

**Town of Boscawen
Trustees of the Trust Funds
Meeting Minutes
Wednesday, January 19th, 2022, at 4:00 PM**

Members Present: Pauline Dawson – Chair, Tama Tillman, Lyman Cousens, Town Administrator-Katherine Phelps

Others Present: Luca D’Italia

Chair Polly Dawson opened the public meeting at 4:00 P.M.

Roll Call Completed by Chair Dawson

Minutes: Trustee Tama Tillman motioned to accept the Trustees 10.18.2021 minutes as presented. Seconded by Chair Polly Dawson. All in favor. None opposed.

New Business: Mr. Luca D’Italia overviewed the 2021 Fidelity Investments as well as went over the 2022 investment predictions. In the entire year of 2021 the aggregate accounts, mainly the Capital Reserves (most of the money was taken out in this account), was up 4.81%. The library investment was 4.8%, under 5% return for the year (Mar 2021 to Dec. 31st, 2021). Mr. D’Italia said 2021 was a positive year for the right allocation as far as the income plus which is in 80% bonds or fixed income and 20% stock equities. Overall, 2021 was a solid year, compared to what the money was doing in CD’s and the anticipated amount of growth. Mr. D’Italia stated that money was taken out of the Capital Reserves Fund and if it hadn’t been, it would have been around a 7% return. Trustee Tillman noted that in June or July there will be a big input. Mr. D’Italia said they are in the beginning stages of the mid-market cycle now. Federal Reserve will raise interest rates at least 3 times this year. January declines are more to sell off everything that was overbought in the technology shares over the last four months and it’s dragging the market down slightly. Mr. D’Italia thinks from a fundamental standpoint, it is a healthy market correction because there hasn’t been a decent pullback or correction in the last two years. The market typically averages three 5% or more pullbacks each year. Last year the market only had two pullbacks. Mr. D’Italia said they have a lot more allocation in the floating rate which is when interest rates are on the rise, and you don’t know when they’re going to be pegged. Ideally, they want to be in a malleable interest rate environment so there is about 20% weighting in the floating rate. This helps so that if the 10-year treasury goes up 1.9% or goes back down 1.67%, it isn’t detrimental to a portfolio. They increased treasury inflation protected securities because they will bode well with interest rates on the rise. Over the last two years, there has been growth market in the Amazon’s, Apple’s, and Google’s. Last year, the Trustee’s outperformed by about 4% so they were overweight growth. This year, because of 10-year treasury tugging on it and inflation, it’s going to be more of a value place. Value companies (companies cheap relative to their fundamentals) such as Colgate will outperform. On a sector rotation basis, they got back into energy and are stabilized. Mr. D’Italia thinks the economy is still in its early stages

of a bull market because typically the market cycle precedes the economic cycle by about a year. Mr. D'Italia said going into 2022, interest rates are on the rise so they will see more of an income producing portfolio. If they take income out, they will reinvest it and that's going to grow it as well. The yield on the new portfolio is under 3%. The Trustees have been at about 1.6% for the last two years because the 10-year treasury had low rates. Mr. D'Italia thinks in the inflationary numbers, it will moderate towards the second half of this year. Inflation isn't necessarily a bad thing; inflation just means growth in the economy. Mr. D'Italia stated from a political landscape they have gridlock in the government which the market loves because gridlock means certainty which means nothing is getting done. This is good because they have midterms this year where they will see a short-term volatility come October. Mr. D'Italia said 2022 will still be a positive year. It may not be a 5% return like last year, but still around 4.1%. He thinks the economy is still strong and the market will respond the way the market responds. He still has a positive outlook for 2022 with refining the portfolios and changing up the bond portfolio because interest rates will go up. Mr. D'Italia said there was losses in the portfolio in January but thinks they are in the right places from a fixed income standpoint but also energy is leading the pack this year as well, up 16%.

Trustee Tillman revisited the question on whether Mr. D'Italia could provide CDs for the Trustees. She asked if he did a CD investment for them, would there be fees involved. There would be no fees involved but a transaction cost is involved which is about \$7. Mr. D'Italia said since the CD isn't managed, it would be held in the fee account of the corresponding account. Trustee Tillman said it would need to be held in a separate account from these accounts. It is tied to these accounts, but the library has a CD at the bank right now and they want it to stay in a CD. They are looking for the best rate for holding it. Mr. D'Italia said they would have to do 5-year contract to find a decent rate of around .5% or 6%. He thinks the rate doesn't matter because the 10-year treasury is coming. Mr. D'Italia suggested if it is going to be a CD renewal, to renew it for the shortest term such as a year and reevaluate a 5-year rate next year. Trustee Tillman thinks they should keep the CD at the bank it is at now. Trustee Lyman Cousens thinks in terms of this year, inflation is going to be a big problem. He doesn't think it will slow down and will affect the stock market. Mr. D'Italia said if inflation became a problem, they would adjust the portfolio on fixed income and there are 16% weighting tips. There would be an increase to high yield on the bonds.

Trustee Tillman asked Mr. D'Italia to transfer \$2,500 from the Colby Fidelity cash account as per instruction from the Library Trustees. It would transfer the earnings back into the investment but still leave enough to cover fees in the cash account.

Trustee Tillman asked Mr. D'Italia to transfer \$400 to the Capital Reserves cash account from the Capital Reserves Trust to cover expenses until the next transfer of checks. The charges on the account are much higher because of the checks.

Trustee Tillman suggested leaving the other transfers alone (Cemetery and Library Common) because the expenses haven't been high. They aren't even near \$300.

Mr. D'Italia will attend the next meeting in July of 2022.

Trustee Tillman said the maturity date of the CD renewal is May 2nd, 2022.

Chair Dawson stated if residents want to know what is in an individual account, they should have easy accessibility. Trustee Tillman stated she does print out a monthly Financial Report like the Annual report that shows year-to-date for all individual accounts except for the Cemetery accounts. She will print out a year end print out of the Cemetery individual accounts. As far as the Trustees are aware, the only time anyone has questioned the individual Cemetery account amounts is when a person has sold their lot back, so monthly printouts seem to be excessive.

The State filing is completed. Trustee Tillman can answer questions from the auditors. She also has a flash drive with all the files on it to give them.

Next Meeting:

- April 20th, 2022, at 4:00 P.M. (tentative)

Motion made by Trustee Tillman to adjourn. Seconded by Chair Dawson. All in favor. None opposed.

Respectfully Submitted by Hannah Gardner