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The Archway Investment Fund Semi Annual Report, December 2007

Bryant University, Archway Investment Fund

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The **Archway** Investment Fund

BRYANT UNIVERSITY



Semi-Annual Report • December 2007



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Acknowledgement

This semester the Fund benefited from the addition of \$150,000 in investment capital that was approved at the May meeting of the Bryant University Trustees, with the support of President Ronald K. Machtley. These funds, made available at the beginning of October, have enhanced both the educational and management experiences of Fund participants. For over two years, the Archway Investment Fund has provided students with the ability to engage in coursework that transcends the typical classroom experience, bringing real-world responsibility, accountability, and success to students. The continued success of the Fund is due to the efforts of President Machtley, the Fund's Investment Advisory Board, the Bryant Board of Trustees, and Professor David Louton, who is not only the course's coordinator, but also its strongest advocate. Their support and trust has allowed the Fund to remain completely student run, and has also been pivotal in continually increasing the educational value and prestige of the class. With their assistance and support, the Archway Investment Fund will continue to maintain its success in the future.



C.V. Starr Financial Markets Center

Note from the Coordinator

This Fall semester was the beginning of the third year of Archway Investment Fund operations, and the recent increase in market volatility made it one of the most challenging and interesting semesters so far. During the course of the semester we experienced a substantial increase in portfolio value, but this was quickly followed by a series of losses that brought us back to almost exactly where we started. As it turned out, the market portfolio fell farther and faster than our portfolio, and when viewed against the backdrop of what was happening in the market, it was evident that just holding on to our gains from earlier in the year was a major achievement. In the end, we beat our S&P 500 benchmark by a wider margin than in any previous semester. This experience provided a compelling illustration of the difference between absolute and relative investment performance, for all those involved with the Fund.

It should be noted that most of the performance statistics included in this report are for the year-to-date rather than for the most recent semester. As you will see, if you look at the sections of this report dealing specifically with performance, the fund has done quite well for this period, beating the benchmark by 4.46% for the year-to-date, or 5.10% on an annualized basis. The average beta for the Fund over this period was 0.98.

Of course the goals of the Archway Investment Fund project have less to do with short-term investment performance, than they have to do with the long-term career success of Archway Investment Fund students. I believe that we have had another successful semester in that regard also. This report details some of the recent activities that we have taken on in pursuit of both learning and investment performance. As always, please feel free to contact me with questions and/or suggestions.

Professor David Louton
dlouton@bryant.edu

Letter from Executive Committee

As the executive committee, we decided early in the semester we would have four key objectives which, if executed, would have a tremendous positive impact on the fund. This year we wanted to outperform our investment benchmark, increase the communication between the portfolio managers and the security analysts, have a faster trade approval procedure, and further improve the overall marketing of the fund. To accomplish these goals the committee:

- Created a separate marketing committee in the portfolio management class. This allowed for a group of managers to focus on finding better ways to publicize the fund on campus.
- Strategically weighted the sectors in the portfolio with the goal of optimizing returns. We took a relatively neutral stance in our weightings, however we did choose to underweight Consumer Discretionary, and overweight both Technology and Energy.
- Created a standard rubric used in approving securities for purchase to the Fund. This rubric allowed the committee to evaluate the analysis completed on the securities both judiciously and swiftly.

- Distributed several memorandums to notify both classes of important information regarding the Fund.
- Met on a weekly basis to discuss market conditions and constantly reviewed portfolio strategy.

In addition to the effort both classes exerted to complete these objectives, the classes also worked diligently when the Fund was allocated additional capital, allowing for operations to continue seamlessly.

As our time in the Archway Fund draws to a close, we would first like to thank Professor Louton for all of his hard work and support as the coordinator of the fund. The great experiences we have had over the past two semesters would not be possible without his dedication to the fund. Also, we want to thank our fellow portfolio managers for the many hours they have devoted to the fund over the past two semesters. Finally, we thank the securities analysts and wish them the best of luck as the management of the fund transfers to their hands. We have a great deal of confidence in the soon to be portfolio managers, and are certain of continued success for the Archway Fund.

The Executive Committee



Executive Committee, left to right:
Michael Oliveri, Mark Miceli, Kristofer Hart,
Bennett Turner, Jonathan Tan



Welcome to the

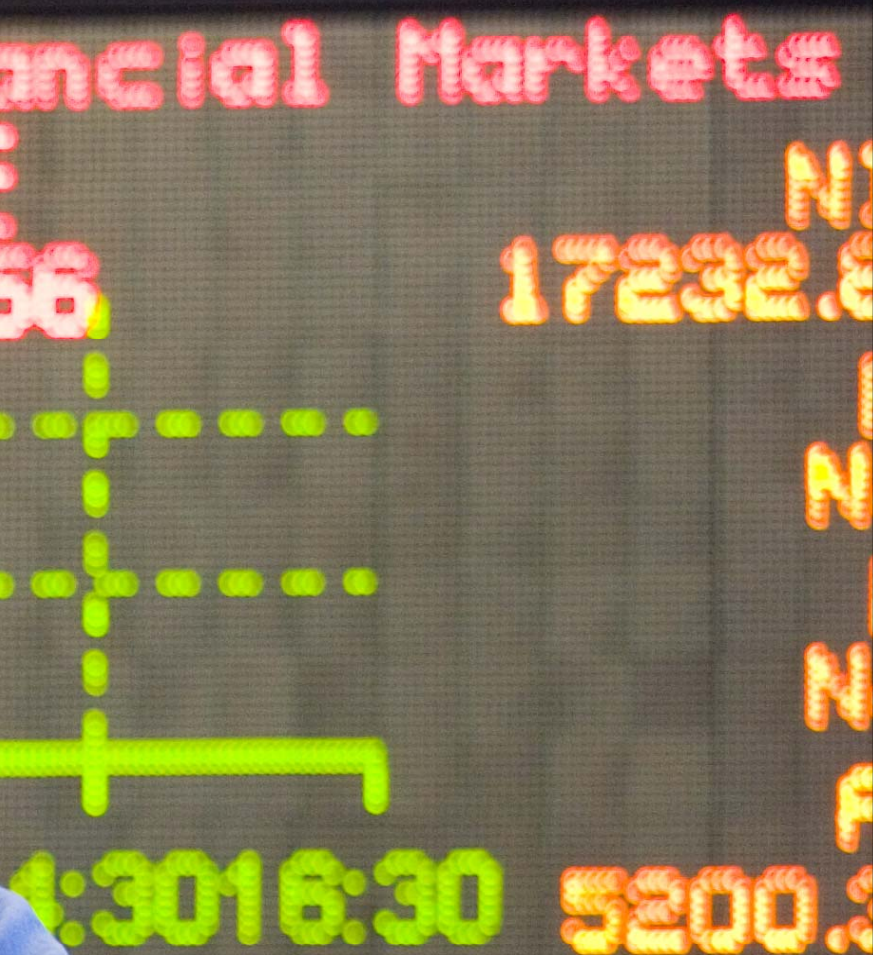
Warrior Financial

DOW JONES
30.17 +128.33

NYSE
8,232.5

NASDAQ
1,600 +28.53

S&P 500



"The interaction between Securities Analysts and Portfolio Managers is one of the things that makes the Archway Investment Fund a unique opportunity for students and provides a foundation for future success."

*~Professor
David Louton*

2007 Archway Fund Graduates: Where Are They Now

Christian C. Pickett '07
Institutional Equity Sales



John Zicaro '07
Trading Assistant



Brett J. Lousararian '07
Asset Management



Sergey M. Kolker '07
Consultant



Stephen Rush '07
Associate Investment Analyst



2008 Archway Fund Graduates: Where Are They Going



Michael Oliveri '08
Associate, Systems Processes Assurance



Jonathan Saviet '08
*Tax Associate, WTAS and
MST Candidate, Northeastern University*



Bennett Turner '08
Associate Financial Analyst, Corporate Treasury

Guest Speakers

Todd Carey '01 MBA

Principal

Battery Opportunity Fund

Prior to joining Battery in 2006, Todd Carey spent more than five years as an investment representative in the private investment management group at Lehman Brothers. He specialized in customizing investment portfolios for high-net-worth individuals, family offices, and mid-sized institutions. Carey also has experience as a credit analyst in the middle markets group at Citizens Bank of Rhode Island.

Carey played professional baseball for eight seasons in the Boston Red Sox, New York Mets and Los Angeles Dodgers organizations. He holds a BA in Urban Studies from Brown University, an MBA with a major in Finance from Bryant University, and is a CIMA® designee. Carey currently serves on the Investment Advisory Board of the Bryant University Archway Investment Fund.



Robert S. Clark '97

Security Analyst

Turner Investment Partners, Inc.

Robert S. Clark has been a security analyst for core value products at Turner Investments Partners since 2005. Prior to joining Turner Investment Partners he was employed with People's Bank.

Mr. Clark received his MBA from Yale School of Management and a dual bachelor's degree in Finance and Economics from Bryant College. He is a member of CFA Institute, the New York Society of Security Analysts, and Institute of Management Accountants.

Joe Day

Portfolio Manager

Pyramis Global Advisors—Fidelity Investments

Joe Day is a portfolio manager at Pyramis Global Advisors, a Fidelity Investments company. In this role, he manages earnings growth portfolios invested in large capitalization growth stocks. Day joined Fidelity Distributors Company in 1984 as a registered mutual fund sales representative and joined Fidelity Management & Research Company in 1985 as a research analyst. He subsequently managed the Select Electronics and the Select Defense portfolios. Day joined the Earnings Growth team in 1988 and began managing large cap growth portfolios for Fidelity Management Trust Company in 1994. Day earned his B.A. from Harvard College.



Portfolio Managers





NEW YORK



LONDON



HONG KONG

Welcome to the C. V. Starr Financial Markets Center

DOW JONES	13732.40	-197.61
NIKKEI	16870.40	+132.77
FTSE	6586.10	-135.51
DAX	7630.85	-22.13

10:30 12:30 4:30 6:30 8:30

Archway Investments Holdings

Company	Price	Change	% Chg	Volume	Market Cap	PE Ratio	Dividend	Yield	52 Week High	52 Week Low
Archway Investments Holdings	11.50	+0.15	+1.3%	1,200,000	\$1.15B	15.0	\$0.50	4.3%	\$12.00	\$9.50

Archway Fund SPDR ETF

Current Price	\$61.25
Previous Close	\$61.10
Change	0.15





Security Analysts

Portfolio Management—FIN 454

Course Description

Portfolio Management is the capstone course of the Archway Investment Fund sequence for students majoring in finance. Students learn the basic tools and techniques of portfolio management, and develop their skills through management of a real securities portfolio, interaction with securities analysis students, and presentations to audiences including investment professionals.

Topics Covered

The Portfolio Management class covers an array of topics including:

- Development of Sector Strategies
- Risk Allocation & Management of Risk
- Benefits of Diversification
- Security Selection
- Performance Measurement

"The Archway Investment Fund gave me and my peers the opportunity to experience classroom learning in a rigorous professional environment."

-Jonathan Saviet '08

Archway Fund Committees

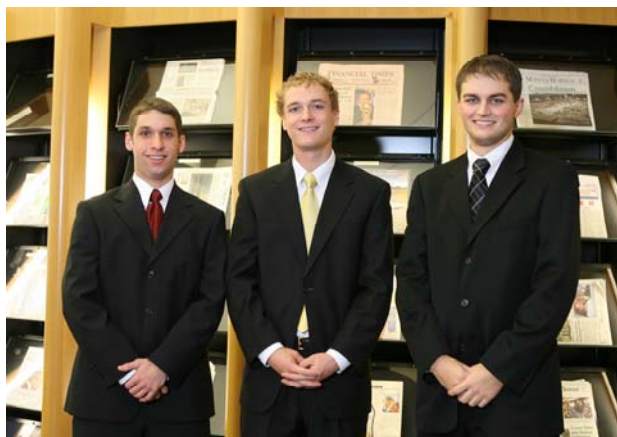
Reporting and Compliance Committee

The Compliance and Reporting Committee's main objective was to coordinate the production of the end of semester report. This report is a vital aspect of publicizing the Archway Investment Fund both within the Bryant community to students, alumni, faculty, and administration, and externally to investment professionals and the general public. The committee focused on enhancing the overall content of the report this year by developing a new report template, as well as adding new segments with more information about the Archway Fund.

The second main function of this committee was to perform the compliance function of the Fund. This semester the committee developed the structure for a new compliance system driven by a spreadsheet that identified securities to be reevaluated based on high and low price targets being reached. After further development, this structure will be used to increase the efficiency of the sell strategies of the Fund, which should lead to an overall increase in returns. The framework is currently in place for the Reporting and Compliance Committee to further improve processes and continue to add value to the Fund for the foreseeable future.



Reporting and Compliance Committee, left to right: Bennett Turner, Raymond Donofrio, Jonathan Saviet



Marketing Committee, left to right:
Jeffrey Mello, Kristofer Hart, John Maresca

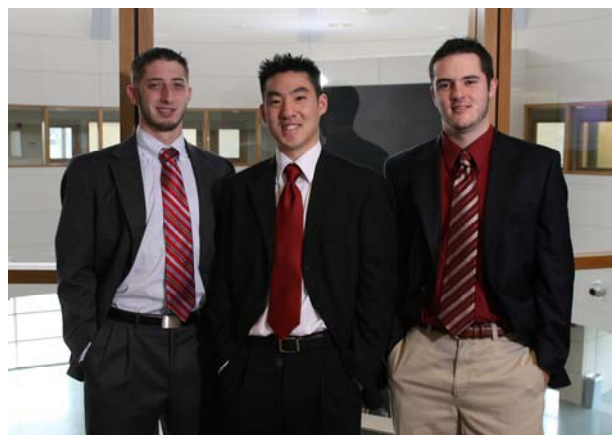
Marketing Committee

The primary focus of the Marketing Committee is promoting the Archway Fund to the Bryant University campus in a manner that reflects the integrity, knowledge, and diligence of the Archway Fund staff. The goal is to establish a network of students and faculty who have a stake in the past, present, and future of the Fund. The Marketing Committee is responsible for contacting Archway Fund alumni and establishing an alumni relations network. The main initiatives for the semester included actively developing a logo recognizable across the campus, publishing a weekly column in the Bryant Archway newspaper, and presenting the Fund during the Organizational Fair and Parents and Family Weekend. An important step this semester was presenting the Fund to various finance classes to ensure that finance students knew about the role of the Fund in the Bryant community.

Alternative Investments Committee

The Alternative Investments Committee seeks niche opportunities in domestic and international markets for potential investment. Committee members work to achieve a deeper understanding of the unique and somewhat speculative opportunities available in these markets. This semester the committee re-evaluated the current alternative investments holdings in order to protect gains and cut losses. The committee also researched various industries and markets for new investment prospects based on the current state of the economy and financial markets. Industry analyses were followed by stock recommendations on the most advantageous prospects, and a strategy for the committee's holdings over the upcoming recess was implemented.

After analysis, it was determined that investment in emerging foreign economies such as Brazil, China and India provided the strongest potential for the near future. These opportunities should sustain growth even if the U.S. slips into a recession. Firms in unique industries with multinational business platforms are great opportunities for investment, and insulate the portfolio from the adverse effects of a possible U.S. recession. Specifically, the committee sought opportunities in alternative energy, vineyards, specialty retailers, and steel.



Alternative Investments Committee, left to right:
Mike Merlis, Jonathan Tan, John Tuite
(not pictured, Stephanie Creati)

Technical Committee

The Technical Committee provides the Investment Fund with technical support on various projects that involve improving and developing the technical systems and analytical templates that the fund uses in its operations. This semester, the committee created a beta version of an automated sell discipline worksheet and modified the stock pitch recommendation template.

The committee's major undertaking this semester was to develop and test an online voting platform. This system allows members of the class to vote and post comments about open stock pitches on a secure website. The system was developed to introduce an element of anonymity to votes, as well as to streamline the process allowing for future online systems in the stock approval and buy/sell process. Future technical committees will assume the role of maintaining this system each semester, as well as investigating new ways to further develop the system and incorporate it into other areas of the Fund's management.



Technical Committee, left to right:
Michael Oliveri, Kyle Mason, Joseph Babcock

Performance, Risk and Portfolio Accounting Committee

The Performance, Risk, and Portfolio Accounting Committee is responsible for monitoring the performance and risk of the fund. The group tracks sector and portfolio performance statistics and risk metrics. These functions enable the Portfolio Management class to implement a strategy that maximizes returns while limiting the portfolio's risk exposure. The statistical analysis provided to the portfolio managers consists of a calculation of each sector's beta, and standard deviation, as well as the analysis of the aggregate performance of the portfolio.

During the Fall 2007 semester the committee enhanced the performance monitoring, and risk management functions of the Fund, resulting in more efficient and accurate statistical analysis and reporting. Using a combination of Microsoft Excel and Reuter's software, the group was able to break down the portfolio accounting functions of the Fund into sector based modules. The newly engineered system will allow an easier and more transparent transition between the incoming and outgoing Performance, Risk, and Portfolio Accounting Committees.



Performance, Risk and Portfolio Accounting Committee,
Left to Right: Mark Miceli, Joe Silva, David Tinory

Securities Analysis—FIN 450

Course Description

Securities Analysis is the first course in the Archway Investment Fund sequence for students majoring in finance with an emphasis in investments. Students learn the basic tools and techniques of securities analysis, and they develop their skills through the analysis of real firms, interaction with portfolio management students, and presentations to audiences including investment professionals.

Topics Covered

The Security Analysis class covers an array of topics including:

- Research & Screening Methods
- Security Selection
- Free Cash Flow Valuation
- Relative Valuation Methods
- Evaluation of Value Securities
- Evaluation of Growth Securities

Archway Fund Sectors

Industrials Sector

Returns (YTD): Sector: 2.54% SPDR: 1.54%

The Industrials Sector comprises approximately 11% of the Archway Investment Fund and is currently market weighted, making up approximately 11% of the fund. The greatest potential gain for Industrials is in the Aerospace and Defense, Industrial Conglomerates, and Commercial Construction and Infrastructure industries. We view investment in the Airline, Air Freight and Logistics, and Residential Construction segments of the sector as too volatile in the short term. The top performing holding in the Industrials sector is Honeywell International. Honeywell, purchased in late 2005 and early 2006, has appreciated by 51%. The overall sector outlook remains neutral.

Increasing oil prices, foreign exchange risks, and the continued slump in the housing market, are all factors that need to be taken into consideration when determining the future direction of this sector. The weakening U.S. dollar has put excess pressure on the cost of imports. This semester the portfolio managers instructed analysts to reevaluate numerous holdings that were in unfavorable industries. The analysts concluded that the outlook for United Parcel Service and Desarrolladora Homex was lackluster, which drove the sell-off of these positions. This kept the portfolio strategy in line by steering clear of logistics firms and the housing market. The managers also sold the Fund's holdings of World Fuel Services and Ryanair. The managers determined that World Fuel had run its course, and

had reached the target price that the original analyst had expected. Ryanair had a sizable gain and was in an industry with a less than favorable outlook for the future. While there were no new security selections added into the portfolio this semester, there were several prospects identified by the securities analysts in the defensive Industrial Conglomerates industry. These new opportunities coupled with the strength of the current holdings in the sector should lead to solid returns for the Fund in the future.



Industrials Sector, Left to Right:
Kyle Parker, Cameron Scott, Keith Lagasse,
Roger Thistle, Joseph Davis

Financials Sector

Returns (YTD): Sector: -9.30% SPDR: -16.30%

The domestic financials sector has been under scrutiny recently spurred by large write-downs and the credit crunch. As a result, this sector portfolio has seen small gains during the May to October time period. This is in contrast to the sector's benchmark (XLF) that has seen a significant decrease over the same period. The sector team is looking to capitalize on stronger foreign markets, especially developing nations, in the future. It is due to the strong active picks that we have been able to outpace the XLF, squeezing out a significant incremental gain for the year-to-date.

The financials sector had two main goals this semester in addition to surpassing the investment benchmark. The first was to take a top-down investment approach. Historically, members of the financials sector tended to invest using a bottom-up approach. Change was necessary because exposure in certain industries was essential for a sound, diversified sector. To attain this goal, the sector team examined the weights of certain industries in the XLF and compared them against the industry weights in the portfolio. The main focus moving forward is to rearrange the sector to reflect the weights of the XLF.

The second goal was to increase communication and cohesiveness between the analysts and the management team. Communication on business and personal levels was enhanced among the portfolio managers and security analysts this semester, and the two classes worked more closely than in the past, resulting in increased success.



Financials Sector, Left to Right:
Grady Moore, Anthony Delmonico, Jason Zilewicz,
Jeffrey Haydock, Joshua Lopes

Healthcare Sector

Returns (YTD): Sector: 4.94% SPDR: 5.64%

As recent results in this sector have proven, the healthcare industry is producing positive results. Federal, state, and local regulation of research and development, testing, manufacturing, distribution, approval, and advertising can make or break a healthcare company, therefore the sector's outlook must remain dynamic, yet strategic. This sector is less prone to market fluctuations than other areas of investment and thus provides a safety net as well as intelligent diversification for the Archway Fund. However, recent volatility in the market caused the healthcare portfolio managers to focus on diversification and value companies with long-run potential for growth. Baxter International Inc. and Cardinal Health Inc. were recently added to the

portfolio due to their strong value characteristics, while other investments that have lost their potential or momentum, such as Wellpoint Inc., were sold and additional shares in the sector SPDR were bought.

With the average hospital stay decreasing, an increase in outpatient procedures, and the cost of healthcare rising, the facilities sub-sector should be avoided. However, there is significant opportunity in alternative healthcare sub-sectors. We believe that the most promising investment opportunities are currently in three defined areas: products & supplies, generics, and biotechnology. Recent shifts in political priorities have led to increased potential in products & supplies and managed care. Much

Healthcare Sector, (cont'd).

discussion and legislation has taken place in the government with regard to current laws restraining companies from producing generic forms of pharmaceuticals. It is predicted that generic drug companies might soon prosper due to the anticipated loosening of these very laws. Biotechnology based treatments are constantly replacing traditional therapies, and it appears the future of healthcare lies in these biotech companies. The healthcare sector team plans to capitalize on these shifts, as political and financial predictions transform into reality.



Healthcare Sector, Left to Right:
Daniel Terrell, Jared Neilan, Timothy Keenan, Jeffrey Harger

Technology Sector

Returns (YTD): Sector: 18.30% SPDR: 11.56%

The Technology sector has been performing well in comparison with the other sectors in the portfolio. The significant gains in the sector have been led by favorable conditions for increased business investment in technology in spite of the current credit market crisis. The lack of exposure in the credit markets has led to continued gains. The major leaders for the Technology sector are China Mobil (+103.70%), Apple Inc. (+119.45%), and Research



Technology Sector, Left to Right:
Gregory Mello, Samarth Patel, Pablo Madera, Henri Proutt

in Motion (+181.96%).

Over the past semester, this sector has focused on replacing losing investments with stronger securities. This was the case with Nextel International, which was replaced this semester with American Movil, a higher performing stock in the same industry. Furthermore, the sector is developing a strategy to protect the tremendous gains with stocks such as Apple and Research in Motion, having gains well over 100%.

The Technology sector team will continue looking towards emerging markets for investment possibilities. There are significant growth opportunities in this segment, specifically in the foreign wireless, wireless media, and semiconductor industries. Mobile phones have become the primary form of communication in emerging economies as evidenced by the surge in wireless subscription rates since 2000 to 1.4 billion users. In addition, the growing use of multimedia access from handheld devices is the new frontier for technology across the globe. With the current market volatility, the Technology sector team is convinced that the majority of investors will continue to invest in large, well-established firms, and stay away from smaller, riskier, and start-up companies.

Consumer Discretionary and Staples Sectors

Discretionary

Returns (YTD): Sector: 1.09% SPDR: -11.31%

Staples

Returns (YTD): Sector: 13.75% SPDR: 8.88%

The Consumers group is responsible for analyzing firms in both the Discretionary and Staples sectors. The Staples sector, which was market weighted, has been a source of stable returns for the fund over the past semester, with both the individual holdings and sector SPDR performing quite well. This steady growth is due to the nature of this sector which contains essential products such as food, household items, and personal care items. An interesting challenge faced by the group is the difficult nature of selecting securities in this sector. With the sector SPDR placing significant weights on the highly performing securities in the Staples sector, it is often hard to find stocks which will bring additional positive alpha to the fund.

The group underweighted the discretionary sector due to anticipated bearish trends driven by the decline of the Consumer Confidence Index (CCI) over the past four months. This deterioration has mirrored the performance of the Discretionary SPDR, as its return is often highly correlated with the CCI. With the lagging performance of the sector, it is important to focus on the individual holdings in the portfolio. While there are currently limited holdings in this sector, the two which are weighted the highest, Guess (12.91%) and McDonalds (28.99%), have performed very well over the past semester. This strong performance of individual holdings, combined with the lower weighting of the sector, protected the Fund from potential losses in this area.

A major goal of the Consumers group this year was



Consumer Sectors, Left to Right:
Mitul Parekh, Antonio Ballestas, Emily Hall,
Ryan Gagliastre, Thomas Madden

to continue to look for securities with potential in the Discretionary sector. This potential can be found in either large, value companies which are the leaders in their respective industries, or in strong companies with a creative niche which will continue to grow regardless of market conditions. With the aforementioned decline in value of this sector SPDR, it is extremely important to reallocate the funds within this sector toward these types of individual holdings. The recent evaluations completed by the security analysts have been very positive, and there are currently several securities which are in the approval process.

“The Archway Investment Fund provides students with the opportunity to obtain the bottoms up and top down fundamental analysis skills for a future career as an analyst”

-Jonathan Tan '08

Economic Analysis and Emerging Opportunities Sectors

Energy

Returns (YTD): Sector: 28.12% SPDR: 20.76%

The Economic Analysis and Emerging Opportunities (EEO) group analyzes firms in the energy, materials, and utilities sectors. For this semester, the energy sector was overweighted, because of our bullish outlook on the sector environment and its relative insulation from the recent credit crunch. Most sector performance metrics have remained strong and have continued to drive overall growth. These include commodity prices, oil reserves, contracts, rig counts, rig utilization rates, and refining margins. The outlook on these sector's indicators has dictated which industries the fund would be looking in (Equipment and Services, Exploration and Production) and which industries to avoid (Refining and Marketing).

Within the energy sector, there are no new stock selections. The security analysts are in the process of reevaluating all holdings given their strong performance over the summer months and the fact that they reached or surpassed the analysts' price targets. The top performing stocks are PetroChina

Co. Ltd. (PTR), Oceaneering International Inc. (OII), and Arena Resources Inc. (ARD). The overriding goal has been to outperform the sector benchmark and yield positive alpha for the portfolio.

Throughout the semester, the materials sector has been set at a marketweight given its direct correlation to the overall economy. The sector metrics used to judge the performance of the materials sector include GDP growth, end markets, commodity prices, shipment volume, market share, and cost controls. As a result we plan to guide future investment into alternative energy sources, precious metals, and the packaging and container industry.

Given the unique market circumstances, there are no new stock selections for the materials sector, and there are no current holdings. Analysts are thoroughly examining key industries, that have upside potential, giving the Fund the greatest return, while providing protection against a potential recession. The outlook is neutral within the materials sector, with potential alpha being driven by alternative fuel sources, globalization, and a weakening dollar, which will continue to increase the value of precious metals.

During the course of the semester, the utilities sector was set at a market weight due opportunities in other sectors. The use of a variety of metrics to evaluate this sector has led us to look at companies that are multi-utilities, and water utilities.

Furthermore, indicators suggest the Fund should avoid the gas utilities sector. Currently we have no individual stock holdings in this sector. However, as the Fund moves into a more volatile market, analysts are searching for attractive utilities companies that will also serve as a hedge against potential market turmoil.



EEO Sectors, Left to Right:
Americo Mallozzi, Jonathan Kneath, Charles Bryant,
Georgy Devrishadze, Daniel Chevette

"Through the diverse holdings of the Archway Investment Fund, students are able to gain exposure to each sector in the market. This preparation is invaluable and will pay dividends for years to come."
-Bennett Turner '08



Google™



The Economy

Third quarter GDP topped forecasts at a seasonally adjusted rate of 3.9%. The third quarter GDP shows a U.S. economy that has so far been able to weather the summer credit crunch due to strong export performance and surprisingly resilient consumers. Our expectations are in line with many economists in that we expect GDP to decline in the coming quarters. One of the main reasons we expect economic performance to diminish is due to the rising inflationary pressures. The CPI rose 0.3% and core CPI increased by 0.2% in September which is the fourth month of increased core CPI. Inflationary pressures continue to be a main concern for the Federal Reserve and may force them to hold rates due to their mandate to maintain price stability. Many economists are concerned about the risk that oil prices will filter through to core prices. Payroll growth came in ahead of many estimates, rising by 166,000 in October; the largest gain in five months. Much of the increase came from restaurants, leisure and hospitality, education, health, and professional business services, while the weakness was seen in the manufacturing and construction industries. Temporary employment, which many economists view as a leading

indicator of the overall jobs trend, rose as well.

Wages did show significant growth which could translate to stronger consumer spending. The unemployment rate remained unchanged from September's 4.7% figure.

Consumer confidence, which declined to 99.8 in September, fell to 95.6 in October, hitting a new three year low. The index is believed to provide an early read on consumer spending. This has many forecasting the worst holiday retail sales numbers in five years. This was the third consecutive decline in the index, and can be attributed to the housing recession, the subprime crisis, and higher oil prices. Industrial Production has experienced a significant rise since 2006. Factory orders were reported to be increasing, as exports have provided new orders. The sub-prime lending issue which has been an issue of major concern in the U.S., has been continuing to show its effects on the housing market. In September, housing starts were down 10.2% from the prior month. This represents a 14 year low. With a depreciating dollar, an expected slow down in consumer spending, rising oil prices, and a weak housing market, the economy has seen a significant slowdown.

What's Hot and What's Not

<i>Purchase Date</i>	<i>Ticker</i>	<i>Name</i>	<i>Current Price</i>	<i>Shares</i>	<i>Stock Weight in Portfolio</i>	<i>Holding Period Percent Gain / Loss</i>	<i>YTD Percent Gain / Loss</i>
3/21/2006	AAPL	Apple	\$164.30	50	1.44%	161.21%	93.66%
2/16/2007	RIMM	Research In Motion	\$103.01	150	2.70%	126.96%	141.85%
11/3/2006	CHL	China Mobile	\$87.79	100	1.54%	106.30%	103.12%
12/8/2006	GRMN	Garmin	\$84.00	75	1.10%	74.85%	50.92%
10/25/2005	MCD	McDonalds	\$57.18	100	1.00%	73.59%	28.99%
12/2/2005	NIHD	NII Holdings	\$52.25	75	0.69%	-27.41%	-18.92%
10/26/2007	TRN	Trinity Industries	\$27.00	125	0.59%	-24.62%	-23.30%
10/31/2007	COF	Capital One	\$52.70	125	1.15%	-19.51%	-31.28%
3/28/2007	INFY	Infosys Technology	\$41.24	100	0.72%	-17.90%	-18.19%
2/14/2007	MDT	Medtronic	\$46.25	50	0.40%	-14.63%	-15.29%

Fund Performance Summary

As of the market close on November 15, 2007, assets under management totaled \$571,515.93. Of this amount, 45.57% was allocated to sector ETFs, 54.43% was actively invested in individual stocks, and the remaining 2.76% was held in cash.

The fund's year-to-date return of 8.47% surpasses the performance of the S&P500 Index benchmark, which returned 4.01%, by 446 basis points. On an annualized basis, the fund's return of 9.67% beat the benchmark's 4.57% return by 5.10%. The fund has outperformed the dynamic benchmark's return of 4.53% by 5.14%.

The dynamic benchmark, which is calculated using the fund's actual sector weights and the

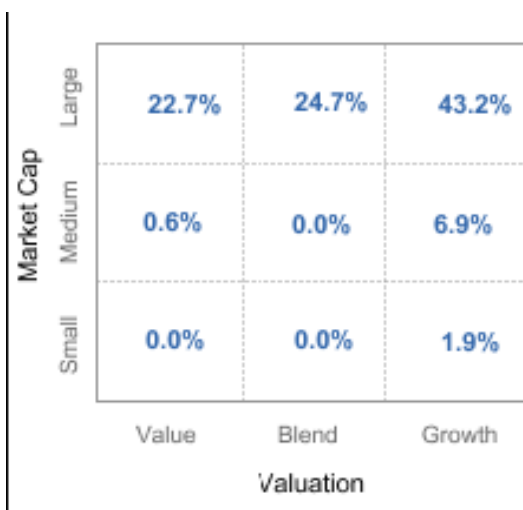
returns on the sector ETFs, is used for attribution of Fund returns. In this case, it indicates that 5.14% of the Fund's annualized differential return can be attributed to superior stock selection. Thus, our strategic sector weightings reduced Fund performance by 0.04%.

The Morningstar style grid, shown at the bottom of the page, demonstrates that the distribution of Archway Investment Fund holdings is similar to that of the S&P 500. This implies that the S&P 500 is an appropriate benchmark choice for the Fund.

Annualized and Risk Adjusted Returns

	YTD Returns	Annualized YTD Returns	Differential Return	Annualized Differential Returns	Beta	Standard Deviation	Sharpe Measure	Treynor Measure
Archway Investment Fund	8.47%	9.67%	4.46%	5.10%	0.98	16.06%	0.378	0.062
Dynamic Benchmark	3.98%	4.53%	-0.03%	-0.04%	0.97	15.02%	0.062	0.009
S&P500 SPDR ETF	4.10%	4.67%			1.00	15.09%	0.071	0.011
S&P 500 Index	4.01%	4.57%						

Archway Fund Morningstar Style Box



Portfolio Strategy

Every semester the Executive Committee is charged with the task of strategically re-weighting the portfolio in order to best position the fund to provide optimal returns given the current economic conditions and near term outlook. Several committees before ours have taken a very pro-active stance in doing this, often over or underweighting the majority of sectors, typically following a strategic defensive or aggressive stance. However, our decision was to follow the

trend of the previous Executive Committee and take a more reserved approach and only alter the weighting of a sector if our convictions for doing so were both of a very solid nature and strongly supported by the prevailing forecasts of analysts, both on Wall Street and inside our fund. Accordingly, this led us to overweight two sectors, Healthcare and Financials, and to underweight Consumer Discretionary and Utilities.

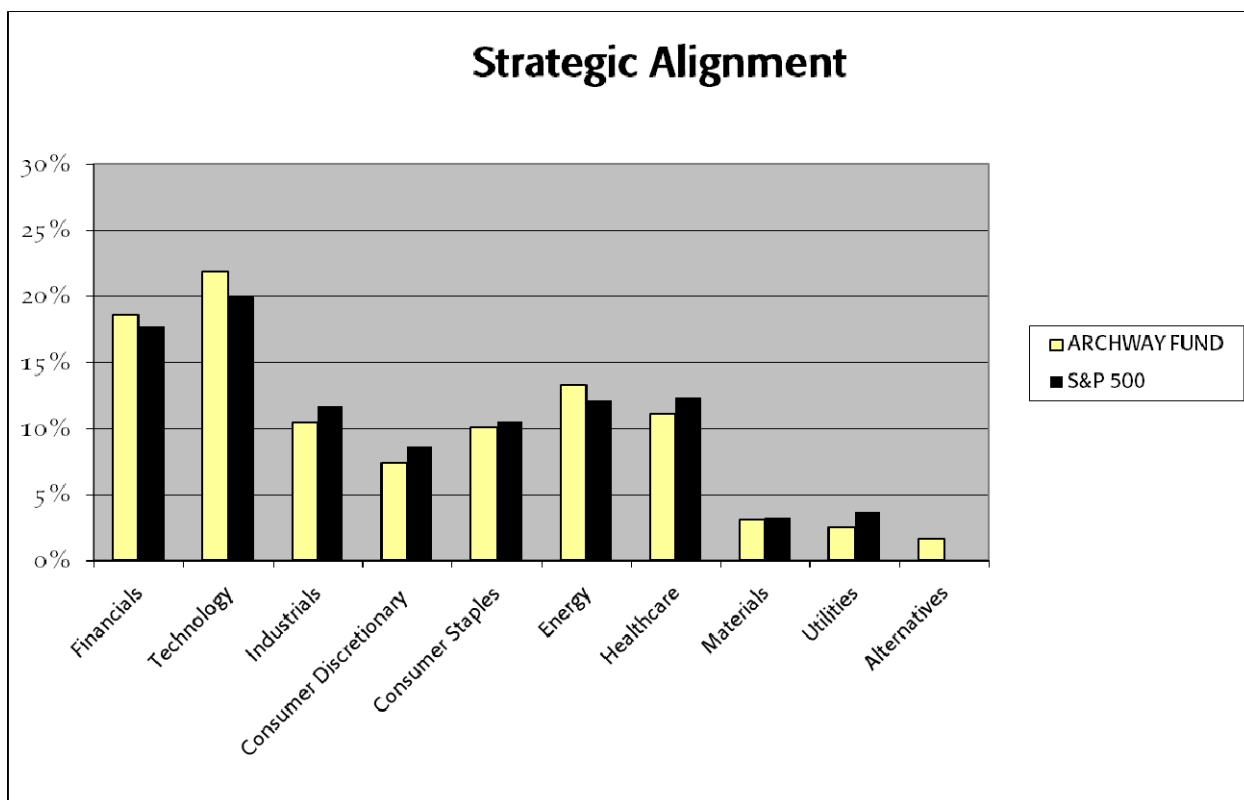
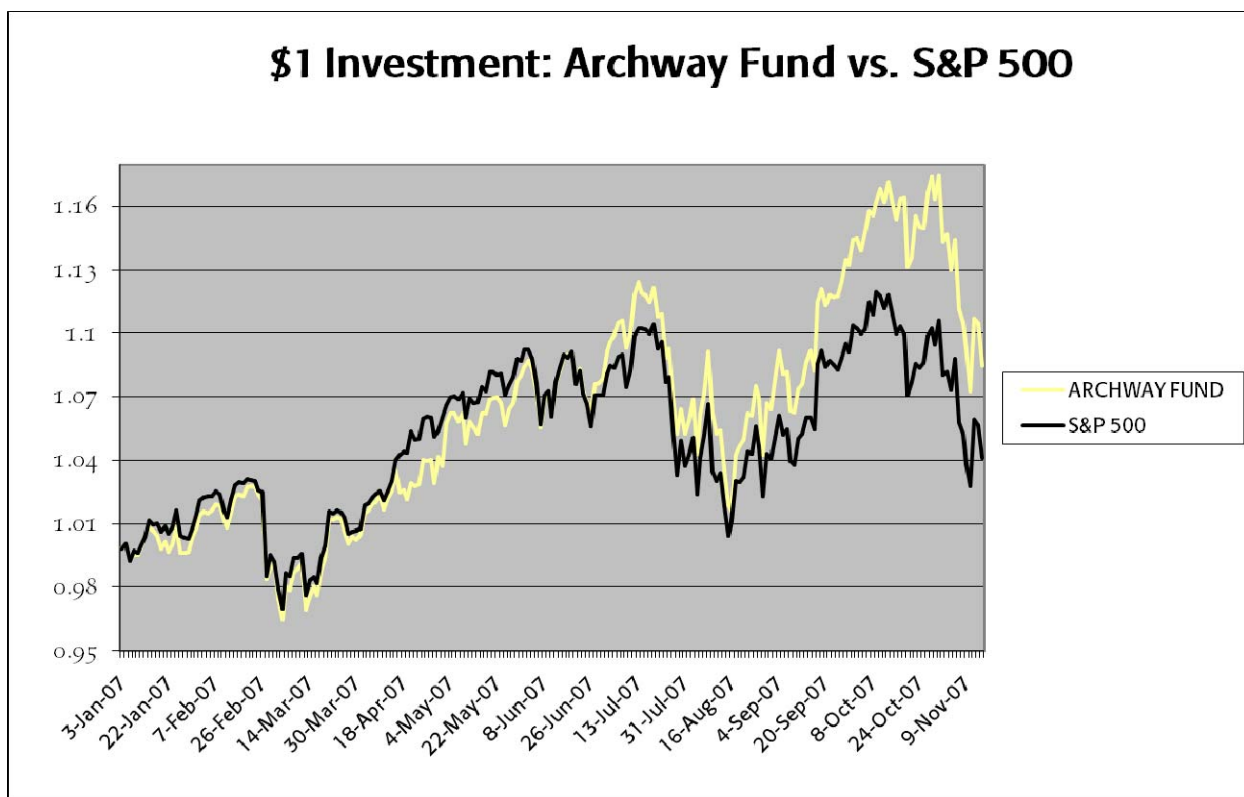
Year-to-Date Comparisons

	Sector Weight	SPDR Weight	YTD Sector Returns	YTD SPDR Returns	Sector Beta	SPDR Beta
<i>Financials</i>	18.59%	17.74%	-9.30%	-16.30%	1.38	1.00
<i>Technology</i>	21.93%	20.04%	18.30%	11.56%	1.28	1.12
<i>Industrials</i>	10.43%	11.67%	2.54%	1.54%	0.84	1.01
<i>Consumer Discretionary</i>	7.35%	8.57%	1.09%	-11.31%	1.00	1.03
<i>Consumer Staples</i>	10.06%	10.49%	13.75%	8.88%	0.53	0.75
<i>Energy</i>	13.28%	12.15%	28.12%	20.76%	0.39	1.17
<i>Health Care</i>	11.13%	12.39%	4.94%	5.64%	0.80	0.83
<i>Materials</i>	3.09%	3.26%	5.69%	15.63%	1.35	1.12
<i>Utilities</i>	2.56%	3.69%	13.48%	13.48%	0.47	0.85
<i>Alternative</i>	1.58%	-	32.90%	-	2.20	-

“Working with my peers on the Archway Investment Fund has been an amazing experience. Establishing and strengthening relationships among various classmates was beneficial to all, both personally and professionally.”

-Kristofer Hart '08

Performance Charts



Current Holdings as of November 15, 2007

<i>Purchase Date</i>	<i>Ticker</i>	<i>Name</i>	<i>Current Price</i>	<i>Shares</i>	<i>Stock Weight in Portfolio</i>	<i>HPR Percent Gain / Loss</i>	<i>YTD Percent Gain / Loss</i>	<i>Annualized Percent Gain / Loss</i>
Financials								
10/25/2005	XLFX	FINANCIALS SPDR	30.75	605	3.26%	-4.41%	-16.30%	-18.30%
3/26/2006	PRU	PRUDENTIAL FINANCIAL	97.33	100	1.70%	23.89%	13.36%	15.30%
9/21/2007	DRF	WISDOMTREE INTL ETF	27.30	600	2.87%	-7.55%	-4.38%	-4.96%
12/2/2005	MS	MORGAN STANLEY	53.27	150	1.40%	-3.26%	1.12%	1.27%
12/8/2005	BAC	BANK OF AMERICA	44.08	250	1.93%	-9.57%	-17.44%	-19.56%
10/31/2007	COF	CAPITAL ONE FINANCIAL	52.79	125	1.15%	-19.51%	-31.28%	-34.69%
3/28/2007	IBN	ICICI BANK	61.53	100	1.08%	57.23%	55.97%	65.67%
3/22/2007	GS	GOLDMAN SACHS	227.02	30	1.19%	8.33%	8.00%	9.14%
5/16/2007	BEN	FRANKLIN RESOURCES	117.70	50	1.03%	-13.92%	-14.14%	-15.90%
11/9/2007	SPG	SIMON PROPERTY GROUP	96.78	100	1.69%	4.54%	-4.45%	-5.04%
5/3/2007	HCP	HCP INC.	32.08	100	0.56%	-6.48%	-7.76%	-8.77%
Technology								
10/25/2005	XLKX	TECHNOLOGY SPDR	25.95	1770	8.04%	1.98%	11.56%	13.23%
5/1/2007	GOOG	GOOGLE	629.65	15	1.65%	34.33%	36.68%	42.60%
5/16/2007	AKAM	AKAMAI TECHNOLOGIES	36.37	100	0.64%	-12.47%	-31.53%	-34.96%
10/25/2005	MSFT	MICROSOFT	33.76	200	1.18%	36.24%	13.06%	14.96%
10/25/2005	CSCO	CISCO SYSTEMS	29.30	350	1.79%	71.35%	7.21%	8.23%
12/2/2005	NIHD	NII HOLDINGS	52.25	75	0.69%	-27.41%	-18.92%	-21.20%
12/20/2005	ADBE	ADOBE SYSTEMS	40.82	75	0.54%	8.22%	-0.73%	-0.83%
12/8/2006	GRMN	GARMIN	84.00	75	1.10%	74.85%	50.92%	59.59%
2/16/2007	RIMM	RESEARCH IN MOTION	103.01	150	2.70%	126.96%	141.85%	172.65%
3/28/2007	INFY	INFOSYS TECHNOLOGIES	41.24	100	0.72%	-17.90%	-18.19%	-20.39%
3/21/2006	AAPL	APPLE	164.30	50	1.44%	161.21%	93.66%	111.84%
11/9/2007	AMX	AMERICAN MOVIL S.A.B.	59.00	75	0.77%	0.61%	30.47%	35.27%
Industrials								
10/10/2006	XLI	INDUSTRIAL SPDR	38.80	740	5.02%	-2.64%	1.54%	1.76%
10/26/2007	TRN	TRINITY INDUSTRIES	27.00	125	0.59%	-24.62%	-23.30%	-26.01%
5/1/2007	BA	BOEING	91.34	75	1.20%	-1.22%	-1.97%	-2.24%
5/1/2007	GOL	GOL LINHAS AEREAS	25.70	100	0.45%	-8.66%	-9.68%	-10.92%
12/20/2005	MMM	3M COMPANY	79.65	50	0.70%	3.76%	2.21%	2.51%
11/29/2006	CAT	CATERPILLAR	69.73	100	1.22%	13.98%	13.70%	15.69%
12/20/2005	HON	HONEYWELL INTERNATIONAL	57.16	100	1.00%	39.35%	26.35%	30.42%

Current Holdings (cont'd)

<i>Purchase Date</i>	<i>Ticker</i>	<i>Name</i>	<i>Current Price</i>	<i>Shares</i>	<i>Stock Weight in Portfolio</i>	<i>HPR Percent Gain / Loss</i>	<i>YTD Percent Gain / Loss</i>	<i>Annualized Percent Gain / Loss</i>
Consumer Discretionary								
10/10/2006	XLY	CONSUMER DIS SPDR	34.02	720	4.29	-5.74%	-11.31%	-12.75%
5/3/2007	BBY	BEST BUY	46.34	100	0.81	-0.28%	-1.21%	-1.38%
5/16/2007	GES	GUESS	45.64	100	0.80	13.26%	12.91%	14.79%
10/25/2005	MCD	MCDONALDS	57.18	100	1.00	73.59%	28.99%	33.52%
12/14/2005	HMC	HONDA MOTOR COMPANY	34.08	50	0.30	20.59%	-13.81%	-15.53%
Consumer Staples								
10/25/2005	XLP	CONSUMER STAPLES SPDR	28.44	1,650	8.21	12.75%	8.88%	10.15%
2/16/2007	CVS	CVS CAREMARK	42.02	125	0.92	29.17%	28.62%	33.09%
4/2/2007	KFT	KRAFT FOODS	32.37	34	0.19	9.93%	6.45%	7.35%
12/2/2005	MO	ALTRIA GROUP	72.27	50	0.63	43.10%	13.08%	14.98%
Energy								
3/21/2006	XLE	ENERGY SPDR	70.80	445	5.51	2.94%	20.76%	23.89%
10/18/2006	COP	CONOCO PHILLIPS	78.04	100	1.37	26.87%	8.46%	9.67%
5/16/2007	PTR	PETROCHINA OCEANEERING INTERNATIONAL	192.72	35	1.18	48.74%	36.89%	42.85%
2/1/2007	OII	INTERNATIOAL	64.34	200	2.25	62.60%	62.07%	73.05%
2/14/2007	NE	NOBLE CORP	50.78	100	0.89	42.61%	42.44%	49.45%
2/20/2007	ARD	ARENA RESOURCES	32.26	100	0.56	44.37%	51.07%	59.77%
12/20/2005	PLL	PARALLEL PETROLEUM	18.66	300	0.98	5.90%	6.20%	7.08%
Healthcare								
10/25/2005	XLV	HEALTH CARE SPDR	35.38	920	5.70	5.54%	5.64%	6.43%
3/21/2006	PBE	PS BIOTECH ETF	19.20	325	1.09	5.79%	8.79%	10.04%
3/22/2007	NVS	NOVARTIS	52.79	75	0.69	-7.40%	-8.10%	-9.15%
12/21/2006	DGX	QUEST DIAGNOSTICS	54.48	75	0.71	3.45%	2.79%	3.18%
12/21/2006	SYK	STRYKER	70.82	75	0.93	28.95%	28.51%	32.96%
4/28/2006	DNA	GENENTECH	74.53	75	0.98	-5.87%	-8.14%	-9.19%
2/14/2007	MDT	MEDTRONIC	46.25	50	0.40	-14.63%	-15.29%	-17.18%
3/21/2006	UNH	UNITEDHEALTH GROUP	53.02	50	0.46	-4.93%	-1.32%	-1.50%
Materials								
10/25/2005	XLB	MATERIALS SPDR	40.25	425	2.99	3.79%	15.63%	17.93%
Utilities								
10/10/2006	XLU	UTILITIES SPDR	41.67	350	2.55	17.05%	13.84%	15.45%
Alternative								
11/3/2006	CHL	CHINA MOBILE	87.79	100	1.54	106.30%	103.12%	123.63%

Statement of Operations

January 1, 2007 through November 15, 2007

Income:

Dividends		\$ 6,200.20
Interest		<u>\$ -</u>
		\$ 6,200.20

Expenses:

Custodial Fees	\$ -	
Trading Cost	\$ 745.75	
	\$ 745.75	\$ 745.75

Net Investment Income: \$ 5,454.45

Realized Gain (Loss) on Investments:

Proceeds from Securities Sold	\$ 366,777.66	
Cost of Securities Sold	\$ 362,682.49	
Net Realized Gain (Loss) on Investments		\$ 4,095.17

Net Increase (Decrease) in Unrealized Appreciation on Investments:

Market Value of Holdings as of November 15, 2007	\$416,061.45	
Market Value of Holdings as of January 1, 2007	\$394,178.74	
Unrealized Appreciation	\$ 17,787.54	
Increase (Decrease) in Net Unrealized Appreciation		\$17,787.54

Net Realized Gain (Loss) and Increase (Decrease) in Net Unrealized Appreciation: \$21,882.71

Net Increase (Decrease) in Assets Resulting from Operations: \$27,337.16

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Bank of America

Jack Murphy '84 MBA
Senior Portfolio Manager
Levin Capital

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*Operating Partner &
Investment Strategist*
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