

Town of Mount Desert

Investment Committee Meeting Minutes

Wednesday July 31, 2019 4 pm

Members Present: John Brown, Philip Lichtenstein, and Brian Henkel.

Also Present: Town Manager Durlin Lunt, and Matthew Weaver Chief Investment Officer First National Wealth Management

The meeting was called to order at 4:00 p.m.

Officers Elected: John Brown Chairman, Brian Henkel Vice Chairman, Phil Lichtenstein Secretary

Matthew Weaver gave an overview of the performance of our investments during the past year, the highlights include:

1. First Advisors has changed its name to First National Wealth Advisors. The new brokerage division is called First National Investment Services, and the new Portfolio Manager in the Ellsworth area is Chris Shelton
2. Account performance through June was +9.90%. The annualized three years number is +7.15%. In dollar terms the gains for the year are +\$619,310
3. The Investment Committee has pursued a low-cost market neutral strategy as have a number of First National Wealth Management communities. Matthew feels that this is a wise strategy as high fees are the number one reason for underperforming the market over the long term.
4. Several Certificate of Deposits were purchased in the fall of 2018 at much higher yields than at present. First National Wealth Management intends to divest the portfolio of corporate bond exposure to lower the risk of default in the portfolio. Certificate of Deposits will continue to be purchased when Corporate Bonds mature. The investment strategy will be to use both individual fixed income securities and bond mutual funds. Mutual funds provide a second level of liquidity when a large distribution is requested by the town. Certificate of Deposit rates are considerably higher than treasuries and provide the most value as long as exposure is capped at the \$250,000 FDIC limit.
5. First National Wealth Advisors uses Exchange Traded Funds (ETF) to provide exposure in all markets (small cap, mid cap, emerging, international, and large cap domestic companies). Vanguard Global Minimum Volatility Fund has been added as a way to lower the risk profile of the markets sell off. Current allocation of the portfolio is:
10% cash
51% equity
39% fixed income

Cash is high due to a recent contribution from the town and the fact that the Town has an inverted yield curve which makes a higher cash position more desirable from a risk/reward perspective. Going forward it may be prudent to lower equity exposure if data suggests that a recession may be coming as corrections in equity markets are highly correlated with recession

The Committee asked several questions and expressed pleasure over the performance of Mount Desert's investments this past year

Meeting was adjourned at 5:07 pm.

Respectfully Submitted