



TOWN OF DURHAM
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Durham Trustees of Trust Funds Meeting
8:30 AM, Tuesday, January 27, 2026
Council Chambers, Town Hall
8 Newmarket Road, Durham, NH

NOTES

Members Present: Ted Howard (Chair), Alberto Manalo, (Secretary), Tom Bebbington,

Others Present: Lisa Torangeau (Cambridge Trust) and Chris Lucas (Cambridge Trust; on Zoom)

- I. Call to Order: The meeting started at 8:33 a.m. Chair Howard said that today's meeting was not official because the agenda had not been posted. He said that we will have discussions as usual, but we will not take any votes.
- II. Public Input: No member of the public offered comments.
- III. Continuing Business:
 - A. Update on Doe Farm/Land Stewardship Subcommittee (LSSC):

LSSC: Chair Howard reported that he presented the Doe Farm Management Plan at LSSC meeting on January 14, 2026. The LSSC seemed pleased with the plan. The report is now available on the Town of Durham Conservation Commission website. Chair Howard will write an item for Friday Updates announcing the availability of the management plan.

Doe Farm has also received designation as a Certified Tree Farm for the next five years. The *LSSC* continues to work on signage on land it manages.

Chair Howard also said that there will be a public discussion about herbicide application. This is in response to concerns raised by residents in the Mathes Cove area regarding the effects on their wells of the town's treatment of knotweed.

- B. Update from the Cemetery Committee:

Mr. Bebbington reported that for the past month, there were no sales, no inquiries about sales, and no burials. The cemetery is closed. Mr. Bebbington said that when the snow melts around March, he will inspect the cemetery and then talk with the Department of

Public Works on what needs to be done for the year. Then he will call a meeting of the Cemetery Committee to talk about budget and expenditures – matters that needs the Committee’s approval. This year he anticipates expenditures on fixing the crumbling wall and probably surveying another section for cremated plots.

IV. New Business:

A. Expenditure Requests

There were no expenditure requests.

B Reports or Issues Brought Forward by Trustees

Chair Howard reported that he filed his candidacy for another 3-year term as Trustee of the Trust Funds.

V. Quarterly Report from Cambridge Trust (CT) Investment Advisers

A. Discussion on Items in the Investment Policy Statement (IPS)

1. Copy of the Cambridge Trust Audit

Ms. Tourangeau said that CT will provide the Trustees with a copy of its 2025 Audit Report.

2. Evidence of Insurance Coverage for Loss of Funds

Mr. Lucas said that this provision refers to situations in the past when retail banks held paper copies of investment assets such as CDs. Today the town’s investments are stored electronically. CT serves as custodian of that electronically stored information.

3. Bond Portfolio Duration

The IPS states that Trustees will make decisions on bond portfolio duration quarterly. Chair Howard said that CT discusses bond duration in its quarterly reports, but the Trustees do not make any decision. He said that based on his personal conversation with Mr. Lucas on this matter, this issue can be addressed in the IPS by specifying a duration range that is acceptable to the town, and if the duration of the town’s bonds fall within that range, the Trustees do not have to make any changes. Mr. Lucas said that the Trustees can follow either of two approaches: first, specify a duration range, for example, three to five years. Second, use a benchmark such as the duration of the Bloomberg Intermediate U.S. Government/Credit and set a certain percentage, say plus or minus 0.25 percent as bounds, because this benchmark varies over time. The Bloomberg Intermediate U.S. Government/Credit is already used as a benchmark for fixed income in the IPS.

4. Sustainability Rating of Town's Investments

Chair Howard said that the IPS states that the Trustees will try to maintain an above average Morningstar Sustainability rating for its investment portfolio and will not likely deviate from it. The Trustees would like to know how its investment portfolio is doing relative to that objective and how to go about meeting that objective. He thinks that a review should be an annual exercise for the Trustees.

Mr. Lucas said that about five to six years ago, CT moved to get a higher Morningstar average rating for the town's equity portfolios. At the time, the portfolios were all funds and ETFs which were rated by Morningstar. When CT took over management of the portfolios, this approach was put in the back burner as the strategy changed to investing in individual stocks for the large cap component. Tracking and averaging the ratings for individual stocks is a lot of work. The Trustees decided to implement the objective for the international component of the portfolio to meet the above-average rating target. Today, international stocks represent about twenty percent of the equity allocation.

Mr. Lucas said that the Trustees can sharpen the focus of this objective, especially considering over 75 percent of the portfolio is invested in individual stocks. He said that an annual review of how the portfolios meet the objective makes sense. He also suggested that the IPS can be amended so that it specifies that investments in mutual funds and ETFs must meet the objective. He said that the Trustees should decide where they want to go with this objective and CT, with its internal resources and capabilities, will come up with a plan to achieve it.

Chair Howard commented that it is uncertain how current the sustainability ratings of individual companies are.

5. Investment in Stocks from the S&P 500

Mr. Lucas said that, in his opinion, the statements in the IPS saying that "*Individual equity holdings will primarily be concentrated in stocks from the S&P 500*" and "*The average dividend yield of the equity portfolio should target the dividend yield of the S&P 500*" are unnecessary. He said that those statements were put in place in 2022 when the Trustees decided to invest in equities with high current income and reduce holdings of growth stocks. Those statements encourage the move away from growth stocks and gave CT some guidance on where the dividend yields should be without being too restrictive. They allow him to still invest in a few high performing growth stocks. Today, the dividend yields of the stocks under the equity income strategy and international stocks in the portfolio are above the S&P 500's.

Chair Howard said that the Trustees will have a discussion on the appropriateness of those statements in the IPS. Ms. Tourangeau said that Durham is the only town with a specific mandate for dividend yield in its IPS. Mr. Lucas said that what is important is to have a clear investment strategy and the appropriate benchmarks. It will help

the Trustees better evaluate CT's performance. He also said that CT has other investment strategies that the Trustees may consider if they want.

B. Quarterly Report

Mr. Lucas said that despite the turbulent markets in early 2025, CT stood its ground and the result was a good year for Durham's investment portfolios, which are value oriented. A downside to last year's performance was CT being late in investing in international stocks.

CT thinks the fourth quarter of 2025 would be pretty good and it will likely be the same in the first quarter of 2026. The effects of tariffs have not been terrible, inflation has not been bad as expected, tax refunds are expected to be higher than last year's and they are likely to be spent quickly, interest rates are lower, and although the labor market has cooled off, unemployment has not been disastrous.

For 2026, CT forecasts that stocks and bonds will do well, but there will be more volatility in the markets. Geopolitics, especially in Iran, Ukraine, Russia and China are a concern. Another concern is the Federal Reserve and its independence when the new Chair replaces Jerome Powell. The weakening dollar is another development CT is monitoring and given current trends, CT plans to slightly invest more in international equities. Also, if stocks other than those in tech and high growth sectors do better, for example financials and utilities, then investments will perform well in 2026.

Capital Reserves. As of December 31, 2025, the total market value was \$4.73 million, with about 40 percent in equities, and about 52 percent in fixed income. Cash at about 7 percent was higher than usual because they were needed for distribution. The market value at the beginning of 2025 was \$3.8 million and the ending value was \$4.7 million. The amount of net contributions and withdrawals was positive at \$438.8 thousand; this means money was added to the account minus CT's management fee. Income earned, *i.e.*, dividends from stocks and interest from bonds, was \$139.5 thousand. Market appreciation of the stocks was \$308.6 thousand. The net return for the portfolio was 10.3 percent. This rate of return for a conservative portfolio with only 40 percent in stocks is very good. The usual return for a portfolio of this kind is five to six percent per year. CT did well and the market also performed well, and CT took advantage of that.

The equity allocation for Capital Reserves was 80 percent domestic equity, about 14 percent developed market international equity, and six percent emerging market equity. For fixed income, 48 percent of the investment was in government bonds and about 44 percent in corporate bonds. Eight percent was invested in an intermediate income credit fund.

For the fourth quarter of 2025, the 3-month total return was 1.51 percent, which was lower than the benchmark return of 1.72 percent. For fixed income, the 3-month return was 1.13 percent; the benchmark return was 1.2 percent. For the equity investment, the 3-month return of 2.29 percent was lower than the benchmark return of 2.53 percent.

On a one-year basis, total return for equity was 16.46 percent and the benchmark return was 18.02 percent. The main reason for this discrepancy was the portfolio being underweight in international stocks in the early part of the year. International stocks performed very well in 2025.

Mr. Lucas said that he likes where the Capital Reserves portfolio is positioned. The equity income strategy is well positioned to take advantage of international stocks.

Trust Funds. The trust fund portfolio is like the Capital Reserves portfolio and so their performance was similar. Mr. Lucas said that the bonds in the Trust Funds portfolio have a shorter duration than the ones in Capital Reserves.

Cemetery Funds. The Cemetery Funds account has performed worse in the equity income strategy compared to Capital Reserves and Trust Funds. To reduce the performance difference, Mr. Lucas sold the investments in the Vanguard 500 Index Fund and the Schwab US Dividend Equity ETF and invested in Invesco Exchange Traded FD TR DIVID Achievers ETF. Most of the equity investments in the Cemetery Funds are in this ETF.

Total return for the cemetery funds for 2025 was 9.39 percent, which is good but should be higher given the higher equity exposure of the account. The fixed income return for the year was 6.77 percent. The one-year equity return was 13.25 percent, which was much lower than the benchmark.

Ms. Tourangeau reminded the Trustees that pooling the funds in the Cemetery account with the funds in the Trust Funds Account can be done and the performance of the cemetery funds will improve. Chair Howard said the Trustees will think about it. Mr. Bebbington said that the needs of the cemetery are different from those of the town. Mr. Lucas said that the Trustees can adopt a growth strategy for the cemetery funds if it wants, and he can easily swap out PFM (Invesco) for an S&P Index Fund

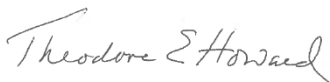
VI. Adjournment: The meeting ended at 10:20 a.m.

Next Regular Meeting: February 24, 2026, at 8:30 a.m.

Prepared by

Alberto B. Manalo, Secretary

Approved:



Theodore E. Howard, Chair

24 February 2026

Date