



**Trustees of Trust Funds
Meeting Minutes
Friday March 19, 2021**

Matthew Thornton Room, Merrimack Town Hall



The meeting was called to order at 9:00 am. Trustees present were Balcom, Wilkes (by phone) and Christensen. Tom Boland, Merrimack Town Treasurer also attended. Guests from Cambridge Trust, attending by phone were Susan Marore-Baker, President, CTC-NH, David Lynch, CIO, Eric Jussaume, Portfolio manager, Lindsey Donovan, fixed income manager and Judith Noel, relationship manager.

The minutes of February 19, 2021, were approved as distributed. Motion by Balcom, second by Wilkes. Motion passed 3-0-0.

Susan Martore-Baker made introductory remarks. Eric Jussaume reviewed the re-orientation of the portfolio over the last year, particularly since November 2020. We are more heavily focused on dividend yields with reduced holdings in fixed income. Equity yields are just a shade under 3.0%; overall portfolio yields are a few basis points less as fixed income yields are lower in general than our equity positions. Some of the fixed income positions were taken as stabilization moves when markets were tumultuous a year ago, and we are moving out of those as bonds mature. The Trustees indicated that as long as equity yields were solid, they were not bothered by some market volatility. There was general agreement that, in the future, there would be less trading with a focus on a longer horizon. {More detail is included in the attached presentation highlights.}

David Lynch commented on the investment policy and potential adjustments for the upcoming review. In previous years, there was an effort to grow the funds and the policy refers to total return and using the S & P 500 as a benchmark. With overall markets, and our portfolios at all-time highs, there is more emphasis on yields, and the policy needs to reflect that. The existing policy also contains segments that are specific to the Town. Tom Boland will review those sections from the Town's perspective.

It was noted that in 2018, we moved a sum from Scholarship Income to principal for improved returns. As the Watson Scholarships are an

expendable, we are looking at a simpler way to express this in the reports. Judy Noel and Chris Christensen will work on this.

Correspondence

All scholarships have been paid for this year so no cash is needed until December and it may be reinvested for at least 6 months.

The Library Trustees forwarded a signed copy of a new fund. The Barry C. Quimby Memorial Fund will benefit the Merrimack Public Library.

Currently, there is approximately \$29000 in principal at DCU as well as \$1100 in accumulated income. There is an additional \$10000 in Middlesex Water stock at Fidelity. Judith Noel and Chris Christensen will work on the mechanics of transferring these assets to Cambridge Trust for their management.

Future schedules

Meet with the Town Council on April 22, 7:00 pm

Trustee Meetings April 23 and May 21, 9:00 am

The May 21 meeting will include Cambridge Trust for regular semi-annual review and cash flow planning. We will also further discuss the investment policy.

On a motion by Balcom, second by Christensen, (3-0-0) the meeting was adjourned at 9:32 am.

Respectfully submitted

Chris Christensen, Trustee

CAMBRIDGE — TRUST —

PRIVATE BANKING WEALTH MANAGEMENT

Investment Presentation for Town of Merrimack

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Executive Summary

Directive for Scholarship, Principal, and Income portfolios is the need for more income and less emphasis on total return. Recent trades have increased overall portfolio yield. The equity portions of portfolios are now at 3% yield, but low bond yields still dilute the overall portfolio yield. We will discuss options for increasing bond yield.

Portfolio Yields from 1/1/2020 - 3/15/2021

Scholarship

	1/1/2020	11/1/2020	3/15/2021
Bond	3.49%	2.97%	2.40%
Equity	2.25%	2.23%	2.96%
Overall	2.48%	2.21%	2.69%

Common-Principal

Bond	2.53%	2.49%	2.62%
Equity	2.36%	2.24%	2.96%
Overall	2.37%	2.20%	2.82%

Common-Income

Bond	3.20%	2.43%	2.53%
Equity	2.34%	2.20%	2.95%
Overall	2.63%	2.07%	2.77%

1. Next steps: Cambridge Trust to propose updated IPS language for Committee approval to better reflect the income objectives of the portfolio.
2. Additional conversations on appropriate benchmark.
3. Consideration for higher yields
 1. Increase exposures to high yield and bank loan funds
 2. Continue swapping and upgrading equity holdings in coordination with CT equity research team

Executive Summary-Continued

1. Portfolios maintain an overweight allocation to equities and neutral allocations to fixed income and cash.
2. Scholarship overall yield impacted by accumulated income cash. Yield ex cash balanced would be 2.78%
3. The yield curve has steepened on renewed inflation fears. Longer maturity yields have increased while shorter maturity yields remain near historic lows
4. Total portfolio returns for Common-Principal -1.70%, Common-Income -1.32% and Scholarship of -1.29% through February.
5. Water, Municipal, and School portfolios delivered flat returns through February. Portfolios are positioned for liquidity needs and the safety of principal.