



**Trustees of Trust Funds
Town Offices
10 Front Street
Exeter, NH 03833**

September 25, 2023

The Honorable John M. Formella
Attorney General
New Hampshire Department of Justice
33 Capitol Street
Concord, NH 03301

ATTN: Diane Murphy Quinlan, Esq., Director of Charitable Trusts

Dear Ms. Quinlan:

Pursuant to RSA 31:25, attached is a copy of the revised Investment Policy adopted unanimously today by the Exeter Trustees of Trust Funds. This revised Investment Policy supersedes the previous Investment Policy filed with your office by the Exeter Trustees of Trust Funds.

Thank you in advance for your consideration.

Cordially,

Peter D. Lennon
Chair

TRUSTEES OF TRUST FUNDS EXETER, NEW HAMPSHIRE INVESTMENT POLICY

INVESTMENT POLICY

PURPOSE

This policy governs the administration and investment of funds in the custody of the Trustees of Trust Funds of the Town of Exeter, NH.

The Exeter Trustees of Trust Funds are responsible for managing the investment process of the Town, Schools, Library, and Cemetery trust funds, expendable funds, and capital reserve funds in a prudent manner to preserve principal while providing reasonable returns. The Trustees will manage the funds in their custody in accordance with the Prudent Investor Rule as referenced in RSA 31:25-d and in RSA 564-B-9-901 through 906, and summarized as:

“A trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution. A trustee's investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust.”

In compliance with this Rule, the Trustees will seek guidance from experienced professionals in the investment field to assist them in managing the assets of the trust funds. The Trustees will hire or employ the trust department or departments of a bank or banks or a brokerage firm to assist in the management and investment of trust fund resources, pursuant to RSA 31:25-d and RSA 31:38-a and in compliance with the investment guidelines outlined in this policy.

Fees for the Investment Advisor's services will be charged against the trusts and reserves involved as provided in RSA 31:38-a IV and RSA 35:9-a II and III.

The Investment Advisor's role is to provide guidance to the Trustees on matters pertaining to the investment of fund assets including investment policy, investment selection, and monitoring fund performance and compliance with the Investment Policy. The Trustees of Trust Funds shall make all decisions pertaining to the Investment Policy and guidelines for the policy's implementation.

INVESTMENT OBJECTIVES

The objectives of investment activities shall be as follows: first, safety and preservation of principal; second, liquidity; and third, maximizing to the extent achievable the return for the total portfolio comprised of the trust funds. With respect to return or yield, the assets of the portfolio are to be invested for the benefit of the Town of Exeter to maintain or increase the purchasing power of the fund's principal and income over the long term, taking into account the primary objectives of safety and liquidity. Liquidity will be particularly relevant with respect to those trust funds intended to finance

annual municipal functions. The Trustees will work closely with the Investment Advisor to achieve these objectives.

INVESTMENT AUTHORITY

Authorized financial institutions and depositories: The types of institutions and depositories which may be used for investment, custody, or income are those contained in RSA 31:25. Where possible, in selecting financial institutions, preference should be given to those in the local area when the standards and objectives of this policy are not otherwise compromised.

INVESTMENT PHILOSOPHY

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 trust funds objectives, with revisions over time as these objectives change.

Investment 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.

Diversification is the holding of multiple investments to reduce the impact of any one investment and to address investment risk. By owning multiple stocks or mutual funds within several different sectors, industries, or categories, the impact of any one stock and risk may be reduced.

Mutual funds (including index funds and exchange-traded funds (ETFs)) are the easiest way to diversify an equities portfolio. For bond holdings, mutual funds enable investors to diversify across government (including municipal), corporate and agency bonds.

RESPONSIBILITIES

Trustees of Trust Funds will:

1. Establish the Trustee's Investment Policy and review annually.
2. Supervise and evaluate the performance of the Investment Advisor on a quarterly basis.
3. Review and decide requests for withdrawals from trust funds in their custody.

Investment Advisor will:

1. Assist the Trustees of Trust Funds in establishing the Investment Policy and guidelines contained in this Investment Policy statement.
2. Determine an investment strategy and coordinate the asset allocation process through individual securities and/or mutual funds. This strategy shall be within Investment Policy guidelines as set forth in this statement and as otherwise provided by the Trustees of Trust Funds.
3. Provide monthly and quarterly statements, spreadsheets, and trend lines over time. The statements, spreadsheets, and trend lines over time will be divided into account categories and

in a format acceptable to the Trustees and report data in accordance with the State of New Hampshire reporting requirements.

4. Provide online internet access to the Trustees of Trust Funds of investment account information.
5. Monitor asset allocation among all asset classes and verify on a quarterly basis that allocations are within targets defined by the Investment Policy statement and approved by the Trustees of Trust Funds.
6. Meet with the Trustees quarterly to conduct a portfolio review, including its performance compared to appropriate benchmark indices and other relevant metrics, and to discuss whether the current mix of investments continues to comply with the Investment Policy. Provide quarterly advisory reports to the Trustees of Trust Funds by mail and in digital format.
7. Report in a timely manner any substantive developments that may affect the management of trust fund assets.
8. Meet with the Trustees of Trust Funds annually subsequent to the calendar year end and provide in writing the following:
 - a. A certification of compliance with the Investment Policy and the management agreement.
 - b. An analysis of investment performance of the trust funds comparing their performances to appropriate benchmark indices, and other relevant metrics, and depicting trend lines over time.
 - c. A breakdown of the entire investment portfolio by single individual investments, listing costs, market value, and current yield.
 - d. A listing of the Investment Advisory fees including the rate structure, dollar amounts charged during the year just completed, and the dollar amount decremented to each trust fund to generate the total annual Investment Advisory fees.
9. Annually prepare and submit to the Trustees no later than the Friday of the first full week in January of the next year an annual report and table for inclusion in the Town of Exeter's Annual Report; such annual report and table shall include, at minimum, the following:
 - a. A narrative summarizing the activities and decisions of the Trustees for that year.
 - b. A summary of the investment performances of the trust funds, a comparison of their performances to appropriate benchmark indices and other relevant metrics and depicting trendlines over time, and any other relevant information requested by the Trustees.
 - c. A listing of the Investment Advisory fees including the rate structure, dollar amounts charged during the year just completed, and the dollar amount decremented to each trust fund to generate the total annual Investment Advisory fees.
10. Annually prepare the State of New Hampshire MS/9 and MS/10 reports for submission by the Trustees to the New Hampshire Department of Revenue Administration and the New Hampshire Department of Justice as required by state statute.

APPROVED INVESTMENTS

The Trustees shall select asset classifications, presently limited to domestic common stock, preferred stock, U.S. Government and corporate bonds, mutual funds, exchange traded funds, and cash equivalents.

CONSTRAINTS – TRUST FUNDS AND EXPENDABLE FUNDS

1. Guidelines – Equities:
 - a. The percentage of the portfolio in common and convertible preferred stock will be determined in consultation with the Investment Advisor.
 - b. Equities purchases 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, S&P 500 index, and Nasdaq Composite /or to those approved by the Investment Advisor after consultation with the Trustees and with their agreement.
 - c. For the purpose of diversification, no single equity should exceed 10% of the total market value of the equity portion of the portfolio, except in unusual circumstances. The total value of a single company (equity or fixed income) should not exceed 10% of the market value of the entire portfolio, as outlined in RSA 31-27.
 - d. The equity portfolio shall at all times be well diversified across industry groups as defined by Standard & Poor's. Although the Trustees prefer not to specify precise weightings, the intent is to comply with common law prudence.
2. Guidelines- Fixed Income and Cash Equivalents:
 - a. The percentage of the portfolio held in fixed income investments and cash equivalents will be determined in consultation with the Investment Advisor.
 - b. Corporate bonds shall at the time of purchase be restricted to investment grade quality (BBB) by a nationally recognized rating agency.

CONSTRAINTS - CAPITAL RESERVE FUNDS

1. The objective of the Capital Reserve Funds is to maintain the security of the principal, provide necessary liquidity, and generate a total return in excess of certificates of deposit, traditional savings accounts, and money market funds. A market rate of return shall be sought from investments that meet this objective. Capital Reserve Funds shall be administered in accordance with RSA 35-9 and 35-9a.
2. Asset Allocation
 - a. The percentage held in cash and cash-equivalent investments will be determined in consultation with the Investment Advisor.
 - b. The percentage held in fixed income securities will be determined in consultation with the Investment Advisor.
3. Restrictions
 - a. Credit: all funds shall be invested in debt instruments issued by the US Government, Agencies, and domestic instrumentalities, and territories, or guaranteed thereby. This includes General Obligation bonds issued by various states, and General Obligation and Revenue bonds issued by instrumentalities and towns of the State of New Hampshire, so long as all bonds purchased are rated investment grade quality at the time of purchase.

- b. Maturity: the maximum maturity of bonds purchased for the Capital Reserve Funds shall be five (5) or fewer years depending on the need to maintain the necessary liquidity to address annual Town and School spending requirements.

REPORTING

State of NH financial reports (MS 9/10): The Investment Advisor will complete the MS 9/10 reports. The Investment Advisor will provide other reporting assistance as stipulated in this Investment Policy.

Investment Policy report: The Trustees will forward their most current Investment Policy to the NH Department of Justice annually.

Trustees will provide a written summary of activity for inclusion in the Town Annual Report.

CONFLICTS OF INTEREST

Trustees of Trust Funds members shall refrain from personal business activity that is or appears to be a conflict of interest with this Investment Policy or could impair a Trustee’s ability to make impartial investment decisions. Trustee members shall disclose any significant outside activity or interests that could be or appear to be related to the investment performance of the Trust Funds.

Any deviation from these policy guidelines shall require the approval by the Town of Exeter Trustees of Trust Funds.

Approved by the Trustees of the Trust Funds: 25 SEP 2023



Peter D. Lennon
Chair



Jared Patrick Curtis
Bookkeeper



Leone G. Atsalis
Member