

Town of Westmoreland, New Hampshire
Investment Policy for Trust Funds
2023

GENERAL

Trustees shall manage the overall portfolio of Trust Funds in accordance with the Prudent Investor Rule. As defined by the Charitable Trusts Unit of New Hampshire, The Prudent Investor Rule is “The duty imposed on a fiduciary to invest and manage the trusts’ assets as a prudent investor would, taking into consideration the purposes, terms, distribution requirements, and other circumstances of the trust.”

INVESTMENT OBJECTIVE

The overall objective of the Common Trust Funds is twofold: to preserve and grow the principal for the long-term and generate sufficient income for the short-term to achieve the goals of the trusts. While preserving the principal is paramount, trustees also have a responsibility to grow the principal. If the principal were to remain static, the funds would lose ground to inflation, which would erode their value. Thus, trustees will invest funds to effect a modest growth of principal from appreciation. Trustees also aim to earn sufficient income to fulfill the various purposes of the trusts. Accomplishing these objectives will require the trustees to allocate their assets using a combination of cash and their equivalents, fixed income vehicles, and equities.

ASSET ALLOCATION

Trustees will distribute their investments into three broad categories: cash, fixed income, and equities. The first two help to generate income for the trusts, and equities will stimulate growth of the principal.

- Target Allocation: Cash- 10%; Fixed Income- 40%; Equities- 50%
- Allocation Range:
Cash- a maximum of 30%; Fixed Income- a maximum of 60%; Equities- a maximum of 70%

FIXED INCOME

Trustees will invest in Certificates of Deposit backed by the FDIC. However, trustees reserve the right to invest in other fixed income instruments, such as bonds, as market conditions warrant.

EQUITIES

New Hampshire requires trustees to adhere to the 10% rule: no single entity should comprise more than 10% of the value of the investment portfolio. Trustees have elected to follow a more conservative approach and reduce that number to 7%. Trustees will also limit exposure to any one industry sector to 25%.

PERFORMANCE

For comparison, the trustees will evaluate equity performance based on the S&P 500 or other appropriate benchmarks. It is expected that the combined income from all three components of the portfolio will provide a return greater than the rate of inflation, as measured by the Consumer Price Index.

MEETINGS

Trustees will meet quarterly to review the investment portfolio. During the meeting, trustees will review the Investment Policy and make necessary changes. They will discuss asset allocation and range, review performance, and assess compliance with equity guidelines.

