



TRUSTEES OF TRUST FUNDS

October 17, 2022 4:00 p.m.

Quarterly Meeting

TRUSTEES: James Dearden
Christopher Koutalidis
Warren Mackensen
Christopher Nevins
Joyce Skaperdas

PUBLIC: None

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

The meeting was called to order at 4:00 p.m. by Chairman Mackensen.

The Pledge of Allegiance was recited.

Quorum Determination

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

Approval of Minutes

July meeting minutes were approved by email in July.

3rd Quarter 2022

Mr. Zwick provided the Market Trends:

- Strong sell off across the board in Q3, especially international and Real Estate:
 - S&P 500 -4.89%
 - Russell 2000 -2.11%
 - MSCI EAFE Index -10.37%
 - Real Estate (Vanguard REIT ETF) -11.04%
 - S&P High-Yield Corporate Bond Index -1.07%
 - S&P Investment Grade Corporate Bond Index -4.83%
- Growth stocks narrowly outperformed Value stocks
 - iShares S&P Growth (IUSG) -3.91%
 - iShares S&P Value (IUSV) -5.70%
- Due to Fed hikes and inverted yield curve, rates rose dramatically for all US Treasury securities, especially for short term:
 - 30-year Treasury: Increased from 3.14% to 3.79%
 - 10-year: Increased from 2.98% to 3.83%
 - 5-year: Increased from 3.01% to 4.06%
 - 2-year: Increased from 2.92% to 4.22%

Mr. Zwick provided the sector results as of September 30, 2022.

Consumer Discretionary XLY 3.83%	Energy XLE 1.81%	Financial Services XLF -2.97%	Industrial XLI -4.7%
Health Care XLV -5.18%	Utilities XLU -5.96%	Technology XLK -6.33%	Consumer Staples XLP -6.95%
Materials XLB -7.08%	Real Estate XLRE -11.07%	Communication Services XLC -11.57%	

Real Estate Trust Fund

Mr. Mayes said this fund lost 4.6% during the third quarter. He provided the Month-end Market Values bar graph, which showed that the September 2022 value was below all of the 2022 month-end values. The line graph showed similar results.

The Fund ended the quarter with a total market value of \$20,112,604. The Real Estate Trust Fund performance was -12.1% during the last 12 months. The Conservative Benchmark performance was -15.6%.

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 1.6% Cash, 28% US Stocks, 9.2% Non-US Stocks, 54.6% Bonds, and 6.6% Other.

The Fund Snapshot showing all transactions year-to-date for the Real Estate Trust Fund was reviewed.

Real Estate Trust Fund Projected Income

The investment report dated September 30, 2022, showed Real Estate Trust Fund projected portfolio income of \$858,861. The trustees unanimously concurred that a reasonable income for planning purposes in calendar year 2023 is \$800,000.

Town Leased Land

An inquiry was raised about the few remaining leased land lots at the beach. When a leased lot is purchased by a lessee, the proceeds of the sale are paid into the Real Estate Trust Fund.

Mr. Dearden offered to delve into the number of remaining leased land lots at the beach, what the lessees are paying to the town in rent, the assessed values of the remaining lots, and what annual income the Real Estate Trust Fund could garner from the additional proceeds if such leased lots were purchased by the respective lessees.

Mr. Dearden will coordinate his efforts through the Town Manager.

Common Trust Fund

Mr. Mayes said the fund lost 4.5% during the third quarter of 2022. He said this fund ended the quarter with a total market value of \$43,763. The Common Trust Fund

performance was -13.1% during the last 12 months. The Income Benchmark performance was -15.6%.

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

The allocation in this fund is 4.8% Cash, 22% US Stocks, 5% Non-US Stocks, 59.6% Bonds, and 8.6% Other.

Common Capital Reserve Fund

Mr. Mayes said the fund lost 2.6% during the third quarter of 2022. Mr. Mayes said this fund ended the quarter with a total market value of \$3,603,414. The Common Capital Reserve Fund performance was -8.4% during the last 12 months. The CRF Diversified Benchmark was -6.5%.

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

The allocation in this fund is 0.9% Cash, 14.3% US Stocks, 0.2% Non-US Stocks, 83.3% Bonds, and 1.3% Other.

Winnacunnet School District Common Capital Reserve Fund

Mr. Mayes said the fund lost 2.5% during the third quarter of 2022. Mr. Mayes said this fund ended the quarter with a total market value of \$822,118. He said this fund is similar to the Common Capital Reserve Fund. The WSD Common Capital Reserve Fund performance was -8.3% during the last 12 months. The CRF Diversified Benchmark was -6.5%.

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

The allocation in this fund is 1.2% Cash, 12.6% US Stocks, 0.1% Non-US Stocks, 84.8% Bonds, and 1.3% Other.

Cemetery Maintenance Trust Fund (Expendable)

Mr. Mayes said the fund lost 4.8% during the third quarter of 2022. Mr. Mayes said this fund ended the quarter with a total market value of \$618,997. The Cemetery Maintenance Trust Fund investment account was recently established at Fidelity, so there is no 12-month performance figure as yet.

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

The allocation in this fund is 1.8% Cash, 56.2% US Stocks, 0.6% Non-US Stocks, 39.8% Bonds, and 1.6% Other.

MS-9 Report

The TrustTrak MS-9 Report for the third quarter of 2022 was reviewed.

It was noted that the market value of the Town Roads Capital Reserve Fund on September 30, 2022, was \$2,434,379. A distribution to the Town of \$500,000 will likely be made in late 2023 or early 2024 for the High Street refurbishment project.

Combined Transactions Listing

The TrustTrak Combined Transactions Listing was reviewed.

Investment Discussion

The Trustees discussed several facets of the investment portfolio, including rebalancing to keep the portfolios within the Investment Policy.

A review of each mutual fund is planned for the January 2023 meeting.

Review of 2022 Town Warrant Ballot Funding

The trustees were apprised that the Town Finance Director funded the two articles affecting capital reserves in June, namely:

- Hampton Article 15 – Added \$300,000 to Road Improvement CRF
 - Hampton Article 38 – Added \$27,500 to Firefighters Turn Out Gear/Personal Protective Equipment CRF
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Winnacunnet School District Warrant Ballot Results

The WSD Board is expected to add \$50,000 to the WSD Health Care Expendable Trust Fund by the end of October.

Axiomatic CTU Portal Software Improvements

The Charitable Trusts Unit has advised that Axiomatic completed their MS-9 and MS-10 changes recently. The newly-formatted screens have been implemented.

The MS-9 terminology has been updated to conventional nomenclature.

The MS-10 will require uploading 12/31 statements, as is. The untenable MS-10 spreadsheets are no longer required.

Mr. Mackensen offered to contact the CTU about uploading an affirmation of the investment policy statements, or revised investment policy statements (if changed), and the internal controls policy to the state.

The CTU will mandate portal usage going forward. Formal training is expected in November.

Trustees Meeting Schedule for 2023

The Trustees reviewed the proposed meeting schedule.

MOVED by Mr. Nevins to approve the 2023 Trustees Meeting Schedule.

SECONDED by Ms. Skaperdas

VOTE: 5-0-0

Motion Passed

Cemetery Maintenance Trust Fund Disbursements

MOVED by Mr. Mackensen to disburse \$2,408 from the Cemetery Maintenance Trust Fund to reimburse the Town for lots repurchased. Documentation has been received.

SECONDED by Mr. Koutalidis

VOTE: 5-0-0

Motion Passed

Pedestrian & Traffic Safety CRF Disbursements

MOVED by Mr. Mackensen to disburse \$4,776.16 from the Pedestrian & Traffic Safety CRF to reimburse the Town for safety enhancements. Documentation has been received.

SECONDED by Mr. Dearden

VOTE: 5-0-0

Motion Passed

Public Comment

There were no members of the public attending the meeting.

Next Meeting

The next meeting will be Tuesday, January 17, 2023, at 4:00 p.m. in the Selectmen's Meeting Room.

Adjournment

The meeting adjourned without objection at 4:57 p.m.

Respectfully submitted,

Warren J. Mackensen, Chairman