

**Town of Boscawen
Trustees of the Trust Funds
Meeting Minutes
Monday, April 18th, 2022, at 5:00 PM**

Members Present: Pauline Dawson – Chair, Margaret Daneau, Lyman Cousens

Others Present: Luca D'Italia

Chair Polly Dawson opened the public meeting at 5:00 P.M.

Roll Call Completed by Chair Dawson

Minutes: Chair Dawson motioned to accept the Trustees 01.19.2022 minutes as presented. Seconded by Trustee Margaret Daneau. All in favor. None opposed.

New Business: Mr. Luca D'Italia passed out three charts displaying how the portfolios sit as of today. The larger Capital Reserves accounts were down about 5.4% YTD, only on money that was invested. Of the \$1.2M of total assets, \$700,000 of that is invested and the rest of it is in cash. Currently, they are holding about 30% in cash since December. There are various reasons but mostly because of where they are in the actual market cycle. Holding 30% in cash prevents losing more but also gives an opportunity to deploy when the market gets back up to neutral. The market is down 12% total. Mr. D'Italia said Boscawen is still in the right places from the allocation standpoint. Boscawen Trust of the Trust Funds allocation is known as income plus. That means 80/20 fixed income to equities, 20% goes to stocks and 80% to bonds. They sold a lot of the bond positions in December because of high interest rates. Mr. D'Italia said they won't make money in bonds this year. He said from the equity standpoint, they are still fully invested, and it will make their money this year when the market is back to neutral. The market will hopefully be at 0% towards the beginning of May and then be positive until August. It will be flat for the rest of the year because of midterm elections in September and October. Mr. D'Italia forecasted this year will still be slightly positive, around 4% or 5%. They are still in the mid-market cycle which is the longest period. They completed the early-stage market cycle around August or September of 2021. In the market cycle they are still in energy because it is doing well. Inflation is still high however they can adjust the GEP growth and it will moderate in the future. Energy is cap weighted and all oil. The sector is up almost 40% YTD. The industrials sector will crest again. They are seeing an anomaly this year where utilities are the second best performing out of 11 sectors of the market. Utilities typically only do well during a recessionary period or bear market, but interest rates are on the rise. That sector will eventually come back down. The financial sector will be negative YTD because interest rates haven't caught up with what the banks need them at to make a profit. The materials sector is also doing well. Lumber prices have come down, but the price of aluminum and copper have spiked. Mr. D'Italia said if they want to know how the economy is doing, they look at copper prices. When copper prices are low, typically they're in a recessionary, bear market territory. He doesn't think a recession

would happen in the next 16 to 18 months, but it could start showing signs of one at the end of 2023. The yield curve inverted slightly a couple weeks ago. Mr. D'Italia suggested looking at the three month versus 10 year for a true inversion to assess a recession on the horizon. They are staying out of the bond market unless it tips or very short-term treasury's, one to five years. They are trying to shorten the durations because the 20-to-30-year treasury is down 18%. Chair Dawson questioned why more of their money is in bonds. Mr. D'Italia said the allocation is 80/20 but of the 80%, only 54% is that and the rest of the 30% is cash. The 54% is treasury inflated protected securities and one to five-year short-term bonds. The bonds are negative 4% YTD but the yield on them is increasing because bond rates are rising. With bonds, they can't get both appreciation and yield, it is one or the other. Bonds are meant for solidity and to round out the risk they are taking from the stock portion. Trustee Cousens asked if the 10-year bonds were up YTD. Mr. D'Italia said the 10-year rate was higher than the 2-year rate but the 10-year bond is down 7% YTD for appreciation. Overall, they are up about 1.2% since the start of the accounts. Chair Dawson asked what would happen if a bank defaulted. Mr. D'Italia said if there was a run on the banks or the U.S. defaulted, none of it would matter but it isn't practical to happen right now. The accounts are positioned to preserve as much capital as possible but also get a little more in return than they would be getting just sitting in cash. Mr. D'Italia said until September of this year, the market will be choppy, but they are positioned in the right places to make enough return when the market is neutral again. He said it would probably stay 30% in cash until the end of the year. Trustee Cousens said people are worried about what happened the last 3 months. It has offset all the income they received last year. Mr. D'Italia said last year was a good year. They did not start January 1st, so technically they didn't have a full calendar year. They would have guaranteed themselves to miss out on 1% if they kept it in cash. He said it is opportunity costs versus opportunity loss. The way the allocation is, if it were reverse, they would most likely be up 5%. Mr. D'Italia noted it isn't the investment policy that the Trustees of Trust Funds contains. The goal is to try to make more money when the market is high and lose less money when the market is down. Trustee Cousens requested a monthly report. Mr. D'Italia agreed to send a monthly chart YTD but it is only accurate the day received. It also is as accurate as what the current investments are. Trustee Cousens said for the record, Ms. Tama Tillman spoke with the Head Director of the Charitable Trust, Tom Donovan about the issues with deficits this year and he suggested to stay on course. Trustee Cousens is concerned with contributing to the cost of the waste in Boscawen with all the prospectuses. Trustee Daneau asked if Fidelity would allow digital copies. Mr. D'Italia said they can but only some of the firms do digital.

Other Business: Chair Dawson said the CD the library owns is maturing on May 2nd. She suggested rolling it over to the shortest CD time. They opened the CD last year, only for a year. The Trustees decided to do another one-year term.

Trustee Daneau will be reviewing the Cemetery funds. Currently she still doesn't have access to any online accounts. She also will be on vacation the next two weeks. Trustee Daneau will complete the financial report when she is back.

Trustee Cousens motioned to approve Trustee Daneau as the bookkeeper. Seconded by Chair Dawson. All in favor. None opposed.

Trustee Cousens said there was an authorization for Ms. Tillman to file the reports with Tom Donovan. It needs another signature.

Chair Dawson said Trustee Daneau needs to sign the Instructions of the Trustees document.

Next Meeting:

- Monday, July 18th, 2022, at 5:00pm

Motion made by Chair Dawson to adjourn. Seconded by Trustee Daneau. All in favor. None opposed.

Respectfully Submitted by Hannah Gardner