



DECEMBER 2, 2022

BAXTER STATE PARK AUTHORITY

ENDOWMENT REVIEW

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Prepared For:

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Chair of BSP Authority
Director, Maine Forest Service

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Relationship Overview

CLIENT OVERVIEW



Baxter State Park (IMA / Percival Baxter Trust)



The primary mission in the management of the Park is to protect the natural resources of the Park for their intrinsic value and for the enjoyment of present and future generations.



The Baxter State Park Authority is the sole governing body of the Park, consisting of the Director of the Maine Forest Service, the Commissioner of Inland fisheries and Wildlife and the Maine Attorney General. The Percival Baxter Trust is a 509(a) Type III supporting organization.



Boston Safe Deposit & Trust was appointed sole trustee for the Percival Baxter Trust on July 6, 1927. BNY Mellon has served as investment manager for the Endowment since 1990.

NOTEWORTHY ITEMS

- Recent commit of \$650K to Fugio XII (75% to PE sleeve / 25% to VC sleeve); New CommonFund PE to open soon
- Q2 allocation reduction to non-US equity exposure, increase in US LC equity & ST bonds
- **Fortress Lending Fund III open, closes early Dec.**

INVESTMENT POLICY

Objectives:

- To provide as much spendable income as possible for the Park now and in the future, with neither period favored at the expense of the other
- To have the spendable income be somewhat predictable in the near term, and to have the spendable income not decline significantly at any time
- To maintain the market value of the endowment assets whole, after inflation

Risk:

- Mismatch between the natural cash flows out of the endowment and the cash flows coming in
- Possibility that the assets in the funds do not do what we or the investment manager expects them to
- Reacting inappropriately at an emotional period, most likely after a severe market decline

Time Horizon: The investment objectives are based on a perpetual time horizon; interim fluctuations should be viewed with appropriate perspective.

Distributions: Determined by Park staff with the advice of the BSP Investment Committee, and shall be subject to approval by the Baxter Park Authority

Policy Allocation: (Accounts managed as consolidation of Trust & IMA); Equity 60-80%; Fixed 15-35%; Special Ops 0-15%; Cash 0-5%. Per Committee decision in 2014 no liquid alternatives.

Asset Class Positioning: Investment Strategy Committee Recommendations

	Underweight	Small Underweight	Neutral	Small Overweight	Overweight
Equity			◆ ←		
Large Cap				◆	
Mid Cap			◆		
Small Cap			◆		
International Developed Large Cap		◆ ←			
International Developed Small Cap		◆ ←			
Emerging Markets		◆ ←			
Real Estate (REITs)			◆		
Fixed Income		◆			
Treasuries			→ ◆		
Investment-grade Corporate			◆		
Tax-exempt			◆		
High Yield			◆		
Emerging Market Debt		◆			
Diversifiers				◆	
Long/Short Hedge			◆		
Absolute Return Hedge					◆
Commodities			◆		
Private Equity				→ ◆	
Private Equity-Real Estate			◆		

³ Reflects portfolio positioning within the Fully Diversified Balanced Model for taxable clients. As of 10/4//22.

Portfolio Positioning: Baxter State Park Consolidated

Fund Type	Actual Allocation	Target Allocation	Over / Under (vs Target)	Market Value
Cash				
Cash and Cash Equivalents	0.7%	0.0%	0.7%	\$702,155
Total Cash	0.7%	0.0%	0.7%	\$702,155
Equities				
U.S. Large Cap	37.8%	37.0%	0.8%	\$37,304,706
U.S. Mid Cap	7.4%	7.0%	0.4%	\$7,309,369
U.S. Small Cap	5.4%	5.0%	0.4%	\$5,355,938
Developed Int'l - Large Cap	6.1%	6.0%	0.1%	\$6,006,782
Developed Int'l - Small Cap	1.7%	2.0%	-0.3%	\$1,648,421
Emerging Markets - Large Cap	3.9%	4.0%	-0.1%	\$3,819,462
Total Equities	62.3%	61.0%	1.3%	\$61,444,678
Fixed Income				
Taxable Fixed Income	18.1%	19.5%	-1.4%	\$17,890,491
High Yield	4.5%	4.5%	0.0%	\$4,446,881
Emerging Mkts - Fixed Income	2.7%	3.0%	-0.3%	\$2,625,488
Total Fixed Income	25.3%	27.0%	-1.7%	\$24,962,860
Alternative Investments				
Private Equity	11.9%	12.0%	-0.1%	\$11,707,087
Total Alternative Investments	11.9%	12.0%	-0.1%	\$11,707,087
TOTAL	100%	100%		\$98,816,779

IPS Policy Ranges

Equity: 60-80%

Fixed Income: 15-35%

Alt / Special Ops: 0-15%

Performance

TOTAL PORTFOLIO AS OF 10/31/2022

Annualized Returns	Annualized					
	YTD	One Year	Three Years	Five Years	Ten Years	Fifteen Years
Total Portfolio						
Baxter Trust (Net)	-17.10	-15.55	4.13	4.86	7.11	4.98
Investment Fund (Net)	-12.80	-8.71	11.66	10.17	9.78	6.36
Consolidated (Net)	-15.72	-13.42	6.36	6.43	7.91	5.38
1) BNY Mellon Global Reference Benchmark	-17.27	-15.90	3.95	4.98	7.22	5.24
2) Blended Benchmark (70 ACWI / 5 SO / 25 Agg)	-19.08	-18.16	2.92	4.02	6.22	4.09
3) Blended Benchmark (70 S&P 500 / 5 SO / 25 Agg)	-16.65	-14.44	6.46	7.49	9.41	6.94
4) Consumer Price Index + 3%	9.04	10.95	8.21	7.00	5.64	5.48

Benchmark Summary

- 1) 46% S&P 1500 (US Equities), 24% MSCI ACWI Ex US (Non-US Equities), 25% Barclays Agg Bond Index (Bonds), 5% CPI + 3% (Special Opportunities)
- 2) Blended benchmark using global (est. 55% US / 45% Non-US) equity index, Special Ops (50% ACWI / 50% Tbill + 3%)
- 3) Blended benchmark using US equity (S&P 500) index, Special Ops (50% ACWI / 50% Tbill + 3%)
- 4) Benchmark tracking purchasing power of assets after distributions

Administration

OPERATIONAL SUMMARY: BAXTER TRUST

Investment Authority

Boston Safe (BNY Mellon) is sole Trustee for the Percival Baxter Trust.

Statements

Consolidated and individual income and principal summary, with asset lists, are mailed quarterly to Brian Noyes, Rupert White and Carl Gercke for both Trust accounts. Dan Rinard receives monthly statements for both Trust accounts. Baxter State Park Authority receives monthly and annual (calendar year end) statements for the two Trust accounts. The Maine State Treasurer receives annual statements for the Park's fiscal year-end (June) for both Trust accounts. The Maine State Attorney General receives quarterly statements for both accounts.

Payments

At the end of each month, net income is transferred to the Baxter State Park Authority Investment Fund (a/c # 10600421xxx).

Fees

At the end of each month fees are charged 50% to income and 50% to principal based on the following schedule: 5% of Income, in accordance with Amendment to Trust dated May 18, 1966.

Administration

OPERATIONAL SUMMARY: BSP INVESTMENT FUND

Investment Authority

BNY Mellon has full investment authority within the guidelines set out by the Investment Policy Statement.

Statements

Income and principal summary, with asset lists, are mailed quarterly to Carl Gerke, Brian Noyes and Rupert White. Baxter State Park Authority receives monthly and annual statements. Dan Rinard receives monthly statements. The State Treasurer receives annual statements. The Attorney General of Maine receives quarterly statements.

Payments

Upon receipt of authorized instruction.

Fees

On the 24th of each month, one twelfth (1/12) of the annual fee is charged to income based on the following fee schedule:

Advisory Fee Based on Market Value *

- .40% on the first \$25,000,000
- .25% on the next \$25,000,000
- .20% on the next \$100,000,000

* 15% discount to be applied to advisory fee tiers

<u>Fee Category</u>	<u>Previous Schedule</u>	<u>New Schedule</u>
Advisory Fee	.34%	.31%
Affiliated Fund Rebates	(.13)%	0%
Strategy Expenses	<u>.30%</u>	<u>.26%</u>
Total Overall Cost	.51%	.56%

Fortress Lending Fund III



Key Components of the Fortress Lending Strategy

1. ESTABLISHED PLAYER

Fortress has been a permanent fixture in lending markets for 17+ years across many asset classes and through multiple credit cycles, **deploying \$80 billion+ of capital** in lending since 2006, generating a pro forma **levered gross IRR of 15.3% (net IRR of 11.4%)*,1**

2. EXPERIENCED TEAM

The Fund's CIOs have worked together at Fortress for 15+ years, average 25 years of financial experience. The majority of the FLF III Investment Committee Members have invested together at Fortress since the 2008 financial crisis

3. IN-HOUSE ASSET MANAGEMENT

140 person dedicated global **asset management team** have collectively **worked through \$7 billion+ of troubled assets and achieved an average recovery of 103.3%*,2**

* Please see Appendix C for important information concerning the Fortress lending strategy.

¹ Unlevered gross IRR of 9.6% and unlevered net IRR of 6.1%. Please note that the Fortress lending strategy information provided herein is based on March 31, 2022 data. Includes realized investments and assumes liquidation of all unrealized investments at the market values of each such investment as of March 31, 2022. No representation is made that any Fortress managed fund will, or is likely to, achieve a performance record similar to the one shown above. Gross IRRs and multiples are gross of fund level expenses, incentive fees and management fees, and any applicable hedging expenses. Net IRRs and multiples are net of estimated loan level and fund level expenses, incentive fees and management fees, applying the methodology described in Appendix C. Current valuation and performance numbers are unaudited and are subject to change. There can be no assurance that any such investment can be liquidated at the current time or at current valuations.

² Only includes monetary defaults (payment and maturity defaults) in relation to investments in the Fortress Lending strategy. *As of March 31, 2022. Certain servicers are owned by affiliates of Fortress-managed funds, including Fortress Private Equity Funds, and operate on a stand-alone basis and are independently capitalized and managed. As a result, these companies are subject to potential divestment and there can be no assurance that any of these servicers will remain a Fortress affiliate or continue to be owned by Fortress managed funds. Includes servicers in which Fortress managed funds hold a minority non-controlling equity interest, warrants or convertible debt interest.

4. MULTI-VERTICAL DISCIPLINE

Broad capabilities allow us to **pivot between sectors and across private and public transactions** – not limited to one vertical – can originate new highly structured loans or buy secondary debt of good companies at significant discounts






5. EXTENSIVE TOOL BOX

Flexible solutions to address borrower needs - Fortress has structured thousands of loans for **over 1,400 unique borrowers¹** across corporates, asset based, lender finance, legal assets, IP and brand royalties, CRE, etc

6. INSTITUTIONAL INFRASTRUCTURE

The Fortress Lending Team draws upon the combined Credit Group infrastructure, including **~540 professionals and ~40 servicers utilized by Fortress managed funds³**

The Opportunity Set: Fortress Lending Sectors

DIRECT CORPORATE 	LENDER FINANCE 	REAL ESTATE 	LITIGATION FINANCE 	BROADLY SYNDICATED 
<ul style="list-style-type: none"> <input type="checkbox"/> Good companies with bad balance sheets <input type="checkbox"/> Predictable cash flows which reduce basis <input type="checkbox"/> Complicated restructurings in which risk is misunderstood <input type="checkbox"/> Solutions provider with ability to respond quickly and embrace complexity 	<ul style="list-style-type: none"> <input type="checkbox"/> Credit facilities and term loans to non-bank specialty finance asset originators across all consumer and commercial sectors <input type="checkbox"/> Acquisition financing for specialty finance lenders acquiring other lenders or servicers portfolios <input type="checkbox"/> Financings for early stage, lesser capitalized or esoteric asset originators <input type="checkbox"/> Utilize strong covenants and performance triggers to de-risk exposure if warranted 	<ul style="list-style-type: none"> <input type="checkbox"/> Economically resilient markets / asset types <input type="checkbox"/> Developers focusing on workforce and affordable housing that need construction or bridge financing <input type="checkbox"/> Buying debt or financing discounted pay offs from banks that need liquidity 	<ul style="list-style-type: none"> <input type="checkbox"/> More litigation in recessionary environment <input type="checkbox"/> Offer companies liquidity by monetizing litigation claims <input type="checkbox"/> Competitive landscape may ease as hedge funds re-focus on core strategy 	<ul style="list-style-type: none"> <input type="checkbox"/> Focus on high quality businesses <input type="checkbox"/> Hold a diverse portfolio of issuers <input type="checkbox"/> Maintain position liquidity <input type="checkbox"/> Acquire positions at prices that we believe provide significant margin for error

Fortress Lending Fund III | Executive Summary

WE BELIEVE SENIOR SECURED FLOATING RATE LOANS WITH APPROPRIATE STRUCTURES REPRESENT ONE OF THE BEST ASSET CLASSES TO CAPITALIZE ON TODAY'S MARKETS

COVID validated Fortress' core underwriting principles, emphasis on downside protection through asset management, and showed the power of a flexible mandate that can pivot from illiquid to liquid strategies and across industries

In today's heightened market volatility, we believe Fortress is uniquely positioned to capitalize on opportunities by relying on its experienced team, broad sourcing channels, seasoned structuring capabilities, and battle tested asset management team

We believe Fortress' competitive advantage of direct sourcing and broad underwriting capabilities have allowed Fortress to navigate around commoditized markets, diversify our portfolio, and size up/down to where it sees the best opportunities

Fortress Lending Fund III

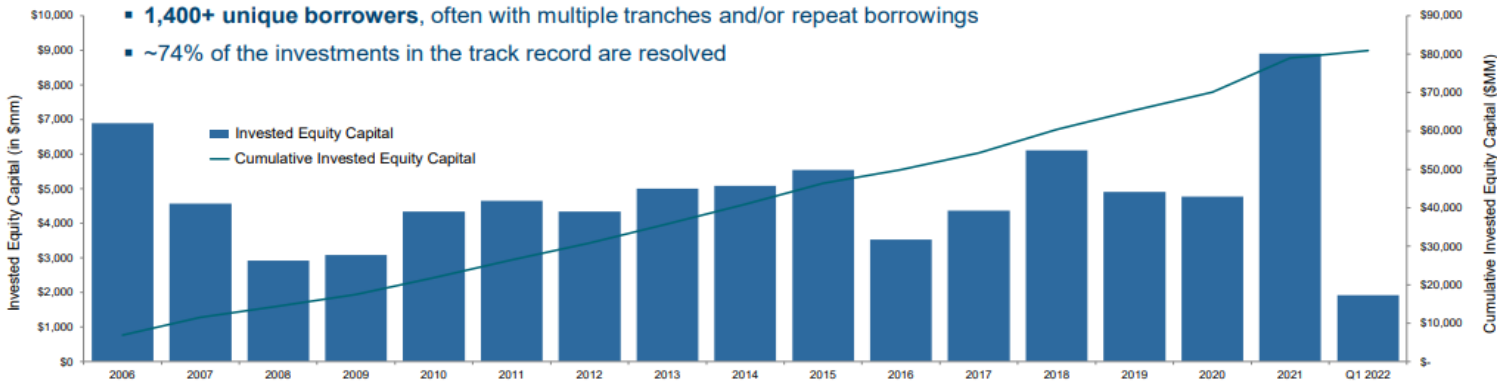
Fortress is raising Fortress Lending Fund III ("FLF III" or the "Underlying Fund") to pursue today's lending opportunity through the origination of opportunistic direct lending across corporate and asset based loans, new liquidity and reconstruction loans, and selective secondary purchases of existing bank loans

- Fortress Lending Fund III will extend Fortress Credit's 17+ year experience in lending and seek to apply that to the varying opportunities presented by frequently changing market conditions
- FLF III held its first close on December 23, 2021, and now has \$1.5 billion in commitments as of July 1, 2022. The Underlying Fund has made 85 investments and has built a strong pipeline¹. The Underlying Fund will hold regular closes until the **final close which will be on or before December 9, 2022**

Fortress Lending Strategy | Extensive Experience

SUCCESSFUL 17-YEAR STRATEGY WITH TOTAL INVESTED EQUITY OF \$80 BILLION+¹

- **Unlevered gross IRR of 9.6% (net IRR of 6.1%)⁴**
- Pro forma levered return generates a **gross IRR of 15.3% (net IRR of 11.4%)⁴**
- During the last financial crisis and COVID, 2009, 2010, 2011, and 2020 vintage investments produced a **13.2% blended unlevered gross IRR⁴**



Vintage Year ²	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
FULLY REALIZED AND UNREALIZED INVESTMENTS																		
Gross Unlevered IRR by Vintage ^{3,4}	6.2%	8.3%	9.7%	15.8%	12.1%	13.0%	10.3%	8.2%	8.6%	10.1%	9.9%	8.9%	7.4%	10.0%	14.5%	6.6%	9.1%	9.6% 6.1% NET
																	Gross Levered IRR	15.3%
																	Net Levered IRR	11.4%

* Please see Appendix C for important information concerning the Fortress lending strategy.
 Note: Past performance is no guarantee of future results and an investment in any Fortress managed fund could lose value. No representation is made that any Fortress managed fund will, or is likely to, achieve a performance record similar to the one shown above. ¹ As of March 31, 2022. ² Vintage corresponds to date of first cash flow. ³ Does not depict calendar year performance. Deal performance is grouped by vintage year. ⁴ Includes realized investments and assumes liquidation of all unrealized investments at the market values of each such investment as of March 31, 2022. Gross IRRs are gross of fund level expenses, incentive fees and management fees. Net IRRs are net of estimated deal level and fund level expenses, incentive fees and management fees. Management Fees are calculated using the maximum 1.5% management fee rate. Current valuation and performance numbers are unaudited and are subject to change. There can be no assurance that any such investment can be liquidated at the current time or at current valuations.

BNY Mellon: A Disciplined and Objective Approach to Manager Research

Manager Research Process



Manager Research Evaluation Factors

- 50+ Factors in 7 groups:
- Organization
 - Investment philosophy
 - Investment process
 - Implementation
 - Investment team
 - Performance
 - Responsible investment

Operational Due Diligence Criteria

- Fund structure
- Regulatory matters
- Compliance
- Risk management
- Trading and operations
- Business continuity and infrastructure

Oversight

- 1,500 manager meetings conducted annually
- Independent operational due diligence team reviews and assesses operational risks

Manager Rating Scheme



Fortress Lending Fund III - Proposal

Private Credit Asset Allocation

Target long-term private credit allocation: 3% of total portfolio

Disciplined commitment to new private credit fund every year (once available)

Commit 1/2 of total target allocation to each new fund

Commitment Calculation

Portfolio Value: \$100M (LT allocation target \$3M to private credit)

Recommended Commitment to Fortress: $\$3M / 2 = \$1.5M$ (2/3 to Trust, 1/3 to Endowment)

Recommended Endowment Commitment: \$500,000

Allocation Funding

Private credit allocation to be viewed as a carveout from fixed income

Fortress commitment to be funded ½ from core fixed income, ½ from floating rate high yield

Fortress Underlying Fund Terms

The information provided herein is subject to change and is presented as a summary of certain key terms of the Access Fund and Underlying Fund only and is qualified in its entirety by each of the Access Fund Offering Memorandum and Underlying Fund Offering Memorandum and governing documents. Please refer to, and review carefully, such documents prior to making an investment in the Access Fund.

Underlying Fund	Fortress Lending Fund III (A) LP
Investment Objective	The Funds are being formed to seek to make attractive risk adjusted debt investments, primarily by originating and acquiring senior secured debt of operating businesses in a wide array of corporate industries.
Commitment Period	Will commence upon the Initial Closing Date (as defined in the Underlying Fund Offering Memorandum) and will end on March 31, 2025.
Term	Four years from the termination of the Commitment Period (as defined in the Underlying Fund Offering Memorandum), subject to extension for up to two consecutive one-year periods by the general partner of the Underlying Fund.
Management Fee	<p>The management fee of the Underlying Fund will be an amount equal to the greater of (a) the product of (x) the Applicable Fee Rate (as defined below), and (y) the Access Fund's Management Fee Base Amount (as defined in the Underlying fund Offering Memorandum); and (b) the Access Fund's proportionate share of \$500,000 (\$2 million per annum)</p> <p>The "Applicable Fee Rate" means (i) if the Access Fund's commitment to the Underlying Fund is less than \$50 million, 1.5% per annum; (ii) if the Access Fund's commitment to the Underlying Fund is equal to or greater than \$50 million but less than \$100 million, 1.375% per annum; and (iii) if the Access Fund's commitment to the Underlying Fund is equal to or greater than \$100 million, 1.25% per annum</p>
Carried Interest	15%
Preferred Return	6% per annum.