

# Board of Trustees Meeting

MINUTES

FRIDAY APRIL 21, 2006

2:00 PM

OFFICE OF JEFF HARRINGTON

MEETING CALLED TO ORDER BY	Jeff Harrington
SECONDED BY	Don Cichon
TYPE OF MEETING	Board of Trustees
FACILITATOR	Jeff Harrington
NOTE TAKER	Kimberly Nunan
TIMEKEEPER	Kimberly Nunan
ATTENDEES	Earle Goodwin, Don Cichon, Jeff Harrington, Kimberly Nunan, Daniel Kelly (Brief Appearances)

Meeting was called to order at 2:03 PM by Jeff Harrington.

## Agenda topics

### REVIEW OF INVESTMENT PORTFOLIO

DISCUSSION	<b>FIRST ORDER OF BUSINESS: GO THROUGH MINUTES FROM LAST MEETING &amp; APPROVE THEM</b>
2:09 PM All in favor- unanimous	
DISCUSSION	<b>WASSAC</b>
<p>Mr Harrington I've got the sixth thing on the agenda is to review the investment portfolio. You have in front of you two packets.</p> <p>Mr. Goodwin- If I may back track, on that meeting, we did mention that we wanted to pass the Tire Recycling by the Solid Waste Committee...Jerry Gilmore said he needs to be kept abreast of this.</p> <p>Mr. Cichon - We did mention that we needed to inform the committee at the last meeting.</p> <p>Mr. Goodwin – It would be appropriate to pass on a copy of the resolution to that committee.</p> <p>Mr. Harrington – We need to make sure the appropriate committee is informed and that they have reviewed the resolution before we approve anything. (Sometimes the boards are advisory and won't approve any part of the issue relating to the financial side.)</p> <p>Back to Wassac</p> <p>Mr. Harrington - Two different packets, one is summary info As of March 31<sup>st</sup> of all the investments, what there performance was. Then the morning star write ups of each of the Mutual Funds. Then the other one is kind of an analysis of the portfolio in whole and how things are structured and how we compare it to other indexes and things of that nature. So as we identify an issue in one so we can look at the analysis from the morning star to see whats happening in that particular bond. There are numbers on each page so we can all be on the same page.</p> <p>Mr. Goodwin – Usual thorough job.</p> <p>Mr. Harrington - Pages 2 &amp; 3 of the Portfolio is an overview. How much is in cash/stock 17% of our Portfolio is in Cash. (page 2) Cash in that pie chart is made up of the cash we have hold separately as well as any of the cash in the mutual funds, so we don't essentially have ourselves 17% but overall with all the mutual funds and everything else is 17%. Our Checking account which is not part of that is with TD Banknorth. But most of the cash is either held at Fidelity or NH Public Deposit Investment. We have \$289,000 in those two. Out of the 2.2 million dollars theres some other portion of that money that's held by mutual funds.</p> <p>Almost 47% of our portfolio is within stocks, more (52%) if you include foreign stocks. Bonds are about 28%. Bottom of that page gives you a break out of stocks percentage of where in the industries it's being held, 20% information, 50% Services, 28% Manufacturing, On the right hand side it tells you what type of stocks they are. Most of our stocks are in classic growth. These stocks are held by mutual funds.</p> <p>Mr. Goodwin – We have no control over them?</p> <p>Mr. Harrington – We have control over whether we invest in that particular Mutual Fund, but other than that no. But they are limited by what they say they can invest in.</p> <p>We can buy stocks on our own, but I think that's kind of risky. We are mostly in classic or slow growth.</p>	

Mr. Goodwin – I think this is probably best to do.

Mr. Harrington – On page 4 & 5 they take a look at your portfolio and interprets it. Over all it says it is moderately risky. Financial planners typically recommend this type of portfolio for investors who have three to 10 year investment horizons,(which is right along what we are doing) and who are concerned by volatility but not preoccupied by it. Such portfolios often generate a healthy stream of current income. (Which is also something we are doing)

On the right hand side it talks about the portfolio style :CORE

Stock exposure is spread across the market and includes a good mix of small, medium and large companies, as well as a fairly even mix of conservatively priced value stocks and high-flying growth stocks. For most investors, is a prudent way to invest (once again it looks like the type of thing we want to be into)

I didn't see any red flags in here at all. On page 5 it looks at the market sectors, how much is information vs. services vs. manufacturing etc. It says we have normal exposure to all market sectors. I think part of our investment policy is not to have over 20% in any one sector. 10% in one investment, but 20% in any sector, and we're 9% in Media, 9% Healthcare, 9% Consumer. There is 23% in Financial Services and in these other pages you can scroll down and find out which are the ones with .....

Mr. Cichon – I don't remember anywhere in the policy that 20% is the limit in any one sector, or how the sectors are defined. For instance assuming it's true that 20% is the limit, is the sector defined for that purpose as the Service Sector, or the Financial Services.

Mr. Harrington – I don't think there are enough Service major categories out there that you could have 20% in all of them. You've got to look at the more individual services.

Mr. Cichon – Sure right because we'd always be over the 20%. I'm slightly bothered by it because Financial Services Industries happens to have been a great growth sector over the last few years, and if that's the policy that 20% is our cap, one of the things we should be looking at is reducing the exposure in the Financial Services by 3.3%..but on the other hand it's been a good growth sector and the prognosis in the future is good.

Mr. Harrington – I think that when you look at any of those limitations they are meant to be flexible. They are not concerned with 1 or 2% over.

Mr. Cichon – So how often do we reduce it so it doesn't grow too large.

Mr. Harrington – we just have to keep an eye on it, but not be bothered by a few points. I will have to look at the Investment Policy.

Mr. Cichon – I have mine Investment Policy here.

Mr. Harrington – It says here (In the Policy) No more than 20 % cost basis, shall be invested in any one sector. I don't know if there is a way to know what the cost basis of that is.

Mr. Cichon – yup.

All determined that a few % over is allowable according to the Investment Policy.

After a few moments the Board began to view other two write-ups in the Morningstar report...

Mr. Harrington – Expense ratios were at .71, similarly weighted Hypothetical Portfolio we're at 1.24, Very low expense ratio compared to potentially other similar types of portfolio's. And so those two pages give you a good overall of where the stocks are and how its looked at over all compared to similar other portfolio's.

Mr. Cichon- well that's good. I remember from the last meeting being concerned the way I was reading the charts...it's looked like we were incurring some losses. Aside from that WASATCH in particular. I pulled another source of data on WASATCH...

Mr. Cichon asked Kim to forward the minutes soon after completing them because he has difficulty recalling the information unless he has accurate notes to refer to....Kim agreed to do so by emailing the minutes to all board members.

I remember seeing there was a loss on WASATCH...

Mr. Harrington – there is two pages on this other handout that have losses ...there are three on that front page that are minor, and I think that there all fixed income ones.

Mr. Cichon – Yup, American Century, Dodge & Cox income Fid Interm Gov't Income, are those the ones your looking at, and Vanguard GNMA...

Mr. Harrington – Yeah...yes there's four of them.

Mr. Cichon – and your right they're all fixed income funds and the income sector has been down.

Mr. Harrington – If you go to the next page it gives you the performance on these it's from the beginning of the fiscal year last year.... so its for  $\frac{3}{4}$  of the year. There are only 3 that show a return....WASATCH is a low amount  $\frac{1}{2}\%$ .

Mr. Cichon – part of my problem is, and maybe it's just what's shown here, what your showing me in the Chart Jeff, Trust fund investment performance on page 2 of that thin packet, 7/1/05 to 3/31/06, The WASATCH core growth, and I ran this in early March, which only had data through January 31, 06 and it shows the WASATCH core growth performance for the past year at 12.16, well the upshot is whatever time period you use on the WASATCH core growth they were much much hire than this .54% shown on the chart and even though I know this represents 9 months there's no way they would always be positive and much hire than .54% no matter what time period you chose.

Mr. Harrington – As of 3/31 if you look at the thin packet, page 16, .... 3<sup>rd</sup> and 4<sup>th</sup> quarter 05 and 1<sup>st</sup> quarter 06, You have a small increase....

Mr. Cichon- Well in light of that, the growth may be ok, I guess I was thinking more in terms of annual and I didn't see how the WASATCH core growth could possibly, on an annual basis, could show that growth...

Mr. Harrington – the one that concerns me is the American Century Inflation

Mr. Cichon – that doesn't concern me on the face of it, first of all we have the bond Mkt is just plain been bearable for the past year, and once the fed stops raising interest rates after some slight time lag, in general things start raising, in general, so we don't want to move out of them because they've showed negative performance, because they've showed negative performance because they're following the rules. Historically speaking, the fed keeps threatening to stop raising interest rates, and so they just haven't done it....but again, just last week they said it again, and if they really do than...

Mr. Harrington – get out of it at the worst point, instead of just riding it out, which is what we're supposed to be all about, riding out those things. And the other part is are we getting an actual pass, which I'm sure we are it might not be the best return, but the value is coming into play on this return thing. It's rank is 37 out of 116 funds. Its in the top half.

Mr. Cichon – Well the main question for me is, on the bond funds, or the income funds in general is not that this one is performing great but, are there other bond fund that are performing better. The only disturbing piece of news of this is that the morning star rate is down from 3 to 2 stars. And does it say the basis for their ratings down?

Mr. Harrington – not on this analysis in fact. There probably isn't much information available on line. The Dodge and Cox income fund is the other negative that 's in the top performance profile 7<sup>th</sup> out of a 1087 funds.

Mr. Cichon – Yeah but look at its returns, its performance is lower than the American Century one. That's why I was wondering about the rating on the other one. Well, despite the star rating difference on these two American Century on a % basis has been a better performance. Oh no the Dodge and Cox income in fact has had a better performance in the 4<sup>th</sup> quarter of 05 and 1<sup>st</sup> quarter of 06. I was just comparing magnitude of numbers.

Mr. Goodwin – Money Market ...cash reserve beginning cost was \$63,128 and fair market ending was \$137k? It doubled?

Mr. Harrington – Yeah, that's just like a checking account, so it's \$1 per share, it doesn't change. So that's just like a holding account for cash, cash in cash out. Those are the bad news and there's some really good news on here, When you look at Longleaf Partners, Equity Income, Lord Abbott or T Rowe, and these returns are only 9 months.....it says avg. annual returns, but I don't know if they're annualizing into a 12 month period or what.

Mr. Cichon – Oh I see you do have the NH PDIP in here.

Mr. Harrington – Yeah they're currently at about  $4\frac{1}{2}\%$  annual return on their investment. If you look at page 11 and 12 (on the thick packet) on the 8<sup>th</sup> column in where it has the \$ sign, is the listing of the mutual funds that are invested in the financial services, the largest one is WASSACH at 37%.

Mr. Harrington – This says % of portfolio analyzed at the bottom right of pg 12 that would be because some of them are bond funds ...

Mr. Cichon – ok that's just the equity, sure.

Well overall my sense is that we're on a good track and I'm not bothered by that loss that I was last month, the losses that we're seeing on the income funds is just contributable to the way that sector of the market has done in the past year or so and it really seems poised to turn around at some point in the next year, so I'm not in favor of making any moves.

Mr. Goodwin - Your comfortable.

Mr. Cichon – yeah.

Mr. Harrington – I don't have a whole lot of concerns with this portfolio, It's structured to sort of stand the test of time anyway. I think it's doing a good job, I think it's like anything else, you need to keep your eye on it.

Mr. Goodwin – well, I would say it's in good hands.

Mr. Cichon – what I would like to do is remember I used the asset allocation time charts before to analyze and review and kind of give us some guidance for rebalancing, well I did an update in March of 05, unfortunately that particular software is not available anymore, the new one is more complex, more detailed.....

What I've got access to now, breaks it up a little more finely detailed.... I would like to over the next month or two to plug this into the new system to see if its suggesting anything other than what we've concluded here today, and if so, I'll email you and say I'd like to meet to discuss it and call another meeting as soon as your reasonably comfortable.

Mr. Harrington - Right now there's \$353k available to spend out of the trust funds (end of march) some of it is gift funds directed to departments, the majority of it sits in the cemetery that's over \$107k . They've only spent about \$14K thru March, we've got Cemetery maintenance, they spent \$5200 , perpetual care has about \$13000 in encumbrances that they're going to spend. The capital one's go before the council, anything 4 and up go through us.

Mr. Goodwin – So one specific item \$4000 or higher goes before us?

Mr. Harrington – yeah, one of the things coming up is the scholarship money for the school, that's usually several thousand dollars coming up, each dispersement is like a 1000, sometime 1500 but that will be coming up real soon.

Mr. Goodwin – very good.

Mr. Harrington – so I don't know, any other questions. Do we want to talk about another meeting, or are we all set for a while.

Mr. Cichon – I feel like I'm all set for a while, but like I said, I'd like to follow up with an analysis based on how we're in balance, but I know I'll have trouble getting to that since it takes at least a few hours to do, I'll have trouble getting to it for at least a month or so. But I will do that and I will get back to you and let you know what I've come up with and if it warrants a meeting I will notify you.  
Well, thanks for your hard work Jeff.

Mr. Goodwin – (To Mr. Harrington) Don't talk about retirement, we need you here.

**CONCLUSIONS**

Meeting adjourned at 2:59 PM

Mr. Cichon will do an analysis to follow up on what was discussed today and he will contact Mr. Harrington and Mr. Goodwin if his findings warrant a meeting.