

HMPayson

October 2017

Town of Damariscotta  
Portfolio Review

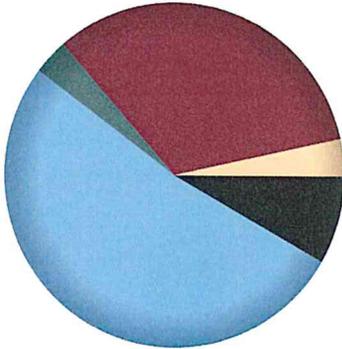
**Daniel M. Lay, Esq.**  
*Managing Director*

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*Investment Assistant*

*H.M. Payson*

# Portfolio Summary



Current Allocation

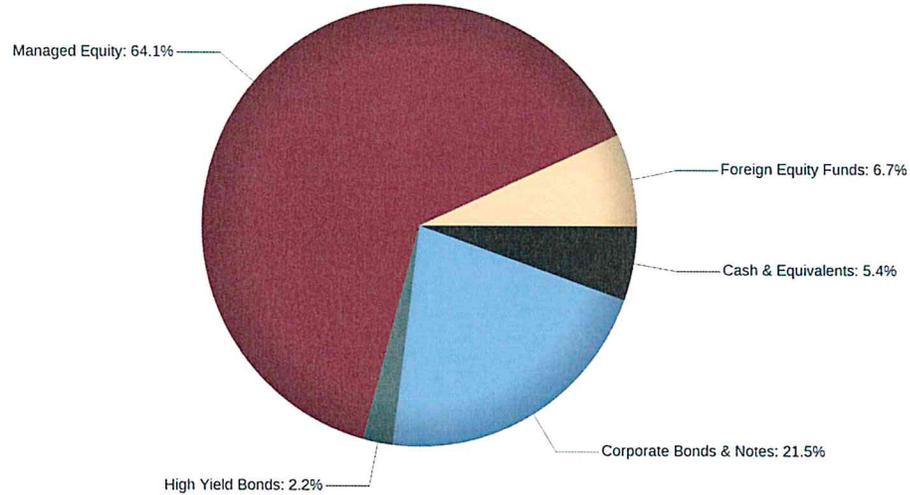
Style Class
Cash & Equivalents
Corporate Bonds & Notes
High Yield Bonds
Managed Equity
Foreign Equity Funds
Total

Current Value	Current Percent
\$103,834	8.3%
\$652,928	52.0%
\$41,955	3.3%
\$413,642	32.9%
\$43,380	3.5%
<b>\$1,255,738</b>	<b>100.0%</b>

## Account Summary

Account Name	Account Type	09/30/2017 Value
TOWN OF DAMARISCOTTA	Endowment	\$644,997
TOWN OF DAMARISCOTTA FIXED INCOME ACCOUNT	Endowment	\$610,741
DAMARISCOTTA (TOWN OF) CSU-3506	CSU-Client Service Unit	\$1,255,738

# Asset Allocation by Account



Style Class
Cash & Equivalents
Corporate Bonds & Notes
High Yield Bonds
Managed Equity
Foreign Equity Funds
Total

Current Value	Current Percent
\$35,110	5.4%
\$138,880	21.5%
\$13,985	2.2%
\$413,642	64.1%
\$43,380	6.7%
<b>\$644,997</b>	<b>100.0%</b>

# Town of Damariscotta Account Activity 1/1/2017 – 9/30/2017

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Beginning Market Value - 1/1/2017	\$571,911
Income	
Dividends	\$8,498
Interest	\$1,935
Other Income	\$0
Additions	\$0
Withdrawals	
Account Fees	-\$3,643
Taxes Paid <i>(on foreign equities)</i>	\$0
Other Disbursements	\$0
<b>Increase in Market Value</b>	<b>\$65,728</b>
Ending Market Value - 9/30/2017	\$644,429

# Town of Damariscotta Performance through 9/30/2017

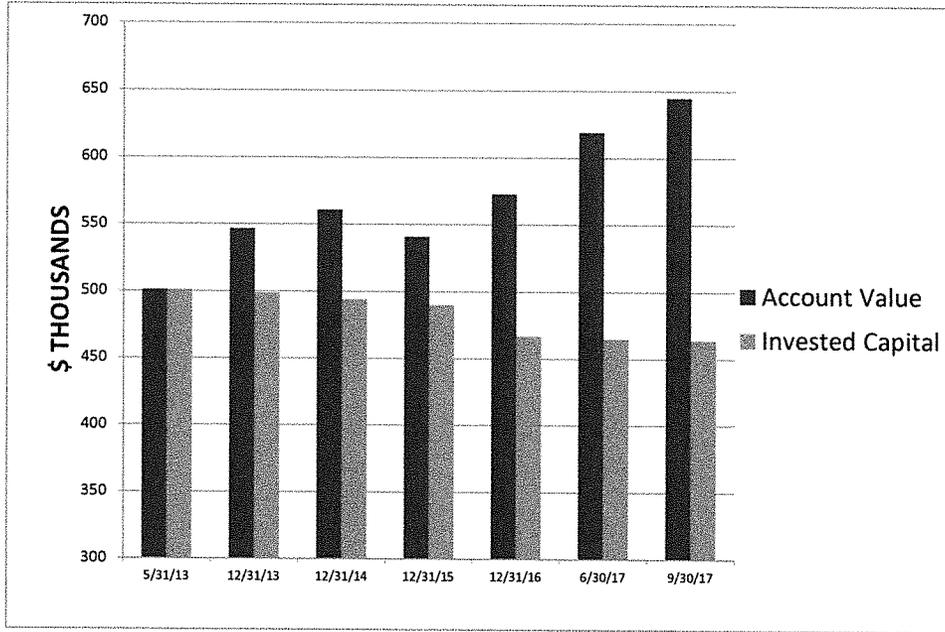
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	Year to Date	1 Year*	3 Years*	From Inception* 5/31/13
<b>Total Account</b>	13.24%	15.75%	6.70%	7.69%
<b>Fixed Income (Bonds)</b>	2.63%	2.53%	2.44%	1.48%
<b>Equity (Stocks)</b>	17.69%	21.08%	8.49%	12.09%
<i>Benchmark**</i>	15.97%	18.87%	9.28%	11.08%

*\*Annualized*

*\*\*Benchmark consists of 75% S&P and 25% MSCI ACWI ex US*

# Town of Damariscotta Market Value vs. Invested Capital



Total Investment Gains	\$181,000
Net Contributions	-\$38,000

Beginning Value 5/31/13	\$501,000
Ending Value 9/30/17	\$645,000

Characteristics Summary	Client	S&P 500
Price to Earnings (x)	15.9	18.7
Dividend Yield (%)	2.0	2.0
Payout Ratio (%)	32	37
Return on Invested Capital (%)	8.9	5.8
Long term Debt to Capital (%)	40	46
<b>V-Ratio</b>	<b>0.68</b>	<b>0.42</b>

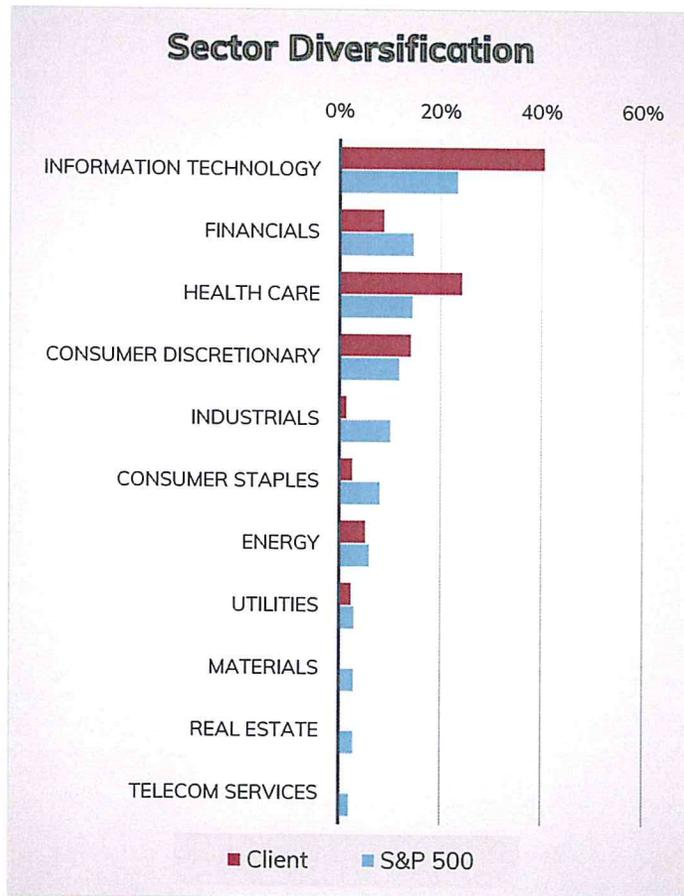
$$\text{V-Ratio} = \frac{\text{ROIC} + \text{Dividend Yield}}{\text{Price-to-Earnings Ratio}}$$

$$\text{ROIC} = (\text{Earnings} - \text{Dividends}) / \text{Total Capital}$$

Consistently profitable companies with shareholder-friendly capital allocation tend to outperform over time. We believe that portfolios constructed around these characteristics, combined with a disciplined approach toward valuation, offer enhanced potential long-term returns. HM Payson's V-Ratio captures these features by weighing an approximation of quality against a measure of price.



Holdings as of: October 12, 2017



Sector	Client	S&P 500	+/-
Information Technology	40.6%	23.4%	+17.2%
Financials	8.8%	14.7%	-5.8%
Health Care	24.3%	14.5%	+9.9%
Consumer Discretionary	14.2%	11.9%	+2.3%
Industrials	1.5%	10.2%	-8.7%
Consumer Staples	2.7%	8.1%	-5.4%
Energy	5.3%	6.0%	-0.7%
Utilities	2.5%	3.1%	-0.6%
Materials	0.0%	3.0%	-3.0%
Real Estate	0.0%	3.0%	-3.0%
Telecom Services	0.0%	2.1%	-2.1%

# TOWN OF DAMARISCOTTA (5990184586, Endowment)

Holdings as of: October 12, 2017

## Stock Characteristics - 10 Largest Holdings

Company	Sector	Weight	Yield	Payout	P/E	ROIC	LT Debt to Capital
Pfizer Inc	Health Care	7.1%	3.5%	48.1%	13.7	9.0%	36.9%
Amgen Inc	Health Care	5.6%	2.5%	36.2%	14.4	9.1%	51.4%
Phillips 66 Com	Energy	5.3%	3.0%	54.8%	18.5	3.8%	29.7%
Delphi Automotive Plc Shs Us Listed	Consumer Discretionary	4.8%	1.2%	16.7%	14.1	22.3%	58.4%
Berkshire Hathaway	Financials	4.8%	0.0%	0.0%	25.0	4.6%	25.0%
Apple Inc	Information Technology	4.6%	1.6%	25.3%	15.6	17.5%	40.4%
QUALCOMM Inc	Information Technology	4.4%	4.3%	58.9%	13.7	4.7%	38.3%
Mastercard Incorporated	Information Technology	4.0%	0.6%	18.2%	30.3	38.1%	47.6%
Intel Corp	Information Technology	3.8%	2.8%	35.6%	12.8	9.8%	28.6%
Johnson & Johnson	Health Care	3.7%	2.5%	45.0%	18.3	11.3%	27.6%
<b>Top 10 Stocks</b>		<b>48.1%</b>	<b>2.3%</b>	<b>36.7%</b>	<b>16.2</b>	<b>8.6%</b>	<b>35.9%</b>
<b>Total Stock Portfolio</b>			<b>2.0%</b>	<b>31.5%</b>	<b>15.9</b>	<b>8.9%</b>	<b>39.9%</b>
<b>S&amp;P 500 Index</b>			<b>2.0%</b>	<b>36.6%</b>	<b>18.7</b>	<b>5.8%</b>	<b>46.4%</b>

# Holdings by Account

TOWN OF DAMARISCOTTA

Description	Quantity	Cost Basis	Value	Weight	Unrealized Gain/Loss	Annual Income	Current Yield
<b>Cash &amp; Equivalents</b>							
<b>Cash</b>							
Principal Cash		\$34,703	\$34,703	5.4%	\$0	\$0	0.0%
Income Cash		\$407	\$407	0.1%	\$0	\$0	0.0%
<b>Cash &amp; Equivalents Total</b>		<b>\$35,110</b>	<b>\$35,110</b>	<b>5.4%</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>
<b>Corporate Bonds &amp; Notes</b>							
<b>Investment Grade Corporates</b>							
Vanguard Short-Term Investment-Grade Adm	10,000.000	\$106,818	\$106,900	16.6%	\$82	\$1,980	1.9%
Ge Global Ins Hldg Corpnt 6.45%19 03/01/2019 6.450%	30,000	\$28,222	\$31,819	5.0%	\$3,597	\$1,935	6.1%
Accrued Income			\$161				
<b>Corporate Bonds &amp; Notes Total</b>		<b>\$135,040</b>	<b>\$138,880</b>	<b>21.5%</b>	<b>\$3,679</b>	<b>\$3,915</b>	<b>2.8%</b>
<b>High Yield Bonds</b>							
<b>High Yield Bonds</b>							
SPDR® Barclays Short Term Hi Yld Bd ETF	500	\$13,234	\$13,985	2.2%	\$751	\$798	5.7%
<b>High Yield Bonds Total</b>		<b>\$13,234</b>	<b>\$13,985</b>	<b>2.2%</b>	<b>\$751</b>	<b>\$798</b>	<b>5.7%</b>
<b>Managed Equity</b>							
<b>Consumer Discretionary</b>							
Delphi Automotive Plc Shs Us Listed	200	\$13,063	\$19,680	3.1%	\$6,617	\$232	1.2%
Adient Plc Ord Shs	155	\$11,005	\$13,018	2.0%	\$2,014	\$171	1.3%
Discovery Communications Inc	500	\$14,455	\$10,645	1.7%	(\$3,810)	\$0	0.0%

# Holdings by Account

TOWN OF DAMARISCOTTA

Description	Quantity	Cost Basis	Value	Weight	Unrealized Gain/Loss	Annual Income	Current Yield
<b>Managed Equity</b>							
<b>Consumer Discretionary</b>							
Amazon.com Inc	10	\$7,631	\$9,614	1.5%	\$1,982	\$0	0.0%
Priceline Group Inc (The)	3	\$5,458	\$5,492	0.9%	\$34	\$0	0.0%
<b>Consumer Staples</b>							
Unilever Plc Sponsored Adr	185	\$7,254	\$10,723	1.7%	\$3,469	\$273	2.5%
<b>Energy</b>							
Phillips 66 Com	230	\$18,038	\$21,070	3.3%	\$3,032	\$644	3.1%
Exxon Mobil Corp	130	\$11,525	\$10,657	1.7%	(\$868)	\$400	3.8%
Enbridge Inc Com	250	\$10,382	\$10,460	1.6%	\$78	\$493	4.7%
<b>Financials</b>							
Berkshire Hathaway	105	\$14,505	\$19,249	3.0%	\$4,744	\$0	0.0%
Affac Inc	105	\$6,559	\$8,546	1.3%	\$1,987	\$181	2.1%
JPMorgan Chase & Co	80	\$4,633	\$7,641	1.2%	\$3,008	\$160	2.1%
<b>Health Care</b>							
Pfizer Inc	800	\$24,874	\$28,560	4.4%	\$3,686	\$1,024	3.6%
Amgen Inc	125	\$20,460	\$23,306	3.6%	\$2,846	\$575	2.5%
Johnson & Johnson	110	\$10,361	\$14,301	2.2%	\$3,940	\$370	2.6%
Danaher Corp	125	\$8,973	\$10,723	1.7%	\$1,749	\$70	0.7%
Gilead Sciences Inc	125	\$12,670	\$10,128	1.6%	(\$2,542)	\$260	2.6%
Celgene Corp	50	\$6,820	\$7,291	1.1%	\$471	\$0	0.0%
Merck & Co Inc	70	\$3,748	\$4,482	0.7%	\$734	\$132	2.9%
<b>Industrials</b>							
Johnson Controls International PLC	149	\$6,808	\$6,003	0.9%	(\$805)	\$149	2.5%

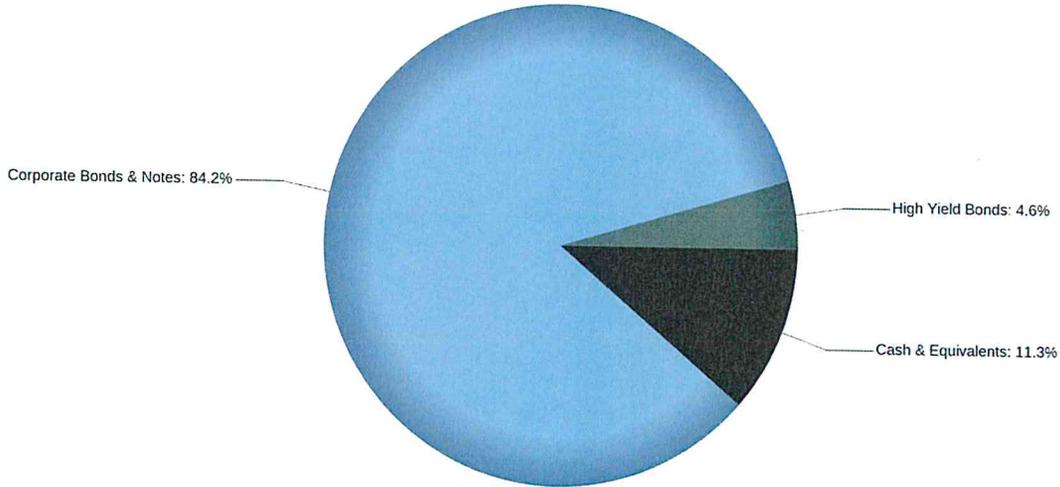
# Holdings by Account

TOWN OF DAMARISCOTTA

Description	Quantity	Cost Basis	Value	Weight	Unrealized Gain/Loss	Annual Income	Current Yield
<b>Managed Equity</b>							
<b>Information Tech</b>							
Apple Inc	120	\$15,175	\$18,494	2.9%	\$3,319	\$302	1.6%
QUALCOMM Inc	340	\$17,843	\$17,626	2.7%	(\$218)	\$775	4.4%
Mastercard Incorporated	110	\$10,736	\$15,532	2.4%	\$4,796	\$97	0.6%
Intel Corp	400	\$12,143	\$15,232	2.4%	\$3,089	\$436	2.9%
Cisco Systems Inc	445	\$12,523	\$14,965	2.3%	\$2,442	\$516	3.4%
International Business Machines Corp	100	\$15,254	\$14,508	2.2%	(\$746)	\$600	4.1%
Alphabet Inc Class C Capital Stock	15	\$11,105	\$14,387	2.2%	\$3,281	\$0	0.0%
Microsoft Corp	145	\$4,644	\$10,801	1.7%	\$6,157	\$226	2.1%
Skyworks Solutions Inc	95	\$6,417	\$9,681	1.5%	\$3,263	\$122	1.3%
Visa Inc Cl A Common Stock	90	\$6,582	\$9,472	1.5%	\$2,889	\$59	0.6%
Accenture Plc Ireland Shs Cl A	70	\$8,553	\$9,455	1.5%	\$902	\$169	1.8%
Applied Materials Inc	135	\$6,351	\$7,032	1.1%	\$681	\$54	0.8%
Alphabet Inc Class A Common Stock	5	\$3,782	\$4,869	0.8%	\$1,087	\$0	0.0%
<b>Managed Equity Total</b>		<b>\$350,330</b>	<b>\$413,642</b>	<b>64.1%</b>	<b>\$63,311</b>	<b>\$8,489</b>	<b>2.1%</b>
<b>Foreign Equity Funds</b>							
<b>International Emerging Market Equity</b>							
DFA Emerging Markets Core Equity I	2,000.000	\$36,854	\$43,380	6.7%	\$6,527	\$592	1.4%
<b>Foreign Equity Funds Total</b>		<b>\$36,854</b>	<b>\$43,380</b>	<b>6.7%</b>	<b>\$6,527</b>	<b>\$592</b>	<b>1.4%</b>
<b>Total</b>		<b>\$570,568</b>	<b>\$644,997</b>	<b>100.0%</b>	<b>\$74,268</b>	<b>\$13,794</b>	<b>2.1%</b>

TOWN OF DAMARISCOTTA FIXED INCOME ACCOUNT

Asset Allocation by Account



Style Class
Cash & Equivalents
Corporate Bonds & Notes
High Yield Bonds
Total

Current Value	Current Percent
\$68,723	11.3%
\$514,047	84.2%
\$27,970	4.6%
\$610,741	100.0%

Account Activity 1/1/2017 – 9/30/2017

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Beginning Market Value - 1/1/2017	\$593,085
Income	
Dividends	\$1,825
Interest	\$10,590
Other Income	\$0
Additions	\$0
Withdrawals	
Account Fees	-\$1,128
Taxes Paid <i>(on foreign equities)</i>	\$0
Other Disbursements	\$0
<b>Increase in Market Value</b>	<b>\$3,268</b>
Ending Market Value - 9/30/2017	\$607,641

TOWN OF DANVERS FIXED INCOME

Performance through 9/30/2017

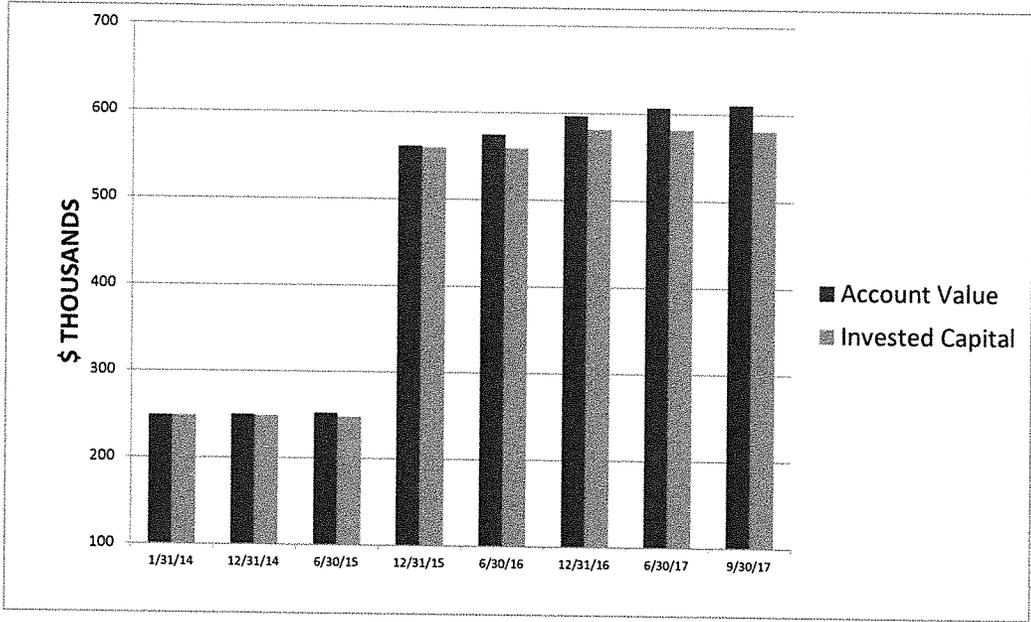
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	Year to Date	1 Year*	3 Years*	From Inception* 1/31/14
<b>Total Account</b>	2.58%	1.52%	1.75%	1.57%
<b>Fixed Income (Bonds)</b>	2.75%	1.56%	2.13%	1.97%
<i>BB Intermediate Govt/Cr</i>	2.34%	0.23%	2.13%	2.10%

\*Annualized

TOWN OF DANVERS FIXED INCOME

# Market Value vs. Invested Capital



Total Investment Gains	\$30,000
Net Contributions	\$332,000

Beginning Value 1/31/14	\$249,000
Ending Value 9/30/17	\$611,000

# Holdings by Account

## TOWN OF DAMARISCOTTA FIXED INCOME ACCOUNT

Description	Quantity	Cost Basis	Value	Weight	Unrealized Gain/Loss	Annual Income	Current Yield
<b>Cash &amp; Equivalents</b>							
<b>Cash</b>							
Principal Cash		\$35,876	\$35,876	5.9%	\$0	\$0	0.0%
Income Cash		\$32,847	\$32,847	5.4%	\$0	\$0	0.0%
<b>Cash &amp; Equivalents Total</b>		<b>\$68,723</b>	<b>\$68,723</b>	<b>11.3%</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>
<b>Corporate Bonds &amp; Notes</b>							
<b>Investment Grade Corporates</b>							
Vanguard Short-Term Investment-Grade Adm	3,500.000	\$37,660	\$37,415	6.1%	(\$245)	\$693	1.9%
CVS Health Corp 05/15/2021 4.125% Call 02/15/2021 100.00	30,000	\$31,765	\$31,564	5.2%	(\$201)	\$1,238	3.9%
Accrued Income			\$468				
Arrow Electrs Inc 04/01/2022 3.5000% Call 02/01/2022 100.00	30,000	\$29,837	\$30,621	5.1%	\$784	\$1,050	3.4%
Accrued Income			\$525				
Oracle Corp 07/08/2021 2.800% Call 02/01/2021 100.00	30,000	\$31,535	\$30,740	5.1%	(\$795)	\$840	2.7%
Accrued Income			\$194				
American Intl Group Note Call Make Whole 3.30000% 03/01/2021 3.300% Call 02/01/2021 100.00	30,000	\$30,852	\$30,835	5.1%	(\$17)	\$990	3.2%
Accrued Income			\$83				
Southwest AirIs Co 11/05/2020 2.650% Call 10/05/2020 100.00	30,000	\$29,862	\$30,410	5.0%	\$548	\$795	2.6%
Accrued Income			\$322				

## Holdings by Account

## TOWN OF DAMARISCOTTA FIXED INCOME ACCOUNT

Description	Quantity	Cost Basis	Value	Weight	Unrealized Gain/Loss	Annual Income	Current Yield
<b>Corporate Bonds &amp; Notes</b>							
<b>Investment Grade Corporates</b>							
Becton Dickinson & Co 12/15/2019 2.675%	30,000	\$30,577	\$30,364	5.0%	(\$213)	\$803	2.6%
Accrued Income			\$236				
Tyson Foods Inc 08/15/2019 2.650% Call 07/15/2019 100.00	30,000	\$30,227	\$30,357	5.0%	\$130	\$795	2.6%
Accrued Income			\$102				
AT&T Inc 06/30/2020 2.450% Call 05/30/2020 100.00	30,000	\$29,907	\$30,174	5.0%	\$268	\$735	2.4%
Accrued Income			\$186				
Sysco Corp 07/15/2021 2.500% Call 06/15/2021 100.00	30,000	\$30,505	\$30,135	5.0%	(\$370)	\$750	2.5%
Accrued Income			\$158				
Fedex Corp 02/01/2020 2.300%	30,000	\$30,639	\$30,156	5.0%	(\$483)	\$690	2.3%
Accrued Income			\$115				
THE SOUTHERN COM 2.15%19 DUE 09/01/19 09/01/2019 2.150% Call 08/01/2019 0.00	30,000	\$30,481	\$30,054	4.9%	(\$427)	\$645	2.1%
Accrued Income			\$54				
Deere & Co 10/16/2019 4.375%	25,000	\$26,955	\$26,242	4.4%	(\$713)	\$1,094	4.2%
Accrued Income			\$501				
Lockheed Martin Corp 09/15/2021 3.350%	20,000	\$20,324	\$20,785	3.4%	\$461	\$670	3.2%
Accrued Income			\$30				

# Holdings by Account

## TOWN OF DAMARISCOTTA FIXED INCOME ACCOUNT

Description	Quantity	Cost Basis	Value	Weight	Unrealized Gain/Loss	Annual Income	Current Yield
<b>Corporate Bonds &amp; Notes</b>							
<b>Investment Grade Corporates</b>							
General Motors Financial Co Inc 07/13/2020 3.200% Call 06/13/2020 100.00 Accrued Income	20,000	\$19,726	\$20,433	3.4%	\$706	\$640	3.1%
McDonald s Corp 05/26/2020 2.200% Call 04/26/2020 100.00 Accrued Income	20,000	\$20,006	\$20,118	3.3%	\$112	\$440	2.2%
Amgen Inc 05/22/2019 2.200% Call 04/22/2019 100.00 Accrued Income	20,000	\$20,028	\$20,097	3.3%	\$70	\$440	2.2%
Mattel Inc Nt 1.700% 03/15/18 Reg Dtd 03/07/13 Cib 03/15/2018 1.700% Accrued Income	20,000	\$19,944	\$20,006	3.3%	\$62	\$340	1.7%
Union Pacific Corp 02/15/2019 2.250% Accrued Income	10,000	\$10,049	\$10,075	1.7%	\$26	\$225	2.2%
<b>Corporate Bonds &amp; Notes Total</b>		<b>\$510,878</b>	<b>\$514,047</b>	<b>84.2%</b>	<b>(\$297)</b>	<b>\$13,872</b>	<b>2.7%</b>
<b>High Yield Bonds</b>							
<b>High Yield Bonds</b>							
SPDR® Barclays Short Term Hi Yld Bd ETF	1,000	\$30,918	\$27,970	4.6%	(\$2,948)	\$1,597	5.7%
<b>High Yield Bonds Total</b>		<b>\$30,918</b>	<b>\$27,970</b>	<b>4.6%</b>	<b>(\$2,948)</b>	<b>\$1,597</b>	<b>5.7%</b>

# Holdings by Account

## TOWN OF DAMARISCOTTA FIXED INCOME ACCOUNT

Description	Quantity	Cost Basis	Value	Weight	Unrealized Gain/Loss	Annual Income	Current Yield
Total		\$610,519	\$610,741	100.0%	(\$3,245)	\$15,468	2.5%