

**TOWN OF PEMBROKE
TRUSTEES OF TRUST FUNDS
INVESTMENT POLICY
Pursuant to RSA 31:25 & RSA 35:9**

General:

The overall trust portfolio of the Town of Pembroke is managed in accordance with the Prudent Investment rule as defined in RSA 31:25-b. "A prudent investment is one which a prudent man would purchase for his own investment having primarily in view the preservation of the principle and the amount and regularity of the income to be derived there from." Capital Reserve Funds are held in accounts insured by the Federal Deposit Insurance Corporation when balances do not exceed FDIC limits. For accounts where FDIC insurance is not sufficient to protect the deposit, those funds are subject to collateralization agreements to protect against financial loss.

Investment Objective:

The investment policy of the Trustees of Trust Funds of the Town of Pembroke focuses on two basic objectives. The first objective is to maximize interest income on short term investments and capital reserves where liquidity and preservation of capital are imperative under prevailing trust laws. The second objective is to preserve the long term purchasing power of unexpendable trusts from the effects of inflation. Long term return on investment may take priority over short term yields under this second objective.

Asset Allocation:

The trustees carry out the first objective of this policy by investing short term cash in money market or regular savings accounts when collateralization is not an issue. The total value associated with these funds is generally less than \$250,000 and these funds are insured by the FDIC. The trustees also achieve a portion of this objective by investing in collateralized accounts which are designed to allow the Trustees to meet their fiduciary responsibility while simultaneously receiving market yields and same day liquidity.

The trustees carry out their second objective by investing the un-expendable portion of selected trust funds in high grade equity investments which pay dividends. Although the dividend yield on common stock and mutual funds may initially be lower than the yield on short term cash or bonds, a dividend yield which is expected to increase with the market value of the security and to eventually exceed short term yields as measured against book value of the asset held, constitutes a preferable investment. The composition of any equity portfolio is governed by prevailing laws of the State of New Hampshire which may require that the portfolio be rebalanced as the market value of securities change and by the prudent fiduciary judgment of the trustees or hired outside money managers who must also agree to act in compliance with the role of a fiduciary.

Capital gains or losses on investment sold for any reason, net of fees and commissions, are reflected as changes in the un-expendable balance and are not made available for distribution, as such an action would undermine the long term objective of the trust.

Buy/Sell/Hold Restrictions:

Any equity investment which ceases to pay a dividend or any free distribution spun off as a result of ownership in a dividend paying equity which does not immediately issue dividends shall be ineligible for retention in the portfolio and must be sold at the earliest reasonable and prudent opportunity. Proceeds are to be treated as a return of invested capital and incorporated into the un-expendable balance.

The market value of securities held in the portfolio shall be of secondary importance to the dividend yield as a percentage of book value. Securities added to the portfolio as a result of rebalancing or to keep the portfolio as fully into the market as may be cost effective shall be selected from companies with a history of dividend payments in increasing amounts. Securities which reduce a dividend or whose financial soundness has been adversely affected are considered for disposal at the discretion of the Trustees or a hired money manager. In the event that a stock discontinues its dividend completely, a sell order will be issued as soon as reasonably and prudently possible with said action being confirmed at the next scheduled Trustee meeting. Under no circumstances shall dividend income or cash from the sale of securities be maintained in any account subject to management fees. Separate income generating accounts free of any management fees must be maintained for the accumulation of cash, and all proceeds from the investment portfolio shall be transferred to such a cash account at such times and in such amounts as to minimize the assets under management subject to management or custodial fees.

Meetings:

The trustees shall review the portfolio and this investment policy annually. In addition, the Trustees shall meet no less than semi-annually to review the performance of the investment portfolio. In the event that the Trustees contract for outside professional investment services, the money manager shall be obligated to appear before the Trustees no less than twice a year but shall provide written reports on the composition and relative performance of the portfolio at least quarterly. A copy of this investment policy shall be included as an attached exhibit to any investment management agreement and shall take precedence without exception over language in the contract to the contrary.

Policy ratified February 1, 2016.