

Kansas State University Student Finance Association
Fixed Income Fund Policy Statement

Section A: Statement of Purpose

The Kansas State University Student Finance Association Fixed Income Fund (hereafter, the Fund) is established with an endowment of \$45,956 (hereafter, the Principal Amount) to serve as 1) an opportunity for students interested in fixed income securities to learn fixed income security analysis and portfolio management through practical experience and 2) a source of income for the Student Finance Association (SFA). Investments by the Fund are limited to fixed income securities and fixed income mutual funds. Investment decisions shall be made by the K-State SFA Fixed Income Committee (hereafter, the Committee). The Faculty Advisor of the SFA and the Head of the Department of Finance shall have oversight responsibility.

Section B: Membership in the Committee

Membership in the Committee is open to all dues-paying members of SFA. Students must attend at least two Committee meetings in order to be designated a Member of the Committee for a given semester.

The Lead Manager of the Fund will be an elected position of SFA and serve as the Chair of the Committee (hereafter, the Chair). The Chair is responsible for scheduling Committee meetings, presiding over the Committee meetings, and reporting Committee activities and Fund performance to SFA and the K-State Finance faculty. The Chair is also responsible for maintaining a record of Members and Co-Managers.

All regular faculty members in the Department of Finance at Kansas State University are ad hoc members of the Committee. The Faculty Advisor of the SFA and the Head of the Department of Finance shall have oversight responsibility.

The Committee shall meet separately from SFA meetings at least three times in each of the Fall and Spring semesters to consider investment decisions and review the performance of the Fund.

It is the responsibility of each Member to assist in investigating potential investments thoroughly and appraise portfolio holdings periodically. Members are responsible for and expected to fulfill their research and reporting roles in a timely manner.

After Members have served on the Committee for one semester, they may be designated as a Co-Manager of the Fund by the Chair. This designation shall be based on demonstrated active involvement on the Committee. Members missing more than one Committee meeting in a semester are ineligible to be considered as a Co-Manager. Co-Managers missing more than one Committee meeting will lose their Co-Manager designation.

The Chair and Co-Manager(s) of the Committee will be permanently recognized on the SFA website.

Section C: Investment and Performance Evaluation Procedures

Investments by the Fund are restricted to fixed income securities and fixed income mutual funds. Short positions and margin transactions are not permissible. All transactions will be executed through the Ameritrade account established for this Fund.

Any Member of the Committee may recommend a buy or sell decision for the Fund. A Member should notify the Chair at least one week in advance of a Committee meeting that they will be making a recommendation; the Chair should then immediately notify all Members. The recommending member should have adequate supporting research for the decision and be responsible for presenting that research to the Committee. Procedures for approving the recommendation are outlined in Section D below.

The Chair can request specific Members to perform research necessary to make investment decisions. Should a Member not follow through on the requested research, the Faculty Advisor of the SFA shall take appropriate disciplinary action, including removing from that Member their designation as a Co-Manager or Member.

Final approval and transmission of the transaction to Ameritrade will be made by the SFA Faculty Advisor. No student shall have access to this account.

A summary of the evaluation of the Fund will be presented once a semester at an SFA meeting. The summary of the evaluation shall be posted on the SFA web site at least once per semester. Portfolio holdings shall also be posted on the SFA website, and updated as trades are executed.

The Committee will present a written Fund Performance Report to the faculty in the Department of Finance at Kansas State University at the end of each academic year. An oral presentation may be requested by the finance faculty. If so requested by the Head of the Department of Finance, the Committee shall also make an oral presentation of the Fund's performance at the annual meeting of the Finance Advisory Board.

Section D: Voting on Recommendations

Each recommended transaction will be discussed and voted upon at the regular meetings of the Committee. In order for a vote to be held, Members must have been notified three days in advance of the meeting.

The recommending Member is responsible for the presentation and recommendation of the transaction. Subsequent to this presentation, Committee members shall discuss the recommendation and make a motion on the recommendation. The motion may be to either accept the recommendation or to table the recommendation pending further research.

Each Member can cast one vote. There will be no proxy voting. A quorum (50% +1) of all Members must be present before a vote is effective. The motion shall carry if a simple majority of those present at the meeting vote in favor of the motion. The SFA advisor shall not vote.

Section E: Distribution of Income

Distributions of income from the fund must be approved by a majority vote of the committee and

are subject to approval by the Faculty Advisor and the Head of the Department of Finance .

Distribution of any portion of the Principal Amount (including any subsequent contributions to the Principal Amount) is not allowed.

No distribution shall be made if the market value of the portfolio is less than the Principal Amount (including any subsequent contributions to the Principal Amount).

The recommendation to distribute income shall follow the voting procedures set forth in Section D.

Section F: Modifications to this Policy Statement

Modifications to this policy statement may be recommended by any Member. After the Committee approves this modification following the voting procedures set forth in Section D, final approval shall be obtained from both the Faculty Advisor to the SFA and the Head of the Department of Finance.

This Policy Statement Approved on: _____
Date

Dr. Anand S. Desai
Head, Department of Finance

Mr. Scott Hendrix
Advisor, Student Finance Association