Investment Policy Statement

Adopted: September 3, 2007
Last Modified: January 2, 2008

1. Statement of Purpose

The purpose of the Financial Management Association (FMA) portfolio is to seek capital appreciation while achieving the following objectives:

(1.1) Education Objective: Through committee interaction, presentations, and investment discussions, the portfolio serves as an indispensable tool to educate FMA members about finance and more specifically investments. Most importantly, the portfolio offers an opportunity for members to share their varying skill sets to learn valuable knowledge from each other. This knowledge is key to each member's future success in their personal and/or professional endeavors.

(1.2) Investment Objective: The primary investment objective of the FMA portfolio is to earn an absolute rate of return of 9% per annum (net of fees). As a secondary investment objective, the portfolio seeks to outperform (net of fees) the weighted benchmark which the assets are compared to on a per annum basis. Attainment and sustainability of the investment objective serves (in part) as external validation of the educational objective's success or failure.

2. Roles and Responsibilities

(2.1) Management: The FMA portfolio is the property of the University. The Dean of the College of Business has been delegated the authority for overall management of the investment portfolio. The Dean may elect to have a representative (FMA Faculty Advisor) act on his/her behalf.

(2.2) FMA Faculty Advisor: The FMA Faculty Advisor must review any portfolio transaction.

(2.3) FMA President: The FMA President is ultimately responsible for enforcing the Investment Policy Statement on behalf of the Association and for overseeing the Portfolio Director.

(2.4) FMA Portfolio Director: The FMA Portfolio Director is responsible for adhering to the Investment Policy Statement, and for administering weekly portfolio meetings.

(2.5) FMA Portfolio Committee Members: The Portfolio Committee shall consist of no less than six members, with at least one member being the Dean of the E. Philip Saunders College of Business or his/her representative (FMA Faculty Advisor). The FMA Portfolio Committee Members are collectively responsible for voting on positions and policies.

3. Voting

(3.1) Asset Acquisition: A majority of the members of the Portfolio Committee shall constitute a quorum for asset acquisition. When a quorum exists a two-thirds (2/3) majority vote is required.

(3.2) Asset Disposition: A majority of the members of the Portfolio Committee shall constitute a quorum for asset disposition. When a quorum exists a two-thirds (2/3) majority vote is required.

(3.3) Trading Stipulations: A majority of the members of the Portfolio Committee shall constitute a quorum for placing limit orders, stop losses, etc., on assets. When a quorum exists a two-thirds (2/3) majority vote is required.

(3.4) Amendments: A majority of the members of the Portfolio Committee shall constitute a quorum for any amendment to the Investment Policy Statement. When a quorum exists a three-fourths (3/4) majority vote is required.

(3.5) Re-occurring Proposals: Any proposal, whether related to asset acquisition, disposition, etc., can be reconsidered for voting at the next scheduled Portfolio Committee Meeting.

4. Risk and Return Objectives

The risk/return profile of the FMA portfolio is similar to that of the RIT Endowment. All investment decisions will be made in the context of institutional investors, not individual investors.

(4.1) Risk Objective: Average risk tolerance is acceptable for the portfolio. When making investment decisions, evaluating systematic risk and stand-alone risk of the asset under consideration is necessary. Comparing the risk profile of the investment to similar competitors is also required.

(4.2) Return Objective: The return objective of the portfolio is to meet the absolute return objective as stated in (1.2). Furthermore, every asset must be compared to an appropriate benchmark. While each asset might not outperform its respective benchmark on a per annum basis, a secondary return objective is that the portfolio collectively outperforms the weighted returns of all the benchmarks being employed.

5. Portfolio Structure and Investment Constraints

(5.1) Asset Allocation:

Asset	Target Allocation	Minimum	Maximum
Domestic Equities	35%	30%	40%
Global Equities	35%	30%	40%
Fixed Income	15%	10%	20%
Real Assets	15%	10%	20%

(5.1.1) Domestic equities are defined as U.S.-based corporations that do not have significant international exposure.

(5.1.2) U.S.-based corporations with "significant" international exposure may be considered global equities.

(5.1.3) With respect to global equities, no more than 50% of the allocation shall be concentrated within a specific global region.

(5.2) Cash Balance Policy: Cash is excluded from the asset allocation. Assets should be fully invested at all times and cash equivalent holdings should be kept to a minimum. Cash equivalents may include money market-type securities (such as certificates of deposit, commercial paper, US Treasury bills, and other similar investments) with an effective maturity date of less than one year at time of purchase. In the event of deteriorating market conditions, a considerable amount of the portfolio's funds may be temporarily invested in a money market vehicle or remain as a cash balance.

(5.3) Individual Asset Diversification: On a cost basis, no single asset may comprise more than 10% of the portfolio's total market value (cash positions and money market funds are excluded from this calculation). On a market value basis, no single asset may comprise more than 20% of the portfolio's total market value. If this occurs, a liquidation of the asset(s) in excess of 15% of the portfolio's total market value is required.

(5.4) Time Horizon: The investment time horizon extends ad infinitum. Regardless of this fact, investment decisions may be made with consideration to: short-term, intermediate term, and/or long-term time horizons. Day-trading (acquisition or disposition of any asset within a five-day time period) of any asset is prohibited.

(5.5) Investment Analysis Methodology: Use of both fundamental and technical analysis are encouraged. Both top-down and bottom-up investment analysis may also be employed.

(5.6) Authorized Investment Vehicles: These vehicles include money market funds, equities, fixed income, mutual funds, and exchange traded securities (e.g., exchange traded funds (ETF's), exchange traded trusts (ETT's) and exchange traded notes (ETN's)). Financial derivatives such as equity options, futures contracts, or foreign exchange (FOREX) trading are prohibited. Commodities, bonds, and real assets may only be held via the following investment vehicles: equities, mutual funds, and ETFs.

(5.7) Liquidity: There are no liquidity requirements for this portfolio.

(5.8) Taxes: The impact of any taxes relating to asset dispositions, dividends etc., must be considered in investment analysis.

(5.9) Legal and Regulatory: External factors such as government regulations and University policies may constrain certain investment decisions. Such factors must be considered in investment analysis.

(5.10) Other Constraints:

(5.10.1) Acquisitions pertaining to U.S. equities must be traded on the NYSE, NASDAQ, or AMEX. (This constraint may be overruled via a two-thirds (2/3) majority vote.)

(5.10.2) Penny stocks (equities valued under $5.00 per share and/or equities with a market capitalization under $250 million) and companies considered as a bankruptcy risk may not be held in the portfolio.

(5.10.3) Equities must have an average daily trading volume of 250,000 shares at a minimum to be considered for an acquisition.

(5.10.4) ETF's, ETT's, and ETN's must have an average daily trading volume of 150,000 shares at a minimum to be considered for an acquisition.

(5.10.5) Additional constraints deemed necessary by the Dean of the E. Philip Saunders College of Business or his/her representative.

6. Portfolio Oversight and Performance Evaluation

(6.1) Performance Evaluation: Must be quantitative in nature. Each asset must be compared to its appropriate benchmark. If the asset does not outperform its benchmark (on a semi-annual basis), action should be considered.

(6.2) Asset Allocation Adjustments: The portfolio will be constructed to approximate the targeted allocation set forth in (5.1). The Committee has set forth acceptable ranges of the targeted allocation around each asset class' targeted allocation.

The Committee will review the asset allocation on a regular (but at a minimum quarterly) basis. Whenever a particular asset class falls outside the acceptable range, the Committee will either (a) take action to rebalance the portfolio to bring each asset class within its acceptable ranges given a thorough analysis of market conditions or (b) specifically approve a temporary deviation from the acceptable ranges. Action must be taken with regard to any individual asset exceeding 20% of the entire portfolio market value (see 5.3).

(6.3) Financial Reporting: Quarterly and annual reports must be prepared and distributed to appropriate parties; 10 business days after the close of the quarter is allowed for financial reporting preparation.

(6.4) Summer Academic Quarter Administration: The portfolio must be actively managed during the Summer Academic Quarter.

(6.5) Emergency Portfolio Management: In the event of extreme market volatility, an emergency portfolio meeting will be called at the discretion of the FMA President or the Portfolio Director.

Accepted by: ______________________ Date: ___________________________
Ashok Rao
Dean, E. Philip Saunders College of Business

Accepted by: ______________________ Date: ___________________________
Michael F. Percia
President, Financial Management Association