ESADE Master's Finance Club

EMFC Global Equity Fund

Investment Policy Statement

Active Global Equity Portfolio | Benchmark: MSCI World

Version 1.0 | October 2026



1. Fund Overview

The EMFC Global Equity Fund ("Fund") is a paper portfolio managed by the Asset Management Division of the Esade Master's Finance Club. It is designed to replicate the operational rigour of a professional active equity fund, serving both as a learning platform for members and as a demonstration of applied investment management competence.

FIELD	DETAIL
Fund Name	EMFC Global Equity Fund
Managed By	Esade Master's Finance Club — Asset Management Division
Leading Portfolio Manager	Luís Laboreiro
Inception Date	November 2026
Mandate	Active long-only global equity
Primary Benchmark	MSCI World
Secondary Benchmark	MSCI ACWI
Portfolio Size	35 – 75 equity positions
Starting NAV	$1,000,000 (simulated)
Rebalancing	Ongoing; formally reviewed monthly
Document Version	v1.0 — October 2026

The fund operates as a simulated investment vehicle with no real capital at risk. All investment decisions, however, are made under the same analytical standards and governance protocols that would apply in a professional setting. Members are expected to treat the fund with the same seriousness as a live mandate.

2. Investment Objective & Philosophy

2.1 Primary Objective

The fund seeks to generate long-term capital appreciation in excess of the MSCI World Index on a risk-adjusted basis. Outperformance is measured over rolling 12-month and 3-year periods, acknowledging that shorter-term deviations from the benchmark are an inherent and accepted feature of active management.

2.2 Investment Philosophy

The fund is built on the following core convictions:

— **Markets are not perfectly efficient.** Structural mispricing opportunities arise from short-termism, sentiment, and information asymmetry — particularly at the sector and thematic level.

— **A top-down framework provides durable alpha.** By anchoring stock selection in well-defined macroeconomic themes and sector dynamics, the portfolio avoids random diversification and ensures that every holding serves a purpose within the broader thesis.

— **Concentration within conviction.** The 35–75 position range reflects a deliberate balance: broad enough to manage idiosyncratic risk, focused enough that each name has a meaningful impact on performance.

— **Time horizon is a competitive advantage.** As a student portfolio with no redemption pressure, the fund can maintain positions through short-term volatility.

— **Process discipline over prediction.** Investment decisions are governed by a repeatable process, not market timing or macro forecasting. The objective is to be consistently right about the factors that drive returns — not to predict every market move.

2.3 Investment Approach: Thematic → Sector → Stock

The fund employs a structured top-down process in three stages:

01

STAGE 1

Macroeconomic & Thematic Framework

The Investment Committee identifies structural themes that are expected to drive returns over a decent time horizon. These are not tactical macro calls but durable, evidence-based narratives — for example: the re-industrialisation of the West, AI infrastructure buildout, increased demand for energy and electrification in the years to come, European strategic autonomy. Themes are reviewed monthly and updated when the underlying evidence shifts materially.

02

STAGE 2

Sector Allocation

Each theme maps to one or more GICS sectors. The IC establishes active overweight or underweight views on sectors relative to the MSCI World benchmark, bounded by the concentration limits set out in Section 3. Sector weights reflect both the thematic framework and a qualitative assessment of the cycle.

03

STAGE 3

Stock Selection

Within approved sectors, analysts identify the best-positioned individual companies to express the theme. Selection criteria include: competitive moat and pricing power, quality of management and capital allocation track record and valuation relative to growth-adjusted peers.

3. Portfolio Construction Rules

The following constraints govern portfolio construction at all times. Breaches must be flagged and remediated, unless exceptional circumstances are documented.

PARAMETER	LIMIT	NOTES
Total positions	**35 – 75**	Diversified but high-conviction
Max single stock weight	**12%**	Monitored on an ongoing basis
Min single stock weight	**0.5%**	Ensures meaningful contribution
Max sector weight	**Benchmark + 15 pp**	Active overweight cap vs MSCI World
Max single-country weight (ex-US)	**15%**	Maintains US core
Max cash allocation	**20%**	Tactical buffer; not a default position
Leverage	**None**	Long-only, fully funded
Derivatives / short selling	**Not permitted***	Paper portfolio scope
Minimum market cap	**$2 bn**	Liquidity threshold

* Derivatives may be used solely to create hedged share classes of the fund.

3.1 Position Sizing

Position sizes are set at the time of initiation and reflect the IC's conviction level, subject to the limits above. A tiered sizing framework is recommended:

HIGH CONVICTION

3.5% – 6.5%

Core thesis positions with high visibility and strong catalysts.

STANDARD

1.5% – 3.5%

Well-supported ideas with moderate near-term catalysts.

STARTER

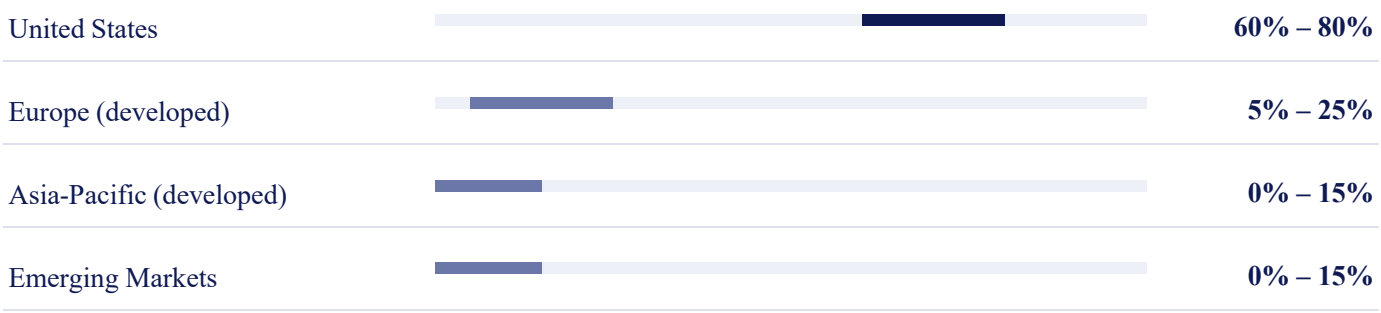
0.5% – 1.5%

Exploratory positions or names where the thesis is developing.

Positions may be built up or trimmed incrementally. The CIO retains discretion to override standard sizing for tactical reasons, provided the rationale is documented.

3.2 Geographic Allocation

The fund is a global equity portfolio with the United States as its core. Approximate target allocation ranges at inception are:



These are guidance ranges, not hard constraints. Geographic allocation is an output of the thematic and sector process, not an independent input. No single non-US country may represent more than 15% of the portfolio.

3.3 Cash Management

Cash is not a strategic allocation. The maximum permitted cash position is 20% of NAV, to be held only during periods of elevated uncertainty, following significant position reductions, or when the IC has not yet identified suitable reinvestment opportunities. The target operating cash level is below 5%. Cash levels are an output of the investment process, not a view on market direction.

3.4 Rebalancing

The portfolio is rebalanced on an ongoing basis, with a formal review conducted monthly. Rebalancing triggers include: a position breaching its maximum weight through price appreciation; a material change in the underlying investment thesis; or a new thematic priority identified by the IC. There is no automatic stop-loss mechanism; exits are thesis-driven, not price-driven.

3.5 Currency & Pricing Conventions

The fund's base currency is the US dollar. Non-USD holdings are held unhedged, and currency effects are reported as part of performance attribution. The primary benchmark is the MSCI World Net Total Return Index in USD. All trades are executed at the next trading day's closing price, with a transaction cost of 10 bps applied to each trade. Prices and market data are sourced from Bloomberg and FactSet.

4. Investment Process

4.1 Idea Generation

Investment ideas may originate from any member of the club. Common sources include:

- **Top-down theme development:** sectors or companies that stand to benefit from an identified structural theme.
- **Earnings and newsflow screens:** companies exhibiting unusual earnings revisions, margin expansion, or management changes.
- **Valuation screens:** quality businesses trading at discounts to historical multiples or peer groups.
- **Industry research and expert publications:** sell-side initiations, industry reports, or primary research conducted by members.
- **Cross-portfolio observation:** names held or discussed by leading active managers whose philosophy aligns with the fund.

4.2 The Investment Pitch

Before any position is initiated, the sponsoring analyst must present a structured investment pitch to the CIO, who screens it and, if approved, brings it to the IC for a vote. The standard pitch format must address the following:

- **Executive summary:** The main thesis.
- **Thematic alignment:** which fund theme(s) does this name express?
- **Business overview:** what does the company do, how does it make money, and what is the competitive moat?
- **Financial analysis:** revenue trajectory, margin profile, return on capital, balance sheet quality.
- **Valuation:** primary and secondary valuation methodology, base/bull/bear case price targets.
- **Key risks:** the two or three factors most likely to invalidate the thesis.
- **Proposed sizing and entry strategy.**

4.3 Position Monitoring & Exit

Every position has an assigned analyst responsible for ongoing monitoring. Monitoring obligations include:

- Review of quarterly earnings within two weeks of release.
- Flagging material news events (M&A, regulatory changes, management departures) to the IC.
- Presenting a formal thesis review to the CIO if the position has moved more than 20% since initiation or last review.

Exit decisions follow the same process as entry decisions. Exits are driven by thesis invalidation, superior capital deployment opportunities, or portfolio constraint breaches — not by short-term price movements. There is no automatic stop-loss.

5. Governance & Operating Model

5.1 Organisational Structure

ROLE	RESPONSIBILITIES	HELD BY
Leading Portfolio Manager / CIO	Pitch screening, macro/thematic framework, external communication	**Luís Laboreiro**
Analysts	Coverage of assigned GICS sectors, pitch preparation, ongoing monitoring	Asset Management department members (assigned)
Risk Officer	Portfolio risk metrics, constraint monitoring, reporting	Asset Management department member (assigned)

5.2 Investment Committee

The Investment Committee (IC) is the decision-making body for all portfolio actions. It is composed of the following members:

01 Chief Investment Officer (CIO)

02 Head of Asset Management

03 Co-President with Asset Management department oversight

04 Head of M&A

05 Invited professor from Esade

The IC meets monthly. Decisions are taken by majority vote, with one vote per member. A quorum of three members is required; in the event of a tie, the CIO holds the casting vote.

5.3 Documentation & Record-Keeping

The following records must be maintained and accessible to all active members:

- Trade log (date, ticker, action, price, size, rationale, analyst).
- Active pitch deck archive.
- Monthly performance reports.
- Current version of this Investment Policy Statement.

5.4 Continuity & Handover

Before graduating, the outgoing CIO hands over to the incoming CIO the trade log, the pitch deck archive and a written thesis summary for every open position, so that the fund's track record and reasoning carry over between cohorts.

6. Performance Measurement & Risk Management

6.1 Performance Metrics

Performance is reported monthly and assessed against both the primary benchmark (MSCI World) and the secondary benchmark (MSCI ACWI). The following metrics are tracked:

METRIC	DESCRIPTION
Absolute Return	Total portfolio return since inception and over rolling periods
Relative Return (Alpha)	Return vs MSCI World and MSCI ACWI
Sharpe Ratio	Risk-adjusted return; risk-free rate = 3-month US T-Bill
Sortino Ratio	Downside-adjusted return; penalises negative deviation only
Tracking Error	Annualised volatility of excess returns; expected range 4–8%
Information Ratio	Alpha per unit of active risk
Max Drawdown	Peak-to-trough decline

Performance reports are distributed to all IC members following each monthly meeting. Annual reports summarising full-year performance, attribution, and lessons learned are published to the broader Esade Master's Finance Club.

6.2 Risk Management Framework

The fund does not rely on mechanical risk controls such as stop-losses. Instead, risk is managed through portfolio construction discipline, ongoing monitoring, and governance. The following risk principles apply:

CONCENTRATION RISK

Managed through position size limits (max 12% per stock) and sector limits (max benchmark weight + 15 pp). The IC reviews the top-10 concentration and sector weights at every monthly meeting.

LIQUIDITY

All holdings must have a minimum market capitalisation of $2 billion to ensure theoretical liquidity. Micro-cap positions are not permitted.

BETA & VOLATILITY

Portfolio beta relative to the MSCI World is monitored on an ongoing basis. The portfolio is not expected to maintain a beta of 1.0, as thematic tilts will naturally create divergences. However, beta exceeding 1.3 or falling below 0.7 should be discussed at the IC as a structural feature, not an incidental outcome.

VAR REPORTING

A 1-day 95% Value at Risk estimate is calculated monthly using historical simulation. This is reported for informational purposes only and does not constitute a hard constraint. It provides members with a consistent risk quantification framework aligned with industry standards.

7. IPS Amendments & Review

This Investment Policy Statement is a living document. It must be reviewed in its entirety at least once per quarter, ordinarily at the beginning of each quarter. Amendments may be proposed by any IC member.

01

Material changes — including revisions to investment objective, benchmark, position limits, or governance structure — must be communicated/defined to all IC members and archived alongside the previous version.

02

Minor administrative updates (e.g. member role changes, contact details) may be made by the CIO without a formal notice, provided they are disclosed at the next IC meeting.

DISCLAIMER

This Investment Policy Statement has been prepared by the Asset Management Division of the Esade Master's Finance Club for educational purposes only. The EMFC Global Equity Fund is a simulated paper portfolio: no real capital is invested, no client assets are managed, and no investment services are offered to any third party (as of this version).

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