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The Archway Investment Fund

BRYANT UNIVERSITY



Semi-Annual Report • December 2008

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History of the Archway Investment Fund

On November 7, 2005, Bryant University's board of trustees pledged \$200,000 for students to invest and manage over a year as part of a hands-on learning process. At the end of the first semester, the student-managed fund had beat the S&P 500 by 1.56 percent. This success led the board of trustees to allocate another \$150,000 to the fund during the fall of 2006. The fund had its ups and downs over the next couple of semesters, but when it beat the S&P by 4.46 percent in the fall of 2007, the board agreed to designate another \$150,000 dollars for the fund, which brought the total invested cash to \$500,000.

Each student involved in this program spends two semesters in the Archway Investment Fund classes. In the first semester, students take Security Analysis, where they learn how to identify and value securities that they think would be a good fit for the portfolio. They get a hands-on feel for being an analyst in today's market and the methods used to choose securities with attractive investment potential. During the second semester they take Portfolio Management. In this course students move from securities selection to the management of sector portfolios. They decide on sector weights, choose and implement portfolio strategies, and evaluate the performance of the portfolio.

The Archway Investment Fund is always evolving and adapting and this is what makes it a unique experience for the students involved. It gives them real-world experience and the tools they need to succeed at a higher level in today's work force. Since its inception in 2005, the Archway Investment Fund has been an invaluable tool for the students who have participated.

The Economy

Over the past months the Federal Reserve and the Treasury Department have struggled to control the panic in the financial markets. The question now is where are we in this rapidly unfolding crisis? We saw the housing bubble burst in late spring, and the fall of the banking system in October. Soon after came a global freeze in credit. Huge amounts of liquidity and capital were injected into the banking system in hopes of freeing up the credit markets.

Since early 2008, the housing market has spiraled down further, as foreclosures continue to depress home prices. Existing home sales have leveled off slightly, but new home starts and sales continue to fall at alarming rates. A rebound for this industry is not expected any time soon, as new home starts are expected to remain flat through 2009.

GDP has been slowly decreasing over the past months. Third quarter gross domestic product was -0.3 percent, which shows that the economy is in distress. Conservative estimates for the fourth quarter of 2008 are -2 percent. The Consumer Price Index increased 4.9 percent in September over the same time last year. Decreases in energy prices have held the CPI to lower levels and are expected to keep inflation at 4.5 percent this year.

The Federal Open Market Committee cut the Federal Funds rate by fifty basis points on October 29. Rate cuts help businesses and consumers borrow at lower rates, but they do not solve the problem of the availability of credit. Another cause for concern has been that unemployment increased by 159,000 to a rate of 6.1 percent, at the end of September. This increase in unemployment was mainly driven by the loss of jobs in the construction, manufacturing, and retail sectors, while healthcare continued to create and add jobs.



Note from the Coordinator

This semester the market has provided the student managers of the Archway Investment Fund with a dramatic series of events that have proven to be excellent learning opportunities. Of course, the lessons learned from this market environment, have come at a significant cost to the portfolio. While we retain a slight performance lead over the S&P500 for the year-to-date, the Archway Investment Fund portfolio is down approximately 25 percent since the beginning of September. Although the insights gained this semester will prove to be valuable to students as they pursue their careers, like other investors, they are definitely ready for an economic upturn.

Over the past few months we have reached a decision to feature mutual funds as a regular part of the Archway Investment Fund courses, and to devote up to 10 percent of the portfolio to mutual fund holdings. This move should provide students with an additional degree of breadth and depth that will enhance their career development options. If you have expertise in this area and would like to be help with this initiative, please let me know.



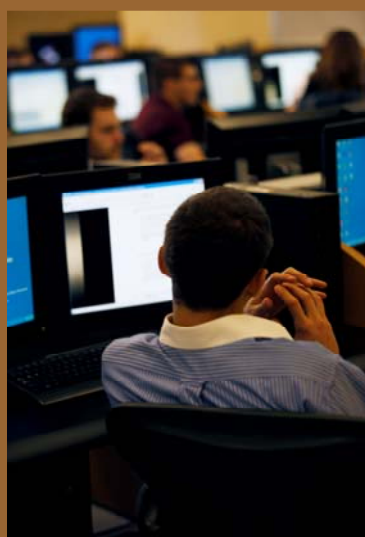
Professor David Louton

Because most of the student managers of the Archway Investment Fund are seniors, and will therefore be graduating soon, the search for jobs is a major preoccupation every semester. However, current economic conditions have made the stakes a little higher and the competition a little more intense this semester. So far we seem to be doing very well, but more opportunities are always better than less. If you know of any positions that should be on our radar, please send me the details.

On February 24, we will be hosting our fourth annual Financial Services Forum. The keynote speaker this year will be Richard Fisher, President of the Dallas Federal Reserve Bank. We would love to have you join us for this event. Please save the date and make plans to be there if you can. We will be sending out further details in the next month.

The remaining pages of this report provide details on the investment strategy followed by fund managers during the past semester, performance statistics for the year-to-date, a list of current holdings, and a statement of operations. As always, any input is most welcome. Please send any comments or suggestions to archwayfund@bryant.edu.

—Prof. David Louton



Letter from the Executive Committee

Recent economic times have proven to be both trying and challenging for the Archway Investment Fund. Market turmoil has caused many volatile swings across all sectors within the fund. However, despite high levels of volatility, the Archway Investment Fund has managed to outperform its benchmark, finishing the semester slightly ahead of the S&P500.

As a result of expected market turmoil, the Archway Investment Fund adopted a defensive strategy from the initial start of the fall semester. Fund managers paid particular attention to protecting the Fund against destructive moves in the financial sector. As a result of this defensive strategy, financials was underweighted and has continued to remain at levels below those of the S&P500 Financials sector. In the belief that consumer spending would not slow in healthcare and staple goods, we over weighted each of these sectors. During the semester we have witnessed positive returns on many of our holdings in these sectors.

As the Executive Committee for the Fund, we set a series of achievable goals to be completed by the end of the fall semester. We had noted a lack of communication between sector managers and Executive Committee members in some past semesters, and we believed it important to reduce the lag time between proposals and their implementation, and to increase the transparency of Fund operations. This would promote more timely and strategic moves across all sectors of the Fund. In addition, we sought to condense holdings and move away from placing the majority of holdings in a sector's SPDR. This would allow for a greater emphasis on stock picking. Lastly, we have investigated many potential alternative investments in order to allow the Fund more diversity and the possibility of slightly reducing the focus on domestic securities. The distinctive environment of today's economy has forced the committee to adopt a unique strategy, management approach, and goals this semester. By meeting twice a week, the Executive Committee was able to provide timely and effective reviews of new investment proposals, current holdings, and market conditions, in order to respond appropriately to developing news.



(L-R) David Dube, Matthew Ross, Kristen Collins, Andrew Mesale, and Brian Griffin

Portfolio Strategy

In the beginning of the fall 2008 semester, the Archway Investment Fund adopted a very cautious and defensive strategy, underweighting financials significantly as the economy faced tightened liquidity and credit conditions. As time progresses into the beginning of the spring semester, the Executive Committee believes that the market will continue to be characterized by bounded volatility. The committee does not expect to witness a continued significant downturn as experienced this semester nor does the group expect major movements toward recovery. The Case Schiller Home Price Indices indicate that housing prices are beginning to stabilize, thus we predict the beginning of a housing recovery in mid 2009. We strongly recommend a neutral strategy for the remainder of 2008 as well as the beginning of 2009 in order to avoid unnecessary losses.

Events

New England Investment Research Challenge



The Boston Security Analysts Society has sponsored the Investment Research Challenge for the last 3 years.

Bryant University is one of eight schools that will compete in the Boston Security Analysts Society's annual New England Investment Research Challenge (NEIRC). We are the only undergraduate team, and we will go up against Harvard Business School, Massachusetts Institute of Technology, Boston College, and Boston University, among others. The NEIRC is a chance for students to see what goes into a professional stock report.

In the first round of the contest, each team must create their own in-depth stock report for the assigned company, which is Charles Rivers Laboratories. They operate in the biotechnology industry under the Medical Services subsector. The second round of the challenge is a presentation. Only the top three teams from round one will participate.

The Bryant University team this year consists of portfolio management students David Dube, Gregory Golino, and Marc Hawxhurst; and security analysis students John Calabrese and Christopher Gambini.

All teams in the challenge work closely with a mentor who provides guidance to ensure the content is as close to a professional report as possible. This year, the Bryant team's mentor is Peter Phillips of Washington Trust Investors. Peter has worked with the Bryant Archway Investment Fund team in the past and expects the same high quality of work this year. Last year's team finished in fourth place, just outside the second round. This year's report will be due on December 23, 2008, and shortly after that the teams that have advanced will be announced.

Annual Financial Services Forum

This year's Forum on February 24, 2009, will feature Richard Fisher, President and CEO of the Federal Reserve Bank of Dallas since April 2005.

Richard Fisher, President of the Federal Reserve Bank of Dallas.



As the president of a Federal Reserve bank, Fisher also serves on the FOMC (Federal Open Market Committee), which is the Federal Reserve's principal monetary policymaking group. Fisher serves as a voting member of the group on a rotating basis, every third year, and is currently voting in 2008.

He graduated from Harvard in 1971 with Honors in Economics and received an MBA from Stanford University in 1975. Soon after, Fisher began his career at Brown Brothers Harriman & Co., where he focused on fixed income and foreign exchange markets. In 1987, he created Fisher Capital Management and Fisher Ewing Partners. He eventually sold controlling interest in both firms, and from 1997-2001, he was deputy U.S. trade representative with the rank of ambassador.

While the topic of Fisher's talk is still being firmed up, it is likely he will discuss price stability and the importance of keeping inflationary pressures low. He has consistently voted against lowering the target interest rate since he became a voting member of the FOMC earlier this year. However, in the most recent meeting in late October, Fisher uncharacteristically voted to cut the target rate to 1 percent. A few days later on Bloomberg television, he was quoted as saying, "inflation has screeched to a halt, I am not worried about that now. The issue presently is to get the credit system working again." This shows Fisher's change in focus from keeping inflation under control, to promoting increased economic growth. Given current economic conditions, this should be a very interesting and informative Financial Services Forum.

Where are they now? Archway Fund Graduates

Aron Honig '06



Aron Honig is an Equity Research Associate supporting a senior analyst as an expert on 17 technology stocks focused on driving actionable and proprietary ideas to clients at Canaccord Adams in Boston, Mass. Canaccord Adams is a global investment bank providing research, sales and trading, investment banking and corporate services.

Some of Honig's responsibilities include financial modeling, writing research notes, hosting channel checks with industry resellers and suppliers, and providing expert opinions on select equities to clients and the sales force.

Sarah McDonnell '07



Sarah McDonnell is in the Analyst Training Program at BNP Paribas. She currently works as an Equity Swaps Sales Trader.

Sarah's daily routine includes listening in on morning calls, monitoring opening indicators, taking customer orders to open (or close) swaps and then buying (or selling) equities as hedges for the swaps, sending out the derivatives contracts, reviewing counterparty risk, assisting new clients, and continually working to enhance the products and services that the firm offers to hedge funds.

Brett Lousararian '07



Brett Lousararian is a Due Diligence Analyst at LongVue Advisors, LLC. LongVue is a wealth advisory firm with over \$1 billion in assets under advice, serving high net worth individuals and their families.

Brett's primary responsibilities include conducting manager due diligence and client portfolio supervision. This includes performing quantitative and qualitative analysis to ensure that managers are adhering to their mandates, and that client portfolios are performing in-line with target risk/reward ranges. Managers vary across nearly all traditional and alternative asset classes as well as by structure, including hedge funds, limited partnerships, separately managed accounts and mutual funds.

Frank Guest '06



Frank Guest is currently employed at The Hartford Financial Services Group as a Senior Financial Analyst. He is a member of The Hartford's Financial Development Program, a three-year rotational program, providing exposure to many facets of corporate finance, investments, risk management, and controls at The Hartford.

Guest supports the financial planning process of forecasting financial statements for investor guidance, internal business benchmarking, and senior management decision-making.

Portfolio Managers



Portfolio Management — FIN 454

Course Description

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

Topics Covered

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

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

Portfolio Management — Archway Fund Committees

“The Archway Investment Fund’s Semi-Annual Report is an important publication distributed to Bryant’s Board of Trustees and the fund’s advisory board.”

Emily Siedlik

The Reporting Committee

The Reporting Committee is responsible for the Archway Investment Fund’s semi-annual report — its most important publication. It is distributed to Bryant University’s Board of Trustees, the Fund’s Advisory Board, and is offered to the Bryant University community. The semi-annual report addresses the fund from a curricular standpoint showcasing how students are involved in the actual hands on management of the portfolio, but it also brings the investment performance of the fund to light through tables and graphs. Each sector group within the Archway Investment Fund is profiled, as well as each sector’s current holdings and year-to-date performance.

We included some new segments this semester. One covers the Boston Security Analysts Society’s annual New England Investment Research Challenge. Another provides information on our annual Financial Services Forum which will be held on February 24, 2009.



(L-R) Patrick Taber, Brian Robinson, David Dube, and Emily Siedlik (chair)

Portfolio Management — Archway Fund Committees

The Portfolio Accounting Committee

The Portfolio Accounting Committee is dedicated to the overall upkeep and day-to-day recording of investment activities within the portfolio. Throughout the semester we are responsible for ensuring that our accounting records properly match those provided by Fidelity Investments. In the event of discrepancies, the Portfolio Accounting Committee is held responsible for reconciling any problems. We are also responsible for computing risk adjusted performance measures and providing information for the fund's semi-annual report.

The Portfolio Accounting Committee has been a vital part of the Archway Investment Fund during the fall 2008 semester. We have carefully tracked monthly and quarterly returns for each sector. New this year, the Committee created a dynamic report from which each sector can view monthly performance. This report is very helpful to Fund managers when considering the allocation of investment capital across market sectors. The Portfolio Accounting Committee works closely with the Reporting Committee, and also provides vital performance information to sector management groups.



(L-R) Brian Griffin, Craig Bradford, Marc Hawxhurst (chair)

The Technical Committee

The Technical Committee's primary purpose is to maintain and improve technology used by the managers and analysts of the Archway Investment Fund. This includes a web based voting system used for the analysts to anonymously vote on securities that are pitched during class sessions. If a majority vote is achieved, the security becomes eligible to be bought or sold by portfolio managers. The secret ballot allows students to place votes that are not skewed by their classmates' decisions.

The Archway Investment Fund web site is available for the public to view and enhances knowledge about the classes, showcasing the experience that the Fund offers to Bryant University students. An additional responsibility of the Technical Committee is to update all the templates used by the securities analysts to document their research as well as any functional or aesthetic updates to the Web site. This semester these updates included implementing voting deadlines on stock pitches, security enhancements, and adding new pages to the website.

Technology is an invaluable tool in the investment field, and we recommend that the next Technical Committee constantly update and improve the technical tools available to Archway Investment Fund managers and analysts.



(L-R) Michael Fulton, Greg Golino (chair)

Portfolio Management — Archway Fund Committees

The Alternative Investments Committee

The Alternative Investments Committee researches and analyzes holdings that do not fall within the standard equity market sectors. This semester we have focused our attention on three areas: the use of protective puts and covered calls, exposure to commodities markets in the form of ETFs, and mutual fund exposure to increase diversification and gain liquid exposure to fixed income markets.

We see writing covered call options as an excellent way to supplement portfolio returns, and buying protective put options as a great way to reduce downside risk. We have worked closely with sector managers to determine which companies present the best opportunities for these applications. Within the commodities market, we have a positive outlook on oil, silver, gold, and alternative energy. We also hope to gain exposure to fixed income in the form of mutual funds because we feel it will help us to generate more consistent returns.

Our strategy as a committee is to try to capitalize on growth opportunities that may be off the radar of individual sector management groups. Another role of the Alternative Investments Committee is to provide diversification through exposure to overlooked markets.



(L-R) Dave Reichert (chair), Alex Weiss, Sahana Zutshi, Matthew Ross



(L-R) Kyle Bruton (chair), Andrew Mesale

The Compliance Committee

The Compliance Committee is comprised of two members of the portfolio management class. The intention of this composition was to increase efficiency in tracking current holdings and to further develop and monitor sell strategies. Our hope is that this will lead to an overall increase in the fund's performance.

The Committee has further developed the compliance system so that it is now both comprehensive and dynamic in nature. It consists of three Excel workbooks which monitor various price targets, track sector allocations, and exposure to individual securities via ETF holdings. These spreadsheets alert us when one of our triggers has been activated and that normally prompts a review of the asset or assets involved. During this semester, the Committee made significant improvements in the operation of the portfolio.

Portfolio Management — Archway Fund Committees

The Marketing Committee

The Marketing Committee is responsible for creating and executing strategies to increase awareness of the Archway Investment Fund. At the beginning of the semester, the Marketing Committee introduced students in other investments related courses as well as members of Bryant University's Finance Association to the Archway Investment Fund. During these presentations, students were provided with a brief history of the fund, the class structure, and most importantly, details regarding the application and interview process.

The Marketing Committee is also responsible for maintaining and improving public relations initiatives previously undertaken by the Fund. One of the outlets used during past semesters was Bryant University's official student newspaper, *The Archway*. We arranged to have weekly Fund performance updates displayed in each issue. Another strategy the committee continued to employ was, was keeping in contact with past members of the fund. Several semesters back, a group known as "The Archway Investment Fund" was created on the FACEBOOK social networking site. Members of this group are past and current Archway Investment Fund students.

This semester, the Marketing Committee also introduced two new promotional initiatives. First, a slide with information on the portfolio's performance as well as open lab hours at the C.V. Starr Financial Market Center was displayed on the Bryant Access Channel. The Archway Investment Fund was also highlighted on the Bryant University homepage.



(L-R) Kristen Collins, Aisha Whichard (chair)

"I am able to gain hands-on experience, have responsibility for my decisions, and learn how to invest money."

Kristen Collins

Securities Analysts



Securities Analysis — FIN 450

Course Description

Securities Analysis is the first course in the Archway Investment Fund sequence for students majoring in finance with an emphasis in investments. Students learn the basic tools and techniques of securities analysis and develop their skills by analyzing real firms, interacting with portfolio management students, and presenting findings and 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
- Free Cash Flow Valuation
- Relative Valuation Methods
- Evaluation of Growth and Value Securities

Securities Analysis – Archway Fund Sectors

Consumer Discretionary and Staples Sector

Consumer Discretionary Returns (YTD): -22.13% SPDR (XLY): -29.12%
Consumer Staples Returns (YTD): -22.13% SPDR (XLP): -15.38%

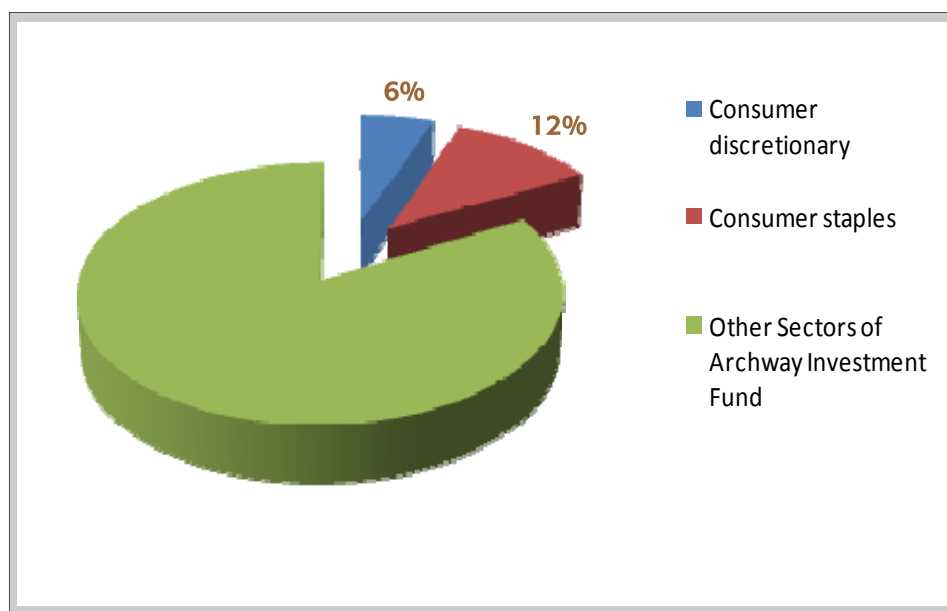
The consumer staples and discretionary sector group manages approximately 18 percent of the total Archway Investment Fund. The discretionary sector is currently under weighted and accounts for 6 percent of the Fund. The staples sector is over weighted at the moment and accounts for 12 percent of the Fund. Neither of these sectors have performed well during the economic slowdown.

The discretionary sector has dropped 30 percent, while staples have seen a drop of roughly 15 percent. The main reason for the poor results in the discretionary sector is that the economy as a whole is slowing down and individuals do not have as much money to spend on luxury items. The staples sector has not turned out to be as strong a defensive play as we had anticipated.

We have a strong outlook for the consumer staples sector. Consumer staples products are necessities and demand for these products should stay fairly steady during tough economic times. This is the main reason why we are currently overweight in the staples sector. We are particularly bullish on the alcohol and tobacco sub-sector. In the consumer discretionary sector, our outlook is negative overall because no catalyst for an increase in consumer spending seems to be present. A large portion of spending on consumer discretionary goods was funded by equity loans that are no longer available due to the current credit crunch.



(L-R) Cory Nelan, Benjamin Healy, Cherie Rosemond, Reilly Flaherty



Securities Analysis — Archway Fund Sectors

Economic Analysis and Emerging Opportunities Sector

Energy Sector Returns (YTD): -53.83%

SPDR (XLE): -50.43%

Our outlook on the energy sector, mainly oil and gas drilling, is neutral for the near future. Oil and gas drilling will see continuing expansion in Africa, South America, the North Sea, and the Indian Ocean. High demand and short rig supply are causing continually increasing day rates. North America is rebounding led by strong demand for rigs by smaller operators.

The U.S. deepwater semi-submersible markets continue to strengthen, as leading edge day rates remain at high levels. Strong alternative energy companies will stay small and uncommon if oil prices remain at these relative low prices, or until government subsidies for these companies are increased. We foresee low oil prices negatively affecting alternative energy companies more than large oil conglomerates. Oil conglomerates will absorb the short-term loss in profits while alternative energy companies may fail in this environment.

The short-term outlook for utilities companies is neutral. Increases in commodities prices have increased the operating costs of electrical utilities companies. Although utilities can pass

on these costs to consumers, the sudden increase in energy bills could cause customers to default on their payments. These increases in prices could also cause regulators to further scrutinize large utilities providers.

The outlook for materials is negative as demand for building supplies remains low. Steel companies also remain on a negative outlook because nonresidential construction is one of the largest end markets for steel companies. After seeing a decrease in nonresidential construction in 2008, Standard and Poors forecasts an 8.9 percent decline in nonresidential construction for 2009.

Year-to-date returns have been negative, resulting in a 13.98 percent loss. The energy sector as a whole has fallen 19.52 percent. We have taken larger positions with individual stocks to further separate our performance from the performance of the energy sector benchmark ETF. We expect the energy sector to rebound shortly after the financial markets stabilize.



(L-R) Daniel Xavier-Santos, James Cholewa,
Dmitriy Smolyar, Thomas Cummings

"Being a part of this class was a hands-on experience that you just don't get by sitting in a classroom, listening to a lecture."

Dmitriy Smolyar

Securities Analysis — Archway Fund Sectors

Financial Sector

Financial Sector Returns (YTD): -49.50%

SPDR (XLF): -44.06%

“Taking this class while in the midst of this unfortunate economic downturn has taught me more than many may learn throughout a lifetime.”

Erin Willard

The performance of the financial sector has been very volatile over the past two quarters. Our performance is directly related to the sub-prime meltdown that has spilled over into other parts of the economy — the credit markets in particular. The first few quarters of 2008 have seen volatile GDP growth, which suggests a slowing economy and suggests the possibility of a recession. This slowing economy has also been driven by the steadily declining value of the dollar, which has increased exports for the simple reason that U.S. goods are now less expensive abroad.

We have reduced our current holdings of individual stocks in this sector to Goldman Sachs, Prudential, and Simon Property Group. The returns have all been negative with Goldman at -27.88 percent, Prudential at -48.74 percent, and Simon Property Group at -19.43 percent. The sector management team sold off Morgan Stanley (MS) and AllianceBernstein (AB) earlier in the semester.

The adverse economic news surrounding the financial sector prompted us to position ourselves defensively, and we have pulled back more than a quarter of the sector. This gives the financial sector a 12 percent weight in the Archway Investment Fund. By staying with large insurance companies, strong real estate investment trusts, and asset managers, while keeping away from any sub-prime exposure, we should be clear of the most serious risks currently associated with this sector.



(L-R) Matthew O'Rourke, Erin Willard, Matthew Moore, Stephanie Gelinas, Daniel Allen

Securities Analysis — Archway Fund Sectors

Healthcare Sector

Healthcare Returns (YTD): -13.10% SPDR (XLV): -23.35%

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

Our best performer was Barr Pharmaceuticals (BRL) with 23.31 percent, while Intuitive Surgical (ISRG) was our worst with -36.03 percent. Intuitive Surgical has proven to be an extremely volatile stock; however, we believe ISRG has strong potential, and therefore we are holding on to it.

Extreme economic conditions have forced us into a more defensive investment strategy position with a focus on the most promising subsectors — particularly in the biotechnology and pharmaceutical industries. This semester our generic pharmaceutical holding, Barr Pharmaceutical, has shown impressive performance for 2008, and the company's stock price has outperformed all of the remaining healthcare investments. Essentially, more than half of the name brand drugs will lose patent by 2012, opening the door for generic drug makers to capture a large percentage of the market. Our overall effectiveness in managing this sector is achieved by carefully determining proper allocation across subsectors while managing risk at both the firm-specific and industry levels.



(L-R) Christopher Martineau, Matthew Buttarro, Jaritza Cortes, Emily St. Pierre

Technology Sector

Technology Returns (YTD): -34.08% SPDR (XLK): -37.05%

The technology sector faced unique conditions this semester due to the credit crisis. The rise in housing market delinquencies continues to trickle down throughout the economy, both domestically and internationally. As a result of increased worries and intense financial pressures, both business and consumer spending experienced significant decreases throughout the past six months. Products in this sector encountered decreased demand as many technologies were no longer considered household necessities. Businesses, in attempts to cut costs, eliminated many forms of IT spending as well as decreased marketing budgets, thus hurting companies such as Google and Yahoo. The equities that are performing the most poorly are those offering consumer electronics. We attribute this performance to the lack of consumer confidence and spending mentioned above.

We hold a neutral outlook for the remainder of 2008 but we expect a continuation of the current tendency toward high volatility. However, it is important to note that we believe technology will witness a slight upturn as 2009 begins. This is due to the economic conditions we expect to see in the post-presidential election period, as well as renewed consumer spirits. We strongly encourage investment in companies with solid foundations. As time progresses, we would like to see an increase in individual stock holdings while decreasing SPDR investments substantially. However, we would like the technology sector to maintain a manageable number of securities to allow for effective analysis and review.



(L-R) Jeffrey Shew, Michele Lapinski, Christopher Gambini, Austin Brodie, Shauna Yunits

Securities Analysis — Archway Fund Sectors

Industrials Sector

Industrials Returns (YTD): -28.06% SPDR (XLI): -34.46%

Over the past months, the industrials sector portfolio management group has encountered several challenges brought on by the volatile markets. This has forced us to develop an investment strategy specifically targeted at exploiting opportunities and hedging against foreseeable downturns. Our sector goals were to identify the remaining international investment opportunities, specifically in infrastructure. We also planned to use the energy prices to our advantage and considered companies in the field of energy generation. However, we have shifted our focus from aggressive growth opportunities to a more stable approach by seeking out large cap stocks with strong fundamentals.

The best performing holdings of the sector is Stericycle Incorporated and 3M Corporation, which have unrealized returns of +1.44 percent. The weakest performing holdings of the industrials sector are Trinity Industries Inc. and Caterpillar, which have holding period returns of -52.88 percent and -42.50 percent respectively.

We are bullish on construction and engineering, industrial machinery, aerospace and defense, and industrial conglomerates, especially those with expansive and diversified product lines. We also feel the development and replacement of infrastructure, while slowing, will help to fuel the success of these industries. We are neutral on several industries including railroads, homebuilding, and steel. We feel that the upswing in railroads has finally stabilized and the slowing of both foreign and domestic projects could negatively affect the steel industry. We are bearish only on airlines as we feel current economic conditions may further deter fliers and result in even lower traffic volume.

Opportunities still exist within the industrial sector. We feel industrial conglomerates could offer a great deal of diversification that will help to hedge against the downturn of individual industries. However, we do remain wary of companies that have historically carried large portions of debt as many credit lines have dried up.



(L-R) Jillian MacIsaac, Kaelan Lippman, John Calabrese, Daniel Curci, Justin Vargo

What's Hot ...

Listed below are the portfolio's five biggest gainers for the year-to-date.

Purchase Date	Ticker	Name	Current Price	Shares	Stock Weight in Portfolio	HPR	YTD Gain/Loss
4/28/2006	DNA	Genentech	\$88.68	125	2.33%	13.41%	32.22%
4/11/2008	BRL	Barr Pharmaceuticals Inc.	\$65.30	225	3.09%	27.87%	27.87%
12/14/2007	FLIR	FLIR Systems Inc.	\$38.42	200	1.61%	24.10%	22.75%
11/9/2007	SPG	Simon Property REIT	\$97.00	100	2.04%	8.60%	11.67%
10/25/2005	MCD	McDonald's Corp	\$61.70	100	1.30%	100.35%	4.74%

... and What's Not

Listed below are the portfolio's five biggest losers for the year-to-date.

Purchase Date	Ticker	Name	Current Price	Shares	Stock Weight in Portfolio	HPR	YTD Gain/Loss
12/14/2007	NOK	Nokia	\$18.65	200	.078%	-48.77%	-51.42%
3/22/2007	GS	Goldman Sachs Group Inc.	\$128.00	60	1.61%	-30.47%	-40.48%
3/6/2008	AB	Alliance Bernstein	\$37.01	175	1.36%	-34.48%	-34.48%
12/20/2005	HON	Honeywell International Inc.	\$41.55	100	.87%	7.69%	-32.52%
4/25/2008	RIG	Transocean Inc.	\$109.84	85	1.96%	-28.79%	-28.79%

Archway Investment Fund Performance

Fund Performance Summary

As of the market close on October 31, 2008, assets under management totaled \$394,838.09. Sector ETF's Represented 44.22 percent of assets, actively invested individual stocks represented 44.04 percent and the remaining 11.74 percent was held in cash.

The fund's year to date performance of -32.28 percent represented an outperformance of the S&P 500 Index benchmark by 1.75 percent. On an annualized basis, the fund's return of -37.36 percent outperformed the S&P500 by 1.94 percent. Additionally, the fund has outperformed the dynamic benchmark return of -38.34 on an annualized basis. The dynamic benchmark is calculated using the fund's actual sector weights and returns on the sector benchmark ETF's. In this case, it indicates that .86 percent of our return can be attributed to stock selection. The remaining 1.75 percent differential return is a result of sector weighting choices.

The Morningstar style grid demonstrates that the distribution of the Archway Investment Fund holdings is similar to that of the S&P500 Index. This is an indication that the S&P500 is an appropriate benchmark for comparison against the Archway Investment Fund.



Annualized and Risk Adjusted Returns

Fund	YTD Return	Annualized YTD Return	Differential Return	Annualized Differential Return	Beta	Standard Deviation	Sharpe Measure	Treynor Measure
Archway Investment Fund	-32.28%	-37.36%	1.75%	1.94%	1.05	8.19%	-0.621	-0.370
Dynamic Benchmark	-33.17%	-38.34%	.86%	.95%	.95	9.35%	-0.636	-0.419
S&P 500 SPDR ETF	-33.45%	-38.65%			1.00		-0.641	-0.401
S&P 500 Index	-34.03%	-39.30%			1.00			

Archway Investment Fund Performance

Archway Fund Morningstar Style Box

MARKET CAPITALIZATION	Large	16.20%	28.90%	39.90%
	Medium	1.80%	0.90%	9.60%
	Small	0.00%	0.00%	2.60%
		Value	Blend	Growth
VALUATION				

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

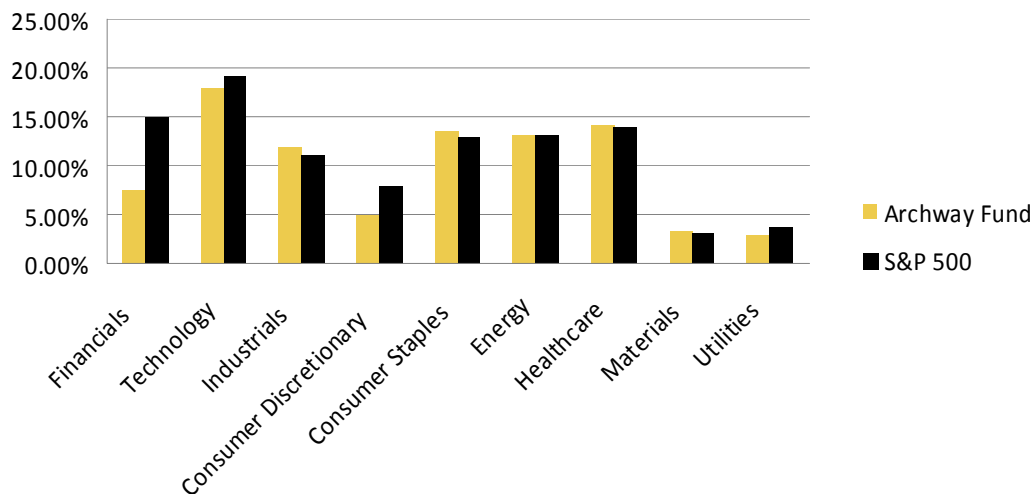
Year-to-Date Comparisons

Sector	Sector Weight	SPDR Weight	YTD Sector Returns	YTD SPDR Returns	Sector Beta	SPDR Beta
Financials	6.95%	14.87%	-49.50%	-44.06%	1.32	1.31
Technology	20.09%	19.65%	-34.08%	-37.05%	1.14	1.00
Industrials	13.37%	10.80%	-28.06%	-34.46%	0.96	1.01
Consumer Discretionary	5.79%	7.75%	-22.13%	-29.12%	0.93	1.14
Consumer Staples	15.23%	13.15%	-17.44%	-15.38%	0.61	0.59
Energy	15.50%	12.69%	-53.83%	-50.43%	1.28	1.18
Healthcare	16.03%	14.13%	-13.10%	-23.35%	0.71	0.70
Materials	3.76%	3.05%	-36.17%	-36.17%	1.26	1.26
Utilities	3.28%	3.23%	-31.21%	-29.56%	0.84	0.78

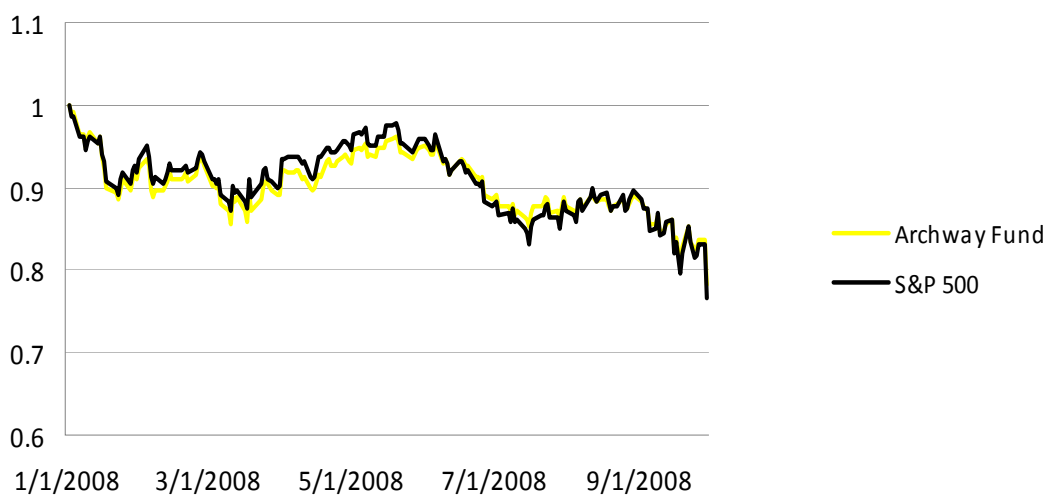
This table displays returns for each sector portfolio along with the sector weights, and beta, compared to those of the sector benchmark.

Archway Investment Fund Performance Charts

Strategic Alignment



\$1 Investment: Archway Fund vs. S&P 500



Current Holdings as of October 31, 2008

Sector	Purchase Date	Ticker	Name	Current Price	Shares	Stock Weight in Portfolio	HPR Percent Gain / Loss	YTD % Change
Financials								
	10/25/2005	XLFX	Financials SPDR ETF	\$15.53	480	1.89%	-32.38%	-49.50%
	3/26/2006	PRU	Prudential Financial Inc	\$30.00	150	1.14%	-60.48%	-67.75%
	3/22/2007	GS	Goldman Sachs Group Inc	\$92.50	60	1.41%	-50.30%	-56.99%
	11/9/2007	SPG	Simon Property REIT	\$67.03	100	1.70%	-27.60%	-23.83%
Technology								
	10/25/2005	XLK	Technology SPDR ETF	\$16.65	3051	12.87%	-25.62%	-34.08%
	12/14/2007	FLIR	FLIR Systems Inc	\$32.10	200	1.63%	3.68%	2.56%
	10/25/2005	MSFT	Microsoft Corp	\$22.33	300	1.70%	-15.42%	-37.28%
	11/9/1007	AMX	America Movil	\$30.94	75	0.59%	-47.24%	-49.60%
	10/3/2008	RIMM	Research In Motion	\$50.43	75	0.96%	-26.04%	-17.27%
Industrials								
	5/16/2007	XLI	Industrials SPDR ETF	\$25.18	728	4.64%	-33.64%	-28.06%
	12/20/2007	SRCL	Stericycle Inc	\$58.43	197	2.92%	1.44%	-1.63%
	10/26/2007	TRN	Trinity Industries Inc	\$16.88	125	0.53%	-52.88%	-39.19%
	12/20/2005	MMM	3M Co	\$64.30	91	1.48%	-11.42%	-23.74%
	11/29/2006	CAT	Caterpillar Inc	\$38.20	150	1.45%	-42.50%	-47.35%
	12/20/2005	HON	Honeywell International Inc	\$30.45	100	0.77%	-25.76%	-50.54%
Consumer Discretionary								
	10/10/2006	XLY	Consumer Discretionary SPDR ETF	\$22.98	452	2.63%	-33.44%	-22.13%
	5/2/2008	IM	Ingram Micro Inc	\$13.33	300	1.01%	-22.59%	-26.11%
	10/25/2005	MCD	McDonald's Corp	\$57.93	100	1.47%	75.87%	-1.66%

Sector	Purchase Date	Ticker	Name	Current Price	Shares	Stock Weight in Portfolio	HPR Percent Gain / Loss	YTD % Change
Consumer Staples								
	10/25/2005	XLP	Consumer Staples SPDR ETF	\$24.12	1440	8.80%	-4.46%	-17.44%
	2/14/2008	DEO	Diageo ADR	\$62.19	75	1.18%	-26.89%	-26.84%
	2/16/2007	CVS	CVS Caremark Corp	\$30.65	125	0.97%	-6.18%	-22.89%
	11/20/2007	KO	Coca-Cola Co	\$44.06	100	1.12%	-29.79%	-28.29%
	4/11/2008	PM	Philip Morris International Inc	\$43.47	75	1.38%	-12.59%	-10.06%
Energy								
	3/21/2006	XLE	Energy SPDR ETF	\$51.40	339	4.41%	-22.63%	-53.83%
	10/18/2006	COP	ConocoPhillips	\$52.01	175	2.31%	-24.57%	-41.10%
	4/25/2008	RIG	Transocean Inc	\$82.33	133	2.77%	-35.38%	-46.79%
	2/14/2007	NE	Noble Corp	\$32.21	200	1.63%	-47.74%	-43.00%
	2/20/2007	ARD	Arena Resources Inc	\$30.48	331	2.56%	-17.40%	-26.92%
Healthcare								
	10/25/2005	XLV	Healthcare SPDR ETF	\$26.60	520	3.50%	-13.84%	-13.10%
	5/2/2008	ISRG	Intuitive Surgical Inc	\$172.79	20	1.49%	-30.95%	-40.42%
	4/11/2008	BRL	Barr Pharmaceuticals Inc	\$64.26	225	3.66%	25.83%	-26.12%
	3/22/2007	NVS	Novartis ADR	\$50.99	75	0.97%	-10.56%	-6.11%
	12/21/2006	SYK	Stryker Corp	\$53.46	75	1.02%	-2.96%	-28.45%
	4/28/2006	DNA	Genentech Inc	\$82.94	125	2.63%	6.07%	23.66%
	12/21/2006	DGX	Quest	\$46.80	75	0.89%	-7.27%	-11.53%
Materials								
	10/25/2005	XLB	Materials SPDR ETF	\$25.02	505	3.32%	-34.00%	-36.17%
Utilities								
	10/10/2006	XLU	Utilities SPDR ETF	\$28.91	295	2.16%	-18.03%	-31.21%
	2/21/2008	MDU	MDU Resources Group Inc	\$18.21	160	0.74%	-29.96%	-34.05%

Statement of Operations

January 1, 2008 through October 31, 2008

Income:

Dividend	\$ 4,463.89	
Interest	<u>\$ 5,484.44</u>	
		\$ 9,948.33

Expenses:

Custodial	\$ -	
Trading Cost	<u>\$ 1,027.90</u>	
		\$ 1,027.90
Net Investment Income:		<u>\$ 8,920.43</u>

Realized Gain (Loss) on Investments:

Proceeds	\$ 9,391.29	
Cost of securities	<u>\$ 49,969.90</u>	
Net Realized Gain (Loss) on Investments		\$ (40,578.61)

Net Increase (Decrease) in Unrealized Appreciation on Investments:

Market Value Holdings as of October 31, 2008	\$394,838.09	
Market Value Holdings as of January 1, 2008	<u>\$540,739.97</u>	
Increase (Decrease) in Net Unrealized Appreciation		\$(145,901.88)

Net Realized Gain (loss) and Increase (decrease) in Net Unrealized Appreciation: \$(186,480.49)

Net Increase (Decrease) in Assets Resulting from Operations: \$(177,560.06)

2009 Archway Investment Fund Graduates

Where 2009 Graduates Are Going

A number of May 2009 graduates have already accepted jobs at this point. Some of these students are listed below along with the companies by which they will be employed.

Emily A. Siedlik '09
Financial Leadership Program
United Technologies Company



Kyle D. Bruton '09
Pricing Analyst
Product Management Department
The Travelers Company



Jaritza Cortes '09
Financial Analyst
UHC Finance Sr. Management Division
UnitedHealth Group

