

TRUSTEES OF TRUST FUNDS HAMPTON, NEW HAMPSHIRE

INVESTMENT POLICY for COMMON TRUST FUND, COMMON CAPITAL RESERVE FUND, WINNACUNNET SCHOOL DISTRICT COMMON CAPITAL RESERVE FUND, and CEMETERY MAINTENANCE EXPENDABLE TRUST FUND,

Municipality Adopting this Investment Policy

Trustees of Trust Funds (the "Trustees") who are duly elected officials in the Town of Hampton, New Hampshire.

Trust Funds Excluded from This Policy

The Hampton Real Estate Trust Fund.

Purpose of the Investment Policy

The *Investment Policy* provides a blueprint for the investment management process by:

1. Establishing the criteria for matching financial objectives to an appropriate investment plan by reviewing the goals, risk tolerance, and various constraints to be applied in investing a particular fund;
2. Providing a framework that will help keep the investment plan focused on long-term objectives, which is especially valuable during periods of market volatility when there may be a temptation to react to short-term factors; and
3. Establishing the criteria against which progress may be measured.

Investment Principles

General Philosophy

Investment portfolios are used to meet financial objectives. Since inflation is a primary concern for investors, the goal of a portfolio is to deliver a long-term annual return that exceeds inflation. Investment portfolios are also used to generate spendable income in accordance with the purpose of a particular fund.

An investment portfolio's asset mix must be determined by the fund's specific purpose or use. In general, stock ownership brings higher risks with potentially higher returns. Over time, however, portfolio volatility can be dampened through ownership of a diversified group of investments.

There is no single investment suitable for every type of trust fund or capital reserve fund, or one that guarantees a return, remains liquid, has no risk, and earns

enough to keep ahead of inflation. An investment portfolio must be tailored to the fund's objectives, with revisions over time as these objectives change.

Investment Risk

Risk drives returns. Theoretically, the greater the risk, the greater the potential for a higher return over time. All investment decisions involve calculated risks. The challenge is to maximize a portfolio's return while minimizing its downside risk. There are several types of risks inherent in portfolio management:

Systematic Risks: Risks affecting the entire market that cannot be diversified.

Market Risk: The price of a security, bond, mutual fund, or market may drop rapidly and stay low for a long period of time. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic, and social conditions may trigger market events.

Interest-rate Risk: Fluctuations in interest rates may cause investment prices to rise and fall. For example, when interest rates rise, yields on existing bonds may become less attractive, leading to a decline in their market values.

Inflation Risk: A dollar today will not buy as much next year, because purchasing power is eroding at the rate of inflation. Inflation, as measured by the Consumer Price Index, has averaged roughly 4% over the last twenty years.

Non-systematic Risks: Risks unique to a specific asset that can be reduced through diversification.

Business and Credit Risk: These risks are associated with a particular industry or company within an industry. For example, oil-drilling companies depend on finding oil and then refining it. Their profits can be less stable than those of an electric utility, which generates income from a steady stream of customers who buy electricity regardless of the economic environment. During periods of financial stress, a company's inability to meet loan obligations may result in bankruptcy and/or a declining stock market value.

Liquidity Risk: The ability to convert an investment into cash readily. If there is no buyer available for your investment when you want to sell, it is illiquid. Real estate is relatively illiquid. Blue-chip stocks are traded on major stock exchanges and are liquid. Mutual funds are similarly liquid.

Country/Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar relative to the local currency of the investment country. For example, when the value of the dollar falls relative to a foreign currency, an investment in that country increases in value per dollar.

Reinvestment Risk: The risk that future proceeds from investments may have to be reinvested at a different rate of return (i.e., interest rate). This risk primarily relates to fixed-income securities.

Diversification

Diversification is the holding of multiple investments to reduce the impact of any one investment.

Diversification reduces the impact of business and financial risks. However, it does not lower market risk. By owning multiple stocks within several different industries, the impact of any one stock can be reduced.

Mutual funds (including index funds and exchange-traded funds (ETFs)) are the easiest way to diversify a portfolio. A mutual fund is a basket of stocks or bonds. One of the many benefits of this type of investment is that investors can own hundreds of companies with low initial capital outlay. This approach allows investors to more easily diversify equity holdings by company size (large, mid, and small capitalization) and style type (growth and value). For bond holdings, mutual funds enable investors to diversify across government, corporate, and agency bonds, as generally represented in the Barclays Capital Aggregate Bond Index, as well as across foreign and municipal bond markets.

Mutual Funds vs. Individual Securities

Generally, mutual funds and exchange-traded funds are preferred over individual securities in municipal portfolios for the following reasons:

1. Mutual funds provide instant diversification because they own a basket of securities.
2. A mutual fund can represent an asset class in a portfolio based on its strategy, making it easier to build an appropriate asset allocation.
3. No-load mutual funds generally have lower trading costs than individual securities.
4. It is more efficient to rebalance a portfolio by trading one or two mutual funds instead of multiple stocks and bonds.
5. Mutual funds are generally more liquid than individual securities.

Safety Requirements

Trustees must evaluate their willingness to accept volatility, and more specifically, negative returns, across various time periods. Funds with longer time horizons typically have lower safety requirements and, as a result, can allocate more to growth-oriented investments. Capital reserve funds, which may be expensed in the near-term, have shorter time horizons and, therefore, higher safety requirements, calling for a heavier allocation to income-producing investments.

A prudent approach to investing seeks to balance income needs with the need for longer-term portfolio growth.

Time Horizon and Liquidity

Investment time horizon is a major factor in developing a suitable portfolio.

The need for higher liquidity (i.e., cash) generally has an adverse effect on long-term portfolio performance.

Over longer time horizons, inflation is the primary investment concern. If inflation exceeds investment growth, purchasing power is lost. Fixed-income investments are more susceptible to inflation risk than stocks because they cannot generally capture higher price appreciation.

Over shorter time horizons, market risk is the primary obstacle to liquidity. When equities decline, sufficient time must be allowed for them to recover.

Asset Allocation and Rebalancing

Asset allocation is the proportional mix of investments, including but not limited to bonds and stocks. Since investors cannot predict market cycles, asset allocation is used to apportion investments across various asset classes on a long-term basis.

Asset allocation is a critical component of investment planning. There are two different major approaches to asset allocation.

1. Strategic Asset Allocation: Assets are apportioned on a long-term basis, with no attempt to time the market.
2. Tactical Asset Allocation: Investors aim to beat the market by timing their investments, relying on perceived market shifts to inform their decisions.

Since investors cannot consistently predict market cycles, Strategic Asset Allocation is better suited to a long-term investing approach. The portfolio will need to be rebalanced periodically to maintain the appropriate allocation.

Trust Funds – Income Portfolio

Trust funds are invested on a total-return basis in one or more trust fund common portfolios in accordance with the Prudent Investor Rule (RSA 31:25-d). Typically, these funds have a long- or perpetual-time horizon. The portfolio investment objective is to provide a total return (income plus capital appreciation) consistent with the purpose of that fund that exceeds the long-term rate of inflation.

Under the Prudent Investor Rule, the suitability of the overall portfolio, given the fund's objectives, takes precedence over judgments regarding each security's quality or risk to principal. For municipal trust funds, an income objective will be applied.

Trust Funds Income Portfolio Benchmark

With an income orientation, the portfolio aims to deliver long-term total returns that exceed the average returns of a passive income benchmark. The Trust Funds Income Portfolio Benchmark consists of allocations to the following broad asset classes:

The benchmark's performance shall be calculated assuming quarterly rebalancing.

Asset Class	Benchmark Representative	Allocation
Larger Capitalized U.S. Stocks	S&P 500 Index Composite	15%
Smaller Capitalized U.S. Stocks	Russell 2000 Index	5%
International Stocks	MSCI EAFE Index Net Return	5%
Bonds and Cash	Bloomberg Barclays U.S. Aggregate Bond Index	75%

Investment Plan for the Trust Funds Income Portfolio

Objectives

To invest in a portfolio of mutual funds and exchange-traded funds to obtain an average annual total rate of return in excess of the Income Benchmark over the long term. Performance over shorter periods may deviate from this objective due to market risks.

Income Portfolio Asset Allocation

Asset Class	Target	Range
Larger Capitalized US Stocks	15%	5 – 25%
Smaller Capitalized US Stocks	5%	0 – 15%
International Stocks	5%	0 – 15%
Bonds and Cash	75%	65 – 85%

Cash is included in the asset allocation's fixed-income component. Portfolios may invest in high-yield bonds, real estate securities, inflation-protected securities, commodities, or other investment vehicles. Some mutual fund managers may sell stock short and use futures and options to manage portfolio risk.

For smaller trust fund accounts, a single mutual fund or exchange-traded fund may be used to implement the portfolio investment strategy. The fund chosen shall have an asset allocation generally consistent with the parameters above. However, the fund may deviate from the broad asset allocation targets and ranges specified in this investment policy from time to time. Such deviations shall be monitored at least annually, and the fund selection reaffirmed or changed to maintain consistency with the portfolio investment objective.

Investment Policy:

Common TF, Common CRF,
WSD Common CRF & Cemetery ETF

Capital Reserve Funds Portfolios

(applicable to: Common CRF and Winnacunnet School District Common CRF)

The diversified capital reserve fund portfolios include taxpayer-funded capital reserve funds created under RSA 34:5 (cities) and RSA 35:9 (towns), as well as expendable trust funds created under RSA 31:19-a.

The portfolio is invested in accordance with the Prudent Man Rule (RSA 31:25-b). The portfolio's investment objectives are to maintain principal while generating returns that exceed those of certificates of deposit, traditional savings accounts, and money market funds.

Capital Reserve Funds Portfolio Benchmark

Performance of the municipal capital reserve fund portfolio shall be measured against a blended benchmark consisting of the following components:

Asset Class	Benchmark Representative	Allocation
Larger Capitalized U.S. Stocks	S&P 500 Index Composite Index	15%
Bonds	Bloomberg Barclays U.S. Treasury 1-3 Year Index	85%

The benchmark's performance shall be calculated assuming quarterly rebalancing.

Investment Plan for the Capital Reserve Funds Portfolio

The municipal capital reserve fund portfolio may invest in U.S. equities and high-quality fixed income securities, including U.S. government bonds, corporate bonds, FDIC-insured Certificates of Deposit, and cash or cash equivalents. The target asset allocation for the portfolio is as follows:

Asset Class	Target	Range
U.S. Large Cap Equities	15%	10% - 20%
Fixed-income Securities & Cash	85%	80% - 90%

Investments in corporate bonds shall be limited to those with a rating of investment-grade at the time of purchase. A mutual fund or exchange-traded fund with an investment objective consistent with holding investment-grade bonds may be used.

Equities shall be limited to exchange-listed U.S. issuers with large market capitalizations and included in widely recognized market indexes such as the Dow Jones Industrial Average or the Standard & Poor's 500 Index.

To provide for sufficient diversification, investments in corporate equity and debt securities shall be made through mutual funds and/or exchange-traded funds. Investments in U.S. government bonds and Certificates of Deposit may be made using individual securities.

Investment Policy:

Common TF, Common CRF,
WSD Common CRF & Cemetery ETF

Cemetery Maintenance Expendable Trust Fund – Balanced Portfolio

The Cemetery Maintenance Expendable Trust Fund is invested in a single-purpose account in accordance with the Prudent Man Rule (RSA 31:25-b). These funds have a perpetual time horizon. The portfolio investment objective is to provide a total return (income plus capital appreciation) that exceeds the long-term rate of inflation plus 3% over any five years.

Under the Prudent Man Rule, each investment is considered and judged on its individual merits and must be of the highest investment quality with little or no risk to the preservation of principal. A balanced objective will be applied.

Cemetery Maintenance Expendable Trust Fund – Balanced Portfolio Benchmark

With a balanced objective, the portfolio aims to deliver long-term total returns that exceed the average returns of a passive balanced benchmark. The Cemetery Maintenance Expendable Trust Fund Balanced Portfolio Benchmark consists of allocations to the following broad asset classes:

Asset Class	Benchmark Representative	Allocation
Larger Capitalized U.S. Stocks	S&P 500 Index Composite	55%
International Stocks	MSCI EAFE Index Net Return	5%
Bonds and Cash	Bloomberg Barclays U.S. Aggregate Bond Index	40%

The benchmark's performance shall be calculated assuming quarterly rebalancing of its components.

Investment Plan for the Cemetery Maintenance ETF – Balanced Portfolio

Objectives

To invest in a portfolio of mutual funds and exchange-traded funds to obtain an average annual total rate of return in excess of the Balanced Benchmark over the long term. Performance over shorter periods may deviate from this objective due to market risks.

Cemetery Maintenance Expendable Trust Fund Portfolio Asset Allocation

Asset Class	Target	Range
Larger Capitalized US Stocks	55%	45 – 65%
International Stocks	5%	0 – 10%
Bonds and Cash	40%	30 – 50%

Cash is included in the asset allocation's fixed-income component. Portfolios may invest in high-yield bonds, real estate securities, inflation-protected securities, or other investment vehicles. Some mutual fund managers may sell stock short and use futures and options to manage portfolio risk.

A single mutual fund or exchange-traded fund, or a small number of funds or exchange-traded funds, may be used to implement the portfolio investment strategy. The fund chosen shall have an asset allocation generally consistent with the parameters above. However, the fund(s) may deviate from the broad asset allocation targets and ranges specified in this investment policy from time to time. Such deviations shall be monitored at least annually, and the fund selection reaffirmed or changed to maintain consistency with the portfolio investment objective.

Selection of individual issues, mutual funds, and exchange-traded funds

Investments shall be selected based on both fundamental and technical factors. Investments are reviewed and evaluated monthly. Individual investments will be monitored monthly based on performance and other portfolio characteristics. In general, selecting individual mutual funds is based on how each investment aligns with the portfolio's overall characteristics. Individual investments are not solely judged on past performance.

Unless specifically authorized, no single company will comprise more than 5% of the portfolio at the time of purchase. When a portfolio position reaches 10% of the target balance, it will be reduced to prevent further growth unless the Trustees have specifically authorized its continued holding. A Morningstar Stock Intersection report may be used to assess the percentage of each underlying stock within mutual funds and exchange-traded funds.

Portfolio Rebalancing

The portfolios shall be reviewed annually for consistency with the asset allocation targets. Rebalancing will be recommended when an asset class has moved outside the prescribed asset allocation range, or when it is necessary to replace a particular investment.

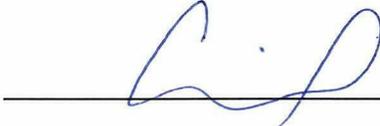
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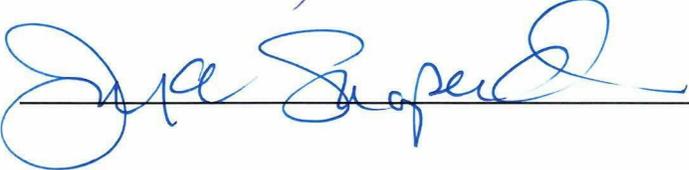
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