

TOWN OF BROOKFIELD, NEW HAMPSHIRE
INVESTMENT POLICY OF THE TRUSTEES OF THE TRUST FUNDS
FEBRUARY, 2011

1. PURPOSE and SCOPE

This document establishes, as required by RSA 35:9, the Investment Policy of the Trustees of the Trust Funds of Brookfield, New Hampshire for the calendar year 2011. It covers all Trust Funds administered by the Trustees, to include Capital Reserve Funds of the Town, nonexpendable Cemetery Trust Funds of the Town, expendable Trust Funds of the Town, and any other Funds that may be established during this calendar year.

2. GENERAL

The overall Trust portfolio shall be managed in accordance with the Prudent Man rule, as established by RSA 31:25-b, and which defines the approach as “one which a prudent man would purchase for his own investment having primarily in view the preservation of the principal and the amount and regularity of the income to be derived there from.”

The investment guidelines that follow provide direction as to our risk tolerance and general preferences. This Investment Policy will be reviewed at least annually or more frequently if required by New Hampshire laws.

3. INVESTMENT OBJECTIVES

The investment objectives for each class of Fund that the Trustees administer are as follows:

- a. Capital Reserve Funds of the Town: Liquidity consistent with preservation of total purchasing power of the Funds, *i.e.*, capital growth targeted to equal inflation.
- b. Cemetery Trust Funds of the Town: Income consistent with preservation of total purchasing power of the Funds.
- c. Expendable Trust Funds of the Town: Preservation of total purchasing power of the Fund, liquidity, then income.

These objectives dictate an asset allocation utilizing a combination of government obligations, fixed income securities, and equities; with the caveat that in the case of Capital Reserve Funds, asset allocation is limited to the classes stated in RSA 35:9.

The various Trust Funds may be grouped into common investment funds at the Trustees discretion, consistent with the investment objectives of the respective funds.

4. RESTRICTIONS

ASSET CLASSES and INSTRUMENTS:

All funds must be invested in one or more of the following assets:

- Obligations of the U.S. government and its agencies

- Obligations of U.S. State and Municipal governments and their agencies
- New Hampshire Banks and Credit Unions regulated by the FDIC
- NHPDIP
- Debt or equity securities of publicly-traded companies listed on the NYSE or NASDAQ exchanges
- Mutual funds comprising mixtures of the above

FIXED INCOME

The fixed income portion of the portfolio shall be managed as follows: The average maturity of the debt securities should not exceed ten years nor should the average duration exceed five years, with a bias in 2011 toward shorter portfolio duration. All fixed income security purchases shall have a minimum quality rating of "A" by either Mergent Bond Record (formerly Moody's Investor Services), or Standard and Poor's Corporation. Concentrations in any one issuer shall not exceed ten percent except in obligations of the United States and/or of the State of New Hampshire.

COMMON STOCKS

Equity investments shall be in publicly traded companies that have a proven record of dividend production, earnings' growth, and strong fundamentals. The majority of the equity position should be in larger capitalization companies (stocks that have a market capitalization of over \$15 billion). The equity portion of the portfolio must be broadly diversified. At the highest level, the maximum exposure to any industry sector shall not exceed twenty-five percent. At the security level, the purchase of a single security shall not exceed five percent of the equity portion of the portfolio.

DIRECT INVESTMENTS ONLY

All investments must be directly in the specific assets listed above. No investment can be made in synthetic, derivative, margin, or short selling of any of the above instruments.

5. RESPONSIBILITIES OF TRUSTEES

The Trustees shall exercise prudence in managing funds entrusted to their care, and will exercise all reasonable efforts to remain in compliance with this Investment Policy Statement.

Trustees will endeavor to display a high standard of personal integrity with respect to their duties, will avoid activities that could compromise their impartiality toward performance of their duties as Trustee, and shall promptly disclose any potential conflict of interest that may arise in the performance of their duties.