

Trust Funds of Hollis, NH
Investment Policy Statement
July 9, 2019

SCOPE:

This is a general investment policy statement that applies to those transactions and related activities of the trust fund financial assets of the town supervised by the Trustees of the Trust Funds. Assets in Trust Funds included are:

- 1) General Trust Funds – Nonexpendable funds
- 2) Capital Reserves – Expendable funds
- 3) Charles J. Nichols Fund – Nonexpendable funds

OBJECTIVES:

Safety of principal is the foremost objective of the Trustees in managing the trust funds. They shall seek to minimize capital loss, whether from defaults or market value erosion. A secondary objective shall be to maximize the income from investments for the benefit of the recipients of the trust fund income. Funds in the care of the Trustees shall be invested in accordance with the definition of the Prudent Man rule as delineated in R.S.A. 31:25-b whereby “a prudent investment is one which a prudent man would purchase for his own portfolio having primarily in view the preservation of the principal and the amount and regularity of income to be derived therefrom”.

AUTHORITY:

The Trustees will oversee the handling of and account for all funds transactions and balances and ensure that all appropriations to the funds and expenditures from the funds are expeditiously handled and properly documented. They will make all decisions regarding investments and will keep appropriate records of their activities which will be open to the people of the town; reported to the townspeople in the annual report of the town; and will be audited at least annually by town officials. For administration purposes, they may use professional banking assistance as specified in RSA 31:38-a. Currently, the entity being used is Citizen’s Investment Management Services of Citizen’s Bank. The Trustees shall prepare or cause to be prepared annual reports to be sent to the town, to the Department of Revenue Administration and to the Office of the Attorney General.

ASSET ALLOCATION:

The asset allocation decision is the single most important factor in determining the performance of the portfolio. The current asset allocation targets are as follows:

	<u>General Trust Funds</u>	<u>Charles J. Nichols Fund</u>
Equities	55-65%	55-65%
Fixed Income	35-45%	35-45%
Cash and cash equivalents	0-5%	0-5%

INSTRUMENTS:

Assets of the Trust Funds may only be invested in accordance with the relevant R.S.A. sections. R.S.A. 35:9 specifies that Capital Reserves may only be deposited in banking institutions either domiciled or doing business under the laws of the state of NH and may be invested only in notes, bonds and other obligations of the state of NH or of the U.S. Government. Likewise, R.S.A. 31:25 specifies that General Trust Funds may only be deposited in banking institutions as stated above. However, in addition to those investments specified for Capital Reserves, General Trust Funds may also be invested in those stocks, bonds and mutual funds that may be invested in by NH Savings Banks or as specified by the State Banking Commission. Further, the various investments will be managed within the following guidelines:

FIXED INCOME: The average maturity of the debt securities should not exceed ten years nor should the duration exceed ten years. All fixed income securities shall have a minimum quality rating of "A" and concentrations in any one issuer shall not exceed ten percent except obligations of the United States and/or of the State of New Hampshire and its subdivisions.

EQUITIES: Equity investments should be in well-established companies that have a proven record of earnings growth, strong fundamentals and good valuations. A majority of equity investments should be in larger capitalization companies (market capitalizations over \$15 billion) and should be broadly diversified. Diversification will include the following based on the percentage of the portfolio based on cost:

The exposure to any single company will not exceed ten percent;


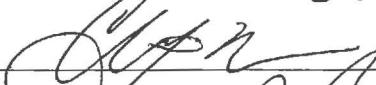

The size of each investment not to exceed ten percent; and

The maximum exposure to any single industry or market sector will not exceed twenty-five percent.

REVIEW:

At least yearly, the Trustees of the Trust Funds will review and adopt an Investment Policy Statement for the investment of Capital Reserves and General Trust Funds in accordance with applicable state statutes.

Approved By:

Date:

