

Student Managed Portfolio Investment Statement

The goal of the student managed portfolio is to outperform our benchmark index on a risk-adjusted basis. The relevant benchmark for the portfolio is the S&P 500. Relevant constraints on the portfolio include those identified in the NIU Foundation Investment Policy Statement along with those indicated below:

1. The portfolio is limited to U.S. equities and ADRs.
2. The portfolio is limited to stocks with a market capitalization of \$1 billion or greater.
3. The fund can write covered calls; however, that is the only option strategy allowed.

SMP General Management Strategy Characteristics

- We use a top-down approach in managing the fund.
- The portfolio is considered to have a perpetual life and no liquidity requirements.
- Sector weights are established relative to the S&P 500 sector weighting. An economic and industry analysis are used to determine whether a sector should be equal, under or over-weighted relative to the benchmark. Deviations from the S&P 500 sector weights are generally limited to $\pm 5\%$.
- Stock selection relies heavily on fundamental analysis based on a comparison of current price multiples with justifiable price multiples.
- The fund uses a value approach to identify stocks that are viewed to be attractively priced based on their fundamentals. In other words, security selection is based most closely on a value investment style.
- Trade decisions require a supporting vote by a majority of those voting. Professor Jensen is the only person authorized to execute a trade.
- Under normal operating conditions, the fund maintains a fully invested status (less than 1% cash).
- Given the tax status of the portfolio, tax-disadvantaged securities are viewed favorably.
- Portfolio turnover is kept low due to the fund's investment style and the relatively high commissions.