

City of Concord
Trustees of Trust Meeting

Minutes of November 15, 2012 Meeting

Meeting was convened at 8:30 AM at Citizens Bank

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

Agenda and Minutes from the August 23rd, 2012 meeting were distributed for review. A motion was made to approve the minutes by Mike Jache and seconded by Jeff Schindler, minutes were unanimously approved (with the exception of minor typographical errors).

Mike Jache then turned the meeting over to Charles. Charles stated that (with respect to your portfolio holdings) the approach is one of a tradeoff. In other words, are we looking at growth vs. income, more risk vs. less risk, there is a need to give up one position in order to enter into another. Decisions must be well thought out especially given the current market movements. Currently there is a very gentle tip toward employment but in the absence of credit and lack in global demand caution is the current environment. The US economy is growing very slowly, probably only 1 1/2 %. President Obama is suggesting that the new taxes in 2013 will add approximately 1/2 percent to the GDP bringing the total GDP to 2% for 2013. Through the first 3 quarters of 2012 growth was slow but steady. This was followed by several weeks of market correction. This was a fairly orderly correction given the "normal" market volatility. Do not confuse the Economy with the Market. During the 3rd quarter the Market was up and slightly more robust. Global flow of funds helped to push the equity markets. Jeff asked if there were tax advantage to getting yield now, pushing a sell-off. Charles feels that the so called fiscal cliff will have more of an impact on the markets but not mean that much for the overall economy. We need more traction on employment, credit & global demand. Global demand is an underling driver. China and Europe need to increase their demand. There is a possibility that we may be facing a mild recession in 2013

Charles feels the Federal Reserve is holding back on any move in interest rates and is closing monitoring global market demands. There is still a great deal of uncertainty surrounding the fiscal cliff and this may result in a pullback in equity funds if the economy slows in 2013. As reflected in trust Fund C Corporate Bonds continue to perform well.

Karen asked if Hurricane Sandy would have an impact on markets and the economy. Charles feels that in the aftermath Home Depot & Lowes may see increase in sales but Macy's (clothing retailers) probably won't. In the long run, Sandy will probably not impact markets because they tend to look at recurring events. Sandy will not have a large enough impact to push the US into a recession. However we need to closely monitor the market's reaction to the fiscal cliff or global demand.

It will probably be at least 2014 before we see a turn-a-round in interest rates. If we have a mild recession in 2013, we would then need to look for any rise in rates to be pushed

out until 2015. Any increase will be very gradual and we probably won't see 2-3% interest rates until 2020. The Federal Reserve is currently more concerned with deflation vs. inflation. Jeff asked if inflation could be looming. Charles does not rule out inflation but said that if interest rates edge up it is a good indicator of an increase in global demand. Global demand is what is driving the current fed trend of credit expansion. The fed has done as well as it could have. In the 1970's gold, commodities and mid-east oil was a driving factor for inflation. If commodity prices start to move up then inflation could be a problem.

2013 is a year to be cautious and closely watch market trends before balancing the portfolio. Charles also noted, in our review of the funds, that the management fees from Citizens are shown with any withdrawals from the fund as shown in the appendix. He again affirmed that funds A & B mirror the investment structure of fund C.

Next meeting was set for February 21, 2013 at 8:30 AM at Citizens Bank

Meeting was adjourned.