

## **Report of the Trustees of Trust Funds**

During 2012, the Trustees of Trust Funds met four times. The Trustees welcomed new trustee John Sovich. The Trustees thanked former trustee Edward R. "Sandy" Buck for his three years of service.

### **Real Estate Trust Fund**

The most significant trust fund in Hampton is the Real Estate Trust Fund, whose main purpose is to provide income to reduce the tax rate in Hampton. The investment policy of the Fund has a target asset allocation of 40% equities (stocks) and 60% fixed income (bonds and cash). The purpose of this balanced asset allocation is to provide an opportunity for the principal of the Real Estate Trust Fund to grow to offset the eroding effects of inflation.

Each month, the Trustees distributed income to the Town from the Real Estate Trust Fund to reduce the tax rate. The total distributable net income (after investment management fees) was \$648,915, which represented an annual yield of 4.1%.

The Real Estate Trust Fund remains invested in a broadly-diversified portfolio of approximately thirty low-cost mutual funds and exchange-traded funds. The custodian was National Advisors Trust Company of Overland Park, Kansas. The market value of the Real Estate Trust Fund increased from \$15,561,852 to \$17,167,014, an increase of \$1,375,163 (not including the additional \$230,000 of capital deposited during the year from a Hampton Beach leased-land property sale). At year end, the Real Estate Trust Fund allocation to equities was 39%, which was within the allowable range of 25% to 45% specified by the Investment Policy. The allocation to fixed income was 60%, which was within the allowable range of 35% to 70%. Cash allocation was 1%. The time-weighted total return net after fees was 13.2%.

### **Common Trust Fund**

The Trustees manage a number of smaller non-expendable trust funds: the Cemetery Burial Trust Fund, the Cemetery Perpetual Care Trust Funds (71 individual trust funds), the Lane Memorial Library Trust Funds (four trust funds), the Campbell Sports Scholarship Trust Fund, and the Poor Trust Funds (three individual trust funds).

The smaller trust funds are invested in a common trust fund account at National Advisors Trust Company. Sub-accounting for each of the trust funds was maintained by the investment advisor and reported to the Trustees at each meeting. The market value of the common trust fund at year end was \$542,694, and the yield on the common trust fund was 3.7%.

Dividend income of \$19,293 from the Cemetery Burial Trust Fund was distributed to the Town for cemetery maintenance. The Town added \$15,450 to the Cemetery Burial Trust Fund principal from 2011 cemetery revenue.

Half of the income from the Campbell Sports Scholarship Trust Fund was added to the principal of the Fund, per the provisions of the trust document. The other half was distributed to the Recreation and Parks Department.

The four library trusts were transferred from the Fidelity Balanced Fund and added to the common trust fund account held at National Advisors Trust Company. Capital gains of \$2,793 were recognized in the transition, which was added to principal. Income of \$285 was distributed to the Library.

### **Common Capital Reserve Fund**

The Trustees manage a number of capital reserve funds and expendable trust funds. These funds are invested in a common capital reserve fund account at National Advisors Trust Company. Sub-accounting for each of the capital reserve funds and non-expendable trusts was maintained by the investment advisor and reported to the Trustees at each meeting.

The common capital reserve funds and expendable trust funds are conservatively invested in US government securities, US government-backed agency bonds and investment grade bonds.

The market value of the common capital reserve fund at year end was \$875,983, and the yield on the common capital reserve fund was 2%.

The Winnacunnet School District Meeting voted on March 13, 2012, to raise and appropriate \$25,000 to be added to the Special Education Expendable Trust Fund created during 2007, which was deposited in September. This expendable trust fund will help to educate educationally-disabled children. Disbursements may be made by the School Board upon their vote. No disbursements from the Fund were made in 2012.

The Winnacunnet School District Meeting voted on March 13, 2012, to raise and appropriate \$50,000 to be added to the Winnacunnet High School Building Maintenance Expendable Trust Fund, which was deposited in September. This expendable trust fund may be disbursed by the School Board upon their vote. No disbursements from the Fund were made in 2012.

The Hampton School District Meeting voted on March 13, 2012, to raise and appropriate \$75,000 to be added to the Hampton School District Special Education Expendable Trust Fund created during 2010, which was deposited in October. This expendable trust fund may be disbursed by the School Board upon their vote. No disbursements from the Fund were made in 2012.

The sum of \$125,735 was added to the Compensated Leave Trust Fund. There were no 2012 disbursements.

There were no additions to or distributions from the three Hampton Beach Village District Capital Reserve Funds.

There was one withdrawal from the Town Roads Capital Reserve Fund in the amount of \$311,000, leaving an ending principal & income balance of \$18,040.

The Town voted on March 13, 2012, to add \$320,000 to the DPW Equipment Capital Reserve Fund, which was deposited in October. There were disbursements of \$586,702 from the DPW Equipment Capital Reserve Fund in 2012, leaving an ending principal & income balance of \$42,581.

### **Investment Advisor**

Mackensen & Company of Hampton served as the investment advisor and assistant bookkeeper for the Trustees. The fee rate was ten basis points (0.1%) on the overall Hampton portfolios. The annual fee was \$17,590.

### **Trustees of Trust Funds Website**

The investment advisor maintained the Trustees of the Trust Funds website to keep the citizens of Hampton informed about the trust funds and the capital reserve funds, and to provide disclosure under RSA 91-A (the Right-to-Know Law). The Trustees' website address is [www.HamptonTrustFunds.org](http://www.HamptonTrustFunds.org). The website features a page for each trust fund and capital reserve fund. The website also lists the next meeting date and the agenda for the next meeting. Copies of past meeting minutes may be downloaded from the website. Applicable state laws (RSAs) are listed on the website for easy reference. Besides the Trustees' website, Trustee meeting notices are posted at the Lane Memorial Library and the Town Office Building.

### **Trustees of Trust Funds**

Norman Silberdick, Chairman  
William A. Hartley, Vice Chairman  
Stephen A. Falzone, Secretary  
John P. Troiano, Bookkeeper  
John Sovich