

Loughborough Student Managed Fund

Founded by the Dawson Family

('the fund')

Configuration and Governance

Amended Dec 2023

1 Governing Principles

- 1.1 The founding gift of \$250,000 (approx. £186,303) from Margaret Dawson is a philanthropic donation to Loughborough University, the terms of which will be established in a separate Gift Agreement, to be filed and maintained by the Philanthropy Team. Any subsequent donations to the fund will also follow this arrangement.
- 1.2 The whole value of the founding gift, and the fund at any given time, remains the property of Loughborough University and in the unlikely event that, at a future time, it becomes impossible, impractical, or illegal to satisfy the original intent of the project, as below, the Vice-Chancellor of the University shall determine an alternative application for the Gift deemed in the Vice-Chancellor's absolute discretion to be the most consistent with the wishes of the Donor.
- 1.3 The investment activities associated with the fund must conform to the most recent iteration University's Ethical Investment Policy. The fund will allow long-only positions only with the use of leverage and derivatives prohibited. This will cap potential losses at the value of the investment being made.
- 1.4 The ultimate purpose of the fund is to provide annual charitable disbursements to Loughborough University's 'Student Support' activities. Use of the fund's charitable disbursements will be unrestricted within this broad area of work and may change over time, in response to the University's evolving needs, and the needs of its students.
- 1.5 This document is intended to outline the principles of the fund during its first three years of operation (approximately September 2022 – August 2025).
- 1.6 If the principles of this document are to be changed to any significant degree, agreement must be reached between the fund's University Representatives (see 2.3) and the incumbent Director of Philanthropy, in consultation with the donor(s) to the fund where necessary.

2 Organisation

2.1 Fund management committee

A student fund management committee (FMC) selected from the membership of the Loughborough Finance and Investment Society.

The FMC comprises 6 students studying a Loughborough University undergraduate course plus the Chair of Loughborough Finance and Investment Society.

Three members are to be appointed at the start of the academic year (one Part B student and two Part C members) and three in February (a part A student and two Part B students who do not have a placement year).

The University intends to widen the scope of the Fund to enable students from the whole undergraduate community to be involved. This will happen after three years of successful operation, or earlier, with the agreement of the Board (see 2.3).

Students may be members of the FMC for a maximum of two consecutive years.

- A Deputy of the FMC is to be elected by the FMC members.
- The Chair is responsible for calling and chairing FMC meetings.
- A Chief Operating Officer of the FMC is to be elected by the FMC members and is responsible for minuting meetings, recording investment and trading decisions and passing those on to the University Representative for approval and subsequent execution.

2.2 Project oversight – University Representatives

Two permanent members of staff are to be appointed by the Dean of the School of Business and Economics as University Representatives with overall responsibility for approving investment decisions and trading instructions of the FMC.

One (A) will be responsible for day-to-day oversight and the other (B) as their deputy with authority to act in the event of the absence of (A).

(A) is to attend as an observer on the FMC committee making the investment decisions. (B) will attend in their absence.

University representatives are intended to provide guidance to the FMC, ensure its investment decisions are founded on adequate research, and ensure its decisions comply with relevant University policies. Otherwise, it is intended that the FMC has autonomy in making investment decisions.

They shall be replaced on resignation from the Fund or resignation as employees, at the discretion of the Dean of The School of Business and Economics. Both (A) and (B) must be sufficiently conversant in the technicalities of investments to provide authoritative and informed oversight.

2.3 Project oversight – Loughborough Student Managed Fund Board

The performance and longer-term strategic development of the Loughborough Student Managed Fund will be determined in meetings of a ‘Loughborough Student Managed Fund Board’, which shall convene biannually, to discuss and promote the wider progress and growth of the fund as an educational and philanthropic tool. The board shall comprise:

- The Founding Donor, Margaret Dawson
- Deputy Chief Finance Officer of the University (or their representative)
- The Director of Philanthropy, Alumni and Supporter Engagement (or their representative)
- The University Representative for the Fund (see 2.2) or their Deputy
- The FMC Chair (or their Deputy)

Additional members may be added in the future as required e.g. As the project grows in scope at Loughborough, or a future significant benefactor(s) to the fund wishes to be a part of the group. The board shall be sent quarterly performance reports prepared by the FMC (see 4.5.2)

The Quorum for a Board meeting is 4 members. 1 of these must be a University member of staff.

3 The fund: Terms and investment process

3.1 The fund: objectives

The primary objective of the fund is to provide philanthropic support to the University’s student support funds. The secondary objective of the fund is to give students practical experience of making investment pitches and active portfolio management and performance reporting.

3.2 The fund: Investment objectives

The investment objective of the fund:

- to outperform the chosen ethical investment benchmark after transaction costs.
- to grow in absolute terms after paying annual dividends to the university’s Student Support funds

3.3 The fund: Terms

The fund will make long-only equity investments selected from universe of ethical stocks from constituents of a defined global ethical index (in accordance with university ethical guidelines).

- The fund is to comprise up to 32 stocks.
- No single holding is to comprise more than 10% of the total fund’s net asset value. The fund will normally be fully invested (cash must not comprise more than 5% of the fund’s net asset value, after the first 12 months of activity).
- In addition, the FMC should be encouraged to establish its own strategy for managing the risk of each stock investment, and the fund. E.g. A defined stop-loss trigger and action plan for each stock; a low-risk investment option (Government Bonds etc.) for stop-loss divestments or residual cash etc.

3.4 Dividend payment to Loughborough University Student Support Funds

At the end of each academic year (31st August, or shortly afterwards), providing the fund has made a positive return of >£1,000, it will pay a dividend to the University Student Support funds, according to the schedule shown in Figure 1. at the end of this document.

The table in Figure 1. assumes that the value of an Opportunity Scholarship is £9,000. If this changes then the amounts in the first column above will change to reflect this.

‘Reward’ disbursements to the Finance and Investment Society (either for the society’s own use or to be donated to a charity of their choice) must not exceed a total of £2,500 PA, irrespective of how well the fund has performed.

4 Investment process

4.1 Investment decision making

Four rounds of investment pitches are to be held per year: up to 8 stocks to be replaced in each round.

Pitches from members of Loughborough Finance and Investment Society working in small teams – investment proposals (for example, what should be added, what should be replaced) comprising a 3-5 minute video presentation and a written investment report (2,000 words max).

The FMC will determine which stocks to purchase and which stocks to sell as well as conducting any technical rebalancing needed. Investment decisions are to be made by formal management decision on majority vote. Chair to have the deciding vote in event of a tie.

The University Representative (or their deputy) should attend this meeting with the power to veto any decisions.

4.2 Trade execution

On completion of the investment process the Chief Operating Officer of the FMC will pass on trading instructions to the University Representative (or their deputy) who will check that the stocks are permitted investments, that holdings remain within proscribed limits and authorise the nominated member of the Finance Office (who may duplicate the checks above at their discretion) to place the trades with the University’s broker.

4.3 Student investment proposal awards

Pitches will be evaluated by the committee (quorum of 5 members) and three proposals may be awarded Gold, Silver and Bronze. The committee may also make an unlimited number of “highly commended” awards. Awards must be approved by the University Representative.

4.4 Emergency action

The Chair of the FMC may call an emergency meeting in the event of extraordinary adverse market conditions arising or a stop loss being triggered and with the agreement of the University Representative.

At a meeting called because of extraordinary market conditions, the committee with the agreement of the University Representative may determine to rebalance the portfolio (for example to change its risk profile) or liquidate all investments.

At a meeting called because of a stop loss being triggered, the committee with the agreement of the University Representative may agree to replace the stock with one from the last investment proposal round, and/or trigger any pre-planned fallback options (as in 3.3).

4.5 Web site and reporting

4.5.1 Website

A web site is to be created and maintained which lists the fund's constituents, its performance and investment decisions. It will also be used to host video presentations for investment pitches and investment pitch awards.

4.5.2 Periodic reporting

The following periodic reports are to be produced by the FMC and signed off by the University Representative:

- A standardized, automated quarterly performance report.
- An annual report identifying investment highlights and identifying top three investment pitches for the year.

5 Educational and Philanthropic Benefits

5.1 The fund aims to encourage behavior which does justice to the charitable intentions of the founding donor, and the intended sustainability of the fund. This will be achieved via the reiteration of a key central message:

Members of the FMC in any given year are the custodians of a significant philanthropic gift, given to the University by a former student. The founding donor (and any future donors) have entrusted the FMC with managing an endowed gift, and the objective of using it to deliver the philanthropic objectives of Loughborough through considered and justifiable decision-making.

5.2 In any given year, if the fund is successful in delivering a return (that takes the fund over the original investment fund of £186,303) sufficient to create at least one new Opportunity Scholarship, the FMC in that year will be entitled to name the scholarship(s) if they wish and will also receive updates/reports on the academic progress and gratitude of the awardees.

5.3 Members of the FMC will receive a testimonial and/or certificate from the permanent member of staff (A) at the end of each year in which they are members of the committee. The certificate will confirm their membership of the committee and the testimonial will provide a brief overview of their personal contribution to the operation of the fund and committee.

Stephen Frost – Senior Teaching Fellow – Loughborough University – Amended October 2022

Hayley Boereboom – Senior Development Manager – Loughborough University

Fig 1: Dividend Disbursement Schedule (over the capital investment)

Annual Return Amount	Dividend Action	Treatment of any surplus return not disbursed to Scholarships Fund
<i>Less than £1,000</i>	None	Retained within the fund
<i>£1,000 - £8,999</i>	Up to £5,000 disbursed to Student Support Fund, without restriction on usage.	Retained within the fund
<i>£9,000 - £17,999</i>	£9,000 disbursed to Opportunity Scholarships Fund, creating 1 Scholarship	Up to £500 disbursed to the Finance & Investment Society Committee to improve the experience and education of its members, and to promote diversity in its membership. Any remainder retained within the fund.
<i>£18,000 - £26,999</i>	£18,000 disbursed to Opportunity Scholarships Fund, creating 2 Scholarships	Up to £1,000 disbursed to the Finance & Investment Society Committee to improve the experience and education of its members, and to promote diversity in its membership. Then up to £500 donated to a registered charity of the Finance and Investment Society members' choice. Any remainder retained within the fund.
<i>£27,000 - £35,999</i>	£27,000 disbursed to Opportunity Scholarships Fund, creating 3 Scholarships	Up to £1,000 disbursed to the Finance & Investment Society Committee to improve the experience and education of its members, and to promote diversity in its membership. Then up to £1,000 donated to a registered charity of the Finance and Investment Society members' choice Any remainder retained within the fund.
<i>£36,000 - £44,999</i>	£36,000 disbursed to Opportunity Scholarships Fund, creating 4 Scholarships	Up to £1,000 disbursed to the Finance & Investment Society Committee to improve the experience and education of its members, and to promote diversity in its membership. Then up to £1,500 donated to a registered charity of the Finance and Investment Society members' choice Any remainder retained within the fund.