

March 2023

TO: Harwich Historical Society

FM: Investment Committee

RE: Bethia Paine Fund, Annual Report for Calendar year 2022

Dear Society,

The Bethia Paine Investment Committee met several times during the investment challenging year of 2022. This Report summarizes those sessions and provides an overview of the Portfolio during the twelve month period, January 1 - December 31, 2022.

The year was the fourth worst performing annual calendar year for the equity market (-19.6%) since the mid 1930's. This was coupled with the Aggregate fixed income market turning in its worst year, -13.1%, in recent memory. As a result, for the Society's fully invested portfolio, there was little ability to avoid a significant slide in asset value. The portfolio recorded a loss of **-15.6%** for the twelve months, slightly better than its benchmark for the period ending Dec. 31, but giving up all of its realized gain from the prior year and then some. By year's end, the Portfolio was valued at **\$454,782**.

You will recall that the portfolio was initially started with the proceeds from the sale of land gifted to the Society by the estate of Bethia Paine in the late 1980's. It has paid out a sizable amount in support of the Society through the years in addition to growth of the Fund's asset base.

The overall asset mix reflected: 54% equity holdings, all within diversified ETF (exchange traded funds), largely broad market indexes, 30% in bond funds, 8% in US Treasuries, 7% in corporate bond ETF, and 1% cash. The 54% equity/46% fixed income asset mix at year's end fell within the Fund's Investment Policy guidelines. The Committee will rebalance the asset mix periodically, in accordance with its Policy to maintain desired diversification.

The Federal Reserve decision in early 2022 to begin raising interest rates in the wake of strong inflation was the overall cause of both the equity and fixed income markets retreating. The Fed's sharpest rate of increase in its history together with the lack of obvious progress in taming inflation fanned the flames of turmoil among investors. The Paine Fund has an overall policy of remaining fully invested, which historically has proven the most effective and prudent portfolio management approach. As a result, the Committee seeks to limit drawdowns in difficult markets by subtle shifts into relatively less volatile investment areas. This was demonstrated in a return to shorter term US Treasury securities, reducing the Portfolio's duration together with a slight reduction in the broad equity market index (Russell 1000) in favor of more selected defensive market sectors that tend to perform better in turbulent equity periods, such as health care, energy, defense, and utilities.

The Society did not require any distributions from the Fund to assist with operations during 2022. Dividends earned from the Portfolio totaled \$11,700.

Respectfully submitted for the Committee,
P. Doane, Chair, L. Cebula, Treasurer, R. Doane, S. Cormier, Society
President (retired)