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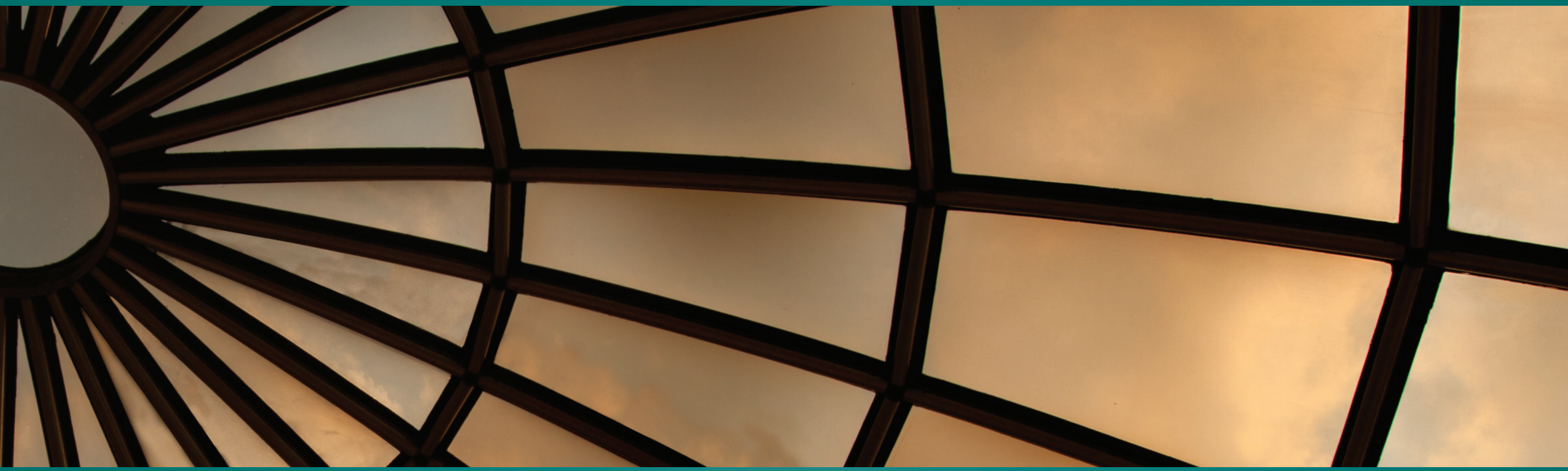
# The Archway Investment Fund Semi Annual Report, Fall 2011

Bryant University, Archway Investment Fund

The Archway Investment Fund

BRYANT UNIVERSITY



# *Semi-Annual* REPORT

*Fall 2011*

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## Note from the Coordinator

The second and third quarters of 2011 have turned out to be one of the most challenging periods for student portfolio managers that I have seen in my time with the Archway Investment Fund. In our Spring report, I noted that the positive performance of the Fund in the last quarter of 2010 was driven by a substantial exposure to emerging markets. Then, in the first quarter of 2011 emerging markets went flat while the S&P500, along with the domestic portion of our portfolio, did very well. The case for asset allocation seemed very clear, and I recall stating that I could not have ordered up a better sequence of events to motivate classroom discussion of asset allocation. Unfortunately, things are never that simple. In the Summer, the domestic market was weak and we lost heavily on our emerging markets holdings. As a result, we started the Fall semester lagging the S&P500 by a significant margin. Not the best beginning, but the team that takes over at the end of the Spring semester and carries the portfolio through the Fall always counts the Summer performance as part of their 'watch'. This particular group decided to eliminate their emerging markets exposure early in the Fall semester, and as a result, they are finishing their tour of duty roughly even with the benchmark. That may not rank as outstanding performance for the year, but it is a noteworthy comeback given where things stood at the beginning of September. This group of portfolio managers has acquitted themselves very well.

We have had some other noteworthy challenges and adjustments this semester. At the end of the Summer I was asked to serve as Associate Dean of the College of Business. The learning curve for that role has proven to be quite steep, and the time commitments have been heavy, but fortunately I have been able to rely on the able assistance and collaboration of Maura Dowling. Maura spent a number of years in the client facing side of the investments business, mainly with RBS, and has been able to provide students with a practical viewpoint on the issues that arise in everyday practice that complements my own more technical perspective. I believe that this new format has the potential to deliver significantly more value to students, but this was our first run so we are in the process of taking some notes, making necessary adjustments, and planning to field a better product in the Spring semester. This is the normal pattern with new ventures.

We are always looking for ways to improve the Archway Investment Fund program. If you have comments or suggestions, please send them to archwayfund@bryant.edu.

*~Prof. David Louton*

## Thoughts from Professor Inci

Archway Investment Fund courses continue to offer invaluable opportunities for Bryant University finance students in applying their knowledge to real life investment decisions. The students face very similar challenges as those confronted by investment professionals. As uncertainty in global markets continue, slight improvements in the domestic macro-economic conditions, stabilizing unemployment rates, changing consumer sentiments, coupled with weak real estate markets, volatile commodity markets, and the intricate political landscape provide unique challenges and opportunities for our student analysts and portfolio managers. The dynamic economic and investment environments will encourage students to update their portfolios and to search for different and better investment decisions and trading recommendations. All these challenges are additional learning opportunities for students.

*~A. Can Inci, Associate Professor of Finance, Bryant University College of Business*

## Thoughts from Professor Dowling

Working with students of the Archway Fund as they delve into the capital markets with passion and curiosity has been experiential learning for me as well as for them. The markets they faced this semester were worrisome due to the volatility of their benchmark along with worldwide headlines of historic proportions. Fortunately, absent a rising market, this group of students has had the advantage of testing and retooling their ideas and instincts at every turn. In my experience each investor has to learn what style suits their nature so that they are making decisions to buy, sell and hold with reasonable confidence. In the Archway Investment Fund the students learn how to communicate their ideas with each other, shaping what will undoubtedly be their own long-term market perspective.

*~Prof. Maura Ann Dowling, CFP*

## Speakers and Other Special Guests

Throughout the semester, the Portfolio Management and Securities Analysis classes meet for a joint session on Thursday nights. Typically these meetings may include 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 sector weightings. During this time, the class provides 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 extend a special thank you to the following individuals, who took the time to share their insights with us.

**Special thanks to the following guest speakers:**

**Ian Baker**
*Head of Risk Management*
Pyramis Global Investors
Fidelity Asset Management

**Olga Bourtseva '11**
*Risk Analyst*
Pyramis Global Investors
Fidelity Asset Management

**Todd Carey '00 MBA**
*Executive Director*
J.P. Morgan Private Bank

**Michael Ansman '09**

J.P. Morgan Private Bank

**Matthew McLennan CFA**
*Portfolio Manager*
First Eagle Funds

# Letter from the Executive Committee

The Executive Committee faced many unique challenges overseeing the Archway Investment Fund for the third and fourth quarter of 2011. Our conservative approach focused on low volatility stocks proved to be beneficial as we had one of the most volatile markets on record during these quarters. With the downgrade of U.S. debt by Standard and Poor's, and the current European debt crisis, we positioned ourselves to preserve assets during the down market and to gain strongly on any upside. Through the semester we focused on stocks with low betas and pushed for more holdings in stocks with strong dividends and low volatility. We continue to face huge economic risks with the European sovereign debt crisis reaching critical levels with Greece, Spain, Portugal, and Italy being the greatest concern. We feel the road to resolution will be long and arduous and the U.S. will continue to be the safe haven for investments even with its ballooning debt.

The fund underwent some major changes over the past semester. The largest change has been the paring down of the portfolio. With over 100 stocks last semester, the committee decided the fund was essentially an index. The decision was made to limit each sector to holding between 4 and 5 stocks. At the end of the semester the fund was carrying an average of 35-40 stocks. Our objective was to increase the profit potential of holdings in the fund while still maintaining a well-diversified portfolio. This allowed each sector to focus more on each individual holding. With a decreased class size in the fall semester, this was crucial to the success of the fund. Another significant change made this semester was selling off the alternatives sector of the portfolio. The committee felt that the class was out of touch with the holdings in the sector and there were too many to manage properly.

It has been a very challenging semester not only managing the fund, but also internally with a new organizational structure being implemented. Overall, we feel that the new organizational structure will provide new avenues of thought for classes to come.

*"Although it is easy to forget sometimes, a share is not a lottery ticket...it's part ownership of a business.*

~Peter Lynch

**(L-R) Sarah Perlman and Anthony Nader**
**Not Pictured: Chris Patterson**

# Economic Overview

The summer months saw many wild swings in the market, primarily caused by inconsistent economic data. Housing showed signs that it may have reached a bottom, while unemployment remained high. The issue of the rising national debt and the inability of Washington to come to a quick solution to avoid default resulted in a downgrade of U.S. sovereign debt for the first time by Standard & Poor's.

After a spring that was marked by upheaval across the oil-rich Middle East, oil prices soared to a peak in late April. However, at this point, resolutions to the conflicts in Egypt, Tunisia, and Libya have calmed fears about supply disruptions and have put downward pressure on prices. Along with increased fears of a double-dip recession, prices for Brent Crude hit a low in early October. Since then, crude oil has shot back up to $95 per barrel, showing that expectations of global demand are high. The higher price of crude oil has put more pressure on the American consumer. With the housing market mired in the doldrums, many homeowners still hold mortgages that are underwater, leaving them unable to refinance and free up cash to spend in the economy.

On the other side of the Atlantic, Europe is going through a debt crisis that seems to worsen by the week. Greece's crushing debt, along with their unwillingness to accept austerity measures , has caused a ripple effect through the financial markets. S&P and Moody's have been busy downgrading both commercial and national banks that they find to have too much Greek debt. Europe's banking industry is so interconnected that initial concern about the P.I.G.S. has spread to healthier economies, such as France and Italy, driving up their yields and further worsening the crisis. Markets are highly sensitive to any news coming out of Europe at the moment. Bailout packages have been mulled over by the European Central Bank, and debt haircuts proposed all rely on the condition that Greece will accept the austerity measures. Prime Minister Papandreou resigned on November 6th after proposing a referendum on the bailout package. The referendum would have effectively meant Greece's continued participation in the Euro zone, but Greece's parliament voted to avoid the referendum and in doing so created even more uncertainty.

Fears of a slowdown in the growth of Asian markets have been circulating since mid-August and may be coming to fruition. The October Chinese PMI report, which measures the strength of the manufacturing industry, came in at its lowest level in three years. After being forecast at 51.6, the index was down to 50.4 from 51.2 in September and could be the first sign of a bigger slowdown in the coming months.

The one bright spot in an otherwise bleak picture is that U.S. corporate earnings have reached record highs for the first time since 2007. Third quarter earnings per share and margins are at their peak, which could point to an undervalued stock market. Unfortunately, despite the high earnings, investors have been unwilling to trade up stock prices due to the inherent risks that are built in because of Europe and other international markets. Corporations are piling cash onto their balance sheets in an at tempt to mitigate market uncertainty. Without a clear picture as to where international markets will go, CEO's are less inclined to re-invest in their businesses by increasing R&D or expanding international operations.

The market's volatile action will likely continue, presenting future portfolio managers with a choice between undervalued U.S. stocks and the risks posed by international markets. The Euro problem will not be easily remedied. Either Germany or France will have to bailout struggling countries and increase their own debt or let countries like Greece default and cause a recession in Europe. Market rallies are possible in this climate, but will likely be short-lived.

*"Americans are in a cycle of fear which leads to people not wanting to spend and not wanting to make investments, and that leads to more fear. We'll break out of it. We will break out of it . It takes time."*

~Warren Buffet

## 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

## Economic Analysis and Emerging Opportunities Sector

| | | | |
|---|---|---|---|
| *Energy Sector Returns (YTD)*: | -2.64% | *SPDR (XLE)*: | 2.48% |
| *Materials Sector Returns (YTD)*: | -19.51% | *SPDR (XLB)*: | -10.01% |
| *Utilities Sector Returns (YTD)*: | 10.09% | *SPDR (XLU)*: | 12.31% |

The Economic Analysis and Emerging Opportunities Sector (EEO) is responsible for investments in the Energy, Materials, and Utilities Sectors. The Energy sector is primarily involved in the development and production of crude oil and natural gas and provides drilling and other energy related services. Our outlook for this sector is market weight with a slight positive bias, due to our positive fundamental outlook on the Integrated Oil & Gas sub-industry as well as strong emerging market energy demand and tight global capacity. Oil prices continue to face upward price pressure due to supply uncertainty and downward price pressure because of declining expectations of economic growth.

Our best performers within the Energy sector were Chevron Corporation (CVX) with a three month return of 10.11%, and Flowserve Corporation (FLS), with a three month return of 10.16%. In the short-term, we project the average heating expenditures for natural gas, propane, and heating oil will increase due to higher oil prices. In the medium to long term, we believe there will be an increase in oil prices driven by oil consumption growth from countries outside of the Organization for Economic Cooperation and Development (OECD), which is projected to outpace the growth in supply from producers that are not members of the Organization of the Petroleum Exporting Countries (OPEC). This implies a need for OPEC producers to increase their output to balance the market in 2011 and 2012. A failure to do this would result in a rise in oil prices.

The Materials Sector encompasses a wide range of commodity related manufacturing industries including chemicals, construction materials, glass, paper, forest products and related packaging products, metals, mining companies, and producers of steel. Our outlook for this sector is currently market weight with a negative bias looking forward. We have a neutral fundamental outlook for the sector, reflecting the view that cost-cutting actions taken in the downturn and growing demand from emerging markets for metals and mining products are offset by increased macro economic uncertainty in developed economies which will fuel slower commodity price appreciation through the rest of 2011 and into the first quarter of 2012. Our best performer was Stephan Company (SCL) which has had a 5.23% gain in the last three months. Looking forward, we view any potential global growth as a very positive sign, specifically in Asia as countries such as India and China are the primary driver behind commodity prices.

Our current view on the Utilities Sector is overweight due to the recent and current market turmoil surrounding the European debt crisis. Due to increased globalization, all aspects of world economies have become more interconnected than ever. With Greece teetering on the brink of default, our short term outlook is that the Utilities Sector provides a strong insulation against market volatility, with an average dividend around 4.1%. Until the Europeans implement a plan to deal with the P.I.G.S. and the United States is able to come up with a deficit plan, utilities will provide a safe haven for investments within the equity market. Our current holdings, Southern Company (SO) and NextEra Energy (NEE), have both provided strong gains with NEE up 3.22% in the last three months and SO up 1.28% in the last month alone. We are looking to examine opportunities that will benefit from an increase in government spending and infrastructure development, as well as seawater desalination, which provides a viable option for the development of new regional water supplies.

**SECURITIES ANALYSTS**

**(L-R) Parker Williams, Fan Zhou, Christopher Willson, Erik Budlong**
**Not Pictured: Joseph Griffiths**

**PORTFOLIO MANAGERS**

**(L-R) Ryan Busby**
**Not Pictured: Christopher Patterson**

# Archway Fund Sectors

## Consumer Discretionary and Staples Sector

| | | |
|---|---|---|
| *Consumer Discretionary Returns (YTD):* | 13.79% | *SPDR (XLY):* 4.64% |
| *Consumer Staples Returns (YTD):* | 8.74% | *SPDR (XLP):* 6.52% |

The Consumer Staples Sector is compromised of companies that develop and produce products with a non-cyclical demand and that tend to be necessities for everyday life. The companies in the Consumer Discretionary Sector experience demand that is largely affected by the stages of the business cycle and rely heavily on consumer spending.

Economic indicators concerning consumer consumption continued to suggest a slow recovery throughout the semester, with no concrete signals of faster growth in the near future. Unemployment remains high at 9.0% for October, although it managed to drop slightly from the consistent rate of 9.1% we witnessed since July. What has been very intriguing to us has been the downward trend in consumer confidence, coupled with an upward trend in retail sales. Consumer spending has been increasing since July, while the Consumer Confidence Index has fallen from 59.23 to 39.79 since July. While it appears that consumers are spending more, they are feeling less and less optimistic about their personal finances.

One of our goals for the sector has been to avoid the rapid swings in the market that we started to experience during the summer months. In a study which our sector group completed, we discovered that the companies in both XLY and the XLP which had the lowest relative betas also exhibited the highest average returns YTD. With this in mind, we constructed our sector portfolios to have lower volatility than the representative sectors in the S&P500.

Along with maintaining a low beta portfolio, our strategy for the Consumer Staples Sector was to find large cap, high quality companies that offered healthy dividends to help offset potential losses caused by a market downturn. In the Consumer Discretionary Sector, our strategy involved identifying domestic companies that were positioned to take advantage of the rising trend in consumer spending, as well as international companies with exposure to the growing middle class in emerging markets. With what appears to be a slow domestic recovery, rising consumption patterns in Eastern European, Middle Eastern, and Asian countries provide some very attractive investment opportunities.

Moving forward, we will continue to seek out quality companies with low volatility for our sectors as long as current market condition hold. We are also looking to expand our holdings in global companies, while at the same time remaining mindful of the rising inflation in emerging markets, as well as the potential slow down of growth in developing countries. By implementing this strategy, we hope to provide stability while attaining modest price gains and healthy dividend returns for the fund.

**SECURITIES ANALYSTS**

**(L-R) Andrew Mcleod, Shauna Skiba, Michael Leonard, David Peagram, Evan Bekasi**

**PORTFOLIO MANAGERS**

**(L-R) John Centonze and Taylor Wood**

## Healthcare Sector

*Healthcare Returns (YTD):* 2.37% *SPDR (XLV):* 7.02%

The Healthcare Sector comprises opportunities in the biotechnology, managed care, medical products and supplies and pharmaceuticals subsectors. There have been numerous opportunities for growth in the sector and we have a very positive outlook overall. This semester, the sector weighting has remained consistent with the market weight.

There have been many emerging trends that the Healthcare Sector has been able to capitalize on throughout the semester. Teva Pharmaceutical Industries Inc. (TEVA) was an opportunity to take advantage of the branded drug patent expiration cliff, due to the companies' wide offerings of generic pharmaceuticals. WellPoint (WLP) and Covidien (COV) were both profitable this semester due to the aging demographics of the United States, as more baby boomers are utilizing managed care organizations and having procedures performed which involve medical devices.

Healthcare Reform was one of the major opportunities as well as a major risk factor for the Healthcare Sector this semester. While much of the uncertainty surrounding the details of the bill was removed, what remained was the question of how the companies were going to react. While many of these effects will remain unknown for years to come, an understanding of the Healthcare Reform Bill and its implications on each of the subsectors is crucial to the performance of the sector.

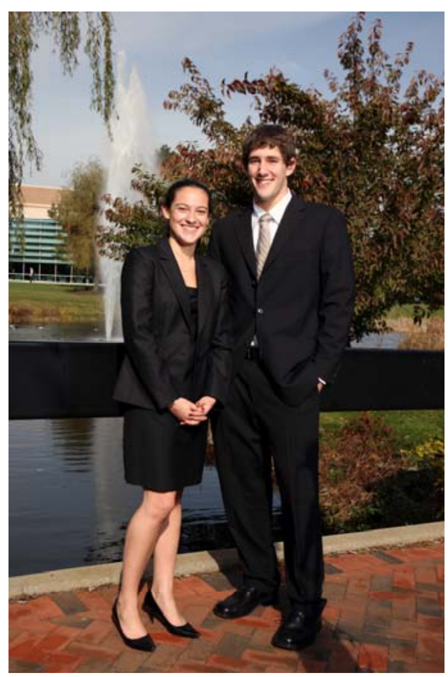
We added Express Scripts (ESRX) to the portfolio this semester after realizing the crucial correlation between the increasing trends in Healthcare IT and solid relationships across the industry. ESRX is one of the largest pharmacy benefit management companies that specializes in retail network pharmacy management, home delivery services, specialty pharmaceutical services and pharmaceutical plan design. Express Script's large scale, low-cost centric management team, acquisition prospects, and large network of pharmacies made the company a great investment for the Healthcare Sector this semester.

Going forward, it is crucial to monitor not only the U.S. market, but also the developments in emerging markets. There are many opportunities for new research and pharmaceuticals to come out of emerging markets that have a different economic structure than the United States. A constant monitoring of the changes in health-care reform is essential, along with looking for strong, diversified companies.

**SECURITIES ANALYSTS**

**(L-R) Patrick Cronin, Rohan Laungani, Timothy Figueredo, Elias McQuade**

**PORTFOLIO MANAGERS**



**(L-R) Sarah Perlman and Garrett Kent**

# Archway Fund Sectors

## Financial Sector

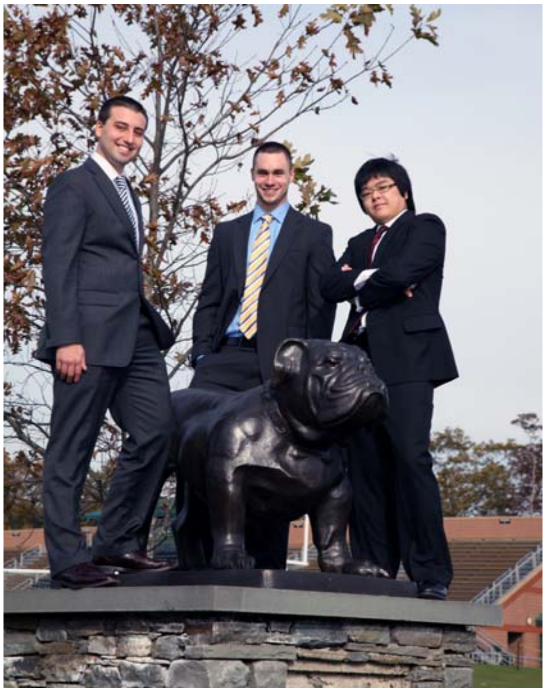
*Financial Sector Returns (YTD):* -15.00%    *SPDR (XLF):* -15.15%

The Financial Sector is compromised of firms that provide products and services to commercial, institutional, and retail customers. Diversified financials, banking, insurance and real estate investment trusts (REITs) are its four primary subcategories. The Financial Sector has experienced continued uncertainty and volatility since the financial crisis of 2008. A potential Euro-Zone default caused further troubles in the middle of 2011. Despite these negatives, credit markets have begun to improve, though loan demand and business spending remain constrained.

The Financial Sector for the 2011 fall semester primarily focused on investing in financial institutions with international exposure in key emerging markets, as well as undervalued large cap companies. Overall, we have a neutral outlook for the Financial Sector through the end of 2011, with strong growth potential if the economy recovers and moves into an expansionary stage. Improving credit markets, increasing loan demand, and a rise in business spending are key drivers that are expected to contribute to the success of the financial industry through the end of the year. However, fears of a second U.S. recession or a Euro-zone default have depressed the industry in recent months. For these reasons, we believe the Financial Sector should be market weight relative to the S&P 500. More specifically, we have chosen to maintain exposure to the REIT industry; with a direct focus on apartment REITs as these investments look to continue to be prosperous and provide an attractive dividend yield. In addition to REITs, we have continued exposure to the banking subsector, as we believe it may be systematically undervalued. Lastly, we have kept the diversified financials portion of our holdings so that this subsector is overweight relative to the XLF.

During the semester we sold Bank of America, Travelers Insurance Group, Westpac Banking Corp., Ameriprise Financial, Lazard LTD, and the sector XLF. Current holdings include JP Morgan Chase, Goldman Sachs, The Reinsurance Group of America, Blackrock Inc., and the iShares NAREIT.

**SECURITIES ANALYSTS**



**(L-R) Matthew Minese, Nicholas Testa, Alex Wong**
**Not Pictured: John-Paul Sullivan**

**PORTFOLIO MANAGERS**

**(L-R) Robert Sinewick, Anthony Nader, Michael Petrocelli**

## Technology Sector

*Technology Returns (YTD)*: 4.04% *SPDR (XLK)*: 3.58%

The Technology Sector, along with the overall market, has been very volatile in the past few months. To counteract this volatility, we had two main goals this semester. Our first goal was to overweight the IT Services and Telecommunications sub sectors. Secondly, we aimed to reduce the weighted beta of the Technology Sector below one.

Our first sector strategy report of the semester indicated that we had a positive outlook for the IT Services and Telecommunications sub sectors. These outlooks still hold true today, and we have made changes to the sector holdings reflecting our outlook. Our first change was to add Cognizant Technology Solutions Corporation (CTSH) to our sector holdings. Cognizant gives the fund exposure to the IT Services sub sector, specifically outsourcing services. We also added International Business Machines Corporation (IBM) to our sector, which gives us elevated exposure to the IT Services industry. Another addition that we made to our sector was Vodafone (VOD), which allows the fund to gain exposure to the telecommunications industry and provides a healthy dividend to the fund. Lastly, we added NVDIA Corporation (NVDA) to our sector holdings. Although we are neutral on the semiconductor industry, we feel that there are certain opportunities of which we can take advantage. NVDIA provides cutting edge solutions and is a large player in the tablet and smart phone industry, which is why we have a positive outlook on the company going forward. To achieve these changes, we made the decision to sell our shares of Corning Incorporated (GLW), FactSet Research Systems (FDS), and Advanced Energy Industries (AEIS). The companies that we sold do not fit in with the sub sector allocation that we believe will put the sector in the best position going forward.

During the semester securities in the Technology Sector fluctuated in value by as much as 5% a day, due to the overall market volatility. In order to decrease the risk that the sector contributes to the overall fund, we sought to reduce its weighted beta. After some diligent research, our securities analysis team found securities that not only fit in with our sub sector strategy, but also fit in with our risk reduction strategy. With our new addition to the sector, we now have a weighted beta of .98, which is below market risk. This will give us downside protection in the short term, and our strategic sub sector allocation should give us growth opportunities in the long term.

**SECURITIES ANALYSTS**

**(L-R) Timothy Drecshler-Martell and Samir Kothari**
**Not Pictured: Jason Clinton**

**PORTFOLIO MANAGERS**


**(L-R) David Zastrow and Jackson Webster**

# Archway Fund Sectors

## Industrial Sector

*Industrials Returns (YTD):* -1.48% *SPDR (XLI):* -3.74%

The Industrials Sector consists of companies engaged in providing industrial and commercial supplies and services, diversified trading, distribution operations, and transportation services. We saw the most opportunity within a few subsectors, including rail transport, as companies fight to maintain margins and energy costs start to rise again. We also saw an opportunity in industrial equipment manufacturers that are exposed to emerging economies facing new efficiency standards and international logistics providers.

Based on our outlook, we made some changes to our sector this semester. The decision was made at the end of last semester to shrink our holdings as a fund, and as a result we sold Dover Corporation, Parker Hannifin, Southwest Airlines, Aecom Technology Corporation, and Emcor Group. Some of these holdings had reached their target prices, and others were in Industries of which we did not have a clear positive outlook. Our strategy was to avoid companies that were heavily exposed to domestic construction headed into the summer, which was the rationale behind selling Parker Hannifin, Dover, and Aecom. We sold Fastenal in the fall along with Norfolk Southern as they both hit our price targets in a very volatile market. We held a positive outlook for rail transport at the beginning of the semester, but changes in demand abroad lessened our assurance.

We purchased shares of Cummins Incorporated because we saw a very strong company, with growth potential at a P/E ratio well below the industry average. Cummins has been a strong performer in the past and derives much of its revenues from emerging markets, which has allowed the company to avoid many of the effects of a stagnant domestic recovery. We reinvested some proceeds from sales into Fedex because we felt our original valuation of the company held true, and that demand would continue from abroad. The decline in price was appealing, and we feel that we seized an opportunity to position our sector in an undervalued, long term security.

In order to beat the XLI, our benchmark, and provide the Archway Fund with stronger returns, we will continue to look to invest in domestic companies that have exposure to the emerging markets of Brazil, Russia, India, China, and South Korea. As these areas continue to grow their economies, we feel that they will continue to have high needs for infrastructure creation and resource trade. We will continue to monitor the European Union, especially in the event that China decides to involve itself and potentially slow its own growth as a result. Going forward, global events will play an important role within our sector, as political and macroeconomic issues tend to drive the demand for the majority of our companies.

**SECURITIES ANALYSTS**

**(L-R) Juan Aviles, Brett Miller, Alena Korshunova, Jordan Brown, Kee Ming Yeung**

**PORTFOLIO MANAGERS**

**(L-R) Daniel Branco, Sharique Khan, John Dorff, Kyle Satenstein**

# 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

# Archway Fund Committees

## The Reporting Committee

The responsibilities of the Reporting Committee include creating, organizing, and designing the Archway Investment Fund Semi-Annual Report each semester. This report is circulated among Archway Investment Fund students, the Advisory Board, the Bryant University Board of Trustees, as well as Bryant University alumni who currently work in the finance and financial services industry. The report contains sector reviews and outlooks, committee responsibilities, financial data, performance data and an economic outlook for the following semester. The report is a culmination of the hard work that the students of the Archway Investment Fund have done throughout the semester and is an excellent tool to display the skills that students have obtained by participating in the course.

**(L-R) Daniel Branco, Garrett Kent, Michael Petrocelli, Jackson Webster**

## The Compliance Committee

The Compliance Committee is responsible for tracking the holdings of the Archway Investment Fund and determining whether the fund is in compliance with the Investment Policy Statement. The committee must track metrics such as price targets, reevaluation prices, security and sector weightings, market capitalizations, betas and holding periods. This committee must fully understand the Investment Policy Statement and take actions with the portfolio accordingly.

This semester, we have compiled a spreadsheet using Google Docs that tracks the metrics that the committee must follow. This spreadsheet allows any member of the compliance committee to make updates to the document as holdings and target prices change. The spreadsheet also updates automatically with current prices, number of days the security has been held, betas, and market capitalizations. As this information changes on a daily basis, the Compliance Committee is able to detect any issues that may cause a conflict with the Investment Policy Statement. This spreadsheet can easily be shared with the incoming Portfolio Management class through Bryant's Gmail system and will allow future classes to track the holdings of the fund and assess compliance with the Investment Policy Statement.

**(L-R) Robert Sinewick, Kyle Satenstein, Sharique Khan, Tayler Wood, Ryan Busby**

## The Alternative Investments Committee

The Alternative Investments Committee seeks to find investment opportunities outside of the traditional S&P sector holdings that will contribute alpha to the fund or provide a defensive position against looming threats to the performance of the fund. This semester we focused on examining the committee's current structure and redefining its strategic vision to better capitalize on students' international expertise.

Upon our initial review of the existing alternatives holding, we determined that the positions were not well understood, and there did not seem to be a consensus on the direction international markets were heading. We proceeded to liquidate our holding in the alternatives portfolio, and started developing a future strategy for the committee.

This semester we noted a large increase the presence of international business students in the FIN 450 class. Our new strategy is to lever the knowledge that these students posses regarding international markets, as well as their focus on security selection, to repopulate the alternatives portfolio. This will allow us to hold positions that we understand better and in which we have more confidence . We hope that our efforts to re-design the process for the alternatives portfolio will continue in semesters to come.

# Archway Fund Committees

## The Portfolio Accounting Committee

(L-R) John Dorff, Anthony Nader, David Zastrow

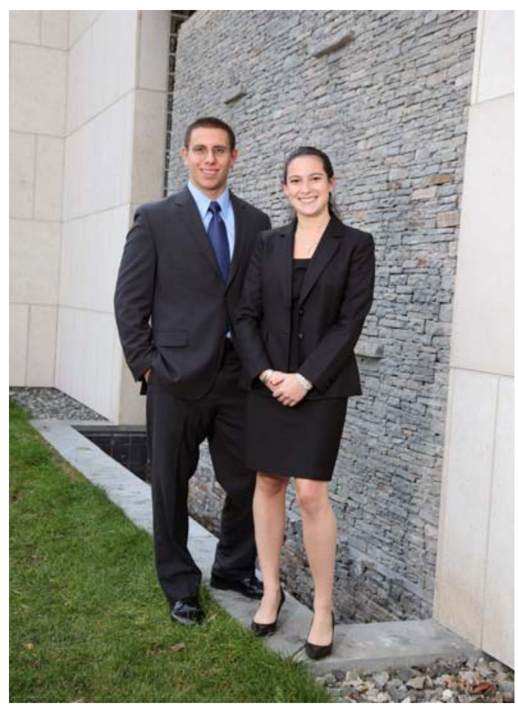
The Accounting Committee is responsible for managing the accounting aspects of the Archway Investment Fund. Our primary goal is to account for the performance of the Archway Fund throughout the course of the semester and year. This includes tracking both the purchase and divestiture of positions, daily performance of current holdings, dividends received and stock splits. These actions are cross-referenced with statements from Fidelity, our brokerage account, to reconcile differences on a monthly basis. We then track this information in two ways.

Aligned with the fund accounting of the past, we use the already created Excel files to track fund performance. This includes keeping daily stock prices of current holdings per sector, amount of shares held on a daily basis and dividends received on a daily basis. After being updated, the sector files populate the master file, which is used to gauge total fund performance.

At the beginning of the semester we began constructing a Google Document to track the performance of the fund. It currently is able to track the daily performance of the fund and year to date performance. The document allows the fund to be accounted for in a more efficient way and for the managers to monitor holdings at all times. We see this as our Committee's largest impact for future classes of the Archway Investment Fund.

## The Marketing Committee

The Marketing Committee is responsible for promoting awareness of the Archway Investment Fund throughout the semester. The committee provides the needed communication between the fund and the Bryant community. To promote awareness of the fund on campus the Marketing Committee performed a variety of activities to help raise awareness of the fund. The Marketing Committee members visited Finance and International Business classes to tell prospective students about the fund and to answer questions about the fund's class structure and history. This semester, some major marketing efforts the committee has undertaken include spending the day during Fall Open House talking about all of the benefits of the Archway Investment Fund, as well as publishing the Winners and Losers of the Archway Investment Fund in the *Archway* student newspaper to gain more recognition on campus.



(L-R) John Centonze and Sarah Perlman

# Archway Investment Fund Performance

## Fund Performance Summary

The Archway Investment Fund underperformed the S&P 500 index by 53 basis points, or .53 percent over the ten months ending on October 31, 2011. However, the fund outperformed the composite benchmark by 54 basis points, or .54 percent. When compared to the dynamic benchmark, the Fund outperformed by 19 basis points, or .19 percent.

The Archway Investment Fund's overall outperformance of both the composite and dynamic benchmarks indicates that our analysis accurately forecasted industry trends, which translated into collective portfolio gains. 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 all resources had been invested solely in sector benchmark ETFs rather than in individual securities. The composite benchmark analyzes the performance of the fund by taking the fund weights of the S&P 500 and alternatives, then applying these to the passive returns of each benchmark. This gives us a weighted return equivalent to what could have been earned by investing in both benchmarks, using our weights for each, but with no individual security selection. Because we had a substantial exposure to alternatives for much of the year, we view this composite as the most appropriate benchmark by which to measure the Archway Investment Fund's performance.

The Morningstar style box indicates that the Fund has decreased its position in large-cap equities by 6.7 percent, at the same time increasing the relative weight of large-cap growth and value stocks, while significantly decreasing the relative weight of large-cap blend stocks. We increased the weight of mid-cap stocks by 7.9% percent, with a significant shift at that level from mid-blend to mid-cap growth stocks. Additionally, the Fund decreased the weight of its investment in small-cap stocks by 4.29 percent, completely eliminating small-cap growth stocks, while decreasing the relative weight of small-cap blend stocks and maintaining the relative weight of 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 ACWI All Country 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 | -0.87% | -1.05% | 0.54% | 0.64% | 1.00 | 22.60% | -.05 | -.012 |
| Dynamic Benchmark | -1.06% | -1.28% | 0.35% | 0.42% | 1.03 | 25.08% | -.06 | -.014 |
| Composite Benchmark | -1.41% | -1.69% | | | 1.00 | 22.56% | -.08 | -.019 |
| S&P 500 Index | -0.35% | -0.41% | | | 1.00 | 22.85% | -.03 | -.006 |
| MSCI All World Index | -6.96% | -8.30% | | | 1.15 | 25.54% | -.33 | -.074 |

## Top Performers

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

| Purchase Date | Ticker | Name | Shares | Current Price | Stock Weight in Portfolio | YTD Gain/Loss |
|---|---|---|---|---|---|---|
| 4/20/2010 | ABVT | AboveNet Inc. | 100 | $59.35 | 0.00% | 30.40% |
| 3/25/2011 | COH | Coach Inc. | 274 | $65.07 | 2.87% | 25.61% |
| 9/30/2010 | BIG | Big Lots Inc. | 379 | $37.69 | 2.30% | 21.50% |
| 9/29/2011 | HAL | Halliburton Co. | 353 | $37.76 | 2.15% | 17.82% |
| 12/16/2008 | VLO | Valero Energy Corp. | 260 | $24.45 | 0.00% | 17.53% |

A stock weighting of zero percent indicates that we do not currently own the stock.

## Worst Performers

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

| Purchase Date | Ticker | Name | Shares | Current Price | Stock Weight in Portfolio | YTD Gain/Loss |
|---|---|---|---|---|---|---|
| 4/13/2011 | TTM | Tata Motors Limited | 245 | $20.05 | 0.00% | -47.02% |
| 11/18/2010 | DBP | Powershares Prescious Metal | 449 | $60.83 | 0.00% | -44.92% |
| 3/29/2011 | TCK | Teck Resources Limited | 123 | $40.10 | 0.00% | -44.73% |
| 3/2/2011 | MDRX | Allscripts Healthcare Inc. | 872 | $19.15 | 0.00% | -41.08% |
| 3/29/2011 | ALUM | Global X Aluminum ETF | 425 | $10.51 | 0.00% | -37.77% |

A stock weighting of zero percent indicates that we do not currently own the stock.

# Archway Investment Fund Performance

## Archway Fund Morningstar Style Box

| Market Capitalization | Value | Blend | Growth |
|---|---|---|---|
| Large | 28.70% | 4.80% | 38.10% |
| Medium | 4.80% | 5.00% | 14.20% |
| Small | 0.00% | 1.20% | 0.00% |

Valuation

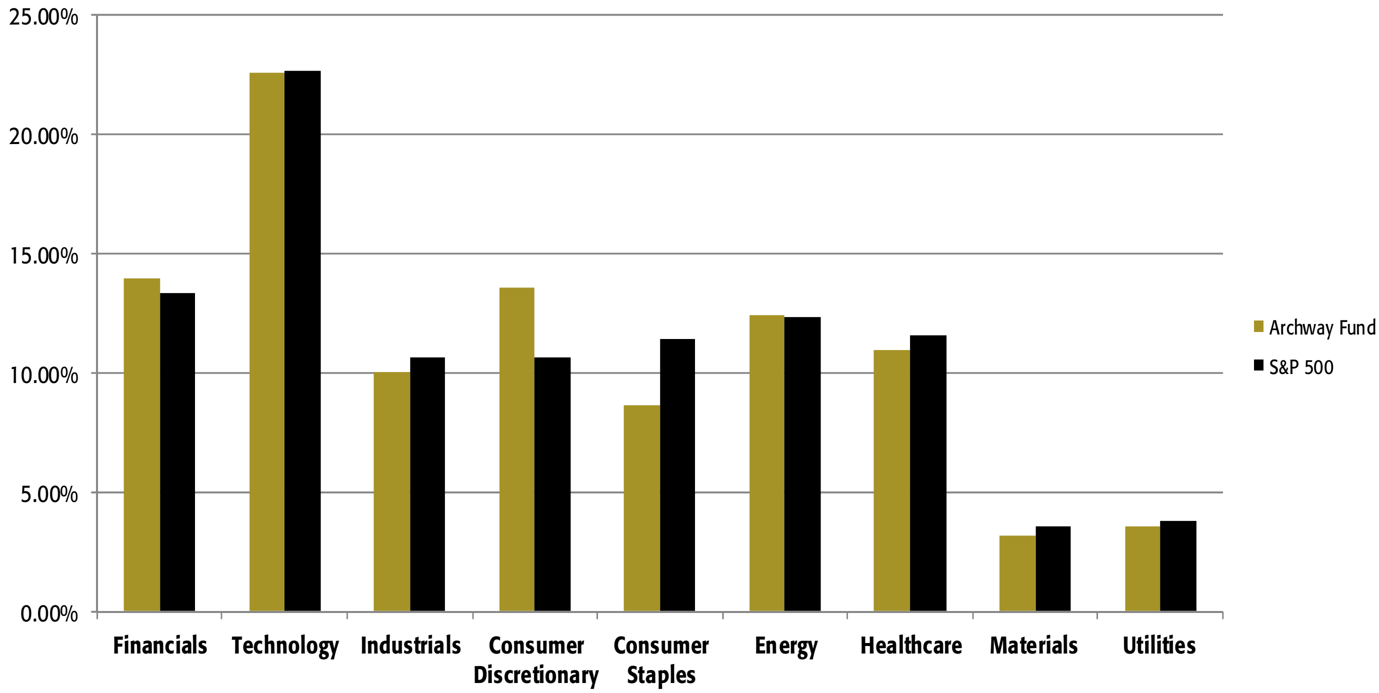
This is the distribution of stocks in the portfolio. Companies are classified on the basis of size and a combination of a value score and a growth score.

## Year-to-Date Comparisons

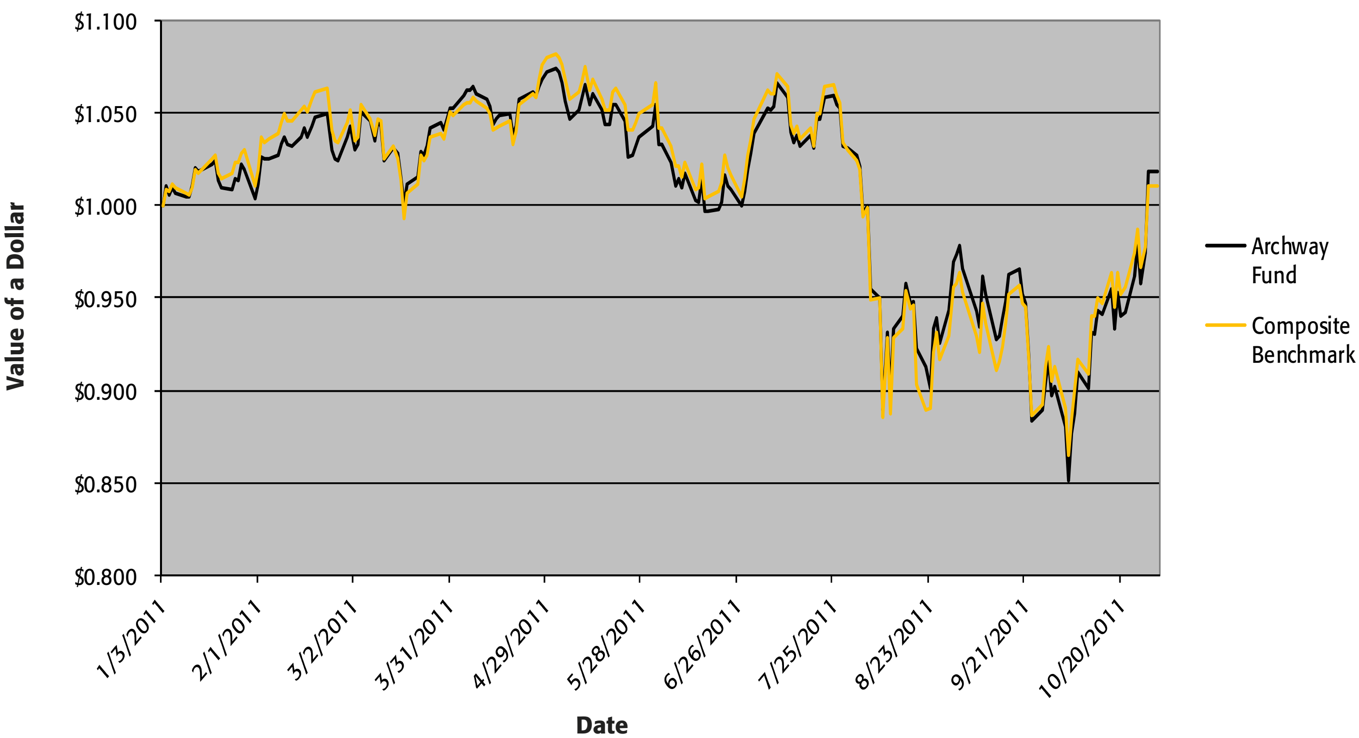
| Sector | Sector Weight | SPDR Weight | YTD Sector Returns | YTD Benchmark Returns | Sector Beta | Benchmark Beta |
|---|---|---|---|---|---|---|
| Financials | 13.99% | 13.36% | -15.00% | -15.15% | 1.30 | 1.49 |
| Technology | 22.62% | 22.69% | 4.04% | 3.58% | 1.06 | 1.06 |
| Industrials | 10.05% | 10.64% | -1.48% | -3.74% | 1.09 | 1.22 |
| Consumer Discretionary | 13.59% | 10.66% | 13.79% | 4.64% | 0.97 | 1.12 |
| Consumer Staples | 8.65% | 11.40% | 8.74% | 6.52% | 0.52 | 0.6 |
| Energy | 12.44% | 12.38% | -2.64% | 2.48% | 1.19 | 0.97 |
| Healthcare | 10.98% | 11.58% | 2.37% | 7.02% | 0.75 | 0.67 |
| Materials | 3.17% | 3.53% | -19.51% | -10.01% | 0.97 | 1.25 |
| Utilities | 3.58% | 3.78% | 10.09% | 12.31% | 0.73 | 0.58 |
| Alternative | 0.00% | 0% | -15.81% | -16.43% | 0.88 | 1.15 |
| Cash | 0.94% | 0% | 0% | 0% | 0.00 | 0.00 |

This table displays returns for each sector portfolio along with the sector weights and beta, compared to those of the sector benchmark, as of October 31, 2011.

## Strategic Alignment




## $1 Investment: Archway Fund vs. Composite Benchmark



# Current Holdings as of October 31, 2011

| Sector | Purchase Date | Ticker | Name | Shares | Current Price | Stock Weight in Portfolio | YTD % Change | HPR % Change |
|---|---|---|---|---|---|---|---|---|
| **Financials** | | | | | | | | |
| | 2/25/2011 | REZ | iShares FTSE NAREIT Residential PLUS Capped Index Fund | 399 | $43.63 | 2.80% | 4.56% | 4.56% |
| | 3/2/2011 | RGA | Reinsurance Group of America Inc. | 319 | $52.23 | 2.68% | -3.94% | -3.94% |
| | 4/23/2010 | JPM | JPMorgan Chase & Co. | 412 | $34.76 | 2.31% | -10.41% | -12.48% |
| | 9/28/2011 | GS | Goldman Sachs | 139 | $109.55 | 2.45% | 15.49% | 15.49% |
| | 9/29/2011 | BLK | Blackrock | 147 | $157.79 | 3.74% | 6.43% | 6.43% |
| **Technology** | | | | | | | | |
| | 4/20/2010 | GLW | Corning Inc. | 1705 | $14.29 | 3.93% | -9.94% | -10.83% |
| | 10/19/2009 | INTU | FactSet Research Systems Inc. | 288 | $99.42 | 4.61% | 14.59% | 21.11% |
| | 12/18/2009 | CSCO | Google Inc. (Cl A) | 57 | $592.64 | 5.44% | 4.69% | 4.39% |
| | 9/29/2011 | CTSH | Cognizant | 394 | $72.75 | 4.62% | 15.12% | 15.12% |
| | 10/24/2011 | NVDA | Nvidia Corporation | 1488 | $14.80 | 4.02% | -5.18% | -5.18% |
| **Industrials** | | | | | | | | |
| | 3/7/2011 | FDX | FedEx Corp. | 239 | $81.83 | 3.15% | -4.74% | -4.74% |
| | 10/11/2011 | CMI | Cummins Inc. | 95 | $99.43 | 1.52% | 13.43% | 13.32% |
| | 12/20/2005 | MMM | 3M Co. | 143 | $79.02 | 1.82% | -7.12% | 3.23% |
| | 3/10/2009 | HON | Honeywell International Inc. | 191 | $52.40 | 1.61% | 4.27% | 18.28% |
| | 12/14/2009 | NSC | Norfolk Southern Company | 163 | $73.99 | 1.94% | 13.44% | 24.68% |
| **Consumer Discretionary** | | | | | | | | |
| | 9/29/2011 | JWN | Nordstrom Inc. | 180 | $50.69 | 1.47% | 10.69% | 10.69% |
| | 2/25/2011 | AAP | Advance Auto Parts Inc. | 221 | $65.07 | 2.32% | 8.63% | 8.63% |
| | 9/30/2010 | BIG | Big Lots Inc. | 379 | $37.69 | 2.30% | 21.50% | 14.80% |
| | 3/11/2011 | COH | Coach Inc. | 274 | $65.07 | 2.87% | 25.61% | 25.61% |
| | 9/29/2011 | DEO | Diageo | 183 | $82.88 | 2.44% | 8.37% | 8.37% |
| | 10/25/2005 | MCD | McDonald's Corp. | 146 | $92.85 | 2.18% | 16.40% | 86.13% |

# Current Holdings as of October 31, 2011 (cont.)

| Sector | Purchase Date | Ticker | Name | Shares | Current Price | Stock Weight in Portfolio | YTD % Change | HPR % Change |
|---|---|---|---|---|---|---|---|---|
| **Consumer Staples** | | | | | | | | |
| | 4/20/2010 | GIS | General Mills Inc. | 323 | $38.53 | 2.01% | 7.05% | 7.70% |
| | 11/9/2009 | PG | Procter & Gamble Co. | 191 | $63.99 | 1.97% | 1.72% | 4.14% |
| | 11/18/2010 | MO | Altria Group Inc. | 478 | $27.55 | 2.12% | 9.89% | 9.34% |
| | 11/20/2007 | KO | Coca-Cola Co. | 232 | $68.32 | 2.55% | 2.81% | 8.77% |
| **Energy** | | | | | | | | |
| | 2/25/2011 | CVX | Chevron Corp. | 267 | $105.05 | 4.52% | 4.79% | 4.79% |
| | 5/7/2010 | STO | Statoil ASA ADS | 385 | $25.43 | 1.58% | 11.37% | 13.69% |
| | 9/29/2011 | HAL | Halliburton Co. | 353 | $37.76 | 2.15% | 17.82% | 17.74% |
| | 5/8/2009 | FLS | Flowserve Corp. | 95 | $92.62 | 1.42% | -5.79% | 6.65% |
| | 5/8/2009 | CNX | Consol Energy Inc. | 406 | $42.76 | 2.80% | -7.50% | 6.25% |
| **Healthcare** | | | | | | | | |
| | 3/23/2010 | MYL | Mylan Inc. | 641 | $19.57 | 2.02% | -6.37% | -8.40% |
| | 9/28/2011 | DGX | Express Scripts Inc. | 341 | $45.77 | 2.51% | 16.63% | 16.63% |
| | 4/20/2010 | COV | Covidien PLC | 220 | $47.04 | 1.67% | -1.96% | -6.63% |
| | 9/28/2011 | WLP | WellPoint Inc. | 208 | $68.90 | 2.31% | 16.19% | 8.21% |
| | 4/11/2008 | TEVA | Teva Pharmaceutical Industries Ltd. ADS | 375 | $40.85 | 2.47% | -12.28% | -0.54% |
| **Materials** | | | | | | | | |
| | 11/24/2010 | SCL | Stepan Co. | 80 | $77.29 | 1.00% | 1.34% | 6.76% |
| | 4/23/2010 | RIO | Rio Tinto PLC ADS | 125 | $54.06 | 1.09% | -16.05% | -22.32% |
| | 5/8/2009 | PX | Praxair Inc. | 66 | $101.67 | 1.08% | 4.77% | 20.82% |
| **Utilities** | | | | | | | | |
| | 3/2/2011 | NEE | NextEra Energy Inc | 148 | $56.40 | 1.34% | 7.96% | 7.96% |
| | 9/29/2011 | SO | Southern Company | 321 | $43.20 | 2.23% | 1.19% | 1.19% |

# List of Trades

| Date | Ticker | Stock Name | Trade | Quantity | Price |
|---|---|---|---|---|---|
| 1/28/2011 | FCX | Freeport McMoran | Sell | 90 | $ 105.31 |
| 1/28/2011 | SLM | SLM Corp. | Sell | 500 | $ 14.41 |
| 2/7/2011 | ALV | Autoliv Inc. | Sell | 50 | $ 73.62 |
| 2/22/2011 | AEIS | Advanced Energies Industries | Buy | 450 | $ 14.80 |
| 2/22/2011 | DBV | Powershares Currency Harvest | Sell | 260 | $ 23.96 |
| 2/22/2011 | XLK | Technology SPDR | Sell | 246 | $ 26.92 |
| 2/25/2011 | AAP | Advance Auto Parts Inc. | Buy | 150 | $ 61.69 |
| 2/25/2011 | CVX | Chevron Corp. | Buy | 200 | $ 100.76 |
| 2/25/2011 | REZ | iShares FTSE NAREIT Residential PLUS Capped Index Fund | Buy | 170 | $ 40.88 |
| 2/25/2011 | XLK | Technology SPDR | Sell | 415 | $ 26.43 |
| 3/2/2011 | MDRX | Allscripts Heathcare Inc. | Buy | 318 | $ 21.15 |
| 3/2/2011 | XLY | Consumer Discretionary SPDR | Buy | 146 | $ 39.17 |
| 3/2/2011 | XLP | Consumer Staples SPDR | Sell | 250 | $ 29.51 |
| 3/2/2011 | XLE | Energy SPDR | Sell | 332 | $ 77.70 |
| 3/2/2011 | FAST | Fastenal Co. | Buy | 110 | $ 61.36 |
| 3/2/2011 | XLF | Financial SPDR | Buy | 570 | $ 16.79 |
| 3/2/2011 | XLV | Healthcare SPDR | Sell | 82 | $ 32.32 |
| 3/2/2011 | XLI | Industrial SPDR | Sell | 633 | $ 36.81 |
| 3/2/2011 | LAZ | Lazard Ltd. | Buy | 50 | $ 43.32 |
| 3/2/2011 | XLB | Materials SPDR | Buy | 152 | $ 38.94 |
| 3/2/2011 | NEE | NextEra Energy Inc | Buy | 38 | $ 54.75 |
| 3/2/2011 | PH | Parker Hannifin Corp. | Buy | 75 | $ 88.66 |
| 3/2/2011 | RGA | Reinsurance Group of America Inc. | Buy | 130 | $ 58.74 |
| 3/2/2011 | LUV | Southwest Airlines | Buy | 550 | $ 11.76 |
| 3/2/2011 | XLK | Technology SPDR | Buy | 135 | $ 26.46 |
| 3/7/2011 | FDX | FedEx Corp. | Buy | 185 | $ 88.26 |
| 3/7/2011 | BOKF | BOK Financial Corp. | Sell | 150 | $ 51.21 |
| 3/7/2011 | FDX | FedEx Corp. | Buy | 185 | $ 87.24 |
| 3/7/2011 | FLR | Fluor Corp. | Sell | 100 | $ 69.61 |
| 3/7/2011 | XLI | Industrial SPDR | Sell | 257 | $ 36.41 |
| 3/7/2011 | TIP | iShares Barclays TIPs | Buy | 110 | $ 108.41 |
| 3/7/2011 | SPY | SPDR S&P 500 ETF | Buy | 68 | $ 131.34 |
| 3/15/2011 | RIO | Rio Tinto PLC ADS | Sell | 128 | $ 63.62 |
| 3/18/2011 | NTRS | Northern Trust Corp. | Sell | 100 | $ 49.17 |
| 3/23/2011 | WBK | Westpac Banking Corp. | Buy | 44 | $ 112.78 |
| 3/25/2011 | COH | Coach Inc. | Buy | 200 | $ 51.15 |
| 3/25/2011 | XLY | Consumer Discretionary SPDR | Sell | 270 | $ 37.90 |
| 3/29/2011 | BIDU | Baidu Inc. | Buy | 60 | $ 133.76 |
| 3/29/2011 | ECL | Ecolab Inc. | Sell | 60 | $ 49.66 |
| 3/29/2011 | EFN | EGA Emerging Markets Index | Sell | 60 | $ 23.66 |
| 3/29/2011 | ALUM | Global X FDS ALUM | Buy | 425 | $ 15.54 |
| 3/29/2011 | TIP | iShares Barclays TIPs | Sell | 88 | $ 109.31 |
| 3/29/2011 | EPU | iShares MSCI All Peru Index | Buy | 140 | $ 47.25 |
| 3/29/2011 | XLB | Materials SPDR | Sell | 152 | $ 39.00 |
| 3/29/2011 | PXR | Powershares Emerging Markets | Sell | 100 | $ 52.37 |
| 3/29/2011 | PX | Praxair Inc. | Buy | 26 | $ 99.46 |
| 3/29/2011 | RIO | Rio Tinto PLC ADS | Buy | 125 | $ 68.62 |
| 3/29/2011 | EWX | S&P Emerging Markets ETF | Sell | 110 | $ 53.25 |
| 3/29/2011 | TCK | Teck Resources Limited | Buy | 123 | $ 54.69 |
| 4/8/2011 | FNMIX | Fidelity New Markets Income | Sell | 252 | $ 15.72 |
| 4/12/2011 | TIP | iShares Barclays TIPs | Sell | 22 | $ 108.80 |
| 4/13/2011 | TTM | Tata Motors Limited | Buy | 245 | $ 27.75 |
| 4/27/2011 | SAM | Boston Beer Company Inc. | Sell | 110 | $ 91.80 |
| 4/27/2011 | XLY | Consumer Discretionary SPDR | Buy | 132 | $ 39.87 |

# List of Trades

| Date | Ticker | Stock Name | Trade | Quantity | Price |
|---|---|---|---|---|---|
| 4/27/2011 | XLP | Consumer Staples SPDR | Buy | 155 | $ 30.90 |
| 5/10/2011 | AMGN | Amgen Inc. | Buy | 20 | $ 57.46 |
| 5/10/2011 | AAPL | Apple Inc. | Buy | 14 | $ 348.01 |
| 5/10/2011 | CSCO | Cisco Systems Inc. | Sell | 290 | $ 17.51 |
| 5/10/2011 | XLF | Financial SPDR | Buy | 492 | $ 16.07 |
| 5/10/2011 | FRX | Forest Laboratories | Sell | 152 | $ 34.22 |
| 5/10/2011 | MYL | Mylan Inc. | Buy | 134 | $ 24.14 |
| 5/10/2011 | DGX | Quest Diagnostics Inc. | Sell | 80 | $ 58.18 |
| 5/10/2011 | TRV | Travelers Inc. | Sell | 125 | $ 63.32 |
| 6/7/2011 | ABVT | Abovnet Inc. | Sell | 100 | $ 76.23 |
| 6/7/2011 | ATVI | Activision Blizzard | Sell | 456 | $ 11.93 |
| 6/7/2011 | ADBE | Adobe Inc. | Sell | 180 | $ 34.05 |
| 6/7/2011 | ACM | Aecom Systems Inc. | Sell | 100 | $ 28.06 |
| 6/7/2011 | AMGN | Amgen Inc. | Sell | 125 | $ 59.73 |
| 6/7/2011 | AAPL | Apple Inc. | Sell | 52 | $ 347.89 |
| 6/7/2011 | BAC | Bank of America | Sell | 620 | $ 11.24 |
| 6/7/2011 | DOV | Dover Corporation | Sell | 100 | $ 63.59 |
| 6/7/2011 | EME | Emcor Group Inc. | Sell | 100 | $ 29.60 |
| 6/7/2011 | XLE | Energy SPDR | Buy | 92 | $ 75.68 |
| 6/7/2011 | XLF | Financial SPDR | Buy | 1,530 | $ 15.32 |
| 6/7/2011 | XLV | Healthcare SPDR | Buy | 512 | $ 35.57 |
| 6/7/2011 | XLI | Industrial SPDR | Buy | 680 | $ 36.61 |
| 6/7/2011 | IBM | International Business Machines Corp. | Sell | 58 | $ 166.92 |
| 6/7/2011 | INTU | Intuit Inc. | Sell | 200 | $ 53.03 |
| 6/7/2011 | LAZ | Lazard Ltd. | Sell | 225 | $ 37.89 |
| 6/7/2011 | LIFE | Life Technologies Corp. | Sell | 75 | $ 51.18 |
| 6/7/2011 | PH | Parker Hannifin Corp. | Sell | 75 | $ 86.81 |
| 6/7/2011 | LUV | Southwest Airlines | Sell | 550 | $ 11.60 |
| 6/7/2011 | XLK | Technology SPDR | Buy | 2,201 | $ 26.00 |
| 6/7/2011 | VLO | Valero Energy Corp. | Sell | 260 | $ 27.17 |
| 6/7/2011 | WLP | WellPoint Inc. | Sell | 90 | $ 77.70 |
| 6/7/2011 | WBK | Westpac Banking Corp. | Sell | 69 | $ 114.46 |
| 8/18/2011 | MMM | 3M Co. | Buy | 52 | $ 82.95 |
| 8/18/2011 | AAP | Advance Auto Parts Inc. | Buy | 71 | $ 55.89 |
| 8/18/2011 | AEIS | Advanced Energies Industries | Buy | 2,103 | $ 9.80 |
| 8/18/2011 | MDRX | Allscripts Heathcare Inc. | Buy | 454 | $ 15.51 |
| 8/18/2011 | MO | Altria Group Inc. | Buy | 218 | $ 25.61 |
| 8/18/2011 | AMP | Ameriprise Financial Inc. | Buy | 215 | $ 45.25 |
| 8/18/2011 | BIG | Big Lots Inc. | Buy | 124 | $ 32.18 |
| 8/18/2011 | CVX | Chevron Corp. | Buy | 67 | $ 98.48 |
| 8/18/2011 | COH | Coach Inc. | Buy | 74 | $ 53.36 |
| 8/18/2011 | KO | Coca-Cola Co. | Buy | 82 | $ 67.71 |
| 8/18/2011 | CNX | Consol Energy Inc. | Buy | 156 | $ 42.20 |
| 8/18/2011 | XLY | Consumer Discretionary SPDR | Sell | 439 | $ 36.25 |
| 8/18/2011 | XLP | Consumer Staples SPDR | Sell | 749 | $ 29.81 |
| 8/18/2011 | GLW | Corning Inc. | Buy | 1,355 | $ 14.98 |
| 8/18/2011 | XLE | Energy SPDR | Sell | 380 | $ 69.03 |
| 8/18/2011 | FDS | FactSet Research Systems Inc. | Buy | 238 | $ 85.29 |
| 8/18/2011 | FAST | Fastenal Co. | Buy | 134 | $ 32.27 |
| 8/18/2011 | FDX | FedEx Corp. | Buy | 54 | $ 81.03 |
| 8/18/2011 | XLF | Financial SPDR | Sell | 2,959 | $ 13.08 |
| 8/18/2011 | FLS | Flowserve Corp. | Buy | 72 | $ 91.63 |
| 8/18/2011 | GIS | General Mills Inc. | Buy | 153 | $ 36.44 |
| 8/18/2011 | GOOG | Google Inc. (Cl A) | Buy | 37 | $ 551.02 |

# List of Trades

| Date | Ticker | Stock Name | Trade | Quantity | Price |
|---|---|---|---|---|---|
| 8/18/2011 | XLV | Healthcare SPDR | Sell | 879 | $ 31.98 |
| 8/18/2011 | HON | Honeywell International Inc. | Buy | 91 | $ 47.06 |
| 8/18/2011 | XLI | Industrial SPDR | Sell | 680 | $ 31.74 |
| 8/18/2011 | REZ | iShares FTSE NAREIT Residential PLUS Capped Index Fund | Buy | 229 | $ 42.29 |
| 8/18/2011 | JPM | JPMorgan Chase & Co. | Buy | 262 | $ 36.73 |
| 8/18/2011 | MCD | McDonald's Corp. | Buy | 46 | $ 86.31 |
| 8/18/2011 | MYL | Mylan Inc. | Buy | 357 | $ 19.59 |
| 8/18/2011 | NSC | Norfolk Southern Company | Buy | 63 | $ 69.04 |
| 8/18/2011 | PG | Procter & Gamble Co. | Buy | 91 | $ 61.34 |
| 8/18/2011 | RGA | Reinsurance Group of America Inc. | Buy | 189 | $ 51.29 |
| 8/18/2011 | STO | Statoil ASA ADS | Buy | 290 | $ 22.53 |
| 8/18/2011 | XLK | Technology SPDR | Sell | 3,311 | $ 24.40 |
| 8/18/2011 | TEVA | Teva Pharmaceutical Industries Ltd. ADS | Buy | 174 | $ 40.15 |
| 9/26/2011 | MCHFX | Matthews China Fund | Sell | 558 | $ 23.05 |
| 9/28/2011 | MDRX | Allscripts Heathcare Inc. | Buy | 772 | $ 18.20 |
| 9/28/2011 | BIDU | Baidu Inc. | Sell | 60 | $ 122.97 |
| 9/28/2011 | INP | Barclays MSCI India Index | Sell | 105 | $ 53.54 |
| 9/28/2011 | ESRX | Express Scripts Inc. | Buy | 341 | $ 39.22 |
| 9/28/2011 | FAST | Fastenal Co. | Sell | 354 | $ 34.52 |
| 9/28/2011 | ALUM | Global X FDS ALUM | Sell | 425 | $ 9.67 |
| 9/28/2011 | GS | Goldman Sachs | Buy | 139 | $ 94.80 |
| 9/28/2011 | FRN | Guggenheim Frontier ETF | Sell | 133 | $ 18.25 |
| 9/28/2011 | TIP | iShares Barclays TIPs | Sell | 155 | $ 115.38 |
| 9/28/2011 | EPU | iShares MSCI All Peru Index | Sell | 140 | $ 36.90 |
| 9/28/2011 | PXR | iShares MSCI Emerging Index | Sell | 250 | $ 35.33 |
| 9/28/2011 | DBP | Powershares Precious Metal | Sell | 449 | $ 19.64 |
| 9/28/2011 | SPY | SPDR S&P 500 ETF | Sell | 56 | $ 112.95 |
| 9/28/2011 | TTM | Tata Motors Limited | Sell | 245 | $ 14.70 |
| 9/28/2011 | TCK | Teck Resources Limited | Sell | 123 | $ 30.22 |
| 9/28/2011 | WLP | WellPoint Inc. | Buy | 208 | $ 63.64 |
| 9/29/2011 | MDRX | Allscripts Heathcare Inc. | Sell | 100 | $ 18.56 |
| 9/29/2011 | AMP | Ameriprise Financial Inc. | Sell | 415 | $ 40.36 |
| 9/29/2011 | BLK | Blackrock Inc. | Buy | 147 | $ 148.20 |
| 9/29/2011 | CTSH | Cognizant Technology Solutions Corp. | Buy | 394 | $ 63.19 |
| 9/29/2011 | DEO | Diageo | Buy | 183 | $ 76.44 |
| 9/29/2011 | HAL | Halliburton Co. | Buy | 353 | $ 32.05 |
| 9/29/2011 | JWN | Nordstrom Inc. | Buy | 180 | $ 45.75 |
| 9/29/2011 | SO | Southern Company | Buy | 321 | $ 42.67 |
| 10/4/2011 | MDRX | Allscripts Heathcare Inc. | Sell | 772 | $ 18.82 |
| 10/11/2011 | CMI | Cummins Inc. | Buy | 95 | $ 87.66 |
| 10/24/2011 | AEIS | Advanced Energies Industries | Sell | 2,553 | $ 9.14 |
| 10/24/2011 | NVDA | Nvidia Corporation | Buy | 1,488 | $ 15.61 |

# Statement of Operations

## January 1, 2011 through October 31, 2011

| | | |
|---|---|---|
| Income: | | |
| Dividends | $ 7,806.36 | |
| Interest | $ - | |
| | | $ 7,806.36 |
| Expenses: | | |
| Trading Costs | $ 1,156.83 | |
| | | $ 1,156.83 |
| Net Investment Income: | | $ 6,649.53 |
| Realized Gain (Loss) on Investments: | | |
| Proceeds from Securities Sold: | $ 755,384.87 | |
| Cost of Securities Sold: | $ 763,132.21 | |
| Net Realized Gain (Loss) of Securities Sold: | | $ (7,747.34) |
| Net Increase (Decrease) in Unrealized Appreciation on Investments: | | |
| Market Value of Holdings as of 10/31/2011: | $ 620,697.25 | |
| Less: Additional Contributions: | $ - | |
| Less : Market Value of Holdings as of 1/1/2011: | $ 640,519.93 | |
| Increase (Decrease) in Net Unrealized Appreciation: | | $ (19,822.68) |
| Net Realized Gain (Loss) and Increase (Decrease) in Net Unrealized Appreciation: | | $ (12,075.34) |
| Net Increase (Decrease) in Assets Resulting from Operations: | | $ (5,421.81) |

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