

Feoffees of the Grammar School Trust Performance Summary

September 30, 2014-December 31, 2014

Part 1: Trust Overview and Performance Summary

Endowment Growth

For the fourth quarter of 2014, the Endowment had an increase in value from \$25,654,824 to \$26,430,196 which amounted to a gain of 3%. ***This gain includes the recent merger of the Manning Fund into the Feoffees Trust.*** The Manning Fund contributed \$419,778 to the total assets in the endowment. The Endowment had a total gain in 2014 of \$1,628,149 (6.6%).

The changes in the Endowment and U&O funds combined for the last quarter are shown in Table 1. For the quarter, total expenses attributed to mortgage servicing and general bookkeeping were approximately \$1000. The Endowment numbers listed below are net of portfolio management fees.

Table 1: Endowment Summary

Endowment Items	Value as of Sept. 30, 2014	Net gain (loss)	Value as of Dec. 31, 2014
Actively Invested Funds and cash held in accounts	\$22,866,314	\$976,446 ⁽¹⁾	\$23,842,760
Mortgages + Usage & Occupancy Loans	\$2,788,510	(\$201,074) ⁽²⁾	\$2,587,436
Total	\$25,654,824	\$775,372	\$26,430,196

(1) Includes investment gains/losses net of fees, interest and payouts of mortgages and U&O loans

(2) Payoffs of mortgages and U&O loans during the quarter.

Mortgage and Loan Update

During the quarter, the Mortgage and U&O Loans held by the Feoffees decreased in value from \$2,788,510 to \$2,587,436. This change of \$201,074 reflects principal payments on mortgages and U&O loans during the quarter. As of 12/31/2014, the Feoffees Trust holds 18 mortgages and 11 U&O notes. The mortgage loans are structured as “interest only” with a yearly rate of 6% for a term of 5 years. The U&O notes are amortized over 5 years at an annual rate of 4%

Part 2: Managed Investment Performance, 10/1/2014-12/31/2014

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). For the quarter, the Aureus Equities were up 3.9%. The

Aureus Fund, which invests in a diversified group of long/short, credit, absolute return and commodity managers, was up 1.1% for the quarter. The Aureus Fixed Income strategy was flat for the quarter. In total, Aureus managed assets gained 2% for the period. High Vista managed assets were flat for the quarter.

Since inception, the assets managed by Aureus and High Vista have an annualized gain of 10.1% (12.1% for Aureus, 6.6% for High Vista). The combined performance of both managers has exceeded the return of our custom benchmark (see Table 3).

Table 3: Investment Performance Summary

Investment Performance						
Net of Fees (1)		Latest Quarter		Annualized	Annualized Since Inception (2)	
Manager	12/31/2014	1 Year		2 Year	Aureus	High Vista
Aureus Equity-only	3.9%	11.7%		n/a	20.0%	
<i>S&P 500</i>	4.9%	13.7%		n/a	20.0%	
Aureus Fixed Income (BCA)	-0.1%	1.2%		n/a	0.7%	
<i>Barclays US Aggregate</i>	1.8%	6.0%		n/a	2.4%	
Aureus Fund II, LLC	1.1%	0.4%		n/a	4.8%	
<i>HFRI Fund of Funds Composite (3)</i>	0.8%	3.2%		n/a	5.2%	
Aureus Total (4)	2.0%	5.6%		n/a	12.1%	
<i>Custom Benchmark (5)</i>	2.8%	8.1%		n/a	12.2%	
High Vista V LP	-0.2%	2.4%		6.6%		6.6%
<i>Custom Benchmark (6)</i>	1.0%	4.5%		8.0%		8.0%
Total Feoffees	1.5%	4.7%		10.1%		10.1%
<i>Custom Benchmark (7)</i>	2.0%	6.3%		9.6%		9.6%

(1) Excludes mortgages

(2) Aureus inception date 2/1/2013; High Vista inception date 1/1/2013; Total Feoffees 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) 60% MSCI ACWI (Net), 40% Merrill Lynch 5-7 year Treasury Index

(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 allocated based on the Investment Policy Statement (IPS) established by the Feoffees in 2013. This allocation includes the mortgages and U&O notes held by the Endowment. The goal of the portfolio is solid long term growth with an emphasis on managing risk. Simply put, the mix of investments seeks to minimize the reduction in Endowment value when the market is down, even if that means slower growth when the market is up. The Feoffees work with the investment managers on a regular basis to adjust allocations in order to meet policy guidelines. The current allocations are shown in Table 4.

Table 4: Investment Fund Allocations vs. Investment Policy

Allocation vs. Investment Policy Asset Class	12/31/2014		Policy Allocation Range	
	\$ Total	% Total	Low	High
Traditional Equity	\$ 12,688,235	50.1%	40.0%	50.0%
Non-Traditional Equity	\$ 4,789,012	18.9%	15.0%	25.0%
Total Equity	\$ 17,477,247	69.0%	55.0%	75.0%
Total High Quality Fixed Income	\$ 4,625,345	18.3%	10.0%	20.0%
<i>Mortgages</i>	2,587,436	10.2%		
<i>Fixed Income</i>	2,054,049	8.1%		
Credit Opportunities	\$ 1,776,437	7.0%	0.0%	10.0%
Cash/MMF	\$ 81,987	0.3%	5.0%	10.0%
Total Fixed Income/Cash	\$ 6,483,769	25.6%	15.0%	40.0%
Illiquid Investments	\$ -	0.0%	0.0%	5.0%
Real Assets	\$ 1,360,759	5.4%	5.0%	10.0%
Total Illiquid & Real Assets	\$ 1,360,759	5.4%	5.0%	15.0%
Total Managed Investments	\$ 25,337,915	100.0%		
Total Cash in banks	\$ 1,092,281			
Total Endowment	\$ 26,430,196			

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