Minutes of the meeting held on August 3, 2022

Present: Francis Murphy – Chairman, Michael Gardner, John Shinkwin, Joseph McCann, David Kale, Rafik Ghazarian and Chris Burns.

Absent: Nadia Chamblin-Foster

The meeting was called to order at 11:00 AM. This was a hybrid meeting held in-person at 125 CambridgePark Drive, and via Webex videoconference. The Webex was digitally recorded.

Agenda Item #1 – Segal Marco Advisors
Ghazarian reviewed Segal Marco's written analysis of the candidates for the Emerging Markets mandate. He reminded the Board that two firms were invited to interview. They are Aberdeen, which is the incumbent manager, and RBC. Both managers are concentrated, with fewer than 75 stocks in the portfolio. The RBC portfolio has somewhat more exposure to small cap stocks. Ghazarian noted that the two portfolios are not highly correlated with each other and stated that there could be some benefit to hiring both managers. RBC has offered a lower management fee, charging 68 basis points, vs. Aberdeen at 81 basis points. Segal has rated both managers as "Recommended". RBC has shown stronger performance, returning 5.73% annually over the last ten years, vs. Aberdeen at 3.39%. The performance analysis includes returns from the second quarter of 2022. Gardner noted that the returns were shown gross of fees, and that with their fee taken into account, Aberdeen appears to have underperformed their benchmark over the trailing ten years. Segal's analysis shows that RBC has generated stronger returns, with less risk. Ghazarian stated that Segal uses the RBC Emerging Markets portfolio for their fully-managed clients. Ghazarian reminded the Board that Cambridge has also invested money in an Emerging Markets index fund, managed by Mellon. He stated that he believed that portfolio charged a management fee of 8-10 basis points.

Devan Kaloo and Matt Murdoch represented Aberdeen. A written portfolio review was submitted to the Board. Murdoch congratulated the Chairman on his re-election to the Board. Kaloo stated that relative performance has improved over the last two months, although the portfolio is still 600 basis points behind the index on a year-to-date basis. Murdoch described Aberdeen's investment strategy, noting their focus on quality stocks and ratings on ESG factors for every stock in the portfolio. The Chairman asked for a reasons behind previous periods of underperformance. Kaloo acknowledged that the fund had significantly underperformed in 2017. He attributed this an underweight in China, caused by concerns about governance practices at Chinese firms. He attributed the more recent underperformance to a value rally, where growth stocks were out of favor. Kaloo reviewed the composition of the Emerging Markets team, highlighting that the firm now has ten employees based in China.
Kaloo discussed Aberdeen's investments in Russia. He stated that they have tended to invest there for the exposure to oil and gas companies. He stated that, up until recently, Aberdeen felt that private energy companies in Russia were well managed and had better governance than energy companies in the Middle East. Following the Russian invasion of Ukraine and the sanctions imposed on Russia, Aberdeen wrote all these assets down to zero. Middle East oil companies, where Aberdeen was underweighted, saw their prices rise. Kaloo noted that Aberdeen does continue to hold some Russian assets. He anticipated that at Aberdeen would be able to recover some of the value at some point in the future, when the sanctions are lifted. Kaloo stated that he felt the value rally was coming to an end and that he felt Aberdeen's quality-focused style would come back into favor. He stated that he was optimistic about growth in China over the next two years, particularly as growth in the rest of the world appears to be slowing. He felt that China has had self-inflicted wounds due to strict COVID lockdowns. Looking ahead, China still maintains a robust and growing domestic market and is no longer so

dependent on exports. They have ambitious plans to grow their production on renewable energy. He also stated that, while the Chinese political system is different from Western counties, they have tended to be pragmatic and to deliver consistent growth. He stated that the risks of investment in China can be offset by research into the stocks Aberdeen buys. Gardner noted that Aberdeen has underperformed their benchmark since inception. Kaloo responded that Aberdeen had been generating strong returns up until the difficulties in 2022, but that their style should outperform going forward. Gardner asked Kaloo to describe how the firm might adjust when they find their style is out of favor. Kaloo stated that his approach is to maintain a quality bias rather than attempting to shift to a different style. He stated that the firm has made changes in the past in reaction to macro events, such as exiting all investments in Turkey. Murdoch noted that their fee includes certain administrative expenses.

Andy Donohue, Alissa Howard and Philippe Langham represented RBC Global Asset Management. A written portfolio review was submitted to the Board. Langham described the structure of the Emerging Markets team, noting that each employee is responsible for a certain geographic area, whereas sector analysis is rotated. He described his analysis of a typical stock in the portfolio, with a focus on positive cash flow. He also noted the importance of considering ESG factors, which tends to correlate with a more long-term approach to growth. Finally, RBC uses a quantitative screening tool, with a strong bias toward cash flow. Howard described the research process. She noted that RBC are long-term investors, with the average stock being held for five to ten years. She described how the firm meets with companies before investing. Meetings are generally conducted in English, although company reports may be written in the local language, so having analysts fluent in those languages is important. Langham described the portfolio positioning. The portfolio is now overweight to Chile and India. They are underweighted to China. The portfolio held a zero weight in Russia prior to the Ukraine invasion. They also maintain a zero weight in Saudi Arabia. Langham stated that RBC has serious corporate governance concerns in both countries. Over the last ten years, the portfolio has generated net 167 basis points annually above their benchmark. The fund has tended to run even in strong markets and to outperform in weak markets. Ghazarian noted that the fund significantly underperformed in 2016 and asked them to explain the poor performance. Langham stated that deep value and low-quality assets outperformed that year. He noted that Chinese banks and Russian energy companies were some of the top performers, but that he would not feel comfortable investing in them. He stated that their analysis of the political risk in Russia benefited the portfolio when all trading in Russian assets ended due to sanctions.

Scott Brymer and Julie Snaman represented Acadian Asset Management. A written portfolio review was submitted to the Board. Acadian was founded in 1986, with International Equity as their main focus. The international portfolio remains the largest asset class under management at Acadian. They are headquartered in Boston, with over 300 employees. Employee turnover is 10-15% annually. They are members of MACRS and currently have PRIT as a client in a different product. Concord and Holyoke are invested in the international portfolio. Since March, employees have been working on a hybrid schedule, with employees working two days per week in the office. Brymer reviewed the investment strategy. They are a quant manager, using a proprietary process that measures twenty factors in order to make stock selections. Brymer stated that the quantitative process allows Acadian to take a much broader view of the investment universe and identify smaller companies that traditional managers might miss. The portfolio currently consists of 319 stocks, with a bias toward the small-cap segment. He stated that the portfolio was not tied to any particular style. Their process favors companies with good earnings priced at a discount. Over the last ten calendar years, the fund has outperformed the benchmark for seven of those years. Since inception, the fund has generated 220 basis points annually over the benchmark, net of fees.

Aylon Ben-Shlomo and Keri Hepburn represented Aristotle Capital Management. A written portfolio review was submitted to the Board. Hepburn noted that Aristotle in an independent, employee-owned firm. They are headquartered in Los Angeles. They have 13 Massachusetts public clients, including Watertown, Plymouth County and City of Plymouth in the International portfolio. Ben-Shlomo reviewed the composition of the investment team. He noted that all employees are eligible to become equity partners in the firm. He credited the equity partnership program for Aristotle's very low employee turnover. The investment philosophy focuses on high-quality firms and to invest with a long-term perspective. Ben-Shlomo described how the firm strives to identify firms undergoing a "compelling catalyst" where a company is making a change that will drive future performance. He described the impact of the strong US Dollar, noting that Aristotle does not hedge currencies. Aristotle does not apply any screens to their investment universe. He stated that by focusing first on companies already in the portfolio, and then studying supplies, customers and competitors, Aristotle can identify other attractive stocks. He gave the example that the firm invested in Sony after having previously invested in Vivendi. The portfolio is all-cap but tends to invest most heavily in the large cap space. Gardner noted that the portfolio is significantly more concentrated than other firms. Ben-Shlomo stated that the portfolio currently has 39 holdings. The fund has various risk controls to prevent over-concentration. Not stock makes up more than 6% of the portfolio, and concentration allows the fund to do deep research on each holding. He noted that the fund does not double down on stocks when they fall in value, which can have the effect of compounding a mistake.

Zach Lauckhardt represented Marathon Asset Management. A written portfolio review was submitted to the Board. Marathon was founded in 1986 and is headquartered in London. They currently have PRIT as a client, in the same fund. 85% of their clients are in North America. Lauckhardt noted that Marathon has a unique analysis process, focusing on "supply-side dynamics". They are long-term investors, holding stocks for an average of eight years. They have a steady client bases, with over 60% of clients having been invested for more than ten years. Lauckhardt described the firm's efforts to invest at a period in a firm's business cycle when shares can be bought cheaply. He stated that the firm does not attempt to distinguish between growth and value investing but seeks opportunities in all segments of the market. The fund tends to outperform in down markets which holding even with the benchmark in up markets. The fund has strongly outperformed over the last ten years, returning 6.71% annually, vs. the benchmark at 5.4%. Lauckhardt suggested that the portfolio could be a good compliment to the current investment in the EAFE Index fund. Marathon offers either an asset-based fee or a performance-based fee. He stated that Marathon is a small firm and has opted to limit the number of employees focused on servicing accounts. Marathon offers servicing arrangements to allow Segal to take over certain client-facing work in exchange for a lower fee. Ghazarian emphasized that Segal does not receive any kickback for servicing Marathon's accounts. The discount is calculated by aggregating all Marathon accounts held by Segal's clients, and charging the fee based on the total assets under management.

Adam Gerentine and Nick Mayor represented Trinity Street Asset Management. A written portfolio review was submitted to the Board. The firm was founded in 2002 and is headquartered in London. The firm has 23 employees, and $5 billion in assets under management. The firm manages funds under two strategies, an International portfolio and a Global portfolio, which includes exposure to US Equities. The International portfolio consists of 30-35 stocks. The Global portfolio adds eleven additional stocks from the United States. Mayor discussed his biography and work experience. He described the firm's investment process and strategy. The firm looks to identify companies undergoing fundamental changes, and focuses on quality, cash flow and a long-term outlook. The portfolio is style agnostic and biased toward large-cap stocks. They conduct hundreds of meetings each year with company managers as part of their research process. Travel was curtailed during the COVID pandemic, but the firm is now looking to conduct more travel and in-person meetings going forward. Mayor discussed the portfolio's risk controls and their internal system for measuring ESG characteristics. Average turnover in the portfolio is 35% annually but Mayor noted that there is a barbell distribution, with some stocks entering and exiting the portfolio quickly and others being held for much longer periods. Gardner noted that the firm's assets under management has fallen substantially between 2020 and 2022. Gerentine stated the Trinity saw net inflows to the International strategy in 2022. The decline was due to market losses. The fund also saw outflows in the Global strategy as some clients moved into less risky investments. Ghazarian noted that the portfolio is significantly overweighted to Industrials, with more than double the benchmark weighting. Mayor stated that this was primarily due to investment in defense contractors, which have been strong drivers of performance in 2022.

Ghazarian reviewed the current composition of the portfolio. The Emerging Markets index fund, managed by Mellon, currently holds about $75 million. Aberdeen currently holds about $80 million. The Chairman stated that he would favor hiring both Aberdeen and RBC to manage Emerging Markets portfolios. He also stated that he would favor transferring all money in the index fund to Aberdeen and RBC, as he felt that this asset class should be actively managed. Gardner stated that he felt the performance from Aberdeen has been weak, as compared to both RBC and the index fund. He stated that he would favor hiring only RBC to manage Emerging Markets actively, and to make no changes to the Mellon index fund. Ghazarian noted that RBC's performance over the last ten years has been stronger than Aberdeen's, although Segal rates both managers as "Recommended". Gardner stated that Aberdeen has now underperformed the index on a 3, 5 and 7 year basis. Ghazarian reminded the Board that the returns are end-date sensitive and that last six months have shown very poor returns from Aberdeen. The returns are partially attributable to macroeconomic factors and partially attributable to poor decisions by Aberdeen. The Chairman proposed negotiating a short-term contract extension with Aberdeen in order to avoid having to sell the portfolio at a loss. Ghazarian stated that the Board could negotiate a longer contract, but always retains the right to terminate the manager before the end of the term. McCann noted that, even if the Aberdeen portfolio were sold at a loss, a new manager would likely be able to buy in at a favorable price. Gardner moved to hire RBC and Aberdeen as Emerging Markets managers. He further moved to allocate approximately 45% of the funds in this sleeve to the Mellon index fund, 27.5% to RBC and 27.5% to Aberdeen. Shinkwin seconded the motion and it was voted unanimously. Ghazarian stated that he would attempt to move the funds to match the stated targets but due to market volatility, the value of funds moved could change quickly.

Ghazarian reviewed Segal Marco's written analysis of the candidates for the International equity mandate. Ghazarian noted that there were significant differences between the candidates in terms of the number of stocks in the portfolio and the amount of exposure to small and mid-cap stocks. International equities have seen steep losses over the last year. Trinity has been the best at downside protection, returning -11.23% over the last year vs. the benchmark at -17.72%. Trinity has been a top decile manager over the last ten years. Segal's analysis shows that all four portfolios show similar levels of risk. Ghazarian discussed the theory of concentrated portfolios, noting that some studies show that any portfolio with more than 40 holdings might be "overdiversified" and would be likely to generate returns correlated with their benchmark. He stated that Segal uses Acadian for their fully-managed clients. Gardner asked if the system should be concerned about Trinity's small size and the fact that they have lost several clients. Ghazarian stated that Segal has discussed this issue and he felt the client departures were due to a change in strategy and not to dissatisfaction with performance. He said that he did not think their size was a cause for concern at this time. He stated that Trinity does have the strongest performance of any of the four managers, but they also have the highest management fee. McCann stated that he was concerned with a small firm like Trinity showing a decline in their assets under management. He also noted that Acadian was a local firm, with lower fees and strong returns. McCann moved to hire Acadian to manage the International equity mandate, and to transfer the funds currently held by RBC (Polaris) to Acadian. Gardner seconded the motion and it was voted unanimously.

McCann moved to adjourn at 4:05 PM.