

## **URI - RAM FUND OVERVIEW & INVESTMENT POLICY STATEMENT**

### **EXECUTIVE SUMMARY**

This report will cover the Ram's Fund investment policy, investment processes and strategies, provide an overview of the class, and the fund's management structure. The supervising faculty for the Ram Fund during the 2018-2019 academic year are Professor Michael Ice and Ms. Deborah Imondi.

The Ram Fund team would like to extend its sincere gratitude to Professor Ice and Ms. Imondi, for providing invaluable guidance and support throughout the year which is instrumental to our success. Their experience and instructions are vital to the students since the Ram Fund is not a 'simulation' or an 'investment game', it is an equity fund investing in small to mid-capitalization companies. This fund was created through an investment by the University of Rhode Island Alumni Association in 2001. The students have a fiduciary responsibility to manage the University of Rhode Island Alumni Association's money as they would their own. Furthermore, the field of Finance is increasingly competitive, and the course provides a workshop for University of Rhode Island's Finance students to develop the practical skills needed to be successful in the industry. The Ram Fund provides essential 'hands-on' experience while developing students' familiarity with Bloomberg and Excel; two programs required to succeed in the Finance industry.

Throughout the academic year, students are taught various analytical tools used in the practice of professional portfolio management. For example, the Ram Fund students learn and apply fundamental analysis and financial modeling. The Bloomberg Terminals aid students in researching and analyzing securities. Information is at the center of all investments, and the Bloomberg Terminals provide students with virtually unlimited information. Additionally, tools within Bloomberg, used daily in the professional finance industry, provide students with the opportunity to properly evaluate a company's fundamentals. Using cash flow projections and growth valuation techniques, such as discounted cash flows and discounted dividend models, students leverage Bloomberg technology to accurately value a company. Students compare investment opportunities and attempt to generate superior returns for the University of Rhode Island Alumni Association.

This report will outline the Ram Fund's principals, which are maintained year over year. The Ram Fund provides an incredible learning opportunity for students, but the students never lose sight of the Fund's purpose, which is to deliver superior returns to the University of Rhode Island Alumni Association.

# **STATEMENT OF INVESTMENT POLICIES AND GUIDELINES**

## **I. SCOPE AND PURPOSE**

The Ram Fund is the portfolio of the URI Alumni Association's investment assets managed by URI students enrolled in BUS 422/423 - Student Managed Investment Fund. The objective of the course is to provide students with the opportunity to expand their knowledge of finance and investments through hands-on experience in investment research, financial modeling, valuation, and portfolio management. The advanced curriculum exposes students to the decision-making process used in professionally-managed investment portfolios and guided by specific investment objectives (set forth herein). The program combines classroom pedagogy and extracurricular research, which will provide students with practical experience in an area that is of considerable interest to both students and their prospective employers.

The assets of the University of Rhode Island Alumni Association have been managed by the Ram Fund since 2001, when the initial investment of \$100,000 was made. There has been no contributions or withdrawals made over the years. This policy statement provides guidance for the Ram Fund students and the URI Alumni Association regarding the management of the Ram Fund. These are not to be construed as absolutes, but rather as general operating guidelines subject to some degree of interpretation by both the URI Alumni Association and the Ram Fund. The overriding purpose of the Ram Fund is to increase the URI Alumni Association assets through prudent management of the Ram Fund.

## **II. SELECTION OF STUDENT ANALYSTS**

Students will apply for admission to the course through the submission of a resume, an application, and additionally may sit for an interview, held at the supervising faculty member's discretion. The supervising faculty member will select the qualifying participants. Students will be recruited primarily from the University of Rhode Island's undergraduate Business Administration program. Selection will be based on the student's academic performance, prerequisite coursework (defined by the supervising faculty member), career goals, relevant experience, and overall motivation.

## **III. STUDENT PARTICIPATION & ASSIGNMENTS**

Students will help establish investment objectives, including target asset allocations and the selection of appropriate benchmarks to evaluate performance. They will make decisions concerning the composition of the portfolio based on valuations of numerous factors: economic expectations, industry growth, risk/return relationships, the potential for growth, portfolio strategy and structure. Based on their analysis, students will communicate, implement, and

monitor the investment strategies they develop. The students will have to work independently outside of class time on their respective assignments as well as communicate their findings with the rest of the class. At the end of each semester, the class will prepare a presentation for Fidelity employees and the URI Administration in Smithfield, RI regarding the investment decisions made during the semester and the overall performance of the portfolio.

#### **IV. SUPERVISING FACULTY MEMBERS**

The current supervising faculty members are Professors Michael Ice and Deborah Imondi. The faculty members' responsibilities include, ensuring that the course provides the desired learning experience for students, supervising the program such that the focus is on activities required to operate a professionally managed portfolio, and maintain records of investment transactions. The structure, day-to-day deliverables, and grading of the course are to be determined by the supervising faculty members.

#### **V. FUND OPERATION**

The students have the authority to approve or reject proposed stocks, asset classes, and determine the overall asset allocation of the portfolio based on their perception of current economic conditions. The supervising faculty members have the authority to execute the trades determined by the students.

The Ram Fund's current operating guidelines are as follows:

1. Since its inception, the Fund has been primarily designated as an equity fund with a small to mid-capitalization bias. Students can invest in companies with a market capitalization between \$200 million and \$10 Billion.
2. The principal investment medium will be domestic equities, including common stock, preferred stock, Real Estate Investment Trust (REITs), and exchange-traded funds (ETFs).
3. No more than 5% of the portfolio's assets can be allocated to any one stock at the time of purchase. Investments should represent at least 1% of the portfolio to help gain focus on our investment decisions. Although not mandated, it is also the intent to periodically rebalance stock holdings back within the 5% limit. The Ram Fund's tactical cash reserves and ETF investments are exempt from this maximum limit.
4. The Ram Fund is a long-only portfolio. Short selling, margin-trading, and investment in derivative instruments are prohibited.
5. The portfolio is custodied at Fidelity and all investment transactions are executed through Fidelity.

All amendments to the Ram Fund's operating guidelines must be approved by the class and the supervising faculty member(s) prior to being submitted to the URI Alumni Association for final approval. Any implementation of proposed changes to operating guidelines prior to their approval by the URI Alumni Association is prohibited.

## **VI. INVESTMENT OBJECTIVES**

In order to meet the needs of the URI Alumni Association, the investment strategy of the Ram Fund is to emphasize total return, i.e., the aggregate return from capital appreciation and dividend income. The Fund makes no discrimination in regard to the source of this return.

The primary objectives in the investment management for the Funds assets shall be:

1. To attain real growth with a long-term horizon in mind, consistent with the agreed upon level of risk.
2. To allocate assets through the prudent diversification. The objective shall be to maintain liquidity while providing reasonable diversification consistent with the objective outlined herein.
  - a. Diversification across the asset classes listed herein is the primary means by which the Ram Fund expects our portfolio of investments to avoid undue risk or large losses over long time periods.
  - b. The risk / return profile shall be maintained by describing a long-term target strategic asset allocation as determined by the Ram Fund team on semi-annual (per semester) basis.

## **VII. INVESTMENT PHILOSOPHY**

The Ram Fund researches, tests and implements leading investment strategies from both academics and industry practice with the goal of improving the odds of outperforming the market. The team understands that performance can be improved not only through return generation but also through risk reduction. A key element of the Ram Fund is the use of asset allocation strategies to help minimize portfolio volatility.

The Ram Fund believes financial markets are largely efficient, and respect the difficulty inherent in attempting to outperform the market. The Ram Fund team does not believe that it possesses better information than other market participants have, and therefore do not engage in ad hoc "stock-picking" nor attempt to "time the market." The Ram Funds goal is to outperform the Vanguard Extended Market ETF (VXF). The Vanguard Extended Market ETF seeks to track the performance of a benchmark index that measures the investment return of small-and mid-capitalization stocks.

## **VIII. SECURITY SELECTION**

In general, the Ram Fund will be considered a “total return” portfolio. The main focus will be fundamental analysis in determining the ideal stocks for our portfolio through the following general principles:

1. Growth Investing - Investments will be made in securities that provide reasonable expected returns relative to associated risks. Such firms are expected to be profitable, generate sufficient cash flows, and have investment opportunities that result in positive growth.
2. Value Investing - There may be occasions when investments seem to be undervalued, or out of equilibrium in terms of a “normal” price, relative to existing conditions. Such investments will be selected based on fundamental valuation techniques, including financial statement analysis and industry and economic factors.

## **IX. ASSET ALLOCATION**

The portfolio will include assets such that the allocation of funds is across a variety of industries and economic sectors. The determination of such investments will be based on risk/return characteristics and the correlation of investments. The use of Exchange-Traded Funds and Real Estate Investment Trusts is acceptable toward meeting targets allocation weightings.

1. Market Sector Allocation - Through analysis of each sector, we seek to maximize our diversification ratio in order to balance the contributed risk of each stock, Exchanged-Traded Fund, and Real Estate Investment Trust of the portfolio.
2. Rebalancing - There is no restriction on the frequency of rebalancing; the decisions should be based on the goal of maximizing total return within acceptable risk guidelines while limiting transaction costs.

## **X. PERFORMANCE MONITORING AND EVALUATION**

Monitoring and evaluating all investments within the portfolio will be done continually during the semester. Presentations and reports will include: any changes regarding the market value of assets, composition and relative performance factors of the portfolio, portfolio diversification, and characteristics. The performance is calculated on a dollar-weighted basis.

## **XI. CUSTODIAN AND BROKERAGE**

All transactions will be executed through an account in the name of the Fund held with Fidelity Investments. Students in the course will neither take custody nor have direct access to the funds invested in the portfolio. Only the Supervising Faculty Members will have the authority to execute trades.

## **XII. REGULATORY COMPLIANCE**

Participants are not considered to be investment advisors or investment counsel, either privately or publicly, as defined by the Investments Advisors Act of 1970 (as amended) or as defined by the state of Rhode Island. Individual participants, acting in their capacity as managers and analysts associated with the Fund, are specifically prohibited from using such descriptions, because to do so might violate state and federal regulations.

## **XIII. FEES AND COSTS**

No fees will be paid from the Fund to students as this is a University sponsored class and not a professional management organization. Saving the management fees that would be charged by professional managers will result, incrementally, in a benefit to the Fund and a higher overall return. Transactions costs for the purchase or sale of an investment is usually \$4.95.

## **XIV. AMENDMENTS**

Any amendments to the investment policy statement must first be discussed within class between the students and supervising faculty members. If a decision is made by the class to amend investment policy statement, presuming it does not affect the guidelines set forth by the University of Rhode Island's Alumni Association, the amendment may be implemented.

The Ram Fund hereby oversees the application of this Investment Policy Statement, and the URI Alumni Association, in conjunction with the supervising faculty members, provides ultimate oversight responsibility for this Investment Policy Statement. The Ram Fund will conduct a review of this Investment Policy Statement on a semiannual basis (December & May of each year). Unless otherwise noted, the Ram Fund will abide by the CFA Institute Code of Ethics and Standards of Professional Practice in the prudent management of the Fund assets.