

## APPROVED

**Town of Gilmanton  
Trustees of Trust Funds  
Tuesday, January 15, 2008  
Gilmanton Academy**

Present were: Fred Buchholz, Robert Richards, Melba LaRoche and Paul Levesque. John Dickey was absent.

### **New Business**

Trustee members reviewed the MSN Money Portfolio Report dated January 1 and 12, 2008 as well as the Income Receipts and Projections dated January 12, 2008. It was noted that in spite of the turmoil in the stock market, and the down nature of the bond market thru most of 2007, we managed to maintain our equity with a .2 % gain, and generate \$ 11,000 of dividend income. Total income, dividends and interest amounted to \$ 17,000 for cemetery care, with a positive cash flow of \$ 7,900.

Discussion followed with regard to the portfolio showing a large holding in *Northeast Investors*, and that it has been diminishing in equity. Fred Buchholz indicated that he had done some research to find comparable funds with similar yields as that of *Northeast Investors* but with higher ratings.

He distributed a “snap shop” of the *Fidelity Capital & Income Fund* and the *T. Rowe Price High Yield Bond Fund* for the Trustees to review. These funds have a five star and four Star rating respectively and are also high yield bond funds. Both funds show a similar yield as the *Northeast Investors Fund*, which is only a three star rated fund.

Considerable discussion ensued regarding the consideration of splitting the *Northeast Investors Fund* in half and reinvesting one-half in the *Fidelity Capital & Income Fund*. Given the fact that the dividends yielded from *Northeast Investors* are not reinvested but are used for income, Mr. Buchholz stated that Morningstar performance reports look better than what we are experiencing due to non-reinvesting of dividends. He provided a graph of price history comparing *Northeast Investors*, *Fidelity Capital & Income*, and *T. Rowe Price High Yield Bond Fund*. This graph more accurately reflects our equity with dividend distribution. The graph indicates that we were down 8.5% in *Northeast Investors* over a three year period, whereas we would have been down only 2.5% with *T. Rowe Price High Yield Bond Fund*, and ahead 2.5% with *Fidelity Capital & Income Fund*. In light of that and the fact of a five star rating of *Fidelity Capital & Income Fund* vs. a four star with *T. Rowe Price High Yield Bond Fund*, the decision was made to focus only on *Fidelity Capital & Income Fund* as an alternative. Mr. Buchholz suggested investing one-half of *Northeast Investors* holdings into the *Fidelity Capital & Income Fund* thus continuing to generate similar income and it would give the Trustees an opportunity to compare both funds on a monthly basis. If the Trustees find that the *Fidelity Capital & Income Fund* is not yielding an adequate percentage rate that is comparable with *Northeast Investors*, then the Trustees could decide to sell the *Fidelity Capital & Income Fund* and reinvest it back into *Northeast Investors*.

Discussion followed with regard to the need to diversify the portfolio rather than to keep such a large number of shares in *Northeast Investors*. Mr. Richards stated that the Trustees need to seriously consider gradually shifting the portfolio holding out of the high risk funds into more moderate and stable funds in the future.

Chairman Buchholz also distributed a “snapshot” of the *Fidelity Focus High Income Fund* but indicated that this fund is only three years old and has only a three star rating. This fund would not be prudent to invest in at the present time.

Paul Levesque was in agreement to consider splitting the *Northeast Investors Fund* in one half and reinvesting in the Fidelity Capital & Income Fund.

Chairman Buchholz stated that, perhaps, the Trustees would like to do more research on the *Fidelity Capital & Income Fund* and consider investing in this Fund with the possibility of taking action on this fund at next month’s meeting.

#### **November, 2007 Meeting Minutes**

Trustee members reviewed the drafted November 26, 2007 meeting minutes. No amendments were offered.

**On a motion made by Robert Richards, seconded by Paul Levesque, the trustee members unanimously voted to approve the meeting minutes of November 26, 2007 as drafted.**

#### **Meeting Start Time**

Chairman Buchholz inquired if the Trustee meeting time could be changed given the fact that Rachel Hatch now attends Selectmen’s meetings on Monday evening and having a Trustees meeting at 7:00 A.M. on Monday mornings allows for a long day for Ms. Hatch.

Ms. Hatch indicated that she was not opposed to continuing to meet at 7:00 A.M. on Monday mornings as there is only one meeting per month and the time of the meeting seems to accommodate the other Trustee members.

**It was the consensus of the Trustees to keep the meeting start time at 7:00 A.M.**

#### **Reconsideration: Northeast Investors Fund/Fidelity Capital & Income Fund**

Robert Richards inquired why the Trustees want to wait until next month to sell one-half of the *Northeast Investors Fund* and reinvest the one half in the *Fidelity Capital & Income Fund*.

**Mr. Richards made the motion to approve Chairman’s Buchholz’s investment strategy as presented. The strategy is to split the *Northeast Investors Fund* in one half and invest the other one half in the *Fidelity Capital & Income Fund*. The motion was seconded by Paul Levesque and unanimously approved by the Trustee of Trust Funds.**

**Next Meeting**

It was the consensus of the Trustee members to schedule their next meeting for Monday, February 18 2008 at 7:00 A.M. at the Gilmanton Academy.

**Adjournment**

**It was the consensus of the Trustees to adjourn the meeting at 8:00 A.M.**

Respectfully submitted,

Rachel M. Hatch,  
Recording Clerk