

Report of the Trustees of Trust Funds

In 2021, the Trustees of Trust Funds met four times in person. The Trustees welcomed two new members with the election of Christopher Koutalidis and Joyce Skaperdas in March.

Three Bearings Fiduciary Advisors, Inc., an investment advisor in Hampton, managed the trust funds and capital reserve funds. Accounts were custodied with Fidelity Investments in Boston.

Real Estate Trust Fund

The largest trust fund in Hampton is the Real Estate Trust Fund, whose primary purpose is to generate income that can be used to reduce the local tax rate. The Fund's investment policy 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 \$752,672, a decrease of 12% from the 2020 income distribution amount of \$856,049. The Fund's current income yield, net of investment management fees, was approximately 3.1% 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 book value, i.e., the cost basis, of the Real Estate Trust Fund's principal and income increased from \$20,170,405 to \$20,900,278 during the year, after accounting for net realized capital gains of \$673,043. There were no additional deposits to the fund from the sale of leased land at Hampton Beach during 2021. The market value of the fund increased to \$24,321,264 from \$22,823,202 during 2021, representing an increase of 6.6%.

The time-weighted total return (income and capital appreciation, including income accrued at year-end) net after fees was 9.9% for 2021. Over the past three years, the Fund's total return has averaged 9.6% annually, and it has distributed more than \$2.5 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 6.8% and distributed more than \$4.1 million in income to the town's general fund.

At year-end, the Real Estate Trust Fund allocation to equities was approximately 39%, 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 permissible range of 35% to 70%. The fund's cash allocation was approximately 2%.

Common Trust Fund

The Trustees manage several smaller trust funds: the Cemetery Maintenance 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 Fidelity Investments. Sub-accounting for each of the trust funds was maintained by the investment advisor and reported to the Trustees at each meeting. The common trust fund's market value at year-end was \$734,272, and the total return, net after management fees, was 7.2%. The fund generated \$16,573 of distributable income (net of fees) during the year, representing an income yield of 2.3%

The Cemetery Maintenance Trust Fund earned an income of \$15,329, which is distributed to the town for cemetery maintenance. The town added \$56,400 to this Fund from cemetery lot sales in 2021. In January 2021, the town withdrew \$18,213 from this Fund, representing the income earned during 2020, to offset cemetery maintenance expenses. The principal and income balance in the Cemetery Maintenance Trust Fund at the end of 2021 was \$586,148.

Half of the income from the Campbell Sports Scholarship Trust Fund (\$110) 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 principal and income balance in the Campbell Sports Scholarship Trust Fund at the end of 2021 was \$7,706.

The four library trusts earned an income of \$328.

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 Fidelity Investments. Sub-accounting for each of the capital reserve funds and 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 20% in high-quality equities.

The market value of the common capital reserve fund at year-end was \$3,654,758. The fund's total return for 2021, net after fees, was 2.9%.

The Hampton School District did not add any funds to the Special Education Expendable Trust Fund in 2021. There were no withdrawals from the Special Education Trust Fund during the year. The principal and income balance in the Hampton Special Education Fund at the end of 2021 was \$171,529.

There were no deposits into, or disbursements from, the Management Information Systems Expendable Trust Fund. This fund's principal and income balance at year-end was \$34,089.

The Town Roads Capital Reserve Fund received a deposit of \$300,000. A total of \$137,171 was withdrawn from the Fund for road improvements. The ending principal & income balance was \$2,244,000.

A deposit of \$79,544 was made to the town's Compensated Leave Trust Fund. The principal and income balance of this Fund at the end of 2021 was \$772,683. There were no disbursements from this Fund during the year.

A deposit of \$27,500 was added to the Firefighter's Turn Out Gear Expendable Trust Fund per Town Meeting vote in March. Disbursements of \$8,851 were made. The Fund ended the year with a principal and income balance of \$120,628.

Disbursements of \$140,561 were made from the Hampton Cemetery Association Trust for maintenance work. The Trust ended the year with a principal and income balance of \$32,891.

Winnacunnet School District Common Capital Reserve Funds (CRFs)

There were no additions to any of the Winnacunnet School District funds.

The Winnacunnet School District Common Capital Reserve Fund account ended the year with a market value of \$912,128. The Fund's total return for 2021, net after fees, was 3.2%.

The ending principal and income balance for the Special Education Expendable Trust Fund was \$404,900.

The ending principal and income balance for the Winnacunnet High School Building Maintenance Expendable Trust Fund was \$199,503. A disbursement of \$17,506 was made.

The Technology Expendable Trust Fund ending principal and income balance was \$5,333.

The ending principal and income balance for the Health Care Expendable Trust Fund was \$236,955.

Trustees of Trust Funds Website

The Trustees of the Trust Funds website keeps the citizens of Hampton informed about the trust funds and the capital reserve funds. The 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 are listed on the website for easy reference.

Respectfully submitted for the Trustees of Trust Funds,

Warren J. Mackensen
Chairman