technical, growth, quality, and top-down signals.	Given the diverse factors driving the returns of the portfolio, the strategy is expected to perform well in most environments.	The portfolio will typically hold 200-400 companies with estimated turnover of about 100%-200% and target tracking error (versus the MSCI Emerging Markets index) of 4%-6%.
Schroders - Emerging Mkts Equity	Elements of both top down and bottom up stock selection. Bottom up research is focused on mid to large cap companies. Strategy will be more risk controlled than many peers.	Tight portfolio constraints and diversified number of holdings historically have made this a lower tracking error strategy that has had minor downside protection historically.	Diversified (holding 90-130 names) EM manager with lower tracking error that would be good as a stand alone manager or for a multi manager EM approach.

NEPC INVESTMENT THESIS

Firm/Product	NEPC Investment Thesis
Emerging Markets Equity	
ABS - EMS Portfolio	The team believes their investment edge lies in their qualitative, bottom-up approach in identifying local specialists, in conjunction with their proprietary investment and risk management tool called the ABSolute. Their experience and networks in emerging markets help them identify local investment talents.
Acadian - Emerging Markets	Acadian's edge is attributable to their method of applying their proprietary dynamic multi-factor quantitative stock selection model systematically to a broad universe to exploit market inefficiencies in emerging markets including off-benchmark securities. The equity model is based on a factor library and forecasts expected returns at the stock level using factors including valuation, growth, quality, and technical. The model provides Acadian's portfolio managers with specific stock level alpha scores from which portfolios are optimized. Acadian has been managing quantitative portfolios since 1977 and has effectively built a large amount of intellectual capital into their portfolios. Acadian portfolios have performed strongest in markets with large inefficiencies, especially in emerging markets and small market cap strategies.
Acadian - Fossil Fuel Free	NEPC Research and the NEPC Due Diligence Committee have not vetted and approved an investment thesis for this manager. This manager is not currently included on NEPC's Focused Placement List.
Fidelity - Select EME	The Select Emerging Markets Equity is a research platform strategy that utilizes Fidelity's fundamental research team (and their best stock ideas) to build a portfolio that combines their qualitative stock selection and the quantitative methods. This strategy allows investors to tap into the stock selection abilities of one of the largest buy-side research platforms with Fidelity's fundamental research team. When building the portfolios, portfolio manager John Chow incorporates a variety of risk models and portfolio construction optimization techniques to maximize stock selections impact on the portfolio while minimizing relative market, style, country, and sector risk versus the MSCI EM index. Overall, this is a strategy that is supposed to have most of its excess return come from the stock selection prowess of the research analysts at Fidelity.
Global Delta - Emerging Market Equity	<p>The team's edge comes from 1) a systematic investment approach complemented by market-driven insights; 2) a focus on inefficient markets that are less scrutinized by global institutional investors; 3) a strong research team with previous experience at another quantitative firm without the constraints or bureaucracy of a large quantitative firm.</p> <p>The Global Delta Emerging Markets equity strategy is value-oriented but also puts weight on quality and growth signals. The goal of the strategy stylistically is to be a core manager, that looks for well-run companies with good growth prospects, sustainable business models, trading at attractive valuations with technical support. The core of their model is based on factors that fall into valuation, momentum/technical, growth, quality, and top-down signals.</p>
Schroders - Emerging Mkts Equity	The team believes their edge lies in their disciplined process marrying its top-down country allocation process with bottom-up stock selection backed by its large fundamental research team. The strategy emphasizes risk management and has tight portfolio construction measures to help alpha generation be isolated to country allocation and good stock selection. Their strength lies in their proprietary quant model, in-house fundamental research, and an experienced, global yet local team supported by broad firm resources. One concern with the team is that some of the portfolio characteristics will limit its ability to offer good net-of-fee returns for clients. The strategy has lower tracking error (3%-4%), lower active share (~60%) and a sizable AUM. All of these factors together have an impact that could limit excess return potential. This is a strategy where being tax advantaged and having negotiated fees should help ensure investors receive more of the alpha capture of the strategy.



DISCLOSURE

(1/2)

DATA DISCLOSURE

Investment management fees can have a significant effect on total returns. The results profiled herein reflect the deduction of management fees and other expenses, except where specifically noted.

FOOTNOTES

FIRM OWNERSHIP

Acadian Asset Management LLC - Acadian Asset Management LLC (“Acadian”) is a wholly owned subsidiary of Acadian Affiliate Holdings LLC, which is an indirectly wholly owned subsidiary of Acadian Asset Management Inc. (“AAMI”), a publicly traded Delaware corporation listed on the NYSE. Acadian has a sound ownership structure in place, which provides a majority of senior staff an opportunity for financial participation in the profitability of the firm through a Key Employee Limited Partnership (“KELP”). Members of the Acadian KELP own all of the Class B non-voting shares of the firm.

FEES/EXPENSES

Fidelity Select Emerging Markets Equity - In addition, the LP has 11 bps in all other operating expenses (as of 12/31/23).

Acadian Emerging Markets Equity - Search Specific all in fees for the commingled fund (including management fees) are 0.85%. (75bps management fee plus 10bps OPEX cap).

Standard all in fees for the commingled fund (including management fees) are 0.90%. (75bps management fee plus 15bps OPEX).

Acadian Emerging Markets Fossil Fuel Free - 0.98% all in (0.75% management fee + 0.23% OPEX)

OTHER

Global Delta - Emerging Market Equity does not have data available for Rolling 3 Year Excess Returns.



DISCLOSURE

(2/2)

DATA DISCLOSURE

Investment management fees can have a significant effect on total returns. The results profiled herein reflect the deduction of management fees and other expenses, except where specifically noted.

FOOTNOTES

FIRM OWNERSHIP

ABS Investment Management LLC - As of July 1, 2024, ABS is 79% internally owned by ABS employees and 21% owned by Nile Capital Group (a private equity firm specializing in making GP stakes).

Schroder Investment Management Ltd - The current aggregate PSG holding the Schroders plc shares is 44.11%. There is no "ultimate beneficial owner" of those shares. 24.17% of the Company's shares are held by Vincitas Limited and 15.26% of the Company's shares are held by Veritas Limited, both of which act as trustees of various trust settlements made by members of the Schroder family.

