

Feoffes of the Grammer School Trust Performance Summary

June 30, 2021

Part 1: Trust Overview and Performance Summary

Performance Summary (from Aureus)

The total portfolio returned 7.2% for the second quarter, 12.3% year to date and 31.8% for the last 12 months, net of fees. The trailing 3 year annualized return was 14.1% and trailing 5 years was 13.1%. Since inception the portfolio has produced an annualized return of 10.3%. Returns exceeded the custom benchmark for all reported periods.

Checking Account Transactional History

Simple Checking Account (9938) Transactional History				
<u>Source</u>	<u>Date</u>	<u>Check No</u>	<u>Amount</u>	<u>Balance</u>
Hamilton Bookkeeping	4/17/21	1132	\$112.50	
Hamilton Bookkeeping	5/3/21	1133	\$150.00	
Hamilton Bookkeeping	6/3/21	1134	\$187.50	
Catherine Tinsley< Sec'y	6/24/21	1135	\$200.00	
				\$2,849.90

Investment Commentary (from Aureus)

In the second quarter, inflation suddenly became a concern. With the commodity index up 30% from January 1 through June 30, and with indications of labor wage inflation in lower wage industries, many people started to question whether these price rises were transitory or more of a permanent concern.

What has surprised the experts has been the considerable strength of the economic recovery from the COVID crisis, a much faster recovery than from the Global Financial Crisis of 2008. The big difference has been the amount of Federal stimulus spending, which in 2009 was only a small fraction of what the 2020 and early 2021 measures amounted to. As a result, consumer demand has roared back, as shown in the price increases for autos (new and used), housing stock, and other hard goods.

The Federal Reserve clearly believes that much of these pressures should subside, as shortages in the economy are corrected and demand starts to even out. However, the Fed has signaled that it is closely watching price trends and is prepared to adopt a tighter monetary policy earlier than forecast if inflation remains above their targets.

Greater economic strength is very favorable for corporate profits. S&P profits may well be back to pre-pandemic levels very soon. We expect further growth in 2022, at least at the pre-tax level (we do not know at this time whether corporate taxes will be raised, as has been proposed).

Because of the economic snapback, the stock market has enjoyed several quarters in a row of strength, with equities now up about 15% YTD, and about 40% over the past twelve months. Despite inflation fears, bonds have been mostly unchanged in value for the past year. Commodities have spurted 31% from January 1, and about 56% from a year earlier, driven by oil and metals, with agricultural prices higher as a result both of weather conditions and strong demand.

Looking forward, we continue to prefer equities, with bonds seeming quite a bit less attractive. The Feoffees portfolio is about 69% in equities, near the top end range of 75% in the policy statement. Specifically, US equities are within 1% of the high end of the range (59% vs. 60%) at the end of Q2. During Q2 we reduced the Aureus US equity allocation by \$880k and added to the international passive equity funds (\$380k) and Aureus Absolute Return Fund (\$500k). Fixed income closed the quarter with a 12% weighting, at the low end of its range. We believe this allocation is a good mix of sufficient protection against unexpected volatility provided by the Aureus Funds and fixed income allocation (total 26%), while providing long-term potential for return through the allocation to global equities (69%).

Investment Performance						
Totals are Net of Fees	Current	YTD	1 Year	Annualized Since Inception		
Manager	Quarter	2021		Total	Aureus	Passive
Aureus Equity-only	10.9%	15.8%	40.6%		18.4%	
Aureus Fixed Income (BCA)	0.5%	-0.3%	0.6%		2.2%	
Non-Traditional	2.5%	7.8%	18.8%		5.3%	
Aureus Total	8.1%	12.5%	31.5%		11.8%	
<i>Custom Benchmark (3)</i>	<i>5.7%</i>	<i>9.9%</i>	<i>29.4%</i>		<i>10.1%</i>	
Passive Equities	5.1%	14.2%	46.0%			13.2%
Passive Fixed Income	0.6%	0.0%	1.4%			2.6%
Passive Commodities	15.9%	31.0%	56.4%			8.4%
Passive Total	5.1%	12.0%	32.5%			9.4%
<i>Custom Benchmark (4)</i>	<i>6.2%</i>	<i>10.0%</i>	<i>26.7%</i>			<i>9.8%</i>
Total Equities	9.3%	15.2%	41.7%	17.2%		
Total Fixed Income	0.5%	-0.1%	1.1%	2.4%		
Total Non-Traditional	5.0%	12.0%	25.1%	5.2%		
Total Feoffees Net of Fees	7.2%	12.3%	31.8%	10.3%		
<i>Custom Benchmark</i>	<i>5.5%</i>	<i>9.1%</i>	<i>26.7%</i>	<i>8.3%</i>		

Endowment Summary

Endowment Items		Value as of 6/30/2021
Actively invested Funds and cash held in accounts		\$42,326,312
Returned from Schools and not counted toward 12 Qtr avg		<u>\$347,000</u>
Net Value to be used in Distrib Model		\$41,979,312
Mortgages		<u>\$190,435</u>
Total		\$42,516,747

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
Asset Class	\$ Total	% Total	Low	High	to Policy
Cash	\$ 602,452	1.4%	2.0%	7.0%	No
Fixed Income	\$ 4,589,244	10.8%	10.0%	20.0%	Yes
<i>High Quality</i>	\$ 4,398,809	10.9%			
<i>Mortgages</i>	\$ 190,435	0.4%			
Total Fixed Income	\$ 5,191,696	12.2%	12.0%	27.0%	Yes
Domestic Equity	\$ 25,092,407	59.0%	40.0%	60.0%	Yes
International Equity	\$ 4,375,639	10.3%	5.0%	15.0%	Yes
Total Equities	\$ 29,468,046	69.3%	45.0%	75.0%	Yes
Directional Alternatives	\$ 2,523,276	5.9%	5.0%	10.0%	Yes
Absolute Return Alternatives	\$ 3,776,404	8.9%	5.0%	10.0%	Yes
Commodities	\$ 1,557,325	3.7%	0.0%	5.0%	Yes
Total Non-Traditional	\$ 7,857,005	18.5%	10.0%	25.0%	Yes
Total	\$ 42,516,747	100.0%			

Mortgage and Loan Update

The balance of mortgages as of June 30, 2021 is \$190,435. This is comprised of one mortgage.