



TRUSTEES OF TRUST FUNDS

January 17, 2023 4:00 p.m.

Quarterly Meeting

Selectmen's Conference Room

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

ADVISOR: David 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.

The Trustees noted the passing of Norman Silberdick on January 6, 2023, with regret. Norm served as a Hampton Trustee of Trust Funds for nine years.

Quorum Determination

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

Approval of Minutes

The October meeting minutes were approved by email shortly after the meeting.

4th Quarter 2022 Market Trends as of 12/31/2022

Mr. Mayes was given the floor to present the economic environment.

- Strong gains across the board in Q4, especially international:
 - S&P 500 7.57%
 - Russell 2000 6.21%
 - MSCI EAFE Index 17.66%
 - Real Estate (Vanguard REIT ETF) 4.34%
 - S&P High-Yield Corporate Bond Index 4.00%
 - S&P Investment Grade Corporate Bond Index 3.24%
- Value stocks outperformed Growth stocks by a wide margin
 - iShares S&P Growth (IUSG) 1.97%
 - iShares S&P Value (IUSV) 13.48%
- Due to Fed slowing rate hikes and the continued inverted yield curve, rates rose slightly for short term and long term US Treasury securities, more buying of intermediate term brought yields down:
 - 30-year Treasury: Increased from 3.79% to 3.97%
 - 10-year: Increased from 3.83% to 3.88%
 - 5-year: Decreased from 4.06% to 3.99%
 - 2-year: Increased from 4.22% to 4.41%

Mr. Mayes provided the sector results for the last quarter:

Energy XLE 22.7%	Industrial XLI 19.12%	Materials XLB 14.97%	Financial Services XLF 13.36%
Health Care XLV 12.63%	Consumer Staples XLP 12.52%	Utilities XLU 8.50%	Technology XLK 5.07%
Real Estate XLRE 3.73%	Communication Services XLC 0.46%	Consumer Discretionary XLY -9.08%	

Real Estate Trust Fund

The Month-End Market Value graphs were reviewed.

The market value of this fund decreased in 2022. It ended the year with a total market value of \$21,206,744. The portfolio's time-weighted rate of return was 6.5% for the quarter. The time-weighted rate of return for 2022 was -9.3%.

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 2.3% Cash, 29.8% US Stocks, 9.8% Non-US Stocks, 52.1% Bonds, and 6% Other.

The Trustees thoroughly reviewed the Real Estate Trust Fund portfolio, including the composition of the portfolio, the related income-oriented investment policy, the benchmarks in use, the asset allocation, and the income projections for 2023. No changes were made to any of the portfolio parameters. The projected 2023 annual income is about \$900,000, net of fees, to be distributed monthly as received to the Town to offset taxes.

Common Trust Fund

Mr. Mayes said this fund ended the year with a total market value of \$46,040. The portfolio's time-weighted rate of return was 5.2% for the quarter. The time-weighted rate of return for 2022 was -10.7%.

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

The allocation in this common fund is 5.1% Cash, 23.2% US Stocks, 5.7% Non-US Stocks, 58.6% Bonds, and 7.4% Other.

Town Common Capital Reserve Fund

Mr. Mayes said this common fund ended the year with a total market value of \$3,668,780. The portfolio's time-weighted rate of return was 1.9% for the quarter. The time-weighted rate of return for the year was -7.5%.

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

The allocation in this fund is 1.7% Cash, 14.9% US Stocks, 0.2% Non-US Stocks, 83% Bonds, and 0.2% Other.

Winnacunnet School District Common Capital Reserve Fund

Mr. Mayes said this common fund ended the year with a total market value of \$887,202. He said this fund is similar to the Town's Common Capital Reserve Fund. The portfolio's time-weighted rate of return was 1.8% for the quarter. The time-weighted rate of return for the year was -7.7%.

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

The allocation in this fund is 6.7% Cash, 12.4% US Stocks, 0.1% Non-US Stocks, 80.7% Bonds, and 0.1% Other.

Cemetery Maintenance Trust Fund

Mr. Mayes said this fund ended the year with a total market value of \$660,899. The portfolio's time-weighted rate of return was 4.8% for the quarter. The portfolio account was too new to have an annual return.

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

The allocation in this fund is 3.9% Cash, 56.5% US Stocks, 0.6% Non-US Stocks, 39% Bonds, and 0% Other.

Combined Transactions Listing

The Combined Transactions Listing for all of the funds was reviewed.

MS-9 Report Approval

The Trustees reviewed the MS-9.

MOVED by Ms. Skaperdas to approve the MS-9 Report.

SECONDED by Mr. Koutalidis.

VOTE: 5-0-0

Motion passed

MS-10 Report Approval

The Trustees reviewed the new format of the MS-10, which will comprise uploading the five 12/31/2022 Fidelity investment statements to the Charitable Trusts Units electronically. The data to be submitted is shown on the MS-9, page 6 of 6, which ties out to the total on the MS-9.

MOVED by Ms. Skaperdas to approve the MS-10 Report concept.

SECONDED by Mr. Nevins.

VOTE: 5-0-0

Motion passed

Charitable Trusts Unit Portal

The MS-9 and MS-10 annual reports will be uploaded by Three Bearings to the Charitable Trusts Unit online. Chairman Mackensen will be notified by email of the upload, at which time he will log in to the Charitable Trusts Unit Portal to submit the reports.

Town Report Narrative and Spreadsheet

The 2022 Town Report narrative and spreadsheet were reviewed.

MOVED by Mr. Dearden to approve the 2022 Town Report and the associated spreadsheet.

SECONDED by Ms. Skaperdas.

VOTE: 5-0-0

Motion passed

Income Distribution from Trust Funds

MOVED by Mr. Nevins to approve the following distributions of income:

Poor Funds: \$20.44 (Town of Hampton)

Library Trust Funds: \$376.59 (Lane Library)

Perpetual Care Trust Funds: \$791.49 (Town of Hampton)

Cemetery Maintenance Trust Fund: \$10,406.50 (Town of Hampton)

SECONDED by Mr. Koutalidis.

VOTE: 5-0-0

Motion passed

Principal Distributions from Capital Reserve Funds

MOVED by Mr. Mackensen to approve the following distributions of principal:

Firefighters Turn Out Gear: \$3,102.67 (Town of Hampton)

Chappell, 2nd Set

Pedestrian & Traffic Safety: \$16,754.00 (Town of Hampton)

Streetlight and Traffic Light updates, Route 1 and Route 27

Cemetery Maintenance Expendable Trust Fund: \$502.00 (Town of Hampton)

Buy back two graves (Hammond)

SECONDED by Mr. Dearden.

VOTE: 5-0-0

Motion passed

Hampton Real Estate Trust Fund Investment Policy

Chairman Mackensen opened the floor for discussion on the Real Estate Trust Fund Investment Policy.

MOVED by Mr. Mackensen to reaffirm the Real Estate Trust Fund Investment Policy.

SECONDED by Mr. Nevins.

VOTE: 5-0-0

Motion passed

The document will be uploaded to the Charitable Trusts Unit with the MS-10.

Small Trust Funds and Capital Reserves Investment Policy

Chairman Mackensen opened the floor for discussion on the Small Trust Funds and Capital Reserves Investment Policy.

MOVED by Mr. Mackensen to reaffirm the Investment Policy for the Cemetery Maintenance Trust Funds, the Town Common Trust Fund, the Town Common

Capital Reserve Fund, and the Winnacunnet School District Common Capital Reserve Fund.

SECONDED by Ms. Skaperdas.

VOTE: 5-0-0

Motion passed

The document will be uploaded to the Charitable Trusts Unit with the MS-10.

Internal Controls Policy

Chairman Mackensen opened the floor for discussion on the Internal Controls Policy.

MOVED by Mr. Mackensen to affirm the Internal Controls Policy.

SECONDED by Mr. Nevins.

VOTE: 5-0-0

Motion passed

The document will be uploaded to the Charitable Trusts Unit with the MS-10.

Trust Funds and Capital Reserve Funds Audit

Trustees were apprised of the need to answer the town auditor's questionnaire if they are approached by the town auditors, Plodzick & Sanderson.

Investment Advisor Evaluation

Reference: HRETf Investment Policy, Page 16

Trustees reviewed the performance of the investment advisor.

MOVED by Mr. Dearden to retain the services of Three Bearings Fiduciary Advisors.

SECONDED by Ms. Skaperdas.

VOTE: 5-0-0

Motion passed

Certificate of Compliance

Reference: HRETF Investment Policy, Page 16, Item 9

The Trustees acknowledged receipt of a Certificate of Compliance signed by David T. Mayes, principal at Three Bearings Fiduciary Advisors.

Leased Land Status

Mr. Dearden reported that he has a planned telephone call with the Town Manager to discuss the status of the remaining leased land parcels. The overarching question is whether or not the Town would be better off inducing the lessees to purchase their land so that the Real Estate Trust Fund could provide increased income to the Town in lieu of the current land rent (2% of assessed valuation). The Real Estate Trust Fund has a current yield of about 4%.

Trustee Elections in March 2023

In calendar year 2023, there are two seats open for election. James Dearden and Christopher Nevins indicated that they will be running for these trustee seats again.

Public Comment Period

There were no members of the public in attendance.

Next Meeting

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

Adjournment

MOVED by Chairman Mackensen to adjourn the meeting at 5:24 p.m.

SECONDED by Mr. Dearden.

VOTE: 5-0-0

Motion passed

Respectfully submitted,

Warren J. Mackensen, Chairman