

Town of Hampton



TRUSTEES OF THE TRUST FUNDS

JULY 20, 2009 2:00 p.m.

TRUSTEES: David Hamilton, Vice Chairman
Edward (Sandy) Buck
Warren J. Mackensen, Bookkeeper
Norman Silberdick
John O'Dowd, TD Wealth Management, Private Client Services

UNAVAILABLE: Robert (Vic) Lessard, Chairman

The meeting was called to order at 2:08 p.m. by Vice Chairman Hamilton.

Real Estate Trust Fund:

The Trustees reviewed the written Market & Economic Review provided by TD Wealth Management.

Second Quarter:

After hitting multi-year lows towards the end of the first quarter of the year, equity markets around the world rallied in the second quarter amid growing optimism the worst of the global recession may be over. Investors became less risk-averse and increasingly turned from relatively safe government bonds to potentially higher-yielding assets like corporate bonds and equities.

Concerns about the financial stability of U.S. banks and their need to raise capital were eased by better-than-anticipated results of the Federal Reserve's stress tests for 19 of the largest American banks. Of those tested, ten banks needed additional capital.

While global economic data remain mixed, there were encouraging reports that the U.S. economy may be stabilizing. Housing starts and sales, manufacturing, durable goods orders all improved, and consumer confidence climbed from an all-time low reached in February.

Policy makers have indicated that the pace of economic contraction seems to be slowing and conditions in financial markets have generally improved. An eventual recovery, however, is likely to be muted and could keep inflation contained for sometime.

Economy:

The U.S. economy contracted for a third consecutive quarter in the first quarter of 2009, with GDP shrinking by an annualized rate of 5.5%, led by declines in housing and business spending. GDP fell 6.3% the previous quarter. The last time the economy registered such a sharp contraction over six months was 1958.

The unemployment rate jumped to 9.5% in June, with the total number of jobs terminated since the recession began in December 2007 to 6.5 million.

U.S. manufacturing continues to contract but at a slower pace. The ISM (Institute for Supply Management) Manufacturing Index rose to 44.8 in June, the highest level since last August, from 42.8 in May. It was the sixth consecutive monthly increase bringing it closer to the breakeven point of 50.

Second-quarter earnings that have been released so far look favorable. In order to expand the economy, a positive earnings environment needs to persist.

Town of Hampton Real Estate Trust Portfolio Review:

The Real Estate Trust Fund remains invested in accordance with the Real Estate Trust Fund Investment Policy. The portfolio's asset allocation is approximately 36% in equities and 64% in fixed income and cash. The estimated portfolio yield is 4.34%.

The portfolio's total return for the 12-month period ending June 30, 2009, was -4.19% versus the performance benchmarks which returned -6.39% for the same period.

Mr. O'Dowd added that the Real Estate Trust Fund is moving towards a more normal (reduced) weight in financials. The portfolio has had more information technology positions added, representing 13.7% of equities at this time.

The dividend yield on the equity portion of the portfolio is 3.38%, which compares favorably against the benchmark equity yield of 2.27%. The overall portfolio yield of the portfolio is 4.34%.

Based on the discussion of the portfolio's cash position and associated low returns during the June 2009 meeting, Mr. O'Dowd commented that TD Wealth Management will make every attempt to maintain the cash position at the lower

end of the Investment Policy's acceptable range while at the same time not hamstringing the ability to execute trades.

The portfolio small capitalization stock percentage has increased, as well as the value orientation of the portfolio. Mr. Buck commented that he was pleased with this migration.

The fixed income portion of the portfolio will see significant maturities in the next few years. The portfolio will favor corporate bonds as there are still quality bonds available for purchase, although the spreads have narrowed.

MOVED by Mr. Mackensen to accept the investment advisor's report and include it in these minutes.

SECOND by Mr. Hamilton.

VOTE: 3-0-0

Motion Passed

Real Estate Trust Fund Quarterly Disbursement:

The Trustees reviewed a 2009 Cash Basis Income, Fees & Distributions Summary spreadsheet provided by the Bookkeeper. The Trustees discussed the second quarter income calculation to determine the appropriate amount to distribute to the Town as a 2nd quarter distribution.

The total net income for the first quarter, on a cash basis, was \$148,745.

MOVED by Mr. Hamilton to distribute \$125,000 to the Town as a 2nd quarter distribution.

SECOND by Mr. Buck.

VOTE: 3-0-0

Motion Passed

Minutes of the Last Meeting:

The minutes from the meeting of June 22, 2009, were reviewed. Mr. O'Dowd clarified where the investment decisions for the Real Estate Trust Fund are made. His comments were incorporated into the minutes.

MOVED by Mr. Mackensen to approve the minutes, as amended.

SECOND by Mr. Hamilton.

VOTE: 3-0-0

Motion Passed

Real Estate Trust Fund Quarterly Reporting:

The Trustees reviewed graphs showing the month-end market values of the Real Estate Trust Fund since late 2005.

The Bookkeeper informed the Trustees that the Real Estate Trust Fund web page on the Trustees web site (www.HamptonTrustFunds.org) has the June 30, 2009, quarter-end market value and the cash basis income received.

Mr. O'Dowd left the meeting at 2:33 p.m.

Smaller Trust Funds and Capital Reserve Funds

The Trustees reviewed documentation on the smaller trust funds and capital reserve funds as of June 30, 2009. There was a discussion about the feasibility of increasing the return on these funds in the current low interest rate environment.

Under RSA 31:27, trustees may establish, maintain and operate common trust funds. About \$125,000 of trust funds may be considered for investment at a somewhat higher return after removing:

- the capital reserve funds that have to remain liquid at all times,
- the library trust funds (Common Fund 1L) that are invested in the Fidelity Balanced Fund, and
- the major portion of the Cemetery Burial Trust Fund (\$325,000 of the fund is in a CD).

The remaining funds include:

- Poor Trust Funds (\$530) – Managed as Common Fund 1P,
- Campbell Sports Scholarship Fund (\$5,261),
- the remaining portion of the Cemetery Burial Trust Fund (\$32,000),
- 71 Cemetery Perpetual Care Trust Funds (\$20,600) – Managed as Common Fund 1C, and
- the Winnacunnet School District Special Education Expendable Trust Fund (\$70,900).

Mr. Mackensen pointed out that a common trust fund invested under RSA 31:27, Collective Investments, requires that not more than \$10,000, or more than 10% of the common trust fund, whichever is greater, shall be invested in the obligations of

any one corporation or organization, with certain exceptions for bank deposits and the NH Public Deposit Investment Pool. Appropriate records need to be maintained to parse out the income at the end of the year.

The idea of using a common trust fund, possibly comprising a portfolio of at least 10 mutual funds, for these remaining funds will be considered at a future meeting.

Library Trust Funds:

The Trustees reviewed a letter sent by the Bookkeeper to Ms. Mary Lou Heran, Chairperson of the Lane Library Trustees, wherein the letter transmitted a copy of the June 30, 2009, Fidelity Balanced Fund investment statement for the library trust funds.

Bookkeeper Expenses:

The Trustees reviewed and approved an invoice to the Town for the expenses of the Bookkeeper for the last two years relative to postage, envelopes, paper and a toner cartridge. The total amount was \$373.61.

MOVED by Mr. Hamilton to approve the invoice.

SECOND by Mr. Buck.

VOTE: 3-0-0

Motion Passed

Campbell Sports Scholarship Fund:

Two trustees signed an income distribution check in the amount of \$34.54 for the Hampton Recreation & Parks Department for half of the income from the Campbell Sports Scholarship Trust Fund for the period 7/1/2008 to 6/30/2009. The other half of the income gets added to principal per the trust indenture.

Winnacunnet School District Special Education Trust Fund:

The Bookkeeper reported that he provided the requested documentation to SAU #21 for the annual audit of this trust fund for the fiscal year ended June 30, 2009.

Next Meeting:

The next meeting of the Trustees is scheduled for Monday, September 21, 2009, at 3:00 p.m.

MOVED by Mr. Buck to adjourn.

SECOND by Mr. Silberdick.

VOTE: 4-0-0

The meeting adjourned at 3:08 p.m.

Motion Passed

Respectfully submitted,

Warren J. Mackensen

Warren J. Mackensen, Bookkeeper