

# **Investment Policy Statement for**

## **Panther Investment Fund**

**(PVAMU College of Business Student Managed Investment Fund)**

### **Objectives**

The long-term financial objective is to preserve capitals and grow the fund with prudent risk limits.

**Return Goal:** The return goal is to obtain a long-term return (calculated on a five-year basis) at least as high as the return on the S&P 500 (with dividends reinvested). Since the Fund is exempt from federal and state taxation, the return goal is based on total return with no preference given to whether the return comes from dividends, interest, or capital gains.

**Risk Tolerance:** The fund will control risk through diversification, investment restrictions and prudent investment decisions.

### **Type of Assets Allowed:**

- **Equities:** The Fund will be allowed to invest in U.S. exchange-traded securities of established firms with price greater than \$5.00 when originally purchased.
- **Fixed Income Securities:** The fund will be allowed to invest in US Treasuries, US Agencies, CDs insured by the FDIC and USD-denominated corporate bonds. All bonds must be rated by a major rating agency (NRSRO) and all available ratings must be at least A at the time of purchase (no split rated single-A / triple-BBB bonds are permitted). No bond with any rating in the lowest rating category A that is also on negative credit watch may be purchased. If a holding is downgraded below the minimum credit standard, the Fund will provide a written proposal for disposition.
- **ETFs:** The Fund will be allowed to invest in ETFs covering the stock and fixed income markets, including foreign stock market index ETF and real estate REIT ETF. But Leveraged ETFs, short ETFs, ETFs tracking commodity, currency or derivative security price are not allowed.
- **Money Market Mutual Funds:** Money market mutual funds are allowed for the investment of cash balances.

### **Asset Allocation**

Consistent with the Fund's educational objective and goals, the normal or target asset allocation calls for a large allocation to equities. Per semester, students should base on the economic and

market outlooks to make decisions on asset allocations. The fund's stock weight should be greater than 50%.

**Diversification:** The Fund should be diversified across industry sectors and individual stocks. In general, each *sector's* weight in the Fund should be no more than 20%. No single security (including Fixed Income securities and ETFs) may comprise over 15% of the Fund's value at time of purchase or over 20% of the Fund's value on an ongoing basis.

**Security Selection:** The security selection should base on thorough research and prudent decisions. The process will focus on stocks that have the potential for good long-term returns. Students will submit their analysis report and present their investment proposals to the Fund Advisory Board and the Fund Advisory Board must unanimously approve the investment decisions for them to be transferred to the portfolio. Restrictions on sector weights and individual stock weights will apply.

**Cash Management:** Cash balances including received dividends and interests can be invested in the money market mutual funds after maintaining the required liquidity.

### **Investment Restrictions**

- At no time will the Fund be allowed to use financial leverage such as buying on margin or short sale.
- Stop loss: Stop-loss orders will be placed for each security at 20% loss from purchase price and will be updated every year based on the market value.
- Rebalance: The portfolio shall be rebalanced if any asset class, sector or security position deviates from the investment restriction. The rebalance decisions and the timing of rebalance will be left to the discretion of the faculty advisor with the college and PVAM foundation being notified.

### **Constraints**

**Liquidity:** Some liquidity must be maintained to provide cash for operating expenses. In addition, once net assets exceed **\$500,000**, liquidity will be needed to fund withdrawals.

**Time Horizon:** The Fund has an infinite time horizon. Although each class will manage funds for only one semester, decisions should be made consistent with the Fund's long-term horizon.

**Unique:** There are no legal or regulatory restrictions on the Fund. However, the Fund should avoid stocks of companies that are recognized for, or derive a majority of their revenues from, activities that are inconsistent with PVAMU's values, including tobacco, alcohol, gambling, and pornography.

### **Performance Review**

The Fund's performance will be monitored on a continual basis by Faculty advisor and reported to the college and Prairie View A&M foundation on quarterly basis. The fund will prepare annual report for stakeholders including significant donors.

**Benchmark:** The Fund's benchmark return is the return on S&P 500 with dividends reinvested.