The Carlson Growth Fund (CGF) is a Minnesota Limited Liability Company (LLC). The LLC Agreement governs operations of the Fund, as augmented by this statement of investment policies.

Fund Objectives

The educational objective of the Fund is to provide an experiential learning environment for Carlson students.

The investment objective of the CGF is to outperform the Russell 2500 Growth Index ("the benchmark") over a market cycle, generally over a period of four to six years.

Permitted Investments

- Common stocks
- Nonleveraged, long-only, equity-based exchange traded funds (ETF) Equity index mutual funds
- Cash and equivalents

Prohibited Investments

- Leveraged positions (whether through futures, options, the purchase of securities on margin, or any other derivative investment or strategy)
- Short sales
- Anything not on the “Permitted Investments” list.

Requirements for Investment Positions

The common stock holdings of the CGF will be in companies that are recognized as having attractive risk-adjusted future return potential.

Each stock must be judged to have liquidity characteristics such that any position in the Fund should be readily tradable except in extreme market conditions.

Risk Considerations

No position in an individual equity security is permitted in excess of 10% of the market value of the portfolio. Should market action bring a weight above this level the position shall be reduced below 10% within ten business days.

The portfolio shall be fully invested, with no more than 10% of the Fund’s value held in cash. It is recognized that the cash position may temporarily exceed this level due to security settlements and adverse market conditions.

Any security held must trade on a widely recognized U.S. exchange or market.
Up to 15% of the portfolio may be invested in non-benchmark equity securities.

Exceptions

Any exception to these policies must be approved in advance in writing by the Professional Director of the Carlson Funds Enterprise (the Director).

Operations

The CGF shall operate according to the guidelines as established in Exhibit A (“Guidelines”).

Tax Considerations

The CGF will be managed to generate the maximum total return, while managing the risk of the portfolio, without regard to the tax consequences for any Non-Managing Member of the LLC.
Exhibit A
Carlson Growth Fund - Operational Guidelines

The Carlson Growth Fund (CGF) shall operate according to the following guidelines:

1. **Minimum Market Cap:** the minimum market cap of an initial position shall be $500 million. There shall be no automatic requirements to sell a position that meets this criterion at the time of any acquisition but that thereafter ceases to meet this criterion.

2. **Float/Trading:** there shall be sufficient float and trading volume for the CGF to readily purchase and sell its positions without creating extraordinary price movements.

3. **Size/Positions:** the CGF shall maintain a diversified portfolio and target a reasonable equal weighting to each respective position (e.g. 20 stock positions = approximately 5% each position, etc.), subject to market conditions and initial positions as described below.

4. **Industry Sectors:** the CGF shall be diversified by industry sectors. Sector exposure shall be +/- 50% for sector comprising greater than 10% of the benchmark. Sector exposure shall be +/- 100% for sectors comprising less than 10% of the benchmark. If the students are unable to find and approve stocks in any industry sector, the CGF shall seek to invest in the respective sector through an index fund that best represents that sector.

5. **Approval of New Positions:** Each semester each student may establish a position in one permitted equity of up to a 75 bps portfolio weight. This position may be established in a series of investments over time, as research milestones are met in accordance with the syllabus. Prior to purchasing, the student must attest to the Director, and the Director must agree, that the required research has been performed adequately. Purchasing shares to increase or establish a position above 75 bps requires that the professional Mentor further attest that all required research has been performed by the student. The Mentor should provide advice and guide the student in reaching a research-driven decision, but should not evaluate or make the decision to buy or sell. After the mentors have met collectively with the students as a group, the students may increase or decrease positions subject to section 3 and 4 above.

6. **Purchases and Sale of Stock:** participating students shall make the decisions, by majority vote, on when to purchase a greater than 75 bp position and when to sell approved stocks in the CGF portfolio. The Professional Director or Academic Advisor may veto any transaction.

7. **Management and Analyst Discussions:** the students shall use their “best efforts” to meet or have a direct call with management, and/or other third parties such as industry analysts and research analysts, prior to adding a new stock to the CGF portfolio.

8. **Participant Reporting:** the students shall distribute monthly reports to the Participants by the 10th day after month-end. The students shall also provide written quarterly reports and meet with Participants on an annual basis.

9. **3-Year Rule:** students may purchase stocks that have been approved during the past 3 years on a rolling basis, subject to meeting the other requirements stated in these Guidelines.

10. **Student Business Roles:** the Professional Director shall assign business roles to each student and direct their activities accordingly.

11. **Risk Management of a student run portfolio:** At any time the Director may place up to 100% of the portfolio assets in index securities.