

**SUBJECT: STUDENT-MANAGED PORTFOLIOS INVESTMENT POLICY**

**Investment Policy Statement**

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**I. DEFINITIONS**

**a. Purpose**

The purpose of this investment policy statement is to establish a clear understanding of the philosophy and the investment objectives for the university student-managed portfolios. This document will further describe the standards that will be utilized by the university in monitoring portfolio management.

**b. Scope**

This document applies to assets that were endowed with the intention of offering Central Michigan University students real-world investment portfolio management experience. This opportunity allows for students to enter their professional finance careers with a solid understanding of investment markets, portfolio analysis, asset allocation, and investment selection.

**c. Investment Objective**

The primary investment objective of the student-managed portfolios is to achieve a positive compound return with low standard deviation. The time horizon is long term and investments will be primarily in undervalued securities. To accomplish this goal, the fund will diversify monies across securities with low correlation thereby reducing risk and increasing return.

**d. Spending Policy**

The individual policy shall be determined by the creation of the fund. Investment earnings may be retained in the investment portfolio or disbursed annually according to endowment spending policy.

**e. Investment Portfolio Custodian**

The investment portfolio custodian will be selected by the Finance and Administrative Services department and will be the same for each individual student-managed portfolio. Selection of the custodian will be based on customer service level, fee/commission schedule, online portal, and research availability.

**f. Student Investment Committees**

Each portfolio shall have a responsible student investment committee. Members must be currently enrolled, full-time students at Central Michigan University. Members are expected to manage the portfolio in line with established guidelines, asset allocations, and investment strategy.

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This committee will have a lead faculty advisor, appointed by the College of Business Administration Dean, responsible for ensuring the portfolio is managed within guidelines, has veto power over investment recommendations put forth by the student investment committee, and serves as the liaison with the Vice President of Finance and Administrative Services (or designee). The Vice President of Finance and Administrative Services (or designee) will provide the lead faculty advisor with access to statements and current holdings.

**g. New Student-Managed Investment Portfolios**

New individually named endowed student-managed investment portfolios must meet a minimum gift of \$500,000. A pooled, generic student-managed investment portfolio must meet a minimum gift of \$50,000. The donor agreement may be more restrictive, but not more expansive than the guidelines of this policy. The office of the Vice President of Finance and Administrative Services (or designee) must be involved in the approval of the endowment agreement.

**II. PROCEDURES**

**a. Investment Recommendations**

A research report and visual presentation is required for each investment recommendation brought forth by a member(s) of the student investment committee. The report must clearly provide analysis, forecasts, valuations, risk factors, potential conflicts of interest, as well as a clearly defined recommendation for purchase or sale.

For an investment recommendation to be approved it must first receive majority vote from the student investment committee. Investment recommendations receiving majority vote are then passed to the lead faculty advisor for review before requesting trade execution.

**b. Trade Execution**

Trade requests may be submitted at most once a week. All trade requests must be sent to the Vice President of Finance and Administrative Services (or designee) and the Treasury and Investments Services Financial Analyst directly from the lead faculty advisor for final review and approval. If the trades are approved, the Vice President of Finance and Administrative Services (or designee) will place the trades with the custodian.

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### **III. INVESTMENT PHILOSOPHY**

#### **a. Investment Strategy**

Disciplined management of the asset mix among classes of investments is a necessary responsibility. In the allocation of assets, diversification of investments among asset classes that are not similarly affected by economic, political, or social developments is a highly desirable objective. The general policy shall be to diversify investments primarily within both equity and fixed income securities to provide a balance that will enhance total return, while avoiding undue risk concentrations in any single asset class or investment category.

In making asset allocation judgments, the student investment committee will not seek to time subtle changes in financial markets, or to make frequent or minor adjustments. Instead, the student investment committee is expected to develop and adopt expressed guidelines for board allocations on a long-term basis, in light of current and projected investment environments.

#### **b. Asset Allocation**

The asset allocation targets shall be established at the creation of the fund. The student investment committee, under supervision of lead faculty advisor, will use a tactical asset allocation approach in determining the appropriate weights assigned to each asset class. The objective is to diversify investments across multiple non-correlated assets to minimize risks and enhance returns. Fundamental and quantitative data shall be used in making security selection decisions.

Rebalancing recommendations to maintain determined asset allocation ranges will be a responsibility of the student investment committee under supervision of the faculty advisor.

Restrictions:

Equity investments are restricted to securities listed on the major public U.S. stock exchanges. There shall be no investments in non-marketable securities, derivatives, or those traded on the Over the Counter (OTC) market.

Fixed income investments will primarily be invested in investment grade corporate, municipal and government securities. The minimum acceptable credit quality at the time of purchase for individual fixed income securities shall be BBB. A diversified fixed income pooled investment shall have an overall weighted average credit rating of B or better.

**CENTRAL MICHIGAN UNIVERSITY** CHAPTER 12  
**MANUAL OF BOARD OF TRUSTEES**  
**POLICIES, PRACTICES AND REGULATIONS** PAGE 12-17

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No more than 10%, at cost, of the portfolio shall be invested in any single stock or bond issue, except investments in U.S. government securities.

Any security, or combination of securities, that has a feature of potentially incurring unlimited losses is prohibited. Margin accounts are prohibited.