

Public Record

Investment Committee

Wednesday, August 19, 2020

Present: Norm Nicholson (Chair), Skip Sullivan, Ted Gibbons, Tom Chandel, Tim Creem

Also: Bob Peabody, Town Manager and, representing Norway Asset Management, Kurt Garascia and Mary Leavitt

The Meeting was called to order at 9:00 AM

Kurt Garascia commented on the markets and reviewed the three Trust portfolios. The stock market has had a strong recovery from the sharp February-March decline. There have been major changes in the outlook since then with interest rates now at historically low levels. Norway does not see a recovery in Government yields over the next 36 months. This presents questions on what to do in the fixed income sector. Longer maturities? Higher risk? Preferred stocks? It also brings attention to portfolio diversification. Should the stock target be increased, with equities seeming the best alternative for investment? The three Trusts are now modestly above target equity levels with Moose Pond and Bridgton Trust Funds at 65% and Park Forest at 68%. Norway will not move to a higher equity level without specific instructions from the Investment Committee.

Discussion then turned to performance. For the Fiscal Year ending June 30, 2020, performance of the three Trusts ( Bridgton Trust Funds + 2.75%; Moose Pond + 3.0%; Park Forest + .52%) was disappointing relative to the Benchmark (+7.75%). The Benchmark is 54% S&P 500, 6% EAFE, 40% Barclays Aggregate Bond Index. Kurt pointed out that the S&P (a capitalization weighted Index) was strongly impacted by the very strong performance of a small number of stocks, among them Amazon, Apple, Microsoft, Netflix & Facebook. While Norway did hold the first three named stocks in the two portfolios, with Apple the single largest individual holding, their portfolio weightings were considerably below the weightings in the S&P. ( While not specifically mentioned at the Meeting, it is of interest to note that the unweighted S&P (each stock an equal weighting) was down 3.4% (total return) in the 12 months to 06/30/20 vs the 7.4% gain of the S&P (weighted) Index)

The Committee did focus on the Park Forest Trust. This is the smallest portfolio, is invested solely in index funds and has had a higher equity level (now 68%) than the other Trusts since no withdrawals are anticipated in the near future. This Funds performance for the June 30 Year was below that of Moose Pond and the Bridgton Trusts. A review of the number and types of the funds Norway has been using was left to the next meeting.

After some additional discussion, Kurt and Mary left the meeting, with the thanks of the Committee.

The Committee then reviewed The State of Maine requirements for investment of municipal trust funds as summarized in a June 2013 E-Mail from Richard Spencer, Town Counsel. To avoid strict limits on permissible investments," the investments must be held by a financial institution with trust powers authorized to do business in Maine". Secondly," the investment of the trust funds must be managed either by the financial institution in which the funds are kept or by a registered investment adviser".

In an August 2019 E-Mail, Mr Spencer confirmed that there had been no amendments since 2013 which would affect the reasoning in his prior opinion. Although no conclusions were reached , it was felt we should have a better understanding of alternatives for management of the trusts.

It was again discussed the we should be alert to possible new members of the Committee.

The next meeting of the Committee will be in mid to late October after the September Quarter figures are available.

There being no further business, the meeting was adjourned at 10:40 AM.

Recorder: Norman Nicholson