



TRUSTEES OF TRUST FUNDS

January 16, 2024 3:00 p.m.

Quarterly Meeting

Town Manager Conference Room

TRUSTEES: Christopher Koutalidis
Warren Mackensen
Christopher Nevins
Corey O'Neil
Joyce Skaperdas

ADVISOR: David Mayes, Three Bearings Fiduciary Advisors
Zachary Zwick, Three Bearings Fiduciary Advisors

The meeting was called to order at 3:03 p.m. by Chairman Mackensen.

Quorum Determination

Chairman Mackensen noted that five trustees were present. There was a quorum.

Approval of Minutes

The October meeting minutes were approved by email shortly after the meeting.

4th Quarter 2023 Market Trends as of 12/31/2023

Three Bearings was given the floor to present the economic environment.

- Strong gains across the board in Q4, especially Real Estate & Small Cap equities:
 - S&P 500 11.69%
 - Russell 2000 14.03%
 - MSCI EAFE Index 10.42%
 - Real Estate (Vanguard REIT ETF) 18.21%
 - S&P High-Yield Corporate Bond Index 7.51%
 - S&P Investment Grade Corporate Bond Index 8.86%
- Although strong performance from both, Value stocks surged ahead of Growth stocks in Q4:
 - iShares S&P Growth (IUSG) 10.12%
 - iShares S&P Value (IUSV) 13.57%
- Money flowed into Treasuries across the board. Rates fell for short, intermediate, and long-term US Treasury securities:
 - 30-year Treasury: Decreased from 4.73% to 4.03%
 - 10-year Treasury: Decreased from 4.59% to 3.88%
 - 5-year Treasury: Decreased from 4.60% to 3.84%
 - 2-year Treasury: Decreased from 5.03% to 4.23%

The sector results for the last quarter were:

| | | | |
|--------------------------------------|--------------------------------------|----------------------------------|--------------------------|
| Real Estate XLRE 18.83% | Technology XLK 17.67% | Financial Services XLF 13.91% | Industrial XLI 13.05% |
| Consumer Discretionary XLY 11.27% | Communication Services XLC 11.08% | Materials XLB 9.66% | Utilities XLU 8.48% |
| Health Care XLV 6.41% | Consumer Staples XLP 5.47% | Energy XLE -6.36% | |

Real Estate Trust Fund

The Month-End Market Value graphs were reviewed.

The market value of this fund increased in 2023. The year-end market value was \$22,070,314. The portfolio's time-weighted rate of return was 8% for the quarter. The time-weighted rate of return for 2023 was 8.9%.

The Fidelity Account Custody Statement, Quarterly Performance Report, the Morningstar Portfolio X-Ray, and TrustTrak Fund Snapshot Report were reviewed.

The allocation in this fund is 1% Cash, 28% US Stocks, 9% Non-US Stocks, 57% Bonds, and 5% Other.

The Trustees thoroughly reviewed the Real Estate Trust Fund portfolio, including the composition of the portfolio, the related income-oriented investment policy, the asset allocation, and benchmarks in use. A value-oriented index will be added to the quarterly report. The projected 2024 annual income is about \$970,000, net of fees, to be distributed monthly as received to the Town to offset taxes.

Common Trust Fund

Mr. Mayes said this fund ended the year with a total market value of \$48,230. The portfolio's time-weighted rate of return was 8.1% for the quarter. The time-weighted rate of return for 2023 was 7.7%.

The Fidelity Account Custody Statement, Quarterly Performance Report, and the Morningstar Portfolio X-Ray Report were reviewed.

The allocation in this common fund is 6% Cash, 23% US Stocks, 5% Non-US Stocks, 59% Bonds, and 7% Other.

Town Common Capital Reserve Fund

Mr. Mayes said this common fund ended the year with a total market value of \$4,381,345. The portfolio's time-weighted rate of return was 4.6% for the quarter. The time-weighted rate of return for the year was 7.9%.

The Fidelity Account Custody Statement, Quarterly Performance Report Package, and the Morningstar Portfolio X-Ray were reviewed.

The allocation in this fund is 1% Cash, 16% US Stocks, 0% Non-US Stocks, and 83% Bonds.

Winnacunnet School District Common Capital Reserve Fund

Mr. Mayes said this common fund ended the year with a total market value of \$957,174. He said this fund is similar to the Town's Common Capital Reserve Fund. The portfolio's time-weighted rate of return was 4.7% for the quarter. The time-weighted rate of return for the year was 7.9%.

The Fidelity Account Custody Statement, Quarterly Performance Report Package, and the Morningstar Portfolio X-Ray were reviewed.

The allocation in this fund is 1% Cash, 15% US Stocks, 0% Non-US Stocks, and 84% Bonds.

Cemetery Maintenance Trust Fund

Mr. Mayes said this fund ended the year with a total market value of \$796,223. The portfolio's time-weighted rate of return was 4.8% for the quarter. The portfolio account was too new to have an annual return.

The Fidelity Account Custody Statement, Quarterly Performance Report, and the Morningstar Portfolio X-Ray Report were reviewed.

The allocation in this fund is 2% Cash, 59% US Stocks, 0% Non-US Stocks, and 39% Bonds.

Combined Transactions Listing

The Combined Transactions Listing for all of the funds was reviewed.

MS-9 Report Approval

The Trustees reviewed the MS-9.

MOVED by Mr. Nevins to approve the MS-9 Report.

SECONDED by Mr. O'Neil.

VOTE: 5-0-0

Motion passed

MS-10 Report Approval

The Investment Advisor will upload the five year-end Fidelity investment statements to the Charitable Trusts Units electronically. The data to be submitted is shown on the MS-9, page 6 of 6, which ties out to the investment totals.

MOVED by Ms. Skaperdas to approve the MS-10 Report concept.

SECONDED by Mr. O'Neil.

VOTE: 5-0-0

Motion passed

Charitable Trusts Unit Portal

After the MS-9 and MS-10 annual reports are uploaded online by Three Bearings to the Charitable Trusts Unit, Chairman Mackensen will be notified by email. He will then log in to the Charitable Trusts Unit Portal to submit the reports.

Town Report Narrative and Spreadsheet

The 2023 Town Report narrative and spreadsheet were reviewed.

MOVED by Mr. Nevins to approve the 2023 Town Report and the associated summary spreadsheet.

SECONDED by Ms. Skaperdas.

VOTE: 5-0-0

Motion passed

Income Distribution from Trust Funds

MOVED by Ms. Skaperdas to approve the following distributions of income:

Poor Funds: \$25.89 (Town of Hampton)

Library Trust Funds: \$478.25 (Lane Library)

Perpetual Care Trust Funds: \$1,004.60 (Town of Hampton)

Cemetery Maintenance Trust Fund: \$13,666.57 (Town of Hampton)

SECONDED by Mr. Koutalidis.

VOTE: 5-0-0

Motion passed

Principal Distributions from Capital Reserve Funds

MOVED by Mr. Nevins to approve the following distributions of principal:

Firefighters Turn Out Gear: \$10,420.64 (Town of Hampton)

SECONDED by Mr. Koutalidis.

VOTE: 5-0-0

Motion passed

Hampton Real Estate Trust Fund Investment Policy

Chairman Mackensen opened the floor for discussion on the Real Estate Trust Fund Investment Policy.

MOVED by Mr. Nevins to reaffirm the Real Estate Trust Fund Investment Policy.

SECONDED by Ms. Skaperdas.

VOTE: 5-0-0

Motion passed

The document will be uploaded to the Charitable Trusts Unit with the MS-10.

Small Trust Funds and Capital Reserves Investment Policies

Chairman Mackensen opened the floor for discussion on the Small Trust Funds and Capital Reserves Investment Policy document.

MOVED by Mr. O'Neil to reaffirm the Investment Policy for the Cemetery Maintenance Trust Funds, the Town Common Trust Fund, the Town Common Capital Reserve Fund, and the Winnacunnet School District Common Capital Reserve Fund.

SECONDED by Ms. Skaperdas.

VOTE: 5-0-0

Motion passed

The document will be uploaded to the Charitable Trusts Unit with the MS-10.

Internal Controls Policy

Chairman Mackensen opened the floor for discussion on the Internal Controls Policy.

MOVED by Ms. Skaperdas to affirm the Internal Controls Policy.

SECONDED by Mr. Nevins.

VOTE: 5-0-0

Motion passed

The document will be uploaded to the Charitable Trusts Unit with the MS-10.

Trust Funds and Capital Reserve Funds Audit

Trustees were apprised of the need to answer the town auditor's questionnaire if they are approached by the town auditors, Plodzick & Sanderson.

Investment Advisor Evaluation

Reference: HRETF Investment Policy, Page 16

Trustees reviewed the performance of the investment advisor.

MOVED by Ms. Skaperdas to retain the services of Three Bearings Fiduciary Advisors.

SECONDED by Mr. Nevins.

VOTE: 5-0-0

Motion passed

Certificate of Compliance

Reference: HRETF Investment Policy, Page 16, Item 9

The Trustees acknowledged receipt of a Certificate of Compliance signed by David T. Mayes, principal at Three Bearings Fiduciary Advisors.

Trustee Elections in March 2024

In calendar year 2024, there are two seats open for election. Ms. Skaperdas indicated she will be running for one of the seats. Mr. Koutalidis will not be running again.

Public Comment Period

There were no members of the public in attendance.

Next Meeting

The next meeting will be Monday, April 16, 2024, at 3:00 p.m. in the Selectmen's Meeting Room.

Adjournment

MOVED by Chairman Mackensen to adjourn the meeting at 4:15 p.m.

SECONDED by Mr. Nevins.

VOTE: 5-0-0

Motion passed

Respectfully submitted,

Warren J. Mackensen, Chairman