

**TRUSTEES OF TRUST FUNDS**  
**March 16, 2022 at 4:15 pm, Franconia Town Hall**

In attendance: Karen Foss, Jan Cole and Carol Walker  
Guest: Dawn Steele

Transactions:

There were no transactions in the CRF or CTF during the month of February 2022.

Reports:

The Trustees reviewed the February 28, 2022 Three Bearings/Fidelity Common Capital Reserve Fund (CRF) report with a beginning balance of \$2,877,969.09 on 2/01/2022. There were no transactions in February but there was a decrease in investment value of (\$29,138.84) during the month and a year-to-date decrease in investment value of (\$79,320.36) resulting in an ending account value of \$2,848,830.25 as of 2/28/2022.

The Trustees reviewed the February 28, 2022 Three Bearings/Fidelity Common Trust Fund (CTF) report with a beginning balance of \$345,164.55 on 2/01/2022. There were no transactions in February but there was a decrease in investment value of (\$4,411.77) during the month and a year-to-date decrease in investment value of (\$10,673.43) resulting in an ending account value of \$340,752.78 as of 2/28/2022.

The Trustees intended to review the MS-9 for the period from 1/01/22 through 2/28/2022 but received a message from Linda Wakefield on 3/15/22 that due to a programming issue related to the report's compatibility with the Axiomatic Trustee of Trust Funds Portal, the final MS-9 for the 2-month period ending 2/28/2022 will not be available for a few more days.

Three Bearings Fiduciary Advisors' quarterly portfolio management fees for the period from 12/1/2021 through 2/28/2022 were sent by email on March 16, 2022. The fees will be charged to the CRF and CTF funds on March 5, 2022 and reported on Fidelity's March 31, 2021 reports.

Minutes:

Draft minutes for the February 16, 2022 Trustee meeting were reviewed; Jan made a motion to accept the minutes as written and with a second by Karen, and all voted in favor of approving the minutes. Carol will send Final Minutes for February to the Town Administrator for posting to the Town's website.

Deposits & Distributions after Town Meeting vote:

Jan prepared and circulated a schedule of warrant articles that were passed at Franconia's March 8, 2022 town meeting that details the warrant article numbers, fund names, amounts and sources of funds (trustee accounts, unassigned fund balance, budget, from taxation or from water customers). In a 3/11/2022 email from Jan to the Town Administrator, Jan reminded her that any funds from the

unassigned fund balance that were voted at Town meeting must be transferred to the CRF or ETF within 10 days after town meeting.

She also requested minutes from the town meeting to accompany the request to discontinue/close both the Northern Pass and Fire Safety CRF since minutes will be required to accompany these requests. Per Jamie Dow at DRA, the Northern Pass and Fire Safety CRF funds must be sent from Three Bearings back to the Town, and then sent from the Town back to Three Bearings as deposits to the Legal Fund and new Fire Safety Equipment ETF fund to be established.

In response, Carol Wills, Town Clerk, has provided a certified copy of the voting results that took place at the 3/8/2022 town meeting since the minutes were not yet finalized (she has 20 days to finish them).

In response to the above, Karen picked up Check No. 044448 for \$67,971.00 on 3/16/2022. After review by the trustees at our meeting that same day, it was determined that the check must be voided and another one prepared with the following changes that Karen will communicate in a letter to the Town Administrator with changes that should be made:

- Deposits to the town's Capital Reserve and Trust Fund accounts should be made payable to "Fidelity Investments" instead of to Three Bearings. Instructions will be provided to the town again for this transaction and to retain for future deposits.
- The amount of the check should be changed to \$55,971, which is the \$8,815 from WA#15 (corrected) for Lafayette Recreation ETF and \$47,156 from WA#16 (corrected) for Life Squad Van CRF. We were advised by Three Bearings that the \$12,000 from WA#19 (corrected) should be delayed until the new account is established and that cannot be established until the old account is closed, which will happen once March figures are posted. Karen will remind the Town Administrator about the \$12,000 check in early April.

Franconia Scholarship Fund Policy and Procedures follow-up:

The Town report for 2021 indicated that Josh Lawton is the town representative for the Advisory Committee, but the Trustees have not received confirmation or notice of this from the BOS. We will contact Bess and Tom for their input, and Jan will contact the Board of Selectmen again to find out about the appointment they were asked to make several months ago.

David Mayes meeting at 3 pm follow-up:

At 3 pm on 3/16/2022, the Trustees attended a GoToMeeting with David Mayes and Zachary Zwick of Three Bearings to review and discuss Portfolio X-Ray reports for Franconia's CRF and CTF as of 2/28/2022 and quarterly Portfolio Review reports for the 3 months ending 2/28/2022. The purpose was to discuss how the Town's funds are invested given rising interest rates and bond prices and whether it remains consistent with our Investment Policy. We reviewed the CRF portfolio comparative performance for the past 3, 12, 36 and 60 months as compared to a CRF Diversified (Benchmark) and found it to be well aligned particularly over the past 3 and 5 years (almost the same as the benchmark). For the past 3, the CRF reports a (2.2%) TWR (time weighted return) compared to the CRF Diversified (Benchmark) of (1.66%) and for the past 12 months, the CRF shows a flat or 0.04% TWR compared to the Benchmark of 1.01%. With the Fed rate increase of 0.25% today and uncertainty about interest rates,

there may be some opportunity to rebalance the CRF more closely toward the 15% target for the S&P 500.

For the CTF, the comparison is even better with the CRF 3-month TWR of (1.15%) compared to the Income (Benchmark) of (3.58%); and for 12 months, the CRF TWR is 3.63% compared to the Benchmark that reported only 0.24%. The 3- and 5-year comparisons are closer to each other and consistent. For the CTF, there is a higher allocation to Equities and the portfolio is tilted toward value stocks. Bonds and Stocks have been moving in the same direction over the short term. The best hedge against inflation is long-term treasuries but this is not an asset class that we use. Instead, the CTF is invested in intermediate term bonds. Our large and mid US equity funds are showing good returns between 4.0% and 7.0%. Our corporate bond funds and global bond funds are reporting a return of (negative 3-5%) currently due to the rising rate environment. The strategy remains good even during the current economic turmoil; we'll be averaging into bonds when interest rates rise. The discussion with David and Zachary was most informative.

#### Investment Policy:

During our regular meeting, the trustees agreed that we remain comfortable with the existing Investment Policy and voted to re-affirm the present Investment Policy with a motion from Karen, seconded by Jan, all voted in favor of re-affirming the present Investment Policy.

#### MS-10:

The MS-10 has been filed and acknowledged as such by Linda Wakefield at Three Bearings. However, some MS-9 programming must be finished since Three Bearings' CSV file has issues to correct before it gets uploaded to Axiomatic. It had to go back to original formula and has taken a bit longer than they would have liked. The purpose of the MS-10 is for the State of NH's review to make sure trustees are not taking too much risk, have a sense of how much income is generated and what the portfolio holdings are and to break out principal and income by security. There is no column to recognize gains; gains go into the principal bucket only.

The Trustees met during a work session on 3/10/22 at Town Hall to work through the MS-10 that has been provided to us by Three Bearings. After the meeting, Karen posed several questions to David Mayes regarding discrepancies in the columns "Principal Purchases," "Principal Sales Proceeds" in both the CRF and the TF. He indicated those columns are not going to tie to any statement because the whole process of breaking out principal and income by security for the MS-10 is a fiction. Three Bearings uses the principal purchases and sales columns to get each security's principal and income balance to tie out to its cost basis and ensure that the total purchases and sales tie out to net additions to the portfolio. The numbers in these columns will not necessarily tie out to a Fidelity statement.

#### Permanent File review:

Jamie Dow provided Franconia's Lafayette Permanent File Report. It was noted that the Fund names need to be corrected to those stated in the MS-9. Jan will contact Jamie to request that this be done.

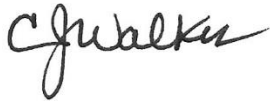
#### Old Business:

Cemetery Trustees transactions: On 3/15/2022, Karen notified the Cemetery Trustees that the \$1,358.31 (to reimburse the town for the care of the PC lots) had arrived at the town's account. Karen

confirmed that the funds were debited from the individual perpetual care accounts and not the cemetery maintenance fund.

There being no further business, the trustees adjourned the meeting at 5:45 pm. The next trustee meeting is scheduled for April 20, 2022 at the Town Hall beginning at 4 pm.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "C. Walker". The signature is written in a cursive, flowing style.

Carol J. Walker, Trustee