



THE FUND

INVESTMENT POLICY STATEMENT

I. OVERVIEW

THE FUND IS A STUDENT RUN MARKET PORTFOLIO FINANCED BY DREW ALUMNI THAT ATTEMPTS TO BRIDGE THE GAP BETWEEN MADISON AVENUE AND WALL STREET. THE FUND SHALL BE MANAGED IN PERPETUITY, REINVESTING REALIZED GAINS WITHOUT REQUIRED DISTRIBUTIONS OR SPENDING MANDATES. THE ACCOUNT WILL BE HELD IN A JOINT AGREEMENT BETWEEN THE CHIEF INVESTMENT OFFICER AND THE FACULTY ADVISOR. PORTFOLIO PERFORMANCE REPORTS ARE REQUIRED EACH SEMESTER TO A PANEL OF ALUMNI, ASIDE FROM FORMAL ORGANIZATION REPORTING.

II. OBJECTIVE

THE FUND WILL STRIVE TO CONSISTENTLY OUTPERFORM THE ANNUALIZED TOTAL RETURN OF A BLENDED BENCHMARK, AS DESCRIBED IN SECTION V, THROUGH A SEMI-CONCENTRATED PORTFOLIO OF INDIVIDUAL DOMESTIC EQUITY SECURITIES AND A SMALL FIXED INCOME ALLOCATION. THE FUND WILL ATTEMPT TO ACHIEVE THAT OBJECTIVE WHILE PRESERVING THE REAL PRINCIPLE VALUE OF DONATED ASSETS BY USING CONSERVATIVE RISK PARAMETERS, AS DESCRIBED IN SECTION V.

IN ADDITION TO ITS INVESTMENT GOALS, THE FUND SHALL DELIVER A PLATFORM FOR STUDENTS TO APPLY THEORY AND CONCEPTS TO TANGIBLE PRACTICES THROUGH EQUITY

RESEARCH, MACRO RESEARCH, PORTFOLIO MANAGEMENT, FINANCIAL ACCOUNTING, AND FORMAL PITCH PREPARATIONS.

III. ROLES AND RESPONSIBILITIES

INVESTMENT COMMITTEE

THE 10-PERSON COMMITTEE IS CHAIRED BY THE CHIEF INVESTMENT OFFICER AND IS RESPONSIBLE FOR ALL INVESTMENT AND POLICY DECISIONS MADE ON BEHALF OF THE FUND. ALL INVESTMENT DECISIONS WILL BE MADE THROUGH THE FORMAL VOTING PROCEDURES OUTLINED IN THE BY-LAWS. IT IS THE RESPONSIBILITY OF THE INVESTMENT COMMITTEE TO REVISIT THE INVESTMENT POLICY STATEMENT EACH SEMESTER AND RENEW THE CHARTER.

INVESTMENT STRATEGY TEAM

THE 6-PERSON TEAM IS CHAIRED BY THE CHIEF INVESTMENT OFFICER AND IS RESPONSIBLE FOR MAINTAINING PORTFOLIO DATA ON BEHALF OF THE FUND. THE MAIN FOCUS OF THE INVESTMENT STRATEGY TEAM WILL BE IN MANAGING THE RISK OF THE PORTFOLIO. ALL RISK METRICS ESTABLISHED FOR THE FUND WILL BE DECIDED UPON BY THE INVESTMENT STRATEGY TEAM AND MAY BE CHANGED WITH APPROVAL BY A MAJORITY OF THE TEAM UNLESS THE CIO DEEMS THE CHANGE POTENTIALLY HARMFUL TO THE FINANCIAL SOUNDNESS OF THE PORTFOLIO OVER THE NEXT THREE-MONTH PERIOD. IT IS THE OBLIGATION OF THE INVESTMENT STRATEGY TEAM TO COMPILE ALL WEEKLY AND SEMESTER

UPDATES FOR THE PORTFOLIO. THIS INCLUDES, BUT IS NOT LIMITED TO, THE WEEKLY NEWSLETTER AND ORGANIZATIONAL REPORTING TO BE COMPLETED AT THE END OF EACH SEMESTER. THE CIO IS TO MONITOR THE PERFORMANCE OF THE PORTFOLIO INCLUDING VOLATILITY, INCOME, CAPITAL APPRECIATION, AND HISTORICAL STATISTICS.

IV. INVESTMENT PHILOSOPHY

“RESEARCH, DEBATE, DECIDE, EVALUATE”

CONDUCT IN-DEPTH COMPANY AND MARKET RESEARCH, DEBATE THE PROS AND CONS, TAKE A POSITION, AND TRACK PERFORMANCE.

THE FUND WILL EMPLOY A TOTAL RETURN STRATEGY THAT PUTS THE FOCUS ON THE COMBINATION OF CAPITAL APPRECIATION AS WELL AS INCOME IN RETURNING VALUE TO THE PORTFOLIO. OUR INVESTMENT PROCESS SEEKS TO TAKE ADVANTAGE OF TOP DOWN ECONOMIC AND SECTOR OPPORTUNITIES WITH CORRESPONDING BOTTOM UP SECURITY SELECTION. THE ANALYST TEAMS SUBSCRIBE TO A FUNDAMENTAL APPROACH IN VALUING SINGLE COMPANIES, INCLUDING, BUT NOT LIMITED TO, DISCOUNTED CASH FLOW VALUATIONS, PROFITABILITY RATIOS, AND FINANCIAL STATEMENT ANALYSIS.

V. INVESTMENT GUIDELINES

Risk

THE FUND HAS A DUAL INVESTMENT OBJECTIVE THAT SEEKS TO FIND A BALANCE BETWEEN RISK AND RETURN THAT

PROVIDES A SUSTAINABLE GROWTH WHILE PROTECTING THE PRINCIPLE VALUE OF THE ASSETS DONATED. THEREFORE, WE HAVE A STRONG EMPHASIS ON RISK METRICS TO ENSURE THE VOLATILITY OF THE PORTFOLIO REMAINS WITHIN A STRICT BAND. RISK WILL BE ASSESSED IN A NUMBER OF WAYS AND WILL BE MONITORED ON A WEEKLY BASIS. THE RISK METRICS WILL BE COMPARED TO INDUSTRY AVERAGES AND BENCHMARKS THAT THE INVESTMENT STRATEGY TEAM DEEM APPROPRIATE.

THE INVESTMENT STRATEGY TEAM TRACKS THE INDIVIDUAL SECURITY BETA BASED ON HISTORICAL RETURNS FROM JANUARY 1, 2007. THIS RANGE OF DATA IS APPROPRIATE IN ORDER TO INCORPORATE THE FINANCIAL CRISIS AND CAPTURE THE VOLATILITY EXPERIENCED BY THE SECURITIES DURING THAT PERIOD. THE FUND HAS A MANDATE THAT PROHIBITS THE USE OF SECURITIES WITH A HISTORICAL BETA OVER 2.00. IT IS OUR VIEW THAT ALTHOUGH IT WOULD CAPTURE GREATER UPSIDE, IT WOULD MAKE THE PORTFOLIO MORE VULNERABLE TO DOWNSIDE RISK.

THE INVESTMENT STRATEGY TEAM ALSO TRACKS A PROPRIETARY PORTFOLIO BETA, WHICH IS BASED ON THE HISTORICAL RETURNS THE PORTFOLIO WOULD HAVE HAD SINCE JANUARY 1, 2007 AND THE LIFETIME OF THE PORTFOLIO. THIS PROCESS IS APPROPRIATE TO UNDERSTAND THE HISTORICAL VOLATILITY OF THE COMBINED SECURITIES AS WELL AS THE CURRENT VOLATILITY BEING EXPERIENCED IN THE PRESENT ENVIRONMENT.

THE INVESTMENT STRATEGY TEAM TRACKS THE STANDARD DEVIATION AS A GENERIC AND PRELIMINARY CALCULATION OF VOLATILITY. IT HOLDS LESS WEIGHT IN ASSESSING PORTFOLIO AND SECURITY RISK BUT IS NONETHELESS AN IMPORTANT METRIC TO TRACK.

THE INVESTMENT STRATEGY TEAM TRACKS THE SHARPE RATIO BASED ON THE HISTORICAL RETURNS THE PORTFOLIO WOULD HAVE HAD SINCE JANUARY 1, 2007 AND BASED ON THE FUTURE EXPECTED RETURNS OF THE PORTFOLIO TO DETERMINE IF ITS RETURNS ARE DUE TO INTELLIGENT INVESTMENT DECISIONS, AS OUTLINED BY THE GUIDELINES IN SECTION IV, OR DUE TO TAKING EXCESSIVE RISKS.

THE INVESTMENT STRATEGY TEAM TRACKS THE ALPHA OF THE PORTFOLIO BASED ON HISTORICAL RETURNS THE PORTFOLIO WOULD HAVE HAD SINCE JANUARY 1, 2007 AND THE LIFETIME OF THE PORTFOLIO IN COMPARISON TO THE SPECIFIED BLENDED BENCHMARK OUTLINED IN SECTION V.

REBALANCING POLICY

THE FUND WILL USE DOLLAR COST AVERAGING TO REBALANCE THE PORTFOLIO. THE PORTFOLIO SHOULD BE REBALANCED AT THE END OF EACH SEMESTER. IN SHORT, THIS METHOD WILL TRIM GAINS FROM THE OUTPERFORMERS AND ADD A PORTION OF THOSE RETURNS TO THE UNDERPERFORMING SECURITIES IN ORDER TO REBALANCE THE WEIGHTING IN THE PORTFOLIO. THE PURPOSE OF THIS

PROCESS IS TO LIMIT EMOTION IN THE INVESTMENT DECISION-MAKING PROCESS AND SIMPLIFY THE PROCESS OF WHEN TO TAKE PROFIT OFF THE TABLE.

TIME HORIZON

DUE TO LIMITED CAPITAL DISTRIBUTIONS AND LACK OF NEED FOR LIQUIDITY, IT IS OF THE OPINION OF THE INVESTMENT COMMITTEE THAT INVESTMENTS SHOULD HAVE A MINIMUM INVESTMENT HORIZON OF 6 MONTHS. ALTHOUGH EACH POSITION WILL BE MONITORED AND EVALUATED CONSTANTLY, THE IDEAL TURNOVER WOULD BE BETWEEN TWO AND FOUR YEARS.

LIQUIDITY

OUR SMALL ALLOCATION OF CASH WILL BE SUFFICIENT IN FUNDING SUBSCRIPTIONS AND RESEARCH THAT ANALYSTS MIGHT NEED. THERE ARE NO DISTRIBUTIONS OR REQUIRED INCOME AND THEREFORE, IS OF LITTLE CONCERN TO THE INVESTMENT COMMITTEE.

TRADING RESTRICTIONS

THE FUND WILL TRADE US DOMESTIC SECURITIES ONLY (ADRS ARE PERMITTED). NO INITIAL INVESTMENT IN A SINGLE SECURITY MAY EXCEED 5% OF PORTFOLIO VALUE. THE USE OF EXCHANGE TRADED FUNDS AND MUTUAL FUNDS MAY BE AUTHORIZED BY A MAJORITY VOTE WITHIN THE INVESTMENT COMMITTEE. NO SHORTING OF SECURITIES, FUNDS, OR COMMODITIES IS ALLOWED. NO FUTURES OR OPTIONS ARE ALLOWED, EXCEPT FOR HEDGING CIRCUMSTANCES, AT THE

DISCRETION OF THE CIO AND THE ADMINISTRATION. NO LEVERAGE OR BUYING ON MARGIN UNDER ANY CIRCUMSTANCE. TRADES WILL BE RESTRICTED TO REGULAR TRADING HOURS, WITHOUT PRIOR AUTHORIZATION FROM A MAJORITY OF THE INVESTMENT COMMITTEE.

RETURNS

RETURNS SHALL BE CALCULATED ON A TOTAL RETURN BASIS OVER A THREE AND FIVE YEAR ROLLING BASIS, NET OF TRADING FEES. THE INVESTMENT COMMITTEE HAS AN ADDITIONAL REPORTING GOAL, WHICH IS TO OUTPERFORM A BLENDED BENCHMARK THAT BEST REPRESENTS THE TARGET ALLOCATION OF THE PORTFOLIO.

BLENDED BENCHMARK

INDEX	TARGET WEIGHT
S&P 500	85%
TIPS	10%
CASH	5%

LEGAL & TAXATION

LEGALLY, THE FUND IS RECOGNIZED AS A NON-PROFIT ORGANIZATION. THE FUND WILL ABIDE BY ALL LEGAL AND TAX POLICIES ASSOCIATED WITH THE NON-PROFIT STATUS OF THE ORGANIZATION.

VI. ASSET ALLOCATION

DIVERSIFICATION IS A CORE PRINCIPLE TO PORTFOLIO MANAGEMENT. THE FUND IS INHERENTLY CONCENTRATED IN SINGLE SECURITIES AND MAKES DIVERSIFICATION ACROSS SECTORS AND INDUSTRIES EVEN MORE CRUCIAL TO MINIMIZE

RISK WITHIN THE PORTFOLIO. FOR THE MOST PART, THE INVESTMENT COMMITTEE IS WHOLLY INVESTED AND RESPONSIBLE FOR US DOMESTIC EQUITIES.

DETERMINATION AND IMPLEMENTATION

THE INVESTMENT COMMITTEE WILL MEET ANNUALLY AND DISCUSS ASSET ALLOCATION. THE COMMITTEE WILL BE RESPONSIBLE FOR EVALUATING THE WEIGHTING RANGES FOR EACH SECTOR AND MAKE CHANGES AS THEY SEE FIT. THE PROCESS MUST BE APPROVED BY A MAJORITY OF THE COMMITTEE. ADDITIONALLY, END OF SEMESTER REPORTS ON THE PERFORMANCE OF OUR TARGET ASSET ALLOCATION CAN PROVIDE INSIGHT INTO AND JUSTIFY A SPECIAL MEETING TO ADJUST GUIDELINES THROUGHOUT THE YEAR.

TARGET ALLOCATION

THE TARGET ALLOCATIONS FOR EACH ASSET CLASS AND SECTORS AS WELL AS THEIR ALLOWABLE RANGES ARE LISTED IN THE TABLES BELOW.

ASSET CLASS	TARGET ALLOCATION	RANGE
EQUITY	80%	75-85%
FIXED INCOME	15%	10-20%
CASH	5%	0-10%

US DOMESTIC EQUITY	NEUTRAL	RANGE
CONSUMER DISCRETIONARY	10%	5-15%
CONSUMER STAPLES	10%	5-15%
ENERGY	10%	5-15%
FINANCIALS	10%	5-15%
HEALTHCARE	10%	5-15%
INDUSTRIALS	10%	5-15%
INFORMATION TECHNOLOGY	10%	5-15%
MATERIALS	10%	5-15%
TELECOMMUNICATIONS SERVICES	10%	5-15%
UTILITIES	10%	5-15%

MEMBERS OF THE INVESTMENT STRATEGY TEAM WILL ALSO MONITOR A VARIETY OF THESE INDICATORS ON A WEEKLY BASIS IN THE NEWSLETTER, WHICH WILL FOCUS ON IMPORTANT ECONOMIC AND MARKET CONDITIONS.

VII. CAPITAL MARKET ASSUMPTIONS – CMA

INVESTMENT DECISIONS SHOULD BE MADE BASED ON A SET OF AGREED CAPITAL MARKET ASSUMPTIONS ABOUT THE STATE OF THE ECONOMY AND CONSUMER. CMAs WILL BE UPDATED BY MEMBERS OF THE FUND EACH MONTH BASED ON MARKET CONDITIONS. INDICATORS WITH RATIONALE ARE INFLATION EXPECTATIONS, REAL GDP GROWTH, INTEREST RATES (10YR, MORTGAGE, TREASURY RATES), MONETARY POLICY (FED FUNDS RATE), LARGE CAP EXPECTED RETURN (10-15 YEARS AT 8% CAGR), UNEMPLOYMENT, AND CONSUMER INDICES. THESE INDICATORS WILL BE FOLLOWED BY ANALYSTS REGULARLY THROUGHOUT THE YEAR AND REPORTED THROUGH BLOG POSTS ON THE FUND WEBSITE.

