

University of Iowa Hart Fixed Income Fund Charter

Introduction

This statement of investment objectives and policies, set forth herein, governs the investment management of the student-managed Hart Fixed Income Fund (“hereafter the “Fund”). This Fund was established in 2018 by the Tippie College of Business and the University of Iowa Center for Advancement, with initial funding gifted by Lorraine Hart. The Fund provides students in the Master of Finance and potentially other programs with a forum to blend academic rigor with real world portfolio management experience. The primary goal is to provide students with the quantitative and interpersonal skills necessary for careers as successful investment professionals.

A. Fund Structure

The Fund is managed as a portfolio on behalf of the University of Iowa Center for Advancement (hereafter the “Center”).

The investment management team for the Fund consists of students enrolled in the Applied Fixed Income Analysis course and potentially others (hereafter “Student Managers”) and an advisory committee (hereafter the “Committee”). The Student Managers recommend various investments and investment strategies. The Student Managers oversee the day-to-day operations of the Fund, and the Committee is responsible for reviewing investment strategies proposed by the Student Managers.

The Committee is composed of the instructor of the Applied Fixed Income Analysis course and no less than three additional members who are either faculty members of the Finance Department or corporate and investment professionals with significant experience relevant for the management of the Fund. Members of the Committee are appointed jointly by the Finance Department of the Tippie College of Business and University of Iowa Center for Advancement. Unless otherwise decided, the committee is chaired by the instructor of the Applied Fixed Income Analysis course (hereafter the “Chairperson”).

The Committee is responsible for reviewing the research and recommended trades of the Student Managers. The Committee’s role is to provide input and guidance, but it is not the approver of Fund trades.

B. Fund Objectives

The Fund has an educational objective and an investment objective. The primary objective of the Fund is educational, which, specifically, is to facilitate the melding of academic training with the real-world experience of fixed income portfolio management, security analysis, and risk management, afforded by the Applied Fixed Income course.

The investment objective of the Fund is to preserve capital for the long run and to attain a return and risk profile appropriate for a portfolio with a fixed-income dedication. The benchmark for fund performance is the Bloomberg Barclays U.S. Aggregate Bond Index (hereafter the “Benchmark”). The Fund is expected to keep its risk comparable with that of the Benchmark while achieving a risk-return tradeoff comparable with or more attractive than that of the benchmark.

C. Investment Management Structure

Investment prospects shall be selected by Student Managers and presented to the Committee. Trading prospects may be presented to the Committee either in person, via electronic distribution and/or other means that meet the needs of the Committee and Student Managers. Investment prospects must be approved by 2/3 of students to be eligible for trading in the Fund.

D. Portfolio Composition, Investment Strategies, and Eligible Securities

The Fund will be invested in cash, fixed income securities, and exchange-traded funds that have primary exposure to the fixed income market. Underlying positions within exchange-traded funds will be used when evaluating positions relative to benchmark exposures.

The Fund may engage in a combination of active and passive strategies to achieve its investment objective. The active strategies may involve investment in various sectors of the fixed income market and selecting securities that may deliver attractive risk-return trade-offs for the Fund.

The eligible fixed income securities for investment are those included in the benchmark index and fixed income exchanged-traded portfolios. It is understood that the Fund’s exposure to non-benchmark securities should be mainly through the exchange-traded portfolios, but may also be invested in individual securities. Cash is expected to be minimized, but funding, distributions and trading may result in higher temporary cash positions.

The Fund is expected to have various exposures above and below the benchmark to add value to performance. The following table shows the allowable ranges of the total Fund at time of initial trade execution.

<u>Category</u>	<u>Difference from Benchmark</u>
Duration	+/- 20%
Sector	+/- 25%
Non-Benchmark	10%
Credit Quality	+/- 2 levels of rating agencies

E. Trade Execution

All trades must be presented by Student Managers to the Committee and executed by the Chairperson of the Committee or a person designated by the Chairperson. Trade execution is to be completed in a timely manner within three business days of trade approval.

F. Fund Distributions

The Fund may, from time to time, make distributions to support educational goals of the University of Iowa and to cover expenditures related to operating and research activities of the Fund. Any distributions should be determined by the Tippie College of Business.

- a. The Fund may support educational goals of the Finance Department and the Tippie College of Business by providing student scholarships.
- b. The Fund may make distributions to cover operating and research expenditures associated with delivering fund performance specific to the Hart Fixed Income Fund. Such expenditures may include database subscription costs, hardware and software expenses, etc.

G. Revisions to the Charter

Revisions to the Charter will require $2/3$ approval by Committee members and must be approved by the Center for Advancement and the Tippie College of Business.