

Report of the Trustees of Trust Funds

During 2018, the Trustees of Trust Funds met seven times, including four regular quarterly meetings and three special meetings to support timely approval of fund distribution requests. The Trustees welcomed three new members with the election of Nancy Andrew and John Bletzer in March, and Dave Hamilton who returned to the Trustees of Trust funds to serve the remainder of William Hartley's term.

Real Estate Trust Fund

The largest trust fund in Hampton is the Real Estate Trust Fund, whose main purpose is to generate income which can be used to reduce the local tax rate. 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 income distributed (after investment management fees) was \$820,279, an increase of 11% over the 2017 income distribution amount of \$736,441. The current income yield of the fund, net of investment management fees, is approximately 4% as of year-end.

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 (i.e. cost basis) of the principal of the Real Estate Trust Fund increased from \$19,602,042 to \$19,916,909 during the year, including deposits to the fund totaling \$255,000 from the sale of leased land at Hampton Beach and \$59,867 of realized capital gains. The market value of the fund's principal decreased from \$22,016,204 to \$20,497,579 (including the additions to the fund principal from real estate sales) during 2018, representing an investment loss of approximately 6.9% (on principal only).

The time-weighted total return (income and capital appreciation including income accrued at year-end) net after fees was -4.28% for 2018. Over the past three years, the fund's total return has averaged 5.4% annually and it has distributed more than \$2.25 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 4.4% and distributed more than \$3.56 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 \$626,240, and the total return, net after management fees, was -2.7%. The fund generated \$21,527 of distributable income (net of fees) during the year, representing an income yield of approximately 3.4%

The Cemetery Maintenance Trust Fund earned income of \$19,950 which can be distributed to the Town for cemetery maintenance. The Town added \$28,611 to this fund from cemetery lot sales in 2018. In January 2018, the Town withdrew \$16,022 from this fund, representing the income earned during 2017, to offset cemetery maintenance expenses.

Half of the income from the Campbell Sports Scholarship Trust Fund (\$118) 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 earned income of \$419.

Common Capital Reserve Fund

The Trustees manage several 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 \$2,730,775. The fund's total return for 2018 was -0.12%.

The Hampton School District did not add any funds to the Special Education Expendable Trust Fund in 2018. The principal and income balance in the Hampton Special Ed Fund at the end of 2018 was \$230,026.

A deposit of \$40,188 was added to the Compensated Leave Trust Fund. The principal and income balance of this fund at the end of 2018 was \$524,436. There were no disbursements from this fund during the year.

The Town Roads Capital Reserve Fund received a deposit of \$300,000. A total of \$6,467 was withdrawn from the fund. The ending principal & income balance was \$1,891,342.

There were no deposits into, or disbursements from, the DPW Equipment Capital Reserve Fund in 2018, leaving an ending principal & income balance of \$3,451.

Winnacunnet School District Common Capital Reserve Fund

The Winnacunnet School District added \$150,000 to its Special Education Expendable Trust and \$25,000 to its Health Care Expendable Trust. The District also withdrew \$100,000 from the Special Education Expendable Trust in 2018. The ending principal and income balance for the Special Education Expendable Trust Fund was \$256,992. The ending principal and income balance for the Winnacunnet High School Building Maintenance Fund was \$242,789. The District also maintains a Technology Expendable Trust Fund with an ending principal and income balance of \$4,983.

The total ending principal & income balance for the three Winnacunnet School District CRFs was \$580,174.

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

Stephen A. Falzone, Chairman
John P. Troiano
John Bletzer
Nancy Andrew
David Hamilton