

City of Concord Trustees of Trust Meeting

Minutes of August 15, 2013 Meeting

Meeting was convened at 8:30 AM at Citizens Bank

In attendance: Trustees Michael Aitken, Jeff Schindler & Karen Levchuk; Charles Mathews, Judy Noel of Citizens Trust and Investment Group; Michael Jache, Nancy Bunce City of Concord.

Minutes from the May 16, 2013 meeting were distributed for review. A motion was made to approve the minutes by Michael Aitken and seconded by Jeff Schindler, minutes were unanimously approved.

Mike Jache then turned the meeting over to Charles for a portfolio review and market update.

Charles feels that the market has generally done pretty good so far. The economy has continued on its trajectory held up by the current Federal Reserve policies. Our over weighting in equities within the allocations has proved that this is currently a good place to be. Segment wise we are just the opposite of where we were at the beginning of the year. At the beginning of the year we were talking fiscal cliff, and investors were fearful of higher taxes and a negative outlook for investment and market flair-ups have brokered away and, earnings have continued to grow at a reasonable pace and, the economy has continued to improve. The Federal Reserve has been supportive to this point, but the issue really is what happens as the Fed starts to taper the quantitative easing. We have started to see, in recent weeks, evidence of market reaction to Fed policy is in its early stages. We have talked about stocks vs. bonds. Given the bullish sentiments on stocks over the next several weeks we may see some sort of a market correction but we don't think it will be enough to trigger a trend reversal. I don't think that rates have gone up enough or will go up enough this year to slow the pace of economic growth. I do think that as we go through the year stocks will do better than bonds. As we go through the portfolio there needs to be some discussion on exposure in the bond market as relates to the Trust Investment Policy. Bond rates are starting to improve but at a very slow pace, I don't see rates going below their lows of recent years. The question is how fast will rates go up? It will be a long time, maybe, before inflation comes into play. We are not seeing inflation hit commodities market, but the government has been purchasing treasury bonds and injecting buying power into the bond market and now they are starting to gently pull back creating a normalization of rates from their artificial lows. We need to look at trimming our equity position and rebalancing our portfolio holdings following a period of significant market strength and start buying some bonds. This will be a gradual rebalancing. Interest rates will probably not go up all at once, they will increase gradually, and this will be our approach to short term bond purchases. By purchasing short term bonds we will be in a better position to react if and when rates do rise in the next 3, 4, 5, or 6 years. Charles would also like to see the portfolio scale back on

investment in bond funds in favor of individual issues with a fixed maturity date. Within the bond component we are trying to minimize interest rate risk as bond rates rise. We do not want exposure to mutual fund products with no fixed maturity date. As mutual funds start to divest themselves of individual bonds it is a time to slowly buy into those individual fixed maturity bonds. Equities continue to play to a bull market and bonds are starting to normalize but rates are not going up enough to have an economic impact. Right now we need to hunker down on bonds and ride the trend in equities until there is evidence that it is reversing. A major concern right now is to preserve capital for the next 3-5 years and be less concerned with chasing index performance and trying to grab excess yield. Basically this is an insurance policy against another fall in the stock market. Charles concluded his review.

Mike Jache then requested that the trustees review the MS-9 & MS-10. He stated that the MS-10 reflect the market value of the portfolio as of June 30, 2013 and the MS-9 represents the value of the portfolio after all year-end transfers have been completed. The Trustees signed-off on the MS-9 & MS-10.

The next meeting date was set for November 21, 2013 at 8:30 AM at Citizens Bank

Karen made a motion to adjourn and Michael Aitken seconded the motion. The meeting was adjourned.

Due to an unforeseen conflict the meeting has been moved to December 12, 2013.