1) Call to Order / 4:00 PM
   Attendance: Jenny, Prentiss, Sirkka, Starr, Adam, Laurie by telephone

2) Agenda/Changes or additions

3) Public Comment - none

4) New Business
   Review of Investments and Investment Policies with Prentiss Smith and Company
   
   Presentation from Prentiss - The handout portfolio is available on request.
   
   They use a fundamentals based approach and do their own in-house research into each company that they buy.
   
   They also use a specific set of screens particularly responsive to environmental concerns (no investments in fossil fuel producers, precious metals, crop chemicals, as well as weapons and tobacco).

   Questions from the committee:
   
   How do we compare to a five year benchmark? Currently we only have a 1 and 3 year version:
   
   The library articulated our specific investment policy in 2014, meaning it has not actually been in place for five years. Since 2016, we have had these as goals to meet the benchmark as well as our investment goals. Additionally, the incorporation of the Reed bequest meant we went a year without really being comparable to the benchmark. Currently we are and should remain so in the future.
We gave Prentiss a short description of our by-laws and the proposed changes (specifically regarding relationships of new accounts to the full endowment. He agreed that the changes will not likely change our current investment strategy.

The committee read an article about "Impact investing" as the new general heading for social responsible or other investing practices that incorporate moral or social questions into the decision making. We asked how this corresponds to the work Prentiss does and what influence it has on returns:

Prentiss argues that only good judgment determines return and this is not necessarily tied to the industry anyway - hence screening can be used but without necessarily a specific sacrifice. Very specific requirements (perhaps the requirement to have 25% invested in solar generation) can have a specific influence on return, but the general screens (like no fossil fuels) that Prentiss should not have a noticeable influence on return.

In support of this, Prentiss ran an historical back test of the performance of the S&P 500 Index with and without the industries that his firm screens from investment. The performance extending back to 1993 was identical in both cases: 9.6% a year. There is a balance between liquidity, volatility, and return as well, that there is always desire for some liquidity or ability to sell as well as balancing the volatility of smaller companies versus large companies. These concerns often influence returns in the short term more than the screens.

The committee asked if Prentiss uses any positive screening in addition to the negative screens listed above?

Prentiss noted that after the initial negative screens, there are still 4-500 major companies within the set that comes out - lots of options remain after the negative. After the initial screen, they look for unique points about a company; Prentiss used Unilever as an example: the company has a complicated supply
chain and fairly large environmental footprint. However, his research shows that they do work to check their suppliers and keep some level of transparency in terms of both environmental and social concerns with production. The CEO feels that social good and economic return are not incompatible and has pushed Unilever in that direction recently, making Prentiss feel like this is a better buy than similar large consumer goods companies. Prentiss will supply us with their report on Unilever as an example (available on request.)

We asked as a hypothetical question, how would Prentiss go about filtering for companies that have a first amendment problem?

Response: This would require a conversation about what we might mean or want - if we wanted to add a category, it is our task to provide a clear definition of what we are trying to screen out. The tighter or more far reaching the screen, the more difficult it becomes to execute and the more impact it will have on the investments themselves. In the case of first amendment problems, would this mean we don't want to purchases any tech stocks from companies that do business with a set of firms in China? That could be extremely limiting. However, if we are only thinking about companies that actively work against first amendment rights in this country, it could have less influence.

We asked why they screen for precious metals and how they define that:

Prentiss was close to writing off all mining because of their environmentally destructive practices. It is possible to have better environmental mining practices, but there is not a lot of that going on today. Gold and silver are both especially problematic and easier to strip out from their larger uses. Iron has extensive industrial uses, copper is a border line case, but is included in the negative screen here; ie: it would be almost impossible to not invest in companies that use or rely on iron... but limiting gold is more straight forward. He also believes gold
and silver and platinum mining are often more destructive than some of the other types of mining.

We asked for his rough thoughts on the future:

Prentiss believes the correction has already happened (the drop of almost 10% in February and March). He is taking a modestly conservative approach, but the economy as a whole is on a good footing. It almost can't be as good as last year, but moderate gain to steady is what he thinks now. (All couched within the fact that he certainly cannot predict everything and any future prediction should be taken with considerable caution.)

We asked about corporate bonds and whether they use the same social categories?

Short answer: yes. Corporate bond purchases follow the same process as the companies themselves. They used corporate bonds more frequently for a couple of years largely because federal bonds had fallen so low and corporate offered at least a bit of increased yield on the treasury (as much as .75%). This has narrowed recently and federal is now comparable. We still have corporate bonds, but are generally not buying new ones. Corporate bonds are less liquid and can be harder to sell, but they tend to be short-term and are often held to maturity, so sale is not an issue. Related to this, they now generally do not use bond mutual funds or other mutual funds in large part because they also include their own fees on top of Prentiss' fee, so it is usually cheaper to simply pick their companies both for stocks and bonds and avoid mutual funds.

Follow-up questions: Barclay's 60/30/10 benchmark is that screened for impact investing in any way?

Would it cost more to add particular screenings?

Any privileging of local companies?
5) Old Business

Return to the by-laws and have a short statement about impact investment - this will be much easier because of Prentiss' report.

Jenny Rowe will prepare a short statement about balancing impact investing with return to include in the by-laws.

Question about the financial reports: currently the presets are not the best reports we can have at each meeting...they often include one quarter or the wrong quarter.

Adam will tinker with the presets to make sure they offer the best possible snap-shot. Unfortunately, the quarterly reports need to be prepared by hand because they do not correspond to any of the presets. When a snapshot is saved, it maintains the fixed date entered rather than updating to the end of the last quarter.

6) Adjourn

NEXT MEETING DATE: 4:00 - 18 June, 2018