



INVESTMENT POLICY STATEMENT

University of Guelph-Humber Virtual Hedge Fund

I. Introduction

The University of Guelph-Humber Virtual Hedge Fund (herein after referred to as the “Hedge Fund”) is designed to provide students with an opportunity to gain experiential knowledge of the financial markets and investments, learn state-of-the-art techniques of security analysis and risk management, as well as enhance their resumes for careers in the field of investment management.

II. Structure and Functions of the Hedge Fund Committee

A. The Fund shall be operated by the Hedge Fund Committee made up of a maximum of six students acting as portfolio managers. One of these portfolio managers will be an executive member of the University of Guelph-Humber Finance Society. The other portfolio managers, up to five students, are annually selected by Professors George Bragues and Alireza Talebi, who will serve as faculty advisors to the Hedge Fund and sit on meetings of the committee.

B. The Hedge Fund Committee will ordinarily meet once a week during the fall and winter semesters of the school year, except for busy periods of the semester when the meetings will occur bi-weekly. During the summer semester, from May through August, the committee will meet at least once per month.

C. The portfolio managers will be expected to attend all meetings and present recommendations to buy, sell, and/or short securities for the Hedge Fund. Any recommendations to transact securities must be supported by a well-grounded analysis that takes into account all the relevant factors impinging on the value of the security. At each committee meeting, portfolio managers will also be expected to review and evaluate the current positions and performance of the Hedge Fund.

D. Based upon the recommendations presented by the portfolio managers, the Hedge Fund Committee will decide which securities will be bought, sold, and shorted based on a majority vote. If the portfolio managers are tied, then the two faculty advisors can break the tie. If the faculty advisors do not agree on the appropriate course of action, and are thus unable to break the tie, then the recommendation being voted upon will not be executed by the Hedge Fund.

E. The faculty advisors, where they both agree, reserve the right to veto the transactions decided upon by the Hedge Fund Committee, but only in exceptional instances where the security under consideration has the potential of magnifying losses beyond a reasonable level and where it would compromise the objectives of the Hedge Fund portfolio. When exercising this veto, the faculty advisors must provide a rationale to the Hedge Fund Committee.

F. Quorum for the purposes of making transaction decisions concerning the Hedge Fund is defined by the minimum attendance of four portfolio managers. However, if less than six portfolio managers are in attendance, quorum shall be defined as $\frac{2}{3}$ of the number present.

G. Transaction decisions that are approved will be inputted onto an online virtual trading application by a faculty advisor.

H. Except for the representative of the University of Guelph-Humber Finance Society, each of the portfolio managers may remain on the Hedge Fund Committee until the end of the school year in which they are scheduled to graduate, subject to annual review of their contribution by the faculty advisors. This annual review will take place at the end of the school

year in April. Portfolio managers deemed not to have adequately contributed to the Hedge Fund will not be eligible for renewal. The representative of the Finance Society, if they are not graduating, may be renewed as a portfolio manager if he or she continues to have the support of the Society.

I. Towards the end of each school year, the faculty advisors will fill any open portfolio manager positions in order that the Committee is able to perform its functions with the new school year commencing in May. The advisors will also consult with the Finance Society regarding their representation on the Hedge Fund.

J. At the beginning of each school year, the Hedge Fund Committee will review this investment policy statement and can modify it based on a majority vote of the portfolio managers along with consent of the two faculty advisors.

III. Investment Objective

The Hedge Fund will begin with the virtual amount of \$1,000,000 USD with the objective of increasing the portfolio by investing in securities that have the prospect of greater than average returns. As such, the Hedge Fund is willing to assume a level of risk commensurate with a growth style of investing.

IV. Diversification and Asset Allocation

A. The Hedge Fund will initially permit a single security to represent up to 10% of portfolio assets, based on the cost of the security and portfolio size at the time of the original transaction. However, once ten equities have been purchased by the Hedge Fund, the maximum proportion allowed per additional security will henceforth be 5%, based on the cost of the security and portfolio size at the entry time of the position.

B. The Hedge Fund will target an asset allocation of 80% for equities and 20% for fixed income securities, with a band for each of plus/minus 10%.

C. For the purposes of maintaining this balance, the portfolio's performance will be reviewed on a quarterly basis (September, December, March, and June) and, if necessary, the appropriate transactions will be made to restore the target allocation to within the permitted bands.

IV. Permitted Securities and Practices

A. The Hedge Fund may purchase securities on margin and engage in short-selling.

B. The Hedge Fund will be restricted to equity and fixed income securities that are traded on the developed markets/countries listed on the MSCI World Index.

C. Except for the purposes of hedging foreign exchange risk, derivatives will not be permitted in the Hedge Fund until the Committee decides otherwise through a majority vote and consent of both the faculty advisors.

D. The Hedge Fund committee will continually monitor the fund's performance using monthly, quarterly, annual, and multi-year time frames.

E. The performance of the Hedge fund will be calculated and evaluated in both US and Canadian dollars.