

Executive Summary

University of Chattanooga (UC) Foundation
Student-Managed Investment Learning Experience (SMILE) Fund

UC Foundation SMILE Fund

Name of Institution	University of Tennessee Chattanooga
Fund Inception Date	Beginning of 2015-2016 Fiscal Year
Fund Investment Year	January 1 st to December 31 st
Portfolio Value	\$250,000 (as Initial Value)
Portfolio Time Horizon	Long-term Time Horizon
Primary Asset Allocation	Equity Fund (with Individual Stocks)
Specific Investment Strategies	Blend of Value and Growth Strategies
Primary Return Goal	Average Annual Return in Excess of Benchmark Market Index by 1.00 Percent
Secondary Return Goal	Average Annual Return of 7.00 Percent

Summary of Student and Advisor Roles

Number of Managers:	Approximately 10 to 15 Students
Junior Managers:	Select Students Going Into Junior Year
Senior Managers:	Select Students Going Into Senior Year
Lead Analyst Positions:	10 Positions Covering Different Sectors Available to Junior and Senior Managers
Officer Positions:	President and 4 Vice President Positions Available to Senior Managers Only
Application Deadline:	Fall of Sophomore and Junior Years
Faculty Advisor:	Dr. Hunter Holzhauser
Professional Advisor:	TBD
Advisory Board:	Combination of UC Foundation Board Members, Professionals, and UTC Finance Faculty (including Dr. Hunter Holzhauser)

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General Background for the SMILE Fund

The University of Chattanooga (UC) Foundation will create the UC Foundation Student-Managed Investment Learning Experience (SMILE) Fund at the beginning of the 2015-2016 Fiscal year with an initial monetary allocation of \$250,000. The success of the SMILE Fund (based on both the value of the fund's performance and the fund's fit within the overall mission of the UC Foundation) will provide the basis for any future discussions with regards to potentially adding to the initial \$250,000 allocation. The purpose of the fund is to provide select UTC students the opportunity to manage a real stock portfolio for a real client, the UC Foundation. The fund's performance goals will be to preserve and enhance the monetary value of the assets within the fund. The fund is to be managed in the context of portfolio management rather than as a collection of individual stocks.

Vision for the SMILE Fund

The SMILE Fund will provide an invaluable learning opportunity for qualified students interested in a career as an investment professional. As stated above, the purpose of the SMILE Fund will be to provide students with hands on experience managing REAL MONEY for a REAL CLIENT, the UC Foundation. In other words, the SMILE Fund will be managed in a similar manner as a typical fund at a real investment firm. Student managers will be responsible for all analysis, investment decisions, and reports. Student managers will be held to the highest professional standards. In addition to creating an investment policy statement, their reporting duties will include recommendation memos, trade requests, quarterly reports, and annual reports. The student managers will also be required to present their report to the UC Foundation Board on an annual basis. Therefore, the selection process for the student managers for the SMILE Fund will be highly competitive. Specific student managers may also receive scholarships pending the availability of funding. Interested students will need to display a high proficiency in security selection and equity valuation methods. Priority will also be given to those students focused on taking the Chartered Financial Analyst (CFA) exam. Only a select number of sophomore and junior students will be chosen each year to gain this unique exposure to the field of portfolio management. In short, obtaining this experience in college is an opportunity many universities do not offer. Thus, The SMILE Fund will provide both the UTC College of Business and its students a competitive advantage compared to their respective peers.

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Student and Advisor Roles for the SMILE Fund

Student Managers: There will be approximately 10 to 15 student managers based on the quality and quantity of applicants. There will be 10 positions as lead analysts (available to both Junior and Senior Portfolio Managers) and five positions as officers (available only to Senior Portfolio Managers). The lead analysts will be in charge of analyzing a specific industry/sector of the market. In addition to the 10 lead analysts, there will be five officer roles awarded to Senior Portfolio Managers. There will be one President and Chief Investment Strategist. The other four roles will be Vice President (VP) positions: VP of Operations, VP of Risk Management, VP of Fundamental Analysis, and VP of Macro & Technical Analysis. Officers may also serve as a lead analyst depending on the number of qualified applicants for a given year. Hence, there will be 10 to 15 total students involved in the fund each year depending on how many students serve dual roles as an officer and lead analyst.

Advisors: The fund will consist of a Faculty Advisor, a Professional Advisor, and an Advisory Board. The Faculty Advisor will work with the students and send all approved trade requests to the Professional Advisor. The Professional Advisor will execute the actual trades. The Advisory Board will consist of a combination of UC Foundation Board members, investment professionals, and UTC finance faculty members (including the Faculty Advisor). The Advisory Board will receive all quarterly and annual reports for review. In addition, the fund's initial investment policy statement (and any subsequent changes) will require approval from both the Advisory Board and the UC Foundation Board.

Investment Guidelines for the SMILE Fund

Return Objectives: The SMILE Fund (at least initially) will be an all equity fund comprised of individual stocks. The fund's investment objectives will be long-term in nature with a focus on both value and growth assets. The fund will primarily consist of "Large Cap" stocks and its primary benchmark will be the S&P 500 index. The student managers will be allowed to consider allocating up to 10 percent in "Mid Cap Value" stocks, "Small Cap Value" stocks, and/or "International" stocks. However, inclusion of these stock classes will mandate using a weighted benchmark index that is proportionately based on the percentage of each stock class tied to its respective market index. Regardless of the specific stocks chosen for the fund, the

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main return goal for the fund will be to earn an average annual return in excess of 1.00 percent of the benchmark index. The secondary return goal will to achieve an average annual return in excess of 7.00 percent. However, the secondary return goal will depend a great deal on market conditions (especially for those first few years in the fund's infancy).

Risk Management: The ability to achieve the fund's return objectives will also be based on maintaining an appropriate level of risk within the fund. Risk is necessary and some risk is unavoidable. Market risk is often unpredictable and an inherent component of capital markets. However, security risk can be decreased through diversification. For this reason, risk management for the SMILE fund will naturally be focused more on diversification than on current market conditions. Thus, at the time of purchase, no more than five percent of the fair market value of the fund shall be invested in any one security. The fund may continue to hold securities that appreciate above this percentage; however once a security comprises more than ten percent of the fair market value of the fund, the equity position must be reevaluated and approved by the Faculty Advisor. Without this approval, the students will have to sell at least half of the shares in the security.

Buy and Sell Recommendations: Due to the long-term horizon of the fund, buy recommendations shall be based primarily on equity valuation techniques. However, both risk management strategies and basic technical indicators will be considered. Security sell recommendations shall be based on pre-set target prices based on: (1) fundamental and technical analysis that suggests that the overall market outlook has significantly changed, (2) evidence that continued holdings of the security presents unacceptable risk, (3) confirmation that anticipated returns have been achieved, (4) data that a continued position in the security is no longer in conformance with overall portfolio risk and return objectives, or (5) consensus that liquidation of the position presents a unique profit-taking opportunity.