Spring 2013

# The Archway Investment Fund Semi Annual Report, Spring 2013

Bryant University, Archway Investment Fund

# The Archway Investment Fund

## Bryant University

*Semi-Annual* REPORT ▪ SPRING 2013

Design: Gilbert Design

## MESSAGE FROM PRESIDENT AND MRS. MACHTLEY

The Archway Investment Fund was established in 2005 to provide Bryant University students with the experience and competitive advantage of making real world investment decisions – exactly like investment managers around the world. Based on this idea, the faculty, led by Professor David Louton, Ph.D., developed a sophisticated pedagogy and set of investment protocols to create a world-class course on investment strategy.

The University contributed initial funds and annual augmentations to provide students with the real-world experience of investing in financial markets. By applying the discipline of sector analysis and benchmark comparison, the students come to appreciate how theory and practice come together in real-time and in real-life. Managed by a student-led executive committee, the security analysis for the Fund, which is incorporated into a three-credit course (Finance 450), provides a unique and powerful academic experience. In the follow-up course, Finance 454, student portfolio managers begin to develop the perspective of seasoned professionals by the time the semester is complete. Through exposure to best-of-class investment practices in the financial world, Bryant students gain a real competitive advantage in the market place and establish the foundation for leadership throughout their careers. The Fund now totals more than $750,000.

The Fund also hosts an annual conference, the Financial Services Forum, where regionally and nationally respected financial experts share their views on the developing financial world. It gives us great pride to watch our distinguished faculty and students actively contribute to this important field of knowledge.

We are very proud of the students and faculty who have made the Archway Fund such a successful model blending academic theory and real-world experience.

*Well done and congratulations,*
Ron and Kati Machtley

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## INVESTMENT ADVISORY BOARD

# THOUGHTS FROM THE PROFESSORS

## Thoughts from Professor Maura Dowling CFP

In the first quarter of 2013 the student portfolio managers wonder "will our stock go higher than its 52-week high?" This is a different market experience from the fourth quarter of 2012. The student portfolio managers strengthened their tolerance for challenge and discussion in the open forum of our investment meeting. They learned to take feedback from one another and sometimes to amend a proposal based on questioning of one another. Their cash holding at the beginning of 2013 is one area where they were unified in their desire to reduce it by half before passing the portfolio on to their colleagues, the security analysts. It was a wonderful experience to observe their deepening understanding of integration of the portfolio by learning about the edges of their sectors and how there can be overlap at times between sectors. In just a few months the increase in the clarity of their views about their sectors is remarkable. From invited speakers, the Financial Services Forum, The CFA Research Challenge and the G.A.M.E. Forum they are learning about themselves as investors. This team of portfolio managers has become collaborators who are dedicated to the future Archway Investment Fund experience.

— Maura Ann Dowling, CFP

## Thoughts from Professor A. Can Inci, Ph.D.

The Archway Fund students have been faced with several interesting and unique challenges this semester. The European recession continues as the Cyprus crisis has demonstrated. The political uncertainty in Asia, specifically in the Korean peninsula makes investors and companies doing business in the area wary. Bank of Japan's monetary easing policy should weaken the Yen and strengthen the U.S. dollar. Finally, the debate on whether the Federal Reserve should start increasing interest rates is gathering momentum. These global and domestic uncertainties have increased the complexity of analyzing individual securities and issuing investment recommendations in the Securities Analysis course. On the other hand, the dynamic economic and investment environments have provided invaluable learning opportunities for the students.

— A. Can Inci, Ph.D.

THE ARCHWAY INVESTMENT FUND'S portfolio was managed by a group of 24 finance students this Spring semester. We were able to gain professional experience in an academic setting. One of the first tasks we faced was deciding exactly how we would make portfolio decisions during our time as managers.

In the early stages, we were lacking the knowledge to competently manage a portfolio. With the guidance of our professor, Maura Dowling, we were able to use our knowledge of security analysis to integrate our investment styles to follow the Investment Policy Statement. After multiple class and committee discussions in addition to understanding our Investment Policy Statement, we crafted our Investment Objective (which is found on page 5 of this report). As the building block of our investment strategy, we began our implementation phase.

In the beginning of the semester, we analyzed all of the current holdings of the fund to understand the reasons they were purchased and held by the previous group of Portfolio Managers. Over the course of the semester, we implemented our Investment Objective in the portfolio, making important decisions about holding, selling, and even buying more. We also researched and proposed new securities in our investment meeting, in an attempt to find the best possible companies for the fund. We also planned to reduce our cash position.

The format of the Portfolio Management class is set to resemble an investment meeting which is quite different from the academic setting of the Securities Analysis class. The real-world business atmosphere has consistently proven to be an underlying lesson and another component that makes the Archway Investment Fund such a great learning experience.

The guest speakers added another element of real-world experience to the classroom. These investment professionals are great resources for students both now and for the future. Here we gratefully thank all of you who took the time to visit our class to share your experiences and insights. The knowledge you shared with us with was incredibly valuable and truly helped the class grow.

(L-R) Trevor DeVitto, Matt Pelletier, Michael Leonard, Sean Hung, Sunny Rana

Lastly, we found it crucial to keep an open line of communication between the Portfolio Managers and the Securities Analysts. This allowed the two classes to work and operate as one unit throughout the semester. As we depart the Archway Investment Fund we will assist the future Portfolio Managers to understand more about our current holding through our Equity Research Report. This will allow them to make the proper and informed decisions on the Archway's holdings as they create their own investment styles.

"The individual investor should act consistently as an investor and not as a speculator. This means that he should be able to justify every purchase he makes and each price he pays by impersonal, objective reasoning that satisfies him that he is getting more than his money's worth for his purchase."
— Benjamin Graham

## Investment Objective

IN OUR MISSION to grow the fund for the benefit of future classes, our goal is to achieve a risk-adjusted return on our equity holdings that is equal to or exceeds the S&P 500 benchmark. Based on this, we have a long-term time horizon and we evaluate securities using a 12-month outlook. We use the Sharpe ratio to measure risk and the portfolio's risk-adjusted performance. We implement a value based, active management strategy that focuses on finding companies with fundamental indicators that are better than their industry averages and are trading below their intrinsic value. These fundamental indicators include: beta, EV/EBITDA, price-to-earnings, price-to-book value, dividend yield, return on equity, return on assets, and return on invested capital.

We buy companies trading below their intrinsic value and with fundamental indicators better than their industry averages, offering a substantial margin of safety. We hold companies for the duration of time it takes for their stock to reach their intrinsic value, and reevaluate the securities when they reach their target price or fall below their loss target. We sell companies that have fallen below the industry average fundamentals or have reached their intrinsic value.

Our process for determining intrinsic value involves quantitative and qualitative analysis. We first look at companies on a qualitative basis. This includes researching a company to identify its business models, company strategy, management, long-term brand loyalty, market factors, sustainable competitive advantages and recurring revenues.

When we believe a security meets these criteria exceptionally well, we then apply a quantitative analysis. This includes analyzing a company's financial ratios, operating metrics, stock metrics, operating margins, and growth opportunities.

Once this research is completed and we believe that intrinsic value may be above market value, we build financial models to calculate the actual intrinsic value of the company.

To help us outperform our benchmarks, we plan to expand further into American Depository Receipts and international equities, as well as increase our exposure to small and mid-cap equities. Finally, we will explore opportunities in fixed income, dividend reinvestment, and options.

# Portfolio Managers
# Finance 454

## Course Description

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

## Topics Covered

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

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

# Securities Analysis Finance 450

## Course Description

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

## Topics Covered

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

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

# GLOBAL ECONOMIC OVERVIEW

## GLOBAL

The global economy remains largely volatile due to the increase in monetary policy discussions within the United States and the ongoing European Debt Crisis. It has yet to recover from the Great Recession of 2008–2009. The economic woes of Cyprus have been plaguing the European economy over the past few months. The financial crisis in the small island country has constrained the money supply of the European Central Bank. The collapse of Greece's economy along with Italy and Spain's ongoing budget deficits have massively eroded Cyprus's access to market funding.

In Japan, there is currently a bond buying program being operated by the government in order to stimulate growth. The Bank of Japan is targeting a 2% inflation rate in order to combat deflation and further develop their economy. Meanwhile in the U.S., the economy has shown some signs of positive improvement. The Fed's third round of quantitative easing will further stimulate GDP growth despite the inflationary risk associated with the government's actions. The U.S. will likely be susceptible to risk over the next couple of years as the government is running a national deficit of $16.7 trillion. In China, the weak housing market and lower inflation prospects will inject liquidity into the Chinese economy. In general, it can be seen the global economy may require more financial stimulus and fiscal policy developments to uphold a sustainable expansion beyond 2013.

Global growth has dropped to approximately 3 percent. According to The Conference Board, developing economies are expected to grow at 5 percent in 2013, down from 5.5 percent growth in 2012. This growth decline is expected to continue throughout 2013. At a low level of growth, it will take countries several years to make up for job losses caused by the recession. Economic burden in Europe, the United States, and Japan is negatively impacting developing nations. This is due to decreases in demand for their products and volatility in capital flows. The global economy over the next few years will face many challenges. Major downside risks include the worsening of the European debt crisis, lack of agreement on U.S. fiscal policy, and commodity price shocks. Despite these risks, we expect low levels of growth and development in the global economy over the next few years.

## UNITED STATES

The United States' economy has continued to recover in 2013, thus increasing consumer sentiment in the marketplace. The stock market has reflected this overall positive outlook, as it has continued its bullish rally and the major indices have reached record highs. As interest rates remain at all-time low levels, investors have flooded the equity markets. We have an overall positive outlook on the U.S. economy; however there is concern that investors may be overly positive on the current economic situation while overlooking key data that may not support the recent rally.

We believe real GDP will grow at a slow pace due to major concerns regarding the impact of the Sequester and the potential winding down of QE3 by the Fed. Continued efforts to reduce the debt deficit will slow growth as tax increases and spending cuts take effect. The U.S. budget deficit narrowed by nearly half in March and there are signs that the 2013 deficit could fall below $1 trillion for the first time since 2008. Though, the overlying stalemate within the U.S. government creates uncertainty about future policy and U.S. growth as a new debt limit increase deadline looms in August.

In terms of QE3, the Fed has hinted at an end to the bond-buying program. This is relevant as the Fed's balance sheet continues to grow above $3 trillion, up from under $1 trillion before the recent financial crisis. The Fed's asset purchases have been a driving force behind the rally and economic growth, and an abrupt end to the program would be harmful. Furthermore, long-term inflationary consequences remain unclear. Inflation has recently stayed below the Fed's 2% target, but the pumping of money into the economy may provide unexpected impacts on inflation in the future. Additionally, unemployment remains high by historical standards and job growth is weak.

There are encouraging signs within the housing market. The housing market is increasing at its fastest rate since the housing bubble crash in 2008. Prices are up more than 8% year over year. We have had concerns that this could be reflective of the beginning of another bubble but we believe that all-time low mortgage rates and increases in disposable income will support housing price growth. We feel that price levels will stabilize in the coming years and maintain the continuous slow growth seen in the pre-housing bubble decades.

Overall, we feel that the U.S. economy will continue to grow. However, we do feel that the stock market overstates the health of the U.S. economy. There are certain struggles that must be overcome before the economy can have stable growth, and a market correction may be approaching without the support of bond-buying by the Fed.

# SECTOR ECONOMIC OVERVIEW

## CONSUMER DISCRETIONARY

Consumer discretionary is more susceptible to changes in consumer spending based on the economic climate, and therefore is more volatile than consumer staples. We have seen decreases in unemployment and signs of the housing market beginning to recover. However, the most recent job numbers were less than stellar. Although we saw a decrease in the unemployment rate from 7.7 percent to 7.6 percent, this decline was due to a drop in the labor force, and we only added 88,000 new payroll jobs in March. Also, growth in revolving credit, which includes credit cards, is anemic, another poor sign for short-term consumer spending.

## CONSUMER STAPLES

The consumer staples sector consists of companies involved in the development and production of consumer goods, primarily within the following industries: food and drug retailing, beverages, tobacco, food, household, and personal products. The emerging markets of Asia, Eastern Europe, and Latin America offer ample growth opportunities for food companies. Growth of the affluent, urban middle class population is driving demand for processed and packaged foods in these markets. Aiming to cash in on rising health consciousness of consumers in the U.S. and foreign markets, consumer staples companies are constantly upgrading their offerings through innovations.

## ENERGY

Our overall opinion of the energy sector in 2013 is that it will experience positive growth. When looking at the forms of energy, it is clear some of the most crucial are those that will make U.S. more energy independent. Natural gas is viewed as the most important form of energy going forward because it is cleaner than other forms. The remaining important types of energy include nuclear, renewable, and coal. Coal is given the lowest significance as an energy form as it is considered the dirtiest form of energy. One of the main concerns for the energy sector is the potential for increased environmental regulation.

## FINANCIAL

The past five years have been a tumultuous period for the financial sector. The economic downturn hurt many industries within the sector. The subsequent regulation that followed continued to cripple the sector as many firms were forced to change their business practices to make up for increases in compliance costs. A widespread de-risking throughout has made the sector safer for investors, but has also limited the potential for return as risk tolerance has decreased. Lower returns are also expected due to regulation as firms increase the amount of capital on hand as a result of Basel III, which is not expected to be fully implemented until 2018, so we will be experiencing the effects of regulations such as this for many years to come.

## HEALTH CARE

The health care sector is subjected to macroeconomic conditions as well as government regulations and policy. As of 2012, health care spending in the U.S. averaged $8,223 per person. This accounts for 17.6 percent of GDP. As the unemployment rate stays around 7.7 percent and U.S. household debt remains around $11.4 trillion, the health care sector faces price pressures and fierce competition. There is currently sluggish Chinese economic growth due to higher wages and intellectual property thefts. This along with the slow recovery of Europe undermine both top and bottom lines for the exporting companies, mostly pharmaceutical and supply and product companies.

## INDUSTRIAL

The industrial sector, as a whole has a positive economic outlook for the next year. We believe the sector will experience strong growth, which will be led by expansion in foreign markets. The sector often experiences cyclical return patterns and it is our goal to capitalize on periods where these returns will exist. We have recently seen successful returns using this method in several of our stocks and plan to move forward with a similar mindset.

## MATERIALS

We predict that, much like utilities stocks, materials stocks will provide defensive plays in portfolios over the next 12 months, therefore maintaining a neutral to positive outlook as well. Many chemical companies do happen to face technological advances with a new-coming “global green economy,” and it is believed that chemical companies could play a key role in this transition.

## TECHNOLOGY

Within the technology sector are holdings with diverse products and services requiring business and consumer spending. After monitoring the economic environment over the past couple of months, we learned of better opportunities to diversify our sector’s holdings into hardware-oriented companies that would complement our belief in mobile technology. As the debt crisis persists in Europe, the demand for technology will likely decrease. European consumers will have less discretionary income to purchase new and interesting technological devices, such as a new smartphone or tablet.

## UTILITIES

The 2013 outlook for the utilities sector is neutral for the next 12 months. With the low cost of financing because of low interest rates, utilities companies will continue to enjoy cheap financing in order to expand. The reason for the utilities sector staying neutral would be the expected heavy investment in natural gas, which would take away from the electricity sub-sector’s market share.

The Archway Investment Fund underperformed the S&P 500 index by 1.00% over the five month period of November 1, 2012 to March 31, 2013. In light of this, the Archway Investment Fund Beta is 13% lower than that of the S&P 500. The Archway Investment Fund has been historically prone to hold equities with less systematic risk. As stated in the Fund's Investment Policy Statement, our goal is to beat our benchmark on a risk-adjusted basis. Therefore, we are willing to accept a gross return lower than our benchmark as long as we focus on having an equal or higher return when adjusting for systematic risk.

## Period Returns, November 1, 2012 – March 31, 2013

| FUND | PERIOD RETURN | RISK ADJUSTED PERIOD RETURN | PERIOD DIFFERENTIAL RETURN | RISK ADJUSTED PERIOD DIFFERENTIAL RETURN | BETA |
|---|---|---|---|---|---|
| Archway Investment Fund | 10.12% | 11.63% | -1.00% | 0.51% | 0.87 |
| S&P 500 Index | 11.12% | 11.12% | - | - | 1.00 |

## Style Box

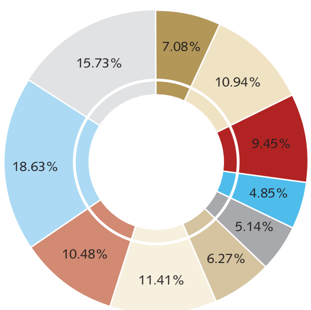
Market Capitalization

| | VALUE | BLEND | GROWTH |
|---|---|---|---|
| Large | 29.41% | 29.41% | 8.82% |
| Medium | 8.82% | 5.88% | 0.00% |
| Small | 0.00% | 11.76% | 5.88% |

Valuation

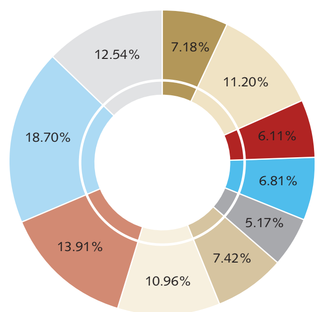
This is the distribution of stocks in the portfolio. Companies are classified on the basis of size and a combination of a value score and a growth score.

## AIF 11/01/2012




- 7.08% Consumer Discretionary
- 10.94% Consumer Staples
- 9.45% Energy
- 4.85% Materials
- 5.14% Utilities
- 6.27% Financials
- 11.41% Healthcare
- 10.48% Industrials
- 18.63% Technology
- 15.73% Cash

## AIF 03/31/2013




- 7.18% Consumer Discretionary
- 11.20% Consumer Staples
- 6.11% Energy
- 6.81% Materials
- 5.17% Utilities
- 7.42% Financials
- 10.96% Healthcare
- 13.91% Industrials
- 18.70% Technology
- 12.54% Cash

# CURRENT ARCHWAY INVESTMENT FUND HOLDINGS

| PURCHASE DATE | TICKER | STOCK NAME | SHARES | BETA | PURCHASE PRICE | CURRENT PRICE | STOCK WEIGHT |
|---|---|---|---|---|---|---|---|
| **Consumer Discretionary** | | | | | | | |
| 10/28/05 | MCD | McDonald's Corp. | 200 | 0.38 | $ 62.74 | $ 99.69 | 2.65% |
| 09/29/11 | JWN | Nordstrom Inc. | 180 | 1.63 | $ 45.79 | $ 55.23 | 1.32% |
| 04/02/12 | SPLS | Staples | 830 | 1.02 | $ 16.48 | $ 13.42 | 1.48% |
| 10/30/12 | BWLD | Buffalo Wild Wings Inc. | 148 | 0.89 | $ 74.76 | $ 87.54 | 1.72% |
| **Consumer Staples** | | | | | | | |
| 11/26/07 | KO | Coca-Cola Co. | 464 | 0.51 | $ 31.40 | $ 40.44 | 2.49% |
| 11/13/09 | PG | Procter & Gamble Co. | 191 | 0.46 | $ 61.45 | $ 77.06 | 1.96% |
| 04/23/10 | GIS | General Mills Inc. | 323 | 0.18 | $ 35.77 | $ 49.31 | 2.12% |
| 11/21/10 | MO | Altria Group Inc. | 478 | 0.44 | $ 25.19 | $ 34.39 | 2.19% |
| 03/06/12 | NSRGY | Nestle SA | 254 | 0.64 | $ 61.42 | $ 72.50 | 2.45% |
| **Energy** | | | | | | | |
| 02/25/11 | CVX | Chevron Corp. | 267 | 0.78 | $100.25 | $ 118.82 | 4.22% |
| 09/29/11 | HAL | Halliburton Co. | 353 | 1.60 | $ 32.07 | $ 40.41 | 1.90% |
| **Materials** | | | | | | | |
| 05/13/09 | PX | Praxair Inc. | 149 | 0.83 | $ 99.61 | $ 111.54 | 2.21% |
| 11/24/10 | SCL | Stepan Co. | 316 | 1.16 | $ 40.33 | $ 63.10 | 2.65% |
| 10/30/12 | HFC | HollyFrontier Corp. | 285 | 0.98 | $ 37.57 | $ 51.45 | 1.95% |
| **Utilities** | | | | | | | |
| 03/02/11 | NEE | NextEra Energy Inc. | 293 | 0.52 | $ 53.90 | $ 77.68 | 3.03% |
| 02/14/12 | DUK | Duke Energy Corp. | 222 | 0.32 | $ 64.57 | $ 72.59 | 2.14% |
| **Financials** | | | | | | | |
| 02/27/12 | CB | Chubb Corp | 250 | 0.49 | $ 68.69 | $ 87.53 | 2.91% |
| 10/25/12 | WFC | Wells Fargo Company | 436 | 1.36 | $ 34.33 | $ 36.99 | 2.14% |
| 03/08/13 | TGH | Textainer Group Holdings Ltd. | 450 | 1.71 | $ 40.79 | $ 39.55 | 2.37% |
| **Healthcare** | | | | | | | |
| 08/18/11 | COV | Covidien PLC | 220 | 0.89 | $ 50.38 | $ 67.84 | 1.98% |
| 09/28/11 | WLP | Wellpoint Inc. | 208 | 0.92 | $ 63.67 | $ 66.23 | 1.83% |
| 09/28/11 | ESRX | Express Scripts | 341 | 1.06 | $ 39.25 | $ 57.62 | 2.61% |
| 10/30/12 | TEVA | Teva Pharm | 376 | 0.38 | $ 40.85 | $ 39.68 | 1.98% |
| 03/27/13 | UHS | Universal Health Services Inc. | 300 | 1.35 | $ 62.48 | $ 63.87 | 2.55% |
| **Industrials** | | | | | | | |
| 03/07/11 | FDX | FedEx Corp | 240 | 1.27 | $ 83.51 | $ 98.20 | 3.13% |
| 10/04/12 | SHS | Sauer-Danfoss | 415 | 2.30 | $ 40.49 | $ 58.43 | 3.22% |
| 10/30/12 | JOY | Joy Global Inc. | 285 | 2.12 | $ 59.71 | $ 59.52 | 2.26% |
| 02/22/13 | DLX | Deluxe Corp | 495 | 1.81 | $ 39.86 | $ 41.40 | 2.72% |
| 03/13/13 | BECN | Beacon Roofing Supply Inc. | 500 | 1.20 | $ 39.37 | $ 38.66 | 2.57% |
| **Technology** | | | | | | | |
| 12/23/09 | GOOG | Google Inc. Cl A | 37 | 1.00 | $551.23 | $ 794.19 | 3.91% |
| 09/29/11 | CTSH | Cognizant Technology Solutions Corp. | 394 | 1.15 | $ 63.20 | $ 76.62 | 4.01% |
| 11/07/11 | IBM | IBM Corp. | 128 | 0.69 | $183.67 | $ 213.30 | 3.63% |
| 11/02/11 | VOD | Vodafone Group PLC | 1,068 | 0.71 | $ 28.07 | $ 28.40 | 4.03% |
| 03/05/13 | QCOM | Qualcomm Inc. | 350 | 1.04 | $ 65.98 | $ 66.94 | 3.12% |

## Consumer Discretionary and Staples

The consumer discretionary sector consists of industries such as automobiles and components, consumer durables, apparel, hotels, restaurants, media, and retailing. These firms are considered discretionary since they develop, produce, and offer non-essential products and services to individuals. The Consumer Staples sector consists of companies that are involved in the development and production of consumer goods, primarily within the following industries: food and drug retailing, beverages, tobacco, food, household, and personal products. These firms are considered staples since they develop and produce essential products that people consume regardless of economic conditions.

One risk the consumer staples sector faces is rising input prices which continue to put pressure on costs, forcing companies to raise prices or face decreasing margins. However, by increasing prices in this fragile economic climate companies run the risk of losing customers to competitors. We believe this combination of rising costs and an inability to increase prices will continue to impact the companies in our sector. One benefit of this sector is that its products are mostly necessities, decreasing the risk of customers not purchasing; however, the risk of switching to a competitor's product still exists.

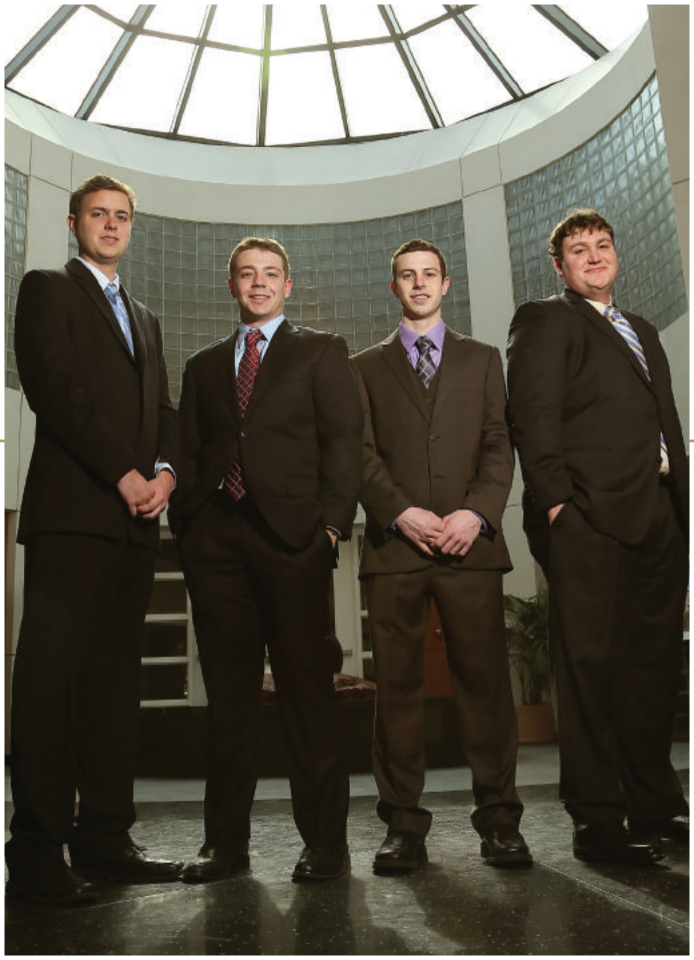
We see this sector continuing to perform well as the economic environment improves. However, we see this sector as more important during poor economic times and consumer discretionary more important during strong or improving economic times as it is more impacted by changes in consumer spending then consumer staples.

There are also some risks present in the consumer discretionary sector. Similar to consumer staples, this sector faces rising input prices, putting pressure on companies to raise prices or face a decrease in their margins. It can be difficult for companies in this sector to increase prices, especially enough to offset the full increase in costs during this delicate economic recovery. An inability to raise prices coupled with increasing costs will squeeze profits for companies in this sector, hurting their performance. However, if the pace of economic recovery increases during the next six to 12 months, consumer spending could strengthen enough to negate the effects of rising costs.

"Price is what you pay; value is what you get. Whether we're talking about sock or stocks, I like buying quality merchandise when it is marked down."
— Warren Buffett

**Portfolio Managers**
(L-R) Amanda Smith, Alison Brousseau, Michael Leonard

Recent economic indicators have left us cautiously optimistic about the consumer discretionary sector. We have seen decreases in unemployment and signs of the housing market beginning to recover. However, the most recent job numbers were less than stellar. Although we saw a decrease in the unemployment rate from 7.7 percent to 7.6 percent, this decline was due to a drop in the labor force, and we only added 88,000 new payroll jobs in March. Also, growth in revolving credit, which includes credit cards, is anemic, another poor sign for short-term consumer spending. Over the mid- to long-term we believe having significant holdings in this sector will be beneficial as companies in this sector tend to perform well during economic expansions.



**Securities Analysts**
(L-R) Dennis Ivers,
Gerald Condon,
Nicholas Balboni,
Zach Messinger.
Not pictured:
Ashley Tiberio

| | | | |
|---|---|---|---|
| Consumer Discretionary Sector Returns: | 12.59% | SPDR (XLY): | 15.60% |
| Consumer Staples Sector Returns: | 13.75% | SPDR (XLP): | 13.82% |

(Returns shown are from the period 11/01/2012 to 03/31/2013)

## Current Holdings as of March 31, 2013

| SECTOR | PURCHASE DATE | TICKER | STOCK NAME | SHARES | PURCHASE PRICE | CURRENT PRICE | STOCK WEIGHT | PERIOD CHANGE | HPR CHANGE |
|---|---|---|---|---|---|---|---|---|---|
| Discretionary | 10/28/05 | MCD | McDonald's Corp. | 200 | $ 62.74 | $ 99.69 | 2.65% | 16.62% | 74.15% |
| Discretionary | 9/29/11 | JWN | Nordstrom Inc. | 180 | $ 45.79 | $ 55.23 | 1.32% | -1.71% | 23.97% |
| Discretionary | 4/02/12 | SPLS | Staples | 830 | $ 16.48 | $ 13.42 | 1.48% | 17.50% | -16.61% |
| Discretionary | 10/30/12 | BWLD | Buffalo Wild Wings Inc. | 148 | $ 74.76 | $ 87.54 | 1.72% | 15.18% | 17.09% |
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| Staples | 11/13/09 | PG | Procter & Gamble Co. | 191 | $ 61.45 | $ 77.06 | 1.96% | 12.92% | 34.10% |
| Staples | 4/23/10 | GIS | General Mills Inc.† | 323 | $ 35.77 | $ 49.31 | 2.12% | 24.68% | 45.25% |
| Staples | 11/21/10 | MO | Altria Group Inc. | 478 | $ 25.19 | $ 34.39 | 2.19% | 9.53% | 48.95% |
| Staples | 3/06/12 | NSRGY | Nestle SA | 254 | $ 61.42 | $ 72.50 | 2.45% | 14.23% | 21.47% |

*Stock split August 13, 2012

†Stock split June 09, 2010

## Economic Analysis and Emerging Opportunities

**Portfolio Managers**
(L-R) Avkash Motiani, Alyssa Wypychoski, Matthew Goggins

The Economic Analysis and Emerging Opportunities sector (EEO) is responsible for investments in the Energy, Materials, and Utilities sectors. Companies in the Energy sector produce and develop natural gas and crude oil, as well as provide drilling and other energy related services. Through innovative technology in this sector such as hydro-fracking and horizontal drilling, we expect production to continue growing through 2013. Additionally, as more countries become more developed we expect increased international demand as a necessity to fuel economic growth.

One of the biggest areas of concern for the Energy sector is the potential for increased environmental regulation. The EPA recently proposed new rules that some view as a potential death sentence for refining profits and the elimination of any hope that we'll see gas prices drop. The new rules would significantly reduce the sulfur, nitrogen oxide, and benzene content in gasoline and bring it up to California and European standards. It would cost refiners billions to bring the gas up to those standards. That's why both California and Europe have much higher gas prices than the majority of the U.S., and it would undoubtedly mean even higher future prices as more of our gas disappears overseas in an effort to get around these new rules.

The Materials sector consists of firms involved in construction materials, packaging and containers, metals and mining, paper and forest products, and basic chemicals. With the housing market expected to be one of the main indicators of recovery for the country, the gradual increase in the housing sector will boost demand for steel and lumber. There have been positive signs within key market segments of the Materials sector. There has been an improvement in U.S. residential construction, U.S. autos, and overall construction markets. These could be drivers that would push materials stocks higher in the future.

"Successful investing is anticipating the anticipations of others."

— John Maynard Keynes (1883-1946), British Economist

Companies in the Utilities sector generate, produce, distribute, or transmit electricity or natural gas. Nuclear power companies still face the hurdles of heightened regulation and tougher evaluation parameters. Many new sources of energy have been the main focus of the industry, which directly affects energy transmission companies within the Utilities sector. The Utilities sector has consistently generated positive yields due to the sector's ability to withstand market collapses. The companies in the industry often operate monopolies and offer services that are always needed. There is a neutral outlook in 2013 for the Utilities sector, but the changes in the dividend tax policy may affect the investment opportunities moving forward.

**Securities Analysts**
(L-R) Shravil Aggarwal, Justin McCann, Stephanie Lizardi, Matt Manion, Andrew Hado

| | | | |
|---|---|---|---|
| Energy Sector Returns: | 10.90% | SPDR (XLE): | 11.69% |
| Materials Sector Returns: | 21.91% | SPDR (XLB): | 9.45% |
| Utilities Sector Returns: | 12.74% | SPDR (XLU): | 7.50% |

(Returns shown are from the period 11/01/2012 to 03/31/2013)

## Current Holdings as of March 31, 2013

| SECTOR | PURCHASE DATE | TICKER | STOCK NAME | SHARES | PURCHASE PRICE | CURRENT PRICE | STOCK WEIGHT | PERIOD CHANGE | HPR CHANGE |
|---|---|---|---|---|---|---|---|---|---|
| Energy | 2/25/11 | CVX | Chevron Corp. | 267 | $ 100.25 | $ 118.82 | 4.22% | 9.41% | 25.00% |
| Energy | 9/29/11 | HAL | Halliburton Co. | 353 | $ 32.07 | $ 40.41 | 1.90% | 25.81% | 27.79% |
| Materials | 5/13/09 | PX | Praxair Inc. | 149 | $ 99.61 | $ 111.54 | 2.21% | 6.68% | 15.26% |
| Materials | 11/24/10 | SCL | Stepan Co.* | 316 | $ 40.33 | $ 63.10 | 2.65% | 32.40% | 58.79% |
| Materials | 10/30/12 | HFC | HollyFrontier Corp. | 285 | $ 37.57 | $ 51.45 | 1.95% | 36.29% | 40.92% |
| Utilities | 3/2/11 | NEE | NextEra Energy Inc. | 293 | $ 53.90 | $ 77.68 | 3.03% | 12.67% | 51.48% |
| Utilities | 2/14/12 | DUK | Duke Energy Corp. | 222 | $ 64.57 | $ 72.59 | 2.14% | 12.83% | 18.30% |

*Stock split December 17, 2012

## Trades

| SECTOR | DATE | TICKER | STOCK NAME | TRADE | QUANTITY | PRICE |
|---|---|---|---|---|---|---|
| Energy | 12/10/12 | CNX | Consol Energy Inc. | Sell | 406 | $ 32.25 |
| Energy | 3/27/13 | STO | Statoil ASA ADS | Sell | 385 | $ 24.58 |
| Materials | 3/27/13 | PX | Praxair Inc. | Buy | 83 | $ 111.90 |

## Financials

The Financial Sector is comprised of firms that provide products and services to commercial, institutional, and retail customers. The four primary subsectors include diversified financials, banking, insurance, and real estate investment trusts (REITs). We currently hold positions in the following subsectors: diversified financials, insurance, and equipment leasing.

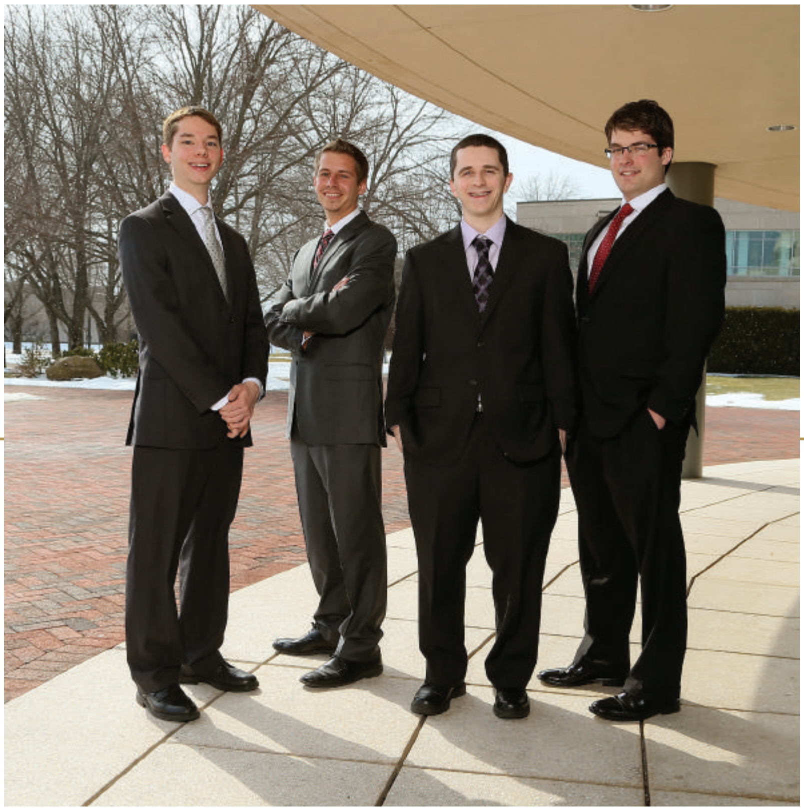
While the recent performance of the stock market has been positive for the Archway Fund, it does raise some concerns going forward. While current levels represent all-time highs, the market has traded at these levels before; prior to the dot-com bubble fallout and the financial crisis of 2008. While past performance does not guarantee future results, it does cause people to begin to question new investment at these levels. We feel that retail investors will continue to enter the market en masse, feeling as though the market is now stable enough for their investment. Merger and acquisition activity should remain healthy as companies look to spend some of the cash they have built up over the past few years. We also feel that large institutional investors will begin to slow down, if not pare back, any new equity investments, due to concerns of the market being generally too expensive.

The effects of low interest rates in the Financial sector have become apparent throughout many of the industries. Returns in the banking industry, for example, have been highly affected as a low interest rate environment reduces net interest income. We are hopeful, however, that as the state of the economy continues to improve, there is a greater chance that loan demand will become increasingly stronger. New loan growth could be slowed as some firms continue to reduce their amount of high risk loans; however, since many of these firms passed the stress tests in March 2013, we are hopeful that this will create not only investor confidence but also internal confidence to create opportunities that will result in higher gains.

"Someone's sitting in the shade today, because someone planted a tree a long time ago."
— Warren Buffett

**Portfolio Managers**
(L-R) Tyler Waterman, Meaghan Flynn, Brian Farese, Nicholas Gentile, Michael Lessor

As the euro zone rebounds along with the U.S. economy, the future shows growth across the Financial sector including the insurance industry which has experienced a slow in growth during the financial crisis. Although many insurance companies have been affected by the low interest rates, we have a positive outlook for the property and casualty insurance industry. Despite large natural disasters such as Superstorm Sandy, strong property and casualty firms, such as The Chubb Corp., were still able to yield positive returns. We believe the occurrence of multiple natural disasters over the last few years will positively help the P&C industry as insurance payouts will reduce extra underwriting capacity, which will cause insurance rates to rise.



**Securities Analysts**
(L-R) Michael Richitelli, Adrian Bialonczyk, Steven Aguilar, Scott Autencio

Financial Sector Returns: 7.02% SPDR (XLE): 15.43%

(Returns shown are from the period 11/01/2012 to 03/31/2013)

## Current Holdings as of March 31, 2013

| SECTOR | PURCHASE DATE | TICKER | STOCK NAME | SHARES | PURCHASE PRICE | CURRENT PRICE | STOCK WEIGHT | PERIOD CHANGE | HPR CHANGE |
|---|---|---|---|---|---|---|---|---|---|
| Financials | 2/27/12 | CB | Chubb Corp. | 250 | $ 68.69 | $ 87.53 | 2.91% | 14.24% | 29.81% |
| Financials | 10/25/12 | WFC | Wells Fargo Company | 436 | $ 34.33 | $ 36.99 | 2.14% | 11.19% | 9.13% |
| Financials | 3/08/13 | TGH | Textainer Group Holdings Ltd. | 450 | $ 40.79 | $ 39.55 | 2.37% | -3.03% | -3.03% |

## Trades

| SECTOR | DATE | TICKER | STOCK NAME | TRADE | QUANTITY | PRICE |
|---|---|---|---|---|---|---|
| Financials | 11/15/12 | BLK | Blackrock Inc. | Sell | 47 | $ 186.70 |
| Financials | 3/08/13 | TGH | Textainer Group Holdings Ltd. | Buy | 450 | $ 40.79 |

## Healthcare

Despite unfavourable macroeconomic conditions, the Healthcare sector has seen some success in recent months due to the 2012 election and the Supreme Court's decision to uphold the individual mandate of Obamacare. Patient volume has been increasing and will continue to do so as a result of these factors, as well as an aging population. The U.S. population 65 and older is expected to increase by more than 50 percent between 2015 and 2030.

One of the biggest implementations that will affect the sector is an expansion of health insurance plans. The provision, part of the 2010 Affordable Care Act, requires health plans for individuals and small businesses to cover 10 categories of services, including prescription drugs, maternity care and physical rehabilitation. Moreover, starting October 1, 2013, people with low and moderate incomes will get subsidies to offset the cost of buying insurance that will be sold on state and federal insurance exchanges, or marketplaces. The subsidies will be offered on a sliding scale for people who earn about four times the federal poverty level—about $94,000 for a family of four—or less.

The ACA allowed states to decide on their participation of Medicaid Expansion. As of March 2013, about 25 governors, mostly democrats, decided to participate in an expansion of Medicaid. The expanded Medicaid will cover lower-paid workers with slightly above the minimum wage starting in 2014. In the next five years, Medicaid rolls will grow to 45 million from 36 million.

The Healthcare sector is also going through a patent cliff, in which patents on several big name "blockbuster" drugs are expiring, opening the door for generic companies to produce similar products at a less expensive cost. This patent cliff is ending in 2014, but there are still some recognizable drugs such as Oxycontin, Nexium, and Celebrex whose patents have yet to expire. Because of the time it takes for the R&D of a "blockbuster" drug, there has been movement toward partnerships and licensing agreements with smaller R&D focused companies who have therapies that have already passed early stage testing.

> "One of the funny things about the stock market is every time one person buys, another sells, and both think they are astute."
>
> — William Feather

**Portfolio Managers**
(L-R) John Poirier, Patrick Graydon, Pieter Niesten, Do Hyung Kim

In conclusion, we believe that the future outlook of the Healthcare sector is positive. Within the sector, facilities and product and supply companies will benefit the most from the organic growth of customers due to expansion of Medicaid and Insurance plans. Pharmaceutical companies have a neutral outlook because we believe that patient cliff, growing of generic brands and price competition will remain as risk until 2014. MCO and PMB also have neutral outlook. We believe Obamacare aims to offer complete healthcare for every American with very reasonable price. In order to do so, intermediaries have to be minimized.

**Securities Analysts**
(L-R) Amos Kalindaga,
Keith Fischer,
Adrianna Lublin,
Aadithyan Manivannan,
Timothy Greenhill

Healthcare Sector Returns: 6.10%  SPDR (XLV): 15.94%

(Returns shown are from the period 11/01/2012 to 03/31/2013)

## Current Holdings as of March 31, 2013

| SECTOR | PURCHASE DATE | TICKER | STOCK NAME | SHARES | PURCHASE PRICE | CURRENT PRICE | STOCK WEIGHT | PERIOD CHANGE | HPR CHANGE |
|---|---|---|---|---|---|---|---|---|---|
| Healthcare | 8/18/11 | COV | Covidien PLC | 220 | $ 50.38 | $ 67.84 | 1.98% | 23.93% | 37.48% |
| Healthcare | 9/28/11 | WLP | Wellpoint Inc. | 208 | $ 63.67 | $ 66.23 | 1.83% | 9.12% | 7.20% |
| Healthcare | 9/28/11 | ESRX | Express Scripts | 341 | $ 39.25 | $ 57.62 | 2.61% | -6.38% | 46.82% |
| Healthcare | 10/30/12 | TEVA | Teva Pharm | 376 | $ 40.85 | $ 39.68 | 1.98% | -0.42% | -1.48% |
| Healthcare | 3/27/13 | UHS | Universal Health Services Inc. | 300 | $ 62.48 | $ 63.87 | 2.55% | 2.22% | 2.22% |

## Trades

| SECTOR | DATE | TICKER | STOCK NAME | TRADE | QUANTITY | PRICE |
|---|---|---|---|---|---|---|
| Healthcare | 3/27/13 | UHS | Universal Healthcare Services Inc. | Buy | 300 | $ 62.48 |
| Healthcare | 3/27/13 | ENSG | Ensign Group Inc. | Sell | 580 | $ 31.94 |

## Industrials

**Portfolio Managers**
(L-R) Matthew Pelletier, Thomas Burke, Nataly Cardona, Trevor DeVitto, Alex Bigelow

The Industrial sector is comprised of numerous industries including transportation infrastructure and logistics, construction and engineering, electrical equipment, industrial equipment wholesalers, industrial manufacturing companies, and aerospace and defense. Most of the industries within this sector are cyclical and thus, have experienced increasing volatility due to the recession.

However, there is reason to believe that future prospects for this sector are promising. Recent trends involving the increase of efficiency and streamlining are a positive indicator for the sector. New industries that the Archway Industrial sector will be observing include equipment leasing, business to business, and roofing. Additionally, the railroad industry's future looks brighter because of an increase in demand for manufactured goods, commodity and transport needs, and recent environmental concerns. However, it is hindered by the need for high initial capital investment. Subsequently, we have a very positive outlook for the future prospects for the industrial sector.

Overall, the homebuilding industry, with a focus on building materials distributors, is particularly attractive with regard to near-term investments. The profitability of associated companies is largely dependent upon the U.S. residential construction sector and the demand for remodeling. Additionally, weather patterns widely affect the industry performance, as severe storms cause damages to homes which require repair. With more frequent storms of greater severity, as well as a high expected market growth rate, the industry is particularly attractive for up to two-year investment.

The future of the mining industry does not lie in the developed world, but in the developing world. During the past 20 years, growth has been rapid within China, Southeast Asia, and Latin America. These developing countries need to improve their cities and infrastructure in order to cater to their growing populations. Issues that can be seen in the near future for the mining industry are: decreasing grades, rising input costs, higher capital costs along with the increasing remoteness of deposits. In the United States, the EPA is going to deteriorate the industry. However, with limited legal effects in the developing world, the coal industry is set to prosper.

"You can teach a student a lesson for a day; but if you can teach him to learn by creating curiosity, he will continue the learning process as long as he lives."
— Clay P. Bedford

We, the Industrial sector, have a positive industry outlook on sub-industries involving Diversified Machinery. The diversification necessary to operate in this sub-sector allows companies to spread revenue streams throughout many markets. The companies that diversify products and global markets are the stocks we will be looking the most into in order to expand our reach into foreign markets. There was a moderation in sales growth in 2012, due to economic uncertainties in many global markets including the European Union and especially China. These economic uncertainties have caused companies to be more cautious with their heavy machinery purchasing decisions.

**Securities Analysts**
(L-R) Matthew Brown,
Matthew Thompson,
Kyle Creedon,
Kahini Dalal,
Mike Catanzariti

Industrials Sector Returns: 14.27% SPDR (XLI): 15.26%

(Returns shown are from the period 11/01/2012 to 03/31/2013)

## Current Holdings as of March 31, 2013

| SECTOR | PURCHASE DATE | TICKER | STOCK NAME | SHARES | PURCHASE PRICE | CURRENT PRICE | STOCK WEIGHT | PERIOD CHANGE | HPR CHANGE |
|---|---|---|---|---|---|---|---|---|---|
| Industrials | 3/07/11 | FDX | FedEx Corp. | 240 | $ 83.51 | $ 98.20 | 3.13% | 6.90% | 19.07% |
| Industrials | 10/04/12 | SHS | Sauer-Danfoss | 415 | $ 40.49 | $ 58.43 | 3.22% | 46.73% | 46.05% |
| Industrials | 10/30/12 | JOY | Joy Global Inc. | 285 | $ 59.71 | $ 59.52 | 2.26% | -4.13% | 0.27% |
| Industrials | 2/22/13 | DLX | Deluxe Corp. | 495 | $ 39.86 | $ 41.40 | 2.72% | 3.87% | 3.87% |
| Industrials | 3/13/13 | BECN | Beacon Roofing Supply Inc. | 500 | $ 39.37 | $ 38.66 | 2.57% | -1.79% | -1.79% |

## Trades

| SECTOR | DATE | TICKER | STOCK NAME | TRADE | QUANTITY | PRICE |
|---|---|---|---|---|---|---|
| Industrials | 2/22/13 | DLX | Deluxe Corp. | Buy | 495 | $ 39.86 |
| Industrials | 2/22/13 | CMI | Cummings Inc. | Sell | 161 | $ 118.82 |
| Industrials | 3/13/13 | BECN | Beacon Roofing Supply Inc. | Buy | 500 | $ 39.37 |

## Technology

Based on our Technology sector's holdings, the sector is comprised of five sub-industries: computer hardware, computer software, semi-conductor, wireless communication, and IT consulting. Our holdings in Cognizant Technology Solutions, IBM, Vodafone, Qualcomm, and Google represent the diversification efforts in our sector as we strive to outperform the S&P 500 on a risk-adjusted basis. The sector consists of large-cap technology companies that are leaders in their respective sub-industries and reflect our long-term time horizon for these holdings.

After monitoring the economic environment over the past couple of months, we learned of better opportunities to diversify our sector's holdings into hardware-oriented companies that would complement our belief in mobile technology. Given the substantial increase in the manufacturing of semi-conductor chipsets to power mobile devices, we strongly believed in selling our position in Microsoft in order to acquire Qualcomm. We felt that the recent releases of Windows 8 and the Surface Windows tablet back in October 2012 fell short of many investors' expectations. We believe this is related to Samsung and Apple maintaining a more loyal consumer base in the tablet market. Also, the margins associated with these new releases were not as high as previously estimated. The combinations of these reasons along with Microsoft's high cash position made us believe that the company had run out of ideas to compete within its industry. The recent purchase of Qualcomm will give us exposure to the telecommunications industry as well as software companies such as Apple.

"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

**Portfolio Managers**
(L-R) Andre Abouhala, Sunny Rana, Sean Hung, Allison Pavao

As the European debt crisis persists, demand for technology will likely decrease as consumers will continue to have less discretionary income to purchase new and interesting technological innovations such as the new smartphone or tablet. This will also have an adverse effect on the Asian markets as well, since its businesses rely heavily on Europe's economy. Also, many companies are investing into cloud computing software to improve their storage capabilities. In addition to cloud computing, the increased use of social media will help companies improve operational performance. The sector is sitting on billions of dollars of cash because many companies are trying to manage their costs and invest into products that they deem innovative and will provide an incredible customer experience. Despite this volatility in the markets and the sector, we strongly believe that the Technology sector will only continue to improve as there are many growth opportunities and innovations that are yet to come.


**Securities Analysts**
(L-R) Shane Andrews,
Jamie Pepin,
William Deichmeister,
Christian Russo,
Christopher Papadellis

Technology Sector Returns: 9.97% SPDR (XLK): 5.31%

(Returns shown are from the period 11/01/2012 to 03/31/2013)

## Current Holdings as of March 31, 2013

| SECTOR | PURCHASE DATE | TICKER | STOCK NAME | SHARES | PURCHASE PRICE | CURRENT PRICE | STOCK WEIGHT | PERIOD CHANGE | HPR CHANGE |
|---|---|---|---|---|---|---|---|---|---|
| Technology | 12/23/09 | GOOG | Google Inc ClA | 37 | $ 551.23 | $ 794.19 | 3.91% | 16.74% | 44.07% |
| Technology | 9/29/11 | CTSH | Cognizant Technology Solutions Corp. | 394 | $ 63.20 | $ 76.62 | 4.01% | 14.96% | 21.24% |
| Technology | 11/07/11 | IBM | IBM Corp. | 128 | $ 183.67 | $ 213.30 | 3.63% | 10.52% | 18.80% |
| Technology | 11/02/11 | VOD | Vodafone Group PLC | 1,068 | $ 28.07 | $ 28.40 | 4.03% | 6.21% | 10.54% |
| Technology | 3/05/13 | QCOM | Qualcomm Inc. | 350 | $ 65.98 | $ 66.94 | 3.12% | 1.83% | 1.83% |

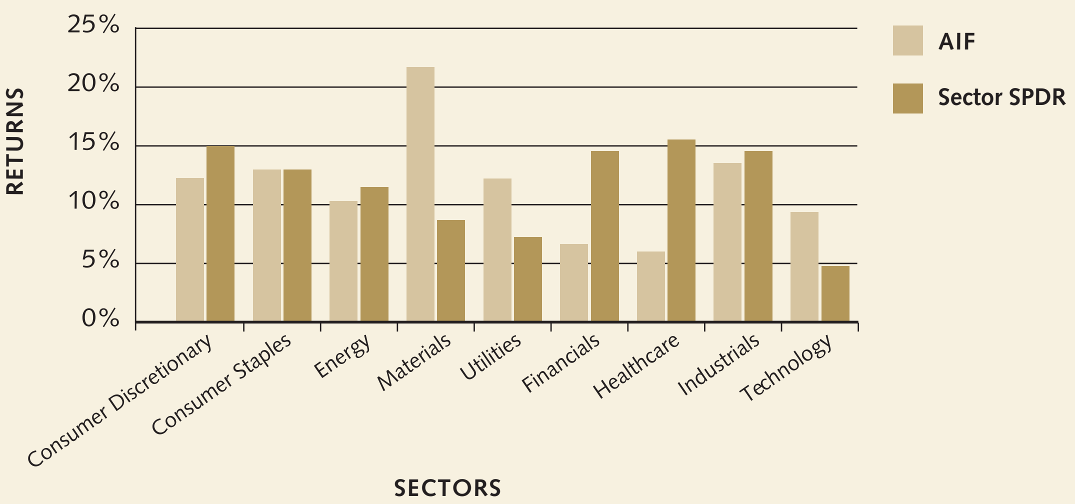
## Trades

| SECTOR | DATE | TICKER | STOCK NAME | TRADE | QUANTITY | PRICE |
|---|---|---|---|---|---|---|
| Technology | 3/05/13 | MFST | Microsoft | Sell | 766 | $ 27.92 |
| Technology | 3/05/13 | QCOM | Qualcomm Inc. | Buy | 350 | $ 65.98 |

## Period Comparisons as of March 31, 2013

| SECTOR | AIF BETA | BENCHMARK BETA | AIF WEIGHTS | BENCHMARK WEIGHTS | AIF PERIOD RETURNS | PERIOD BENCHMARK RETURNS | AIF PERIOD RISK ADJUSTED RETURNS | BENCHMARK RISK ADJUSTED RETURN |
|---|---|---|---|---|---|---|---|---|
| Consumer Discretionary | 0.88 | 1.05 | 7.18% | 11.50% | 12.59% | 15.60% | 14.31% | 14.86% |
| Consumer Staples | 0.50 | 0.50 | 11.20% | 10.61% | 13.75% | 13.82% | 27.50% | 27.64% |
| Energy | 1.03 | 1.24 | 6.11% | 10.99% | 10.90% | 11.69% | 10.58% | 9.43% |
| Materials | 1.00 | 1.36 | 6.81% | 3.62% | 21.91% | 9.45% | 21.91% | 6.95% |
| Utilities | 0.44 | 0.28 | 5.17% | 3.43% | 12.74% | 7.50% | 28.95% | 26.79% |
| Financials | 1.13 | 1.30 | 7.42% | 15.61% | 7.02% | 15.43% | 6.21% | 11.87% |
| Healthcare | 0.95 | 0.60 | 10.96% | 12.01% | 6.10% | 15.94% | 6.42% | 26.57% |
| Industrials | 1.74 | 1.20 | 13.91% | 10.12% | 14.27% | 15.26% | 8.20% | 12.72% |
| Technology | 0.91 | 1.05 | 18.70% | 22.10% | 9.97% | 5.31% | 10.96% | 5.06% |

## Strategic Alignment (Return Comparison)



## Statement of Operations
## November 1, 2012 – March 31, 2013

| | | |
|---|---|---|
| Market Value of Portfolio as of 11/1/12 | | $ 683,020.30 |
| Income: | | |
| Dividends | $ 5,474.68 | |
| Interest | $ 5.05 | |
| Total Income | $ 5,479.73 | |
| Expenses: | | |
| Fees* | $ (10.68) | |
| Foreign Tax† | $ (37.58) | |
| Trading Costs | $ (97.45) | |
| Total Expenses | $ (145.71) | |
| Total Income after Expenses | | $ 5,334.02 |
| Increase (Decrease) in Market Value | | $ 63,753.63 |
| Market Value of Portfolio as of 3/31/13 | | $ 752,107.95 |

| | |
|---|---|
| Realized Gain (Loss) on Securities Transactions | |
| Proceeds from Securities Sold‡ | $ 68,472.41 |
| Costs of Securities Purchased‡ | $ 108,890.58 |
| Net Realized Gain (Loss) | $ (40,418.17) |

* Associated with VOD

† Associated with TEVA

‡ Includes transaction fees

(L-R) John Poirier, Matthew Goggins, Patrick Graydon, Amanda Smith, Trevor DeVitto (Chair)

## Accounting Committee

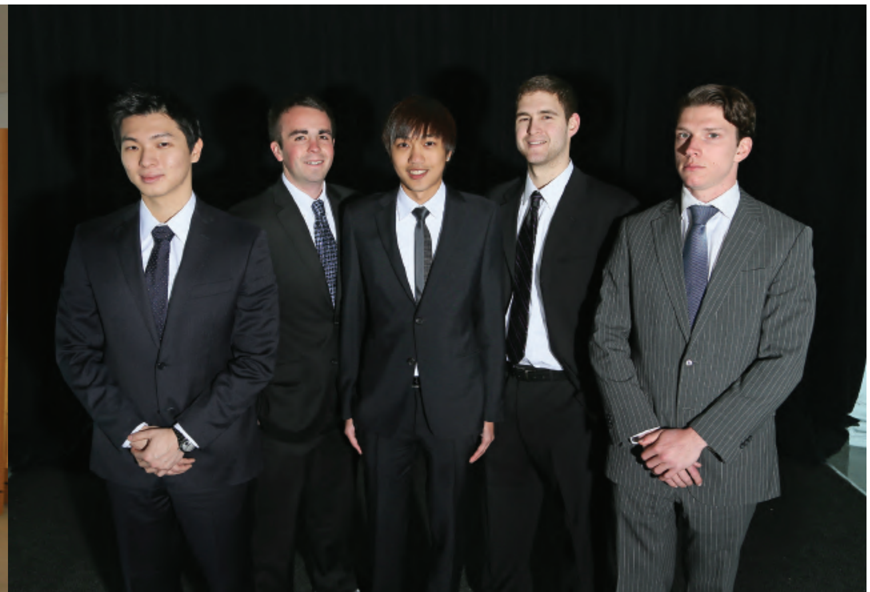
The Accounting Committee is responsible for tracking the performance of the Fund throughout the semester and year. This includes tracking both the purchases and divestiture of positions, daily performance of current holdings, dividends received, and stock splits. These actions are cross-referenced with statements from our brokerage account with Fidelity, where we reconcile differences on a monthly basis. The Committee has made great efforts at finding more efficient and effective ways to collect information regarding the Fund's performance with respect to transactions that occurred.

(L-R) Michael Leonard (Chair), Alex Bigelow, Nicholas Gentile, Andre Abouhala

## Compliance Committee

The Compliance Committee is responsible for tracking the holdings of the Archway Investment Fund and determining whether the Fund is in compliance with the Investment Policy Statement. The committee must track metrics such as price targets, reevaluation prices, security and sector weightings, market capitalizations, betas, and holding periods. This committee must fully understand the Investment Policy Statement and take actions with the portfolio accordingly. This semester the Committee updated our Google Docs spreadsheet so that it will provide students with updates on current holdings that more accurately portray our market position. The Committee also played a key role in developing the Investment Objective, which provides a clearer understanding of the Fund's investment approach.

(L-R) Tyler Waterman, Brian Farese, Avkash Motiani, Allison Pavao, Sunny Rana



(L-R) Do Hyung Kim, Thomas Burke, Sean Hung, Michael Lessor, Pieter Niesten

## Macroeconomic Committee

The Macroeconomic Committee is responsible for keeping the class aware of changes taking place in the global economy. It is important for us to be aware of interest rates, inflation, GDP, and other indicators which could adversely affect our investment decisions. Throughout the semester, the Committee has given updates on relevant global news occurrences

## Marketing Committee

The Marketing Committee is responsible for promoting awareness of the Archway Investment Fund throughout the semester. The committee provides the needed communication between the Fund and the Bryant community. To promote awareness of the Fund on campus the Marketing Committee performed a variety of activities including visiting classes to explain the program to perspective students, as well as conducting interviews for new members. Special emphasis was placed on speaking to International Business classes in order to attract students with knowledge of international markets.

(L-R) Matthew Pelletier (Chair), Alyssa Wypychoski, Alison Brousseau, Meaghan Flynn, Nataly Cardona

## Reporting Committee

The Reporting Committee designs and creates the Archway Investment Fund Semi-Annual Report and Equity Research Report. The Semi-Annual report is circulated among the Advisory Board, the Bryant University Board of Trustees, as well as Bryant University students and alumni who currently work in the finance and financial services industries. The report contains sector reviews and outlooks, committee responsibilities, financial data, performance data and an economic outlook for the upcoming semester. It represents a culmination of the hard work that the students of the Archway Investment Fund have accomplished throughout the semester. It is an excellent tool to display the skills that students have acquired. The Equity Research Report is a detailed analysis of all of the fund's holdings and trades. This report discusses each individual stock, sector, and global market. The report is used as a tool for the Archway students to explain their research and for the incoming classes to become comfortable with the holdings.

## Ad-Hoc Final Presentation Committee

The Final Presentation Committee is in charge of developing the framework and planning out the final semester presentation of the Archway Investment Fund. The Committee focuses on increasing attendance and making the overall presentation more dynamic and interesting. This semester the Committee has made an effort to include students from each sector in the preparation process so that everyone will be ready for the final presentation.

"As a speculator you must embrace disorder and chaos."
— Louis Bacon

## CFA Research Challenge

Bryant University had a team of five students compete in the local CFA Institute Research Challenge in Washington D.C. this past February. The CFA Institute Research Challenge is an annual global competition providing university students with hands-on mentoring and intensive training in financial analysis.

Teams of three to five students compete in an intensive company analysis of a publically-traded company. Through this involvement students receive real-world training in which they develop skills such as equity analysis, research report writing, and presentation skills. Each team is allowed a faculty advisor (Can Inci, Ph.D.) and one CFA Institute member (Sean McGuirk, CFA) who are able to spend a specified number of hours assisting the team and making recommendations for the challenge.

This year the CFA Institute Research Challenge in Washington D.C. involved the analysis of Marriott International. The Bryant team presented their findings on the hotel chain to a panel of judges, which included three CFA Institute members. After many hours of preparing the research report and practicing the presentation to perfection, the team placed third in the D.C. challenge. This was an amazing learning experience in which the group was able to do a thorough analysis of a company. The team was also introduced to the inner workings of being a member of investor relations for a publicly-traded corporation. The CFA Institute Research Challenge team was composed of three former Archway Fund members (Cristina Destefanis, Tim Dreschler-Martell, Tyler Smith) and two current portfolio managers (T.J. Burke, Trevor DeVitto)


(L-R) Professor A. Can Inci, Ph.D., Tim Drechsler-Martell, Tyler Smith, Trevor DeVitto, Cristina Destefanis, Thomas Burke


(L-R) Pieter Niesten, Shane Andrews, Adrian Bialonczyk, Michael Leonard, Aadithyan Manavannan, Professor A. Can Inci, Ph.D., Scott Autencio, Just McCann, Alyssa Wypychoski, Amos Kalindaga, Dennis Ivers

## G.A.M.E. Forum

For the past three years Quinnipiac University has organized the Global Asset Management Education (G.A.M.E.) Forum in New York City. The forum brings together more than 1,000 students and faculty from 118 colleges and universities and 124 keynote speakers, panelists, workshop hosts and judges from 93 companies within the financial industry. This year the Bryant Archway Investment Fund sent twelve students, five from the Portfolio Management class and seven from the Securities Analysis class, along with Dr. Inci to participate in the forum. Along with listening to the speakers during the panels and workshops, we participated in the student managed fund competition. Our fund received an award for the best undergraduate growth style managed fund for performance in 2012. Overall the student analysts and managers that participated in the keynote panels, workshops and career panels gained great insights from the professionals.

We would like to thank and congratulate our Portfolio Managers for the year 2012. Their hard work and intelligent investment decisions led the fund to a victory at the G.A.M.E. Forum. We were awarded the best performance for an undergraduate-managed growth fund. Thank you again to the 2012 portfolio managers and all of their hard work.

"Spend each day trying to be a little wiser than you were when you woke up."
— Charlie Munger

## Financial Services Forum

Bryant held its 8th Annual Financial Services Forum on March 1st in the Janikies Auditorium and Heidi and Walter Stepan Grand Hall. This event provides a great opportunity for students to gain professional insights from Bryant Alumni in the finance industry.

The day started off with the "Fixed Income and Alternative Investments Panel" moderated by Erica (Johnson) Vaters '91, Vice President, Advisor Compliance, Fidelity Investments, with panelists Howard Jones '85 of Blackrock, Joseph Fazzino '02 of United Technologies and Tom Tzitzouris '99 of Strategas Research Partners. Each panelist offered a unique perspective on the interest rate environment and different strategic investments in order to find returns in today's economy.

The second panel discussion on market trends, moderated by Nicolas Bohnsack '00, Strategas Research Partners, with panelists Adam Joffee '93, '95 MBA of The Boston Company Asset Management, Ed Fasano '94 of Seawolf Capital, Henry Becker '94 of Goldman Sachs, and Bryant Trustee Donald Quattrucci '83 of U.S. Trust, Bank of America Private Wealth Management, gave the students a look at each panelists' perspective on market trends and economic indicators, and offered career advice to the students who were interested in going into the industry.

Following the two panels was keynote speaker John Del Vecchio '98, author of *What's Behind the Numbers?* and Co-founder/Manager of The Active Bear ETF. His presentation, "Short Sales and Financial Chicanery", discussed how to find stocks to sell short. He went into sustainable sources of expansion and how he analyzes companies' financial statements. He concluded by discussing the importance of reporting and understanding the different types of financial statements and accounts reported throughout the world.

Students from the Archway Investment Fund volunteered during the day by acting as ushers and MCs. Archway graduates, Mike Pentz and Sahil Khurana, gave a brief presentation regarding the Fund's progress throughout the third and fourth quarter of 2012 during the luncheon. And thank you to Archway alumnus Kyle Nyskohus for writing the first Archway history for the Financial Services Forum.

# SPECIAL THANKS

Throughout the semester, the Archway Investment Fund students meet for a joint session on Thursday nights. At the beginning of the semester, the Portfolio Managers demonstrated to the Security Analysts how to give a proper stock pitch. As the semester progressed and the Security Analysts began to better understand evaluation methods, they began presenting stocks to the two classes.

Thursday evening classes also serve as a time for guest speakers to address the Archway Investment Fund students. We would like to extend a special thank you to the individuals listed below, who took the time to share their insights with us in class and at other special events, such as the 8th Annual Financial Services Forum. In addition, we would like to thank everyone in University Relations for help with this report, Diane Costa, the Archway Coordinator, David Silverman for photography, Peter Nigro, Betty Yobaccio, David Louton, Laura Kohl, as well as Amy Paul, Marcia Beaulieu, Sue Wandyes and all who are kind enough to lend a hand for the many aspects of the Archway Investment Fund.

## Thank you to the following speakers:

Theodore Benttinen
*First Vice President, UBS Financial Services*

John Biasuzzi
*Adjunct Finance Professor, Bryant University*

Olga Bourtseva
*Risk Analyst, Pyramis Global Advisors*

Robert Clarke
*Research Analyst, Lorb Abbett & Co.*

Zach Dewhirst
*Quantitative Portfolio Manger,*
*Pyramis Global Advisors*

Sean McGuirk
*Securities Analyst, Amica Mututal Insurance*

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

Forrest St. Clair
*Portfolio Manager, Pyramis Global Advisors*

Robert Scherfke
*Macroanalyst, Wellington Management*

Peter A. Sullivan
*President, Arlen Corporation*

Brian Withka
*Director Customer Training, Capital IQ*

Taylor Wood
*Research Associate, Pyramis Global Advisors*

# PASSING THE TORCH

We would like to thank the Board of Trustees, Associate Dean Louton, Professor Dowling, Professor Inci, guest speakers, and everyone who has been involved in making the Archway Investment Fund the great learning experience it is today. Without their help and expertise we would not have gained the vast knowledge and experience both in the classroom and the real world.

As we, the portfolio managers, now become alumni to the Fund, we would like to offer some words of advice to the incoming members. One of the most important tasks you will be charged with when entering the Fund is forming your identity as a portfolio manager as well as an investor. Developing an understanding of each individual security is essential. In order to decide the preference on a stock there needs to be effort and work put in to analyzing it. If there is skepticism about a stock, do not continue to delay the decision to sell, hold, or buy to a later time. You must do the research and come to a timely final decision. Be positive that the intrinsic value of the company matches up with its quantitative value. You will find your identity as an investor, whether it be a value style, growth style, or somewhere in-between; we are all different. There are not many colleges or universities that allow students to invest over $750,000 with the independence and freedom that this course offers. It is the opportunity of a lifetime, take full advantage of it. The Investment Policy Statement and the Investment Objective are essential as they are the brick and mortar documents of all of your investing decisions as an investor in the Fund. Whether the stocks in the Fund are performing well, or poorly, you will be questioned on why they were purchased. Know that answer, and stand behind your decisions and beliefs, because with those two documents you will be able to confidently explain your reasoning. Always stay current on the news of your holdings in your sector, challenge the ideas of others, and challenge yourself as well.

It has been a privilege for all of us to work with the securities analysts, to see everyone learn and work as a team has been a great experience. There are no certainties in the market, or in life, but hard work and a thirst for knowledge will always take you far. Lastly, enjoy yourselves, this is an opportunity of a lifetime and the skills you learn will follow you for a long time.



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