

Public Record

Investment Committee Meeting

Thursday, September 29, 2022

Present: Norm Nicholson (Chair) Ted Gibbons, Tom Chandel, Roseana Richards, Bridgette Fuller

Also: Bob McHatton (Selectman), Bob Peabody (Town Manager), Holly Heymann (Finance Director), William Hall (RHR Smith) and Kurt Garacia and Mary Leavitt, Norway Asset Management.

The Meeting was called to order at 9:05 AM.

The first order of business was discussion with Bill Hall of RHR Smith, a firm now in their first year as the Town's Auditors. Mr Hall was interested in gaining a better understanding of the Trusts overseen by the Investment Committee and managed by Norway Asset Management. Questions included- are these really Trusts? From where did the Funds originate? Is there collateral or insurance behind the investments held? Are there restrictions on payout of Principal? While the Committee, Bob Peabody, and Kurt Garascia provided input on a number of the questions, it was clear that much of the information that Mr Hall sought would be better provided by material in Town files. Bob Peabody and Holly Heymann will work with Mr Hall in accessing that information. The Committee did request follow-up on any pertinent information on the Trusts and State guidelines of which they should be aware.

Mary Leavitt of Norway Asset Management discussed the Account statements that are currently sent by mail to all Committee members and the Town on a calendar quarterly basis. She asked if E-Mail would be acceptable in the future. It was agreed that copies would continue to be mailed to those who requested them but the majority would be E-Mailed. On another subject the Committee asked if Norway could provide a one year comparison (under Account Performance) as well as five years, perhaps at the Calendar and Fiscal year ends. Mary indicated that could be done.

The meeting was then turned over to Kurt Garascia for comments on the investment outlook and the individual portfolios. This has been a very difficult month and year for both equity and fixed income markets. Price stability is an important mandate for the Federal Reserve and they will continue to increase rates until there are signs of declining inflation. Norway believes inflation will be in a declining trend later this year and into 2023 although it could well remain higher than earlier projected. If inflation declined to 4%, they would look for the ten year treasury to be around that same level, still possibly at a small negative "real" return. Although there could be several difficult quarters ahead, equities could be close to their lows today and remain preferable to bonds.

Turning to the portfolios, the Bridgton Trusts (08/31/22 - \$1,435,235) and Moose Pond (08/31/22 - \$1,850,845) now have equity weightings in the 66% area vs 70% on March 31 with most of the decline due to the market. Cash holdings are modestly higher. Performance for the one year period ending

August 31 is down 10.5% as compared with the Benchmark at 11.4%. Three year performance at 6.73% is also above the Benchmark at 6.29%. It should be noted that these figures do not include the month of September, which was not a favorable period for either the stock or bond markets. Information technology remains the largest sector holding and continues with a modest overweight. It remains an attractive area. Energy has been, by far, the best performing group in the market this year and, though profits were taken in one of the holdings APA Corp (Apache), energy remains over weighted in the two portfolios.

The third portfolio, the smaller Park Forest Trust (08/31/22-\$109,306) which is entirely in ETF's had a particularly difficult year due to a higher equity weighting and, unlike the other two accounts, no changes in fixed income to reduce the intermediate term ETF's in favor of individual issues or very short term ETF's. Park Forest was down 13.3% vs 11.4% for the benchmark in the 12 months to August 31. After further discussion, Kurt and Mary left the meeting with the thanks of the Committee.

There was some continued discussion among the Committee. It was noted that the returns over the past year do not include the impact of inflation. The rise in interest rates has been heavily weighted in the short maturities (the two year Government yields more than the 30 year) but all bonds are selling at significantly negative "real" yields.

The next meeting would ordinarily be held in mid- December but with several members absent and some conflicts with those present, no date was established. We will canvass the committee later in October or early November and come up with a specific date. It was commented there would be a greater effort to send out articles or other notes on the investment outlook from time to time. Kurt was encouraged before he left to send the Committee reports by Northern Trust or other sources that he thought would be of interest.

There being no further business, the meeting was adjourned at 11:10 AM.

Recorder: Norman Nicholson