

# Welcome Guidebook



**The Michael Price Student Investment Fund**  
*The Leonard N. Stern School of Business – New York University*



## **WELCOME TO MPSIF**

The Michael Price Student Investment Fund enables NYU Stern MBA students to be part of a truly hands-on experience in investment management while pursuing their MBAs. The course is therefore one of the most sought-after by students at our school. Congratulations on joining this very talented and selective group.

This guidebook serves as the primary reference manual for policies and procedures in the course. While performing their duties as analysts, portfolio managers, or in other administrative roles, students should always refer to the guidebook when in doubt about procedures or functions.

A critical task for the Fund's Executive Committee is working to improve MPSIF's "institutional memory." By institutional memory, we mean the ability of current students to understand and build upon the achievements and practices developed by prior students who learned and adapted while performing their duties. Because students enroll and then graduate from MPSIF, we must strive to retain the lessons learned by prior classes so as to not reinvent the wheel every semester. Every MPSIF analyst, especially those in their second semester, is therefore responsible for passing along critical information on how MPSIF works and what is expected from each analyst in each specific role. Those duties include stock analysis, follow-ups and updates, and also administrative tasks shared by every student enrolled in the Managing Investment Funds course.

While the guidebook should serve as your reference, it is also important that we work to improve our policies and procedures to better manage the funds that have been entrusted to us. I encourage you to reach out to the Executive Committee members, especially your portfolio managers, to share your ideas on how to improve our operations.

I wish you all success in managing our Fund and an exceptional learning experience this year.

Jessica Gerberi  
MPSIF President, Fall 2009



# MPSIF Welcome Guidebook

## *Table of Contents*

<b>Mission and Objectives</b> .....	<b>5</b>
<b>Guidelines</b> .....	<b>7</b>
<b>Investment</b> .....	<b>7</b>
<b>Administrative</b> .....	<b>9</b>
<b>Fund Structure</b> .....	<b>13</b>
<b>Equity Research</b> .....	<b>15</b>
<b>Organization</b> .....	<b>19</b>
<b>Calendar</b> .....	<b>19</b>
<b>Fund Decision Making</b> .....	<b>20</b>
<b>Google Finance and Blackboard</b> .....	<b>22</b>
<b>Fund Positions</b> .....	<b>23</b>
<b>Advisory Board</b> .....	<b>25</b>
<b>Management Advisory Council</b> .....	<b>26</b>
<b>Grading</b> .....	<b>27</b>
<b>Academic Guidelines</b> .....	<b>27</b>
<b>FAQ on MPSIF Grading</b> .....	<b>28</b>
<b>A Note on Course Grading</b> .....	<b>29</b>
<b>Evaluation Form</b> .....	<b>30</b>

The MPSIF Website  
<http://pages.stern.nyu.edu/~mpsif>



# Mission and Objectives

## **Mission:**

The Michael Price Student Investment Fund has been established to provide students of the Leonard N. Stern School of Business at New York University with practical investment management experience. The investment returns generated by the Fund will be used to provide scholarships and financial assistance to selected students from the Michael F. Price College of Business at the University of Oklahoma for study at NYU Stern, and to support other educational activities at NYU Stern.

## **Objectives:**

- To provide NYU Stern students with an opportunity to apply and integrate business school teachings in the pursuit of investment management. Key skill sets developed through the MPSIF experience include
  - Industry and sector analysis
  - Accounting and financial analysis
  - Security analysis and portfolio management
  - Presentation and stock pitching skills to an audience of peers
- To preserve and grow the endowment funds under management while meeting the mandated annual payment of 5% to NYU Stern to support the University of Oklahoma Scholars' expenses.
- To allow students the opportunity “to run their own business” and to further develop management and teamwork skills.



## Guidelines: Investment

1. MPSIF is an endowment fund. The objective of the MPSIF sub-funds (Growth, Small Cap, Value, and Fixed Income) and advisory groups will be to maximize total return consistent with the risk appropriate for an endowment fund. The goal is to maintain real capital preservation and have some real growth.
2. MPSIF set as a policy guideline an objective to have an overall beta for the combined funds less than the beta of the benchmark aggregate portfolio. The current benchmark is a custom benchmark composed of 25% Vanguard Total Bond Index, 25% Russell 1000 Growth Index, 25% Russell 1000 Value Index, and 25% Russell 2000 Index. MPSIF will attempt to manage its debt and equity risk positions to achieve this goal.
3. Goals include:
  - (a) protection of fund values from inflation over a 3-5 year period
  - (b) returns exceeding appropriate benchmarks over a 3-5 year period
  - (c) a focus on long- term investment opportunities rather than short-term trading gains
  - (d) an acceptable level of diversification.
4. Permitted securities are U.S. securities including: stocks, bonds, money market instruments, mutual fund shares. Foreign stocks and ADRs that do not incur special tax gains or losses may also be considered (the NYU endowment is a tax-exempt activity).
5. The funds may **NOT** acquire: commodities, derivative securities (such as futures or option contracts), real estate, non-investment grade debt or penny stock securities, securities or other instruments that are not readily marketable (such as partnership interests), shares in partnerships (also called units), or other securities that may be proscribed by the Board or the Vice President for Finance of NYU.
6. The funds may **NOT** borrow or lend funds or securities, or use any investments as collateral. Buying on margin is prohibited.
7. In December 2004, the MPSIF Executive Committee established operating guidelines for maintaining a balance among the various MPSIF funds. The guidelines are:
  - Rebalancing is triggered when any portfolio deviates by more than 10 percentage points from the initial policy portfolio allocation (i.e. <15% share or > 35% share).
  - The deviation must be sustained for at least 3 months as measured on June 30, July 31 and August 31 of any fiscal year.
  - The rebalancing date should be September 1 to minimize reporting problems in the Annual Report (FY ending August 31).

- More than one sub-fund may own the same security, but no more than 3% of the total assets in MPSIF may be invested in any single company.

## Guidelines: Administrative

1. Brokers must be selected from a list approved by the Treasurer's office of NYU. The Treasurer's office will work with the Advisory Board and students to execute appropriate agreements and work out details of statement distribution.
2. Custody of all securities will be held by a custodian as designated by NYU. The Treasurer's office will provide the broker and custodian names and specimen signatures of authorized agents. Currently those agents are: the Treasurer of NYU, the NYU Stern Associate Dean for Finance, and the MPSIF faculty advisor.
3. The Advisory Board will supervise students in obtaining any necessary legal advice from NYU's Office of Legal Counsel or an outside firm as that office may direct. Students have no authority to execute documents of any sort without the signature of an authorized NYU agent.
4. Each sub-fund will designate one individual as the "trader." The faculty advisor will forward appropriate documents to the broker each semester affirming that designation. The Portfolio Manager(s) for each sub-fund will also be designated as having trading authority. Under normal circumstances, the trader will be responsible for executing all approved trades in the sub-fund. Under other circumstances, when the trader is absent or not available, the Portfolio Manager(s) will be responsible for executing all approved trades. The Faculty Advisor is the alternate trader for every MPSIF account.
5. The fiscal year for MPSIF and its funds is September 1st through August 31st. The funds shall make semi-annual reports of investment performance and investing activities available to the Advisory Board and to various officers of New York University, and stand ready to provide additional information as requested.
6. The funds of MPSIF shall be subject to audit by the internal and outside auditor groups of NYU and shall allocate funds for expenses related to these audits. Each fund and group has responsibility for maintaining an orderly set of books, meeting minutes, and such other supporting documents as may be needed to review the activities of the fund.
7. During any fund meeting in which deliberations on trading activity (buy or sell decisions) are taken, a report summarizing those buy/sell decisions will be prepared and forwarded to the faculty advisor, who will approve or disapprove the proposed transaction and promptly convey his/her decision in writing to the PMs and trader. MPSIF will retain copies of buy/sell decisions of each fund or group and approval decisions by the faculty advisor.
8. MPSIF will operate on an "open book" policy and stand ready to make its results, activities, and reports available to anyone within the NYU community who has an interest in this activity. To facilitate that communication it is expected that MPSIF will keep an active web site.

9. The funds shall be managed so as to avoid incurring “Unrelated Business Income Tax” for the University, or special foreign taxes outside of investments that the University would not ordinarily pay. To ensure this, fund managers are expected to become familiar with the basics of relevant law, and to arrange a consultation with the NYU Vice President of Finance if necessary.

*March 2002 interpretation:* “Unrelated Business Income Tax” – earning a profit from activities *beyond the scope of a non-profit’s normal duties, and therefore subject to income tax.* For the purposes of MPSIF, all investment profits and losses are considered as related income. MPSIF may not engage in outside profit-making activities whether or not such activities would generate related or unrelated income tax.

10. MPSIF is an activity created for students in the full-time and part-time MBA programs at the Stern School of Business of New York University. Students will be selected for fall and spring semester admission by the Executive Committee of MPSIF based on written applications received and input from fellow team members. From time-to-time there may be limited slots available for volunteer positions within each fund or group in addition to those for enrolled students.

11. The Executive Committee of MPSIF consists of:

- the Faculty Advisor
- the President of MPSIF
- the Portfolio Managers (or Co-Managers) for each sub-fund and advisory group
- others that may be designated by the Advisory Board or Executive Committee

12. In November 2008, the Executive Committee voted to approve two additional administrative policies. One pertains to attendance and the second pertains to professional standards and ethics for students engaged in investment management.

a. Attendance Policy

Attending class in MPSIF is mandatory. In accordance with NYU Stern policy, excused absences (for religious reasons, family emergencies, and documented health problems) are permitted. Mandatory events for MBA1s scheduled at 12:00 Noon are also considered as excused absences. Unexcused absences (e.g. to engage in job search, interviewing, part-time or full-time work, and so on) that total more than two occurrences per semester may have a material adverse impact on the grade assigned for the course.

b. Professional Standards and Ethics Policy

In MPSIF, students are given fiduciary responsibility over endowment funds that are the property of New York University, the proceeds of which will benefit future generations of students at NYU Stern. As in any position of fiduciary responsibility, there is an expectation to maintain a high level of professional conduct. A document providing an overview of the professional standards and ethics expected of students in MPSIF is posted on the class Blackboard site. Students are expected to read and understand this document.

In addition, as students are taking part in a course (“Managing Investment Funds”), Stern’s student Honor Code applies to all deliverables and presentations within the class. For example, all analysis and presentations are expected to reflect the student’s own analysis and writing, with the analysis and opinions of others referenced in accordance with standard citations.

Failure to abide by the MPSIF professional standards and ethics policy, as well as Stern’s student Honor Code, may have a material adverse impact on the grade assigned for the course.



# Fund Structure

## Fund Structure:

1. MPSIF will establish three accounts with four funds (the “Sub-funds”) and other “Advisory Groups” as may be useful. The current funds are:
  - MPG            Growth Fund
  - MPS            Small Cap Fund
  - MPV            Value Fund
  - MPF            Fixed Income Group
  
2. Each sub-fund received an initial allocation of \$600,000 from the Donor’s gift. The remaining \$200,000 from the two million dollar gift is separately managed by NYU Stern, from which funds may be used to pay for administrative expenses associated with the operation of MPSIF.
  
3. Each sub-fund shall have shall have a different investment objective, consistent with the policy guidelines of the Advisory Board and the educational objectives of this program for the students selected.
  - MPSIF Growth Fund
    - *Fund Objective:* Better than benchmark risk/return by investing in securities that provide superior total return.
    - *Benchmark:* Russell 1000 Growth Index
    - *Fund Strategy:* The Fund will pursue this strategy by investing in growth stocks. Growth stocks are defined as: (a) stocks contained in the Russell 1000 Growth Index, determined by price-to-book ratios and higher forecasted growth, or (b) stocks not contained in the Russell 1000 Growth Index but with similar growth characteristics, as determined by the assigned analyst and the Growth Fund team.
  
  - MPSIF Small Cap Fund
    - *Fund Objective:* Better than benchmark risk/return by investing in securities that provide superior total return.
    - *Benchmark:* Russell 2000 Small-Cap Index.
    - *Fund Strategy:* The Fund will invest exclusively in US-traded equities with market capitalizations less than that of the largest component of the Russell 2000 index. The Fund does not have an explicit bias towards “growth” or “value” investing.

- MPSIF Value Fund
  - *Fund Objective:* Better than benchmark risk/return by investing in securities that provide superior total return.
  - *Benchmark:* Russell 1000 Value Index.
  - *Fund Strategy:* The Fund will pursue this strategy by investing primarily in large-cap companies with consistent year over year earnings that are trading at a discount relative to their peer group or the market as a whole. The metrics that will be closely monitored include: price-earnings, dividend yields, and various free-cash-flow ratios. Firms must be publicly traded on major world exchanges and generate the bulk of their revenues in developed markets. There is, however, no specific country or region quota. The Fund seeks to outperform its benchmark, the Russell 1000 Value Index, without significantly deviating from the index's risk profile.
  
- MPSIF Fixed Income Group
  - *Group Objective:* Provide a less-volatile source of total return than the three equity funds. This lower risk asset class, combined with a low correlation with the equity funds, should reduce MPSIF's overall risk level. The total return will come from interest payments, dividends, and capital appreciation.
  - *Benchmark:* Vanguard Total Bond Fund.
  - *Group Strategy:* The Group will engage in active fixed income management on behalf of the three sub-funds in MPSIF. Initially, the Group is expected to rely on Exchange Traded Funds (ETFs) and mutual funds. The Group may make investments in individual bonds if the fixed income allocation permits us to build a diversified portfolio in individual bonds at reasonable cost. Portfolio turnover will be kept to a minimum. However, some of the underlying mutual funds selected may have high turnover. Equity securities with fixed-income characteristics (REITs, preferred shares, etc.) may also be considered.

# Equity Research

A Tool Kit of Resources has been prepared to help you with your equity research. You can find this resource at:

<http://pages.stern.nyu.edu/~mpsif/toolkit.htm>

This web page contains direct links to many of the resources suggested here. Some additional helpful research resources are listed below.

## STOCK SCREENERS

For a stock screening resource page with links to HTML based screeners, visit <http://pages.stern.nyu.edu/~mpsif/screener.html>

**Morningstar:** <http://screen.morningstar.com/StockSelector.html>

**Zack's:** <http://www.zacks.com/research/screening/index.php>

The Zack's screener is great for finding analyst estimates. This screener is also customizable and savable. Like the Reuters screen, there are many more variables to search by than in the *Businessweek* and *Yahoo!* screeners.

**Yahoo:** <http://screen.yahoo.com/stocks.html>

Yahoo's screener provides many of the basic screening criteria including company, industry, market cap, beta and several standard ratios.

**Businessweek:** [http://prosearch.businessweek.com/businessweek/general\\_free\\_search.html](http://prosearch.businessweek.com/businessweek/general_free_search.html)

Like the Yahoo! screener, the *Businessweek* screen provides many of the most important screening criteria.

## RESEARCH REPORTS

### *Investext*

Full text investment reports produced by Wall Street and international brokerage firms for industries and publicly held companies around the world: <http://library.nyu.edu/collections/investext.html>. To click through, go to the Virtual Business Library off the Full Time Student Sternlinks website. Click "Company and Financial Information" on the left hand side of the screen and then "*Investext Plus*" under the "Analyst Reports" heading.

You can use *Investext* from any PC located at NYU. To use *Investext* from your home or office, you'll need to set up a "proxy server." When you use a proxy server, it looks as if you're logged on at Stern, even though you're at home. To set up your home PC with a proxy server, use <http://www.nyu.edu/its/faq/connecting/proxy.html>. You'll need your NYU ID (not your Stern ID) to log on to the proxy server. Each member of the NYU community is assigned a NetID.

## ORIGINAL SOURCE COMPANY DATA

### *Capital IQ*

The primary source of company information and screening tools for NYU Stern MBA students is Capital IQ. All analysts in MPSIF should have activated their Capital IQ accounts in accordance with school's procedures and Capital IQ policies pertaining to the licenses purchased by NYU Stern. Other complementary sources include:

***U.S. Securities and Exchange Commission:*** <http://www.sec.gov/>

The U.S. Securities and Exchange Commission is an essential primary source for students to obtain company financial information, disclosures on insider trading, litigation, concentrated share ownership, and other information that may impact the firm.

### *Company Web Sites*

Most company web sites now include an "Investor Relations" section that contains valuable information such as company presentations to investor groups and web casts that coincide with release of earnings or other major events. Professional analysts now consider listening to these web casts as a critical means for understanding managerial perceptions of their operating environment and business strategy.

## FINANCIALS/NEWS

### *Bloomberg*

Visit <http://www.stern.nyu.edu/it/helpdesk/howto/index.html> for basic instructions and then log into one of Stern's many Bloomberg terminals.

***Hoover's:*** <http://premium.hoovers.com/subscribe/>  
Hoover's is good place for a quick look at a company's financials.

***MSN-Money:*** <http://moneycentral.msn.com/investor/research/welcome.asp>  
All the basics are here.

***Yahoo!:*** [www.finance.yahoo.com](http://www.finance.yahoo.com)  
Of course!

***Real Money:*** <http://www.thestreet.com/p/>  
These basics are free from thestreet.com

***Earnings Whispers-*** <http://www.earningswhispers.com/>  
Get some interesting earnings gossip here.

***Edgar-*** <http://www.sec.gov/edgar.shtml>  
Access Edgar through the Virtual Business Library to get the latest and archived SEC filings.

***Smart Money-*** <http://smartmoney.com/>  
Check out their market heat maps!

**Lexis-Nexis:** <http://web.lexis-nexis.com/universe>

The essential news site. If you have any problems, access *Lexis-Nexis* through the Virtual Business Library.

You should also give serious consideration to pay sites such as the Wall Street Journal online, Barron's online, thestreet.com, etc. Some of these (WSJ/Barron's) can be viewed through the NYU's Virtual Business Library or via *Proquest* at <http://proquest.umi.com/login> .



# Organization: Calendar

*Approximate dates of what happens and when*

August / September		Executive Committee meets before classes begin. Consider portfolio rebalancing issues.
September	01	Start of new fiscal year.
October	10	Draft of annual report due. Annual Report final copy due by November 1st.
November	15	Advertise spring semester MPSIF opportunity to MBA1s.
December		Accept applications for new spring semester analysts. Select required executive positions (President and PMs) for spring semester. Presentation to Management Advisory Committee Issue grading forms for outgoing analysts. Establish strategy for winter break.
January	25	Review winter break portfolio events.
February	28	End half-year.
March		Amount of 5% distribution determined. Semi-annual report due. Audit books. Consider portfolio rebalancing issues.
April		Advertise MPSIF for fall semester applicants. Accept applications for new fall semester analysts.
May		Select required executive positions (President and PMs) for fall semester. Presentation to Management Advisory Committee Issue grading forms for outgoing analysts. Establish strategy for summer break, including contact group for each fund and advisory group. Annual 5% withdrawal taken.
June		Summer updates.
July		Consider meeting University of Oklahoma MBA students here in NYC for an event.

## Organization: Fund Decision Making

1. Decisions to buy or sell any asset will be made only upon a vote of the members of the fund (a sub-fund or advisory-group), as conducted at a meeting of the members of the fund.
2. While it is hoped and expected that all members of the fund will attend such meetings, **meetings shall be conducted provided a quorum of the members of the fund are in attendance. A quorum is defined as a majority of the members of the fund.**
3. All members of a fund have the right to vote in every buy or sell decision of the fund.
4. Each member's choice with respect to the decision to buy or sell each respective asset in the fund shall be worth one vote, except for that of the **Portfolio Manager, which is worth two votes**. The faculty advisor and MPSIF President are *ex officio* members of every fund, and may vote if they choose.
5. Every decision to buy or sell any asset in the fund shall become effective only upon gaining a majority of the votes cast at the meeting, except that **a majority minimum of five votes shall at all times be required.**
6. **All decisions to buy or sell assets in the fund should specify pricing and timing limits** for the execution of the trade.
7. The fund's Communications Director will tally the votes promptly and announce the numerical results openly to the class. The fund's Communications Director will forward the results of every vote to the Faculty Advisor for approval. The Faculty Advisor will approve or disapprove the proposed transaction and promptly convey his/her decision in writing to the PMs and trader.
8. When a transaction is approved, the trader will execute the trade promptly, taking into account any special considerations (e.g. limit order, market order) noted in the transaction approval. The trader is expected to enter each trade on the same day that an approval is granted.
9. To avoid "reconsideration" discussions in the absence of new information, **every member that is absent from said meeting is deemed to have approved every decision made by the members of the fund at the meeting.**
10. Meetings are called by the Portfolio Manager upon at least forty-eight hour notice to all members of the fund, the MPSIF President, and the MPSIF faculty advisor. Said notice shall specify the date, time and place of the meeting with an agenda containing such relevant information as the Portfolio Manager deems appropriate or practical. Email or other written notice shall be sufficient.
11. **Minutes will be taken at every meeting.** Such minutes will include attendance, subject matter discussed, votes taken, decisions made, and all other necessary information to support an audit trail and historical archives. The Portfolio Manager shall appoint one member of the fund at the

commencement of each meeting to record said minutes. The minutes of every meeting will be sent to the Faculty Advisor for his/her approval, and maintained as a permanent record of the fund.

**12. *Special circumstances and situations***

**In exceptional circumstances (for example an overnight market drop of 10%) rules 1-9 above may be suspended and the Portfolio Manager may call an emergency meeting of the members of the fund upon immediate notice.** In the case of exceptional circumstances, a change of a fund position may be approved by unanimous vote of the Portfolio Manager or the faculty advisor and any two members (or the majority vote of those present if more than three attend). As soon as practicable all fund members shall be notified of any decisions made and have the right to review such decisions at the next scheduled meeting of the fund.

**13. *Special circumstances - summer period***

During the summer break it is not possible to assemble the full team of fund members so rules 1-9 are mostly suspended. While it is expected that changes in fund positions will be minimal during that period, there is a need for continuing monitoring and review. In May, the portfolio manager of each fund is expected to prepare guidelines for summer monitoring and to designate a sub-committee (at least two of whom should be employed in New York City in the summer) to consult on any necessary decisions. For the most part the faculty advisor will serve as the trader of record for the summer months for all the funds.

**14. On October 28, 2008, the MPSIF Executive Committee adopted the following policy pertaining to stop-loss orders.**

During vacation periods when MPSIF is not holding its regular meetings (e.g. winter, spring and summer breaks), each equity sub-fund will make use of stop-loss orders for the majority of their positions. Analysts are expected to propose stop-loss prices that reflect an unusually large downward movement in their stock, rather than normal day-to-day swings. PMs may set stop-loss prices in the event that analysts fail to submit them.

During normal periods when MPSIF is holding its regular meeting, each analyst is expected to follow their stocks and monitor both scheduled and unscheduled news releases and sector developments. An analyst may propose a stop-loss price for two reasons:

- 1) He or she is unable (because of full-time school, work or family responsibilities, or for some other reason) to follow news and events as closely as they feel is required,
- 2) The analyst may desire to limit the downside risk on the investment to a certain level.

The analyst should provide sufficient justification in the pitch for the stop-loss price, and be responsible for updating the price (when the underlying stock rises in value significantly) and preparing a short update if the stop-loss price is hit and the position is liquidated.

The sub-fund trader is responsible for monitoring all stop loss orders and alerting the analyst about the order expiration date.

## Organization: Google Finance and Blackboard

MPSIF currently tracks its portfolios in Google Finance. The faculty advisor will forward the login details (username and password) at the beginning of the semester to the PMs, who will be in charge of forwarding to each fund's members. In case MPSIF migrates to a different platform, the faculty advisor will instruct the PMs on how to proceed in the new system.

All students enrolled in Managing Investment Funds (B55.3320) have access to the perpetual MPSIF Blackboard site, which will be used extensively to store data files, pitches, class handouts, and other Fund documents. It is extremely important for PMs to keep their fund's Blackboard page updated with recent pitches and updates, taking care to keep the files in an organized fashion. Such organization will include, but will not be limited to, posting all pitch and update presentations and reports to Blackboard, and separating files into current holdings, past holdings and rejected stocks.

## Organization: Fund Positions

To ensure that MPSIF operates in a professional manner, each of the sub-funds and advisory groups has a variety of task positions that should be filled. In some cases these tasks may be combined into one position. In other cases the work may require several people. The positions of Portfolio Manager, Trader and Communications Director must not be combined in any manner to result in two or more of these positions being held by a single manager. These are the designated positions as of July 2009:

### *All Members of MPSIF*

- The fund functions best with everyone's presence and active participation. Participation and contribution should be constructive and respectful.
- Members should be up-to-date with respect to overall developments in financial markets and the economic environment, and knowledgeable about their specific stocks and sectors.

*Portfolio Manager (1 or 2 per sub-fund):* ensure the fund meets the goals of both the fund (performance) and the class (as a learning opportunity); ensure the team works well by facilitating discussions; ensure the quality of the analytical work by the group; make necessary administrative appointments and evaluations of performance. Represent fund in MPSIF overall strategy, performance evaluation, and various marketing duties.

*Auditor (1 per sub-fund):* helps conduct an internal audit of the books of one of the other funds; works to insure that own fund's records and archives are in order for an audit, and monitors measures of performance. (Note: incorporates duties of *Fund Services Director*, now eliminated)

*Communications Director (1 per sub-fund):* record minutes of all meetings; note key discussion points. Copies of the minutes should be made available promptly after each meeting to the PMs, other fund members, faculty advisor, and the MPSIF President.

*Sector Strategists (1 head and 2 analysts per industry researched):* responsible for providing in-depth analysis of key industries of MPSIF interest. These analyses include, but are not limited to: recent market performance, comparative sector analyses, and complete trends. The sector strategy group will present its analysis and views to the class twice per semester.

*Economic Strategists (1 head and 3 or 4 analysts, preferably with background in economics):* responsible for providing a view on macroeconomic conditions that may drive the buy-sell-hold decision-making process in MPSIF. These analyses include, but are not limited to: US economic indicators (GDP, inflation, trade balance, etc); Europe, Japan and emerging markets overview; commodities and currencies outlook.

*Trader (1 for each sub-fund):* Complete online trading approval form, execute trades upon receipt of approval; monitor and report price levels and stop-loss positions of holdings with respect to targets. The trader must inform the PMs of all trades executed, price levels obtained and stop losses in place for every position held by each sub-fund. As a general guide:

- The traders will execute the trades in accordance with the general advice provided in the minutes to each meeting
- Unless otherwise specified, trades will be executed on the same day the meeting was held, after the faculty advisor has approved the trades. If it is decided that a position will be built over a specific time-span, the trader will abide by that decision.
- The trader should never second-guess a group decision to enter or exit a position.
- Once the trader has executed all trades in accordance with the meeting minutes and after the faculty advisor approval, the trader will send a report, which can be in the body of an email message, to the sub-fund's PMs, including:
  - Trades executed
  - Prices obtained
  - Stop-losses set
- It is not mandatory, but advised, that the trader keep the PMs informed on other matters such as:
  - Whether any position has achieved the target price
  - Whether any position has stopped out

Traders are also responsible for doing portfolio analytics work for each sub-fund. This work includes:

- Inputting and updating the analytics database (currently Wilshire Analytics) with data provided by MPSIF's broker
- Running relevant monthly reports, as requested by the PMs and the faculty advisor to allow for idea generation on fund performance
- Analytics work will also be done for the annual and semi-annual reports and the semi-annual Management Advisory Council meetings. Those analyses may differ from the required monthly analysis mentioned above

*Treasurer (1 for MPSIF):* oversee production of annual and semi-annual report (based on 10-K). The end of the fiscal year is 8/31; first draft of the report needs to be finished by 10/10; turn in final report to faculty advisor and President by 11/01. Similarly, the half-year ends 2/28, and the semi-annual report should be ready by 3/25. There may be additional financial and risk analysis materials needed for the Management Advisory Council meetings held each semester.

## Organization: Advisory Board

1. An Advisory Board of at least five individuals shall be established.
2. The Board shall include: the Donor, the Dean of the Michael F. Price College of the University of Oklahoma, the Dean of the NYU Stern School of Business, the faculty advisor to MPSIF, and other persons selected by the NYU Stern Dean and Advisory Board from the faculty or staff of New York University.
3. The Board shall determine general investment guidelines for MPSIF and its sub-funds, shall provide broad policy administrative oversight for the faculty and students involved in the fund, and shall have such other duties and responsibilities as may be delegated by New York University from time to time.
4. MPSIF students will make presentations to the Advisory Board on request. The Board of record in September 2009 is: Michael Price, Dean Thomas Cooley, Prof. Duane R. Stock (Price College of Business, University of Oklahoma), Associate Dean Paul Affuso, Prof. Richard Levich, Prof. Martin Gruber, and Adjunct Prof. Arthur Zeikel.

## Organization: Management Advisory Council

1. In the fall of 2005, the Executive Committee voted to establish a Management Advisory Council (MAC).
2. The MAC shall include 4-6 members who have significant experience in investment management or related fields. Members of the MAC are appointed by the Faculty Advisor after consultation with members of the Advisory Board, other NYU Stern officials, and the MPSIF Executive Committee.
3. Members of the MAC will from time to time attend MPSIF classes to observe the Fund's operations or meet with students to discuss current economic and market conditions, and offer advice intended to improve the operating practices of the Fund. Members of the MAC are expected to attend a meeting each semester to review the performance and operations of the Fund as presented in the Annual Report or Semi-Annual Report
4. In spring 2009, the Executive Committee voted to include the NYU Chief Investment Officer and the NYU Treasurer, or their designated representatives, as *ex officio* members of the Management Advisory Council.
5. As of June 2009, the Management Advisory Council included the following members:

Nomi Ghez	Co-founding partner of Circle Financial Group, retired Partner and Managing Director at Goldman Sachs
Randall Haase	Portfolio Manager, Baron Fifth Avenue Growth Fund
Christopher Long	Director of the North American Financing Desk, Tudor Investment Corporation
Ray Pullaro	Managing Director, Blackstone Alternative Asset Management
Rosemarie Lofreddo	Treasurer, New York University ( <i>ex officio</i> )
Tina Suhr	Deputy Chief Investment Officer, New York University ( <i>ex officio</i> )

## Grading: Academic Guidelines

1. MPSIF will operate as a part of the MBA course referred to as “B55.3320 *Managing Investment Funds*.” B55.3320 is an inter-area course that may count as a finance specialization course in "Financial Instruments and Markets" or as a non-finance elective. B55.3320 is not intended to operate as a regular course, but rather as a vehicle to enable the process of (a) selecting and organizing students for MPSIF, (b) providing continuity and responsibility for students to manage real money, and (c) providing an opportunity for students to further their education by engaging in the management of real funds and from time to time hearing professionals in the field.
2. To provide continuity, students will be expected to participate in this course over two semesters even though the students register only once for the three-point course.
3. All students in MPSIF shall have the opportunity to help make investment decisions regarding the securities managed by their respective sub-fund or group.
4. To the extent grading is necessary for this course it will be based on a “task completion” schedule for each student. All students will be expected at some point to provide satisfactory written memoranda related to their contributions to the formation of portfolio strategies and investment recommendations, and to make oral presentations.
5. All students will be expected (a) to be active participants in scheduled group meetings, (b) to contribute in some way to the various administrative tasks that are a part of modern portfolio management, and (c) to follow current events affecting their assigned stocks and industries outside of classroom meetings.

## Grading: FAQ on MPSIF Grading

1. **Do we have to get letter grades for MPSIF (B55.3320)?** Yes. The founding students were asked whether they wanted letter grades, pass/fail grades, or some combination. At that point in time the Associate Dean was willing to experiment with a variety of options. The students were almost unanimous in selecting letter grades. With new Associate Deans to educate, and faculty to convince, it would take approximately six months to change current policy for this course.
  
2. **Is MPSIF graded according to the "Stern Curve" or the "Department of Finance" curve?** Yes and no. First, you are a selected group of students ---every semester MPSIF gets roughly 40 applicants for approximately 20 seats in the class. The most likely candidates for the lower tail may have been screened out in the selection process. Has any MPSIF student ever received a "C" grade? Yes, but they knew why from both their PM (and their fellow team members) and from the faculty advisor. If MPSIF students are an elite group, does that mean that half or more of those students will get A / A- grades? Probably not. "A" is a competitive rank/order grade. It's like the Olympics. One is already a champion if he/she gets there – and the faculty advisor will happily attest to Stern outsiders that all MPSIF students have extraordinary backgrounds and seem to really develop and extend some of their professional skills in MPSIF. But not all of the students will stand on the podium.

It may be worth adding a note that contrary to some impressions, faculty do not really fit students into some target grading curve. Students fit themselves into a performance distribution, and in most cases it's relatively easy to translate that into related letter grades. Each of the MPSIF students came into this course with different skill sets and time available for the course. It's no different from the real world. Students have had to make time/energy tradeoffs for different tasks. Sometimes one guesses right and hits the jackpot across the board, and sometimes the payoffs are not quite what one would like for one or two of the tasks. Portfolio managers probably have a clearer understanding of this than most other students (and real world managers!).

3. **How are the PMs and President evaluated?** They are evaluated the same as the rest of the students except that the professor input is probably 50% - 60% rather than roughly 30%. At least a couple of the members from each team are asked to informally comment on the strengths/weaknesses of the officer group and comments from any of the students are always appreciated.
  
4. **What grade do I receive at the end of the first semester?** The registrar either leaves the grade blank or inserts an "S" grade (as in “satisfactory”).

*Richard Levich*  
 Faculty Advisor for MPSIF, 2004 to date

# Grading: A Note on Course Grading

B55.3320  
Managing Investment Funds

Prof. Richard Levich  
September 2009

Each student in MPSIF must be assigned a letter grade upon completing the second semester of the course. I am absolutely convinced that our selection process has been good enough that you are all above-average Stern students. The work I have seen over several years as faculty advisor confirms this. But as you know, firms like Goldman Sachs can also hire the very best MBA students from around the world and they cannot pay the "big bonus" to all of them after the first year. Neither can we offer an "A" grade to all of you. I hope that you feel as I do that the value of this integrative course experience is not so much in adding one more letter grade to your portfolio as it is in participating in such an integrative experience, in being able to say on your resume and elsewhere that you have managed real money (and that you are member of a fund management group), and that you feel good about the fact that your efforts in managing this endowment fund enable NYU and Oklahoma students to have a fuller educational experience.

***We will use three kinds of inputs to help determine relative contributions and grade rankings:***  
Roughly speaking, (1) and (3) account for up to 40% of the weight and (2) for 60% of the weight.

1. Input and discussion with MPSIF Presidents.
2. Input and discussion with each of the MPSIF Portfolio Managers.  
The PMs will have consulted with the members of their funds individually and in any other way they deem appropriate to help provide assessments (including peer ratings).
3. An individual assessment prospectus from each team member.

In the ***individual assessment prospectus*** you should have the following:

- a. A summary outline / diary of the work you have done for the fund over the past two semesters. All of you have played several roles. Do not be shy about incorporating that into the description of your work.
- b. Samples of any writing you have done or research reports you have given.
- c. A summary paragraph indicating any recommendation you want to make on the relative size of your bonus. Assume there is one million dollars to distribute unequally among ten fund members. What is your appropriate share?
- d. Second semester students will be asked to respond to several specific questions to help them codify what they learned in the course and what specific aspects of the course were of most (or least benefit), and what lessons they suggest should be passed along to future students. This is an important aspect of forming the institutional memory of the MPSIF program.

# Grading: Evaluation Form

Analyst: \_\_\_\_\_

Portfolio Manager: \_\_\_\_\_

1	2	3	4	5
Outstanding	Beyond expectation	Meets expectations	Improvement desired	Detrimental to the fund

**Note: the bias is towards reviews in the 2-4 range. Dramatic performance will merit a 1 or a 5. Please use a number in all instances. You may also add qualitative description to justify your numerical evaluation.**

Criteria	Self-evaluation	Portfolio Mgr Evaluation
<b>Presentations</b> <ul style="list-style-type: none"> <li>• Conducted quality research into the company/sector, substantiating investment thesis and price levels</li> <li>• Clearly communicated investment thesis</li> <li>• Demonstrated knowledge about the company and the market</li> </ul>		
<b>Class participation</b> <ul style="list-style-type: none"> <li>• Asked questions at presentations</li> <li>• Shared opinions regarding fund selections and management</li> </ul>		
<b>Stock/sector tracking</b> <ul style="list-style-type: none"> <li>• Shared news items relating to stock/sector</li> <li>• Reacted quickly to news impacting stock/sector</li> </ul>		
<b>Fund administration duties</b> <ul style="list-style-type: none"> <li>• Proactively completed requirements of position</li> </ul>		
<b>Other</b>		

The document was written in June 2009 by Jessica Gerberi, MPSIF President, Fall 2009 and Helvecio Borges Guimaraes, MPSIF President, Spring 2009 with assistance from Richard Levich, Faculty Advisor. Minor revisions were added in July and August. The Guidebook draws heavily on earlier versions, updated to reflect current policies and practices at MPSIF.

*first edition:*    *May 2002*  
*revised:*        *September 2002*  
                      *January 2004*  
                      *August 2005*  
                      *August 2009*