5-2006

The Archway Investment Fund Semi Annual Report, Spring 2006

Bryant University, Archway Investment Fund

Bryant
UNIVERSITY

The Archway Investment Fund

Spring Semester Report

2005 - 2006

TABLE OF CONTENTS

ACKNOWLEDGEMENT

One can talk to any student involved in the Archway Investment Fund and realize how great an opportunity it has been. This unique class has been a great way to blend practical, real-world situations with classroom instruction. To get the most out of this class, each student has to contribute his/her share of work even if that means exerting more time and effort than for the average class.

The three major forces behind the creation of the Archway Investment Fund are Professors Peter Nigro, David Louton and Hakan Saraoglu. The first vision of the fund was conceived three years ago when Professors Nigro and Louton went to visit the RISE exposition in Dayton Ohio. Upon returning to Bryant, Professor Nigro put together a 20-page proposal that was immediately approved. At that point, Professor Louton began to develop the class. With help from existing programs at schools like Babson and University of Arkansas, and input from many professionals working in the investment field, Professor Louton created a curriculum that encompassed the key components of security analysis and portfolio management.

As a class, we want to thank everyone involved with the program, especially Professor Nigro and Professor Louton. It has been their foresight, commitment, and extra work that has made this program possible and opened new doors to all involved.

Bryant University Archway

LETTER FROM THE COORDINATOR

David Louton

Professor David Louton

We have covered much new ground during the Archway Investment Fund's first year of operation. The first class labored all the way through September and part of October researching stocks, pitching them in class, and often engaging in heated arguments outside of class before the first round of buys was processed. As it turned out, our timing was perfect. The market, which had been lukewarm through most of 2005, heated up toward the end of the year. Even with the very conservative market weighting of all sectors that we have maintained throughout the first semester, our portfolio performed quite nicely.

In the Spring semester, we began a new experiment. A new group of securities analysts arrived, and the original group went on to become the Archway Investment Fund's first portfolio managers. For the first time, we had students at various levels working together in a coordinated way to understand market sectors, to plan strategy, and to pick stocks for the fund. In addition, the portfolio managers took on a whole new set of responsibilities, including: the planning and executing portfolio strategy, setting up appropriate procedures to ensure that due diligence standards were met before the approval of buys and sells, preparing the first formal investment policy statement for the fund, setting up processes for monitoring risk and return in more sophisticated ways, and conceptualizing and producing periodic reports on the performance of the fund and the progress of the classes.

And, of course, with graduation right around the corner, most members of the portfolio management class were deeply involved in their individual job searches. Even with all of these distractions, good investment choices were made, and at the close of the semester, the fund was outperforming the market by 1.56% after adjusting for risk.

Thank you all for helping us to a great beginning!

David Louton, PhD

Professor of Finance

Coordinator, C.V. Starr Financial Markets Center

INAUGURAL EVENT

On Monday November 7, 2005, Bryant University formally kicked off its new initiative, the Archway Investment Fund. The Archway Investment Fund is the first student-managed investment fund at Bryant. The Board of Trustees voted to give finance students $200,000 of real money to invest and manage over the course of the year.

Students applied for acceptance into this intense, hands-on program. The first semester, students served as securities analysts in Securities Analysis (F450). They worked in groups to identify potential securities and then continued to review the progress of those securities.

During the second semester, the same students took part in Portfolio Management (F454), where they learned basic tools and techniques of portfolio management. As portfolio managers, these students interacted with students in the Securities Analysis class, evaluating their recommendations.

The primary benefit that came from this experience was a realistic view of what it would be like to enter the world of securities analyst and portfolio management after graduation. It also provided a strong foundation in the development of an effective portfolio and enhanced presentation, communication, and leadership skills.

Bruce Johnstone, managing director and senior marketing investment strategist for Fidelity Investments, spoke to students and invited guests about the keen perceptions on the state of investing. Johnstone provided his assessment regarding growth potential of the U.S. economy by analyzing three pillars currently underlying equity market prices: strong corporate profits, a benign inflationary/interest rate environment, and reasonable valuations. He concluded that he was confident about the reasonable valuation that currently exists in the market and suggested that investors take a closer look at emerging and foreign equity markets.

Bruce Johnstone from Fidelity Investments

Bruce Johnstone's presentation was an optimistic view that there are many opportunities for individuals and fund managers to pursue a good return on invest-

BRYANT'S VISIT TO RISE SYMPOSIUM

More than 1,500 students and faculty from 132 colleges and universities representing more than 20 countries from around the world, gathered at the University of Dayton Arena for the sixth annual Redefining Investment Strategy Education (RISE) symposium. They were welcomed by Dr. Bob Froehlich and Dr. David A. Sauer. The enthusiastic and interested students learned from and leveraged the experience of some of the finance world's most influential and prestigious individuals, as well as highly regarded political and business leaders.

The learning objectives of this interactive event included a specific concentration on the economy, Financial Markets, Federal Reserve Bank Perspective and Ideology, Corporate Governance, and Public Policy. These goals were achieved by enacting a panel round-table format with speakers from such prestigious financial institutions as Merrill Lynch, Goldman Sachs, the U.S. Department of Commerce, Deutsche Asset Management, Ghazarelli Research, and Heller Ehrman. Many keynote speakers collectively expressed differing views on the subjects discussed in response to questions or concerns raised by the participating students. An issue of particular significance to the Bryant University representatives at the symposium was the dissimilar positions held by Elaine Ghazarelli (noted for forecasting the October 1987 stock market crash and other subsequent market corrections) and by Jim Rogers, one of the world's most acclaimed and successful financial experts on Wall Street. Their perceptions diverged over the current and future trends in the investment market. Ghazarelli's bullish remarks on the bond market were in direct contrast to those of Rogers, who suggested looking more at commodities and natural resources. This is just an example of the sort of thought-provoking discussions that were prevalent and a source of further conversation and debate at the conference for the rest of the day.

The second day of the conference featured an assortment of breakout sessions in a more structured and concentrated format. These sessions enabled students to identify further learning objectives in specific areas through the presentations and questions of some of the most respected professionals in the business area. Areas of discussion included the following: Equity Portfolio Management, Fixed Income Management, Risk Management, Alternative Investments in Real Estate, Career Trends within the Financial Services Indus-

Continued next page

BRYANT'S VISIT TO RISE SYMPOSIUM (CONT'D)

try, Private Equity, and Bond Ratings. The discussions were led by a chosen panel.

Throughout the day, about a third of the attending schools who entered the portfolio competition highlighted their success in areas such as growth, value, blend (of growth and value), alternative investments and fixed income styles of management. At the end of the day, the top portfolio teams were identified and recognized AT the National Museum of the U.S. Air Force. The program concluded with a motivating discussion led by the 34th Secretary of the U.S. Department of Commerce, Donald Evans.

At the conclusion of the program, both students and faculty had gained practical insight regarding important business issues and ideas for solving them. Bryant University enthusiastically awaits the seventh Annual University of Dayton RISE Symposium that will be held on March 29-31, 2007, and looks forward to competing in the Portfolio Management competition by constructing and maintaining a diversified and competitive portfolio.

"Seeing how other schools manage their funds gave us insight as to how we can improve the way we manage ours."

Jessica LaRoche '07

GUEST SPEAKERS

Bruce Johnstone

Managing Director and Senior Marketing Investments Strategist, Fidelity Investments

Patrick Sier

First Vice President - Investments, UBS Financial Services Inc.

Richard Ely

President, Strategic Fundraising Consultants

Jon Burke '03

Securities Analyst, Amica

John Husted

Senior Vice President and Portfolio Manager, Bank of America

Stephanie Field

Associate Director, Boston Securities Analysts Society

Steven Roge '03

Portfolio Manager, R.W. Roge and Company

Thomas Restivo

Senior Vice President, Fidelity Investments

John O'Reilly '92 MBA

Research Director, Congress Asset Management

Guillermo Tello

Portfolio Manager, Bank of America

Peter Phillips

Investment Office, Amica

Robert Siefert

Partner, Back Bay Financial Group

John (Jack) Murphy '84

Senior Portfolio Manager / Securities Analyst,

BKF Asset Management

Gary Siperstein

President/Portfolio Manager, Elliot Rose Asset Management

J. Steven Cowen '69

Owner and Principal, Cowen Associates

ARCHWAY FUND COMMITTEE CHARTERS AND OBJECTIVES

Executive Committee

Executive Committee, from left to right;

Pete Ziegler, Jerome Fusco, Chris Mahoney, and below Dan Fiandaca. Frank Guest (not pictured).

During the Spring Semester, the Executive Committee took on the task of both strategically managing the fund at a high level while voting on security placement within the fund as research reports were produced by the Security Analysis class. Both processes are expedited via a majority vote process within the committee. This ensures that a system of checks and balances is established while maintaining an efficient approval process.

The structure for approving the purchase of a position is as follows:

1. A Buy recommendation is proposed by the Securities Analysis class via presentation and stock recommendation analysis.
2. If approved by the Securities Analysis class, the Sector Analysis & Review Committee sector representative reviews the presentation and recommendation.
3. After approval by the Sector Analysis & Review Committee, the analysis is reviewed by the Executive Committee and voted on.
4. A Buy order for the recommended share quantity is then sent to Professor David Louton as the final step in the approval process.

In March, the committee, with approval from the Portfolio Management class, realigned the sector weightings held by the Archway Investment Fund. The analysis conducted for the portfolio realignment relied on a top-down approach that accounted for economic trends and forecasts.

INVESTMENT POLICY AND COMPLIANCE

The investment objective of the Archway Investment Fund is to offer involved students a hands-on experience in wealth management and strategic asset allocation. While its primary function is as a learning instrument, The Fund is also designed to preserve the purchasing power of its assets, as well as to earn a reasonable rate of return over the long term.

Long-Term Objectives (Equity Fund)

The Fund ultimately seeks a total return, considering both income from dividend payments and price appreciation, in line with a combination of the Standard & Poor's 500 Equity Index. Specific benchmarks to be used in the Fund's performance evaluation are the SPDR Exchange Traded Fund (SPY), as well as a "dynamic" benchmark, where again the Standard & Poor's 500 Index will be utilized even though the concurrent sector weightings of The Fund will be applied accordingly.

By properly evaluating future endeavors that the Archway Investment Program may encounter, such as international equities or mutual fund holdings, appropriate benchmarks will be assessed and applied at the discretion of The Fund's Investment Policy and Compliance Committee.

Near-Term Objectives (Equity Fund)

Concentration should remain strictly in equity holdings and should be heavily weighted in domestic assets. While current holdings should be maximized for exceptional returns, prudent levels of risk should be maintained, as summarized by the Risk Monitoring and Management Committee.

Investment Guidelines

Types of Securities

The equity securities held in The Fund will be domestic and foreign common stocks, preferred stocks, and exchange traded funds. At the Fund Managers' discretion, various other investment instruments may be evaluated for use within the Fund (i.e. private equity, hedge funds, real estate and fixed income).

Continued next page

INVESTMENT POLICY AND COMPLIANCE (CONT'D)

Diversification

The Fund's equity investments should be well-diversified to avoid undue exposure to any single economic sector, industry, or individual security. No more than 5% of the equity income portfolio based on market value should be invested in the securities of any one issuer, with the exception of market-indexed exchange traded funds (i.e. SPDR ETF or iShare S&P 500).

Relative weighting schemes within The Fund should loosely mirror those of the S&P 500. In attempting to reap the benefits of strategic asset allocation, sector weights may stray within a range of 20% of their relative indexed weights or, in absolute terms, a maximum of 5% of the total value of the Fund. It should be noted that in the presence of certain key economic indicators, the absolute deviation limit of 5% may be utilized to effectively drop coverage of one of the sectors of lesser relative value (currently Materials and Utilities).

Investment Policy and Compliance Committee, left to right;

Bill Londregan, Pete Wall, Ross Amato, & Dan Warren.

Prohibited Investments

Categories of investments that are currently not at the disposal of The Fund's Securities Analysts or Portfolio Managers and require specific approval from the Investment Advisory Board are as follows:

1. Short Sales
2. Margin purchases or other use of lending or borrowing
3. Private placements
4. Commodities

RISK MONITORING AND MANAGEMENT

Risk Monitoring and Management Committee, left to right;

Dustin Broughton, Chris Farina, Annie Krochmalny, & Aron Honig

The Risk Monitoring and Management Committee is a group within the FIN 454 Portfolio Management class that maintains an ongoing evaluation of the risk of the Archway Investment Fund's portfolio. The calculation of each sector's beta, variance, and standard deviation is required to monitor each sector, as well as the risk of the entire portfolio. Through constant monitoring and updating, the members of the Risk Monitoring and Management Committee are able to suggest ways to reduce risk to the members of the Executive Board. The Risk Monitoring and Management Committee reports directly to the member of the Executive Board that is in charge of this Committee. Through the members of the Executive Board, the Risk Monitoring and Management Committee is able to communicate concerns and other issues that need to be addressed directly to the Portfolio Management class.

PERFORMANCE EVALUATION AND REPORTING

The Performance Evaluation and Reporting Committee has had the responsibility of developing an annual report, as well as mid-semester updates on the portfolio. In March of this year, the inaugural report for the Archway Fund was first published. Mid-semester reports come out once per semester and once in the summer. They portray the returns on individual holdings, as well as on the overall portfolio, for the period since the last report. The information in the monthly reports is later compiled to form an end of semester report. The reports that the Performance Evaluation and Reporting Committee have generated will be instrumental in setting the standard for future classes.

Performance Evaluation and Reporting Committee, left to right;

Nick Brega, Mike Thibeault, Hannah Sandrowski, & Steve Barone.

SECTOR ANALYSIS AND REVIEW COMMITTEE

Sector Analysis and Review Committee, left to right;

Mike Solari, Elizabeth Sweet, Jim Livesley, Andrew Tolmich, & Tim Duffany.

Throughout the course of the semester, the Sector Analysis and Review Committee has had the responsibility of reviewing all stock recommendations. Upon reviewing the stock recommendation, the committee presents feedback to the corresponding analyst as to whether or not to proceed with a presentation. During the current semester, there have been 28 stock recommendations made. From this list, the committee chose the best seven stocks to be presented. The seven were then narrowed down, and three have been added to our portfolio (Prudential Financial, Apple Computer, and United Health Care). The committee has also reviewed stocks that were to be sold. During the current semester, Zales Inc., Take Two, Halliburton, Liz Claiborne and North Fork Bank were removed from the portfolio. The diligence of this committee has contributed to the sustained growth that the portfolio was able to achieve.

Professor Louton engaging the Portfolio Management Class in the C.V. Starr Financial Markets Center.

SECTOR OUTLOOKS

Financial Sector

The financial sector has proven to be the most complicated sector followed within the fund. We have broken down the sector into three main industries: banking, insurance, and diversified financials. However, there have been a few universal trends throughout the three sub industries. Over the last few years, the main trend has been globalization and deregulation. These two trends have directly affected the increase in the number of mergers and acquisitions throughout the financial sector, which we believe will increase as companies strive to better position themselves for future market capitalization.

The banking sub-industry is within its re-emerging lifecycle. One of the current trends that banks use is to decrease their dependence on interest rates by becoming more fee-based. Many undervalued firms have become attractive investments for investors to look into. As consolidation continues, larger banks will be looking towards companies to add to their growth, expand their services, and penetrate niche markets through diversification.

"The Archway experience has helped bridge the gap between the classroom setting and the investment world."

Mike Thibeault '06

We have broken the insurance industry, which is in the mature/prosperous stage of the business lifecycle, into two major groups' life and health, and property and casualty. The potential in finding undervalued stocks in the insurance industry lies in finding companies that will be a probable takeover for a merger and acquisition. These companies typically have a smaller market capitalization and specialize within the insurance industry.

Diversified financial services, which is in its growth stage of its business life cycle, is a combination of companies that provides products and services. Many products and services are investment and credit related, such as asset management, lending, investment banking, and stock exchange through securities brokers and traders. There are still potential risks, one of which is inflation. It is probable that the yield curve will continue to flatten, would lead to lower profits for financial services companies. There are still a lot of opportunities left in this sector since many firms are tightening their lending standards and making their investments and portfolios more secure. Furthermore, the new Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, which went into effect in October 2005, will most likely benefit consumer lenders in the long run, increasing recovery rates of loans. Analysts believe that the growth in this industry will continue, mostly driven by commercial and market sensitive businesses, even though demand for mortgage-related services should drop off due to rising interest rates. Many of the larger firms are better positioned for growth in this upcoming year; their extensively diversified portfolios will correlate more closely to economic trends.

Financial Sector, left to right;

Sergey Kolker, Erika Doublet, Tarang Patel, & Anthony Carioto.

INDUSTRIALS SECTOR

Industrials Sector, left to right;

Chris Mulville, Jessica LaRoche, John Musto, & Joe Importico. Not pictured Matthew Clark.

The Industrials sector is a mature industry which has experienced a great deal of growth during the past few months. This sector is currently one of the strongest in our portfolio. The portfolio contains a wide array of stocks, which enables the fund to diversify throughout a variety of sub-sectors. The future prospects of the Industrials sector include investment in the Shipping Services sub-sector. This sub-sector is expected to see substantial future growth due to the lack of competition. Also, demand for shipping services are expected to increase as the need for transportation of goods continues. Globalization and free trade are expected to be key drivers for the Shipping Services sub-sector. The Aerospace and Defense sub-sector is also expected to grow a considerable amount in the coming months. This is mainly due to the increase in government spending for defense. The War on Terror is a major driver as government grants are being issued to defense contractors. In conclusion, the Industrials sector is poised to see tremendous future growth. The majority of the industry is composed of financially reliable stocks that create a stable base for our portfolio. By investing in Shipping Services and Aerospace and Defense, we are able to take advantage of future opportunities.

CONSUMER DISCRETIONARY

Considering the current state of the economy, this sector has been lacking in performance and is continually underperforming in the market. Given that this sector has declined at a faster rate than any other sector, there is not much promise for many companies within the sector. This sector relies heavily on the current state of the economy. Due to the recent health of the economy, many companies and sub sectors have been underperforming.

Consumer spending has taken a significant hit due to the recent rate increases of short-term loans by the Federal Reserve, which is currently holding at 4.75% and is expected to rise as high as 5.25% by June. More specifically, the retail sub-sector is the second largest industry in the United States in number of employees and establishments; $3.8 trillion dollars are generated each year by the industry. Recently, this industry has taken a severe hit due to the slow pace of consumer spending. The main threats to this industry's future growth rates are the transportation costs and rising prices of energy. The restaurant sub-sector also relies very heavily on the state of the economy, and has recently shown slow growth. Customer traffic patterns slowed during the second half of 2005 because of the recent increase in fuel prices. Despite this factor, after many menu price increases, same-store sales remained positive.

Unfortunately for the Consumer Discretionary sector, the economy is at the point where companies in this sector are lagging in performance. The only industry within this sector that currently shows any remote sign of potential is the restaurant industry, more specifically fast-food, casual, and quick-casual dining. Due to the increasing fuel prices, the slow-down in the housing market, and high credit card interest rates, the majority of consumers are forced to keep spending to a minimum which will continue to affect the consumer discretionary sector.

Consumer Discretionary Sector, left to right;

Brent Bulock, Julianne MulCahy, Brittney Kelleher, Alicia Ritt, & David Schneider

TECHNOLOGY

Through a vast amount of research and exploration, we believe that the future of the technology sector lies in the telephone service sub-sector. Telephone service has progressed since the times of Alexander Bell. Long distance calling is as convenient as local calling, and these telecommunication companies are expanding to new realms. However, many of the local carriers are having problems competing with the big firms. Households no longer need multiple hard lines, and some are eliminating them all together, especially with the increased dominance of wireless communications. For these reasons, we see the future areas of growth within the technology sector in wireless communications. This sub-sector is poised to revolutionize the telecommunication industry, and there are tremendous profits to be tapped into.

Technology Sector, from left to right;

Nicole dePreaux, Brett Lousararian, Nicole Levesque, Matt Zewinski, & Michael Vadala

ECONOMIC ANALYSIS AND EMERGING OPPORTUNITIES

EEO Sector, left to right;

Lanre Oyedotun, Minyen Chen, Brandon Tucotte, Ian Estabrooks, Natalie Ghazal, & James Gallant

The focus of the economic analysis and emerging opportunities (EEO) is to update their analyses and conclusions on the economy. They currently feel that specific attention should be placed on the energy, healthcare, and materials sectors, and in particular, value opportunities within specific industries resulting from economic and market conditions. In general, the EEO group feels that there are few value opportunities within the energy sector, but an in-depth analysis will identify many potential value opportunities follows the materials and healthcare sector analysis. EEO plans on breaking down the analysis of energy, materials and healthcare into sub sectors. They plan on breaking the energy sector into three major sub sectors, including: major integrated oil & gas, equipment & services and refining & marketing. The materials sector will be divided into chemicals, metals and mining, paper and forest products and other industries. Finally, the healthcare industry will be broken down into biotechnology, healthcare providers & services, pharmaceuticals and healthcare equipment & supplies.

"Great investment opportunities come around when excellent companies are surrounded by unusual circumstances that cause the stock to be misappraised." **Warren Buffett**

PORTFOLIO STRATEGY

Our portfolio strategy is to derive positive alpha through sector over/under weighting and the implementation of top-down analysis. As a group, we aim to pinpoint individual sectors which, in our view, will be impacted from a macroeconomic perspective. Below is our proposed breakdown of the S&P 500 benchmark and corresponding weightings by sector.

Our forward looking view is that the Financials Sector in general will move in heavy correlation to market fluctuations. Strong influence will be driven by the market perception regarding the movement of interest rates, as well as regulatory factors influencing the sector overall. Investments will be guided most favorably in this area by an alpha-geared approach in individual equity holdings. An additional breakdown of this sector is needed in terms of the weighting regarding Retail/Commercial banks, Insurance, Diversified Financial, Capital Markets, and additional sub-sector breakdowns. The relationship of current portfolio holdings to market sector weightings should be analyzed in greater detail.

The group's general consensus remains neutral on the Technology Sector. While we feel that we can create alpha through bottom-up equity analysis, no sub-sectors are particularly more attractive than any other. Generally, the unlocking of value will be seen through this bottom-up approach.

By looking at the Healthcare Sector, we have come to the conclusion that an aging baby boomer population will stimulate demand for medical goods and services. Current American population aged 60 or older represents 16.7% of the US population in 2005. This number is projected to reach 23.8% by 2030. 80% of all people aged 65 or older have at least one chronic condition and 50% have two or more. We see the Products & Supplies sub-sector as the better investment-driven portion of the broader Healthcare Sector. Breakthroughs in technology enable medical device manufacturers to generate new revenue streams, enhance therapeutic outcomes significantly, and reduce long-term treatment costs relative to established pharmaceutical therapies. This is why we view this sub-sector, from an investment perspective, as a stronger place to put capital as compared to the Pharmaceutical sub-sector. Cardiac defibrillators, spinal surgery, and pain management will continue to see strong growth going forward. Equity analysis should be driven in this direction. We view the PowerShares Dynamic Biotechnology & Genome Portfolio (PBE) we view as a great play on the combined Products & Supplies and Biotech sub-sector industries.

Within the Industrials Sector, we expect the water treatment and water infrastructure sub-sectors of the Industrials Sector to outpace the broader economy in the long term. Due to the deterioration in current domestic water infrastructure, an estimated $660 billion will need to be invested in this area over the next two decades. In turn, economic value of water as a renewable resource will be unlocked in this infrastructure initiative over the next few decades. Additionally, new technology such as reverse-osmosis and improved water treatment facilities will foster the growth of companies related to water growth/production. Additionally, many countries throughout the world are now realizing severe fresh water shortages, leading them to impose many restrictions on water-use, even in the US. We must capitalize on this and invest in companies that are driving technologies to counter water shortages by devising new solutions to sustain our water supply by utilizing non-fresh water sources. We view the PowerShares Water Resources Portfolio (PHO) as a great play on water. This is a new fund that was started in December of 2005 and is based off of the Palisades Water Index (ZWI), which focuses on primarily small companies.

The group feels that the domestic consumer is overextended; therefore, the Consumer Discretionary Sector is underweighted. Current spending levels cannot continue on this track. Consumers spent double their income in December as compared to last year and continued that trend with increased spending in January. In fact, retail sales from November through January were up 8% from the same period last year. Retail sales were up 2.3% in January alone, when compared to December. We believe that this consumer spending trend cannot continue, given future macroeconomic analysis. Why? Headline CPI, which includes the Energy and Food Sectors, is high at 0.7%. Core CPI (excludes the Energy and food Sectors) is somewhat within the Fed comfort zone, influencing Bernanke to continue to raise rates throughout 2006. This will put pressure on the consumer. Most of the spending-stimulating retail sales in 2005 came out from HELOC's. Looking forward, it is our view that these monetary resources do not exist for the consumer to tap into.

The group's general consensus revolves around the view that the Consumer Staples Sector is a group with sustainable revenue streams. Domestic consumers will continue to spend on such products as food and beverages, cigarettes, household products, and alcohol.

Valuations within the Energy Sector are at an all-time high, which many analysts believe will continue in the future.

PORTFOLIO STRATEGY (CONT'D)

A contrarian approach, however, would avoid such investments under the present market conditions. The strategy produced by the Executive Committee focuses on a select firm profile that should be targeted. The E&P sub-sector will be experiencing an increase in the costs associated with locating, refining, and developing new technologies necessary to drill oil sands and other unconventional sources. E&P valuations are also closely correlated to oil prices. Oil prices are at an all-time high, which we think will continue sideways with the decrease in oil speculation in the forward-looking economy. The speculation in oil is over and current price levels should be relatively sustainable. The demand for equipment and other energy–related resources will still be sustainable in the next two to four quarters. For this reason, firms providing support and services for the E&P firms should be targeted. Also, firms specializing in alternative forms of energy should be investigated as being sources of growth in the future. The consensus of the Executive Committee is to nix the Utilities Sector due to low market exposure (only 3.34% of the S&P) and the lack of coverage by the current Economic and Emerging Opportunities group. Additionally, we may gain Utilities Sector exposure through hybrid firms in the Energy Sector.

The consensus is to maintain our current overweight within the Materials Sector of the portfolio at around 5.5%. Producers have been able to sell at higher prices and offset higher raw materials costs. Most of the firms in this sector have had positive valuations and stable cash flows, which bode well towards future profitability. We are happy with our current bottom-up analysis of the Materials Sector but would not like to overexpose the portfolio more than we already have.

FUND PERFORMANCE SUMMARY

As of the market close on April 13, 2006 assets under management were $215,832. Of this amount, 52.10% was actively invested in individual stocks, 36.09% was actively allocated to sector ETFs, 6.23% was allocated to focused ETFs such as PowerShares, and 5.58% was held in cash.

The fund's year-to-date return of 5.45% exceeds the performance of the S&P500 benchmark, which was 3.89%, by 1.56% (or 5.4% on an annualized basis). In addition, the fund outperformed the dynamic benchmark by 1.21%. The dynamic benchmark, computed as 4.24% for the year-to-date, is based on the fund's actual sector weights and the returns on the sector ETFs. Thus, 1.21% of the Fund's year-to-date return (or 4.03% on an annualized basis) can be attributed to stock selection, and 0.35% (or 1.37% on an annualized basis) can be attributed to sector allocation choices. Note, however, that our first significant move away from market weights occurred in mid-March, so this attribution of performance should be interpreted cautiously.

YEAR-TO-DATE COMPARISONS

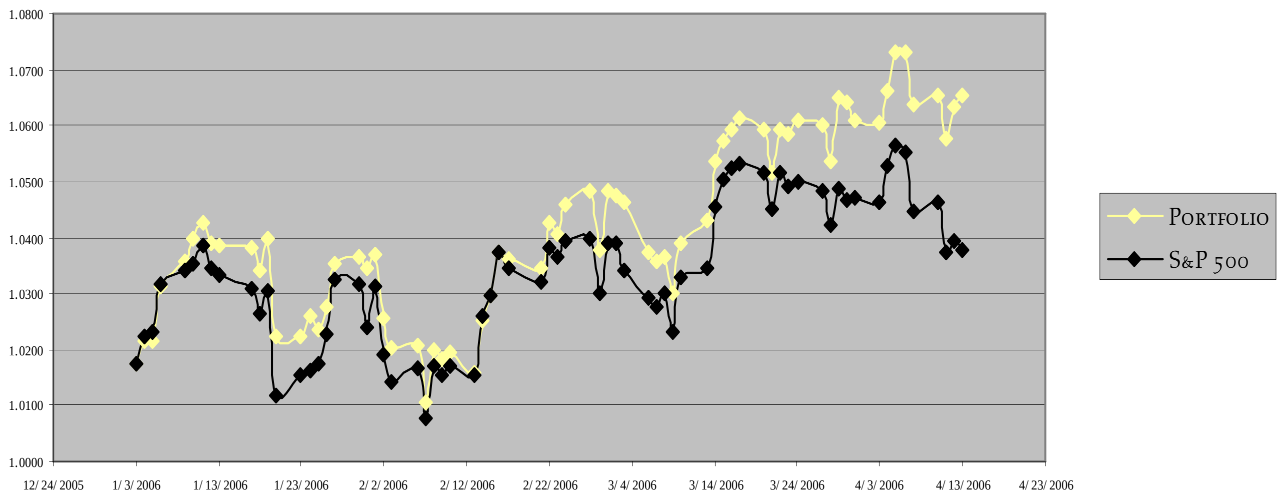
	Sector Weight	SPDR Weight	YTD Sector Returns	YTD SPDR Returns	Sector Betas	SPDR Betas
Financial	21.86%	21.18%	5.17%	3.11%	1.00	1.19
Technology	19.08%	18.57%	6.97%	5.74%	1.04	1.15
Industrial	13.49%	11.50%	8.97%	8.17%	0.92	1.07
Consumer Discretionary	5.25%	10.17%	3.59%	2.93%	1.07	0.82
Consumer Staples	10.02%	9.43%	-1.07%	0.40%	0.71	0.67
Energy	9.16%	9.64%	19.48%	11.27%	1.42	1.07
Healthcare	14.70%	13.24%	1.66%	-1.89%	0.91	0.81
Materials	6.43%	3.03%	20.83%	9.45%	1.46	1.30
Utilities	0.00%	3.24%	1.68%	-2.94%	0.00	0.80
Archway Investment Fund			5.45%	3.89%	1.03	1.00

ANNUALIZED AND RISK ADJUSTED RETURNS

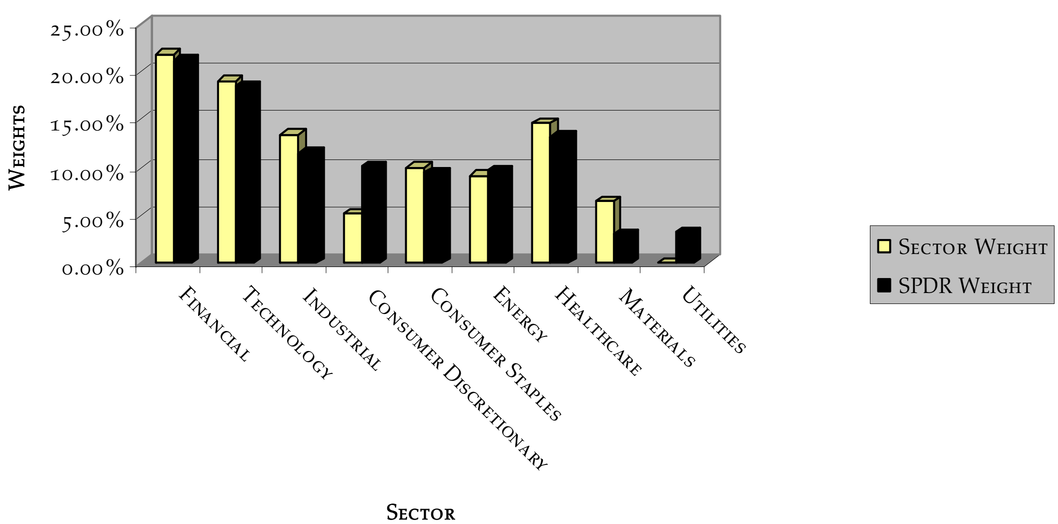
	Annualized YTD Returns	Differential Return	Beta	Standard Deviation	Value at Risk[2]	Sharpe Measure[3]	Treynor Measure
Archway Investment Fund	19.88%	4.03%	1.02	4.407%	$6,227.00	3.60	0.16
Dynamic Benchmark[1]	15.85%	1.37%	1.03	4.250%		2.78	0.11
Benchmark (S&P500 SPDR)	14.48%		1.00	4.280%		2.44	0.10

1. The dynamic benchmark is a weighted average return, based on the actual sector weights and the returns on the sector SPDR ETFs.
2. Value at risk is measured at a statistical confidence level of 5%.
3. The risk-free rate assumed in the computation of Sharpe and Treynor measures is 4.02%. This is the 3-month T-bill return as of the beginning of the year.

$1 INVESTMENT VS. S&P 500



STRATEGIC ALIGNMENT



SECTOR ALLOCATION

EQUITY STYLE PROFILE

	Value	Blend	Growth
Large			
Medium			
Small			

Current Portfolio

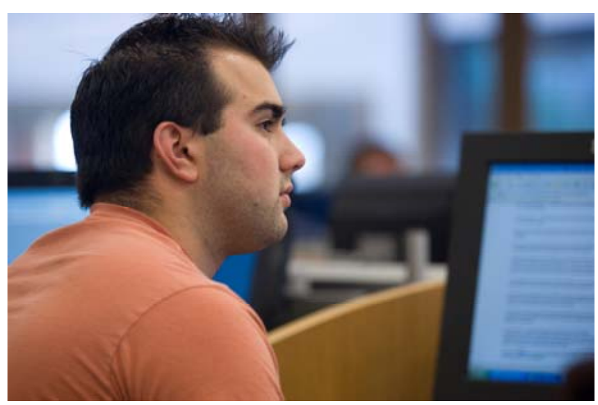
Wilshire 5000 Index

STYLE AND MARKET CAPITALIZATION

The bulk of the fund, 76.8%, is currently invested in large cap stocks. However, we are looking to make a gradual shift toward medium and small cap stocks over the next year. This is partly driven by our perception that there are more opportunities is segments of the market where analyst coverage is not as heavy, and partly driven by the belief that given our status as a student managed fund, interaction with company management is a more feasible goal if we focus on smaller medium and small cap firms.

	Value	Blend	Growth
Large	28.3%	23.7%	24.8%
Medium	5.1%	3.3%	3.9%
Small	5.1%	0.0%	5.8%

Dan Fiandaca '06



Jerome Fusco '06

Current Holdings

As of 13 Apr 2006

Sector Weight	Purchase Date	Ticker	Name	*Current Price	Shares	Stock Weight in Portfolio	Holding Period Percent Gain / Loss	Month Percent Gain/Loss	YTD Percent Gain/Loss
22.36	**Financials**								
	10/25/2005	XLF	FINANCIALS	$32.48	600	9.23%	6.86%	-0.22%	3.05%
	3/26/2006	PRU	PRUDENTIAL	$74.82	50	1.73%	-2.97%	-1.31%	-2.97%
	3/26/2006	PIC	PS DYN INSURANCE	$16.75	150	1.16%	-0.06%	-0.65%	-0.06%
	12/2/2005	BBX	BANKATLANTIC	$14.81	250	1.72%	5.38%	2.92%	5.79%
	12/2/2005	FHN	FIRST HORIZON NTL	$41.37	100	1.92%	8.74%	0.41%	8.79%
	12/2/2005	MS	MORGAN STANLEY	$62.98	50	1.46%	10.54%	0.25%	11.47%
	12/8/2005	BAC	BANK OF AMERICA	$45.73	100	2.12%	2.16%	0.42%	0.17%
	12/20/2005	AMTD.O	TD AMERITRADE HL	$20.77	50	0.48%	9.44%	-0.48%	3.85%
	1/20/2006	CBH	COMMERCE BANCORP	$37.25	50	0.86%	8.57%	1.64%	8.57%
17.19%	**Technology**								
	10/25/2005	XLK	THE TECHNOLOGY	$22.10	400	4.19%	2.11%	-0.18%	2.11%
	10/25/2005	INTC.O	INTEL CORP	$19.45	150	1.35%	-14.87%	-0.05%	-21.74%
	10/25/2005	MSFT.O	MICROSOFT CP	$27.07	200	2.51%	8.96%	-0.51%	3.86%
	10/25/2005	CSCO.O	CISCO SYSTEMS	$21.18	350	3.43%	23.86%	-2.26%	23.71%
	12/2/2005	ADSK.O	AUTODESK INC	$42.01	50	0.97%	-0.92%	9.06%	-2.14%
	12/2/2005	MNDO.O	MIND CTI LTD	$3.14	1100	1.60%	16.81%	0.96%	24.39%
	12/9/2005	EMC	EMC CORP	$13.36	200	1.24%	-5.45%	-1.98%	-1.91%
	12/20/2005	ADBE.O	ADOBE SYS	$36.83	75	1.28%	-2.36%	5.38%	-0.35%
	3/21/2006	AAPL.O	APPLE COMPUTERS	$66.47	50	1.54%	5.68%	5.98%	5.68%
13.80%	**Industrials**								
	3/21/2006	XLI	THE INDUSTRIAL	$33.86	75	1.18%	0.50%	0.18%	0.50%
	3/21/2006	PHO	PS WATER RES	$17.68	300	2.46%	-0.39%	-2.21%	-0.39%
	10/25/2005	UPS	UNITED PARCEL B	$81.60	50	1.89%	11.80%	2.80%	9.53%
	10/25/2005	GE	GENERAL ELEC CO	$33.89	100	1.57%	0.62%	-2.56%	-3.31%
	12/2/2005	LUV	SW AIRLINES	$17.67	100	0.82%	6.24%	-1.78%	7.60%
	12/20/2005	MMM	3M COMPANY	$80.97	50	1.88%	4.20%	6.60%	5.07%
	12/20/2005	DE	DEERE & CO	$84.71	50	1.96%	21.14%	7.16%	24.94%
	12/20/2005	HON	HONEYWELL INTL	$43.41	50	1.01%	14.35%	1.50%	17.15%
5.34%	**Consumer Discretionary**								
	10/25/2005	HD	HOME DEPOT INC	$41.12	100	1.91%	3.17%	-2.79%	1.95%
	10/25/2005	MCD	MCDONALDS CORP	$34.85	100	1.61%	7.83%	1.13%	3.35%
	12/14/2005	PARL.O	PARLUX FRAG	$28.12	50	0.65%	-8.55%	-12.81%	-7.89%
	12/14/2005	HMC	HONDA MOTOR CO	$32.17	50	0.75%	12.40%	3.91%	11.05%
10.20%	**Consumer Staples**								
	10/25/2005	XLP	CONSUMER STAPLES	$23.26	725	7.81%	-0.36%	-1.44%	0.16%
	12/2/2005	MO	ALTRIA GROUP	$69.00	50	1.60%	-3.80%	-1.50%	-6.58%
9.44%	**Energy**								
	10/25/2005	XLE	THE ENERGY SPDR	$55.81	200	5.17%	9.07%	2.59%	11.00%
	10/25/2005	COP	CONOCOPHILLIPS	$67.14	50	1.56%	8.58%	6.32%	16.02%
	12/20/2005	PLLL.O	PARALLEL PETE	$21.78	200	2.02%	23.47%	18.05%	28.04%
15.05%	**Healthcare**								
	10/25/2005	XLV	HLTH CARE SELECT	$31.02	400	5.75%	2.75%	-3.00%	-1.88%
	3/21/2006	PBE	PS ETF BIOTECH	$17.33	325	2.61%	-4.52%	-3.83%	-4.52%
	12/7/2005	WLP	WELLPOINT	$72.99	50	1.69%	-6.72%	-5.73%	-8.52%
	12/8/2005	SERO.O	SEROLOGICALS	$23.05	250	2.67%	23.00%	-5.76%	16.77%
	3/21/2006	UNH	UNITEDHEALTH GP	$53.50	50	1.24%	-4.12%	-4.22%	-4.12%
6.62%	**Materials**								
	10/25/2005	XLB	MTRL SL SCT SPDR	$32.95	200	3.05%	12.15%	1.85%	12.15%
	12/2/2005	ASH	ASHLAND INC	$71.32	50	1.65%	25.10%	0.34%	23.65%
	12/2/2005	ROCK.O	GIBRALTAR INDS	$30.68	100	1.42%	37.04%	4.31%	33.96%

STATEMENT OF OPERATIONS

Income:				
	Dividends			$1219.04
	Interest			$0.00
				$1219.04
Expenses:				
	Custodial Fees	$0.00		
	Trading Cost	$232.13		
		$232.13		$232.13
Net Investment Income:				$986.91
Realized Gain [Loss] on Investments:				
	Proceeds from Securities Sold	$66,976.54		
	Cost of Securities Sold	$65,734.15		
	Net Realized Gain [Loss] on Investments		$1,242.39	
Net Decrease in Unrealized Appreciation on Investments:				
	Market Value of Holdings	$213,602.69		
	Cost of Holdings	$204,680.14		
	Unrealized Appreciation - 4/13/06	$8,922.55		
	Increase [Decrease] in Net Unrealized Appreciation		$8,922.55	
Net Realized Gain [Loss] and Increase [Decrease] in Net Unrealized Appreciation:				$10,164.94
Net Increase in Assets Resulting from Operations:				$11,151.85