

## **Report of the Trustees of Trust Funds**

In 2022, the Trustees of Trust Funds met four times in person.

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.

The Trustees distributed income to the town each month from the Real Estate Trust Fund to reduce the tax rate. The total income distributed (after investment management fees) was \$881,349, an increase of 10.8% from the 2021 income distribution of \$795,128. The Fund's current income yield, net of investment management fees, was approximately 4.2% 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 \$20,900,278 to \$20,944,899 during the year after accounting for net realized capital gains of \$45,174. There were no additional deposits to the fund from sales of leased land at Hampton Beach during 2022. The Fund's market value decreased to \$21,206,744 from \$24,321,264 in 2021, representing a decline of 12.8%.

The time-weighted total return (income and capital appreciation, including income accrued at year-end) net after fees was a loss of 9.2% for 2022. Over the past three years, the Fund's total return has averaged 1.16% 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 2.7% and distributed nearly \$4.3 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 58%, which was within the permissible range of 35% to 70%. The fund's cash allocation was approximately 2%.

### **Cemetery Maintenance Trust Fund**

In 2022, the Trustees separated the Cemetery Maintenance Trust Fund investments from the Common Trust Funds investments. A new Fidelity investment account was established to benefit the Cemetery Maintenance Trust Fund. The Investment Policy for the smaller funds was revised to recognize the new Cemetery Maintenance Trust Fund investment account. A target asset allocation of 50% equities and 50% fixed income was established to align the long-term time horizon of the Cemetery Maintenance Trust Fund with its real estate purposes.

The Cemetery Maintenance Trust Fund earned an income of \$10,407, which is distributed to the town for cemetery maintenance. The town added \$56,400 to this Fund from cemetery lot sales in 2022. In January 2022, the town withdrew \$18,213 from this Fund, representing the income earned during 2021, to offset cemetery maintenance expenses. The principal and income balance in the Cemetery Maintenance Trust Fund at the end of 2022 was \$664,614.

### **Common Trust Fund**

The Trustees manage several smaller trust funds: 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 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 \$46,040, and the total return, net after management fees, was a loss of 10.7%. The Fund generated \$1,433 of distributable income (net of fees) during the year, representing an income yield of 3.3%

Per the Campbell Sports Scholarship Trust Fund document's provisions, half of the income from the Fund (\$111) was added to the Fund's principal. 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 2022 was \$7,326.

The four library trusts earned income of \$377 on a year-end principal and income balance of \$11,234.

### **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. The investment advisor maintained sub-accounting for each capital reserve fund and expendable trust 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 \$3,668,780. The fund's total return for 2022, net after fees, was a loss of 7.5%.

The Hampton School District did not add funds to the Special Education Expendable Trust Fund in 2022. 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 2022 was \$174,147.

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 \$34,609.

The Town Roads Capital Reserve Fund received a deposit of \$300,000. There were no withdrawals from the Town Roads Capital Reserve Fund during the year for road improvements. The ending principal & income balance was \$2,534,736.

There were no deposits or withdrawals from the town's Compensated Leave Trust Fund. The principal and income balance of this Fund at the end of 2022 was \$784,474.

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 \$2,000 were made. The Fund ended the year with a principal and income balance of \$147,047.

Disbursements of \$8,580 were made from the Hampton Cemetery Association Trust for maintenance work. The Trust ended the year with a principal and income balance of \$24,756.

The town established a new Pedestrian & Traffic Safety Capital Reserve Fund at the March town meeting and funded it with \$40,000. During 2022, withdrawals of \$14,754 were made for safety improvements. The Fund ended the year with a principal and income balance of \$25,519.

### **Winnacunnet School District Common Capital Reserve Funds (CRFs)**

The Winnacunnet School District Common Capital Reserve Fund account ended the year with a market value of \$887,202. The Fund's total return for 2022, net after fees, was a loss of 7.7%.

The ending principal and income balance for the Special Education Expendable Trust Fund was \$412,511.

The ending principal and income balance for the Winnacunnet High School Building Maintenance Expendable Trust Fund was \$203,253. There were no disbursements.

A disbursement of \$5,300 was made during the year. The Technology Expendable Trust Fund ending principal and income balance was \$71.

An addition of \$50,000 was made to the Health Care Expendable Trust Fund. There were no disbursements. The ending principal and income balance for the Health Care Expendable Trust Fund was \$291,420.

### **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](http://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