



Security Selection Process

Boston University Finance & Investment Club
Student Managed Investment Fund

Core Investment Committee & Super Majority

The CIC is comprised of seven sector heads; each allocated to a respective industry (Consumer, Energy, Healthcare, Industrials, Materials, Real Estate, and Telecommunications, Media & Technology). As the member of the club responsible for understanding the sector as well as the conditions currently affecting that sector, these members not only provide seniority in decision-making but also a level of understanding and complexion. The SM is comprised of three leading members of the Club's E-Board: President, Vice President of Investment Management and Chief Risk Officer.

Weekly Investment Management Meeting Voting Process

The Fund holds weekly meetings of the IM team where investments are pitched and critiqued in a team setting. After a member of the club has made an official investment pitch (to the qualifications outlined in "Finance Club Analyst Guide Book") the team then holds an official vote on whether action should be taken.

For a vote to be binding (and therefore an investment action taken as a result) at least five members of the CIC and two members of the SM must be in attendance ("Quorum"). Once a Quorum is achieved, the VP of IM facilitates the democratic voting process amongst the CIC first. If the investment recommendation reaches a simple majority in the CIC, the decision to take action on the pitch is then passed to a democratic voting process in the SM. Again, for the investment decision to be upheld a simple majority must also be made in the SM.

Voting Criteria

All official investment pitches (outlined in Analyst Guidebook) are subject to the following voting criteria:

1. That the voting member has a firm understanding of the potential investment's fundamentals and the dynamics of the industry to which they are exposed;
2. That the recommendation provides an in-depth look at the risks the company will be subjected to over the life of the investment holding period;
3. That the recommendation includes convincing evidence that the potential investment will outperform its peers and provide an alpha generating opportunity for the Fund;
4. That there is clear reason and believability to the projections and valuation presented of the equity;
5. That there is no reason to question the integrity of the potential investment's management team; AND
6. That the recommendation presents an advantageous risk / reward proposition for the portfolio in its ability to follow the guidelines outlined in the Investment Policy while also potentially generating alpha contra the Russell 2000 Small Cap Index

Implementation of Investment Decision

If a Quorum majority has been reached on both accounts, the CIC and SM then engage in debate surrounding the amount to invest in the particular security and also the timing of actually purchasing the investment. The final decision on the size of the investment and timing is the responsibility of the Vice President of Investment Management and the Chief Risk Officer. Once the debate has transpired into a selected amount and timing for the investment, the VP of IM and Club member who made the investment pitch are then responsible for drafting a one-page summary to be forwarded to the Faculty Advisor along with the official buy/sell instructions.

If a majority for both votes has not been reached, the investment recommendation is rejected. If it is the first time presenting the investment recommendation to a quorum of the IM team, the Club member is allowed to field feedback and make edits to the recommendation to be presented a second time (in brief) in the following week's meeting. After this pitch is made for a second time, the investment recommendation is then put into a second round of voting with the same process as outlined before. The actual members between the two recommendations are allowed to be different as long as a quorum is still reached. If the investment recommendation is again unable to reach the conditions of majority and super majority then the investment recommendation is rejected and will not be revisited unless significant, material events have occurred to the security that would prompt a revised valuation or recommendation.

Once the Faculty Advisor receives the one-page summary from the VP of IM as well as the recommendation for number of shares and timing, he or she will execute the trade for the portfolio. The Faculty Advisor can veto any investment recommendation without recourse. In the meantime, the Vice President of Operations will upload all relative materials and files to the Club's web site so that the recommendation and its performance can be publicly followed by any stakeholder in the Fund.