

**Town of Boscawen
Trustees of the Trust Funds
Meeting Minutes
Monday, October 24th, 2022, at 5:00 PM**

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

Others Present: Luca D'Italia

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

Roll Call Completed by Chair Dawson

Minutes: Mr. Luca D'Italia clarified a statement, line 32, the government dropped \$4.5 trillion out of a helicopter, not spent.

Trustee Lyman Cousens motioned to accept the Trustees 07.18.2022 minutes as amended. Seconded by Trustee Margaret Daneau. All in favor. None opposed.

New Business: Mr. D'Italia presented reports showing the equity and bond positions they have available in their models. The reports compared where the rest of the market is and what the Town of Boscawen, Trustees of the Trust Funds have been doing as far as the tactical and proactive management of their portfolio. Mr. D'Italia stated in a year like this, the Trustees want to protect as much as possible without going all to cash. The Trustees of the Trust Funds account was down 10% across the board, excluding fee accounts. That is 4% larger than in July however August and September were bad months. In September, S&P was down almost 10% and shed almost 7% in August. Statistically, September is the worst month of the year. Mr. D'Italia stated in a market like today, typically when equities are down, people can go to bonds. The issue is in the last two years, interest rates have been zero and in the last 10 years, they've been historically low. Mr. D'Italia referenced a chart showing the entire bond market is down 16%. He stated the Trustees portfolio has been shortened in the duration as much as possible without hindering the interest rate environment because there is no place to go in the bond market. They hold 80% in bonds and 20% in equities. They also hold about 50% in cash because they can't make money in the equity market. Of the 20% allocated towards equities, 10% is invested in value companies. Mr. D'Italia said third quarter is usually the worst quarter of the year but it positions them to not lose money. It also gives them a chance to enter back into the market when bonds are renormalized. There are no long bonds in the portfolio right now because they're getting suppressed by interest rates going up. By shortening the duration of the bond side in the portfolio, it has allowed them to lose less in a market that is down overall. Mr. D'Italia discussed the impact COVID had on the market. He said most of the market this year is sentiment driven. Inflation is slowly moderating, but it takes time. There's been a shift in consumer spending. During COVID, people were spending money on home necessities and now people are shifting to travel. People are spending the same amount of money, but allocating it differently, and it all goes to Gross Domestic Product (GDP). Two-thirds of GDP consists of people buying or spending money. It doesn't matter how people spend their money, it's about the amount of

money that's going to GDP, which is positive. Mr. D'Italia said the economic cycle is entering a contractionary period, potentially a recessionary period. He stated with the market preceding the economic cycle by 12 months, the market would have already hit its bottom before even seeing a recessionary period. Mr. D'Italia said most of the things weighing on the market this year have passed so it should get back to a normal interest rate environment. The fixed income market will be a better performing metric which is the bulk of the portfolio. The Federal Government will raise interest rates another 75 basis points for overcorrection. It shouldn't affect the portfolio because earnings are still good. If the Feds increase by 50 basis points, the market will increase because they're tightening. In that case, the Trustees can lengthen the duration. In terms of fourth quarter, it is usually the best of the year. Mr. D'Italia stated the portfolio is positioned well for a comeback. Banks are lending money because people weren't taking loans during COVID. There is still a 2-year and 10-year yield on the yield curve and the midterm election is approaching. Mr. D'Italia said the fourth quarter may give back a lot of what has been taken away this year. The portfolio may not get back to neutral but ending the year with the market down -4% wouldn't be a loss considering the year overall. This year it is crucial to protect as much as they can without leaving the market completely. Mr. D'Italia said they are forecasting to be up 5 to 6% by the end of the year. For that to happen, the market must return and increase 15% overall.

Trustee Cousens asked why the stock market is up so much right now. Mr. D'Italia said earnings drive the market and are coming out and beating estimates. He said there is a decreasing uncertainty of what's happening with the government as far as legislation. Two things could happen, Republicans will get relative control over the House, or they will get absolute control over the House and Senate. Discussion ensued.

Trustee Cousens asked if their meeting dates would remain the same for next year. Finance Director Kate Merrill will confirm their meeting dates for next year.

FD Merrill stated NHMA is having their annual conference which has trainings for the Trustees of the Trust Funds. It costs \$100 to attend which can be budgeted from the training budget. FD Merrill will send the information to the Trustees.

Next Meeting:

- Wednesday, January 18th, 2023, at 5:00pm

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

Respectfully Submitted by Hannah Gardner