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The Archway Investment Fund Semi Annual Report, May 2008

Bryant University, Archway Investment Fund

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The Archway Investment Fund

BRYANT UNIVERSITY



Semi-Annual Report • May 2008



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Note from the Coordinator



Professor David Louton



C.V. Starr Financial Markets Center

Market conditions made this the most challenging semester in the three year history of the Archway Investment Fund. By the time students returned from winter break on January 22, the market was already down more than 10 percent for the year to date, and the Archway Investment Fund portfolio was trailing the market by almost two percent. Student managers worked with several members of the Archway Fund Investment Advisory Board to assess opportunities and risks, and to formulate an investment strategy for the first half of the year. Of course we were in good company. Many professional money managers were also scrambling to realign their portfolios as a result of the rapidly changing economic outlook. As of mid-April we had improved our position significantly, but the portfolio was still trailing the market by around 0.5 percent.

In spite of the difficult investment environment, we experienced a number of educational high points this semester. In February we hosted our 3rd Annual Financial Services Forum. This year's event focused on the aging population of the western world and its impact on New England financial services firms. Also during the month of February, students from the fall portfolio management class competed in the New England Investment Research Challenge sponsored by the Boston Security Analysts Society. During the month of March, seventeen student analysts and portfolio managers traveled to the 8th Redefining Investment Strategy Education (RISE) conference hosted by the University of Dayton. At that event, student managers participated in a portfolio management competition, and discussed portfolio management and security selection issues with student managers from other schools. Finally, we were fortunate this semester to have several truly outstanding guest speakers visit Bryant University to speak to the Archway Investment Fund classes.

The remaining pages of this report provide further details on the investment strategy followed by Fund managers during the past few months, performance statistics for the year to date, a list of current holdings, and a statement of operations. As always, any input that you would like to provide is very welcome. Please send comments and/or suggestions to archwayfund@bryant.edu.

Prof. David Louton

Letter from Executive Committee

In light of the market environment in the first quarter of 2008, the Executive Committee began the spring semester with a strategic re-weighting of the Archway Investment Fund and a strategy to recover from a down market. At the beginning of the semester, both the security analysts and the portfolio managers agreed that we should overweight financials, healthcare, and utilities and underweight technology, consumer discretionary, energy, and materials. Industrials and consumer staples were to remain at market weight. This re-weighting process has been very active during the semester, as we have tried to capitalize on better performing sectors and lessen our exposure in underperforming sectors.

Since last semester, financial markets have come off their previous highs, as sell side pressures have increased. This has subsequently changed our portfolio strategy and prompted the Executive Committee to be vigilant in examining current holdings and putting capital to work in possible new, undervalued investments. The committee has taken a proactive role in risk management this semester by utilizing stop-loss orders on companies to prevent unnecessary losses and protect holding period gains. The committee has also provided efficient due diligence on getting new securities into the portfolio from both the security analysts and portfolio

managers.

This semester, our management, strategy, and goals have been different from previous semesters as a unique market environment has forced more active management. The Executive Committee meets twice a week to review the investment portfolio, possible new investments, to discuss current market conditions and how to capitalize on developing trends. Throughout the semester, we have been moving away from holding individual sector ETFs by decreasing these positions and purchasing bigger allocations of individual securities in which we have confidence. The Executive Committee has also put a greater emphasis on technical analysis to identify good entry and exit points for our investments. Our ultimate goal is to make sector allocation and stock selections that would effectively beat our benchmark in an economy subject to a recession, inflationary pressures, weaker economic performance, and subprime write-offs.



Executive Committee, left to right:
Americo Mallozzi, Henri Proutt, Pablo Madera,
Jared Neilan, Joshua Lopes

2008 Archway Fund Graduates: Where Are They Going

JASON ZILEWICZ '08
Global Bank Debt Division
Bank Of America



STEPHEN BALKAM '08
Wealth Management Division
UBS

JOSHUA LOPES '08
Inside Sales Desk
Citi Smith Barney



NELSON DISLA '08
Settlement Services
Citizens Bank

MICHAEL OLIVERI '08
Systems Processes & Insurance
PricewaterhouseCoopers



MATTHEW KELLEHER '08
Global Wealth Management Division
Merrill Lynch

JARED NEILAN '08
Non-Marketable Alternative Assets
Cambridge Associates



KEITH LAGASSE '08
Financial Advisory
Ameriprise Financial

MARK MICELI '08
Financial Leadership Program
United Technologies Company



KRISTOFER HART '08
Financial Planning Division
Morgan Stanley

JONATHAN TAN '08
Equity Division - Healthcare Sector
Fidelity Investments



Events

Annual Financial Services Forum

Bryant University, Fidelity Investments, Strategas Research Partners
February 26, 2008

The topic for discussion at this year's forum was "The Aging of the Developed World and the Impact of Globalization on New England Financial Firms." Nicholas Bohnsack '00, COO of Strategas Research Partners, is a Bryant University alumnus and a member of the Archway Investment Fund Advisory Board. He was the moderator of the panel discussion. Along with Bohnsack, the panelists included Jerry Jordan President & Senior Portfolio Manager of Hellman Jordan Management Company; Kevin Richardson Partner at PRIDES Capital; Rina Vertes Senior VP & Chief Actuary of Blue Cross Blue Shield of Massachusetts; and Joan Caine CFA and former CIO for the Office of the Rhode Island General Treasurer. The panel discussion touched upon various areas and problems that local firms face as globalization becomes more prevalent in today's financial markets, such as financial services moving abroad, and the negative impact socialized healthcare would have on financial companies. After the panel



discussion, the luncheon speaker, Ren Cheng, CIO of Fidelity Management & Research Company- Global Asset Allocation Group, spoke about the future of investing for retirement and the rise in defined contribution plans. Cheng provided data illustrating the coupling of global financial markets, the large degree of control people have today when investing for retirement, and the role of life cycle funds. These funds are considered "no brainer" investments for people who do not have the propensity or knowledge to invest wisely. He described how these funds automatically manage the asset allocation by modifying the balance between stocks and bonds as the investor gets closer to retirement. The Annual Financial Services Forum not only provides a chance for students in the Archway Investment Fund to listen to successful experts in the investment world, but it also allows students the opportunity to ask questions and network with these individuals.

R.I.S.E. VIII Global Student Investment Forum

University of Dayton, United Nations Global Compact, NASDAQ
March 27-29, 2008

A total of 17 students attended and represented the Bryant Archway Investment Fund at the 2008 R.I.S.E. Investors' Forum at the University of Dayton. The forum is designed to provide competitive information regarding current economic conditions to students who actively manage assets. Throughout the first day, a total of 20 keynote speakers participated in moderated discussions in front of more than 2,000 students and faculty. Speakers of particular note included: Roel Campos, former Commissioner of the United States SEC; Dr. Frank Hatheway, NASDAQ Chief Economist; Thomas Keene, Bloomberg *Editor* and Chief Economist; and Sandra Pianalto, President, Federal Reserve Bank of Cleveland. The conclusion of the seminar consisted of a remote NASDAQ closing bell ceremony. Students attended a series of specialized breakout sessions and workshops during the second day. Individual sessions were led by a combination of Wall Street experts and professors who offered a balanced perspective on important current



economic issues. The workshops focused on skill enhancement, with topics ranging from security analysis and portfolio construction to risk management. The portfolio analysis segment of the program allowed Bryant to showcase the Archway Investment Fund to a panel of investment professionals. After presenting and answering a series of questions, the panel agreed to mail constructive feedback to us shortly after the conference. The unstructured portion of the forum allowed us to meet students from other student-run portfolios who are using alternative strategies to capitalize on contemporary financial market conditions.



154 Management Committees, Spring 2008

Executive Committee	Portfolio Accounting Committee	Directorial Committee	Compliance Committee	All-Company Management Committee
Michael J. Spivey	Timothy J. Smith	David J. Smith	Paul J. Smith	North Logistics Michael J. Spivey Timothy J. Smith
Joseph D. Clark Thomas M. Mackey	Robert J. Smith Michael J. Smith	Jeffrey L. Clark Joseph L. Clark	Jeffrey L. Clark Joseph L. Clark	

Portfolio Managers





Foreclosures as a Percentage of Total Loans
HIGH 2.50%
Bloomberg
FED SAY

HIGHEST GRP
18-1

Security Analysts



Portfolio Management—FIN 454

Course Description

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

Archway Fund Committees

The Reporting Committee

Lead: Jared W. Neilan
Chair: Jeffrey Harger
Reporting Officer: Emily Hall

The Reporting Committee is responsible for the Archway Investment Fund's Semi-Annual Report. This is the Fund's most important publication and is distributed to Bryant University's Board of Trustees, the Fund's Advisory Board, and offered to the Bryant community. The Semi-Annual Report includes information on classes in securities analysis and portfolio management and how they operate. The committee focused on enhancing the overall content of the report this year by developing a new report style, as well as adding new segments, including the R.I.S.E. VIII Forum that Archway Fund students attended at the University of Dayton and the annual Financial Services Forum held in February. Each sector group within The Archway Investment Fund is profiled, as well as each sector's current holdings and recent performance. Not only does the Semi-Annual Report address the Fund from a curricular standpoint, it also brings the investment performance of the Fund to light through the implementation of statistical and graphic techniques.

The Technical Committee

Lead: Joshua Lopes
Chair: Joseph Davis
Technical Officer: Thomas Madden

The Technical Committee was created to develop and maintain all technological advancements within the Archway Investment Fund classes (F450 and F454).

Topics Covered

The Portfolio Management class covers an array of topics including:

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



The Reporting Committee, left to right:
Jared W. Neilan, Emily Hall, Jeffrey Harger

Currently this consists of an automated voting system and a new interactive website. The voting system enables analysts to anonymously vote on securities that are pitched during the class period. The secret ballot allows students to place votes that are not skewed by their classmates' decisions.

The Technical Committee (cont'd).

The interactive website is designed to illustrate the accomplishments and strategy of the Archway Investment Fund. The website is available to the public and will help enhance knowledge about the investments classes, showcasing to the world what the investment fund has to offer. In addition, the Technical Committee is in charge of updating all the templates used by the securities analysts to document their research. Technology is an invaluable tool within the investment field, therefore as we move forward, we would advise the next committee to constantly update and improve the technical aspect of the Archway Fund investment classes.



The Technical Committee, left to right:
Thomas Madden, Joshua Lopes, Joseph Davis

The Portfolio Accounting Committee

Lead: Henri Proutt
Chair: Roger Thistle
Portfolio Accounting Officer: Samarth Patel

The Portfolio Accounting Committee of the Archway Investment Fund is dedicated to the overall upkeep and day-to-day recording of investment activities within the portfolio. Throughout the semester we are responsible for ensuring that our accounting records properly match those provided by Fidelity Investments. In the event of discrepancies, the Portfolio Accounting Committee is held responsible for reconciling any problems. We are also responsible for determining portfolio performance with regard to risk and providing information for the Fund's mid-semester and semester-end report.

The Portfolio Accounting Committee has been a vital part of the Archway Investment Fund during the spring 2008 semester. During this semester, we successfully closed Fiscal Year 2007 and completed all portfolio accounting through April 2008. A virtual meeting place was created specifically for use by the Portfolio Accounting Committee, which allows us to upload our files and electronically check any file that needs updating. The committee is essential for the continued success of the Archway Investment Fund; the committee provides vital information to all other committees and ensures the records of the Fund are correct.



The Portfolio Accounting Committee, left to right:
Samarth Patel, Roger Thistle, Henri Proutt

The Compliance Committee

Lead: Pablo Madera
Chair: Jeff Haydock
Compliance Officers: Antonio Ballestas, Tim Keenan,
Greg Mello, Kyle Parker

The Compliance Committee is comprised of six members of the portfolio management class; one from each sector within the Archway Investment Fund. The intention of this composition was to allow our committee to increase efficiency in tracking current holdings and to further develop and monitor sell strategies. This in turn leads to an overall increase in the Fund's performance.

The Compliance Committee has developed a new compliance system that is both comprehensive and dynamic in nature, consisting of four Excel workbooks monitoring various factors and targets within the Fund. We monitor price targets, track asset allocations, and ETF exposure to prevent over exposure to any individual security. These spreadsheets alert us when one of our triggers has been activated, and a review is required.

During this semester, the committee made significant improvements in the maintenance of the portfolio by



The Compliance Committee, left to right:
Antonio Ballestas, Pablo Madera, Jeff Haydock, Kyle Parker,
Tim Keenan, Greg Mello

constantly reviewing holdings through the various control spreadsheets. These spreadsheets will allow future committees to identify the different exposures and intricacies of the Fund.

The Marketing Committee

Lead: Americo Mallozzi
Marketing Officers: Cameron Scott, Jason Zilewicz

This committee is responsible for developing and implementing several deliverable ideas to promote awareness of the Archway Investment Fund as well as build upon previous semesters' accomplishments. During this semester the Marketing Committee was involved in several activities that helped accomplish the goal of expanding the familiarity of Bryant students with the Fund. The first deliverable was weekly updates about the Fund in *The Archway*, which is Bryant University's official student newspaper.

The second deliverable of the Marketing Committee was to recruit new members into the Archway Investment Fund. Members of the committee spoke to lower-level finance courses at Bryant University. During these presentations, the Marketing Committee gave brief introductions and a brief



The Marketing Committee, left to right:
Cameron Scott, Jason Zilewicz, Americo Mallozzi

The Marketing Committee (cont'd).

history of the Archway Investment Fund. The most important part of the presentations was information regarding the application process, including due dates as well as application forms.

The focus of the third deliverable was to keep in contact with past members of the Fund. This involved creation of a Facebook group and creating an e-mail list for updates. This will enable former Archway analysts to have a constant connection and a continuing impact on the Fund.

Two of the marketing committee members traveled to the Redefining Investment Strategy Conference (R.I.S.E. VIII) Forum at the University of Dayton in Ohio. During this conference the committee members compiled an information poster and current holdings sheet for distribution during the R.I.S.E. VIII networking event. This was a great success, as it allowed for comparisons to other student-run investment funds.

Alternative Investments Committee

Chair: Keith Lagasse
Alternative Investment Officers: Daniel Terrell, Anthony Delmonico, Ryan Gagliastre, Grady Moore & Mitul Parekh

The purpose of the Alternative Investments Committee is to research and analyze holdings that are not located in the typical portfolio sectors. Possible alternative investments include ETFs and foreign companies (ADRs). Our goal as a committee is to provide international diversification to reduce the risk in the domestic market.

The committee has chosen to do much of its research and analysis in foreign and commodities markets.

We see investment opportunities in economies such as Latin America, Asia, Eastern Europe, and India. Much of the investment opportunity in these economies surfaced around their emerging markets. Within the commodities market, we see a positive outlook with silver, gold, alternative energy, and wheat. Our strategy as a committee is to try to capitalize on growth opportunities while being mindful of inflationary and foreign exchange risks. As a class, we are discussing how we would classify country and commodity ETFs, and plan to make a purchase shortly. The Alternative Investments Committee will provide diversity through exposure to high-growth markets.



The Alternative Investments Committee, left to right: Daniel Terrell, Ryan Gagliastre, Mitul Parek, Keith Lagasse, Grady Moore, Anthony Delmonico

Securities Analysis—FIN 450

Course Description

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

Archway Fund Sectors

Industrials Sector

Returns (YTD): Sector: -3.10% SPDR: -4.03%

Over the past year, the industrials sector has been challenged by many macroeconomic issues. This has forced us to develop an investment strategy specifically targeted at exploiting opportunities and hedging against foreseeable downturns. Our sector goals were to identify international investment opportunities, specifically in infrastructure, that would capitalize on the weakening U.S. dollar and investment opportunities that would allow us to take advantage of rising oil prices. We located this opportunity within the road and rail industry.

The industrials sector comprises -12.28% of the Archway Investment Fund. The best performing holdings of the portfolio are Honeywell International and CSX Corporation, which have unrealized returns of +42.59% and +33.27% respectively. The weakest performing holdings of the industrials sector are Gol Linhas Aereas Inteligentes SA and Trinity Industries, which have holding period returns of -47.82% and -25.40% respectively.

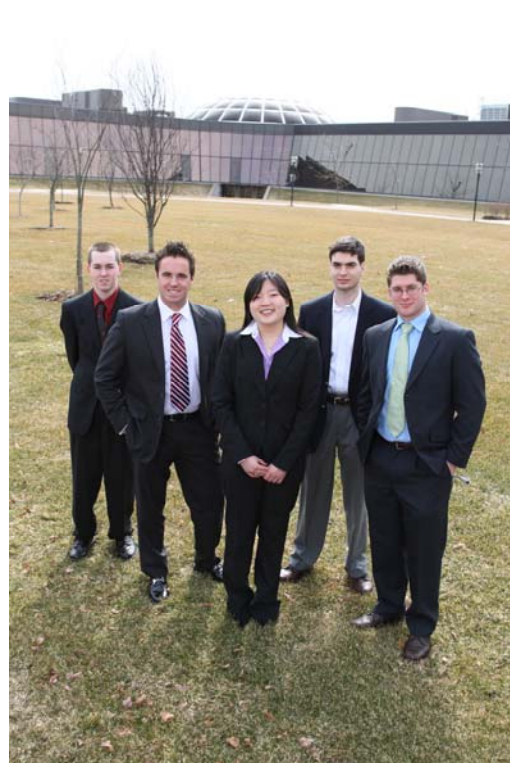
We believe there is significant potential for many securities within the industrials sector. Currently, we are bullish on construction and engineering, industrial machinery, road and rail, aerospace and defense, and industrial conglomerates. The development and replacement of infrastructure, falling interest rates, rising fuel prices, and continued military action abroad will help drive these industries. We are bearish on airlines, air freight and logistics, and residential construction, because of rising fuel costs, the shift to railroads, and the housing market decline.

Topics Covered

The Security Analysis class covers an array of topics including:

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

The opportunity for successful investing exists with industrial firms because of the sector's exposure to international growth. Investment opportunities may include railroad transportation abroad, foreign infrastructure and machinery, and new technology for national security and urban warfare.



Industrials Sector, left to right:
Michael Fulton, Matthew Kelleher, Sara Hoh, Gregory Golino, David Reichert

Financials Sector

Returns (YTD): Sector: -11.76% SPDR: -12.76%

The condition of the financial sector has been volatile in recent months, which can be attributed to the ongoing credit and subprime crises. These issues have led to the collapse of major companies, such as Bear Sterns, and have instilled a fair amount of fear in the general market. The Federal Reserve aggressively cut interest rates with the purpose of restoring stability to the financial markets, ignoring the risk of inflation and the declining value of the U.S. dollar. The credit and housing markets must stabilize before we can expect bullish sentiment to be reflected in the prices of individual securities in this sector.

Year-to-date, our most active holdings have been Alliance Bernstein (AB) and Goldman Sachs (GS). AB has been our best performing security, returning +7.77%; meanwhile, our most recent purchase of GS lost -10.76%. The price appreciation of AB can be attributed to their superior asset management services. On the other hand, GS has fallen victim to indiscriminate selling and the drastic widening of credit spreads.

This massive market-wide sell-off has pushed valuations of many financial companies to historic lows. For this reason we see an unprecedented opportunity to buy value-based equities with high-quality brand names at attractive, discounted prices. Our strategy is to focus on companies with strong balance sheets that will outperform their peers in the long run.



Financials Sector, left to right:
Alexander Weiss, Brian Griffin, Jasmine Kamber, Stephen Balkam

Healthcare Sector

Returns (YTD): Sector: -10.32% SPDR: -11.40%

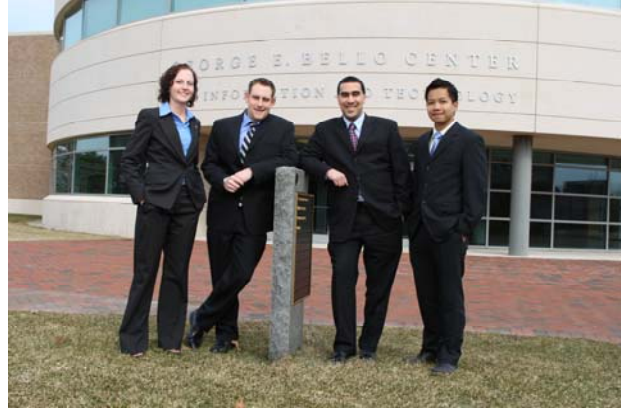
Securities within the healthcare sector offer an opportunity of investment that is less correlated with inevitable market movements. The majority of firms in the healthcare sector have implied or guaranteed revenue streams based upon the assumption that healthcare will always be needed and the government provides a large amount of revenue in the form of Social Security and Medicare/Medicaid.

The biggest winner is Stryker Corp. (SYK) +19.08% for their continued stellar financial performance. The biggest loser is United Health Group (UNH) -38.26%. The downturn of this major managed-care company is mainly due to their involvement with Humana, Medicare Type D Plans, and the uncertainty about the upcoming presidential elections.

Extreme economic conditions have forced our investment strategies to change to a more defensive position by focusing on the most promising subsectors. Opportunity resides in the biotechnology industry. This semester our biotechnology holding, Genentech Corporation (DNA), has shown impressive performance for 2008 and the company's stock price has outperformed all of the remaining healthcare investments. Biotech solutions are constantly replacing traditional medical procedures, therapies, and products. Flow-pressure through pharmaceutical competitive pipelines has been decreasing over the past few years. Congress is simultaneously loosening the laws that restrict companies from manufacturing more affordable generic forms of blockbuster drugs. Essentially, the door is wide open for generic companies to make a

Healthcare Sector (cont'd).

stylish entrance into the marketplace. The sector's overall effectiveness is achieved by carefully determining proper allocation across subsectors while intelligently managing risk on both the firm-specific and industry levels.



Healthcare Sector, left to right:
Emily Siedlik, David Dube, Nelson Disla, Bao Tran

Technology Sector

Returns (YTD): Sector: -16.46% SPDR: -15.56%

Technology was the second best performing sector in 2007. Four of the top five best performing equities in the portfolio were contained in our sector, and in addition to the technology sector SPDR produced above-average returns. We have seen a severe negative impact, however, as the fallout of the problems in the subprime housing market trickles down through the economy. The equities that are performing the most poorly are those offering consumer electronics, and many analysts are forecasting negative future demand. The major leaders for the technology sector are: Apple Inc. +128.14% and RIMM +147.28%. The major laggards for the technology sector are: Nokia Corp. -15.68% and Google Inc. -5.03%.

Our team has taken gains in several equities this semester. We sold shares of both Garmin Inc. and Research in Motion. Due to current market conditions our sector has been underweight relative to the S&P 500. We have also developed a strategy to protect the tremendous gains in Apple and our remaining Research in Motion holding. We believe that there will be opportunities in the consumer software subsector as companies look to increase the security and productivity of their operational models. A major goal for the spring semester is to consolidate our holdings. We feel our sector is spread too thin given time and support restrictions. Our other goal for the semester is to gain exposure to new industries, such as IT consulting. Because we



Technology Sector, left to right:
Brian Robinson, Kristen Collins, Kyle Bruton, Donald Silva

Technology Sector (cont'd).

have not held stocks in all subsectors, we have missed some large potential gains. With the current market volatility, we feel that many investors will flee to undervalued large-cap companies and stay away from typically high beta small-cap companies.

Consumer Discretionary and Staples Sectors

Discretionary

Returns (YTD): Sector: -6.08% SPDR: -5.63%

Staples

Returns (YTD): Sector: -5.64% SPDR: -2.24%

The consumer discretionary and consumer staples sector groups manage +17.35% of the Archway Investment Fund portfolio. With consumer staples strategically weighted at +11.08% of the Fund, we have experienced -5.64% loss. As anticipated, consumer discretionary has not performed as well due to this sector's significant correlation to current economic volatility and the unfolding of the subprime mortgage crisis. Weighted at +6.23% of The Fund, the consumer discretionary sector has still experienced a -6.08% loss.

Over the last year, turnover in both the consumer discretionary and consumer staples sectors has been static. In consumer discretionary, we sold our holdings of Honda Motor Corporation (HMC) and bought 50 shares of Toyota Motor Corporation (TM); with the lagging economy, it was imperative to take great care in choosing securities within this sector. While Honda has several promising qualities, we felt Toyota's strong balance sheet and reputation was a better pick for the Fund. Year-to-date, our strongest performing holding is McDonalds (MCD) at +80.07%. The worst performing holding, on the other hand, is Best Buy (BBY) at -10.85%.

Consumer staples has been a sector in which the Fund has experienced gains during the current economic crises. As we head into a recession, staple



Consumer Sectors, left to right:
Matthew Ross, Aisha Whichard, Aniris Javier, Patrick Taber

products continue to be necessary, and therefore provide consistent returns. Our latest additions to the portfolio are 75 shares of Diagio and 50 shares of Philip Morris spun off of Atria Group. We have experienced gains from both CVS Caremark Corporation (CVS) and Altria year-to-date at +24.73% and +29.20% respectively. The poorest performer in the consumer staples sector was Diagio, down -3.16% year-to-date.

We had several goals for this sector during the spring semester. One was to allocate funds from the sector SPDR into well researched individual securities. We currently hold 460 shares of the consumer discretionary sector SPDR and 1,305 shares of the consumer staples SPDR. While we have experienced significant gains from the consumer staples SPDR, the consumer discretionary SPDR has not performed as well and we are confident that placing these funds in promising securities will provide more significant returns for the Fund. Another goal that we had, particularly for the consumer staples sector, was to reduce the number of holdings in order to allow for more concentration on those that are most promising.

Economic Analysis and Emerging Opportunities Sectors

Energy

Returns (YTD): Sector: -14.99% SPDR: -9.32%

The Economic Analysis and Emerging Opportunities (EEO) group analyzes securities in the energy, materials, and utilities sectors, and provides the economic outlook for the Archway Investment Fund. This semester, energy was market weighted due to our outlook for continued supply constraints. We also anticipated increasing oil prices due to bearish expectations for the United States dollar. With the start of the summer driving season, we predict an upward trend for oil in the second half of 2008. Despite higher prices, the demand for oil is increasing further due to increased consumption from emerging economies; upstream producers are seeking to expand their access to oil and gas resources, which will lead to further drilling activity in the U.S. and abroad. Specifically, offshore drilling remains the niche with the strongest fundamentals.

This semester, we added Petrobrasileiro to the energy portfolio. Security analysts are re-evaluating current holdings and analyzing offshore drilling securities. The top performer of the semester was Parallel Petroleum; the worst performer was Noble.

The materials sector historically has been heavily correlated with the overall economy, and, considering the predicted slowdown in GDP growth for the remainder of 2008, materials was underweighted. The sub-industry with the most opportunity for growth is the packaging and containers industry. With

exploding international markets, market integration is becoming more important. Imports and exports are vital to the success of businesses and economies alike. The paper and forest products industry continues to struggle on the whole, with a declining housing market and increasing energy costs. Furthermore, significantly heavier regulation has been placed on imports, causing increased tariffs and further reducing bottom line results. This semester there have been no equities added to the sector portfolio, but analysts are evaluating Owens-Illinois.

The utilities sector consists of firms that are heavily regulated by state and federal governments. The industry has high barriers to entry given the large capital requirements and few growth opportunities. There is an extreme potential for growth in the foreign utilities industry, and leaders in this subsector should be evaluated. Due to the secular nature of utilities, we overweighted this sector. During the semester we added MDU, a multi-utility company that is beginning operations with nuclear power.

The trends foreseen by the economic analysis and emerging opportunities group will affect several other sectors in the upcoming months. We are particularly bullish on oil and paper products.



EEO Sectors, left to right:
Girish Massand, Marc Hawxhurst, Sahana Zutshi, Craig Bradford, Andrew Mesale

The Economy

Many economists agree that we are currently in a recession. The risks for slower growth have increased due to tighter credit markets, a continued decline in housing, and depressing consumer confidence reports. Fourth quarter 2007 GDP finished at a disappointing 0.6% and one more quarter of negative GDP growth would suggest a definite recession. Our expectations are in line with many economists in that we expect GDP to decline in the coming quarters. One of the main reasons we expect economic performance to diminish is due to the rising inflationary pressures that may handcuff the Federal Reserve preventing further rate cuts. The Fed closely watches core PCE prices as an inflation guide which at 2.0% year-over-year is at the high end of the Fed's 1% to 2% "comfort zone". The main driver for the inflationary pressures has been oil prices, which many economists are concerned will filter through to core prices.

Another cause for concern is the string of payroll declines that started in January 2008 and have become more broad-based. Unemployment has seen a steady trend upward, reaching 5.1% in March. Temporary employment, which many economists view as a leading indicator of the overall jobs trend, declined

for a third straight month. U.S. consumer confidence continued its decline since January, coming in at 75. With the exception of the Iraq War in 2003, this was the lowest reading in 15 years. The index is believed to provide an early read on consumer spending. This does not bode well for consumer spending, which accounts for two-thirds of GDP. The weakening in consumer confidence was fueled by less favorable business conditions and weakening employment statistics.

Retail sales were nearly flat at 0.1% year-over-year due to rising gas prices, falling house values, and declining confidence. Industrial production is slowing, with the latest numbers showing a slight growth rate of 0.3%. Strong export demand due to a weakened dollar is providing support. Existing home sales fell during March and declined 19% from March 2007. These numbers imply that even though mortgage rates are at historic lows, borrowers are facing restrictive lending practices. The economy has come to a crossroad where we may have to deal with inflationary pressures and declining growth rates. We can expect a stagnant economy for most, if not all, of 2008.

What's Hot and What's Not

Purchase Date	Ticker	Name	Current Price	Shares	Stock Weight in Portfolio	HPR	YTD Gain/Loss
2/16/2007	RIMM	Research In Motion	\$112.23	50	1.06%	147.28%	-1.03%
3/21/2006	APPLE	Apple	\$143.50	50	1.36%	128.14%	-27.55%
10/25/2007	MCD	McDonald's	\$55.77	100	1.06%	80.07%	-5.33%
11/3/2006	CHL	China Mobile	\$75.01	100	1.42%	76.64%	-13.65%
2/20/2007	ARD	Arena Resources	\$38.71	100	0.73%	73.24%	-7.19%
12/24/2007	NDAQ	Nasdaq	\$38.66	150	1.10%	-21.27%	14.03%
10/31/2007	COF	Capital One Financial	\$49.22	125	1.17%	-24.34%	-2.38%
10/26/2007	TRN	Trinity Industries	\$26.65	125	0.63%	-25.40%	-4.00%
3/21/2007	UNH	United Health	\$34.36	50	0.45%	-38.26%	-40.96%
5/1/2007	GOL	Gol Linhas	\$14.89	100	0.28%	-47.82%	-40.01%

Fund Performance Summary

As of the market close on March 31, 2008, assets under management totaled \$525,840.69. Sector ETFs represented 37.47% of assets, actively invested individual stocks represented 58.14%, and the remaining 4.39% was held in cash. The fund's year-to-date return of -10.68% represented underperformance of the S&P 500 Index benchmark by 123 basis points. On an annualized basis, the fund's return of -36.35% lagged the benchmark's -32.76% return by 3.59%. The fund has underperformed the dynamic benchmark's annualized return of -34.22% by 2.13%. The dynamic benchmark, which is calculated using the fund's actual sector

weights and the returns on the sector benchmark ETFs, is used for comparison with the Fund's returns. In this case, it indicates that -2.13% of the Fund's annualized differential return can be attributed to stock selection. The remaining -1.46% differential return is a result of sector weighting choices. The Morningstar style grid, shown at the bottom of this page, demonstrates that the distribution of Archway Investment Fund holdings is similar to that of the S&P 500 Index. This indicates that the S&P 500 Index is an appropriate benchmark choice for the Fund.

Annualized and Risk Adjusted Returns

	YTD Return	Annualized YTD Return	Differential Return	Annualized Differential Returns	Beta	Standard Deviation	Sharpe Measure	Treynor Measure
Archway Investment Fund	-10.68%	-36.35%	-1.24%	-3.59%	1.10	24.43%	-0.523	-0.350
Dynamic Benchmark	-9.94%	-34.22%	-0.50%	-1.46%	1.04	24.73%	-0.487	-0.350
S&P 500 SPDR ETF	-9.29%	-32.30%			1.00	23.42%	-0.486	-0.344
S&P 500 Index	-9.45%	-32.76%						

Archway Fund Morningstar Style Box

MARKET CAP	LARGE	26.6%	16.8%	43.1%
	MEDIUM	1.7%	3.1%	6.8%
	SMALL	0.0%	0.0%	2.0%
		VALUE	BLEND	GROWTH
		VALUATION		

Portfolio Strategy

The Executive Committee takes responsibility for overseeing all investments and taking appropriate actions with respect to market conditions and stock-specific conditions. The committee also determines the strategic weighting of the portfolio in order to best position the fund to provide optimal returns given the current economic conditions and near term outlook. Several committees before ours have taken a

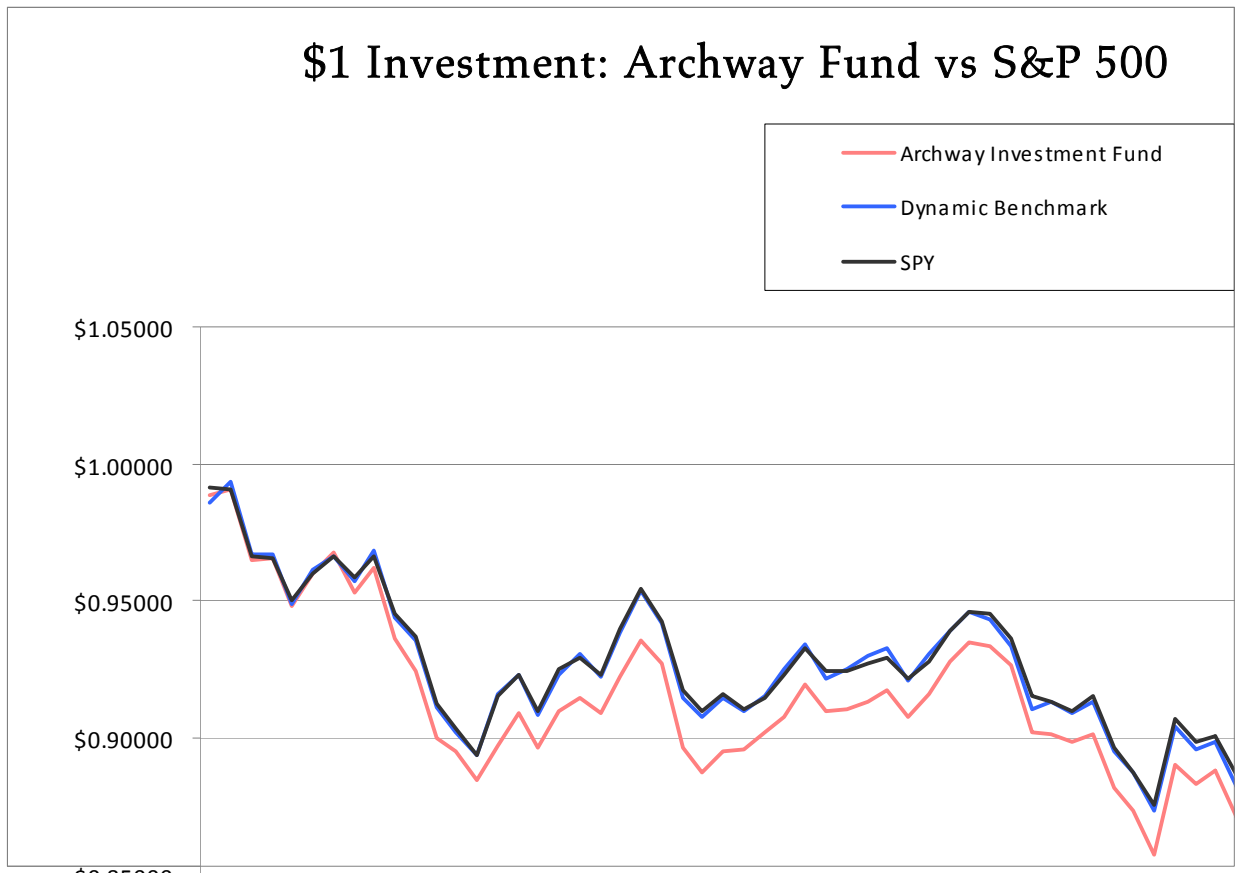
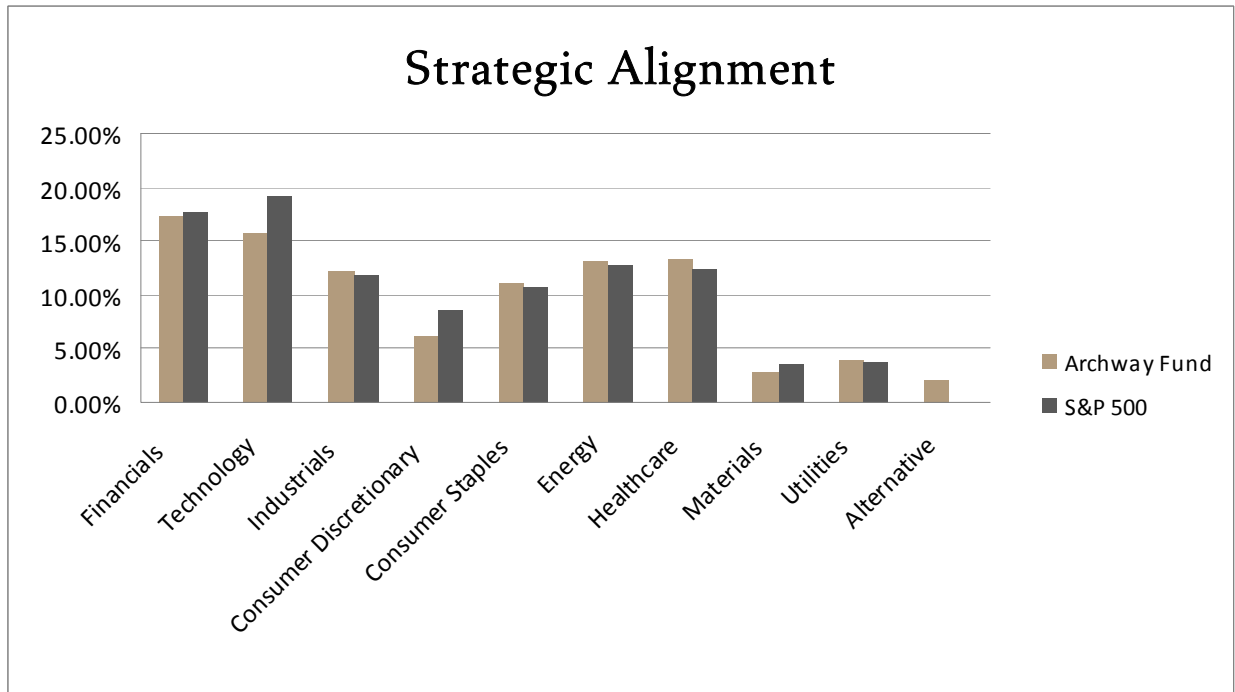
very pro-active stance on this issue, often over or underweighting the majority of sectors, and typically following a strategic defensive or aggressive strategy. This semester we have continued the active asset allocation approach because of ever changing market conditions, and we have adjusted the sector weights several times in order to try to beat our SPY benchmark.

Year-to-Date Comparisons

	Sector Weight	SPDR Weight	YTD Sector Returns	YTD SPDR Returns	Sector Beta	SPDR Beta
Financials	17.27%	17.58%	-11.76%	-12.76%	1.24	1.35
Technology	15.86%	19.08%	-16.46%	-15.66%	1.79	0.97
Industrials	12.28%	11.84%	-3.10%	-4.03%	1.12	0.96
Consumer Discretionary	6.26%	8.65%	-6.08%	-5.36%	1.06	1.03
Consumer Staples	11.09%	10.63%	-5.64%	-2.24%	0.81	0.55
Energy	13.12%	12.72%	-14.99%	-9.32%	1.34	1.26
Healthcare	13.41%	12.32%	-10.32%	-11.40%	0.49	0.65
Materials	2.82%	3.53%	-2.49%	-2.77%	1.25	1.25
Utilities	3.99%	3.67%	-9.72%	-9.02%	0.92	0.73
Alternative	2.09%	-	-0.15%	-	-0.13	-



Performance Charts



Current Holdings as of March 31, 2008

<i>Sector</i>	<i>Purchase Date</i>	<i>Ticker</i>	<i>Name</i>	<i>Current Price</i>	<i>Shares</i>	<i>Stock Weight in Portfolio</i>	<i>HPR Percent Gain / Loss</i>	<i>YTD % Change</i>
Financials								
	10/25/2005	XLF	SS SPDR FNANCIAL	\$24.87	320	1.51%	-7.06%	-14.03%
	12/24/2007	NDAQ	NASDAQ OMX GROUP INC	\$38.66	150	1.10%	-21.27%	-21.88%
	3/26/2006	PRU	PRUDENTIAL FINL	\$72.50	150	2.06%	-3.06%	-22.08%
	9/21/2007	DRF	WISDOMTREE INTERNATIONAL	\$24.12	175	0.80%	-20.99%	-9.87%
	12/2/2005	MS	MORGAN STANLEY	\$45.70	150	1.30%	-15.61%	-13.95%
	12/8/2005	BAC	BANK OF AMERICA	\$37.91	250	1.80%	-17.15%	-8.12%
	10/31/2007	COF	CAP ONE FINAN	\$49.22	125	1.17%	-24.34%	4.15%
	3/22/2007	GS	GOLDM SACHS GRP	\$165.39	60	1.88%	-10.76%	-23.09%
	11/9/2007	SPG	SIMON PROP GRP	\$92.91	100	1.76%	2.24%	6.97%
	3/6/2008	BBD	BANCO BRADESCO	\$27.76	300	1.58%	29.44%	29.44%
	3/6/2008	AB	ALLIANCEBERNSTEI	\$63.38	175	2.10%	7.11%	7.11%
Technology								
	10/25/2005	XLK	SS SPDR TECHNLOGY	\$22.40	910	3.86%	0.36%	-15.98%
	12/14/2007	NOK	NOKIA CORP	\$31.83	200	1.21%	-15.68%	-17.09%
	12/14/2007	FLIR	FLIR SYSTEMS	\$30.09	200	1.14%	-2.81%	-3.87%
	10/25/2005	ADBE	ADOBE SYSTEMS INC	\$35.59	75	0.51%	-6.01%	-16.71%
	10/25/2005	CSCO	CISCO SYSTEMS INC	\$24.09	350	1.60%	40.62%	-11.01%
	5/1/2007	GOOG	GOOGLE	\$440.47	20	1.67%	-5.04%	-36.30%
	10/25/2005	MSFT	MICROSOFT CP	\$28.38	200	1.08%	17.40%	-20.28%
	2/16/2007	RIMM	RSCH IN MOTION	\$112.23	50	1.06%	147.28%	-1.03%
	3/21/2006	AAPL	APPLE INC	\$143.50	50	1.36%	128.14%	-27.55%
	11/9/2007	AMX	AMERICA MOVIL	\$63.69	75	0.90%	8.61%	3.75%
	11/3/2006	CHL	CHINA MOBILE	\$75.01	100	1.42%	76.64%	-13.65%
Industrials								
	5/16/2007	XLI	SS SPDR INDUSTRL	\$37.40	695	4.92%	-3.05%	-4.49%
	5/1/2007	BA	BOEING CO	\$74.37	75	1.06%	-20.28%	-14.97%
	12/20/2007	SRCL	STERICYCLE INC	\$51.50	100	0.98%	-13.28%	-13.30%
	11/28/2007	CSX	CSX CORP	\$56.07	100	1.06%	33.22%	27.49%
	10/26/2007	TRN	TRINITY INDS INC	\$26.65	125	0.63%	-25.40%	-4.00%
	12/20/2005	MMM	3M COMPANY	\$79.15	50	0.75%	6.73%	-6.13%
	5/1/2007	GOL	GOL LINHAS AEREAS INTELIGENTES	\$14.89	100	0.28%	-47.82%	-40.01%
	11/29/2006	CAT	CATERPILLAR INC	\$78.29	100	1.48%	28.95%	7.90%
	12/20/2005	HON	HONEYWELL INTL	\$56.42	100	1.07%	42.59%	-8.36%



Current Holdings as of March 31, 2008 (Cont'd).

Sector	Purchase		Name	Current		Stock	HPR	YTD %
	Date	Ticker		Price	Shares	Weight in Portfolio	Percent Gain / Loss	
Consumer Discretionary								
	10/10/2006	XLY	SS SPDR CONS DIS	\$30.72	460	2.68%	-13.43%	-6.06%
	5/3/2007	BBY	BEST BUY CO INC	\$41.46	100	0.79%	-10.85%	-21.25%
	5/16/2007	GES	GUESS INC	\$40.47	100	0.77%	0.87%	6.81%
	10/25/2005	MCD	MCDONALD'S CORP	\$55.77	100	1.06%	80.07%	-5.33%
	11/20/2007	TM	TOYOTA MOTOR	\$100.89	50	0.96%	-8.61%	-4.97%
Consumer Staples								
	10/25/2005	XLP	SS SPDR CONS STP	\$27.86	1305	6.89%	16.43%	-3.26%
	2/14/2008	DEO	DIAGEO PLC	\$81.32	75	1.16%	-3.16%	-4.40%
	2/16/2007	CVS	CVS CAREMARK CRP	\$40.51	125	0.96%	24.73%	1.91%
	11/20/2007	KO	COCA-COLA CO	\$60.87	100	1.15%	-1.86%	-0.81%
	4/2/2007	KFT	KRAFT FOODS INC	\$31.01	34	0.20%	21.80%	-4.96%
	12/2/2005	MO	ALTRIA GROUP INC	\$22.20	50	0.21%	29.28%	-3.77%
	3/31/2008	PM	PHILIP MORRIS	\$50.58	50	0.48%	-0.94%	-0.94%
Energy								
	3/21/2006	XLE	SS SPDR ENERGY	\$74.06	355	4.98%	12.25%	-6.67%
	10/18/2006	COP	CONOCOPHILLIPS	\$76.21	100	1.44%	29.04%	-13.69%
	2/1/2007	OII	OCEANEERING INTL	\$63.00	125	1.49%	59.05%	-6.46%
	3/26/2008	PBR	PETROLEO BRASIL	\$102.11	75	1.45%	-1.08%	-1.08%
	2/14/2007	NE	NOBLE CORP	\$49.67	197	1.85%	-19.90%	-12.10%
	12/20/2005	PLLL	PARALLEL PETROLEUM CORP	\$19.57	300	1.11%	10.67%	11.00%
	2/20/2007	ARD	ARENA RSCS	\$38.71	100	0.73%	73.24%	-7.19%
Healthcare								
	10/25/2005	XLV	SS SPDR HLT CARE	\$31.30	1110	6.58%	-3.07%	-11.36%
	3/21/2006	PBE	POWERSHARES DYNAMIC BIO	\$16.78	325	1.03%	-7.72%	-10.41%
	12/20/2007	HOLX	HOLOGIC INC	\$55.60	75	0.79%	61.79%	62.00%
	11/27/2007	CAH	CARDINAL HLTH	\$52.51	75	0.75%	-8.28%	-9.07%
	3/22/2007	NVS	NOVARTIS AG	\$51.23	75	0.73%	-7.85%	-5.67%
	12/21/2006	DGX	QUEST DIAG	\$45.27	75	0.64%	-13.53%	-14.42%
	12/21/2006	SYK	STRYKER	\$65.05	75	0.92%	19.08%	-12.94%
	4/28/2006	DNA	GENENTECH	\$81.18	75	1.15%	2.53%	21.04%
	2/12/2007	MTD	MEDTRONIC INC	\$48.37	50	0.46%	-11.67%	-3.78%
	3/21/2006	UNH	UNITEDHEALTH GP	\$34.36	50	0.33%	-38.26%	-40.96%
Materials								
	10/25/2005	XLB	SS SPDR MATERIALS	\$40.17	370	2.82%	9.04%	-3.67%
Utilities								
	10/10/2006	XLU	SS SPDR UTILITIS	\$37.94	450	3.23%	7.62%	-10.37%
	2/21/2008	MDU	MDU RESOURCES	\$24.55	160	0.74%	-5.58%	-5.58%
Other								
	2/27/2008	TIP	ISHR LHMN TIPS	\$109.90	100	2.08%	3.07%	2.00%



Statement of Operations

January 1, 2008 through March 31, 2008

Income:

Dividend	\$ 2,336.02	
Interest	\$ 280.36	
		\$ 2,616.38

Expenses:

Custodial	\$ -	
Trading Cost	\$ 297.63	
		\$ 297.63

Net Investment Income: \$ 2,318.75

Realized Gain (Loss) on Investments:

Proceeds	\$ 134,249.71	
Cost of Securities	\$ 140,072.67	
Net Realized Gain (Loss) on Investments		\$ (5,822.96)

Net Increase (Decrease) in Unrealized Appreciation on Investments:

Market Value Holdings as of March 31, 2008	\$ 525,840.69	
Market Value Holdings as of January 1, 2008	\$ 577,677.51	
Increase (Decrease) in Net Unrealized Appreciation		\$ (51,836.82)

Net Realized Gain (Loss) and Increase (Decrease) in Net Unrealized Appreciation: \$ (57,659.78)

Net Increase (Decrease) in Assets Resulting from Operations: \$ (55,341.03)



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Levin Capital

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