

12-1-2010

The Archway Investment Fund Semi Annual Report, December 2010

Bryant University, Archway Investment Fund

Follow this and additional works at: http://digitalcommons.bryant.edu/archway_investment



Part of the [Finance and Financial Management Commons](#)

Recommended Citation

Bryant University, Archway Investment Fund, "The Archway Investment Fund Semi Annual Report, December 2010" (2010). *Archway Investment Fund*. Paper 9.

http://digitalcommons.bryant.edu/archway_investment/9

This Report is brought to you for free and open access by the Archway Investment Fund at DigitalCommons@Bryant University. It has been accepted for inclusion in Archway Investment Fund by an authorized administrator of DigitalCommons@Bryant University. For more information, please contact dcommons@bryant.edu.



The Archway Investment Fund

BRYANT UNIVERSITY



Semi-Annual Report • December 2010

Investment Advisory Board

Rodney Baillargeon '76

Senior Vice President, Portfolio Manager
Bank of America

Nicholas Bohnsack '00

Operating Partner and Investment Strategist
Strategas Research Partners, LLC

Jonathan Burke '03

Senior Investment Analyst
Amica

Todd Carey '00 MBA

Vice President
J.P. Morgan Private Bank

J. Steven Cowen '69

Owner and Principal
Cowen & Associates

Michael Fisher '67

Chairman, Board of Trustees
Bryant University

Andrew Goldberg '03

Vice President
J.P. Morgan Asset Management

Frank Guest '06

Senior Financial Analyst
Hartford Investment Management Company

David Louton

Professor and Chair, Finance Department
Coordinator, C.V. Starr Financial Markets Center

Barry Morrison

Vice President for Business Affairs/Treasurer
Bryant University

Jack Murphy '84 MBA

Senior Portfolio Manager
Levin Capital

Peter Nigro

Sarkisian Professor of Financial Services
Bryant University

Peter Phillips

Vice President and Investment Officer
Washington Trust Investors

Jerry Porter

Director, Business and Industry Training
Fidelity Investments

Steven Rogé '03

Portfolio Manager
R.W. Rogé & Company, Inc.

Louis Silk '99

NYSE Sales Trader
Dermott Clancy, Inc.

Kristen Stein '05

Assistant Vice President
Citi Private Bank



Table of Contents

Note from the Coordinator	1
Thoughts from Professor Inci	1
Meeting & Dinner with Chairman Bernanke	2
Letter from the Executive Committee	3
Economic Overview	4
Alumni Update	5
Guest Speakers	6
Securities Analysis	7
Portfolio Management	14
Fund Committees	15
Portfolio Performance	18
Best and Worst Performers	19
Current Holdings	22
Statement of Operations	24

Note from the Coordinator

This has been a second difficult year for the student managers of the Archway Investment Fund. The uncertainty induced by government policy response, or speculation about potential government policy response, to the continued weakness of the economy, created a very challenging market environment. Under these circumstances, our decision processes proved to be too cumbersome. The Archway Investment Fund experience is, after all, supposed to be first and foremost a learning experience, and in the past it was often the case that our most important decisions were reached only after several weeks of careful examination and debate. However, by the end of the second quarter we were trailing the S&P500 by approximately 3%, and it became clear that we not only needed to make better decisions, but also faster ones. Although the performance of the Fund was significantly better during the third quarter, and the first month of the fourth quarter, coming up with ways to streamline our decision processes without sacrificing learning goals, has been a major theme for the second half of the year.

In addition to challenges, we also had some great opportunities during the Fall semester. The most noteworthy of these was an opportunity for a group of a dozen or so members of the Archway Investment Fund classes to attend a special “students only” question and answer session with Federal Reserve Board Chairman Ben Bernanke (see p. 2). This proved to be both an interesting and instructive experience for those involved, and certainly one which will not soon be forgotten.

The remaining pages of this report provide additional detail on the investment strategy adopted by Archway Investment Fund Managers, along with performance statistics, a list of current holdings, and a statement of operations for the year to date. We are always looking for ways to improve. If you have comments or suggestions, please send them to archwayfund@bryant.edu.

~Prof. David Louton



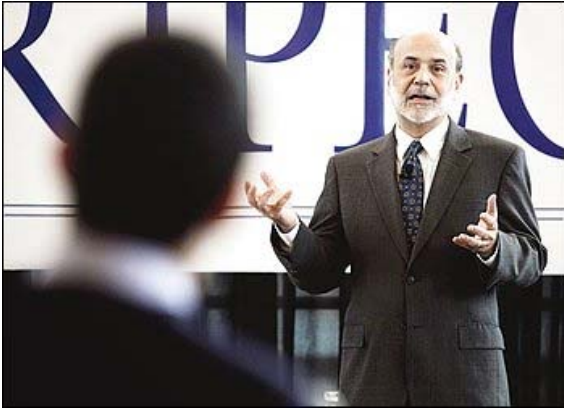
Thoughts from Professor Inci



Archway Investment Fund students have faced interesting challenges during the Fall 2010 semester. The changes in the political climate, increases in prices of commodities and precious materials, international currency movements and the debt structures of European Union countries, sluggish macroeconomic conditions and the efforts of the Federal Reserve to provide further stimulus for growth have been just some of the real life issues that have impacted the research and investment decisions of the students. These uncertainties have increased the complexity of analyzing sectors as well as individual securities, and issuing investment recommendations in the Securities Analysis course. Furthermore, the challenges have provided additional learning opportunities for the students.

-Prof. A. Can Inci

Chairman Bernanke Speaks About The Economy



This semester, a select group of business students concentrating their studies in the areas of finance and economics attended a question-and-answer session with Federal Reserve Chairman Benjamin Bernanke. Chairman Bernanke visited Rhode Island on October 4, 2010, to speak at the Rhode Island Public Expenditure Council* (RIPEC) annual meeting. Prior to this presentation, he held a town meeting for Rhode Island graduate and undergraduate students that was hosted by Bryant University President Ronald K. Machtley.

At the town meeting, students questioned Chairman Bernanke on several topics including the Federal Reserve's current and future policies, the state of the economy, and college loan interest rates. The town meeting was extremely informative and reassuring. After a student asked the Chairman what advice he had for the group of graduating students, Bernanke stated, "I'm sorry that the economy's not stronger right now, but it will get stronger." He further lauded the students for getting an advanced education and encouraged them to weigh experience that could be gained more heavily than potential monetary rewards when evaluating their future job offers.

"...Our public finances are...on an unsustainable path in the longer term, reflecting in large part our aging population and the continual rise in healthcare costs."

Benjamin Bernanke, Chairman of the Federal Reserve

Bernanke explained that history has proven that countries continually spending beyond their means are prone to continued economic and financial instability and suffer slower growth in living standards and incomes.

The opportunity for the students to hear Chairman Bernanke speak was incredible and the learning experience was one they will be talking about for many years to come.

**Rhode Island Public Expenditure Council (RIPEC) is an independent, nonpartisan and non-profit public policy research and education organization dedicated to the advancement of efficient, effective and equitable government in Rhode Island. It was founded in 1932 and strives to promote economical and responsible government for Rhode Island.*

Following the town meeting, students had the opportunity to interact with Chairman Bernanke at a networking reception. During the RIPEC meeting, students heard from influential members of the Rhode Island community regarding the future of Rhode Island, including Bryant President Ronald Machtley, President of RIPEC; Senator Theresa Paiva-Weed, President of the Rhode Island Senate; Representative Gordon Fox, Speaker of the Rhode Island House; Donald Carcieri, Governor of Rhode Island; Ellen Alemany, Chairman and CEO of Citizens Financial Group, Inc.; and Jack Reed, the United States Senator from Rhode Island. The keynote address was delivered by Chairman Benjamin Bernanke, who warned that the nation's public finances could be depleted as healthcare costs increase and the United States population ages. He stated that "an improving economy should reduce near-term deficits, but our public finances are, nevertheless, on an unsustainable path in the longer term, reflecting in large part our aging population and the continual rise in healthcare costs."



Back Row (L-R): Joshua Ballance, President Ronald K. Machtley, Melissa Allen
Front Row (L-R): Daniela Mejia, Chairman Bernanke, Jennifer Schwall, Kyle Kober, Andrew Goldsmith

Letter from the Executive Committee

THIS SEMESTER, THE EXECUTIVE COMMITTEE HAS FACED MANY CHALLENGES, including deciphering the financial reform bill and its effects, strategies for handling inflationary concerns, and reducing our holdings of sector SPDR ETFs. In addition to this, the Executive Committee recognizes we are in a time of great macroeconomic uncertainty, with no clear indication of whether there will be a recovery soon or just stagnant economic performance for the following months.

We believe the instability is due to the fact that we are faced with continued Federal Reserve intervention, which can trigger a variety of different actions we need to take for protection or to capitalize upon opportunities. This has caused us to closely monitor domestic indicators such as consumer confidence and sentiment, unemployment, credit conditions, and the value of the dollar. Because of this ambivalence, our team has continually emphasized the need to focus on emerging opportunities outside of the United States. In response to major shifts, such as the growing middle class in the Middle East and Asia, as well as strong growth potential in areas such as Latin America and India, we have created a portfolio with a diverse set of holdings. As a result, many of the companies we hold have multiple international revenue streams and as a result have a stabilizing influence on the fund.

Managing the portfolio with inflationary concerns in mind has been a large portion of the Executive Committee's work this semester. We believe that in the coming months, inflation may not be an excessive threat to the Fund; however, that may change within six to twelve months as inflation rises beyond investor expectations. Our team has discussed and recommended the use of commodities such as precious and base metals, as well as currencies in the form of ETF positions that can act as a hedge against inflation.



(L-R) Kendal Cehanowicz, Daniela Mejia, Lee Giunta, Jennifer Schwall, Kyle Kober

"Managing assets in these turbulent economic times has certainly proved challenging. However, it has given us the perspective and experience to approach the variety of market conditions we may face in our lifetimes."

Alexander Walsh'10

Economic Overview

June 2009 marked the end of the longest recession ever experienced by the United States, as determined by the National Bureau of Economic Research. However, the U.S. is far from a full recovery. In fact, analysts are beginning to talk about a “square root” shaped recovery. The shape of the recovery describes a downturn in economic activity, followed by a slight recovery, and then a stagnant recovery. Strong economic indicators as well as emerging market growth have fueled a tremendous rally in equity markets, but the question remains, is this based on unfounded optimism? The United States has seen GDP growth of 1.7% in the first quarter of this year, and 2% in the third quarter. This slowed growth, coupled with the recent foreclosure issues, has led to another decline in consumer confidence over the past three months. Other threats continue to loom over the global economic situation, including a second round of quantitative easing, Europe’s debt crisis, growing national debt, difficulties with commercial real estate, and growing currency tensions.

The Federal Reserve Open Market Committee will maintain its historically low Federal Funds rate at 0 to 0.25 percent, where it has been since December 2008, due to restrained inflation trends and economic recovery. The economy is still plagued by high unemployment, modest economic growth, tight credit, and diminished household wealth. To counter this, the Federal Reserve has proposed a second round of quantitative easing to lower interest rates and to kick-start the economy.

Fears of the double-dip recession have subsided for the most part, but there is serious concern that we are now in an extended period of very slow growth. Fears over this slow period have led to global currency tensions as countries try to devalue their own currency in an attempt to boost exports and their economic activity. However, a global currency war could cripple recovery efforts and possibly plunge the world into another recession.

Risks abound, yet there are still some bright spots in the world. China has shown incredible growth during this troubled time, and countries like Australia and Brazil have shown themselves to be true economic powers as they have weathered the storm and created job growth and increased production. In the end, uncertainties about what the future holds inundate us, but one thing is certain: the next wave of global growth will come out of Latin America and Asia as the U.S. and Western Europe struggle to climb the very steep hill to complete recovery.



*“You are neither right
nor wrong because the
crowd disagrees with
you. You are right
because your data and
reasoning are right”*

Benjamin Graham,
legendary investor
and author of
“The Intelligent Investor”

Archway Investment Fund Alumni Update

Sarah McDonnell '07

Currently, Sarah is working at BNP Paribas as a Prime Services Trader. She is responsible for writing swaps (legal contracts) to create synthetic long and/or short exposure to securities for hedge fund clients. She then hedges those swap transactions in the market by trading equities, preferred stocks, bonds, and futures contracts. She also facilitates locate requests for Prime Brokerage clients when they wish to short sell a security. According to Sarah, "the Archway Fund introduced many of the ideas/strategies that [her] clients use in their investment thesis. The detailed way the class scrutinizes a security for inclusion in the Fund (including; sector trends, revenue growth, EPS estimates, FCF analysis, management team goals, change in insider holdings, short interest, etc) prepares you for the complexities (and vast amounts of never-ending reading material!!!) of Wall Street." Her advice for students beginning their careers is to be prepared to ask their interviewers questions and determine if the job truly fits their personalities. Also, she suggests being creative in the job search process. "Use the yellow pages, newspapers, and CONTACTS. Sometimes, to get you're foot in the door, *it's not what you know, but who you know*, so network as much as

Jessica LaRoche '07

Jessica is currently working at Cambridge Associates as a Senior Investment Performance Analyst. She is responsible for tracking private equity and venture capital fund performance for Cambridge Associates' clients which are made up of high net worth endowments, foundations, families, pension funds, etc. She analyzes private equity and venture capital financial statements on a quarterly basis and participates in special projects related to new initiatives within the non-marketable investment space. According to Jessica, the Archway Fund taught her a tremendous amount about Microsoft Excel which she uses daily in her career. Also, the demanding deadlines in the program helped her improve her time management skills. She also feels that the "attention to detail and gaining experience researching different companies and being objective about each company helped [her] prepare for [her] responsibilities tracking Funds and working on client related requests." In five years, Jessica plans to be completing her MBA and then looking for a position that will continue to challenge her within the investment industry. Her advice for current students is to always be open for opportunities and remain open minded during the job search.. "Always be open to new opportunities within any company that you join, you never know where you'll end up!"



Speakers and Other Special Guests

Throughout the semester Portfolio Management and Securities Analysis classes meet for a joint session on Thursday nights. These classes are typically broken up between guest speakers, strategy presentations, and stock pitches.

At the start of the semester, the Executive Committee and Portfolio Managers present their strategic outlook for the Fund and individual sectors. During this time, the class as a whole asks questions and gives feedback regarding these initiatives and the securities analysts can begin researching niche opportunities as directed by the portfolio managers.

As the semester progresses, securities analysts use this time to pitch stock proposals and present updates on the sectors and sub-sectors for which they are responsible. This is an opportunity for the portfolio managers to hear the analysts' views and initiatives.

Thursday evening classes also serve as a time for guest speakers to address the Archway Investment Fund students. We would like to say a special thank you to the following individuals, who took the time to share their insights with us in class.



J. Steven Cowen '69

Special thanks to the following alumni for speaking to our classes:

Nicholas Bohnsack '00

*Operating Partner and Sector Strategist
Strategas Research Partners*

J. Steven Cowen '69

*Owner and Principal
Cowen & Associates*

Jessica LaRoche '07

*Senior Analyst
Cambridge Associates*

Brett Lousararian '07

*Institutional Sales, Service & Consultant Relations Analyst
Invesco*

Sarah McDonnell '07

*Prime Services Trader
BNP Paribas*

Jack Murphy '84 MBA

*Portfolio Manager
Levin Capital*

Edward O'Brien

*Senior Vice President
Fidelity Institutional Wealth Services*

Christian Pickett '07

*Institutional Equity Salesman
FBR Capital Markets, Institutional Equity Sales*

Anthony Ricci '10

*Analyst
Highbridge Capital Management*

Securities Analysis



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 on investments. Students learn the basic tools and techniques of securities analysis and develop their skills by analyzing real firms, interacting with portfolio management students, and making recommendations to audiences, including investment professionals.

Topics Covered

The Securities Analysis class covers an array of topics, including:

- Research data sources and screening methods
- Security selection
- Discounted cash flow valuation
- Relative valuation methods
- Identifying growth and value opportunities

Securities Analysis – Archway Fund Sectors

Economic Analysis and Emerging Opportunities Sector

Energy Sector Returns (YTD): -12.87%

SPDR (XLE): 2.43%

Materials Sector Returns (YTD): 9.87%

SPDR (XLB): 11.06%

Utilities Sector Returns (YTD): 4.04%

SPDR (XLU): 2.18%

The Economic Analysis and Emerging Opportunities group (EEO) is responsible for investments in the Energy, Materials, and Utilities Sectors. Companies in the Energy Sector primarily develop and produce crude oil and natural gas, and provide drilling and other energy-related services. Our outlook on the sector has been market weight because oil prices over the last six months have been relatively stable. However, we will soon overweight the sector because we predict that oil prices will move higher due to the economic recovery, inflation expectations related to a second round of quantitative easing, and the continuously weak value of the dollar.

Natural gas prices are expected to rise in the mid- to long-range time frame, but in the short-term we expect natural gas prices to be depressed as supply continues to outpace demand. Equipment and Services companies still remain positive for the sector due to a rebound in demand for oil and an increasing trend in capital expenditures. Refining and marketing has stayed negative due to consistently low margins and uncertainty of the sector going forward. We now have a positive outlook on Integrated Oil as this company sets itself up to capture the rising prices of both oil and natural gas, and benefit from the low cost of capital in today's market.

The Materials Sector is currently overweight, due to an optimistic outlook on infrastructure spending and inflationary pressures. Specifically, we are positive on metals and mining, and have targeted investments with a large concentration in iron ore, copper, or gold. China is now a major importer of both copper and iron ore, which should provide positive upside pressure to both commodities. Gold has seen a major rally over the past two years, which has provided a considerable boost to mining companies that have gold production as a byproduct of their core mining businesses.

*"Only buy something
you'd be perfectly happy
to hold if the market shut
down for the ten years"*

Warren Buffett
CEO
Berkshire Hathaway

Our short term strategy for the Utilities Sector is underweight. With current trends of increasing government regulation in the industry, we see profits adversely affected. Also, we have yet to see a significant increase in demand for smart chips for utility companies. Going forward, however, we will examine opportunities that will benefit from government spending and infrastructure development for utility companies.

PORTFOLIO MANAGERS



(L-R) Daniela Mejia, Kyle Kober

SECURITIES ANALYSTS



(L-R) Andrew Fitzgerald, Jordan Lardieri, Thomas Carroll, Jeffrey Doyle, Brendan O'Donnell

Securities Analysis — Archway Fund Sectors

Consumer Discretionary and Staples Sector

Consumer Discretionary Returns (YTD): 16.79% SPDR (XLY): 17.52%
Consumer Staples Returns (YTD): 10.00% SPDR (XLP): 10.88%

The Consumer Staples Sector comprises companies that develop and produce consumer products in the areas of beverages, food, tobacco, household, and personal products. These retail items tend to be common necessities of everyday life, and thus demand for them is fairly constant. The Consumer Discretionary Sector relies heavily on consumer spending, and involves companies whose products are not essential consumer necessities. Industries within this sector include automobiles and auto-parts, consumer durables, apparel, hotels, restaurant, leisure, media, and retailing.

Over the course of the semester, we have seen no indicators in consumer confidence or unemployment to convince us we are positioned for full economic recovery. Because of this, we remain focused on a strong Consumer Staples Sector, but seek out industries in the Consumer Discretionary Sector, which may excel during these times and exhibit strong fundamentals and positioning. The main discretionary industries we have focused on this semester are auto-parts and discount retailing. We feel that due to economic uncertainty, many consumers will continue to trade down at retail stores as well as repair automobiles, instead of buying new. Within the Staples Sector, we have maintained focus on companies with a large international presence, especially exposure to BRIC (Brazil, Russia, India, and China) nations and Latin America to exploit the trend of an emerging middle class. As population and middle class growth occurs, more individuals will be able to purchase discretionary items and spur profitability.

This semester our sector strategy has also involved the streamlining of both the Consumer Staples and Discretionary Sectors. We feel that holding the XLY and XLP SPDRs provide us with adequate exposure to the major drivers of the sectors, as well as diversification benefits. Thus we have aimed to take larger, strategic positions that are less represented in the SPDR, which we expect to outperform in their respective industries.

"What we try to do is take advantage of errors others make, usually because they are too short-term oriented, or they react to dramatic events, or they overestimate the impact of events, and so on."

Bill Miller
legendary portfolio manager
Legg Mason

PORTFOLIO MANAGERS



(L-R) Sean Kaukas, Spencer Eriksen,
Kendal Cehanowicz

SECURITIES ANALYSTS



(L-R) Regina Salgado, Matthew Barnes, Kelly
Campelia, Christopher Beels, Thomas Allin

Securities Analysis – Archway Fund Sectors

Healthcare Sector

Healthcare Returns (YTD): -1.03%

SPDR (XLV): 2.75%

The sector concentrates on investment opportunities in Biotechnology, Pharmaceuticals, Managed Care, and Medical Products and Supplies companies. After analyzing the opportunities available within the sector, we recommended a move from under weight to market weight this semester. In our view, the best prospects can be found in growing trends such as mergers and acquisitions, as well as opportunities arising from President Obama's new healthcare plan. In addition to these trends, we have focused on mid to large cap Managed Care, Pharmaceutical and emerging Healthcare Information Technology Companies. One of the new tasks of the Healthcare Sector this semester was to work to develop a strategy for monitoring and analyzing Healthcare Information Technology, since in previous years the healthcare group has avoided the information technology sub industry.

Throughout the semester the Healthcare Industry was unusually volatile due to the battle in congress over the Healthcare Bill. The deal that finally passed in mid March had mixed winners and losers. Winners included pharmaceutical companies that received patent protection extensions along with warding off deeper price cuts, and Medical Devices and Supply manufacturers that reduced industry taxes of \$40 billion down to \$20 billion while delaying them until 2013. Losers included health insurers that face tighter legislation, including discontinuing the allowance of denial based upon pre-existing conditions, and generic drug makers that will face patent extensions for brand name drug makers in pharmaceutical as well as biotech companies.

There are a few issues that we are currently monitoring, and will continue to monitor in upcoming semesters. One is that the combination of a rising population and increasing elderly demographic with chronic diseases will allow many healthcare companies to bring in revenue for an extended period. Another area we believe upcoming classes would find beneficial to continue researching and investing in is the developing sub industry of Healthcare IT, as we see this sub sector growing into a major earner. Additionally, we will continue to look for opportunities in emerging markets, blockbuster drugs, and undervalued companies with the potential to be acquisition targets.

"We learn from mistakes and find opportunity in what we learn."

Michael Ostrander, '10

SECURITIES ANALYSTS



(L-R) Myles Ojala, Brian Murphy, Corey Hill, Robyn Gardner

PORTFOLIO MANAGERS



(L-R) Amy Cullum, Joseph Heiberger, Brendan Nicholas, Andrew Goldsmith

Securities Analysis – Archway Fund Sectors

Financial Sector

Financial Sector Returns (YTD): -2.01%

SPDR (XLF): 4.50%

The Financial Sector focuses on several different sub-sectors, including investment services, diversified financials, banking, insurance, and real estate investment trusts (REITs). This sector has seen an enormous recovery since the lows of March 2009, which has allowed returns in the sector's holdings to improve quite nicely. A continued low target rate set by the Federal Reserve has provided very favorable conditions for lenders. Due to historically low rates, banks have been able to borrow at rates near zero while still charging their borrowers a higher premium because of economic uncertainty. However, we do not expect the low rates to continue, based on statements made by Federal Reserve officials. The past year has also brought increased demand for regulation and an end to market-support programs. Both could have adverse effects on the sector if abruptly executed. The ramifications of the Dodd-Frank bill are gradually becoming better understood and we are implementing strategies that target those institutions best served by the bill.

The year-to-date performance of the Financial Sector has been strong. Continued consolidation and positive earnings reports have allowed strong, stable companies to realize gains. Our strategy during the third quarter of 2010 was to continue our focus on healthy regional banks that are increasing their customer bases and are not highly regulated by the new bill. Also, as international wealth has risen and the value of the dollar has decreased, emerging markets have become a favorable play, and we have implemented a strategy to target international banks which serve emerging markets.

Our general outlook for the Financial Sector remains relatively neutral. Across the sub-sectors, we remain positive on investment services, regional banks, and diversified financials, and neutral on insurance services and large banks. We have a negative outlook on real estate investments trusts. The Financial Sector currently remains at market weight, but is being watched closely to ensure that any negative effects resulting from regulation or rising interest rates do not drag performance down. One determining factor for our future stock selection is finding companies that are definitively undervalued. The strong gains have left most companies overvalued in our opinion, which, in turn, increases the importance of due diligence when evaluating our prospective holdings. A continued global recovery will benefit our current strategy, but monitoring domestic policies is imperative for our continued strong performance.

SECURITIES ANALYSTS



(L-R) Andrew Hayden, Michelle Figat, Matthew Descoteaux, Megan McKenzie, Michael LaBrosse

PORTFOLIO MANAGERS



(L-R) Jennifer Schwall, Thomas Lill, Quinten Muller

Securities Analysis – Archway Fund Sectors

Technology Sector

Technology Returns (YTD): 7.28%

SPDR (XLK): 8.70%

The Technology Sector has been a steady beneficiary of the continual recovery from the global recession. There was tremendous pent up demand for technological products as corporate and consumer spending has been improving. We chose to focus on industries that we felt would profit the most from loosening budgets. We concentrated particularly on the semiconductor industry as we felt that it would benefit from a resurfacing of spending on the latest and greatest gadgets. Chip sales have seen a dramatic increase in 2010, and we believe that this industry has a great deal of upside potential as demand remains healthy.

Our current benchmark, the XLK, provides us with a good foundation on which to assess our performance. The strategy for our sector this semester was to try to move away from current holdings that represent a large portion of our benchmark in order to diversify further. The stocks that we have been most interested in are small to mid-cap companies whom offer new and innovative products that not only have large profit potential but also may be take-over targets in such a competitive sector. Additionally, these stocks allow us to move away from the benchmark and better evaluate our selection strategies while also realizing significant opportunities.

Going forward, we retain a positive outlook on the sector as increased recovery and emerging markets will prove to be catalysts for growth in Technology. We feel the semiconductor industry will continue to profit in the coming year from increasing spending. Likewise, we feel that the computer services industry will begin to pick up as corporate IT spending returns to the sector.

SECURITIES ANALYSTS



(L-R) Matthew Van Gelder, Luke Stankiewicz,
Jennifer Chau, Valeria Coutu, Bill Chau

PORTFOLIO MANAGERS



(L-R) Matthew Derwin, Lee Giunta, Gregory Najarian

*"The future of our country is not
found in our boardrooms, but in our
classrooms."*

Michael Milken,
Founder
The Milken Institute

Securities Analysis — Archway Fund Sectors

Industrials Sector

Industrials Returns (YTD): 15.55%

SPDR (XLI): 18.30%

This semester we recommended an overweight for the sector due to our optimistic outlook on the likely impact of government stimulus spending allocated to infrastructure projects. The continually rising Purchasing Managers Index (PMI), the sector's leading economic indicator, demonstrates an increasing demand for industrial machinery. Key sub-sectors that we are reviewing for opportunities include aerospace and defense and industrial machinery. Our sector strategy revolves around companies in niche markets, and emerging market opportunities.

Previously we had been moving away from the XLI, the Industrial Sector SPDR, but have found that that strategy doesn't add alpha to the fund. Since the Fund's Alternative Investment Committee focuses mainly on international ETFs, we based our holdings on domestic indices.

Individual equity selections have fared well, especially Honeywell International Co. and Dover Corp. More important than domestic sub-sectors is the international market potential. While China has already seen significant growth, we expect growth rates in that market to mature or level off. However, we expect more rapid growth in Brazil and Mexico. As urban areas become more industrial, roads and buildings will have to be renovated to keep up with expansion. Along with growing internationally, we also are trying to get exposure to logistics companies, because in tough economic times corporations usually try and cut costs. This would suggest purchasing either railway companies or major airlines; an approach that hasn't been used within the Industrials Sector in the past year or so. Going into next semester, our sector will still have a focus on the domestic construction and engineering companies that also do business internationally, while keeping a close eye on the emerging markets as well as the more mature Asian markets.

"If investing is entertaining, if you're having fun, you're probably not making any money. Good investing is boring."

George Soros
Soros Fund Management

SECURITIES ANALYSTS



(L-R) Thomas Nelan, Kevin Lee, Eric Narkiewicz, Chris Engel

PORTFOLIO MANAGERS



(L-R) James Flora, Luke Leger, Michael Pyne

Portfolio Management



Portfolio Management – FIN 454

Course Description

Portfolio Management is the capstone course of the Archway Investment Fund sequence for students majoring in finance with an emphasis on investments. Students learn the basic tools and techniques of portfolio management and develop their skills by managing a real securities portfolio, interacting with securities analysis students, and presenting to audiences which include investment professionals.

Topics Covered

The Portfolio Management class covers an array of topics, including:

- Asset allocation
- Risk measurement
- Benefits of diversification
- Income generation
- Performance evaluation
- Investment Policy Statement development

Portfolio Management — Archway Fund Committees



(L-R) Sean Kaukas, Jennifer Schwall, Spencer Eriksen

The Reporting Committee

The Reporting Committee creates the Archway Investment Fund's semi-annual report that recounts the results from the semester. The final report is distributed to the Fund's Advisory Board, the Bryant Board of Trustees, and current, past, and incoming Archway Investment Fund students. In addition to highlighting the Fund's performance for the semester, the report serves as a comprehensive guide showcasing new talent and current events. Collaborating with the Portfolio Accounting Committee, students organize data related to Fund performance and trade activity, and develop a concise overview for future reference. The end result is a culmination of commitment and dedication exhibited by all those involved in the Archway Investment Fund.

The Compliance Committee

The Compliance Committee tracks the current holdings of the Archway Investment fund and informs securities analysts and portfolio managers when securities reach price targets or are in danger of violating constraints outlined in the investment policy statement. Furthermore, the Compliance Committee tracks key benchmarks and the overall performance of the fund.

A significant achievement of the Compliance Committee this semester has been the implementation of a standardized tracking spreadsheet. This spreadsheet is directly linked to FactSet so that it automatically updates the current stock prices. The spreadsheet allows the Compliance Committee to monitor how close AIF holdings are to their target price, when they were last evaluated, weighting within the sector, and their weight within the Archway Investment Fund. The spreadsheet flags any holdings that are not in compliance with the guidelines set in our investment policy statement.

This semester the committee has also created a standardized compliance checklist. This spreadsheet is aimed at providing the financial analysts and portfolio managers with the necessary tools to ensure that the securities they wish to purchase fall within both the AIF policy guidelines and goals of the current portfolio managers.



(L-R) Quinten Muller, Andrew Goldsmith, Thomas Lill

Portfolio Management — Archway Fund Committees

The Portfolio Accounting Committee

The Portfolio Accounting Committee maintains accurate investment records and calculates performance data for the Archway Investment Fund. The committee uses monthly summary statements from Fidelity Investments to update the Fund's accounting records. This includes making entries for buy and sell orders, dividends received, and mutual fund reinvestments, which affect the Fund's current holdings, taxes, and fees.

At the end of the fiscal year, the Portfolio Accounting Committee closes the prior year's accounting records and prepares for the transition to the next semester. The committee computes a variety of risk-adjusted performance metrics that are presented in the semester report.

The committee is addressing transition problems by making spreadsheets more comprehensible and establishing an instructional packet for the next group of students serving on the committee. Toward the end of the semester, the Portfolio Accounting Committee worked with the Reporting Committee to provide the Fund performance information included in the annual report.



(L-R) Brendon Nicholas, Lee Giunta, Michael Pyne



(L-R) Amy Cullum, Matthew Derwin, Kyle Kober

The Technical Committee

In past years, the goal of the Technical Committee has been to maintain and update the Fund website, as well as other technology used by the securities analysts and portfolio managers. This year we have expanded the goals of the committee to involve items such as standard templates for internal memos, improving internal monitoring of our current holdings, and improving work flow in general.

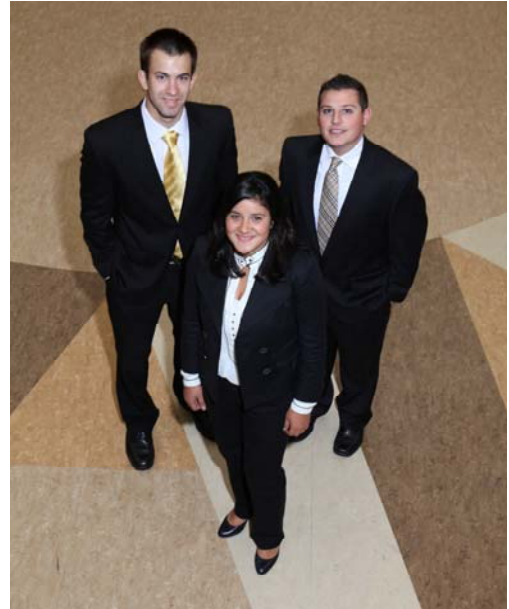
Our goal was to bring the website up to date and create a more user-friendly interface that will appeal to the Bryant community and the general public. The standard memo templates create an elevated sense of professionalism and will create consistency from semester to semester with transfer of information. We will be improving internal monitoring through a redeveloped holdings sheet that can be used anywhere and a new "comp" sheet that will allow the managers and analysts to monitor multiple comparative metrics associated with the holdings. The improvement in workflow will come from the redesign and updating of many procedural documents within the Fund. These improvements should allow the Fund to operate more efficiently and effectively well into the future.

Portfolio Management — Archway Fund Committees

The Alternative Investments Committee

The Alternative Investments Committee seeks to identify outstanding opportunities to add alpha to the Fund in assets not considered by the new themed portfolios and sector groups. Alternative Investments allow the Fund to take on exposure in mutual funds and focused ETFs, and also provides an avenue for rather unique investment. Our main focus this semester has been to discuss positions that will act as an inflation hedge for the fund, as inflationary expectations continue to rise.

Emerging markets have also been an area of interest due to their continued growth and their increased stability. However, since many of the funds that are available through large investment firms hold large international companies, some of the growth advantages are diluted. Mid- to small-cap funds that better capture the movement of these markets have therefore been analyzed by the Alternative Investments Committee, while keeping risk and diversification issues in mind. Many of our positions in alternatives look to capitalize on these opportunities for growth and profit. We feel that these positions provide additional exposure and diversification benefits to the Fund, since their holdings are not typically domestic. In addition to the broad and growing exposure that ETFs provide with emerging markets, we want to position ourselves in order to capitalize on the growth of the middle class in emerging markets. In order to be able to do this, we are looking to solidify some positions on consumer discretionary and consumer staples ETFs.



(L-R) Kendal Cehanowicz, Daniela Mejia, James Flora



(L-R) Gregory Najarian, Luke Leger, Joseph Heiberger

The Marketing Committee

The Marketing Committee is responsible for developing and implementing strategies to promote awareness of the Archway Investment Fund as well as build upon previous semesters' accomplishments. This semester, the Marketing Committee conducted informational sessions on the history of the Fund and course structure for prospective students during finance classes and in meetings of the Bryant University Finance Association. Each group member gave a brief PowerPoint presentation followed by a question-and-answer session highlighting the many opportunities of the Bryant Archway Investment Fund. The idea was to physically get in front of all finance majors to provide information about the Fund. In the end, the presentations were successful, resulting in an abundance of applicants.

Archway Investment Fund Performance

Fund Performance Summary



The Archway Investment Fund underperformed the composite benchmark by 1.93 percent over the first 10 months of 2010. Moreover, when compared to the dynamic benchmark, the Fund exhibited an under-performance of 1.90 percent. We attribute the overall under-performance of the portfolio to misinterpretation of market trends.

The dynamic benchmark is calculated using the fund's actual sector weights in order to determine what the performance of the Fund would have been if it had consisted entirely of sector benchmark ETF's. Since the composite benchmark only slightly outperformed the dynamic benchmark, we conclude that poor stock picking and/or timing of individual stocks was the main factor contributing to the underperformance of the Fund.



The Morningstar style box indicates that the Fund has slightly increased its position in large cap equities, reduced the amount of large cap blend stocks, and significantly increasing the amount of large cap value stocks. Mid cap stocks experienced a mild decrease, primarily in growth securities. Additionally the Fund now has decreased its position in small cap stocks, completely eliminating small cap value stocks.

Annualized and Risk Adjusted Returns

We evaluate performance against a composite benchmark consisting of the S&P500 Total Return for the portion of the fund invested in domestic equities, and the MSCI All World index for the portion of the fund invested in alternative assets.

Fund	YTD Return	Annualized YTD Return	YTD Differential Return	Annualized Differential Return	Beta	Standard Deviation	Sharpe Measure	Treynor Measure
Archway Investment Fund	4.37%	5.26%	-1.93%	-2.33%	0.95	18.19%	0.29	0.055
Dynamic Benchmark	6.26%	7.56%	-0.03%	-0.03%	0.97	18.76%	0.40	0.078
Composite Benchmark	6.29%	7.59%			1.00	18.88%	0.40	0.076
S&P 500 Index	6.16%	7.44%			1.00	19.00%	0.39	0.074

Top Performers

Listed below are the portfolio's five best performing securities for the year-to-date:

Purchase Date	Ticker	Name	Current Price	Shares	Stock Weight in Portfolio	YTD Gain/Loss	HPR
3/5/2010	ALV	Autoliv Inc.	\$71.30	50	0.61%	48.02%	48.02%
10/2/2009	AAPL	Apple Inc.	300.98	38	1.96%	42.38%	62.74%
5/7/2010	INTU	Intuit Inc.	47.98	200	1.64%	36.38%	36.38%
10/19/2009	FDS	FactSet Research Systems Inc.	87.78	50	0.75%	33.26%	31.88%
4/15/2009	DOV	Dover Corp	53.10	100	0.91%	27.61%	75.60%

Worst Performers

Listed below are the portfolio's five worst performing securities for the year-to-date:

Purchase Date	Ticker	Name	Current Price	Shares	Stock Weight in Portfolio	YTD Gain/Loss	HPR
4/20/2010	COV	Covidien PLC	\$39.87	78	0.53%	-23.80%	-23.80%
11/16/2009	MMSI	Merit Medical Systems Inc.	15.81	175	0.47%	--17.83%	-8.71%
3/30/2010	DGX	Quest Diagnostics Inc.	49.14	80	0.67%	-16.14%	-16.14%
4/23/2010	JPM	JPMorgan Chase & Co.	37.63	150	0.97%	-16.06%	-16.06%
5/8/2009	CNX	Consol Energy Inc.	36.67	250	1.57%	-5.81%	-5.81%

Archway Investment Fund Performance

Archway Fund Morningstar Style Box

MARKET CAPITALIZATION	Large	12.1%	12.9%	49.3%
	Medium	1.9%	4.2%	13.2%
	Small	0.6%	0.0%	2.8%
		Value	Blend	Growth

VALUATION

This is the distribution of stocks in the portfolio. Companies are classified on the basis of size and a combination of a value score and a growth score.

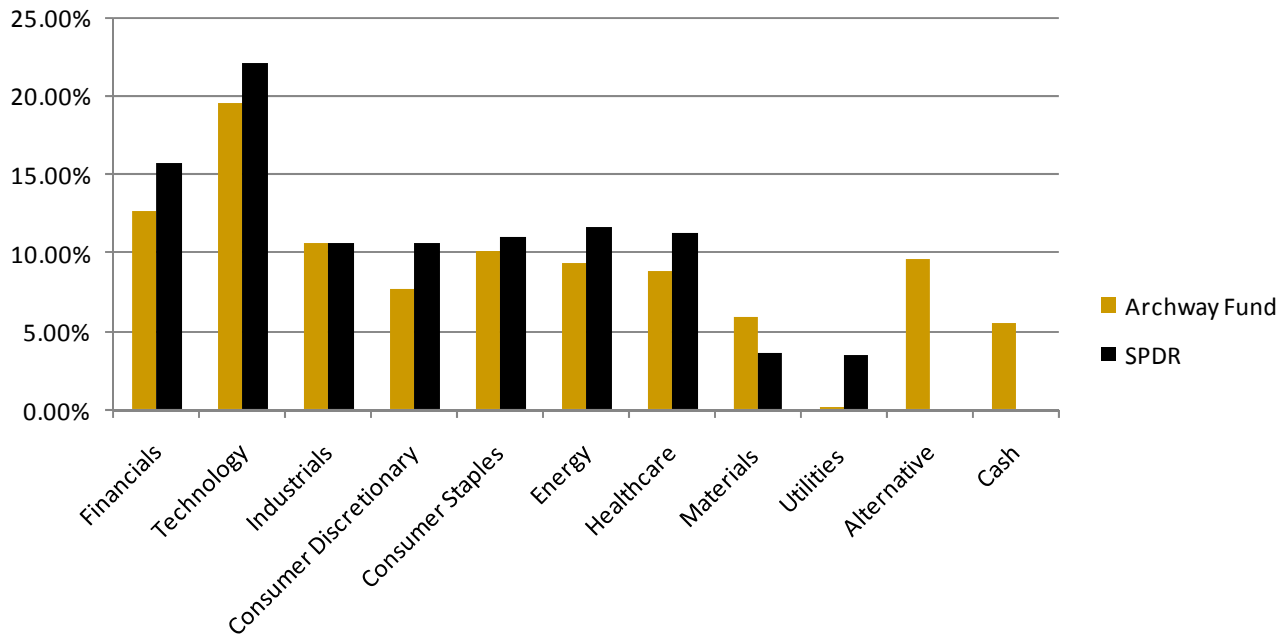
Year-to-Date Comparisons

Sector	Sector Weight	SPDR Weight	YTD Sector Returns	YTD Benchmark Returns	Sector Beta	Benchmark Beta
Financials	12.62%	15.71%	-2.01%	4.50%	1.31	1.31
Technology	19.57%	22.11%	7.28%	8.70%	0.92	0.98
Industrials	10.65%	10.61%	15.55%	18.30%	1.20	1.17
Consumer Discretionary	7.65%	10.65%	16.79%	17.52%	0.95	1.13
Consumer Staples	10.14%	11.01%	10.00%	10.88%	0.48	0.59
Energy	9.36%	11.62%	-12.87%	2.43%	1.38	1.19
Healthcare	8.87%	11.20%	-1.03%	2.75%	0.63	0.71
Materials	5.85%	3.63%	9.87%	11.06%	1.10	1.25
Utilities	0.21%	3.46%	4.04%	2.18%	0.77	0.71
Alternative	9.58%	0%	17.80%	8.38%	1.14	1.01
Cash	5.51%	0%				

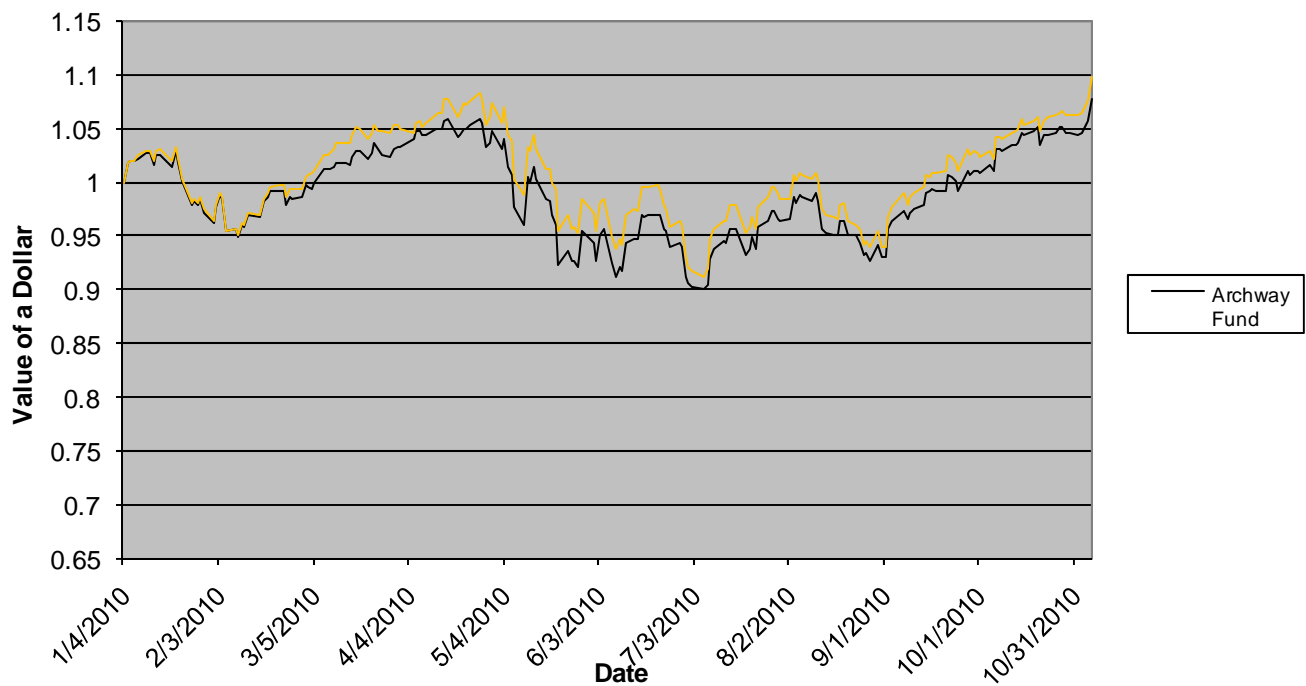
This table displays returns for each sector portfolio along with the sector weights, and beta, compared to those of the sector benchmark.

Archway Investment Fund Performance Charts

Strategic Alignment



1\$ Investment: Archway Fund vs. S&P 500



Current Holdings as of October 31, 2010

Sector	Purchase Date	Ticker	Name	Current Price	Shares	Stock Weight in Portfolio	YTD % Change	HPR % Change
Financials								
	10/25/2005	XLF	Financials SPDR ETF	\$14.56	367	0.91%	1.11%	-50.66%
	9/24/2010	BAC	Bank of America Corp.	\$11.45	620	1.21%	-14.36%	-14.36%
	11/16/2009	TRV	Travelers Cos. Inc.	\$55.20	125	1.18%	10.71%	3.36%
	11/16/2009	NTRS	Northern Trust Corp.	\$49.63	100	0.85%	-5.29%	1.82%
	3/4/2010	WBK	Westpac Banking Corp. ADS	\$111.51	25	0.48%	-8.19%	-8.19%
	3/4/2010	AMP	Ameriprise Financial Inc.	\$51.69	200	1.77%	16.85%	16.85%
	4/23/2010	JPM	JPMorgan Chase & Co.	\$37.63	150	0.97%	-16.06%	-16.06%
	4/23/2010	SLM	SLM Corp.	\$11.90	500	1.02%	-10.52%	-10.52%
	11/9/2009	BOKF	BOK Financial Corp.	\$46.23	150	1.19%	-2.71%	5.63%
	5/8/2009	LAZ	Lazard Ltd.	\$36.90	175	1.11%	-1.66%	16.83%
	4/23/2010	SHG	Shinhan Financial Group	\$77.77	150	2.00%	-9.89%	9.89%
Technology								
	10/25/2005	XLK	Technology Select Sector SPDR Fund	\$24.35	1636	6.82%	6.19%	5.27%
	11/24/2009	IBM	International Business Machines Corp.	\$143.60	58	1.43%	10.03%	12.57%
	4/20/2010	GLW	Corning Inc.	\$18.28	350	1.09%	-8.77%	-8.77%
	5/7/2010	INTU	Intuit Inc.	\$47.98	200	1.64%	36.38%	36.38%
	11/24/2009	CSCO	Cisco Systems Inc.	\$22.86	290	1.13%	-4.88%	-4.30%
	4/20/2010	ABVT	AboveNet Inc.	\$56.89	100	0.97%	7.59%	7.59%
	10/19/2009	FDS	FactSet Research Systems Inc.	\$87.78	50	0.75%	33.26%	31.88%
	10/2/2009	AAPL	Apple Inc.	\$300.98	38	1.96%	42.83%	62.74%
	12/18/2009	GOOG	Google Inc. (Cl A)	\$613.70	20	2.10%	-1.01%	2.67%
	2/16/2010	ADBE	Adobe Systems Inc.	\$28.15	180	0.87%	-11.64%	-11.64%
	2/3/2009	ATVI	Activision Blizzard Inc.	\$11.46	456	0.89%	3.15%	24.87%
Industrials								
	5/16/2007	XLI	Industrial Select Sector SPDR Fund	\$32.18	890	4.90%	5.31%	-9.11%
	12/14/2009	NSC	Norfolk Southern Corp.	\$61.49	100	1.05%	16.63%	15.19%
	12/14/2009	ACM	AECOM Technology Corp.	\$26.51	100	0.45%	-3.60%	1.07%
	12/14/2009	FLR	Fluor Corp.	\$48.19	100	0.82%	6.99%	18.93%
	3/5/2010	EME	EMCOR Group Inc.	\$25.85	100	0.44%	8.57%	8.57%
	12/20/2005	MMM	3M Co.	\$84.22	91	1.32%	1.87%	15.50%
	3/10/2009	HON	Honeywell International Inc.	\$47.11	100	0.81%	20.18%	88.38%
	4/15/2009	DOV	Dover Corp.	\$53.10	100	0.91%	27.61%	75.60%
Consumer Discretionary								
			Consumer Discretionary Select Sector SPDR Fund					
	10/10/2006	XLY	SPDR Fund	\$35.26	431	2.60%	5.43%	1.68%
	9/30/2010	BIG	Big Lots Inc.	\$31.37	255	1.37%	-5.19%	-5.19%
	3/4/2010	HAS	Hasbro Inc.	\$46.25	100	0.79%	26.30%	26.30%
	11/16/2009	TJX	TJX Cos.	\$45.89	125	0.98%	25.55%	16.56%
	3/5/2010	ALV	Autoliv Inc.	\$71.30	50	0.61%	48.02%	48.02%
	10/25/2005	MCD	McDonald's Corp.	\$77.77	100	1.33%	24.55%	136.10%
Consumer Staples								
			Consumer Staples Select Sector SPDR Fund					
	10/25/2005	XLP	Fund	\$28.77	844	4.16%	8.69%	20.63%
	4/20/2010	GIS	General Mills Inc.	\$37.56	170	1.09%	7.05%	7.05%
	3/5/2010	CHD	Church & Dwight Co.	\$65.68	125	1.40%	-2.61%	-2.61%
	3/30/2010	CPB	Campbell Soup Co.	\$36.25	140	0.87%	1.64%	1.64%
	11/9/2009	PG	Procter & Gamble Co.	\$63.57	100	1.09%	4.85%	3.57%
	11/20/2007	KO	Coca-Cola Co.	\$61.32	150	1.57%	9.23%	2.24%

Current Holdings as of October 31, 2010 (cont.)

Sector	Purchase Date	Ticker	Name	Current Price	Shares	Stock Weight in Portfolio	YTD % Change	HPR % Change
Energy								
	3/21/2006	XLE	Energy Select Sector SPDR Fund	\$59.24	575	5.83%	2.79%	3.85%
	5/7/2010	STO	Statoil ASA ADS	\$21.83	95	0.35%	0.55%	0.55%
	12/16/2008	VLO	Valero Energy Corp.	\$17.95	260	0.80%	7.16%	-8.59%
	5/8/2009	FLS	Flowserve Corp.	\$100.00	23	0.39%	5.79%	40.19%
	5/8/2009	CNX	Consol Energy Inc.	\$36.67	250	1.57%	-15.79%	-5.81%
Healthcare								
	10/25/2005	XLV	Health Care Select Sector SPDR Fund	\$31.17	449	2.39%	0.32%	5.17%
	3/4/2010	FRX	Forest Laboratories Inc.	\$33.05	152	0.86%	12.31%	12.31%
	3/23/2010	MYL	Mylan Inc.	\$20.32	150	0.52%	-11.46%	-11.46%
	3/30/2010	DGX	Quest Diagnostics Inc.	\$49.14	80	0.67%	-16.14%	-16.14%
	4/20/2010	LIFE	Life Technologies Corp.	\$50.18	75	0.64%	-5.44%	-5.44%
	4/20/2010	COV	Covidien PLC	\$39.87	78	0.53%	-23.80%	-23.80%
	4/17/2009	AMGN	Amgen Inc.	\$57.19	105	1.03%	1.10%	21.18%
	11/16/2009	MMSI	Merit Medical Systems Inc.	\$15.81	175	0.47%	-17.83%	-8.71%
	4/11/2008	TEVA	Teva Pharmaceutical Industries Ltd. ADS	\$51.88	201	1.78%	-7.65%	24.12%
Materials								
	10/25/2005	XLB	Materials Select Sector SPDR Fund	\$34.80	325	1.94%	9.02%	0.28%
	4/23/2010	RIO	Rio Tinto PLC ADS	\$65.12	88	0.98%	11.85%	11.85%
	4/23/2010	VALE	Vale S.A. ADS	\$32.14	155	0.85%	-0.34%	-0.34%
	3/30/2010	FCX	Freeport-McMoRan Copper & Gold Inc.	\$94.80	60	0.97%	12.91%	12.91%
	5/8/2009	PX	Praxair Inc.	\$91.34	40	0.63%	13.73%	23.77%
	5/8/2009	ECL	Ecolab Inc.	\$49.32	60	0.51%	10.63%	28.17%
Utilities								
	4/20/2010	XLU	Utilities Select Sector SPDR Fund	\$31.72	38	0.21%	5.57%	5.57%
Alternative								
	4/7/2009	EEM	iShares MSCI Emerging Markets Index Fund	\$46.12	250	1.97%	11.13%	73.71%
	12/3/2009	FNMIX	Fidelity New Markets Income Fund	\$16.45	243.828	0.69%	9.45%	7.66%
	5/17/2010	EWX	SPDR S&P Emerging Markets Small Cap	\$56.72	110	1.07%	21.24%	21.24%
	4/8/2010	MCHFX	Matthews China Fund	\$30.02	554.939	2.85%	11.06%	11.06%
	3/4/2010	FRN	Guggenheim Frontier Markets ETF	\$23.89	133	0.54%	27.55%	27.55%
	3/4/2010	EFN	Emerging Global Shares Dow Jones Emerging Markets Financials Titans Index Fund	\$26.25	60	0.27%	18.75%	18.75%
	3/5/2010	INP	Barclays iPath MSCI India Index ETN	\$76.89	105	1.38%	19.56%	19.56%
	11/24/2009	PXR	PowerShares Emerging Markets Infrastructure	\$50.05	100	0.86%	16.83%	15.69%

Statement of Operations

January 1, 2010 through October 31, 2010

Income:

Dividends	\$ 5,533.41	
Interest	<u>-</u>	\$ 5,533.41

Expenses

Foreign Taxes	\$ 23.76	
Trading Costs	<u>\$ 903.15</u>	\$ 926.91

Net Investment Income:

\$ 4,606.50

Realized Gain (Loss) on Investments:

Proceeds from Securities Sold	\$ 236,606.33	
Cost of Securities Sold	<u>\$ 275,197.72</u>	
Net Realized Gain (Loss) on Investments		\$ (11,591.39)

Net Increase (Decrease) in Unrealized Appreciation on Investments:

Market Value of Holdings as of October 31, 2010	\$ 587,108.86	
Less: Additional Contributions	<u>\$ 100,000.00</u>	
Market Value of Holdings as of January 1, 2010	<u>\$ 458,158.39</u>	
Increase (Decrease) in Net Unrealized Appreciation		\$ 28,950.47

Net Realized Gain (Loss) and Increase (Decrease) in Net Unrealized Appreciation: \$ 17,359.08

Net Increase (Decrease) in Assets Resulting from Operations: \$ 21,965.58



Bryant University
Archway Investment Fund
1150 Douglas Pike
Smithfield, RI 02917-1284
ArchwayFund@Bryant.edu

