

Feoffees of the Grammar School Trust Performance Summary 4/1/2016 – 6/30/2016

Part 1: Trust Overview and Performance Summary

Endowment Growth

For the second quarter, the Endowment increased in value from \$26,321,278 to \$26,523,838. 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 \$1,500. 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 \$1,577,664 to \$1,532,575. This decrease of \$45,089 reflects principal payments on mortgages and U&O loans during the quarter. As of 6/30/2016, the Feoffee Trust holds 12 mortgages and 9 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 4/1/2016 | Net gain (loss) | Value as of 6/30/2016 |
|---|-------------------------|---------------------------|--------------------------|
| Actively Invested Funds and cash held in accounts | \$24,743,614 | \$247,649 ¹⁾ | \$24,991,263 |
| Mortgages + Usage & Occupancy Loans | \$1,577,664 | (\$45,089) ⁽²⁾ | \$1,532,575 |
| Total | \$26,321,278 | \$202,560 | \$26,523,838 |

(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 2: Managed Investment Performance, 4/1/2016-6/30/2016

The Feoffees retain Aureus Asset Management as the manager of the “active” portion of the Trust portfolio. Approximately 25% of the overall Trust portfolio is managed in a passive investment strategy using a mixture of Exchange Traded Funds (ETFs). This mix is monitored regularly by the Feoffees. Collectively, the two pools of money are combined to achieve a single investment target consistent with the Feoffees’ Investment Policy (detailed in Part 3). For the quarter, the Aureus Equity strategy lost 0.7%. The Aureus Fund, which invests in a diversified group of long/short, credit, absolute return and commodity managers, was down 0.2% for the quarter. The Aureus Fixed Income strategy gained 0.6% for the quarter. In total,

Aureus managed assets declined by 0.4% for the period. The Feoffees “Passive Strategy” which is allocated to global equities and fixed income securities and is designed to complement the work Aureus does for the Trust gained 5.1% for the quarter. This led to an overall quarterly gain for the Feoffees managed assets of 1.1%.

Since inception, the portfolio managed by Aureus has an annualized gain of 6.9%, right in line with our custom benchmark. Since its inception date of 1/1/2016, our “Passive Strategy” has outperformed our benchmark. The “Since Inception” under performance vs. our benchmark can be attributed in large part to below average performance of a former equity manager used by the Feoffees. The board voted to move on from that manager in 2015 and deploy those assets to the “passive strategy” outlined above.

Table 2: Investment Performance

| Net of Fees Manager | Current Quarter | YTD 2016 | 1 Year | 3 Year | Annualized Since Inception (2) | | |
|-----------------------------|--------------------|--------------|--------------|-------------|--------------------------------|--------|--------------|
| | | | | | Total | Aureus | Passive |
| Aureus Equity-only | -0.7% | 0.1% | 0.3% | 13.0% | 12.4% | | |
| Aureus Fixed Income (BCA) | 0.6% | 2.3% | 2.6% | 1.4% | 1.3% | | |
| Aureus Fund II, LLC | -0.2% | -3.4% | -8.4% | 1.4% | 1.6% | | |
| Aureus Total | -0.4% | -1.5% | -3.4% | 7.1% | 6.9% | | |
| <i>Custom Benchmark (3)</i> | <i>1.4%</i> | <i>1.7%</i> | <i>-0.2%</i> | <i>6.7%</i> | <i>7.0%</i> | | |
| Passive Equities | 3.2% | | | | | | 16.6% |
| Passive Fixed Income | 2.2% | | | | | | 4.4% |
| Passive Commodities | 15.5% | | | | | | 26.6% |
| Passive Total | 5.1% | | | | | | 14.0% |
| <i>Custom Benchmark (4)</i> | <i>3.3%</i> | | | | | | <i>9.1%</i> |
| Total Feoffees (1) | 1.1% | 2.0% | -1.4% | 6.6% | 6.3% | | |
| <i>Custom Benchmark (5)</i> | <i>1.9%</i> | <i>2.5%</i> | <i>-0.5%</i> | <i>5.2%</i> | <i>6.0%</i> | | |

(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: 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.

Table 3: Investment Fund Allocations vs. Investment Policy

| Allocation vs. Investment Policy | | | Policy Allocation Range | |
|----------------------------------|----------------------|---------------|-------------------------|-------|
| Asset Class | \$ Total | % Total | Low | High |
| Cash | \$ 1,882,746 | 7.3% | 5.0% | 10.0% |
| Fixed Income | \$ 4,517,852 | 17.5% | 10.0% | 20.0% |
| <i>High Quality</i> | \$ 2,985,277 | 11.6% | | |
| <i>Mortgages</i> | \$ 1,532,575 | 5.9% | | |
| Total Fixed Income | \$ 6,400,598 | 24.8% | 15.0% | 30.0% |
| Domestic Equity | \$ 11,324,054 | 43.9% | 35.0% | 55.0% |
| International Equity | \$ 3,134,439 | 12.2% | 5.0% | 15.0% |
| Total Equities | \$ 14,458,493 | 56.1% | 40.0% | 70.0% |
| Directional Alternatives | \$ 2,882,874 | 11.2% | 5.0% | 15.0% |
| Absolute Return Alternatives | \$ 783,247 | 3.0% | 0.0% | 5.0% |
| Commodities | \$ 1,241,815 | 4.8% | 0.0% | 5.0% |
| Total Non-Traditional | \$ 4,907,936 | 19.0% | 5.0% | 25.0% |
| Total Investments | \$ 25,767,027 | 100.0% | | |
| Plus: Cash in Banks | \$ 756,811 | | | |
| Total Trust Value | \$ 26,523,838 | | | |

| | |
|------------------------|---|
| 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 |