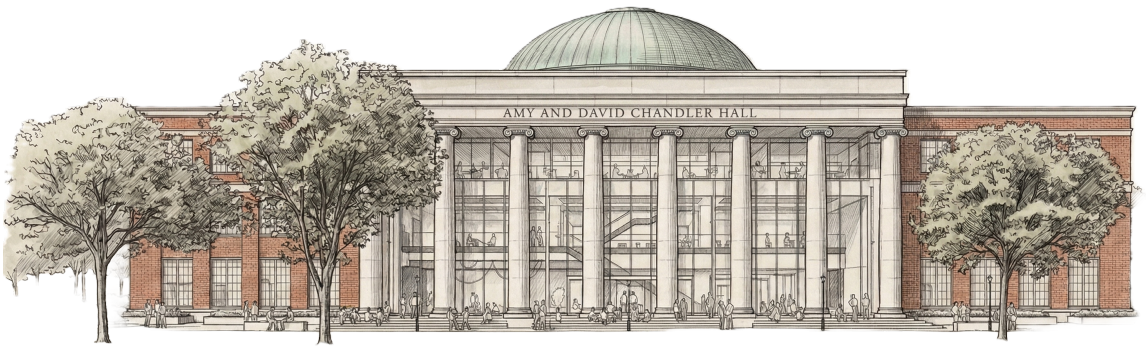
Program Framework

Student Managed Investment Fund (SMIF)

Prepared by:
Dipesh Bhattarai
Department of Finance
Gordon Ford College of Business

Submitted to:
SMIF Oversight Board



November 11, 2026

CONTENTS

1 The Fund at a Glance **2**

2 The Base Camp Model **2**

3 Portfolio Structure **3**
3.1 Sector Budgets . . . 3
3.2 Phased Growth of Student Responsibility . . . 3
3.3 Rebalancing and Cash . . . 4
3.4 Annual Withdrawal . . . 4
3.5 Permitted and Prohibited Holdings . . . 4
3.6 Portfolio Positioning . . . 5

4 Governance **5**
4.1 Oversight Board . . . 5
4.2 Faculty Advisor . . . 6
4.3 Student Investment Committee . . . 6

5 The Student Experience **6**
5.1 Forming Balanced Teams . . . 6
5.2 Team Deliverables . . . 6
5.3 Compliance Rotation . . . 7
5.4 Semester Calendar . . . 7

6 From Proposal to Trade **7**

7 Risk Management **8**

8 Measuring and Reporting Results **9**

9 Implementation Timeline **9**

This Program Framework describes how the Student Managed Investment Fund ("the Fund") of the Gordon Ford College of Business at Western Kentucky University operates in practice: how the portfolio is built, who makes which decisions, what students produce each semester, and how results are measured and reported. The binding rules governing the Fund are set out in the Investment Policy Statement ("IPS"). This framework is the operating companion to that document, and where the two differ, the IPS governs.

1 THE FUND AT A GLANCE

Fund size	$1.5 million, ongoing and perpetual
Asset class	U.S. equities only
Home course	FIN 439, Security Analysis & Portfolio Management
Structure	Base Camp Model: every dollar assigned to a student sector team
Decision-making	Student teams propose every trade and the five other teams vote; the Faculty Advisor decides 3–2 votes
Annual withdrawal	4% of the Fund's average value over the prior twelve months, funded from sector ETFs
Benchmarks	Russell 3000 Total Return Index (Fund); sector ETFs (each team)

> *The Fund is established to advance student learning and long-term investment performance in equal measure, under the standards of care expected of a professional fiduciary.*

Neither objective is subordinate to the other. A well-run learning process should produce sound investment decisions, and sound investment decisions are the clearest evidence of what students have learned.

2 THE BASE CAMP MODEL

Many student funds place most of their capital in a broad index fund and let students manage a small sleeve, which leaves most donor dollars idle from a teaching perspective. The Fund takes a different approach.

The S&P 500 is divided into its eleven GICS sectors, and every dollar of the Fund is assigned to a sector team from the first day. Each sector's capital starts in a low-cost ETF that tracks that sector, which is the *base camp*. Capital leaves the base camp only when a team's proposal is approved, and it returns when that holding is sold.

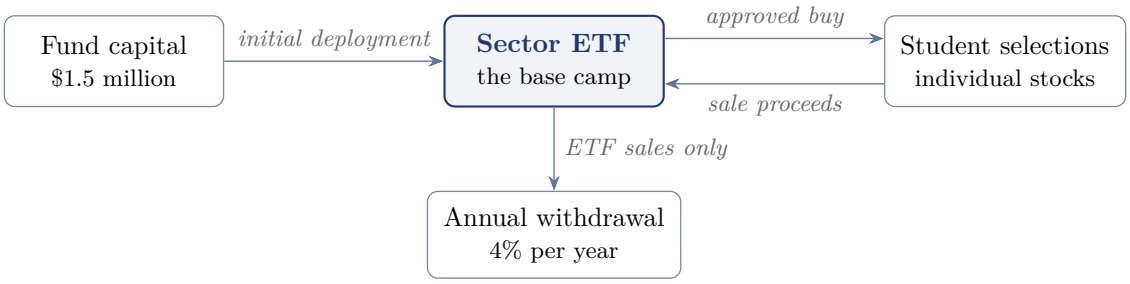


Figure 1: How capital moves within each sector budget. The annual withdrawal is drawn from the sector ETFs, never from student selections.

This structure gives the Fund three strengths:

- **No idle capital.** Every dollar belongs to a team, and the Fund is fully invested from the outset;
- **A clear standard.** Every student selection is a deliberate decision to outperform the sector ETF it replaces;
- **Measurable value added.** Each team's contribution is the difference between its sector holdings and its sector ETFs, reported directly to the Oversight Board and to donors.

3 PORTFOLIO STRUCTURE

3.1 Sector Budgets

Each sector's budget equals its weight in the S&P 500 multiplied by total Fund assets, reset at the start of every semester. The Faculty Advisor pairs larger sectors with smaller ones so that workloads are comparable across teams. Information Technology is by far the largest sector, so its team manages the most capital but covers relatively few companies.

Team	Assigned sectors	Weight	Budget
1	Information Technology, Materials	39.7%	$595,500
2	Financials, Real Estate	13.7%	$205,500
3	Communication Services, Consumer Staples	13.8%	$207,000
4	Consumer Discretionary, Energy	12.9%	$193,500
5	Health Care, Utilities	11.9%	$178,500
6	Industrials	8.0%	$120,000
	Total	100.0%	$1,500,000

Table 1: Illustrative sector budgets for a $1.5 million Fund, using approximate S&P 500 sector weights as of October 23, 2026. Actual budgets are set at each rebalancing date.

3.2 Phased Growth of Student Responsibility

Students earn responsibility over time. The share of each sector budget that may be held in student selections rises each semester, with the remainder held in the sector ETF. The limit is tested at

the time of each purchase.

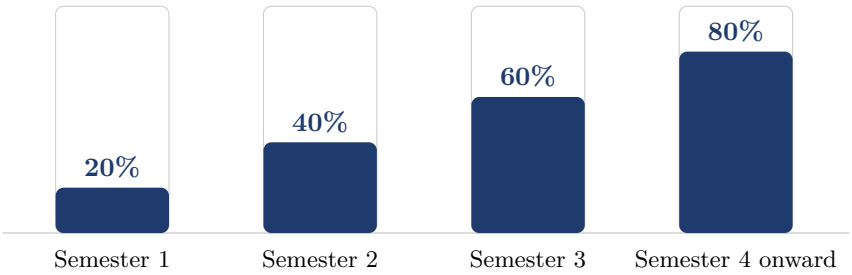


Figure 2: Maximum share of each sector budget held in student selections. The 80% limit is the standing maximum; the Oversight Board may raise it for any sector up to 100%, or lower it.

If market movement, or the sale of sector ETFs to fund the annual withdrawal, carries a sector above its limit, the team is not required to sell, but no new purchase may be made in that sector until a proposed purchase would keep it within the limit. If the Oversight Board lowers a sector's limit, the lower limit applies to new purchases at once, and the team brings the sector within it through its own sale proposals by the end of the following semester.

3.3 Rebalancing and Cash

At the start of each semester, the Faculty Advisor resets sector budgets to current S&P 500 weights by trading sector ETFs only: the ETFs of sectors above their new budgets are sold, and the proceeds buy the ETFs of sectors below theirs. Students' selections are never sold to rebalance. The Fund remains fully invested: cash should not exceed 2% of Fund assets and may never exceed 5%. Each dividend stays with the sector that earned it and is reinvested in that sector's ETF at month-end, so every team's return includes its own holdings' income.

3.4 Annual Withdrawal

The Fund supports an annual withdrawal of 4% of its assets, so it seeks a long-term total return large enough to fund that withdrawal while preserving the real value of its capital. The withdrawal works as follows:

- **Amount.** 4% of the average of the Fund's month-end values over the prior twelve months, which smooths the withdrawal against short-term market swings;
- **Timing.** Once each fiscal year, at the start-of-semester rebalancing designated by the Oversight Board. Sector budgets are then reset on the Fund's assets after the withdrawal;
- **Funding.** The Faculty Advisor sells sector ETFs in proportion to sector budgets. Student selections are never sold to fund the withdrawal, so teams' positions are undisturbed;
- **Measurement.** Performance is measured on a time-weighted basis, so the withdrawal does not affect the Fund's comparison with its benchmark.

3.5 Permitted and Prohibited Holdings

The Fund may hold:

- **Sector ETFs.** One for each GICS sector, each tracking its S&P 500 sector with an expense ratio of 0.10% or less. The Fund intends to use the Select Sector SPDR ETFs;
- **Individual stocks.** U.S.-listed common stock in the team's own sectors, with a market capitalization of at least $300 million, average daily trading volume of at least $10 million, and a NYSE or NASDAQ listing.

Derivatives, short selling, margin, leveraged or inverse ETFs, mutual funds and other ETFs (apart from a money-market fund for cash), recent IPOs, cryptocurrencies, private placements, fixed income other than cash equivalents, and securities lending are prohibited without exception.

3.6 Portfolio Positioning

The Fund is anchored in large companies: the sector ETFs hold S&P 500 companies. Students may also select mid-sized and small companies of at least $300 million, within the replacement limits; micro-capitalization companies are excluded. The Fund holds no bonds, alternatives, leverage or derivatives, and its only cash equivalent is a money-market fund, kept to 2% or less of assets and never above 5%.

4 GOVERNANCE

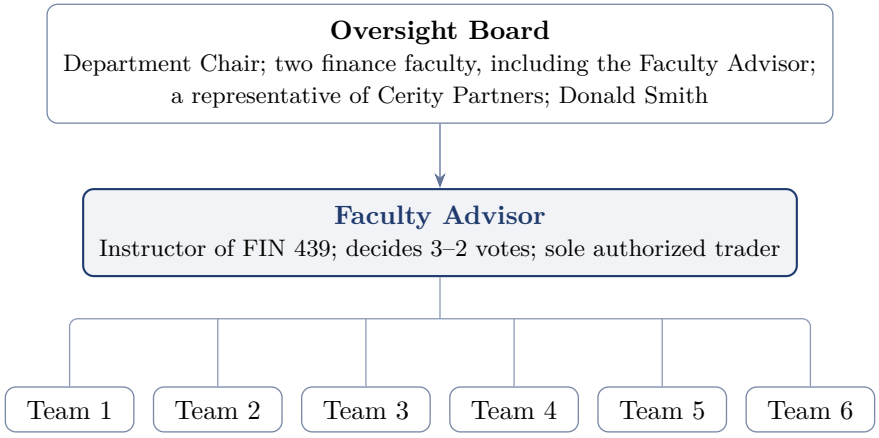


Figure 3: Governance structure. The sector teams together form the Student Investment Committee and vote on one another's proposals.

4.1 Oversight Board

The Oversight Board has five members: the Finance Department Chair; two finance faculty members, one of whom is the Faculty Advisor; a representative of the Investment Department of Cerity Partners; and Donald Smith. The Board meets once annually, reviews Fund performance and compliance, sets the timing of the annual withdrawal, and approves all amendments to the IPS. As a body, it does not participate in security selection, which rests with the student teams and the Faculty Advisor.

4.2 Faculty Advisor

The Faculty Advisor is the faculty member teaching FIN 439. If the course is not offered in a given term, or more than one faculty member teaches it, the Department Chair designates the Faculty Advisor. The Faculty Advisor:

- Verifies each proposal's compliance checklist before it goes to a vote;
- Decides every proposal that receives exactly two votes against, recording a brief written rationale;
- Is the sole authorized trader and executes every approved proposal;
- Assigns sectors to teams and rotates month-end compliance duties;
- Certifies the annual compliance report to the Oversight Board;
- Reviews all positions, cash and limits at least weekly, all year, including during breaks.

4.3 Student Investment Committee

All students enrolled in FIN 439 form the Student Investment Committee, organized into sector teams. Students originate every investment decision: each purchase or sale of a stock starts as a team's written proposal, which the team presents and defends before the Faculty Advisor and the class. The class questions each proposal, and the five other teams then vote on it: one vote against or none approves it, two votes against send it to the Faculty Advisor, and three or more reject it (Section 6). No individual student or team holds trading authority.

5 THE STUDENT EXPERIENCE

5.1 Forming Balanced Teams

In the first week of the semester, each student completes a self-assessment of three skills: presentation, equity research, and quantitative analysis. The Faculty Advisor uses the results to form balanced teams that combine all three strengths. With an expected enrollment of about 36 students, the class forms six teams of about six students. Each team is assigned two S&P 500 sectors, and because there are eleven sectors, one team covers a single sector.

5.2 Team Deliverables

Each sector team produces three deliverables:

1. **Buy-side analyst report.** A written recommendation to buy a stock the Fund does not hold, or to sell one it does, within the team's sectors;
2. **Compliance report.** When designated by the Faculty Advisor, a month-end test of the full portfolio against every IPS limit, prepared independently of the other designated team;
3. **Presentations.** Two presentations each semester to the Faculty Advisor and the class.

Each team member leads the research on one company within the team's sectors, building toward a buy-side analyst report. The team submits these reports as proposals, and the other five teams vote on them. A rejected proposal is returned with written feedback, and the team may revise and

resubmit. Teams also cover existing holdings in their sectors, including a written re-underwriting of any position that falls 25% or more below its cost basis.

5.3 Compliance Rotation

Two teams prepare month-end compliance reports independently, and the Faculty Advisor reconciles any difference between them.

	Month 1	Month 2	Month 3	Month 4
Reporting teams	1 and 4	2 and 5	3 and 6	1 and 4

Table 2: Sample compliance rotation.

5.4 Semester Calendar

When	Activity
Week 1	Orientation and IPS review; skills self-assessment; team formation
Week 2	Sector assignment; sector budgets rebalanced; review of inherited holdings
Weeks 3–7	Company selection and research; sector analysis
Mid-semester	Presentation 1
Weeks 8–13	Analyst reports submitted on a rolling basis; team votes and trades
Weeks 14–15	Presentation 2; semester close
Each month-end	Compliance reports from the two designated teams

Table 3: Illustrative calendar for a fifteen-week semester.

6 FROM PROPOSAL TO TRADE

Every purchase or sale of a student selection follows the same documented sequence.

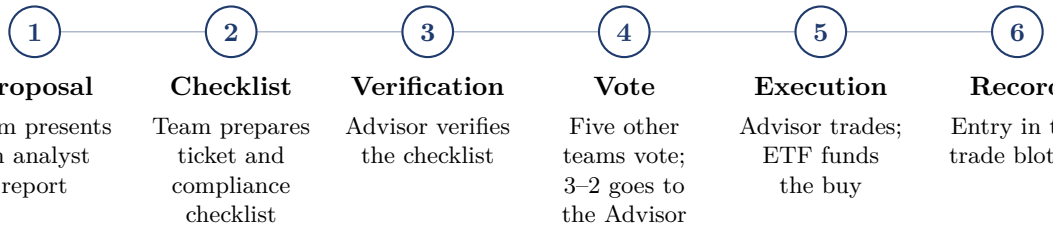


Figure 4: The six steps from proposal to recorded trade.

A proposal goes to a vote only once its compliance checklist is verified. Each of the five teams other than the proposing team casts one vote, and the number of votes against decides the outcome.

Votes for	Votes against	Outcome
5 or 4	0 or 1	Approved
3	2	Referred to the Faculty Advisor, who approves or rejects
2 or fewer	3 or more	Rejected

Table 4: Proposal voting. The five teams other than the proposing team each cast one vote.

Students shall not execute trades under any circumstances. The Faculty Advisor places every approved trade in the Fund's single account within two business days of approval, and each trade is recorded in the trade blotter the same day. The Cerity Partners representative on the Oversight Board reviews the trades, holdings and compliance reports every month as an independent second set of eyes.

Three trading rules keep the Fund long-term and simple to administer: no individual stock may be sold within 30 days of purchase, except to remedy a breach or after a position review; turnover in any sector may not exceed 25% of that sector's budget in a semester; and day trading is prohibited.

The Faculty Advisor trades without a team proposal only for initial deployment, semester rebalancing, dividend reinvestment, the annual withdrawal, corporate actions during Maintenance Mode, and breach remediation. Initial deployment is made in five approximately equal daily purchases of the sector ETFs over the first five trading days after CHF transfers the assets, which averages the entry price.

7 RISK MANAGEMENT

- **Pre-trade compliance.** No trade proceeds without a completed checklist verified by the Faculty Advisor;
- **Position review.** A holding that falls 25% or more below its cost basis triggers a written re-underwriting recommending to hold, trim, or exit, decided by team vote. It is not an automatic stop-loss;
- **Ongoing monitoring.** Teams follow their holdings' earnings, news and corporate actions while the class is in session; two teams test the full portfolio at each month-end; the Faculty Advisor reviews all positions, cash and limits at least weekly, all year. Any breach is reported to the Faculty Advisor within two business days;
- **Breach remediation.** Breaches are corrected within 30 days. If the students do not act, the Faculty Advisor makes the minimum trade needed and reports it to the Oversight Board;
- **Maintenance Mode.** During winter and summer breaks, no new positions are opened. The Faculty Advisor runs the month-end compliance test, continues the weekly review, and trades only to correct a breach or respond to a corporate action such as a tender offer. Holdings that cross the 25% review trigger are re-underwritten by their teams in the first two weeks of the next semester, and dividends accumulate until the next rebalancing;
- **Conflicts of interest.** Material personal interests are disclosed in writing. A conflicted student does not work on or vote on that proposal, and a conflicted Faculty Advisor refers

any decision to the other finance faculty member of the Oversight Board. Material nonpublic information is never used or sought.

8 MEASURING AND REPORTING RESULTS

The Fund's benchmark is the Russell 3000 Total Return Index, which covers nearly the whole U.S. stock market and so matches the full range of companies students may choose from. The Fund's passive core is held in S&P 500 sector ETFs, which cover the large-company part of that market. Results against the benchmark are therefore reported in two parts: *selection*, the return of student picks against the sector ETFs they replace, which measures what students add; and *structure*, the return of the sector ETFs against the Russell 3000, which reflects the small and mid-sized companies the core does not hold. Returns are time-weighted and net of costs, so the annual withdrawal does not affect the comparison.

Measure	Standard
Total Fund	Outperform the Russell 3000 Total Return Index over rolling three-year periods, net of costs
Each team	Student selections outperform the sector ETFs they replace
Student learning	Quality of analyst reports, compliance reports, and presentations, assessed in FIN 439

Table 5: How the Fund measures success.

- **Monthly:** two independent compliance reports, reconciled by the Faculty Advisor;
- **Annually:** a formal written report to the Oversight Board covering performance versus the benchmark (selection and structure), attribution by team, the annual withdrawal and how it was funded, the complete trade log, all breach reports and remediation actions, and a compliance attestation signed by the Faculty Advisor;
- **Annually:** a public presentation of the Fund's results.

9 IMPLEMENTATION TIMELINE

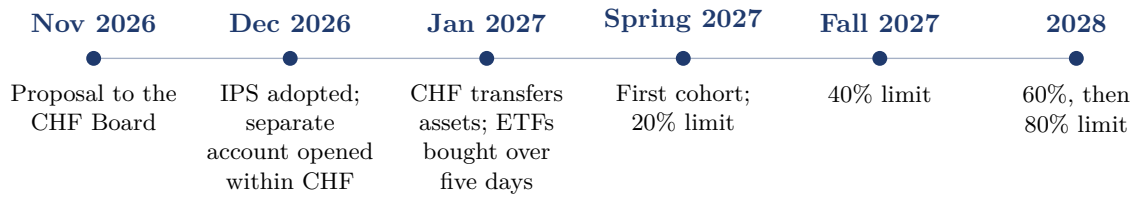


Figure 5: Target timeline, subject to Board approval and the date funds are received.