

**Town of Boscawen
Trustees of the Trust Funds
Meeting Minutes
Monday October 18th 2021, at 4:00 PM**

Members Present: Pauline Dawson – Chair, Tama Tillman, Lyman Cousens
Others Present: Luca D’Italia, Jamie Souza, PCD Clerk -Crystal Tuttle

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 07.19.2021 minutes. Seconded by Trustee Lyman Cousens. All in favor. None opposed.

Investments: The Trustees discussed investments with Mr. Luca D’Italia and Ms. Jamie Souza. Trustee Lyman Cousens asked if they had a monthly or quarterly newsletter. Mr. D’Italia said they are in the middle of making a newsletter. They don’t have a formal newsletter. Trustee Cousens suggested a quarterly newsletter with economic analysis with their projections. Trustee Cousens said there has been few if any transactions in the last 6 months. Mr. D’Italia and Mike handle the portfolio. They manage them on bare markets, not corrections. Mr. D’Italia said September is statistically the worst month of the year and third quarter is generally the worst quarter of the year. They discussed things that contributed to the market. The Town had a pull back of 1.8% when the market was down 5.7% last month. Corrections are necessary and healthy. Typically, there are three to five pull backs in the year. The fourth quarter is usually the best and earnings drive the market. October is the most volatile month with general elections, midterms and earnings coming out. The portfolio is 80/20 right now with fixed income to equities. The Town is making money through the equity market by financials which are up 37% year to date. There is only about 6% waiting in financials. The energy sector is doing very well too. There is more cash in the counts than normal with about 9 to 10%. They haven’t deployed what they sold out of the energy sector yet. They are waiting to see the response. In September it was too volatile to throw it into something. They are now in an early stage where everything is growing and usually lasts a year. Mid-cycle is usually the longest part of the cycle, spanning 1 to 3 years with mitigated growth. The term of the next three months will be supply chain shortage. It is a necessary economic trend. There are two sides to the economy which is supply and demand. It usually takes 3 to 4 months for supply to catch up to demand. They are in consumer discretionary which are set to outperform. The intermediate to long-term trend is how they pick their spots. Energy has been up 100% over the last 6 months. They are taking the correct amount of risk but there is only so much risk they can take out of the portfolio because volatility is in the market. It is more heavily weighted on the fixed income side because it is the risk preference and policy statement. The accounts are all held at Fidelity, but they aren’t all Fidelity investments. They try to keep the underlying cost low. Since it is an exchange traded fund the underlying expense ratio is .003%. That is how efficiency is created in the portfolio and cost isn’t involved

when trading. The Library and Cemetery are identical investments. Trustee Cousens said the top 10 in the Capital Reserves are different from the other investments. Mr. D'Italia said they rebalance every quarter and since the Town hasn't taken any distributions out of the funds yet, all the distributions have come out of the Capital Reserve funds. They must raise cash so it might temporarily mitigate some top 10 holdings. Mr. D'Italia said since interest rates are rising, bond prices fall. The bonds in the portfolio will be less at that time. The treasury from a return standpoint is down 6% this year. They are still getting 3% yield on it. Where they have gained some of the return this year have been from the preferred stocks that are a bond proxy. They have had to take out high yield and credit risk. They shortened it last year, so they are less susceptible to an interest rate risk. Sometimes bonds are nonrated therefor classified as junk with a yield of 6%. They have convertibles, stocks that can be converted to bonds depending on where they are in the market cycle. Some money was made on fixed income because interest rates settled down. They are still debating on getting back into energy because oil is still going up. They put some money into the Communication sector for Apple, Google, and Facebook. Trustee Cousens asked if they could give a breakdown of sectors. Mr. D'Italia said they can give breakdowns into each sector such as technology. Trustee Cousens asked what the percentage of the Town's investment is in each section. Mr. D'Italia said 20% is equities and of the 20% is 10% is sectors. The highest overweight right now is financials which is 4%. Mr. D'Italia thinks they will see sustained growth in the middle cycle. The Town will see high digit zones soon since they are almost out of the middle cycle. The CPI manipulates the Index to a point where it keeps inflation steady. Mr. D'Italia thinks there will be an Industrial Package bill passed. The GDP growth has been very good this year. The Town is still in the early stages of the economic cycle. The market cycle is usually proceeding 6 to months what the economy is. Every year, where the S&P500 has returned 10% or more from January to August, fourth quarter has returned an average of 8.8%. Since February 22nd since they started, the Town is up 4.6% year to date. That is money weighted returned which takes into consideration what is deposited and what is taken out of the entire portfolio. Trustee Tama Tillman said the income has been good year-to-date. It is the net income including the losses. Trustee Tillman said it was concerning to the committee because they see it by the month not year-to-date. All the accounts have made money year-to-date. Trustee Cousens asked to meet once every 6 months with Mr. D'Italia to review. They will meet in July and January each year on the third Monday of the month.

Chair Dawson asked if the Fidelity reports were going into the book. Public citizens should be able to come into the Town office and review their books. Trustee Tillman said they are missing July, but they have August and September. They reviewed documents that showed what ones were deposited and missing. One check was returned because it was marked withdrawal instead of deposit. Trustee Tillman redid the check and completed the other missing one. Both checks were written on the same day. One check was written and mailed directly to Fidelity from the Town. Trustee Tillman printed out receipts showing the three checks.

Trustee Tillman wanted to discuss that even though they have had a loss, they had had plenty of gain with \$14,000. Trustee Tillman isn't concerned with the investments. The Library Trustees decided, and it was sent to all the trustees. They requested that the Trustees keep their money

funded in a CD. Chair Polly Dawson never received the email. Trustee Tillman said the library needs to vote on returning the income back into the investment account from Fidelity by the end of the year. According to the rules, on the library they must tell the Trustees every year. Trustee Tillman said the small library common fund isn't transferring, only the Colby fund is. Trustee Tillman said they need to make a note on when the CD will mature. If they can get a better rate of return and making it more years, it could help. The Colby CD is totaled by three things, the two accounts and the CD. Trustee Tillman suggested when the time comes to see what the higher paying rate is. Chair Dawson said the interest could change. Trustee Tillman said they could talk to Mr. D'Italia about the rates of CD's, and they must give the rates of every bank. Trustee Cousens still doesn't see the breakdowns for the Colby fund. Trustee Tillman said to see the breakdown you have to go to the individual printouts of the accounts. Chair Dawson thought they were going to vote to get rid of the Rec/Senior Center fund. Trustee Tillman said they have voted but it must be shown now because the money went out. Next year it will be gone.

Chair Dawson said Finance Director Phelps said last week they needed checks written out. Trustee Tillman said they are signed and sent.

Next Meeting:

- TBD

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

Respectfully Submitted by Hannah Gardner