

Feoffees of the Grammar School Trust Performance Summary

July 1, 2015 - September 30, 2015

Part 1: FY 2015 Trust Distribution

The FY 2015 Trust distribution represents the first annual installment to the Schools calculated based on the Feoffees distribution policy. The three previous distributions of \$800,000 were predetermined based on the Settlement Agreement as part of the land sale. The details of the Feoffees distribution policy can be found on our website.

The total payout to the Ipswich Schools for fiscal year 2015 was \$711,925. Of this amount, \$700,618 is attributed to the Paine Trust and \$11,307 is attributed to the Manning Fund. The Feoffees will continue to recognize the generosity and foresight of both the Paine and Manning families by tracking and distributing their proportional share of Trust assets separately.

Part 2: Trust Overview and Performance Summary

Endowment Growth

For the third quarter, the Endowment decreased in value from \$26,669,477 to \$25,082,719. This drop is due to a significant sell off in the global equity markets during the quarter. The endowment's allocation to fixed income (bonds and mortgages) along with a small allocation to cash helped offset some of the downside. 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, general bookkeeping and legal fees were \$1,770. The Endowment numbers listed are net of portfolio management fees.

Mortgage and Loan Update

During the quarter, the Mortgage and U&O Loans held by the Feoffees decreased from \$2,102,196 to \$1,912,660. This change of \$189,536 reflects principal payments on mortgages and U&O loans during the quarter. As of 9/30/2015, the Feoffee Trust holds 14 mortgages and 10 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%

Table 1: Endowment Summary

Endowment Items	Value as of July 1, 2015	Net gain (loss)	Value as of Sept. 30, 2015
Actively Invested Funds and cash held in accounts	\$24,567,281	(\$1,397,222) ⁽¹⁾	\$23,170,059
Mortgages + Usage & Occupancy Loans	\$2,102,196	(\$189,536) ⁽²⁾	\$1,912,660
Total	\$26,669,477	(\$1,586,758)	\$25,082,719

(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.

Part 3: Managed Investment Performance, 7/1/2015-9/30/2015

The Feoffees retain 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 down 8.6%. The Aureus Fund, which invests in a diversified group of long/short, credit, absolute return and commodity managers, lost 5.7% for the quarter. The Aureus Fixed Income strategy gained 0.9% for the quarter. In total, Aureus managed assets lost 6.5% for the period. High Vista managed assets lost 6.9% for the quarter.

Since inception, the assets managed by Aureus and High Vista have an annualized gain of 5.9% (7.6% for Aureus, 2.6% for High Vista). The combined performance of both managers is slightly below the return of our custom benchmark (see Table 2).

Our board continually monitors the performance of each investment manager relative to our benchmark and asset allocation targets. Investment statements are reviewed monthly and we maintain regular contact with the firms we have hired to oversee the investments.

The distribution policy we created is designed to "smooth" out the impact of short term market volatility on the portfolio and on the required annual distribution to the schools.

Table 2: Investment Performance

Investment Performance					
Net of Fees (1)	Latest Quarter 9/30/2015	YTD 2015	Trailing 1 Year	Annualized Since Inception (2)	
Manager				Aureus	High Vista
Aureus Equity-only	-8.6%	-4.3%	-0.5%	12.1%	
<i>S&P 500</i>	-6.4%	-5.3%	-0.6%	11.7%	
Aureus Fixed Income (BCA)	0.9%	1.5%	1.4%	1.1%	
<i>Barclays US Aggregate</i>	1.2%	1.1%	2.9%	2.2%	
Aureus Fund II, LLC	-5.7%	-0.6%	0.5%	3.2%	
<i>HFRI Fund of Funds Composite (3)</i>	-3.3%	-0.7%	0.3%	3.5%	
Aureus Total (4)	-6.5%	-2.3%	-0.4%	7.6%	
<i>Custom Benchmark (5)</i>	-4.7%	-3.0%	-0.3%	7.4%	
High Vista V LP	-6.9%	-5.7%	-5.8%		2.6%
<i>Custom Benchmark (6)</i>	-4.8%	-2.9%	-1.9%		4.7%
Total Feoffees	-6.9%	-3.6%	-2.2%	5.9%	
<i>Custom Benchmark (7)</i>	-3.7%	-2.0%	0.0%	6.1%	

(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 4: 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 3.

Table 3: Investment Fund Allocations vs. Investment Policy

Allocation vs. Investment Policy Asset Class	9/30/2015		Policy Allocation Range	
	\$ Total	% Total	Low	High
Traditional Equity	\$ 10,013,626	40.4%	40.0%	50.0%
Non-Traditional Equity	\$ 6,793,720	27.4%	15.0%	25.0%
Total Equity	\$ 16,807,346	67.8%	55.0%	75.0%
Total High Quality Fixed Income	\$ 3,601,983	15.3%	10.0%	20.0%
<i>Mortgages</i>	\$ 1,912,660	8.5%		
<i>Fixed Income</i>	\$ 1,689,323	6.8%		
Credit Opportunities	\$ 1,113,615	4.5%	0.0%	10.0%
Cash/MMF	\$ 2,409,510	9.7%	5.0%	10.0%
Total Fixed Income/Cash	\$ 7,314,644	29.5%	15.0%	40.0%
Illiquid Investments	\$ -	0.0%	0.0%	5.0%
Real Assets	\$ 672,462	2.7%	5.0%	10.0%
Total Illiquid & Real Assets	\$ 672,462	2.7%	5.0%	15.0%
Total	\$ 24,604,916	100.0%		

Total Cash In Banks \$ 477,803

Total Trust Value \$ 25,082,719

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