

CAMBRIDGE TRUST

PRIVATE BANKING WEALTH MANAGEMENT

INVESTMENT POLICY STATEMENT

ACCOUNT NUMBER: #5489 DATE: December 7, 2021
ACCOUNT NAME: Town of New Castle, NH - Trust Funds
INITIAL: ☐ UPDATED: ☒

The purpose of this investment policy statement is to establish a clear understanding between the authorized signatory(ies) Town of New Castle, NH Trustees of Trust Funds and Cambridge Trust Company regarding investment goals and objectives as well as risk tolerance. This Investment Policy Statement is intended to reflect the client's current situation and will be periodically reviewed and updated to reflect any changes. There is no guarantee that a certain level of return or income will be attained.

1. Time Horizon

Time horizon is defined as the amount of time assets will be invested in securities other than cash equivalent mutual funds. Generally, the longer a client's time horizon is, the greater the probability of growth because there is sufficient time to recoup losses resulting from a market downturn. For the purposes of investing this portfolio, the client's time horizon is:

☐ Short term (1-3 years) ☐ Intermediate term (3-7 years) ☒ Long term (+7 years)

2. Taxes

Taxability of account: ☐ Taxable ☒ Non-Taxable
Client's marginal tax bracket? State of residence?
Approximate annual capital gains limit/budget, if any*?

*An actively managed portfolio will generally incur realized gains of +/- 10% of market value annually depending on market conditions. Gains may be higher due to specific portfolio considerations such as the transition of concentrated holdings, etc. Restrictions on annual realized capital gains should be documented in this section.

3. Remittances

- ☐ Monthly
☐ Quarterly ☐ JAJQ ☐ FMAN ☐ MJSD
☐ Other _____
☐ Remit net income on _____ (day recurring payment is to be made)
☐ Remit a fixed amount of \$_____ on _____ (day recurring payment is to be made)
☒ Make payments from income and/or principal as I direct in writing
(Requests for payments to a third-party must be made or confirmed in writing)
☐ Make payments from income and/or principal directly to me or a deposit-account in my name, as I request verbally, and as authorized by Blanket Authorization Letter.

4. Restrictions/Retentions(must check yes or no)

Does the account hold Cambridge Bancorp (CATC) stock? *☐ Yes ☒ No
Will the account hold any client-directed equity position > 10% of asset class? *☐ Yes ☒ No
Are there any other specific assets the client directs us to retain? *☐ Yes ☒ No

*If answering Yes to any of the above, please complete Section 9 "Directed Holdings". Unless client directed, non-standard legacy positions will be trimmed over time in order to manage gains appropriately. Positions that will be held >10% due to gains should be included in Section 9.

INVESTMENT POLICY STATEMENT

Are there any other trade or account restrictions?

☐ Yes

☐ No

If Yes, please list below

5. Other

Are there any other unique needs or considerations?

6. *Investment Risk Profile*

Historically, market returns have shown that there is a relationship between the amount of risk taken and the level of return earned over the long term. Generally, the greater the risk taken, the higher the return potentially earned.

The descriptions below center on the stock/bond mix that will comprise the majority of the portfolio. All risk profiles also have the ability to allocate 0-10% of the overall portfolio into specialty, alternative investments or other unique opportunities as identified and recommended by the Cambridge Trust team. This could include, but is not limited to, diversifying assets such as gold and commodities. During times when these allocations are active, the target to stocks and/or bonds will be adjusted accordingly.

The client risk profile is:

☐ Risk Averse – All Bonds and Cash: Investors who prefer to take the least amount of risk possible by holding a portfolio of assets that are expected to experience relatively fewer market value fluctuations than higher risk portfolios. The potential for growth is limited. Portfolios in this category are typically 100% in bonds and cash equivalents. While the volatility will be low and there is a greater emphasis on the generation of income, the potential for total return is less.

- The benchmark will be 100% bonds and cash, see appendix for further detail.

☐ Conservative (“30/70”): Investors who are willing to take a small amount of risk in their portfolios but who still prefer small market value fluctuations. The potential for growth may be limited. Portfolios in this category are typically 20-40% stocks and 60-80% bonds and cash equivalents. This objective places greater emphasis on income generation with minimal exposure to stocks.

- The benchmark will be 30% stocks and 70% bonds and cash, see appendix for further detail.

☐ Moderately Conservative (“40/60”): Investors who are willing to take a small amount of risk in their portfolios but who still prefer small market value fluctuations. The potential for growth may be limited. Portfolios in this category are typically 30-50% stocks and 50-70% bonds and cash equivalents. This objective places greater emphasis on income generation with minimal exposure to stocks.

- The benchmark will be 40% stocks and 60% bonds and cash, see appendix for further detail.

CAMBRIDGE TRUST

PRIVATE BANKING WEALTH MANAGEMENT

INVESTMENT POLICY STATEMENT

☒ **Balanced ("50/50"):** Investors who are willing to take moderate risk in their portfolios but who still prefer somewhat smaller market value fluctuations. The potential for growth is possible but the bulk of the portfolio is dedicated to assets with a more stable value over time. Portfolios in this category are typically 40-60% stocks and 40-60% bonds and cash equivalents. This objective is meant to achieve a mix of income generation and capital appreciation.

- The benchmark will be 50% stocks and 50% bonds and cash, see appendix for further detail.

☐ **Moderate Growth ("60/40"):** Investors who wish to balance the amount of risk they take in their portfolios with the potential for return. The potential for growth is greater although a significant part of the portfolio is invested in assets that can act as an offset against volatility. Portfolios in this category are typically 50-70% stocks and 30-50% bonds and cash equivalents. This objective places emphasis on capital appreciation while still maintaining a large portion of the portfolio in less volatile assets.

- The benchmark will be 60% stocks and 40% bonds and cash, see appendix for further detail.

☐ **Growth ("70/30"):** Investors who are willing to take a large amount of risk in their portfolio in order to maximize their return. The potential for growth may be greater, and only a small portion of their portfolio is invested to offset volatility. The potential for losses in the short term may be greater. Portfolios in this category are typically 60-80% stocks and 20-40% bonds and cash equivalents. This objective places greater emphasis on capital appreciation although a significant portion is invested in less volatile assets.

- The benchmark will be 70% stocks and 30% bonds and cash, see appendix for further detail.

☐ **Growth Plus ("80/20"):** Investors who are willing to take a large amount of risk in their portfolio in order to maximize their return. The potential for growth may be greater, and only a small portion of their portfolio is invested to offset volatility. The potential for losses in the short term may be greater. Portfolios in this category are typically 70-90% stocks and 10-30% bonds and cash equivalents. This objective places greater emphasis on capital appreciation although a significant portion is invested in less volatile assets.

- The benchmark will be 80% stocks and 20% bonds and cash, see appendix for further detail.

☐ **All Equity:** Investors who are willing to take a significant amount of risk in their portfolio in order to maximize their return; intermittent volatility is not a concern. While the potential for growth may be unlimited, the potential for losses in the short term may also be unlimited. Portfolios in this category are typically 100% in stocks and cash equivalents. While the volatility will be higher, there is greater potential for total return over the long term.

- The benchmark will be 97.5% stocks and 2.5% cash, see appendix for further detail.

☐ **Other:**

A list of relevant benchmarks for each profile is found in the appendix of this document.

Additional Risk Tolerance Notes:

INVESTMENT POLICY STATEMENT

7. Equity Investment Options:

Equity investments will be chosen according to account profile as well as prevailing market conditions. Please select from the CT equity strategies listed below.

In order to manage diversification efficiently, the equity allocation must be greater than \$200,000 to be eligible for the individual equity strategies. If the value of the equity allocation falls below the minimum, Cambridge Trust will notify the client that the account will migrate the individual equities to a mutual fund strategy (as shown at the bottom of the list). In certain situations, a mutual fund strategy might also be preferable for larger accounts.

A list of relevant benchmarks for each strategy is found in the appendix of this document.

☐ **Core Equity:** This strategy's objective is to provide preservation and growth of capital by investing in equity securities, primarily in the US. The focus is on high quality, large capitalization companies, and may include a modest allocation to select medium and smaller-sized growth companies. Other types of assets used in this strategy may include mutual funds, ETFs and liquid alternatives to complement its individual equity holdings as appropriate.

- The primary reference benchmark for this strategy is Global Equity Benchmark: 80% S&P 500 and 20% MSCI AC World ex-US Index.

☒ **Equity Income:** This strategy gives priority to dividend sustainability, growth potential, and yield. Focus is given to high-quality companies that offer both current income and the opportunity for capital appreciation. Other types of assets used in this strategy may include mutual funds, ETFs and liquid alternatives to complement its individual equity holdings as appropriate.

- The primary reference benchmark for this strategy is Global Equity Income Benchmark: 80% Nasdaq US Broad Dividend Achievers Index and 20% S&P Global Ex-US Dividend Growers Index.

☐ **Sustainable & Responsible Investment:** This strategy considers environmental, social, and corporate governance (ESG) criteria to generate long-term competitive financial returns and positive social impact. Other types of assets used in this strategy may include mutual funds, ETFs and liquid alternatives to complement its individual equity holdings as appropriate.

- The primary reference benchmark for this strategy is Global Equity Benchmark: 80% S&P 500 and 20% MSCI AC World ex-US Index.

☐ **Stock Mutual Fund:** This strategy uses mutual funds (or ETFs) to replicate the parameters of the respective equity strategy. It is generally used for smaller equity portfolios in which adequate diversification cannot be achieved using individual stocks.

- The primary reference benchmark for this strategy is the same as the respective equity strategies above (Standard = Core Equity benchmark, SRI = SRI benchmark)
- **Please note stock mutual fund choice:**

- ☐ Standard mutual funds
- ☐ SRI mutual funds

☐ **Other:** _____

CAMBRIDGE TRUST

PRIVATE BANKING WEALTH MANAGEMENT

INVESTMENT POLICY STATEMENT

8. Fixed Income Investment Options:

Fixed income investments will be chosen according to account profile as well as prevailing market conditions. Please select from the CT fixed income strategies listed below.

In order to manage diversification efficiently, the fixed income allocation must be greater than \$250,000 to be eligible for the individual bond strategies. If the value of the fixed income allocation falls below the minimum, Cambridge Trust will notify the client that the account will migrate the individual bonds to a mutual fund strategy (as shown at the bottom of the list). In certain situations, a mutual fund strategy might also be preferable for larger accounts.

A list of relevant benchmarks for each profile is found in the appendix of this document.

☐ **Core Bond - Taxable:** This strategy focuses on the preservation and gradual growth of capital focusing on stable, intermediate-term taxable bonds. The average portfolio credit quality is A with a targeted duration of the benchmark +/- one year. Other types of assets used in this strategy may include mutual funds, ETFs, and liquid alternatives to complement individual bond holdings as appropriate.

- The primary reference benchmark for this strategy is 100% Barclays Intermediate Government/Credit Index.

☐ **Core Bond - Municipal:** This strategy focuses on the preservation and gradual growth of capital focusing on stable, intermediate-term municipal bonds. The average portfolio credit quality is A with a targeted duration of the benchmark +/- one year. Other types of assets used in this strategy may include mutual funds, ETFs, and liquid alternatives to complement individual bond holdings as appropriate.

- The primary reference benchmark for this strategy is 100% Bank of America Merrill 1-10 Year Muni Index.

☐ **Core Plus Bond – Taxable:** This strategy focuses on the moderate growth of capital and greater income generation by adding higher yielding taxable securities to complement core holdings. The average portfolio credit quality is investment grade with a targeted duration of the benchmark +/- one year and no maturity limit. Other types of assets used in this strategy may include mutual funds, ETFs, and liquid alternatives to complement individual bond holdings as appropriate.

- The primary reference benchmark for this strategy is 85% Barclays Government/Credit Index and 15% Bloomberg Barclays U.S. Corporate High Yield USD Index.

☐ **Core Plus Bond – Municipal:** This strategy focuses on the moderate growth of capital and greater income generation by adding higher yielding municipal securities to complement core holdings. The average portfolio credit quality is investment grade with a targeted duration of the benchmark +/- one year and no maturity limit. Other types of assets used in this strategy may include mutual funds, ETFs, and liquid alternatives to complement individual bond holdings as appropriate.

- The primary reference benchmark for this strategy is 85% Bank of America Merrill 7-12 Year Muni Index and 15% Bloomberg Barclays Municipal High Yield Index.

☐ **SRI Bond - Taxable:** This strategy focuses on the preservation and gradual growth of capital by investing in stable intermediate-term taxable bonds with consideration given to environmental, social and corporate governance (ESG) criteria. The average portfolio credit quality is A with a targeted duration of the benchmark +/- one year. Other types of assets used in this strategy may include mutual funds, ETFs, and liquid alternatives to complement individual bond holdings as appropriate.

- The primary reference benchmark for this strategy is 100% Barclays Intermediate Government/Credit Index.

☐ **SRI Bond - Municipal:** This strategy focuses on the preservation and gradual growth of capital by investing in stable intermediate-term municipal bonds with consideration given to environmental and sustainability criteria. The average portfolio credit quality is A with a targeted duration of the benchmark +/- one year. Other types of assets used in this strategy may include mutual funds, ETFs, and liquid alternatives to complement individual bond holdings as appropriate.

- The primary reference benchmark for this strategy is 100% Bank of America Merrill 1-10 Year Muni Index.

CAMBRIDGE TRUST

PRIVATE BANKING WEALTH MANAGEMENT

INVESTMENT POLICY STATEMENT

☒ **Bond Mutual Fund:** This strategy uses mutual funds (or ETFs) to replicate the parameters of the respective fixed income strategy. It is generally used for smaller fixed income portfolios in which adequate diversification cannot be achieved using individual bonds.

- The primary reference benchmark for this strategy is the same as the respective fixed income strategies above (Standard = Core benchmarks, SRI = SRI benchmarks, Enhanced Yield = Enhanced yield benchmark).

- Please note bond mutual fund choice:

☒ Standard mutual funds – Taxable

☐ Standard mutual funds - National Municipal

☐ Standard mutual funds - MA Muni Focus

☐ SRI mutual funds - Taxable

☐ SRI mutual funds - Municipal

☐ Core Plus Bond mutual funds – Taxable

☐ Core Plus Bond mutual funds – Municipal

☐ Other: _____

Additional Notes on Overall Policy:

This Investment Policy Statement may be updated at any time as client needs, time horizons, risk tolerances or investment objectives change. Accounts may be rebalanced if the asset allocation varies from the ranges stated above due to market conditions or account activity. The ranges given are guidelines and subject to change without prior notice. The benchmarks stated are for reference only and are subject to change if a different benchmark is deemed more appropriate by the investment team. Security types not mentioned in this IPS may be added to the investment strategies as deemed appropriate by the investment team. Cash received into an account will be invested over a reasonable period of time. If there is more than one account covered by this Investment Policy Statement, the assets in each may be invested in different asset allocations or securities but will collectively conform to the investment objective noted above. There is no guarantee that the investments in the account will meet an expected return requirement or risk profile, either individually or as a whole. Investments may lose value and are not bank or FDIC guaranteed. The value of the portfolio may be influenced by market events, economic conditions, and specific company events.

CAMBRIDGE TRUST

PRIVATE BANKING WEALTH MANAGEMENT

INVESTMENT POLICY STATEMENT

9. Directed Holdings:

It is our understanding that you have directed us to retain the positions listed below. Holding these securities represents a risk to the portfolio. We hold these positions at your request and seek your written direction that the shares be retained, even if they represent a non-standard investment position. *Cambridge Trust Company does not assume any liability for the risk, losses or costs associated with any client directed non-approved names or concentrated positions where we do not have full discretion to sell the positions within our policy guidelines.* If at any time this direction is no longer valid, please contact your Portfolio Manager or Relationship Manager directly with written instructions.

No Discretion - The positions listed below are client directed with no discretion to sell


Ticker/Cusip _____ Security Name _____

Limited Discretion - The positions listed below are concentrated holdings greater than 10% of the equity asset class with embedded gains. While the agreed strategy is to reduce these positions over several tax years, Cambridge Trust does not have full discretion to immediately sell the positions to within policy guidelines.


Ticker/Cusip _____ Security Name _____

By signing below, the parties confirm, this Investment Policy Statement accurately describes the client's goals, objectives and specific instructions.

Client/Trustee/Co-Trustee Acknowledgment:

 TIMOTHY C. DAWSON TRC

Dated: 12/7/21

 JAMES WILBUR

Dated: 12/7/21

 NANCY JACKSON

Dated: 12/7/21

Relationship Manager Acknowledgment:

Dated: _____

Portfolio Manager Acknowledgment:

Dated: _____

INTERNAL/INVESTMENT DEPARTMENT USE ONLY:

TRADING GROUP: YES ☐ NO ☐

INVESTMENT POLICY STATEMENT

Appendix: Relevant Portfolio Reference Benchmarks

The benchmarks stated are for reference only and are subject to change if a different benchmark is deemed more appropriate by the investment team.

CAMBRIDGE TRUST - BENCHMARKS & INDICES

OVERALL PORTFOLIO

Asset Class	Benchmark	Risk Averse	Conservative	Moderately Conservative	Balanced	Moderate Growth	Growth	Growth Plus	All Equity
		"0/100"	"30/70"	"40/60"	"50/50"	"60/40"	"70/30"	"80/20"	"100/0"
US Equities	S&P 500*		24.0%	32.0%	40.0%	48.0%	56.0%	64.0%	78.0%
International Equities	MSCI AC World ex-US*		6.0%	8.0%	10.0%	12.0%	14.0%	16.0%	19.5%
Fixed Income	According to tax status**	97.5%	67.5%	57.5%	47.5%	37.5%	27.5%	17.5%	0.0%
Cash	Lipper Money Market	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*For equity income strategies, please see specialized benchmarks listed below

**For taxable accounts: Bank of America Merrill 1-10 Year Muni Index; For tax-exempt accounts: Barclays Intermediate Government/Credit Index

INDIVIDUAL SECURITIES SUB-STRATEGIES

Equity Strategy Benchmarks		Equity		
		Core Equity	Income	SRI Equity
US Equities	S&P 500	80%	--	80%
International Equities	MSCI AC World ex-US	20%	--	20%
Equity Income: US Equities	Nasdaq US Broad Dividend Achievers		80%	
Equity Income: International	S&P Global ex-US Dividend Growers		20%	

Fixed Income Strategy Benchmarks		Core Muni	Core Plus Muni	Core Taxable	Core Plus Taxable	SRI Bonds Taxable	SRI Bonds Muni
Barclays Intermediate Government/Credit Index				100%	85%	100%	
Bank of America Merrill 1-10 Year Muni Index		100%					100%
Bank of America Merrill 7-12 Year Muni Index			85%				
Bloomberg Barclays Municipal High Yield Index			15%				
Bloomberg Barclays U.S. Corporate High Yield USD Index					15%		

Global Asset Allocation strategies are considered in a separate document and may use different benchmarks