

Feoffees of the Grammar School Trust Performance Summary 7/1/2016-9/30/2016

Part 1: Trust Overview and Performance Summary

Endowment Growth

For the third quarter, the Endowment increased in value from \$26,523,838 to \$26,561,103. 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 FY2016 endowment distribution to the schools of \$716,204 was made in July and therefore is reflected in the third quarter numbers. The Endowment performance results listed below 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 \$1,532,575 to \$1,360,252. This decrease of \$172,323 reflects principal payments on mortgages and U&O loans during the quarter. As of 9/30/2016, the Feoffee Trust holds 10 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 6/30/2016	Net gain (loss)	Value as of 9/30/2016
Actively Invested Funds and cash held in accounts	\$24,991,263	\$209,588 ⁽¹⁾	\$25,200,851
Mortgages + Usage & Occupancy Loans	\$1,532,575	(\$172,323) ⁽²⁾	\$1,360,252
Total	\$26,523,838	\$37,265	\$26,561,103

(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, 7/1/2016-9/30/2016

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 gained 4.2%. The Aureus Fund, which invests in a diversified group of long/short, credit, absolute return and commodity managers, was up 3.6%

for the quarter. The Aureus Fixed Income strategy was flat (no gain or loss) for the quarter. In total, Aureus managed assets increased by 3.3% 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 2.1% for the quarter. This led to an overall quarterly gain for the Feoffees managed assets of 3%.

Since inception, the portfolio managed by Aureus has an annualized gain of 7.3%, slightly below our custom benchmark. Since its inception date of 1/1/2016, our “Passive Strategy” has outperformed our benchmark. The total endowment (Aureus active management, passive strategy, fixed income and mortgages) has outperformed our custom benchmark since inception.

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	4.2%	4.7%	15%	11.8%	13.5%		
Aureus Fixed Income (BCA)	0.0%	2.7%	2.2%	2.0%	2.0%		
Aureus Fund II, LLC	3.6%	0.5%	1.3%	2.2%	3.2%		
Aureus Total	3.3%	1.6%	6.5%	5.8%	7.3%		
<i>Custom Benchmark (3)</i>	<i>3.5%</i>	<i>5.2%</i>	<i>9.6%</i>	<i>6.3%</i>	<i>7.5%</i>		
Passive Equities	5.0%						22.4%
Passive Fixed Income	0.4%						4.8%
Passive Commodities	-2.2%						23.7%
Passive Total	2.1%						15.9%
<i>Custom Benchmark (4)</i>	<i>1.8%</i>						<i>11.2%</i>
Total Feoffees (1)	3.0%	4.6%	8.7%	5.6%	6.6%		
<i>Custom Benchmark (5)</i>	<i>2.8%</i>	<i>5.2%</i>	<i>8.2%</i>	<i>4.8%</i>	<i>6.4%</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	\$ 1,634,376	6.3%	5.0%	10.0%
Fixed Income	\$ 4,355,842	16.5%	10.0%	20.0%
<i>High Quality</i>	\$ 2,995,590	11.5%		
<i>Mortgages</i>	\$ 1,360,252	5.0%		
Total Fixed Income	\$ 5,990,218	22.8%	15.0%	30.0%
Domestic Equity	\$ 11,807,966	45.5%	35.0%	55.0%
International Equity	\$ 3,427,988	13.2%	5.0%	15.0%
Total Equities	\$ 15,235,954	58.7%	40.0%	70.0%
Directional Alternatives	\$ 2,790,929	10.8%	5.0%	15.0%
Absolute Return Alternatives	\$ 798,384	3.1%	0.0%	5.0%
Commodities	\$ 1,214,309	4.7%	0.0%	5.0%
Total Non-Traditional	\$ 4,803,622	18.5%	5.0%	25.0%
Total Investments	\$ 26,029,794	100.0%		
Plus: Cash in Banks	\$ 531,309			
Total Trust Value	\$ 26,561,103			

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