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The Archway Investment Fund Semi Annual Report, Spring 2010

Bryant University, Archway Investment Fund

The Archway Investment Fund

BRYANT UNIVERSITY

Semi-Annual Report • Spring 2010

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Note from the Coordinator

Although the general trend in the market has been upward during the first quarter, the managers of the Archway Investment Fund have continued to find this a challenging environment in which to interpret trends, predict government policy changes, and understand all the implications of the various reform initiatives that are underway. However, the difficulties encountered in working through these issues gave rise to many useful opportunities for learning. A key idea behind Bryant University's student managed investment fund, is that learning is often most effective when combined with an element of experience. While the context has sometimes differed significantly from semester to semester, the market has never failed to provide us with a rich set of challenges from which to learn.

This semester we were fortunate to have a number of opportunities for students to receive input from investment industry professionals. In February, a team of 4 students competed in the New England Investment Research Challenge sponsored by the Boston Security Analysts Society and the CFA Institute. They won, and went on to compete in the Americas finals in March. Also in March, 14 students attended the annual RISE Forum hosted by the University of Dayton. This is an outstanding two and a half day event featuring more than 100 speakers, many of whom are quite well known within the industry. Finally, in April we hosted our fifth annual Financial Services Forum. The theme for this year was regulatory change and its impact on the investments industry. These opportunities provided students with deeper insights concerning how the industry works, and a better understanding of the forces that are likely to transform it over the next few years.

The remaining pages of this report provide further details on the investment strategy adopted by Fund managers, as well as performance statistics, a list of current holdings, and a statement of operations for the year to date.

We are always looking for ways to improve. If you have comments or suggestions please send them to archwayfund@bryant.edu.

-Prof. David Louton

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

Bill Miller

Thoughts from Professor Inci

Archway Investment Fund courses continue to provide invaluable opportunities for Bryant University finance students with the opportunity to apply their classroom knowledge to real-life investment decisions that today's professionals are facing. As macro-economic conditions continue to show signs of improvement, changing consumer sentiment, stabilizing unemployment rates, and political efforts, such as those relating to financial sector reform, are situations from which our students can learn and grow. The economic and investment environment changing from recession toward expansion will encourage students to update their portfolios and to search for different and better investment decisions and trading recommendations. All these challenges create additional learning opportunities for the students.

-Prof. A. Can Inci

A. Can Inci is an associate professor of finance at Bryant University - College of Business. Before joining Bryant, he was assistant professor of finance at Florida State University. He holds a Ph.D. degree from University of Michigan - Ann Arbor, an MBA from Ohio State University, a M.Sc. in Control Systems from Imperial College in London, and a bachelor's degree in Electrical and Electronics Engineering from Bogazici University in Istanbul, Turkey.

Economic Overview

THE ECONOMIC ENVIRONMENT HAS IMPROVED IMMENSELY IN THE PAST QUARTER, but global prospects of economic recovery are still grim. Strong economic indicators as well as emerging market growth have fueled a tremendous rally in equity markets since March 2009. The United States has seen GDP growth of 5.6 percent in Q4 2009, the strongest quarter-over-quarter expansion since Q3 2003, but has experienced only a slight increase in confidence from the American consumer. Threats continue to loom over the global economic situation including: Europe's debt crisis, growing national debt, difficulties with commercial real estate, and growing U.S.-China trade tensions.

The Federal Reserve Open Market Committee will maintain its historically low Federal Funds rate at 0 to ¼ percent, where it has been since December 2008, due to restrained inflation trends and economic recovery. The economy is still plagued by high unemployment, modest economic growth, tight credit, and diminished household wealth. As the economy improves, the Federal Reserve has been phasing out special liquidity facilities and plans to terminate its only remaining program, the Term Asset-Backed Securities Loan Facility, on June 30.

The anticipated change in China's GDP for 2009 is 9.5 percent, which is expected to rise, and create many roadblocks around U.S.-China trade relations. There has been an escalation of news about China including Google's recent exit, China's first trade deficit in six years, and the speculative real estate market. China has continued to put censorship at the forefront of policy, which has caused one of the largest internet services firms to withdraw from the world's fastest growing market. China has drastically increased imports since March 2009 with purchases of crude oil and copper at near-record levels, but still shows surpluses with the U.S. and European Union. The U.S. debt situation continues to be on the radar, as the government has added a significant amount of stimulus spending to an already sizeable budget deficit. The U.S. national debt stands at $12 trillion and has been adding $4.14 billion per day since September 28, 2007. This increasing debt is likely to result in tax increases, economic recovery spending, and dollar devaluation. While these issues create some uncertainty, they also present a number of opportunities in emerging markets, domestic valuations, corporate earnings, and commodity potential.

Letter from the Executive Committee

IN AN ERA OF SWEEPING FINANCIAL REFORM, increased compliance regulations, and the evident need for risk management, the Archway Investment Fund Executive Committee has been working diligently to implement new and improve existing operating procedures. Specifically, our three main strategic initiatives this semester have been to improve risk management, create more focused investment strategies for the Fund and the Fund's individual sectors, and reduce the high percentage of the Fund's assets that are indexed in sector ETF holdings.

Upon examining the historical processes used, we have discovered several opportunities to help mitigate the Fund's risk. In particular, we implemented a standardized re-evaluation system to better track which of our holdings have encountered material changes in their operations or valuations, which has enhanced our trading performance. Additionally, we have initiated a company profile update process to ensure continuity in the rationale for each holding. Updates on every holding will be performed on a quarterly basis by both Securities Analysts and Portfolio Managers.

We have also established greater focus in the Fund by initiating top-level investment strategies based on global demographic shifts. Specifically, we encouraged Securities Analysts and Portfolio Managers to look towards emerging markets such as Brazil, Russia, India, and China when analyzing equities for their sectors. Along with this, we suggested that individual sectors devise their own individual themed portfolios with a goal of capturing the advances of certain sub-sectors and markets.

Finally, we made it a priority to divest a large portion of the Fund's 46 percent position in indexed sector ETFs. Since the ultimate goal of the Fund is to outperform the S&P 500 Index benchmark, we thought it more likely to achieve our goal by diverging from the S&P's composition. With the cooperation of the Fund's Portfolio Managers, we have been able to decrease our sector ETF holdings to 29 percent with proceeds being reinvested in individual equities and alternative investments, which have additional alpha potential.

"I guess I should warn you, if I turn out to be particularly clear, you've probably misunderstood what I've said."

Alan Greenspan

(L-R) William Sabo, Bryan Regele, Charles Modica, Thomas Agostino, Derek Blunt

RISE 2010 Forum

Redefining Investment Strategy Education at the University of Dayton

The tenth annual Redefining Investment Strategy Education (RISE) Forum took place at the University of Dayton from March 18 to March 20, 2010. Each year the forum brings together acclaimed professionals from the investment field to share their insight and experiences with students. RISE is the world's largest student investment forum, with more than 2,700 participants from 302 colleges and universities, and 73 countries in attendance. The University of Dayton and the United Nations Global Compact co-sponsored the forum this year.

Twelve students from the Archway Investment Fund, and Fund Coordinator Professor David Louton, were invited to the conference and attended presentations by renowned industry professionals, including global economist and market expert Todd Buchholz, and Vice Chairman and global Chief Investment Officer of BlackRock, Bob Doll.

This year, Charles Modica of the Archway Fund's Executive Committee participated as a student panelist posing questions to Risk Management professionals. Members of the Committee also conducted a presentation on Archway Investment Fund portfolio strategy before a panel of investment industry professionals, and received useful feedback and suggestions. All students participated in special breakout sessions that focused on investment strategy, and career and academic development.

Fifth Annual Archway Investment Fund Financial Services Forum

Fidelity INVESTMENTS

Sponsored by Fidelity Investments & Strategas Research Partners

The fifth annual Archway Investment Fund Financial Services Forum took place on campus on April 6, 2010. This year's forum featured several panel discussions around the theme "Regulatory Change and Its Impact on the Financial Services Industry" as well as a keynote address by Erik Sirri, former director of the Division of Trading and Markets at the SEC.

The first panel discussion, "Market Outlook: Challenges and Opportunities in Global and Domestic Capital Markets", was moderated by Nicholas Bohnsack '00, operating partner and sector strategist at Strategas Research Partners. The panelists included Christopher Goolgasian '95, '97 MBA, vice president and institutional portfolio manager, Pyramis Global Advisors; Peter Phillips, vice president and investment officer, Washington Trust Investors; and Hakan Saraoglu, professor of finance, Bryant University. Beyond the topic of discussion, the panelists also provided students in the audience with advice on their career and investment decisions.

The second panel discussion, "Regulation of Financial Services: Crisis and Response" was moderated by Peter Nigro, Professor and Sarkisian Chair of Financial Services at Bryant University. The panelists included David Nebhut, director for policy analysis, Office of the Comptroller of the Currency; Geoffrey Etherington, partner, Edwards Angell Palmer & Dodge; and Peter Reynolds, head of regulatory compliance, RBS America. This panel featured a discussion of the recent regulation efforts by Senator Chris Dodd, and what impacts they may have on the economy, markets, and jobs.

Finally, Erik Sirri, former director of the Division of Trading and Markets at the SEC, served as the keynote speaker. Mr. Sirri discussed the past year with regards to the economy, the markets, and regulation. He spoke specifically about current and potential regulatory efforts that may directly affect the markets, as well as potential opportunities, both for current professionals and students, to approach the new environment in a way that will produce good career outcomes.

STRATEGAS

CFA Global Investment Research Challenge

Early this year, four students from the Archway Investment Fund participated in the New England Investment Research Challenge. This event is sponsored annually by the Boston Security Analysts Society (BSAS) as part of CFA Institute's Global Investment Research Challenge. The Bryant University team was composed of two students from this spring's Portfolio Management class, Luis Nath '10 and Thomas Jay Agostino '10; and two former Archway Investment Fund students, Pablo Madera '10 MBA and Ryan Tibbitts '10. Peter Phillips, Vice President and Investment Officer at Washington Trust Investors, served as the CFA mentor for the team.

Each team was given from September until mid-December to generate a thorough investment research report on Textron, a defense conglomerate based in Providence, RI. As part of this report, they forecasted the company's future sales and earnings, constructed valuation models, and provided a recommendation on the potential acquisition of common stock in the firm. The research was completed and submitted to BSAS, where a panel of judges assessed their work, and selected them to compete in the presentation round against top students from other New England schools. Ultimately the took first prize in the contest, and each team member received full sponsorship for the CFA Level I examination and an invitation to the BSAS 2010 Annual Meeting and Banquet.

On March 18, the group made their way to New York to compete in a final round with winning teams from other regional competitions throughout the Americas. While the team did not win that round, their regional victory represents a defining moment in the Archway Investment Fund's history. Bryant students have participated in this event since its inception four years ago, and their success in 2010 truly symbolizes the amount of progress that has been achieved.

The Archway Investment Fund is fortunate to have had these exceptional students on its team, and congratulates them on their achievement.

(At Center, L-R) Pablo Madera, Thomas Jay Agostino, Luis Nath, and Ryan Tibbitts, along with the judges from New England Investment Research Challenge

CFA INSTITUTE | GLOBAL INVESTMENT RESEARCH CHALLENGE

Speakers and Other Special Guests

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

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

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

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

Jack Murphy '84 MBA
Portfolio Manager
Levin Capital

William Trent
Director of Exam Development
CFA Institute

Robert Clark '97
Securities Analyst/Portfolio Manager
Turner Investment Partners

Steven M. Rogé '03 CMFC
Portfolio Manager
R.W. Rogé & Company, Inc.

Steven Cowen '69
Portfolio Manager
Cowen & Associates

Erik R. Sirri
Former Director of Trading and Markets
U.S. Securities and Exchange Commission

Christopher Goolgasian '95, '97 MBA
Institutional Portfolio Manager
Fidelity Investments

Peter Phillips
Vice President and Investment Officer
Washington Trust Investors

Hakan Saraoglu
Professor of Finance
Bryant University

Geoffrey Etherington
Partner
Edwards Angell Palmer & Dodge LLP

David Nebhut
Director for Policy Analysis
Office of the Comptroller of the Currency

Peter Reynolds
Head for Regulatory Compliance
RBS America

Nicholas Bohnsack '00
Operating Partner and Sector Strategist
Strategas Research Partners

Peter Nigro
Associate Professor of Finance and Sarkisian Chair
Bryant University

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 develop techniques of securities analysis and develop their skills by analyzing real firms, interacting with portfolio management students, and making recommendations to audiences, including investment professionals.

Topics Covered

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

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

Securities Analysis – Archway Fund Sectors

Economic Analysis and Emerging Opportunities Sector

Energy Sector Returns (YTD): -7.75%	*SPDR (XLE)*: -0.03%
Materials Sector Returns (YTD): 2.47%	*SPDR (XLB)*: 3.04%
Utilities Sector Returns (YTD): -4.36%	*SPDR (XLU)*: -4.06%

The Economic Analysis and Emerging Opportunities group (EEO) is responsible for investments in the Energy, Utilities, and Materials Sectors. Companies in the Energy sector primarily develop and produce crude oil and natural gas, and provide drilling and other energy-related services. Our outlook on the sector has been market weight but is moving toward overweight. Oil prices over the last 6 months have been relatively stable. Going forward we see oil prices moving higher due to economic recovery, seasonal inflation in summer months, and slower appreciation in the value of the dollar. Natural gas prices are expected to rise in the mid- to long-range time frame, and this may be of interest as we move into the summer and early fall. Equipment and Services companies still remain positive for the sector due to a rebound in demand for oil and an increasing trend in capital expenditures. Refining and marketing has stayed negative due to consistently low margins and uncertainty of the sector going forward. Integrated Oil is starting to move from neutral to positive as these companies set themselves up to capture the rising prices of both oil and natural gas.

Our short term outlook for the utilities sector is underweight. With current trends of increasing government regulation in the industry, we see profits adversely affected. The Fund has also yet to see a significant increase in demand for the smart chips for utility companies. Going forward however, we will examine opportunities that will benefit from government spending and infrastructure development for utility companies.

The Materials Sector is currently overweight, due to an optimistic outlook on infrastructure spending, and inflationary pressures. Specifically, we are positive on metals and mining, and have targeted investments with a large concentration of their business in iron ore. We view the shift of China from an exporter to an importer of the commodity, as a catalyst for upside movement.

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

George Soros

PORTFOLIO MANAGERS

(L-R) Nicholas Kriss, Jonathan Keetz, Brendon Pierce, Thomas Agostino, Corey Rider

SECURITIES ANALYSTS

(L-R) Qi Da, Eric Clark, Kyle Kober, Daniela Mejia, Joshua Carbone

Securities Analysis — Archway Fund Sectors

Consumer Discretionary and Staples Sector

Consumer Discretionary Returns (YTD): 5.87% *SPDR (XLY)*: 8.13%
Consumer Staples Returns (YTD): 5.35% *SPDR (XLP)*: 5.96%

The Consumer Staples and Discretionary Sectors are made up of companies that manufacture, distribute, or retail consumer products. Staple products are the core items an individual uses in everyday life such as food and beverages, personal care items, and non-durables like cleaning chemicals and paper goods. Discretionary products are purchased across longer time periods such as clothing, movies, and travel tickets. Though we have seen both consumer confidence and unemployment figures stabilize over the course of the semester, we remain cautious in our outlook and expect a continuation of the recent sideways trend over the next six months. The decrease in overall volatility has led us to reduce the defensive sector of Consumer Staples to market weight. Our conservative expectations have led us to hold an underweight position in Consumer Discretionary.

Over the course of the semester, we have felt that trends of emerging middle classes in Brazil, Russia, India, and China (BRIC) have presented an opportunity for growth investing in Consumer Staples. For this reason, we required that each of our purchases within these sectors have fundamentals which point towards global expansion in the near future. We feel that the vast majority of publicly traded companies in the Consumer Staples Sector operate by selling branded commodity based products that are tightly linked to their user market size and not product innovation. We believe that rising populations and the emerging consumer classes in BRIC countries will drive increased demand for the everyday personal care, household non-durable, and packaged food products that have already peaked in more developed countries.

Regarding Consumer Discretionary, we sought to indentify shares with solid fundamentals due to the volatile consumer spending of this economic environment. Like Consumer Staples, we attempted to take advantage of the development opportunities of emerging economies by purchasing shares of companies with strong growth in those areas. Specifically, we analyzed suppliers of the automotive industries in China and India as well as direct sales retailers that operate abroad. Domestically, we turned our focus towards discount retailers and restaurants that were well aligned for tightened consumer spending as well as manufacturers of the typically noncyclical children's products.

> *"I measure what's going on and I adapt. I try to get my ego out of the way. The market is smarter than I am so I bend."*
>
> Martin Zweig

PORTFOLIO MANAGERS

(L-R) Anthony Marchionda, Bryan Regele
Leanna Lam, Jordan Letendre, Ryan Dugan

SECURITIES ANALYSTS

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

Healthcare Sector

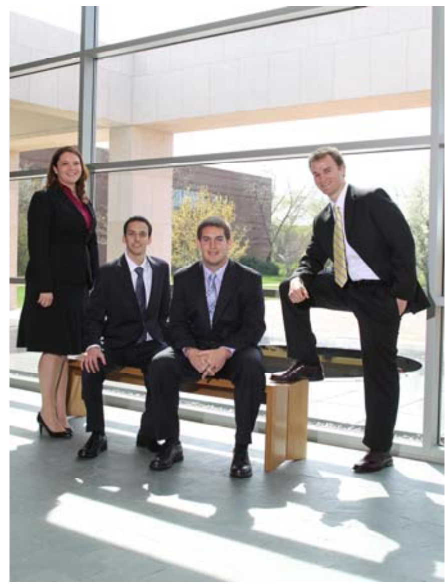
Healthcare Returns (YTD): 5.31% *SPDR (XLV)*: 3.82%

The Healthcare Sector concentrates on investments in biotechnology, pharmaceuticals, managed care, and medical products and supplies companies. After analyzing the opportunities available within the sector, we recommended a move from under weight to market weight this semester. In our view, the best prospects are to be found in merger and acquisition trends, but we also see opportunities arising from President Obama's new Healthcare Plan.

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

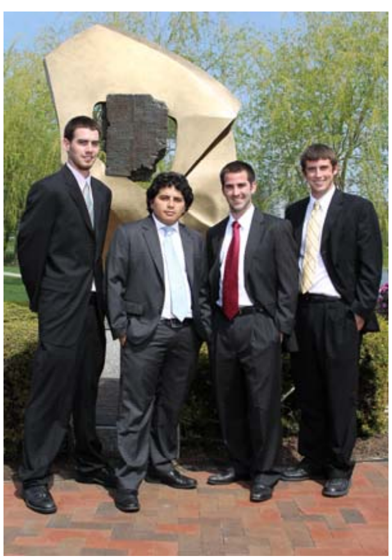
There are a few themes that we are currently monitoring, and will continue to monitor in upcoming semesters. The combination of a population that is increasing in number, and aging, along with the rise in chronic diseases, will allow healthcare companies to bring in revenue from more people for longer periods of time. Additionally, we will continue to look for opportunities in emerging markets, as well as companies with the potential to be acquisition targets.

SECURITIES ANALYSTS



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

PORTFOLIO MANAGERS



(L-R) Mark McDonnell, Luis Nath, Charles Modica, Ryan Rapkowicz

"You get recessions, you have stock market declines. If you don't understand that's going to happen, then you're not ready, you won't do well in the markets."

Peter Lynch

Securities Analysis — Archway Fund Sectors

Financial Sector

Financial Sector Returns (YTD): 5.60% *SPDR (XLF):* 11.02%

The Financial Sector focuses on several different sub-sectors, including investment services, diversified financials, banking, insurance, and real estate investment trusts (REITs). This sector has seen an enormous recovery since the lows of March 2009, which has allowed returns in the sector's holdings to improve quite nicely. A continued low target rate set by the Federal Reserve has provided very favorable conditions for lenders. Banks, in particular, have been able to borrow at rates near zero, meanwhile charging their borrowers a higher premium because of economic uncertainty. However, we do not expect the low rates to continue for much longer, based on continued statements by Federal Reserve officials about raising the target rate in coming months. The past year has also brought increased demand for regulation and an end to market-support programs. Both could have adverse effects on the sector if abruptly executed.

The year-to-date performance of the Financial Sector has been strong. Although the sector saw strong run-ups in the second half of 2009, continued consolidation and positive earnings reports have allowed strong, stable companies to realize gains. Our strategy during the first quarter of 2010 was to continue our focus on healthy regional banks and investment banks that are increasing their customer bases. Also, as international wealth has risen and the value of the dollar has decreased, emerging markets have become a favorable play.

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

SECURITIES ANALYSTS

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

PORTFOLIO MANAGERS

(L-R) Matthew Meehan, Derek Blunt, Bryan Sprague, Heather Axner

Technology Sector

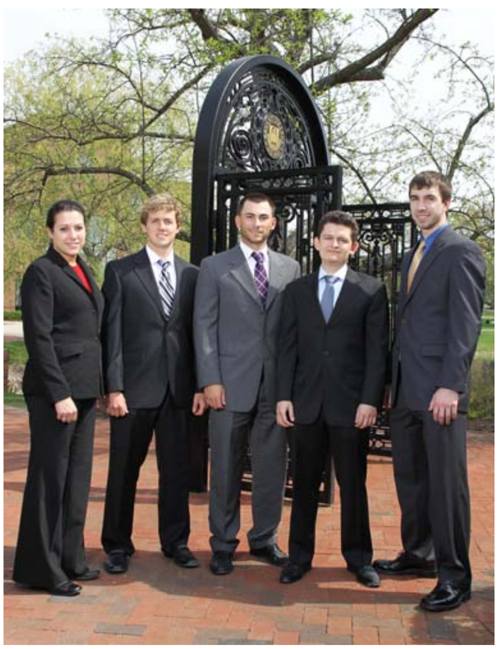
Technology Returns (YTD): 0.43% *SPDR (XLK)*: 1.06%

The return of capital expenditures on technological equipment has been a key focus of our sector strategy this semester. While technology stocks experienced an outstanding year in 2009, industry-wide demand did follow suit. This has led us to remain cautious about overbought securities. However, we believe that opportunities still abound, given the resumption of expenditures on technological equipment that had been on hold during the recession.

In order to capitalize on the recovery in demand, we have sought companies with growth opportunities within IT services, as well as in networking and semiconductor equipment. The overall strategy for the semester was focused primarily on small- and mid-cap companies. Apart from that, exposure to the emerging cloud-computing industry was gained through large-cap opportunities. This decision was primarily based on our desire to avoid taking a position that was too dependent on revenue derived from a single industry.

Computer software, networking equipment and mobile device hardware have been the driving forces behind our returns this quarter. However, we believe that the semiconductor and semiconductor equipment sub-sectors should be the main areas of focus for the sector going forward.

SECURITIES ANALYSTS



(L-R) Lyndsey Paparella, Matthew Derwin, Gregory Najarian, Denis Pyatchanin, Lee Giunta

PORTFOLIO MANAGERS

(L-R) Luke Bornheimer, Anthony Ricci, Darren Moran, Chelsea Gordon, Robert Spielman, Megan Marshall

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

Michael Milken

Securities Analysis — Archway Fund Sectors

Industrials Sector

Industrials Returns (YTD): 11.04%   *SPDR (XLI):* 12.80%

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

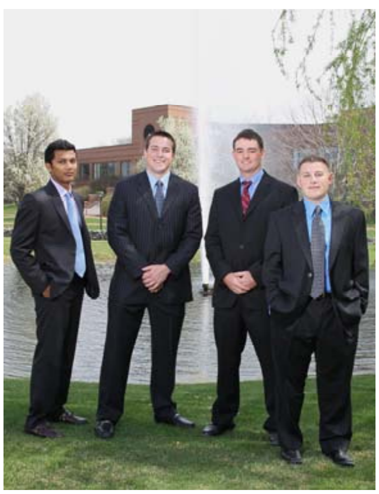
Our management team has actively moved away from the XLI and opened the sector portfolio to international opportunities. Individual equity selections have fared well, especially Triumph Group and Flowserve.

More important than domestic sub-sectors is the international market potential. While China has already seen significant growth, we expect growth rates in that market to mature or level off. However, we expect more rapid growth in Brazil and Mexico. Brazil's stock market had the best performance last year and continues to attract foreign direct investment. As urban areas become more industrial, roads and buildings will have to be renovated to keep up with expansion. Going into the summer, our sector strategy will be heavily focused on these Latin American early-emerging markets, as well as the more mature Asian emerging markets.

"In financing growing companies, we always looked for value that didn't appear on the balance sheet… the quality of management, especially its entrepreneurial drive."

Michael Milken

SECURITIES ANALYSTS



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

PORTFOLIO MANAGERS

(L-R) Michael Stanton, William Sabo, Joseph Carter, Nathan Olbrych

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 including investment professionals.

Topics Covered

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

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

Portfolio Management – Archway Fund Committees

(L-R) Bryan Regele, Luke Bornheimer, Matthew Meehan, Ryan Rapkowicz, Anthony Ricci

The Reporting Committee

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

The Compliance Committee

The Compliance Committee tracks the current holdings of the Archway Investment Fund and informs Securities Analysts and Portfolio Managers when securities reach price targets or are in danger of violating constraints outlined in the Investment Policy Statement. Committee members use Microsoft Excel spreadsheets linked to FactSet Research Systems to supervise price appreciation targets set during past trades, track sector weightings, properly benchmark the Fund, and manage portfolio risk levels.

A significant achievement of the Compliance Committee this semester is the revision of the holdings spreadsheets to better monitor target price appreciation and depreciation relative to established re-evaluation thresholds. In addition, the committee has updated the approved stock pitch feedback form to provide better communication between analysts and portfolio managers. These two initiatives have allowed for easier tracking of work in progress, and easier dissemination of information regarding the status of ideas that have been pitched.

(L-R) Charles Modica, Mark McDonnell, Joseph Carter, Anthony Marchionda

Portfolio Management — Archway Fund Committees

The Portfolio Accounting Committee

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

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

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

(L-R) Brendon Pierce, Bryan Sprague, William Sabo, Leanna Lam, Nicholas Kriss

(L-R) Megan Marshall, Nathan Olbrych, Ryan Dugan, Michael Stanton, Derek Blunt

The Technical Committee

The Technical Committee designs, constructs, maintains, and updates the Web site of the Fund, as well as other technology utilized by the Securities Analysts and Portfolio Managers. The first priority this semester was to provide recommendations for the redesign of the web site, given the need for it to better reflect the state of the Fund and the direction it is taking. A major issue of the site was that most of the information on the site was obsolete. Our goal is to update the various web pages and ensure they are maintained on a monthly basis, consist with class deadlines.

We want the web site to appeal to students of the Bryant community as well as the general public. It will provide more information to those looking to learn about the Fund, the courses, and the activities that are conducted. In the future, the Technical Committee will also aim to provide standard templates for presentations, valuation spreadsheets, and the holdings sheet. These improvements should keep the Fund up to date with new technology and new process ideas.

Portfolio Management – Archway Fund Committees

The Alternative Investments Committee

The Alternative Investments Committee is primarily responsible for identifying outstanding opportunities in assets not considered by the new themed portfolios and sector groups. This spring, the committee has focused on inverse bond funds, mid- to small-cap foreign mutual funds and ETFs, and soft commodities.

Inverse bond funds aim to capture gains from rising interest rates that are forming due to longer term market rates trending up, the demand for treasury bonds decreasing as the federal deficit grows to a level of international concern, and the increasing pressure on the Fed to raise rates caused by mounting inflation fears.

Emerging markets have been a growing area of interest due to their continued growth and their increased stability. However, since many of the funds that are available through large investment firms hold large international companies, some of the growth advantages are diluted. Mid- to small-cap funds that better capture the movement of these markets have therefore been analyzed by the Alternative Investments Committee, while keeping risk and diversification in mind.

Soft commodities have also been an area of interest due to higher projected fuel costs, world soil degradation, water shortages, Asia's growing markets' increasing demand for food, increased use of bio-fuels, and the disturbances to farming caused by natural disasters.

(L-R) Jonathan Keetz, Thomas Agostino, Jordan Letendre, Corey Rider, Luis Nath

The Marketing Committee

The Marketing Committee's goal is to increase awareness of the Archway Investment Fund. This semester, the committee conducted informational sessions on the history of the Fund and course structure for prospective students during finance classes and in meetings of the Bryant University Finance Association. In addition to creating increased awareness for the Fund, the committee also undertook several new public relations initiatives that will continue going forward. More specifically, they utilized social networking media, such as Facebook and LinkedIn, to promote the Fund and network with current and past members. The committee also collaborated with the Technical Committee to further refine the design of the Archway Investment Fund's web site which will be used by current, former, and prospective students to track the progress of the Fund.

The committee has made additional suggestions for future committee members to promote the Fund through media outlets on campus, such as by placing of informational advertisements on television monitors in the hallways of the academic building, as well as on computer monitors in the library. Another promotional channel is through Bryant's campus newspaper, *The Archway*, by submitting articles discussing the Fund, market outlook, and individual sectors. These promotions will increase awareness of the Archway Investment Fund and allow it to continue to attract Bryant's most talented individuals.

(L-R) Darren Moran, Chelsea Gordon, Robert Spielman, Heather Axner

Archway Investment Fund Performance

Fund Performance Summary

The Archway Investment Fund underperformed the composite benchmark by 1.84 percent in the first quarter of 2010. Moreover, when compared to the dynamic benchmark, the Fund exhibited an under-performance of 2.64 percent. The overall under-performance of the portfolio can likely be attributed to misinterpretation of market trends.

The dynamic benchmark is calculated using the fund's actual sector weights in order to determine what the performance of the Fund would have been had it consisted entirely of sector benchmark ETF's. Since the dynamic benchmark outperformed the composite benchmark, we conclude that sector allocation choices made a positive contribution to Fund performance and that the net underperformance for the first quarter can be attributed to individual securities selections within sectors.

The Morningstar style grid indicates that the Fund has reduced its position in large cap equities as a percentage, while increasing the amount of large cap growth stocks. Mid cap stocks experienced a large increase, primarily in growth securities. Additionally, small cap stocks were split between value and growth securities.

As of the market close on March 31st, 2010, the Fund had $480,629.38 in assets under management. The Fund's position in indexed sector ETFs was reduced from 46 percent of the holdings to 29 percent. Equity holdings constituted 67.32 percent, and the final 3.68 percent of the portfolio is held in a money market fund.

Annualized and Risk Adjusted Returns

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

Fund	YTD Return	Annualized YTD Return	YTD Differential Return	Annualized Differential Return	Beta	Standard Deviation	Sharpe Measure	Treynor Measure
Archway Investment Fund	2.95%	12.35%	-1.84%	-8.23%	0.98	14.00%	0.86	0.12
Dynamic Benchmark	5.59%	24.28%	0.80%	3.70%	1.05	14.76%	1.62	0.23
Composite Benchmark	4.79%	20.58%			1.01	14.42%	1.40	0.20
S&P 500 Index	4.87%	20.96%			1.00	14.31%	1.44	0.21

Top Performers

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

Purchase Date	Ticker	Name	Current Price	Shares	Stock Weight in Portfolio	YTD Gain/Loss	HPR
12/14/2009	TGI	Triumph Group Inc.	$70.09	65	0.95%	45.26%	41.17%
4/1/2009	CBU	Community Bank Systems Inc.	22.78	50	0.24%	17.97%	31.22%
12/16/2008	VLO	Valero Energy Corp.	19.70	260	1.07%	17.61%	0.31%
5/8/2009	FLS	Flowserve Corp.	110.27	23	0.53%	16.65%	54.59%
11/16/2009	TJX	TJX Cos.	42.52	125	1.11%	16.33%	8.00%

Worst Performers

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

Purchase Date	Ticker	Name	Current Price	Shares	Stock Weight in Portfolio	YTD Gain/Loss	HPR
2/20/2007	ARD	Arena Resources Inc.	$33.40	331	2.30%	-22.54%	10.51%
11/16/2009	MMSI	Merit Medical Systems	15.25	175	0.56%	-20.74%	-11.94%
5/13/2009	CNX	CONSOL Energy Inc.	42.66	100	0.89%	-14.34%	11.50%
3/4/2010	AONE	A123 Systems	13.74	200	0.57%	-14.29%	-14.69%
3/2/2010	STX	Seagate Technology Inc.	18.26	350	1.33%	-13.95%	-13.95%

Archway Investment Fund Performance

Archway Fund Morningstar Style Box

Market Capitalization	Value	Blend	Growth
Large	2.6%	19.7%	49.4%
Medium	2.2%	3.8%	17.5%
Small	2.0%	0.0%	2.9%

Valuation

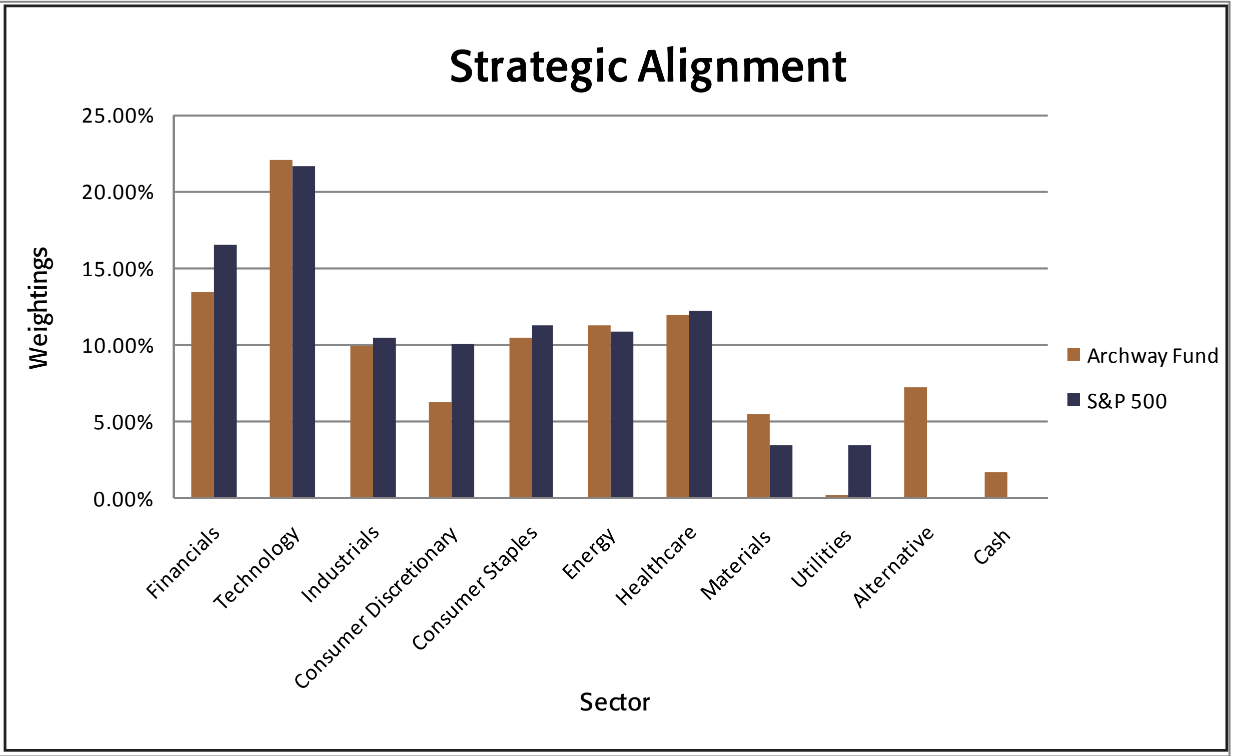
This is the distribution of stocks in the portfolio. Companies are classified on the basis of size and a combination of a value score and a growth score.

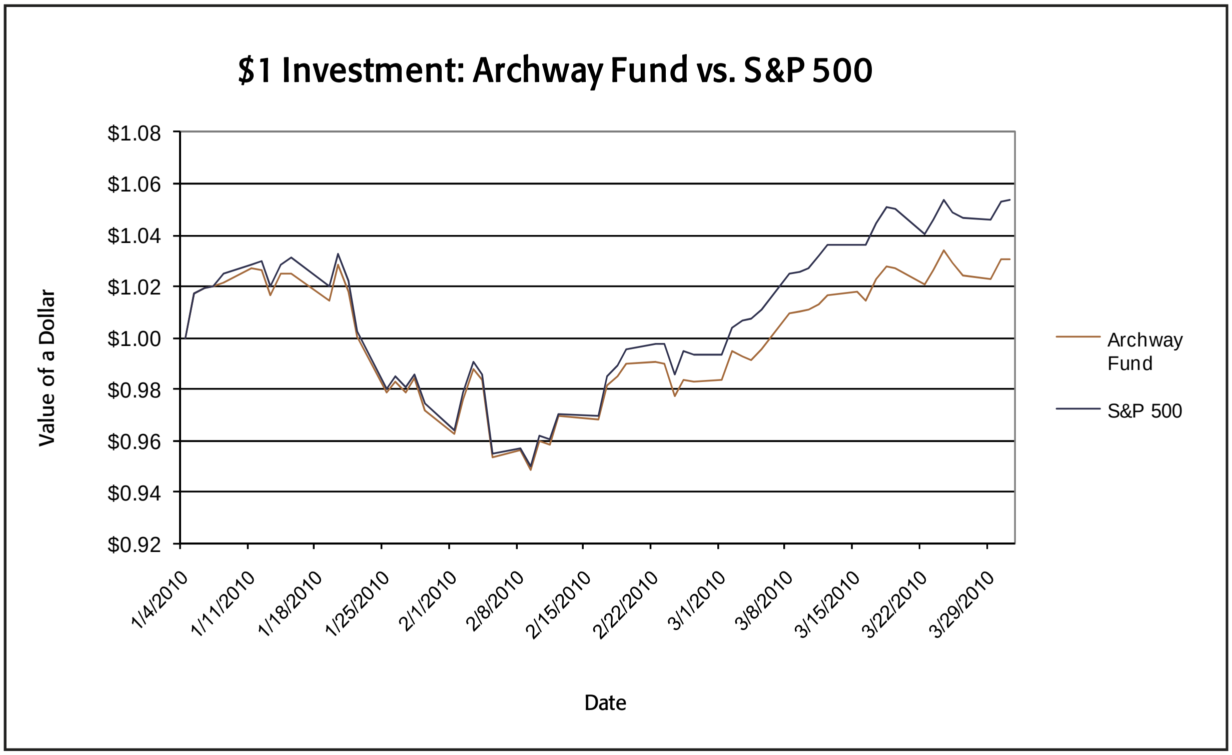
Year-to-Date Comparisons

Sector	Sector Weight	SPDR Weight	YTD Sector Returns	YTD Benchmark Returns	Sector Beta	Benchmark Beta
Financials	13.37%	16.51%	5.60%	11.02%	1.22	1.66
Technology	22.05%	21.65%	0.43%	1.06%	0.92	0.92
Industrials	9.95%	10.52%	11.04%	12.80%	1.15	1.33
Consumer Discretionary	6.30%	10.11%	5.87%	8.13%	0.93	1.17
Consumer Staples	10.44%	11.25%	5.35%	5.96%	0.51	0.43
Energy	11.30%	10.88%	-7.75%	-0.03%	1.40	1.34
Healthcare	11.94%	12.15%	5.31%	3.82%	0.55	0.42
Materials	5.50%	3.48%	2.47%	3.04%	1.34	1.50
Utilities	0.23%	3.42%	-4.36%	-4.06%	0.90	0.61
Alternative	7.23%	0.0%	2.74%	2.88%	1.21	1.12
Cash	1.68%	0.0%				

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

Archway Investment Fund Performance Charts





Current Holdings as of March 31, 2010

Sector	Purchase Date	Ticker	Name	Current Price	Shares	Stock Weight in Portfolio	YTD % Change	HPR % Change
Financials								
	10/25/2005	XLF	Financials SPDR ETF	$15.95	367	1.2%	10.8%	8.8%
	3/22/2007	GS	Goldman Sachs Group Inc.	$170.63	60	2.1%	1.1%	-8.5%
	12/1/2008	THG	Hanover Insurance Group Inc.	$43.61	150	1.4%	-1.8%	14.9%
	12/1/2008	SNH	Senior Housing Properties Trust	$22.15	325	1.5%	1.3%	77.5%
	4/1/2009	CBU	Community Bank System Inc.	$22.78	50	0.2%	18.0%	31.2%
	5/8/2009	LAZ	Lazard Ltd.	$35.70	140	1.0%	-6.0%	16.9%
	11/16/2009	TRV	Travelers Cos. Inc.	$53.94	125	1.6%	13.5%	1.0%
	11/16/2009	NTRS	Northern Trust Corp. (ADS)	$55.26	100	1.4%	5.5%	13.4%
	3/4/2009	WBK	Westpac Banking Corp. (ADS)	$127.08	25	1.1%	4.6%	4.6%
	3/4/2009	AMP	Ameriprise Financial Inc.	$45.36	110	0.7%	10.1%	10.1%
	11/9/2009	BOKF	BOK Financial Corp.	$52.44	150	1.0%	10.4%	19.8%
Technology								
	10/25/2005	XLK	Technology SPDR ETF	$23.10	2918	8.6%	0.7%	29.1%
	10/25/2005	MSFT	Microsoft Corp	$29.29	500	1.5%	-3.9%	55.5%
	12/19/2008	FDS	Factset Research	$73.37	50	0.8%	11.4%	89.6%
	2/3/2009	ATVI	Activision Blizzard Inc	$12.05	456	1.1%	8.5%	31.3%
	10/2/2009	AAPL	Apple Inc.	$235.00	38	1.9%	11.5%	27.1%
	11/24/2009	IBM	International Business Machines Corp.	$128.25	58	1.5%	-2.0%	0.3%
	11/24/2009	CSCO	Cisco Systems Inc.	$26.03	290	1.6%	8.7%	8.7%
	12/18/2009	GOOG	Google Inc.	$567.12	20	2.4%	-8.5%	-5.1%
	2/16/2010	ADBE	Adobe Systems Inc.	$35.37	180	1.3%	11.0%	11.0%
	3/2/2010	STX	Seagate Technology Inc.	$18.26	350	1.3%	-13.9%	-13.9%
Industrials								
	12/20/2005	MMM	3M Co	$83.57	91	1.6%	1.1%	14.8%
	5/16/2007	XLI	Industrials SPDR ETF	$31.24	350	2.3%	12.4%	15.4%
	3/10/2009	HON	Honeywell International Inc	$45.27	100	0.9%	15.5%	81.0%
	4/20/2009	DOV	Dover Corp.	$46.75	100	1.0%	12.4%	43.8%
	12/14/2009	FLR	Fluor Corp.	$46.51	100	1.0%	3.3%	14.8%
	12/14/2009	NSC	Norfolk Southern Corp.	$55.89	100	1.2%	6.6%	5.3%
	12/14/2009	TGI	Triumph Group Inc.	$70.09	65	0.9%	45.3%	41.2%
	12/14/2009	ACM	AECOM Technology Corp.	$28.37	100	0.6%	3.2%	8.2%
	3/5/2010	EME	EMCOR Group Inc.	$24.63	100	0.5%	3.4%	3.4%
Consumer Discretionary								
	10/25/2005	MCD	McDonald's Corp	$66.72	100	1.4%	6.9%	102.6%
	10/10/2006	XLY	Consumer Discretionary SPDR ETF	$32.84	82	0.6%	10.3%	10.5%
	11/9/2009	CPRT	Copart Inc.	$35.60	150	1.1%	-2.8%	7.4%
	11/16/2009	TJX	TJX Cos.	$42.52	125	1.1%	16.3%	8.0%
	3/4/2010	TUP	Tupperware Brands Corp.	$48.22	80	0.8%	3.0%	3.0%
	3/4/2010	HAS	Hasbro Inc.	$38.28	100	0.8%	4.5%	4.5%
	3/5/2010	ALV	Autoliv Inc.	$51.53	50	0.5%	7.0%	7.0%
Consumer Staples								
	10/25/2005	XLP	Consumer Staples SPDR ETF	$27.93	1014	5.9%	5.5%	4.9%
	11/20/2007	KO	Coca-Cola Co	$55.00	100	1.1%	-3.5%	-12.4%
	11/9/2009	PG	Procter & Gamble Co.	$63.27	100	1.3%	4.4%	3.1%
	11/19/2009	CAG	Conagra Foods Inc	$25.07	200	1.0%	8.8%	12.2%
	3/5/2010	CHD	Church & Dwight Co.	$66.95	75	1.0%	-0.4%	-0.4%

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

Sector	Purchase Date	Ticker	Name	Current Price	Shares	Stock Weight in Portfolio	YTD % Change	HPR % Change
Energy								
	3/21/2006	XLE	Energy SPDR ETF	$57.52	249	3.0%	12.6%	-3.7%
	2/20/2007	ARD	Arena Resources Inc	$33.40	331	2.3%	-22.5%	10.5%
	4/25/2008	RIG	Transocean Inc	$86.38	133	2.4%	4.3%	-32.3%
	12/16/2008	VLO	Valero Energy Corp	$19.70	260	1.1%	17.6%	0.3%
	5/8/2009	FLS	Flowserve Corp.	$110.27	23	0.5%	16.7%	54.6%
	5/13/2009	CNX	CONSOL Energy Inc	$42.66	100	0.9%	-14.3%	11.5%
	11/9/2009	ATW	Atwood Oceanics Inc.	$34.63	80	0.6%	-3.4%	-11.0%
	3/4/2010	AONE	A123 Systems Inc.	$13.74	200	0.6%	-14.3%	-14.7%
Healthcare								
	10/25/2005	XLV	Healthcare SPDR ETF	$32.13	726	4.9%	3.4%	10.5%
	4/11/2008	TEVA	Teva Depository Receipt	$63.08	201	2.6%	12.3%	50.8%
	4/22/2009	AMGN	Amgen Inc	$59.84	105	1.3%	5.8%	26.8%
	11/16/2009	JNJ	Johnson & Johnson	$65.20	65	0.9%	1.2%	5.2%
	11/16/2009	MMSI	Merit Medical Systems Inc.	$15.25	175	0.6%	-20.7%	-11.9%
	3/4/2010	FRX	Forest Laboratories Inc.	$31.36	152	1.0%	6.6%	6.6%
	3/23/2010	MYL	Mylan Inc.	$22.71	150	0.7%	-1.0%	-1.0%
Materials								
	10/25/2005	XLB	Materials SPDR ETF	$33.92	604	4.3%	7.7%	-2.3%
	5/8/2009	PX	Praxair Inc	$83.00	40	0.7%	10.5%	12.5%
	5/8/2009	ECL	Ecolab Inc	$43.95	60	0.5%	4.3%	14.2%
Utilities								
	2/21/2008	MDU	MDU Resources Group Inc	$21.58	52	0.23%	-8.6%	-17.0%
Alternative								
	4/13/2009	EEM	iShares MSCI Emerging Markets Index	$42.12	250	2.2%	1.5%	58.7%
	12/3/2009	FNMIX	Fidelity New Markets Income Fund	$15.49	236	0.8%	3.1%	1.4%
	3/4/2010	FRN	Claymore/BNY Mellon Frontier Markets ETF	$18.83	133	0.5%	0.5%	0.5%
	3/4/2010	EFN	Emerging Global Shares Dow Jones Emerging Markets Financials Titans Index Fund	$46.50	30	0.3%	5.2%	5.2%
	3/5/2010	INP	Barclays iPath MSCI India Index ETN	$66.85	105	1.4%	3.9%	3.9%
	11/24/2009	PXR	PowerShares Emerging Infrastructure Portfolio	$44.75	100	0.9%	4.5%	3.4%
	3/4/2010	SLV	iShares Silver Trust	$17.14	300	1.0%	2.0%	2.0%

Statement of Operations

January 1, 2010 through March 31, 2010

Income:			
Dividends	$ 1,444.77		
Interest	-		
			$ 1.444.77
Expenses			
Foreign Taxes	$ 4.08		
Trading Costs	$ 367.35		
			$ 371.43
Net Investment Income:			$ 1,073.34
Realized Gain (Loss) on Investments:			
Proceeds from Securities Sold	$ 102,023.89		
Cost of Securities Sold	$ 105,729.84		
Net Realized Gain (Loss) on Investments		$ (3,705.95)	
Net Increase (Decrease) in Unrealized Appreciation on Investments:			
Market Value of Holdings as of March 31, 2010	$ 480,629.38		
Market Value of Holdings as of January 1, 2010	$ 462,510.67		
Increase (Decrease) in Net Unrealized Appreciation		$ 18,118.71	
Net Realized Gain (Loss) and Increase (Decrease) in Net Unrealized Appreciation:			$ 14,412.76
Net Increase (Decrease) in Assets Resulting from Operations:			$ 15,486.10

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