



**Board of Trustees Audit and Finance Committee
Hartleb Technology Center, Room TC103B
Haverhill Campus
Wednesday, February 6, 2019**

Attendees: Chair Mark Forman, Trustees Marianne Paley Nadel, William Cox, Jeffrey Linehan, and Jennifer Borislow, President Lane Glenn, Michael McCarthy, Michelle Tremblay, Linda Buckley,

Chair Mark Forman called the meeting to order at 4:00 pm. Minutes from the December 5, 2018 meeting were approved with a motion made by Trustee Marianne Paley, and seconded by Trustee Jeffrey Linehan. All were in favor, none opposed. The following items were discussed:

AFC-19-04 Introduction of GWK Investment Management

James M. McCarthy, Chief Investment Officer of GWK, provided the committee with a detailed analysis of the Mid-Year Actual to Budget Review, which included an appraisal of NECC's Investments and the Combined Performance and Asset Allocation. More detailed information is attached.

Other Issues

The student enrollment was projected to be down by 5%; however, it has settled at 4.4% on FTE and 3.8% on headcount. Other institutions are facing an 8% drop in enrollment.

This year expenses are down, while revenue is down. We predicted 5% reduction in revenue, but are staying ahead of it. We have performed better this semester than our sister institutions

We are recapturing some of the debts that are owed to us thanks to Mike McCarthy, Tina Favara, and their staffs. While updating our policies and working with debt collection agencies, we are striving to continue this improvement.

As we look toward next year's budget, we hope for a better picture than this time last year. The governor's budget has a more positive outlook for higher education and community colleges; however, with a proposed 1% increase, none of these gains involve operational budgets, which is a decrease operationally. We are facing a proposed decrease to the budget, but are encouraged with student's aid, which drives enrollment and retains students, and with the Early College programs which are quite active in Lawrence and Haverhill. There is a proposal for more sustainable Early College funding. Other budget priorities are making sure we obtain what we ordinarily encounter in collective bargaining.

With no further business, the meeting was adjourned at 4:55 pm, with a motion presented by Mark Forman and seconded by Maryanne Paley Nadel. All were in favor, none opposed.

Respectfully submitted by Linda Buckley

February 7, 2019

GW&K Investment Management
NECC February 6, 2019 meeting:

I reviewed the markets for both the fiscal year and 2018. GW&K's view was that the market was oversold by late December as news flow overwhelmed investors. Markets got cheap, and once we started to see economic data that continued to be strong and earnings continuing to grow at a decent pace, investors settled down and moved money back into stocks. Our view is that the economic numbers and earnings will continue to gradually slow but we do not see a recession on the horizon. The Fed is now on hold and we do not expect any interest hikes in 2019. Long term rates have probably peaked for this cycle. Trade remains the major hurdle for the markets now that the Fed is out of the way. Our expectation is that we will see progress on trade as that should help a slowing economic environment and heading into an election cycle. In regards to the bond markets, we have seen strength since the summer of 2018. After interest rates peaking in October, they have retraced significantly. After several years of rising rates that have restrained bond returns, we now expect a more normal environment going forward for the bond market.

In regards to performance, equities slightly lagged the index as the portfolio is more tilted towards growth stocks with some exposure to small cap equities. These areas were the hardest hit in the November and December sell off but have also seen the strongest performance in the 2019 rally. The bond portfolio has slightly outperformed its benchmarks thanks to a strong rally in corporate and high yield corporate bonds which have rallied from late year weakness. We had no immediate allocation changes but we will monitor economic conditions. If the economy continues to slow we may look to shift some equities away from growth to safer alternatives.

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