

WINCHESTER COMMISSIONERS OF TRUST FUNDS

INVESTMENT POLICY

Revised: March 30, 2015

The Winchester Commissioners of Trust Funds are a body created pursuant to M.G.L. c. 41, §45. Pursuant to such authority, the Commissioners manage funds which have been given to the Town for library, educational, and other purposes, as well as the perpetual care funds of Wildwood Cemetery. The assets managed by the Commissioners are intended to fund various purposes established by the donors of such funds, as well as to pay for a portion of the perpetual care of Wildwood Cemetery. The funds are divided into four accounts, the Main Account, consisting of cemetery perpetual care funds and all Town trust funds other than Library Trust funds, the Library Endowment Account, the Library Trust Fund Account, the Retiree Health Care Liability Trust Fund and the Housing Capital Account. In the case of the funds held under M.G.L. c. 44, § 53(a) (trust funds from donors), the expenditures are limited to the income of the funds and amounts expendable under M.G.L. c.180A, if applicable. In the case of funds held under M.G.L. c. 44, § 54, cemetery perpetual care fund, the Town Meeting has the authority to apply income and principal to cemetery permanent care expenditures. In the case of the Retiree Health Care Liability Trust Fund, expenditures are limited as provided in Chapter 139 of the Acts of 2002.

The purpose of this policy is to establish a framework within which the Commissioners shall manage the funds in their care with a view to the preservation of the principal value of such funds, the generation of a reasonable current income, and the realization of reasonable capital appreciation. In light of the purposes of such funds, the Commissioners have determined that the

funds should be invested in a combination of equity investments, fixed income investments, principally United States Treasury bonds, and short-term investments. In light of the purposes of the funds, the Commissioners have determined that the assets of the Main Account, Library Endowment Account and the Retiree Health Care Liability Trust Fund ought to be allocated 60 to 75 percent to equity investments and 25 to 40 percent to fixed income and short-term investments. The Commissioners' policy is to adjust the holdings of the Accounts to the appropriate range when, as a result of changes in market values, the allocation of the funds fall outside the appropriate range. The Commissioners have determined that in view of the Library's need for current income, the Library Trust Fund Account should be allocated 55 to 70 percent to fixed income and short-term investments and 30 to 45 percent in equity investments.

The equity investments of the funds will be invested primarily in a diverse portfolio of large capitalization companies based in the United States and other developed countries. The companies in which the funds are invested shall be in a variety of industries designed to provide the funds with broad exposure to the economy without undue concentration in any one area. Generally, no individual holding of the fund should exceed 5 percent of the total fair market value of the fund. No investment in any particular industry should exceed 25 percent of the fair market value of the fund. In addition to large-capitalization companies, the funds may be invested from time to time in small and mid-capitalization companies. In selecting equity investments, the Commissioners shall consider the income produced by those investments, as well as potential for capital appreciation. In appropriate cases, funds may be invested in equity investments paying no current return, but having the prospect of superior capital appreciation. In the case of the equity portion of the Library Trust Fund account, the Commissioners may invest

in one or more mutual funds or exchange-traded funds indexed to domestic and foreign equity markets to provide adequate diversification to the account.

The fixed income portion of the portfolio shall be invested primarily in United States Treasury obligations. The fixed income portion of the portfolio shall have an average maturity of not more than 10 years. The percentage limitations stated in the preceding paragraph with respect to the size of individual investments shall not apply to direct obligations of the United States. The objectives of this portion of the portfolio are to provide current income and to lessen the overall risk of the portfolio. In addition to United States Treasury obligations, the Commissioners may invest portions of the fixed income portion of the portfolio in high quality bonds issued by states and municipalities and United States and foreign corporations. Such municipal and corporate debt obligations shall be rated no less than "A" by at least one nationally recognized bond rating service at the time of purchase. The Commissioners may also invest not more than 5 percent of the fair market value of the fund at the time of purchase in one or more high yield corporate bond funds and one or more funds investing in bonds issued by companies or countries outside the United States.

The short-term portion of the funds shall be invested either in the short-term money market fund provided by the Massachusetts Municipal Deposit Trust or one or more short term money market funds provided by the custodian of the accounts.

The Commissioners believe that the foregoing policy complies with the standards stated by the Massachusetts Prudent Investor Act. The policy may be amended from time to time by the Commissioners in their discretion.