

Report of the Trustees of Trust Funds

During 2016, the Trustees of Trust Funds met seven times. The Trustees congratulated Trustee William Hartley on his re-election in March to another three-year term.

Real Estate Trust Fund

The largest trust fund in Hampton is the Real Estate Trust Fund, whose main purpose of the fund is to generate income which can be used 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 both income and 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 \$693,460, which represented an annual yield of approximately 3.7%.

The Real Estate Trust Fund remains invested in a broadly-diversified portfolio of low-cost mutual funds, exchange-traded funds and individual bonds. The custodian is National Advisors Trust Company of Overland Park, Kansas. The book value of the principal of the Real Estate Trust Fund increased from \$17,713,119 to \$18,926,420 during the year, including three deposits to the fund totaling \$1,034,610 from the sale of leased land at Hampton Beach and \$178,691 of realized capital gains. The market value of the fund's principal increased from \$17,799,802 to \$20,163,497 (including the additions to the fund principal from real estate sales) during 2016, representing an investment gain of approximately 7.6% on principal. The time-weighted total return (income and capital appreciation) net after fees was 11.26%. Over the past three years, the fund's total return has averaged 5.55% annually and it has distributed more than \$2.0 million in income to the town to offset the property tax rate. Over the past five years, the fund has achieved an average annual return, net of fees, of 7.77% and distributed more than \$3.3 million in income to the town's general fund.

At year end, the Real Estate Trust Fund allocation to equities was approximately 40%, which was within the allowable range of 25% to 45% specified by the Investment Policy. The allocation to fixed income was 59%, which was within the allowable range of 35% to 70%. The fund's cash allocation was approximately 1%.

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 \$593,562, and the total return, net after management fees, was 7.15%. The fund

generated \$15,555 of distributable income net of fees during the year, representing an income yield of approximately 2.8%

The Cemetery Maintenance Trust Fund earned income of \$14,371 which can be distributed to the Town for cemetery maintenance. The Town added \$11,455 to this fund from cemetery lot sales in 2016. In February, the Town withdrew \$17,601 from this fund, representing the income earned during 2015, to offset cemetery maintenance expenses.

Half of the income from the Campbell Sports Scholarship Trust Fund (\$90) was added to the principal of the Fund, per the provisions of the trust document. The other half (\$90) was distributed to the Recreation and Parks Department.

The four library trusts earned income of \$316.

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, investment grade bonds and up to 15% in high quality equities.

The market value of the common capital reserve fund at year end was \$1,850,724. The fund's total return for 2016 was 2.83%.

The Hampton School District did not add any funds to the Special Education Expendable Trust Fund in 2016. The principal and income balance in the Hampton Special Ed Fund at the end of 2016 was \$225,620.

The Selectmen did not add any funds to the Compensated Leave Trust Fund during 2016. The principal and income balance at the end of 2016 was \$303,919. There were no disbursements from this fund during the year.

The Town Roads Capital Reserve Fund received a deposit of \$300,000 (Warrant Article #19). There were no disbursements during 2016. The ending principal & income balance was \$1,271,042.

There were no deposits into, or disbursements from, the DPW Equipment Capital Reserve Fund in 2016, leaving an ending principal & income balance of \$3,385.

Winnacunnet School District Common Capital Reserve Fund

The Winnacunnet School District did not add any funds to its Building Maintenance, Special Education or Technology Fund expendable trusts but did withdraw \$25,000 from the Special Education fund and \$16,216 from the Building Maintenance fund. The ending principal and income balance for the Special Education Expendable Trust Fund was \$301,080. The ending principal and income balance for the Winnacunnet High School Building Maintenance Fund was \$237,899.

The total ending principal & income balance for the three Winnacunnet School District CRFs was \$543,861.

Investment Advisor

During the year the Trustees formed a sub-committee to investigate whether to seek alternative investment advisors. Three firms were invited to present to the Trustees and after reviewing presentations to the Trustees, the Trustees decided to continue their relationship with Bearing Point Wealth Partners, Inc. (the successor to Mackensen and Company). The Trustees were very impressed with the presentations by the competing firms but opted due to cost and continued excellent service to remain with Bearing Point.

Bearing Point Wealth Partners, Inc. of Hampton is the investment advisor for the Trustees. The total fee paid for investment advisory and bookkeeping services was \$26,130, which was paid prorata from the income of the trust and capital reserve funds.

Trustees of Trust Funds Website

The Trustees of the Trust Funds maintain a 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. 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, Trustee