

October 4, 2024

BAXTER STATE PARK AUTHORITY

ENDOWMENT REVIEW

Presented by:

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Prepared For:

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Commissioner of Inland Fisheries and Wildlife

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Chair of BSP Authority

Director, Maine Forest Service

Aaron Frey

Maine Attorney General

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

- BSP Investment Committee held 9/13; discussion focused on buildup of private credit allocation via new Ares Private Credit Strategy
- Continued “neutral” risk-allocation positioning
- BNY Economic and Market Outlook Webcast to be hosted 10/8, 4PM

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 in order to achieve allocation targets); Equity 50-70%; Fixed 15-35%; Special Ops 0-25%. Per Committee decision in 2014 no liquid alternatives.

Outlook



REASONS TO BE POSITIVE

- Increasing earnings, improving margins and lower corporate credit spreads suggest markets are not pricing in recession.
- The job market is slowing but remains strong enough to support aggregate spending.
- Consumers' leverage and debt to income ratios alongside a ~\$45T increase in net worth since Covid are a positive to offer any further job market slowdown.
- We remain very optimistic on the implications of AI for productivity and economic growth.
- September is the worst month but Q4 is the best quarter – stay invested.



RISKS

- Slowing consumer.
- U.S. debt sustainability.
- Election uncertainty.
- Manufacturing slowdown.



ASSET ALLOCATION

- Staying in cash doesn't work over the long run. Staying invested and diversified does.
- Cash set to underperform with Fed easing beginning this month.
- Maintain domestic large cap equity bias as U.S. outperformance expected to continue.

Wealth Management Forecasts

Base case: Our estimates reflect a 15% chance of a mild U.S. recession in 2024 and 2025

	2024 Forecasts	2025 Forecasts
U.S. Real GDP (Y/Y)	1.5% - 2.5%	1.5% - 2.5%
U.S. Headline CPI Year-End Target	2.9% - 3.4%	2.0% - 3.0%
S&P 500 Earnings	\$245 - \$255	\$280 - \$290
S&P 500 Year-End Target	5,300 - 5,700	5,900 - 6,300*
10-Year Treasury Yield Year-End Target	3.75% - 4.25%	4.0% - 4.5%

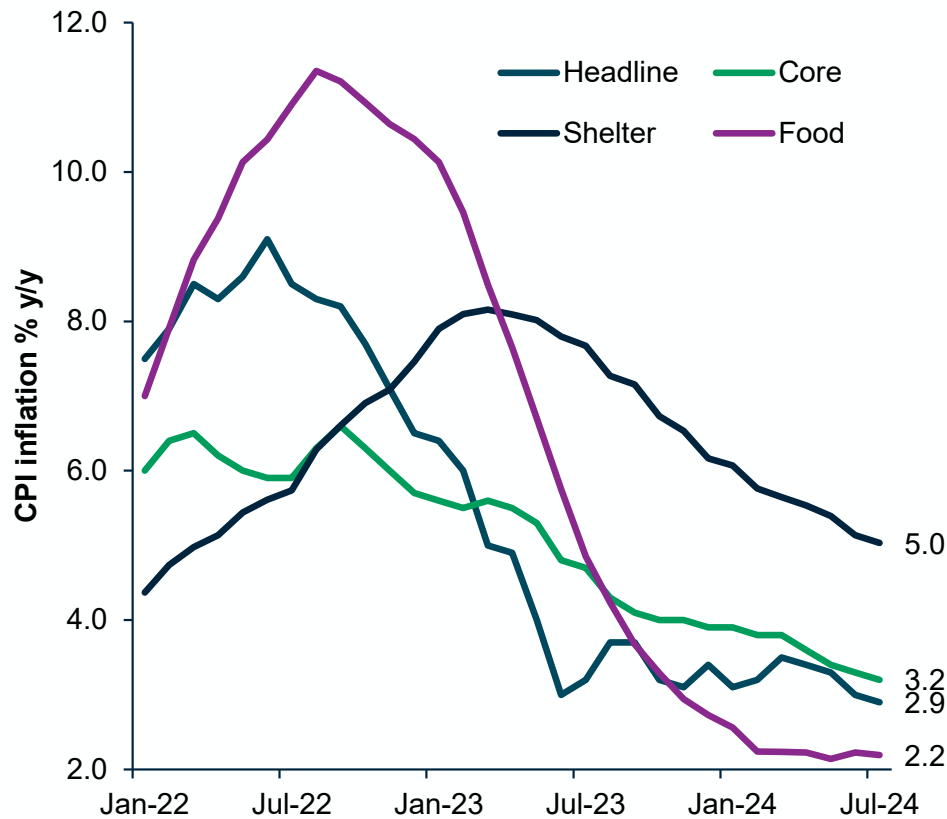
*Based off 2026 earnings estimates of \$315

Source: BNY Mellon Wealth Management. As of 7/31/2024.

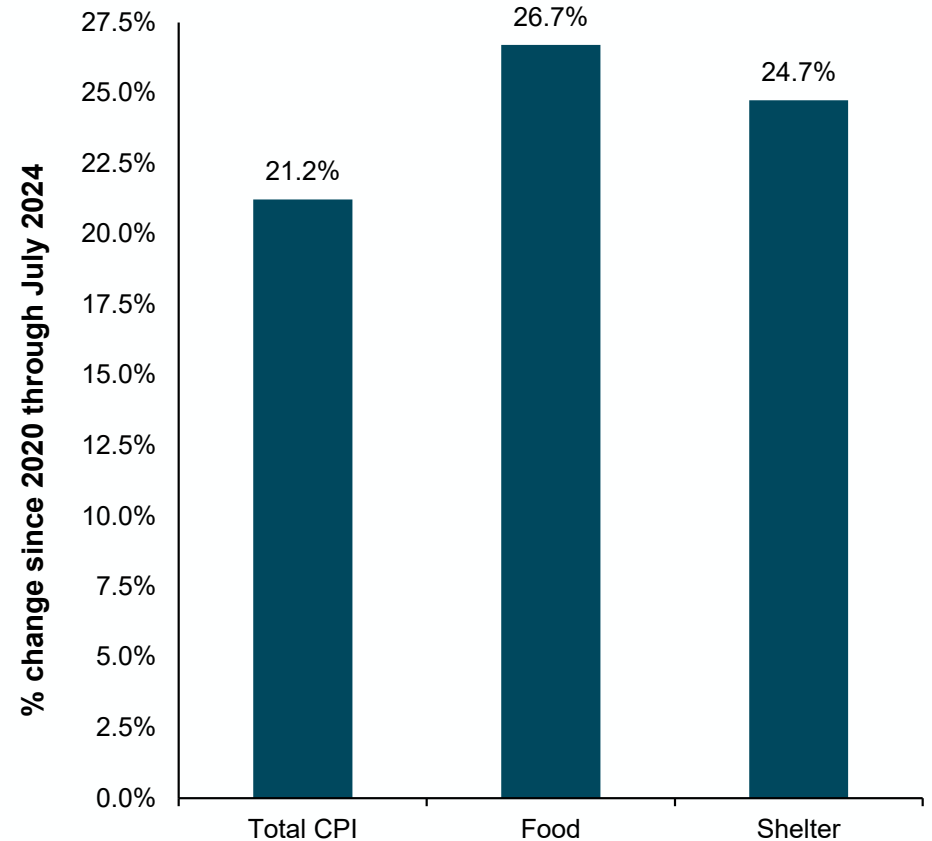
The Good and Bad about Inflation

- Continued disinflation, the slowing of the 12-month percent change in inflation, has shifted the Fed's focus to the labor market.
- Consumers have lowered their expectations for inflation one-year forward to below 3% for the first time since 2020.
- While slowing inflation is welcome, the level of prices of many items remains elevated vs. several years ago, potentially offsetting the benefit of "slowing inflation" to the consumer.

Inflation: 12-Month % Change



Inflation: Cumulative % Change Since 2020



Source: Bloomberg. Data as of 8/31/2024

Asset Class Positioning

Investment Strategy Committee Recommendations

	Underweight	Small Underweight	Neutral	Small Overweight	Overweight
Equity			◆		
Large Cap					◆
Mid Cap			◆		
Small Cap			◆		
International Developed	◆				
Emerging Markets	◆				
Fixed Income			◆		
Treasuries			◆		
Investment-grade Corporate			◆		
Tax-exempt			◆		
High Yield			◆		
Emerging Market Debt	◆				
Diversifiers			◆		
Alternative Growth			◆		
Absolute Return			◆		
Real Assets			◆		
Private Equity				◆	

Reflects portfolio positioning within the Fully Diversified Balanced Model for taxable clients. As of 8/13/2024.

Portfolio Positioning: Baxter State Park Consolidated

Fund Type	Actual Allocation	Target Allocation	Over / Under (vs Target)	Market Value
Cash				
Cash and Cash Equivalents	0.8%	0.0%	0.8%	\$1,013,165
Total Cash	0.8%	0.0%	0.8%	\$1,013,165
Equities				
U.S. Large Cap	38.6%	38.0%	0.6%	\$46,447,996
U.S. Mid Cap	6.9%	7.0%	-0.1%	\$8,332,870
U.S. Small Cap	3.5%	3.0%	0.5%	\$4,251,085
Developed International	9.1%	9.5%	-0.4%	\$11,013,385
Emerging Markets - Large Cap	4.0%	3.5%	0.5%	\$4,804,735
Total Equities	62.1%	61.0%	1.1%	\$74,850,071
Fixed Income				
Taxable Fixed Income	20.8%	21.0%	-0.3%	\$24,994,702
High Yield	3.8%	4.5%	-0.7%	\$4,560,100
Emerging Mkts - Fixed Income	1.5%	1.5%	0.0%	\$1,840,265
Total Fixed Income	26.1%	27.0%	-1.0%	\$31,395,067
Alternative Investments				
Private Equity	11.0%	12.0%	-1.0%	\$13,217,226
Total Alternative Investments	11.0%	12.0%	-1.0%	\$13,217,226
TOTAL	100%	100%		\$120,475,530

IPS Ranges

Equity: 50%-70% (Policy Target 60%)

Bonds: 15%-35% (Policy Target 25%)

Alternatives: 0%-25% (Policy Target 15%)

Note: Private Equity line item includes Fugio PE/VC Funds, Commonfund PE Funds, and Fortress Lending Fund

Performance

AS OF 08/31/2024

Annualized Returns	Annualized					
	YTD	One Year	Three Years	Five Years	Ten Years	Fifteen Years
Total Portfolio						
Baxter Trust (Net)	12.6%	18.7%	4.3%	9.3%	7.5%	8.5%
Investment Fund (Net)	8.7%	11.8%	4.3%	11.3%	8.8%	9.5%
Consolidated (Net)	11.4%	16.6%	4.3%	9.9%	7.9%	8.8%
1) <i>BNY Mellon Global Reference Benchmark</i>	12.2%	18.5%	4.7%	9.5%	7.8%	9.0%
2) <i>Blended Benchmark (70 ACWI / 5 SO / 25 Agg)</i>	12.4%	18.9%	3.9%	9.0%	7.0%	8.0%
3) <i>Consumer Price Index + 3%</i>	3.8%	5.7%	7.8%	7.2%	5.9%	5.6%

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. 60% US / 40% Non-US) equity index, Special Ops (50% ACWI / 50% Tbill + 3%)
- 3) Benchmark tracking purchasing power of assets after distributions

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 Brian Noyes and Rupert White. Baxter State Park Authority receives monthly and annual statements. Kevin Adam 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

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 and Rupert White for both Trust accounts. Kevin Adam 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.

Performance Review: Disclosure

Performance shown is total return, expressed as a percentage, including income and gains (realized and unrealized) in the portfolio. For periods of greater than one year, performance is shown as an average annual rate of return. Periods of less than one year are not annualized.

Portfolio Net of Fee returns reflects the deduction of management fees or other fees payable by the account.

In valuing the assets in portfolios, we use data and information supplied by the third party vendors. Although we exercise great care in the selection of such vendors; we do not guarantee the accuracy of the information provided.

Past performance is not necessarily indicative of future results

Information appearing in the “Since Inception” column on your report represents the performance data since the time we began to calculate performance returns for the specific asset classes or subclasses held in your account(s). In some instances, the calculations for portfolio information may pre-date the detail information appearing on your report. Additionally, where the Inception Date for your account(s) is not the first day of the month, there will be a timing mismatch with the underlying benchmarks as benchmark performance is calculated from the first day of the month, regardless of your account(s) Inception Date. Also, it always takes time to align a new account with our agreed upon investment strategy. For example, if an account consists of all cash or legacy securities on Inception Date, the account will need to be fully transitioned before comparison with the underlying benchmark is appropriate.

Actual valuation and performance for the Mellon Optima L/S Strategy Fund as of the month-end indicated on the report may not be available until after the production of this report. In such cases, BNY Mellon Wealth Management may use an estimated valuation calculated using available information.

Benchmarks: Benchmarks used for performance comparison are noted on the report. The Intermediate Municipal Bond Index represents returns of the Constant 5.5 year Duration Blend of the Merrill Lynch Intermediate (U0T0) Municipal Bond Index and the Merrill Lynch 12-22 Year (U4A0) Municipal Bond Index for periods prior to January 2010 and the returns of the S&P Municipal Bond Intermediate Index from January 2010 forward.

For additional performance information, or for any matter pertaining to your account relationship, please contact your Wealth Manager.