

Eton College and Holyport College Investment Club Charter

The logo consists of the letters 'EC', 'HC', and 'IC' stacked vertically and slightly offset to the right. The letters are in a green, serif font. The entire logo is enclosed within a thin green rectangular border.

EC
HC
IC

Executive Summary

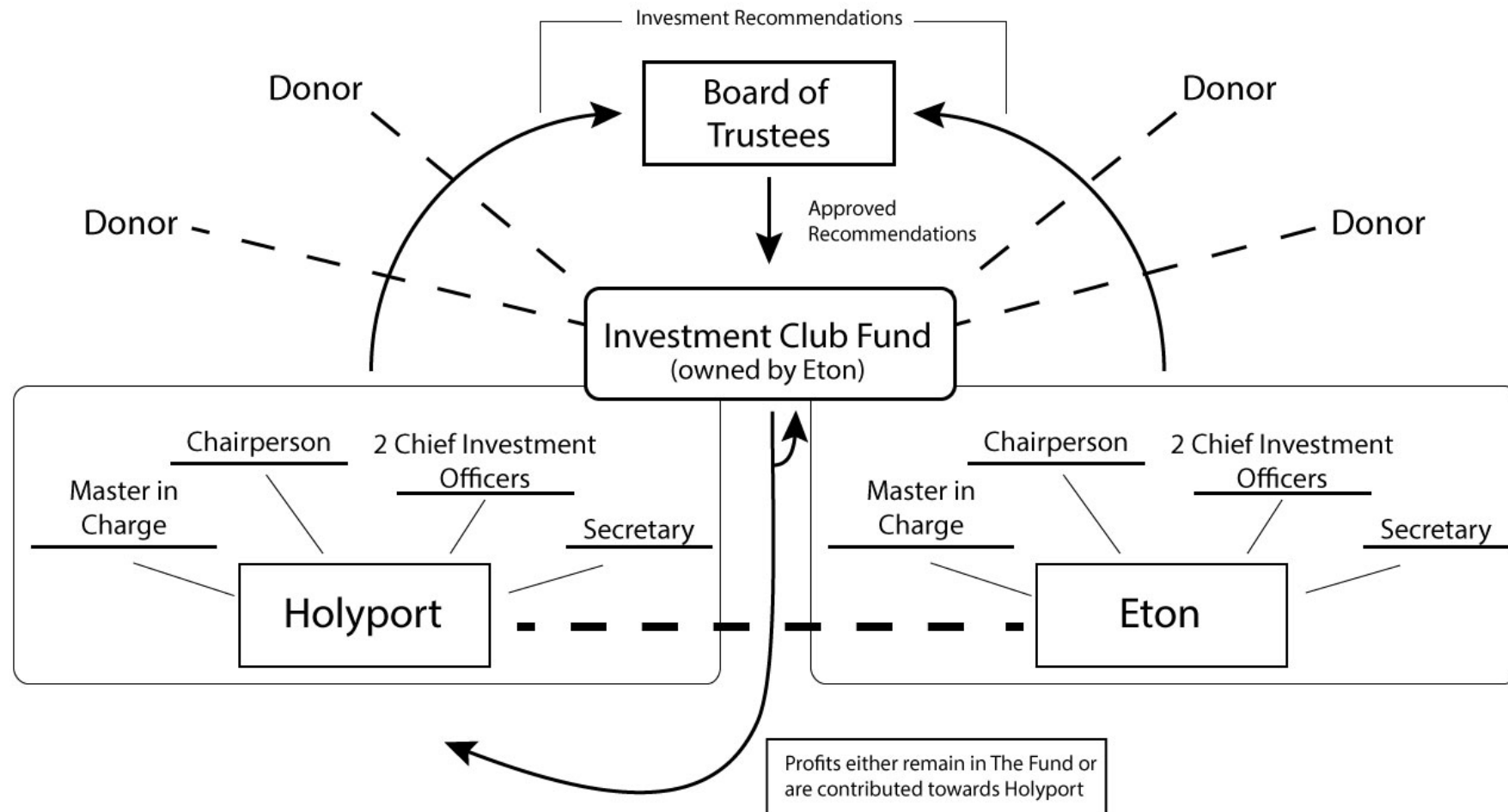
The Club provides a unique opportunity for students at Eton and Holyport who are interested in finance to engage in a real money trading environment that is ideal for learning, co-operation and enjoyment yet pursued in a low risk, charitable and responsible way.

The educational benefits of the Club are numerous, including: creating a community of financially-minded students; allowing students to experience a real trading environment; learning through talks from financial experts and the Board of Trustees.

For the sake of this learning the Club intends to be as independent as possible. However, responsibility and accountability are achieved through the Board of Trustees made of financial experts who must approve and proposed executions before they take place.

50% of any profits are donated to Holyport (the rest remaining in the fund). Holyport students will share in the management of the fund when they are old enough and in Lower Sixth. In the meantime, educational sessions are hosted at Holyport to educate their younger students on personal finance, the financial markets and the importance of saving.

The Club's Structure



The Club's Structure Cont.

The real trading environment has been made possible through the establishment of a special Fund which is owned by Eton and managed independently, through an execution-only trading account, by Sixth Form students at Eton and Holyport¹ who are members of the Club.

50% of any Club profits are donated to, and for the benefit of, Holyport College with the rest of the profits remaining in the fund. Each school's chapter consists of 24 members of Sixth Form interested in finance who will interact, co-operate and compete with the other chapter to make non-binding investment recommendations to the Club's Board of Trustees, the ultimate overseers of the fund. The members were all selected through a competitive application process involving their submission of an application letter and research report to display their current knowledge and experience. We received over 40 applications in the most recent period before the summer began, every accepted member is keen to work very hard and has some previous experience with finance.

¹Holyport, having been founded in 2014, currently has E Block equivalent 14 year old students. In 2017 they will be in C Block (Lower Sixth) and will share in the management of the Fund.

The Club's Structure Cont.

The Club will solicit charitable contributions to the managed fund primarily from Old Etonians involved in the financial services industry. An important difference between a donation to the Fund and a regular donation to Eton, however, is that the money, while still controlled by Eton and any investment decisions ultimately made by the Club's Board of Trustees, will receive non-binding investment "recommendations" made by the Club. This will result in the Club having a dedicated pool of assets that it can provide these investment recommendations on but that would be managed by Eton for the benefit of Holyport.

Cooperation with Holyport

Holyport is a local state-funded boarding school, founded in 2014, that has a partnership with Eton and benefits from consultation and financial support.

As a result of only just being founded their oldest students are currently in E block (14 years old). A Junior Investment Club has been established to teach these younger students about personal finance, the importance of saving, and the financial markets, which will serve to provide a valuable head start before they too eventually engage in the cooperative management of the real money portfolio in 2017 when they are in C Block (Lower Sixth). Upon sharing in the management of the fund, there will be monthly meetings between the Eton and Holyport Chapters to foster communication, collaboration and success of the fund.

The Master in Charge of Holyport's Chapter is Mrs. Dawson, who has the perfect credentials for this role, given her previous experience with Deloitte which included managing a fund worth over £1.5 billion.

Cooperation with Holyport Cont.

Since the founding of the Club much progress has been made at Holyport including: meeting with the Headmaster and receiving his strong support for the existence of the Investment Club; meeting with Mrs. Dawson on regular occasions to plan and host a 20 minute lecture to their 80 F Block equivalent students on the Investment Club and what investing is which successfully generated a strong interest in the Club; running a 3 hour long “trading game” with every student that was developed by BP and involved trading virtual oil barrels in the commodities market.

In the year ahead, the weekly educational sessions at Holyport will be held by 3 Eton members of the Club from a rota. Each lesson will occur during their extracurricular time and last 50 minutes. Throughout this year we hope to progress through a curriculum which includes: explaining what a stock and bond actually are; the structure of the financial markets; what makes a good stock etc. along with also hosting a some virtual trading competitions.

Current Progress

The Club was founded in February 2015 and during this period, it has hosted five guest speakers including an Executive Director at Nomura, a Managing Director at Morgan Stanley Investment Management, and two fixed income analysts with over 65 years of trading experience between them. Through these talks we learned about Equities, Fixed Income, Foreign Exchange and how to write Investment Recommendations.

The Club has also held several internal meetings. During these members have presented detailed reports on their respective industries and individual stocks. These are chosen by identifying particular trends in their industries as well as catalysts for growth.

Members before the summer presented a total of ten research reports on various companies relating to their industries. While no investments have been made, it was a useful experience to get used to writing these reports.

Current Progress Cont.

Over the summer holiday, members have read at least one book from the Club's Reading List and will be required to give a 10 minute presentation on what they have learned. This encourages continued learning and provides the opportunity for members to learn new ideas from other books they lacked the time to read themselves.

In order to keep engaged with the markets over the break, members have also partaken in a virtual investing competition.

In addition members have begun to research their new industries for the term ahead. The 6 teams of 4 members are covering: Healthcare, Infrastructure/Real Estate, Consumer Goods, Emerging Tech, Media, and Defence/Aerospace

Investment Club Officers

The Investment Club currently has four officers:

Chairman: Trenton Bricken

This Chairman is responsible for chairing and organising all meetings. In addition he is responsible for the overall management and image of the Club.

Secretary: Benedikt Stheeman

The Secretary is responsible for keeping and publishing minutes and happenings of every Investment Club meeting.

Chief Investment Officers: Edward Stanley & Edward Huang

Each CIO is responsible for managing and providing support to three industry groups, each with four members. They Chair the investment recommendation meetings where reports and ideas are presented to the rest of the Club.

Compliance: TBC

The role of compliance is to liaise between the legal team at Eton College, the legal team at Duncan Lawrie, and the Investment Club to ensure that the Club is aware and in compliance with all relevant regulation.

Investment Mandate

This Mandate is currently preliminary and will evolve over time with the advice of the Board of Trustees

The Club will be investing in U.S. and U.K. equities and fixed income securities. Bonds and stocks will be purchased at a level which in our opinion provides a good opportunity of experiencing capital growth in the medium to long term.

We are mindful of the risks associated with a lack of diversification and for that reason we will not invest more than 15% of the portfolio value in any one entity. We will reallocate funds on a monthly basis to ensure this limit is not breached.

In order to minimise risk we will not be investing in companies with a market capitalisation lower than £500m. If a security's value falls 10% from its purchase price, a review will immediately take place, and if its value falls 20% it will be sold immediately. In addition we will be choosing stocks from the major holdings of investment trusts. We hope that this will limit our exposure to risk .

Year-End Report and Fund Distributions

Due to the long horizon investment philosophy of the Club, we see merit in holding positions over the holidays. Before vacations exceeding one week, we will hold an assessment meeting to confirm communication procedures over the holiday and that all our positions are low risk to be held with less frequent supervision. There will still be weekly Skype meetings with as many members as possible, during these meetings we will discuss recent news and decide if any executions need to occur.

The last Friday in June will be our year end where an annual report (to be presented to the Board of Trustees for their non-binding consideration) will occur and the Fund's annual return be calculated. The Fund's charter requires it to distribute to Holyport at the end of each such year 2% of Fund assets plus 50% of any year-over-year increase in the asset value of the Fund (including retained interest and dividends). This will occur when there is enough spare capital in the fund and the positions held are liquidated.

The Board of Trustees

Members of the Board of Trustees will be selected based upon their commitment and engagement with the Investment Club, Eton & Holyport, and their investing experience. There will be a tenure of 2 years.

Board of Trustee meetings will likely occur every month with potential fortnightly meetings during busy periods such as September when many new positions will be added, upon returning to school. These meetings under most circumstances will occur over phone and will ideally last thirty minutes, never going over an hour. There will be a rota arranged for which Trustees can participate during which months. A day before each meeting memos of all proposed trade executions will be sent and read beforehand by those Trustees participating. A quorum of 2 Trustees must be present to approve any trade executions

Meeting Procedures, Decision Making

Meetings will take place every fortnight and will follow a specific procedure.

Every member will be expected to have read all recent macroeconomic news, shared articles and in particular all research reports before the actual meeting where they will be presented.

The beginning of each meeting will consist of a discussion on macroeconomic events that have occurred since the previous meeting and the effect that these have on the industries we are associated with.

This will be followed by an assessment of the Club's current holdings in which the respective industry groups will discuss any price changes, recent news or earnings reports that have occurred since the previous meeting.

Meeting Procedures, Decision Making Cont.

Following this stage each industry team, led by their Chief Investment Officer, will present their proposed investment proposals to buy new holdings or sell existing ones, followed by 10 minutes of discussion per company.

Votes will then be held for each execution proposal, with who voted and which way recorded for every decision. This will be done through a vote, which can only occur if a quorum of 70% of the Club are in attendance. All members have equal voting rights. Finally, there will be an execution stage where we will discuss diversification and how much capital to allocate.

These finalised execution plans will then be forwarded with relevant memos to the Board of Trustees at least a day before the next scheduled meeting time with relevant Trustee members on the rota.

Research Reports

For each recommendation, industry groups will provide a research report to the Club. These will be structured as follows:

1. Executive Summary
2. Company Background
3. Industry relevance
4. Official stats*
5. Current Performance
6. Recent News
7. SWOT
8. Technical Analysis**
9. Future
10. Conclusion

*The following statistics are mandated, but the option is available for members to add their own:

- Market Cap
- Current Price
- 52 week Range
- Earnings per Share
- Price-to-Earnings ratio
- Price-to-Sales ratio
- Performance (12 months):

**Technical Analysis will primarily be used for entry/exit. Members are expected to have knowledge of:

- Candlesticks
- SMAs and Emas
- Bollinger Bands

Education and Learning Opportunities

Dealing with real money and companies means that not only will students learn the practicalities of managing a real portfolio (something that cannot be effectively taught in any other way) but also the risk and struggles of an investor (though in a very minor, controlled and responsible way).

The requirement to prepare investment reports for each finalized investment decision provides a unique learning opportunity as members of the Club must learn how to write fully detailed, professional investment research reports. This also ensures that all Club investment recommendations are thoroughly and rationally analysed before being presented to the Board of Trustees and, with their approval, executed upon.

Education and Learning Opportunities Cont.

Furthermore, any portfolio losses can be analysed and compared to the reports, providing an excellent opportunity to learn from any mistakes through detailed group research of what went wrong and why.

Specific teaching by students, beaks or even invited speakers (including active donors to the Fund) who can provide real insight and information on a wide variety of topics will also be available to members of the Club, offering a personal learning experience very different to that of a Society.

Teamwork and Community

Inside each chapter students will be incentivised to show co-operation and leadership by convincing and sharing with others their personal opinions and views towards the greater goal of investment success. Teamwork, co-operation and even healthy competition will be created between each of the chapters as they will be in close contact, have regular meetings and work to find the best possible investments for the Fund.

This setup provides invaluable interaction between not only the students of the different schools who are often from highly contrasted backgrounds but also between the students and financial experts who sit on the Board of Trustees.

Charity

An important focus of the Club will be on charity and sharing any profits with Holyport College. Earnings of the Fund be dedicated to funding special programs at Holyport itself.

This will occur as at the end of each academic year, The Fund will distribute to Holyport 2% of Fund assets plus 50% of any year-over-year increase in the asset value of the Fund (including retained interest and dividends).

The potential for Fund earnings to support these programs at Holyport will provide an extra incentive for members of the Club to make thoughtful and profitable investment recommendations.