

Feoffees of the Grammar School Trust Performance Summary October 1-December 31, 2013

Part 1: Trust Overview and Performance Summary

The Feoffees oversee two distinct funds, as stipulated in the Trust Administration Order (TAO):

- 1) Endowment: net proceeds received from the sale of Little Neck. These include:
 - a. Funds received at closing
 - b. Mortgages and loans to the Little Neck cottage owners (as required in the Settlement Agreement)
 - c. These funds are invested via professional investment managers, Aureus and High Vista

- 2) Usage & Occupancy Funds: Initially \$2.4 Million to be held in short term deposits by the Feoffees and NOT considered part of the Endowment.
 - a. The U&O funds will be distributed to the School Committee in three annual installments of \$800,000 (plus interest).

Endowment Growth

For the quarter, the Endowment increased in value from \$23,335,848 to \$23,804,758 for a gain of 4%. For the year (also the inception of the fund), the Endowment has increased in value from \$22,021,388 to \$23,804,758 for a gain of 8%. The changes in the Endowment for the last quarter are shown in Table 1.

Table 1: Endowment Summary

Item	Value as of October 1, 2013	Net gain (loss)	Value as of December 31, 2013
Endowment ⁽¹⁾	\$19,234,751	\$1,095,139 ⁽³⁾	\$20,329,890
Mortgages + Usage & Occupancy Loans	\$4,101,097	(\$624,239) ⁽⁴⁾	\$3,476,858
Operating Expenses ⁽²⁾		(\$1,990)	(\$1,990)
Total	\$23,335,848	\$468,910	\$23,804,758

(1) Aureus Fund and High Vista Fund combined, plus cash. The U&O Funds are not included.

(2) Expenses for Trust activities.

(3) Includes investment gains/losses net of fees, interest and payouts of mortgages and U&O loans, and proceeds of mortgage and U&O loan payoffs.

(4) Payoffs of mortgages and U&O loans during the quarter. Proceeds added to "Net gain (loss)" amount.

Mortgage and Loan Update

During the quarter, the Mortgage and U&O Loans held by the Feoffees changed from \$4,101,097 to \$3,476,858. This change of \$624,239 reflects principal payments and pay-offs of mortgages and U&O loans during the quarter.

Table 2: Mortgage & Loan Summary

Item	Amount
Mortgages and U&O loan balance on 10/1/13	\$4,101,097
Mortgage balance on 10/1/13	\$3,787,259
- Principal payments & mortgages paid off	\$549,083
Mortgage balance on 12/31/13	\$3,238,176
U&O loan balance on 10/1/13	\$313,838
- Principal payments & loans paid off	\$75,088
U&O loan balance on 12/31/13	\$238,750
Mortgages and U&O loan balance on 12/31/13	\$3,476,858

Usage and Occupancy Fund Update

The Feoffees have made two annual distributions of \$800,000 (plus interest) as part of a \$2.4 million U&O payment received per the Settlement Agreement. As specified in the Trust Administration Order, these U&O funds are not part of the Endowment. The Feoffees are required to distribute the U&O funds in three installments of \$800,000 each (plus interest). The first two installments were made in August 2012 and August 2013. The final U&O fund installment of \$800,000 (plus interest) will be distributed to the School Committee in August 2014. The U&O Fund balance as of December 31, 2013 is \$816,080.

Part 2: Managed Investment Performance, October 1-December 31, 2013

The Feoffees have retained Aureus and High Vista as investment managers. Collectively, the two managers combine to achieve a single investment strategy consistent with the Feoffees’ Investment Policy (detailed in Part 3). Funds are placed in two Aureus investment vehicles (Aureus Equities and Aureus Fund) and one High Vista investment vehicle (High Vista V LP). For the quarter, the Aureus Equities were up 12.0%. The Aureus Fund, which invests in a diversified group of long/short, credit, absolute return and commodity managers rose 4.0%. In total, Aureus managed assets rose 7.9% in the period. High Vista managed assets were up 5.0%.

Since inception, the assets managed by Aureus and High Vista have risen 15.8% when combined. In detail, the Aureus portfolio is up 17.8% and the High Vista portfolio has risen 11.0%. The performance for 2013 outperformed the benchmarks set at the beginning of the year. Performance detail for the investment managers is listed in Table 3.

Table 3: Investment Performance Summary

Investment Performance Net of Fees (1)

Periods Ending 12/31/2013 Manager	Latest Quarter 12/31/2013	Year to Date 2013	Since Inception (2)	
			Aureus	High Vista
Aureus Equity-only	12.0%		26.8%	
<i>S&P 500</i>	10.5%		24.6%	
Aureus Fund II, LLC	4.0%		9.0%	
<i>HFRI Fund of Funds Composite (3)</i>	3.5%		6.5%	
Aureus Total (4)	7.9%		17.8%	
<i>Custom Benchmark (5)</i>	6.6%		15.2%	
High Vista V LP	5.0%	11.0%		11.0%
<i>Custom Benchmark (6)</i>	3.3%	9.8%		9.8%
Total Feoffees	7.0%	15.8%		
<i>Custom Benchmark (7)</i>	4.5%	13.0%		

(1) Excludes mortgages

(2) Aureus inception date 2/1/13; High Vista inception date 1/1/2013

(3) HFRI Fund of Funds Composite is an equal weighted composite of over 600 Fund of Funds tracked by Hedge Fund Research, Inc.

(4) Includes Equities, Aureus Fund II, Fixed Income and Cash

(5) 50% S&P 500, 40% HFRI Fund of Funds Composite, 10% Cash

(6) 50% MSCI ACWI (Net), 30% Merrill Lynch 5-7 year Treasury Index, 20% Cash

(7) 27% S&P 500, 18% MSCI ACWI (Net), 20% HFRI FoF Composite, 25% Merrill Lynch 5-7 year Treasury Index, 10% Cash

Part 3: Managed Investment Portfolio Composition

The Endowment investment portfolio, managed by Aureus and High Vista, is based upon the Investment Policy established by the Feoffees in 2013. The policy seeks solid growth with an emphasis on managing risk. Simply put, the investment policy seeks to minimize any reduction in Endowment value when the market is down, even if that means slower growth of the Endowment when the market is up. The assets are allocated to comply with this Investment Policy. The Feoffees work with the investment managers on a regular basis to adjust allocations to meet policy guidelines. The current allocations of are shown in Table 4.

Table 4: Investment Fund Allocations vs. Investment Policy

Asset Class	12/31/2013	12/31/2013	Asset Allocation Range	
	\$ Total	% Total	Low	High
Traditional Equity	\$ 11,703,599	49.2%	40.0%	50.0%
Non-Traditional Equity	\$ 4,501,801	18.9%	15.0%	25.0%
Total Equity	\$ 16,205,400	68.1%	55.0%	75.0%
Total High Quality Fixed Income	\$ 4,601,552	19.3%	10.0%	20.0%
<i>Mortgages</i>	\$ 3,476,858	14.6%		
<i>Fixed Income</i>	\$ 1,124,694	4.7%		
Credit Opportunities	\$ 1,459,982	6.1%	0.0%	10.0%
Cash/MMF	\$ 642,608	2.7%	5.0%	10.0%
Total Fixed Income/Cash	\$ 6,704,142	28.2%	15.0%	40.0%
Illiquid Investments	\$ -	0.0%	0.0%	5.0%
Real Assets	\$ 895,216	3.8%	5.0%	10.0%
Total Illiquid & Real Assets	\$ 895,216	3.8%	5.0%	15.0%
Total	\$ 23,804,758	100.0%		

Traditional Equity	Investments in both US and International stocks
Non-Traditional Equity	Investments in long/short hedge funds both US and International
Mortgages	Represents the holdings in direct mortgages
Fixed Income	Investments in high quality fixed income debt instruments
Credit Opportunities	Investments in high yield debt, distressed debt, and similar debt instruments
Cash/MMF	Investments in high quality, short-term debt instruments.
Illiquid Investments	Investments in any asset where liquidity is beyond one year such as private equity or venture capital
Real Assets	Investments in commodities, inflation-adjusted bonds , and real estate