

Feoffes of the Grammer School Trust Performance Summary

December 31, 2020

Part 1: Trust Overview and Performance Summary

Performance Summary (from Aureus)

The total portfolio returned 9.4% in the fourth quarter and 15.1% for 2020, net of fees. The trailing 3-year annualized return was 11.1% and trailing 5 years was 10.9%. Since inception the portfolio has produced an annualized return of 9.3%. Returns trailed the custom benchmark for Q4 2020, and exceeded the benchmark for all other reported periods.

Investment Commentary (from Aureus)

Rarely have there so many momentous occasions as in the past quarter. First, an election, the results of which were rigorously monitored and confirmed; second, an election loser who simply refused to face the facts and stoked unjustified fears of massive fraud; third, a group of fanatical supporters of the loser who, in the first week of January, committed acts of violence and possible treason within the US Capitol; fourth, an expanding pandemic of COVID, accelerated by far too many people not observing safety protocols; fifth, another downturn in employment and economic activity after a temporary recovery in the third quarter.

Despite all these events, financial markets advanced, with equities having an especially strong quarter, both abroad and in the US. The world's central banks continue to be the principal reason for market behavior, as they all maintained policies of extreme monetary ease. All central banks are determined to use every weapon at their disposal to rescue commercial activity from the doldrums of recession. We now face a new administration in Washington with a different agenda. President Biden has asked the Congress to consider a vast stimulus plan, designed both to get the economy back on track and reduce unemployment. In addition, the President has called for a much improved plan for both distribution and administration of COVID vaccines. Assuming that vaccine plan works, a substantial majority of Americans should have received a vaccine by the end of the second quarter.

The economy should respond very positively to these developments. While the winter quarter will still be dismal, signs of the recovery should be apparent in the second quarter, and gather strength in the second half of this year, continuing right into and through 2022.

The Federal Reserve, while continuing record monetary ease into the second quarter, should begin to withdraw some stimulation by the summer. Therefore, we expect that yields on high quality fixed income have most likely touched bottom. As interest rates rise, bonds for the first year in some time may post a negative return. However, we still regard that equities, despite advanced valuations, offer fairly good value, as profits should grow strongly for the next couple of years.

We continue to advise maintenance of equity positions, both in the Aureus managed portfolio (principally growth oriented) and in the passive portfolio (value oriented).

Investment Commentary (from Aureus)

Investment Performance

Totals are Net of Fees Manager	Current Quarter	YTD 2020	1 Year	Annualized Since Inception		
				Total	Aureus	Passive
Aureus Equity-only	9.3%	27.3%	27.3%	17.5%		
Aureus Fixed Income (BCA)	0.3%	5.1%	5.1%	2.4%		
Non-Traditional	6.5%	8.3%	8.3%	4.5%		
Aureus Total	7.9%	19.3%	19.3%	10.5%		
<i>Custom Benchmark (3)</i>	<i>10.1%</i>	<i>13.4%</i>	<i>13.4%</i>	<i>9.3%</i>		
Passive Equities	20.2%	9.0%	9.0%	12.5%		
Passive Fixed Income	0.8%	4.8%	4.8%	3.0%		
Passive Commodities	12.6%	-7.8%	-7.8%	4.6%		
Passive Total	13.3%	5.3%	5.3%	8.3%		
<i>Custom Benchmark (4)</i>	<i>8.2%</i>	<i>9.6%</i>	<i>9.6%</i>	<i>8.9%</i>		
Total Equities	11.9%	22.3%	22.3%	16.3%		
Total Fixed Income	0.6%	5.0%	5.0%	2.5%		
Total Non-Traditional	7.5%	5.0%	5.0%	4.0%		
Total Feoffees Net of Fees	9.4%	15.1%	15.1%	9.3%		
<i>Custom Benchmark</i>	<i>9.1%</i>	<i>11.4%</i>	<i>11.4%</i>	<i>7.5%</i>		

Endowment Summary

Endowment Items	Value as of 3/31/21
Actively invested Funds and cash held in accounts	\$38,073,099
Mortgages	\$328,280
Total	\$38,401,379

Part 2: Investment Allocation

The overall endowment is allocated based on the asset class targets set forth by the Feoffees in the Investment Policy Statement created in 2013. This mix is reviewed quarterly. The goal of the allocation is to provide long term growth with an emphasis on risk management. The allocation of the portfolio is listed below.

Allocation vs. Investment Policy			Policy Allocation Range		Compliance to Policy
Asset Class	\$ Total	% Total	Low	High	
Cash	\$ 543,263	1.4%	2.0%	7.0%	No
Fixed Income	\$ 4,738,381	12.3%	10.0%	20.0%	Yes
<i>High Quality</i>	\$ 4,410,101	11.5%			
<i>Mortgages</i>	\$ 328,280	0.9%			
Total Fixed Income	\$ 5,281,644	13.8%	12.0%	27.0%	Yes
Domestic Equity	\$ 22,986,861	59.9%	40.0%	60.0%	Yes
International Equity	\$ 3,564,058	9.3%	5.0%	15.0%	Yes
Total Equities	\$ 26,550,919	69.1%	45.0%	75.0%	Yes
Directional Alternatives	\$ 2,358,911	6.1%	5.0%	10.0%	Yes
Absolute Return Alternatives	\$ 3,020,675	7.9%	5.0%	10.0%	Yes
Commodities	\$ 1,189,230	3.1%	0.0%	5.0%	Yes
Total Non-Traditional	\$ 6,568,816	17.1%	10.0%	25.0%	Yes
Total	\$ 38,401,379	100.0%			

Mortgage and Loan Update

The balance of mortgages due at December 31, 2020 is \$328,280. This is comprised of two mortgages.