

# TOWN OF HANOVER TRUSTEES OF TRUST FUNDS

## Meeting Minutes

Wednesday, January 26, 2011 at 7:30 a.m.

**In attendance: B. Doyle (Trustee), P. Gardent (Trustee), J. Pierson (Trustee); M. Wrenn (Bank of America); J. Wesson (Bank of American); B. McClain (Town Administration)**

### **Investment Performance Review**

Mr. Wesson and Mr. Wrenn circulated a bound report outlining general market conditions and detailing the asset allocation and investment performance of the Trustees' holdings at Bank of America – Merrill Lynch. Selected pages from this report have been attached as a part of these meeting minutes.

Mr. Wesson noted that the transition of the portfolio is unfolding very deliberately. He is maintaining a balance of growth over value (60/40) for domestic equities; and there is no bias (50/50) in the international arena. He remarked that the portfolio positioning hasn't changed in several quarters now, and he is looking at rebalancing the portfolio in concert with evaluating some of the new fund managers.

Mr. Wesson turned first to the smaller of the two Trustees' accounts and highlighted the portfolio's asset allocation, which – by and large – hits the tactical targets. Mr. Wesson then walked through the performance highlights of the portfolio. The Trustees asked whether Mr. Wesson had been able to develop a custom composite benchmark as requested earlier. Mr. Wesson indicated that he will be working on this, and it will be ready for the next time. Trustee Pierson asked why the Total Portfolio Performance was the same as the Total Portfolio – Net of Fees Performance for the recent past. Mr. Wrenn explained that this results from the fees being taken within the funds.

Mr. Wesson then highlighted the investment performance at the sub-asset class level and noted that there was good, solid performance overall. He emphasized that the Columbia Fund holdings are in the portfolio on their own merit and are evaluated for their performance in the same manner as any other holding. Trustee Gardent asked for clarification on whether the investment performance information was presented for the individual fund holdings, as he would like to see the performance of the given funds vs. performance for an aggregate of sub-asset class holdings. Mr. Wesson and Mr. Wrenn indicated that there was some aggregation in fixed income and emerging market holdings.

Mr. Wesson then turned the Trustees' attention the Bridgman Fund account, the larger of the Trustees' holdings. This account, as requested, is being managed with a total return objective similar to the other account and also outperformed applicable benchmarks. Trustee Gardent asked to see portfolio investment performance also measured against the applicable Consumer Price Index (CPI) plus 3.0%. Per the Trustees' Investment Policy: "The specific investment objective is to exceed the long-term rate of inflation (as measured by the CPI) by 3.0%." Mr. Wesson agreed to include this benchmark on future reports.

Trustee Doyle asked whether the fund managers that are being used consider flows of cash in and out of the fund when making their strategic decisions. Mr. Wesson would pursue this and report back to the Trustees.

There was general discussion about the projected disbursement activity from the Trustees' accounts. Ms. McClain reported that there is a pending \$30,000.00 disbursement from the Bridgman Fund, and that the annual disbursements from the other Trustees' account are generally in the \$4k-\$6k range.

The Trustees affirmed that having Mr. Wesson and Mr. Wrenn attend a Trustees' meeting to physically present the investment results was generally not needed more than two times a year. It was agreed to plan on "in-person" investment performance presentations in late January (December 31 results) and in late July/early August (June 30 results). In the off-quarters, the investment performance for the quarters ending March 31 and September 30 would be e-mailed to the Trustees.

### **Transaction Authorization**

Trustees approved the following transactions:

- Deposit of \$2,000 to the newly created Dartmouth Class of 1958 Clock Maintenance Fund
- Deposit of \$1,148.00 to the Etna Library Expendable Trust Fund
- Withdrawal of \$45,000.00 from the Hanover School District Building Maintenance Fund
- Withdrawal of \$25.00 from the Frank B. and Edith R. Tenney Trust Fund
- Withdrawal of \$30,000.00 from the Bridgman Fund on behalf of the Hanover School District

*Note: this last transaction was provisionally authorized by the Trustees pending the receipt of the requested letter of certification signed by the Hanover School Board Chair and the SAU #70 Superintendent where they certify that the requested funds "are not used to reduce taxes" as stipulated by the Bridgman trust instrument.*

### **Other Business**

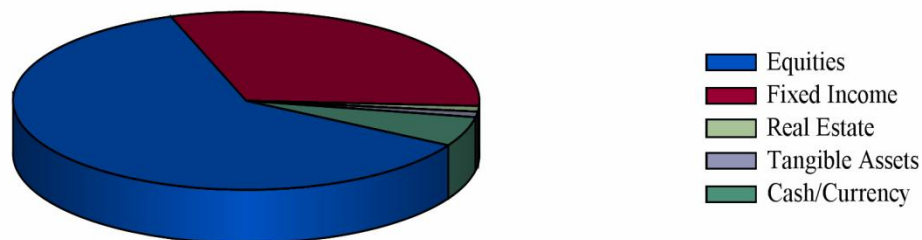
Trustee Pierson moved to approve the minutes of the August 26, 2010 Trustees Meeting; Trustee Doyle seconded the motion, and the motion passed unanimously.

### **Action Items**

- **Mr. Wrenn** will work to craft an FAQ document that presents simple bullet points as to why the State should adopt legislation allowing for Towns to adopt the total return concept in the management of Town trust funds.
- **Mr. Wesson** will develop a custom composite benchmark to include in future Investment Performance reporting.
- **Mr. Wesson** will include the performance benchmark of CPI plus 3.0% in future Investment Performance reporting.
- **Mr. Wesson** will pursue whether the fund managers being used consider ins/outs to/from the fund when making investment decisions.

# Asset Allocation - As of 01/21/2011

Trustees Town of Hanover



Asset Category	Market Value	% of Portfolio	Total Cost	Estimated Income	Current Yield (%)
Equities	\$195,841	61.4	\$172,093	\$1,430	0.73
Fixed Income	\$99,325	31.2	\$97,648	\$4,166	4.19
Real Estate	\$3,270	1.0	\$3,100	\$51	1.57
Tangible Assets	\$3,239	1.0	\$3,100	\$289	8.94
Cash/Currency	\$17,147	5.4	\$17,147	\$18	0.11
<b>Total Portfolio</b>	<b>\$318,823</b>	<b>100.0</b>	<b>\$293,088</b>	<b>\$5,954</b>	<b>1.87</b>

Allocation percentages of pie charts do not include negative market values.  
 Percentages may not sum to exactly 100% due to rounding.

## Investment Performance - As of 12/31/2010

	Market Value	Allocation (%)	1 Month (%)	3 Months (%)	1 Year (%)	2 Years (%)	3 Years (%)	5 Years (%)	Since Inception(%)	Inception Date
Total Portfolio	\$316,584	100.0	3.58	7.47	15.88	20.92	1.66	4.92	4.43	04/1997
Total Portfolio - Net of Fees	\$316,584	100.0	3.58	7.47	15.88	20.92	1.66	4.86	4.26	04/1997
60% S&P, 40% BC Agg	--	--	3.58	5.85	12.12	15.22	1.13	4.08	6.29	--
Equities	\$194,089	61.3	5.73	12.52	21.43	28.04	-1.48	4.23	6.04	09/2004
U.S. Large Cap	\$132,312	41.8	5.15	12.70	19.81	24.87	-2.32	--	-2.32	01/2008
U.S. Large Cap Growth	\$74,702	23.6	2.94	12.19	24.36	34.66	-2.19	--	-2.19	01/2008
Russell 1000 Growth Index	--	--	5.51	11.83	16.71	26.55	-0.47	--	-0.47	--
U.S. Large Cap Value	\$57,610	18.2	8.15	13.37	14.55	18.90	-3.93	--	-3.93	01/2008
Russell 1000 Value Index	--	--	7.89	10.54	15.51	17.57	-4.42	--	-4.42	--
U.S. Mid Cap	\$19,092	6.0	6.87	14.42	28.23	33.57	-1.47	--	-1.47	01/2008
U.S. Mid Cap Growth	\$11,840	3.7	6.05	14.39	29.84	36.69	--	--	5.65	08/2008
Russell MidCap Growth Index	--	--	6.24	14.01	26.38	35.97	--	--	5.88	--
U.S. Mid Cap Value	\$7,252	2.3	8.24	14.47	25.68	29.05	-1.11	--	-1.11	01/2008
Russell MidCap Value Index	--	--	7.55	12.24	24.75	29.39	1.01	--	1.01	--
U.S. Small Cap	\$12,769	4.0	7.51	16.89	29.17	33.25	3.37	--	3.37	01/2008
U.S. Small Cap Growth	\$7,999	2.5	7.41	16.99	31.23	34.42	1.11	--	1.11	01/2008
Russell 2000 Growth Index	--	--	7.59	17.11	29.08	31.75	2.18	--	2.18	--
U.S. Small Cap Value	\$4,770	1.5	7.64	16.71	26.06	25.39	3.90	--	3.90	01/2008
Russell 2000 Value Index	--	--	8.31	15.36	24.51	22.51	2.18	--	2.18	--

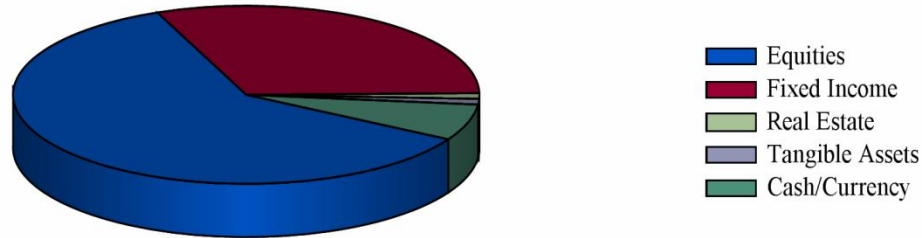
## Investment Performance - As of 12/31/2010

	Market Value	Allocation (%)	1 Month (%)	3 Months (%)	1 Year (%)	2 Years (%)	3 Years (%)	5 Years (%)	Since Inception(%)	Inception Date
International Developed	\$25,152	7.9	6.85	7.82	21.66	31.14	-2.71	--	-2.71	01/2008
MSCI EAFE Index (Net)	--	--	8.10	6.61	7.75	19.16	-7.02	--	-7.02	--
Emerging Markets	\$4,764	1.5	3.83	--	--	--	--	--	3.83	12/2010
MSCI Emerging Markets Free Index (Gross)	--	--	4.58	--	--	--	--	--	4.58	--
Fixed Income	\$99,249	31.4	-0.07	-0.26	8.27	14.37	6.70	5.93	4.79	09/2004
Investment Grade Taxable	\$90,610	28.6	-0.23	-0.50	7.98	13.45	6.66	--	6.66	01/2008
Barclays Capital Aggregate Bond Index	--	--	-1.08	-1.30	6.54	6.23	5.90	--	5.90	--
Global High Yield Taxable	\$8,640	2.7	1.62	2.27	11.36	26.31	--	--	7.37	05/2008
Merrill Lynch High Yield Master Index	--	--	1.72	2.98	15.24	34.20	--	--	11.11	--
Real Estate	\$3,256	1.0	5.02	--	--	--	--	--	5.02	12/2010
NAREIT Equity Index	--	--	2.58	--	--	--	--	--	2.58	--
Tangible Assets	\$3,236	1.0	4.38	--	--	--	--	--	4.38	12/2010
Dow Jones AIG Commodity Index	--	--	7.59	--	--	--	--	--	7.59	--
Cash/Currency	\$16,755	5.3	0.01	0.03	0.13	0.28	1.11	2.69	3.44	04/1997
Merrill Lynch 90 Day T-Bill	--	--	0.02	0.04	0.12	0.17	0.79	2.43	3.16	--

Past performance is no guarantee of future results. Returns for periods greater than one year are annualized.

# Asset Allocation - As of 12/31/2010

Town of Hanover - Bridgman Fund



Asset Category	Market Value	% of Portfolio	Total Cost	Estimated Income	Current Yield (%)
Equities	\$729,906	60.4	\$652,898	\$5,390	0.74
Fixed Income	\$373,641	30.9	\$363,927	\$14,538	3.89
Real Estate	\$12,393	1.0	\$11,800	\$196	1.58
Tangible Assets	\$12,317	1.0	\$11,800	\$1,103	8.96
Cash/Currency	\$79,504	6.6	\$79,504	\$96	0.12
<b>Total Portfolio</b>	<b>\$1,207,761</b>	<b>100.0</b>	<b>\$1,119,928</b>	<b>\$21,322</b>	<b>1.77</b>

Allocation percentages of pie charts do not include negative market values.  
 Percentages may not sum to exactly 100% due to rounding.

## Investment Performance - As of 12/31/2010

	Market Value	Allocation (%)	1 Month (%)	3 Months (%)	1 Year (%)	2 Years (%)	3 Years (%)	5 Years (%)	Since Inception(%)	Inception Date
Total Portfolio	\$1,207,761	100.0	3.65	7.58	15.02	18.80	1.12	4.23	5.69	11/1997
Total Portfolio - Net of Fees	\$1,207,761	100.0	3.65	7.58	15.02	18.80	1.12	4.21	5.52	11/1997
60% S&P, 40% BC Agg	--	--	3.58	5.85	12.12	15.22	1.13	4.08	5.34	--
Equities	\$729,906	60.4	5.76	12.46	21.46	27.31	-1.86	3.49	5.52	11/1997
U.S. Large Cap	\$497,046	41.2	5.15	12.70	19.83	24.98	-2.27	--	-2.27	01/2008
U.S. Large Cap Growth	\$280,741	23.2	2.94	12.19	24.36	33.95	-2.53	--	-2.53	01/2008
Russell 1000 Growth Index	--	--	5.51	11.83	16.71	26.55	-0.47	--	-0.47	--
U.S. Large Cap Value	\$216,305	17.9	8.15	13.38	14.59	17.68	-4.59	--	-4.59	01/2008
Russell 1000 Value Index	--	--	7.89	10.54	15.51	17.57	-4.42	--	-4.42	--
U.S. Mid Cap	\$72,749	6.0	6.93	14.48	27.63	33.27	-1.63	--	-1.63	01/2008
U.S. Mid Cap Growth	\$42,061	3.5	6.05	14.39	29.84	36.69	--	--	5.65	08/2008
Russell MidCap Growth Index	--	--	6.24	14.01	26.38	35.97	--	--	5.88	--
U.S. Mid Cap Value	\$30,688	2.5	8.24	14.47	23.99	28.18	-1.56	--	-1.56	01/2008
Russell MidCap Value Index	--	--	7.55	12.24	24.75	29.39	1.01	--	1.01	--
U.S. Small Cap	\$47,826	4.0	7.51	16.89	29.17	31.28	2.34	--	2.34	01/2008
U.S. Small Cap Growth	\$29,936	2.5	7.41	16.99	31.23	34.42	1.10	--	1.10	01/2008
Russell 2000 Growth Index	--	--	7.59	17.11	29.08	31.75	2.18	--	2.18	--
U.S. Small Cap Value	\$17,891	1.5	7.64	16.71	26.06	25.39	3.89	--	3.89	01/2008
Russell 2000 Value Index	--	--	8.31	15.36	24.51	22.51	2.18	--	2.18	--

## Investment Performance - As of 12/31/2010

	Market Value	Allocation (%)	1 Month (%)	3 Months (%)	1 Year (%)	2 Years (%)	3 Years (%)	5 Years (%)	Since Inception(%)	Inception Date
International Developed	\$94,419	7.8	6.85	7.81	21.66	31.14	-2.71	--	-2.71	01/2008
MSCI EAFE Index (Net)	--	--	8.10	6.61	7.75	19.16	-7.02	--	-7.02	--
Emerging Markets	\$17,866	1.5	3.83	--	--	--	--	--	3.83	12/2010
MSCI Emerging Markets Free Index (Gross)	--	--	7.15	--	--	--	--	--	7.15	--
Fixed Income	\$373,641	30.9	0.14	0.16	6.06	10.14	5.76	5.52	5.66	11/1997
Investment Grade Taxable	\$337,316	27.9	-0.02	-0.06	5.51	8.73	5.48	--	5.48	01/2008
Barclays Capital Aggregate Bond Index	--	--	-1.08	-1.30	6.54	6.23	5.94	--	5.94	--
Global High Yield Taxable	\$36,325	3.0	1.62	2.27	11.36	26.30	--	--	7.37	05/2008
Merrill Lynch High Yield Master Index	--	--	1.72	2.98	15.24	34.20	--	--	11.11	--
Real Estate	\$12,393	1.0	5.02	--	--	--	--	--	5.02	12/2010
NAREIT Equity Index	--	--	4.66	--	--	--	--	--	4.66	--
Tangible Assets	\$12,317	1.0	4.38	--	--	--	--	--	4.38	12/2010
Dow Jones AIG Commodity Index	--	--	10.69	--	--	--	--	--	10.69	--
Cash/Currency	\$79,504	6.6	0.01	0.03	0.13	0.28	1.10	2.63	3.19	11/1997
Merrill Lynch 90 Day T-Bill	--	--	0.02	0.04	0.12	0.17	0.79	2.43	3.06	--

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