Spring 2014

The Archway Investment Fund Semi Annual Report, Spring 2014

Bryant University, Archway Investment Fund

The Archway Investment Fund

Bryant University

Semi-Annual Report • SPRING 2014

The archway investment fund was established to provide Bryant University students 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, have developed a sophisticated pedagogy and set of investment protocols to create a world-class course on investment strategy.

The University provided an initial fund and annual augmentations to provide students 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 currently totals approximately $865,000.

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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THOUGHTS FROM THE PROFESSORS

Peter R. Phillips
Securities Analysis

I've had the pleasure and honor to be involved with the Archway Investment Fund in some capacity since near its beginning—from guest speaker, mentor, board member, and now as instructor for Finance 450-Securities Analysis. Being an instructor is by far the most challenging role I have played, but also the most rewarding.

The Challenge

I have the time equivalent of about one work week to teach Finance 450 students all they need to know about how to research, analyze, and develop an investment opinion on a company and its stock. In the 'real world' developing this skill set can take months or even years—and that is following a formal finance education.

As a result, I have no other option than to put forward an aggressive syllabus and semester timeline. We start the semester with industry analysis, move quickly towards individual securities analysis, and finish with student stock pitch presentations. We spend quite a bit of time developing both the quantitative and qualitative skills needed in the analysis process—and we also work on how to think like an analyst and have confidence in expressing investment opinions.

Peter R. Phillips, CFA

The Reward

At the start of the semester in the front of the classroom I look out at twenty-eight Finance 450 students and wonder to myself how this will turn out. It typically starts out a little slow—some blank stares and me wondering whether my lesson was well received—but as I read the students' first research assignment and certainly by the end of the semester, I am always pleasantly surprised by the students' quality of work and development into analysts. However, maybe it should not come as a 'surprise'. After all, not every student gets the opportunity to participate in the Archway Fund. Archway students distinguished themselves prior to enrolling in Finance 450—and continue on to do so in Finance 454 and beyond Bryant.

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David Louton
Portfolio Management

After two years away from the Archway Investment Fund, it has been a pleasure and a privilege to work with this semester's ambitious and talented student portfolio managers.

Since the start of the year, we have faced a number of challenges, beginning with the impact of the weather on both class time and corporate profits. However, along the way we have had some very special opportunities. In mid-March, a delegation of 16 students from the combined Archway Investment Fund classes attended the Global Asset Management Education (G.A.M.E.) Forum in New York City, along with students from more than 120 other universities across the globe. While in New York, our group was also able to spend time with some of the many Bryant alumni working in the investments industry. This was an important bonus feature of the trip, and I know that the valuable input provided by these highly committed individuals will prove to be very helpful to the students as they move ahead with their careers.

David Louton, Ph.D.

At the end of March we held our own annual Financial Services Forum. For the first time since 2005—when the Archway Investment Fund began—we were able to put together a panel discussion group consisting entirely of former Archway Investment Fund students. This was truly a milestone event and something that I hope we will be able to repeat each year going forward.

Thank you for your interest in the Archway Investment Fund. If you have questions or suggestions, please email archwayfund@bryant.edu.

After inheriting a fund in an environment of shifting economic conditions, we sought to devise a winning strategy for successful performance in the spring 2014. The Securities Analysis class is set up as an open forum for investment discussion and relies on the contributions of its members. The Portfolio Management class has a similar structure but focuses on portfolio construction with weekly sector updates and pitches for alpha producing ideas.

The portfolio strategy shifted slightly compared to the previous term's. Our initial investment thesis was built around specific global economic indicators. Once we established our global outlook, sector took a bottom-up approach within this framework. We reviewed our current holdings and evaluated their potential within the Fund. Our portfolio construction was focused on matching our top down and bottom up approaches. Due to our optimistic outlook, we decided to continue last semester's strategy of reducing the Fund's cash position. We utilized sector SPDR ETFs as a placeholder for liquidity while equity research was conducted. As the global economy improved, we analyzed the prospects of international exposure.

One of our goals was to improve communication to enhance sector and class collaboration. The Portfolio Management class is structured around constant communication. We strived to increase awareness of industries outside of our sector group scope in order to expand our investment horizon. Through this collaboration, we aligned our economic outlook with our investment goals. We also sought to increase communication with the Securities Analysis class. In order to accomplish this, we notified the security analysis class of all relevant information regarding our corresponding sectors and had combined sector group meetings. The Fund's greatest resource is the extensive intellectual capability that is shared among all of its members, advisors, and investment professionals.

The Archway Investment Fund experience has provided invaluable knowledge both inside and outside the classroom. We have realized numerous opportunities for networking and learning from various professionals within the industry. These professionals challenged our core investment strategies and provided unique insight that strengthened our Fund. The Executive Committee, on behalf of the entire Archway Investment Fund, would like to sincerely thank all those who made this experience possible.

(L-R) Samantha Faille, Jacob Therien, Regina Castro, Matthew MacGrotty, Francesca DiGisi

Investment Objective

The goal of the Archway Investment Fund portfolio is to outperform the S&P 500 benchmark on a risk-adjusted basis using the Sharpe ratio to create a risk-adjusted performance percentage. We achieve our goal by finding companies that are trading below their intrinsic value and display strong company drivers by analyzing a company's fundamentals. Although value investing will continue to be a crucial part of our portfolio, we consider ourselves core portfolio strategists who blend both value and growth stocks.

Hold, Sell, Buy

Hold: We hold companies for the duration of time it takes for their stock price to reach its intrinsic value. We reevaluate companies when they reach their target price or approach their loss target.

Sell: We evaluate the sale of companies that have reached their intrinsic value and whose long term fundamentals, including qualitative factors, do not appear attractive.

Buy: We focus on buying companies that trade below their intrinsic value have position catalysts that can drive growth, and/or have fundamental indicators above their competitors; this provides a margin of safety for the portfolio.

Security Analysis: When valuing companies we use a 12-month time period, and keep in mind the long-term prospects of the business. 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 customer brand loyalty, market factors, sustainable competitive advantages, and recurring revenues. If a business meets these criteria exceptionally well, then a quantitative analysis is applied using fundamental indicators such as: price to earnings, price to book value, dividend yield, return on equity, return on assets, and return on invested capital.

Once this research is completed, and we believe that intrinsic value is above market value, we build financial models to derive target prices.

"The stock market is the story of cycles and of the human behavior that is responsible for overreactions in both directions."
— Seth Klarman

Investment Strategies

International Exposure: Opportunities in international equities have attracted the Fund toward these markets and we look to increase the weighting of this segment for the portfolio between 5% and 8%. Although there are several global challenges to look out for such as economic slowdown and political instability, we will seek companies and economic situations that present the most stability and value.

Emerging Countries vs. Developed Countries: While we are looking to increase the international exposure of the portfolio, we aim to distinguish between equities based in emerging versus developed countries. The focus of the portfolio will be in developed countries at this time. We do not want to be hindered when it comes to future opportunities, so it will be necessary to revisit emerging economic opportunities on a case-by-case basis.

Options: We make use of covered calls by first selling covered calls that generate additional income, which will boost our return. Second, we sell covered calls that reinforce our sell discipline. We are also cognizant of the impact on cash when a covered call is exercised and have another idea ready to explore from the coverage list. This year we plan to utilize protective puts for two purposes. First, we want to hedge against the risk brought on by investment in certain securities. Second, we would like to use them, in addition to stop-loss orders, as an instrument to limit risk during summer vacation when we are not actively managing the portfolio.

Dividend Reinvestment: We plan on evaluating dividend reinvestment on a case-by-case basis. Dividend reinvestment is still a new aspect of our Fund, which we plan to continue. Every time we are notified of a dividend distribution, we will look at the company as a whole and reevaluate whether the security would benefit from reinvesting all dividends. In cases in which we are confident of the company's long term prospects, this policy will be put in place. Dividends will be reinvested if more than half of the portfolio managers vote to do so. Before each transaction, we will make sure that the dividend reinvestment will not cause us to exceed the 5% limit we have for any single holding in the portfolio.

Fixed Income: For this semester, we do not plan on investing in fixed income securities even though they can be utilized to help balance our portfolio. Our main focus will be in equities instead of fixed income. Our Investment Policy allows us to invest in mutual funds and ETFs. Through this semester we are utilizing ETFs as placeholders in sectors that we are overweighting until we can identify a security we would like to purchase. The ETFs will be pitched to the Portfolio Management class by either the Macroeconomic Committee or an individual sector, and it must follow the same requirements as an individual stock before being purchased. Also, individual ETFs cannot be held in the Fund for more than 20 days and should be replaced by a stock within its sector SPDR.

Portfolio Managers

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 Objectives development

Securities Analysts

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

MACROECONOMIC OUTLOOK

UNITED STATES ECONOMY

GDP grew slowly towards the end of 2013 with a 2.4% annualized growth in Q4, down from 3.2%. This drop in momentum can be attributed to the partial government shutdown, businesses placing fewer orders as a result of increased inventory levels, and harsh winter conditions. Fortunately, looking forward into 2014 we can expect increasing momentum in economic strength.

Unemployment is slowly improving, as seen by its seasonal adjustment of 6.6% in January. The U6 unemployment rate however, still stands at 6.1% over the official unemployment rate, a difference that has not improved significantly since the recession. The U6 unemployment rate is a broad measure of unemployment that, in addition to the official unemployment rate, measures the level discouraged workers, people who want to work but haven't been searching for work, and the underemployed. Unemployment change has been slowing down since late 2013, which is cause for concern regarding the strength of the recovery. One notable development in the labor market is that more workers are quitting jobs rather than being fired, implying worker confidence in job prospects.

The Federal Reserve is monitoring the progress of the unemployment rate as it approaches their 6.5% threshold regarding exiting zero bound federal funds rate. The Federal Reserve maintains its commitment to 2% inflation and will look to it as further signaling for tapering. We can expect interest rates to remain relatively low for most of 2014 as tapering is expected to continue at a moderately slow pace.

> "Most people get interested in stocks when everyone else is. The time to get interested is when no one else is. You can't buy what is popular and do well."
> — Warren Buffett

New home sales continue to rise at double-digit rates. Although existing home sales grew at 9.3% in 2013, total sales are expected to slow. The slowdown can be attributed to anticipated increases in interest rates and tighter mortgage rules from the CFPB. Economists expect a 4% increase in existing home sales for 2014. Sales of new single family homes are expected to continue growing quickly at about 16% in 2014 (17% in 2013 and 20.2% in 2012). Economists expect construction of about 1.1 million new homes to begin in 2014. New foreclosures are no longer creating an oversupply of homes as the existing home inventories remain low. Builders are responding to a reduction in total home inventories. Prices have been growing over the past year and increases in interest rates may moderate these recent gains.

Economists expect retail sales to accelerate steadily during 2014 at a rate of about 5% (4% in 2013). A stronger economy supported by declining unemployment and wage gains (a 3% increase in personal income) is likely to be reflected in retail sales numbers.

As economic growth continues, corporations will be more confident deploying cash balances that have accrued over recent years. Economists anticipate a 4.5%–5% rise in equipment spending after only 1% growth in 2013. Business spending aimed at increasing output will grow at a slightly faster pace as Europe recovers and strengthens the U.S. export market. Furthermore, orders for capital goods (excluding aircraft) rose in January by 1.7%. Consumerism is expected to increase during the second half of the year. Nonetheless, we should not expect a dramatic increase in business spending moving forward, due to a lack of pressure to expand production.

Domestic industrial production has continued to perform well through 2013. The industrial production index has grown 3.2% over the year, closing out December at 101.3. This rate fell slightly in January to 101, but the main driver of this drop can be attributed to a colder than average winter, which is not expected to have any long-term ramifications.

INTERNATIONAL ECONOMY

China's annual GDP growth beat estimates for 2013, growing 7.7% over the last year. China also experienced a 4.4% increase in exports, bolstering a trade surplus despite slowing economic growth rates. However, China is currently undergoing an economic transformation: transitioning from an investment and manufacturing based economy to one focused on domestic consumption and services. Adding to this tumultuous transition is China's dwindling urban labor force, the most productive demographic in the nation, which has been shrinking due to the government's restrictive birth and migration policies. These shifts have brought strain on China's economy, which saw a drop in the Purchasing Manager's Index (PMI) to 48.3 in February (a seven month low) and difficulties with incentivizing domestic investment. Additionally, experts have reduced China's expected GDP growth to 7.0% in 2014, citing the forecasted effects of a pending economic and structural reform.

European growth for 2014 has recently been revised upwards to 1.5% with the Eurozone growing at 1.2%. Eastern European countries are outpacing the Western European countries in general. The PMI for the EU was 52.7, showing positive signs in manufacturing across the continent. Unemployment in some countries remains high and most estimates predict that the overall unemployment rate of 12.2% in the EU will not decline in 2014. The European Central Bank has recently considered moving deposit rates into the negatives to encourage banks to loan their money rather than accumulate them in savings accounts. Banks have paid 0% on deposits so far, but the region is still having difficulty stimulating demand and growing economically. Many countries in the EU have high debt levels, which will continue to dominate large portions of government budgets through interest payments and hampering growth for the long term. Government austerity programs and inability to address the issues of unemployment has led to the rise of Eurosceptic parties. These parties have grown increasingly powerful due to lower voter turnouts and voter frustration regarding the status quo. Many are predicting they could have power to block further reforms or policies through the European Parliament and halt progress on European integration.

Slow growth in developed markets in 2013 hindered overall performance in emerging markets and is expected to carry over into 2014. Federal tapering of bond buying in the U.S. is predicted to negatively affect emerging market growth as capital flows decrease overseas. Average borrowing costs for developing country governments increased to 6.96% on January 2, the highest since March 2010. This spike in borrowing costs will negatively impact overall market performance and impede growth in many countries. Political turmoil in countries such as Ukraine and Venezuela has investors hesitant on the stability of emerging markets as a whole and will be a barrier to increased investment in the developing world.

"If you don't study any companies, you have the same success buying stocks as you do in a poker game if you bet without looking at your cards."
— Peter Lynch

PORTFOLIO PERFORMANCE

The Archway Investment Fund underperformed the S&P 500 index by 1.10 percent during the first quarter of 2014. This translates into a 1.13 percent underperformance after adjusting for risk. We attribute a substantial part of the overall performance of the portfolio for the first quarter, to a misinterpretation of market trends. Specifically, we started the year with the portfolio in a somewhat more defensive posture, with 36 percent of the Fund invested in value stocks and another 6 percent held in cash. The Morningstar style box (shown below) indicates that since the beginning of the year the Fund has adopted a more aggressive stance, more than doubling its commitment of capital to large cap growth stocks, significantly decreasing its commitment to value stocks and small cap stocks and reducing cash to around 1 percent of total portfolio holdings.

Portfolio Returns for January 1, 2014 – March 31, 2014

FUND	PERIOD RETURN	RISK ADJUSTED PERIOD RETURN	PERIOD DIFFERENTIAL RETURN	RISK ADJUSTED PERIOD DIFFERENTIAL RETURN	BETA
Archway Investment Fund	0.60%	0.57%	-1.10%	-1.13%	1.05
S&P 500 Index	1.70%	1.70%	-	-	1.00

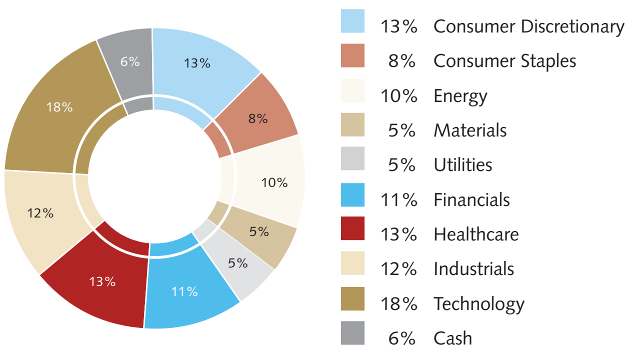
Morningstar Style Box

Market Capitalization	VALUE	BLEND	GROWTH
Large	22%	25%	34%
Medium	6%	5%	2%
Small	3%	0%	2%

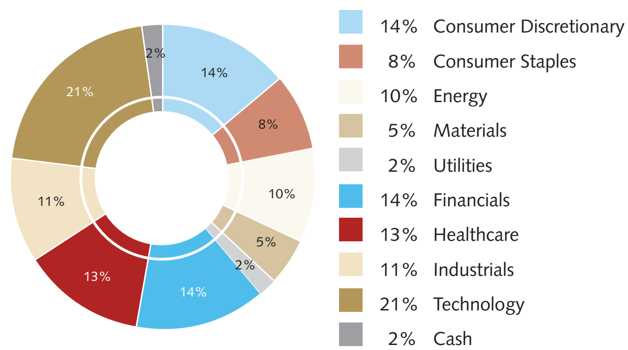
Valuation

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.

Archway Investment Fund Weightings December 31, 2013



Archway Investment Fund Weightings March 31, 2014



TRADES

DATE	TICKER	STOCK NAME	SECTOR	TRADE	QUANTITY	PRICE
2/11/14	BKE	Buckle Inc	Consumer Discretionary	Sell	310	$ 43.11
3/7/14	XLY	Consumer Discretionary Sector SPDR	Consumer Discretionary	Buy	353	$ 67.55
3/7/14	ASH	Ashland Inc	Materials	Buy	102	$ 97.66
3/7/14	SCL	Stepan Co	Materials	Sell	316	$ 62.16
3/7/14	XLB	Materials Sector Select SPDR	Materials	Buy	221	$ 47.91
3/4/14	DUK	Duke Energy Corp	Utilities	Sell	72	$ 70.01
3/4/14	NEE	NextEra Energy Inc	Utilities	Sell	222	$ 91.56
2/25/14	TGH	Textainer Group Holdings LTD	Financials	Sell	450	$ 37.04
2/25/14	BAC	Bank of America Corporation	Financials	Buy	1050	$ 16.43
3/7/14	XLF	Financial Sector Select SPDR	Financials	Buy	1465	$ 22.40
2/28/14	PETS	PetMed Express Inc.	Healthcare	Sell	914	$ 13.68
3/7/14	GILD	Gilead Sciences Inc.	Healthcare	Buy	200	$ 78.45
3/18/14	BECN	Beacon Roofing Supply Inc	Industrials	Sell	500	$ 39.14
3/18/14	BA	The Boeing Company	Industrials	Buy	100	$ 124.56

CURRENT ARCHWAY INVESTMENT FUND HOLDINGS (as of March 31, 2014)

PURCHASE DATE	TICKER	STOCK NAME	SHARES	BETA	PURCHASE PRICE	CURRENT PRICE	STOCK WEIGHT	HPR
Consumers Discretionary								
10/28/05	MCD	McDonald's Corp	206.56	0.27	$ 32.94	$ 98.03	2.30%	68.07%
9/29/11	JWN	Nordstrom Inc	180.00	1.56	$ 45.75	$ 62.45	1.28%	41.77%
10/30/12	BWLD	Buffalo Wild Wings Inc	148.00	0.92	$ 74.71	$ 148.90	2.50%	99.16%
3/26/13	HAS	Hasbro Inc	400.00	0.95	$ 43.84	$ 55.62	2.53%	29.56%
10/17/13	WYNN	Wynn Resort	109.00	2.45	$ 169.70	$ 222.15	2.75%	30.85%
3/7/14	XLY	Consumer Discretionary Sector SPDR	353.00	1.12	$ 67.55	$ 64.70	2.60%	-3.91%
Consumers Staples								
11/26/07	KO	Coca-Cola Co	477.19	0.47	$ 39.31	$ 98.03	2.10%	32.99%
11/13/09	PG	Procter & Gamble Co	191.00	0.46	$ 61.38	$ 62.45	1.75%	40.84%
4/23/10	GIS	General Mills Inc	323.00	0.15	$ 37.40	$ 148.90	1.90%	53.33%
11/21/10	MO	Altria Group Inc	503.16	0.49	$ 24.74	$ 55.62	2.14%	59.01%
Energy								
2/25/11	CVX	Chevron Corp	267.00	0.94	$ 100.76	$ 118.91	3.61%	-4.00%
9/29/11	HAL	Halliburton Co	353.00	1.73	$ 32.05	$ 58.89	2.36%	16.33%
3/26/13	SLB	Schlumberger Ltd.	205.00	1.60	$ 74.46	$ 97.50	2.27%	8.64%
10/24/13	TSO	Tesoro Corporation	331.00	1.84	$ 47.28	$ 50.59	1.90%	-13.09%
Materials								
5/13/09	PX	Praxair Inc	149.00	0.83	$ 73.80	$ 130.97	2.22%	1.22%
3/7/14	ASH	Ashland Inc	102.00	2.23	$ 97.66	$ 99.48	1.15%	1.86%
3/7/14	XLB	Materials Sector Select SPDR	221.00	1.40	$ 47.91	$ 47.28	1.19%	-0.91%
Utilities								
3/2/11	NEE	NextEra Energy Inc	71.00	0.38	$ 54.75	$ 95.62	0.77%	13.43%
2/14/12	DUK	Duke Energy Corp	150.00	0.19	$ 64.57	$ 71.22	1.21%	5.48%
Financials								
2/27/12	CB	Chubb Corp	250.00	0.54	$ 68.69	$ 89.30	2.54%	-7.07%
10/25/12	WFC	Wells Fargo Company	436.00	1.38	$ 34.33	$ 49.74	2.46%	10.22%
10/17/13	DFS	Discover Financial Services	380.00	1.30	$ 53.62	$ 51.88	2.51%	4.45%
12/10/14	FITB	Fifth Third Bancorp	415.00	1.86	$ 20.37	$ 22.96	1.08%	9.72%
2/25/14	BAC	Bank of America Corporation	1,050.00	1.86	$ 16.43	$ 17.20	2.05%	4.75%
3/7/14	XLF	Financial Sector SPDR	1,465.00	1.37	$ 22.40	$ 22.34	3.72%	0.12%
Healthcare								
8/18/11	COV	Covidien PLC	220.00	0.87	$ 49.26	$ 73.66	1.84%	8.63%
9/28/11	WLP	Wellpoint Inc.	301.00	0.64	$ 63.64	$ 99.55	3.41%	8.22%
9/28/11	ESRX	Express Scripts	341.00	1.30	$ 39.22	$ 75.09	2.91%	6.90%
3/27/13	UHS	Universal Health Services Inc.	300.00	1.57	$ 62.45	$ 82.07	2.80%	1.06%
12/10/13	CEL	Celgene Corporation	50.00	0.97	$ 170.51	$ 139.60	0.79%	-17.38%
3/7/14	GILD	Gilead Sciences Inc.	200.00	0.58	$ 78.45	$ 70.86	1.61%	-9.67%
Industrials								
3/7/11	FDX	FedEx Corp	240.00	1.50	$ 87.24	$ 132.56	3.62%	-7.69%
2/22/13	DLX	Deluxe Corp	495.00	1.69	$ 39.84	$ 52.47	2.95%	1.02%
10/10/13	UTX	United Technologies Corp.	225.00	1.14	$ 105.21	$ 106.25	2.99%	3.19%
3/18/14	BA	The Boeing Company	100.00	1.12	$ 124.56	$ 125.49	1.43%	1.55%
Technology								
12/23/09	GOOG	Google Inc. Cl A	30.00	1.15	$ 596.42	$1,114.51	3.80%	-0.55%
9/29/11	CTSH	Cognizant Technology Solutions Corp	788.00	1.33	$ 32.53	$ 50.60	4.53%	0.22%
11/7/11	IBM	IBM Corp	128.00	0.72	$ 173.29	$ 192.49	2.80%	3.13%
3/5/13	QCOM	Qualcomm Inc	350.00	1.09	$ 65.96	$ 78.86	3.14%	6.68%
2/24/14	VZ	Verizon Communications, Inc.	244.00	0.34	$ 47.50	$ 47.57	1.32%	4.20%
3/7/14	EQIX	Equinix, Inc.	92.00	1.22	$ 193.08	$ 184.84	1.93%	-4.27%
3/7/14	XLK	Technology Sector SPDR	868.00	1.01	$ 36.48	$ 36.35	3.59%	0.08%

Portfolio Managers
(L-R) Andrew Passias, Matthew MacGrotty, Nicolas Eceizabarrena, Ryan Niland

Consumer Staples and Discretionary

The Consumer Staples and Discretionary sectors have performed well through the economic recovery and there is ample opportunity for each industry. While one subsector may outperform the other in various economic conditions, the outlook for both sectors remains positive heading into the future. Although the market had a correction in February, the S&P 500 has continued to grow and the Discretionary and Staples sectors have joined that growth.

One of the risks that the Consumer Staples sector faces is higher input prices, which continue to put pressure on costs and drive down margins. Despite that, we have a positive outlook for the Consumer Staples sector due to the fact that the market is acting on a "flight to quality" approach, and quality is found within this sector. Also, the sector provides a defensive quality if the market were to ever face a downturn. We see this sector continuing to perform well as the overall economic environment improves through 2014.

Some of the risks for the Consumer Discretionary sector are lower prices and lower margins. It can be difficult for companies in this sector to increase prices, especially enough to offset the full increase in costs or during volatile economic times. 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 the economy continues to increase during the next six to 12 months, consumer spending could strengthen enough to negate the effects of rising costs.

Recent economic indicators have left us cautiously optimistic about the Consumer Discretionary sector. We have seen continuing decreases in the unemployment rate and consumer confidence is also continuing to improve. Over the next 12 months we believe increasing our holdings in this sector will be beneficial as companies in this sector tend to perform well during economic expansions.

Discretionary Sector Holdings

We are very optimistic about Hasbro for fiscal year 2014, we expect a major turnaround in their children's toy department. The company has contracts to manufacture products for four major movies that will be released during 2014. Buffalo Wild Wings (BWLD) is another holding that we believe has a lot of room for growth. This upcoming year they plan on opening 95 more stores and expanding their franchise overseas. BWLD recently acquired an ownership stake in PizzaRev, a fast-casual pizza company that has plans to expand its geographic reach by opening 12 new locations. We are confident that Wynn Resorts will benefit from the stronger consumer confidence levels and aging population set to travel during their retirement. We are temporarily invested in the Consumer Discretionary Sector SPDR as we are searching for a new stock to replace this holding. Nordstrom is a safer play in the competitive but growing retail business as their high-end customers are less sensitive to prices and make purchases based on fashion, which Nordstrom offers as they turn inventory much faster than their competitors. Finally, McDonalds should be held in our portfolio as an expanding global middle class should drive revenues more.

Staples Sector Holdings

General Mills and Procter & Gamble have consistently performed well and are considered stable value stocks. Both generate a consistent 3% dividend for the Fund, and have performed well during times of economic duress. We do not anticipate any extreme growth out of General Mills, however we do project a slight increase in price over the next year. Another favorable position held by the Fund is Altria Group, which pays a 5% dividend and is poised for growth with their E-Cigarette line of products. Coca-Cola also yields the portfolio a good dividend of 3.2% and their recent deal with Green Mountain Coffee Roasters (GMCR) is an incentive to hold (KO).

YTD Performance

Consumer Discretionary Benchmark: -2.78%
Consumer Discretionary AIF: 0.72%

Consumer Staples Benchmark: 0.26%
Consumer Staples AIF: -1.48%

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

Current Holdings as of March 31, 2014

SECTOR	PURCHASE DATE	TICKER	STOCK NAME	SHARES	PURCHASE PRICE	CURRENT PRICE	STOCK WEIGHT	PERIOD CHANGE	HPR
Discretionary	10/28/05	MCD	McDonald's Corp	206	$ 32.94	$ 98.03	2.30%	2.70%	68.07%
Discretionary	9/29/11	JWN	Nordstrom Inc	180	$ 45.75	$ 62.45	1.28%	1.59%	41.77%
Discretionary	10/30/12	BWLD	Buffalo Wild Wings Inc	148	$ 74.71	$148.90	2.50%	1.15%	99.16%
Discretionary	3/26/13	HAS	Hasbro Inc	400	$ 43.84	$ 55.62	2.53%	1.84%	29.56%
Discretionary	10/17/13	WYNN	Wynn Resort	109	$169.70	$222.15	2.75%	15.03%	30.85%
Discretionary	3/7/14	XLY	Consumer Discretionary Sector SPDR	353	$ 67.55	$ 64.70	2.60%	-3.88%	-3.91%
Staples	11/26/07	KO	Coca-Cola Co*	477	$ 39.31	$ 38.66	2.10%	-5.68%	32.99%
Staples	11/13/09	PG	Procter & Gamble Co	191	$ 61.38	$ 80.60	1.75%	-0.26%	40.84%
Staples	4/23/10	GIS	General Mills Inc†	323	$ 37.40	$ 51.82	1.90%	4.59%	53.33%
Staples	11/21/10	MO	Altria Group Inc	503	$ 24.74	$ 37.43	2.14%	0.02%	59.01%

*Stock split August 13, 2012
†Stock split June 09, 2010

Trades

SECTOR	DATE	TICKER	STOCK NAME	TRADE	QUANTITY	PRICE
Discretionary	2/11/14	BKE	Buckle Inc	Sell	310	$ 43.11
Discretionary	3/7/14	XLY	Consumer Discretionary Sector SPDR	Buy	353	$ 67.55

Securities Analysts
(L-R) Karli Theleman, David Ferraro, Kevin Dozois, Rachael Severino, Jimmy Adams, Mara Valenzuela

Portfolio Managers
(L-R) Alexander Witte, Stephen Diamond, Francesca DiGisi, Kevin Lynch, Not Pictured: Alexander Scelzo

Energy, Materials, and Utilities

Energy

Our outlook for the Energy sector is neutral. This is based on the stagnant global demand for oil and natural gas as Europe and China struggle to recover from their economic downturns.

Energy Holdings

Currently we hold Chevron, Schlumberger, Halliburton, and Tesoro. Chevron is held because of its international presence and vertical integration. This is a defensive holding that offers exposure throughout the energy industry. We hold Schlumberger because it makes large investments in R&D and technological advancements. This will drive their long-term growth as they continue to take advantage of their position as industry leader. Halliburton is held because of its success in hydraulic fracturing technology which is expected to play a large role as the U.S. seeks energy independence through natural gas. We hold Tesoro because of its aggressive acquisition strategy and ability to integrate the new companies into its core business strategy. This long-term competitive advantage will allow them continued growth.

Materials

We are overweight in the Materials sector, due to the strengthening global economy and opportunities that arise during recovery from the past recessionary years. Domestically, the abundance of natural gas has provided a cost effective alternative for industrial production. The improving United States economy will continue to be depicted through stronger consumer confidence, GDP growth, and increased industrial production. The slowing of global production has increased the supply of commodities in the past years, which negatively impacted this sector; however, recent economic indicators signal the beginning of a global recovery. Industrialization in emerging countries and the recovery of Europe provide future opportunities. The Materials sector does well during times of growth, as production increases and the demand for raw materials increases. Our overweight outlook for Materials focuses on the metals and specialty chemicals industries.

Materials Holdings

The Fund currently holds Praxair, which is an industrial gas supplier in North and South America. It has experienced tremendous growth since the Archway Fund purchased the security. Acquisitions and development in Latin America increases the Fund's emerging markets exposure and indicates future growth potential. Ashland Inc. manufactures and sells specialty chemicals that are used in consumer products and industrial applications. The fund has also invested in the Sector SPDR for the Materials sector while we look for more opportunities in the industry.

Utilities

Our outlook for the Utilities sector is currently underweight and we expect it to underperform as a result of macroeconomic and business cycle factors. Due to the highly regulated and capital intensive nature of the electricity utility industry, profit margins are often kept very low. However, as the industry shifts away from monopoly, competition is becoming an increasing threat to well-established, vertically integrated firms. With low volatility, large stable companies, and inelastic demand for goods, Utilities stocks are considered defensive holdings. Due to our positive and expansionary outlook on the domestic business cycle, we are shifting capital away from this sector. Exacerbating this further is the Federal Reserve's tapering of the bond buying program, which could prompt investors to shift capital from utilities equities as interest rates rise. Due to our negative outlook on this sector, we have reduced our holdings in both our positions.

Utilities Holdings

We currently hold Duke Energy, which will reduce volatility within the Fund as well as provide high dividend payments. Additionally, we hold NextEra Energy, which provides a diverse and efficient array of renewable energy assets and an attractive dividend yield. Both these companies are large, well-established, and dividend-producing, which should decrease our Fund's volatility while withstanding the lag in performance anticipated in the utilities sector in the coming year.

YTD Performance

Energy Sector Benchmark: 3.02%
Energy Sector AIF: -0.14%

Materials Sector Benchmark: 2.65%
Materials Sector AIF: -1.78%

Utilities Sector Benchmark: 3.56%
Utilities Sector AIF: 6.97%

"Although it's easy to forget sometimes,
a share is not a lottery ticket…
it's part-ownership of a business."
— Peter Lynch

Current Holdings as of March 31, 2014

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	$ 100.76	$ 118.91	3.61%	-4.00%	28.09%
Energy	9/29/11	HAL	Halliburton Co	353	$ 32.05	$ 58.89	2.36%	16.33%	86.66%
Energy	3/26/13	SLB	Schlumberger Ltd	205	$ 74.46	$ 97.50	2.27%	8.64%	31.82%
Energy	10/24/13	TSO	Tesoro Corporation	331	$ 47.28	$ 50.59	1.90%	-13.09%	41.30%
Materials	5/13/09	PX	Praxair Inc	149	$ 73.80	$ 130.97	2.22%	1.22%	16.48%
Materials	3/7/14	ASH	Ashland Inc	102	$ 97.66	$ 99.48	1.15%	1.86%	1.78%
Materials	3/7/14	XLB	Materials Sector Select SPDR	221	$ 47.91	$ 47.28	1.19%	-0.91%	-0.99%
Utilities	3/2/11	NEE	NextEra Energy Inc	71	$ 54.75	$ 95.62	0.77%	13.43%	77.58%
Utilities	2/14/12	DUK	Duke Energy Corp	150	$ 64.57	$ 71.22	1.21%	5.48%	12.09%

Trades

SECTOR	DATE	TICKER	STOCK NAME	TRADE	QUANTITY	PRICE
Utilities	3/4/14	DUK	Duke Energy Corp	Sell	72	$ 70.01
Utilities	3/4/14	NEE	NextEra Energy Inc	Sell	222	$ 91.56
Materials	3/7/14	ASH	Ashland Inc	Buy	102	$ 97.66
Materials	3/7/14	SCL	Stepan Co	Sell	316	$ 62.16
Materials	3/7/14	XLB	Materials Sector Select SPDR	Buy	221	$ 47.91

Securities Analysts
(L-R) Kyle Irving,
Veronica Eichmann,
Colton Faddish,
Chad Connor,
Not pictured:
Ernesto Arguello

Financials

The Archway Investment Fund currently holds positions in insurance, commercial banking, and payment services industries within the Financial sector. We are optimistic about the consumer finance, capital markets, investment banking, and commercial banking industries. With new legislation that has come about due to the 2008 financial crisis, we believe that banks that have successfully adopted these regulations are now able to continue growth into the future. One trend in the sector that we have tried to capitalize on is the aging population as baby boomers reach retirement age and are seeking financial advice as they are concerned about how they will maintain their current lifestyles through retirement. We have avoided the Real Estate Investment Trusts industry as we believe they pose a great risk in the market; we believe the portfolio will be able to find greater value in the previously mentioned industries.

Financial Sector Holdings

The Financial sector currently holds the Chubb Corporation (CB), Wells Fargo Company (WFC), Discover Financial Services (DFS), Fifth Third Bancorp (FITB), and Bank of America Corporation (BAC). The Chubb Corporation provides insurance to businesses and individuals around the world. Chubb generates the most revenue through its property and casualty segment and despite hits to the insurance sector from rising interest rate environment; the property and casualty insurance sub sector is poised to do well in 2014. Wells Fargo Company provides banking, insurance, investments, mortgage, and consumer and commercial finance through its stores, ATMs, the internet and other channels internationally. This year, it has become the world's largest bank in terms of market capitalization. Even throughout the low interest rate environment, they have been able to grow all three of their main businesses and flourish in the retail and consumer banking sectors, in addition to increasing performance associated with investment banking. Discover Financial Services is a direct banking and payment services company. DFS has seen gains over the years as growth within banking and credit cards continue to increase.

Portfolio Managers
(L-R) Jonathan LoBosco, Chika Okoro, Samantha Faille

Fifth Third Bancorp is a bank holding company providing banking and financial services, retail and commercial banking, consumer lending services, and investment advisory services. Its strong earnings growth, solid capital levels to aid expansion, and traditional commercial banking footprints in the Midwest position it for a profitable year. Our most recent purchase was Bank of America Corporation, which operates as a bank holding company providing banking and nonbanking financial services and products through its various subsidiaries. Bank of America, as one of the world's leading banks has seen an increasing net income and we expect that growth to continue. We also purchased the Financial Sector Select SPDR to obtain our target weighting for the financial sector based on our economic outlook.

> "When buying shares, ask yourself, would you buy the whole company?"
> — Rene Rivkin

YTD Performance

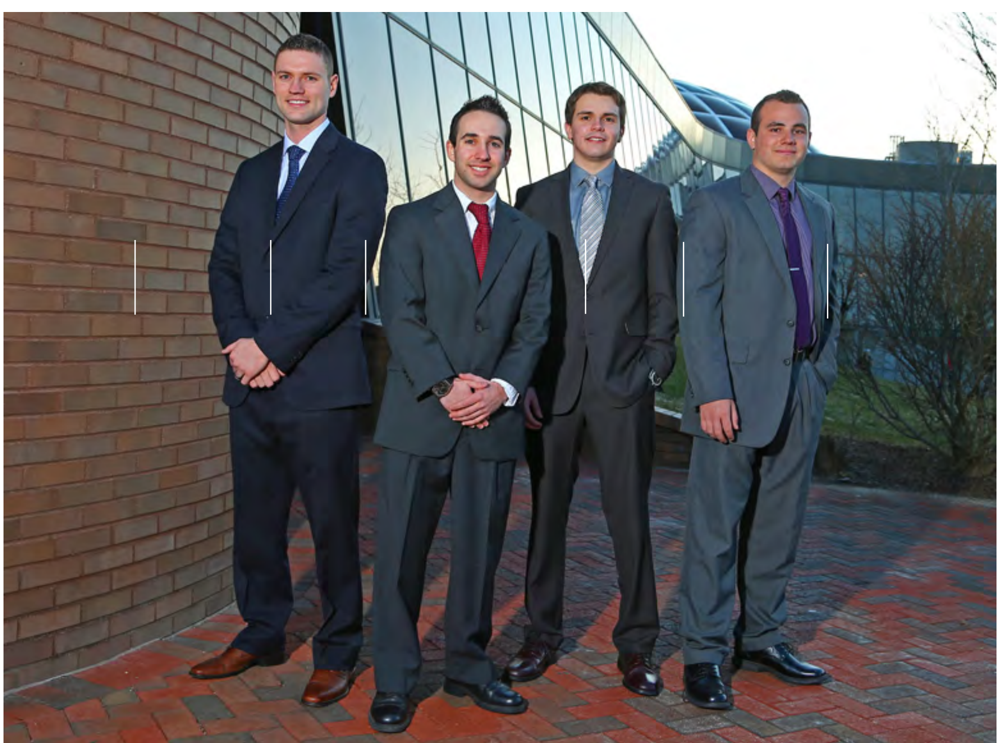
Financial Sector Benchmark: 2.71%
Financial Sector AIF: 1.86%

Current Holdings as of March 31, 2014

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	$ 89.30	2.54%	-7.07%	34.31%
Financials	10/25/12	WFC	Wells Fargo Company	436	$ 34.33	$ 49.74	2.46%	10.22%	48.02%
Financials	10/17/13	DFS	Discover Financial Services	380	$ 53.62	$ 51.88	2.51%	4.45%	8.86%
Financials	12/10/14	FITB	Fifth Third Bancorp	415	$ 20.37	$ 22.96	1.08%	9.72%	13.84%
Financials	2/25/14	BAC	Bank of America Corporation	1050	$ 16.43	$ 17.20	2.05%	4.75%	4.70%
Financials	3/7/14	XLF	Financial Sector SPDR	1465	$ 22.40	$ 22.34	3.72%	0.12%	0.10%

Trades

SECTOR	DATE	TICKER	STOCK NAME	TRADE	QUANTITY	PRICE
Financials	2/25/14	TGH	Textainer Group Holdings LTD	Sell	450	$ 37.04
Financials	2/25/14	BAC	Bank of America Corporation	Buy	1050	$ 16.43
Financials	3/7/14	XLF	Financial Sector Select SPDR	Buy	1465	$ 22.40



Securities Analysts
(L-R) Michael Foust, Benjamin Cahill, Kevin Cousineau, Andrew Buzzanca

Healthcare

The Affordable Care Act has claimed a majority of the focus in healthcare industry news and has been the center of a much-heated debate in Congress. But while the public and the media have been focused on the regulations and the changes being brought about by healthcare reform, we have decided to focus our attention to the tremendous opportunities that exists in other areas of the healthcare sector not as greatly influenced by the Affordable Care Act. We will be focusing on mitigating the weighting of holdings in the health services industry (Wellpoint & Universal Health Services Inc.), while increasing sector weighting in biotechnology, pharmaceutical and healthcare IT subsectors.

Healthcare Sector Holdings

The Healthcare sector currently holds five companies. Covidien PLC, which has been a strong holding for the Fund since 2010. Wellpoint Incorporated is a leader in the MCO, or managed care organization, subsector of the healthcare industry. This company has been one of our best performers and has strong financials, which will continue to drive the company's growth. Express Scripts Holding Company is a major pharmacy benefit management company in the United States. Its acquisition of Medco Incorporated in 2012 has helped grow the company's network and will continue to drive sales in the future. Celgene Corporation is an American biotechnology company that manufactures drug therapies for cancer and inflammatory disorders. Universal Health Services is a leader in the facilities subsector of the healthcare industry. We recommend a strong hold due to the increased stress on healthcare facilities, and the new patients that were introduced to the healthcare system from the Healthcare Reform Act. We decided to acquire shares of Gilead (GILD) because the company is the leader in the HIV drug market, and a newly approved drug for Hepatitis C called Sovaldi could diversify long term revenues. Many analysts believe that Sovaldi will become the leader in the Hepatitis C market. There is a sizeable population the suffers from Hepatitis C virus with an extremely low treatment population. The first 9 weeks Sovaldi sales were $484 million. We see huge upside potential in Gilead, and we recommend a long hold position.

Portfolio Managers
(L-R) Edward Broadhead, Nicola Dechamps, Matthew Nilson, Travis Shaw

Our strategy for producing alpha within our portfolio is to diversify our holdings to mitigate idiosyncratic risk. Currently the Healthcare sector is weighted at just over 13% of the portfolio and we believe that the AIF should stay committed to this weighting. We are looking to diversify our holdings at this point by including more biotechnology and healthcare IT holdings. Our holdings in those areas have seen positive performance since their addition to the portfolio but we feel that the volatility present in those areas at this time warrants a more defensive stance. On the other hand, our research into the Healthcare IT and Biotechnology sectors has shown increasing promise as to the benefits in these areas and potential for significant growth. The substantial growth of the Biotechnology sector over the past two years has brought it to a staggering value of $582 billion and moving well on its way to $600 billion. This would put the sector on par with the size of the investment banking industry, semiconductors, and utilities. Our research on companies such as Gilead (GILD) has shown the potential growth for stocks in this industry and with increasing pipeline investment and new product releases there are very large upsides. We believe the AIF will benefit greatly from the restructuring of the Healthcare sector by allowing the purchase of stocks with higher growth potential in industries that are experiencing lower volatility and high demand.

"Investors should always keep in mind that the most important metric is not the returns achieved but the returns weighed against the risks incurred. Ultimately, nothing should be more important to investors than the ability to sleep soundly at night."

— Seth Klarman

YTD Performance

Healthcare Sector Benchmark: 3.02%
Healthcare Sector AIF: -0.14

Current Holdings as of March 31, 2014

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	$ 49.26	$ 73.66	1.84%	8.63%	65.14%
Healthcare	9/28/11	WLP	Wellpoint Inc	301	$ 63.64	$ 99.55	3.41%	8.22%	41.24%
Healthcare	9/28/11	ESRX	Express Scripts	341	$ 39.22	$ 75.09	2.91%	6.90%	91.33%
Healthcare	3/27/13	UHS	Universal Health Services Inc	300	$ 62.45	$ 82.07	2.80%	1.06%	31.51%
Healthcare	12/10/13	CEL	Celgene Corporation	50	$ 170.51	$ 139.60	0.79%	-17.38%	-18.20%
Healthcare	3/7/14	GILD	Gilead Sciences Inc.	200	$ 78.45	$ 70.86	1.61%	-9.67%	40.41%

Trades

SECTOR	DATE	TICKER	STOCK NAME	TRADE	QUANTITY	PRICE
Healthcare	2/28/14	PETS	PetMed Express Inc.	Sell	914	$ 13.68
Healthcare	3/7/14	GILD	Gilead Sciences Inc.	Buy	200	$ 78.45

Securities Analysts
(L-R) Edoardo Castagna, Michael Bergamo, Alejandro Perez, Michael Roscoe

Industrials

We have a positive outlook for the Industrials sector. Consistent with domestic economic trends, we see railroads and air freight to be areas of opportunity. Industrial machinery OEM and MRO companies are also looked at favorably for 2014 as we expect expansion in production. Our overall outlook on emerging markets is neutral; however, commercial aerospace is positioned to perform well in both developed and developing economies. Performance in this sector tends to be cyclical in nature with links towards positioning in the economic cycle, and we take this into consideration when conducting equity research and we aim to uncover long-term prospects whose opportunities expand past current economic trends.

Industrial Sector Holdings

FedEx Corporation, through its four segments; FedEx Express, FedEx Ground, FedEx Freight, and FedEx Services, offers transportation, e-commerce, and business services globally. The growth of e-commerce has become a significant driver for FedEx Corporation. The projected growth is to reach $1 trillion in sales by 2016 and, in the United States, an increase of 42% by 2017. FedEx Corporation is developing relationships with companies like Amazon to have in-house distribution for swifter transportation to meet customer demand. Additionally, FedEx is seeking a competitive advantage with the marketability of SenseWare. The cutting-edge technology uses a small multi-sensor device which can transmit six key shipment variables to customers.

United Technologies Corporation provides a diverse portfolio of industrial goods that focuses on five core business segments. These segments include Otis, UTC Climate, Controls, & Security, Pratt & Whitney, UTC Aerospace Systems, and Sikorsky. UTX has long been a key member of the industrials sector since it was founded in 1934. United Technologies product offerings expand far beyond government contracts, and looking forward, we feel that the key drivers for their success are increased demand for aerospace products globally as well as international growth in building infrastructure, which will increase demand in UTX's Otis and HVAC segments.

Portfolio Managers
(L-R) Jacob Therien, Gerard Delannoy, Not Pictured: Tyler Holden and Tyler Vicente

The Boeing Company operates within the aerospace and defense industry as one of the leading manufacturers of aircraft to the commercial aerospace, space and security, and the defense markets. We decided to purchase Boeing largely due to their increasing plane production rates in unison with their expanding backlog. Another factor of interest deals their expansion into emerging markets. Our macro-economic outlook suggests that these markets, particularly the South-Pacific market will have a growing demand for aviation infrastructure once their economies modernize. Looking towards the domestic and developed markets, Boeing is also developing fuel efficient solutions for the established airlines whose primary expense is fuel.

Deluxe Corporation has three business segments; financial services, direct checks, and small business services. Our outlook for Deluxe is neutral, citing core operations are focused on check printing services. Their strategy to move into small business has been making movements in a positive direction regarding revenue growth and market exposure. In sum we feel Deluxe is making good progress with their small business services firm, however their strategy going forward regarding check printing needs to be closely followed.

YTD Performance

Industrial Sector Benchmark: 0.73%
Industrial Sector AIF: -1.93%

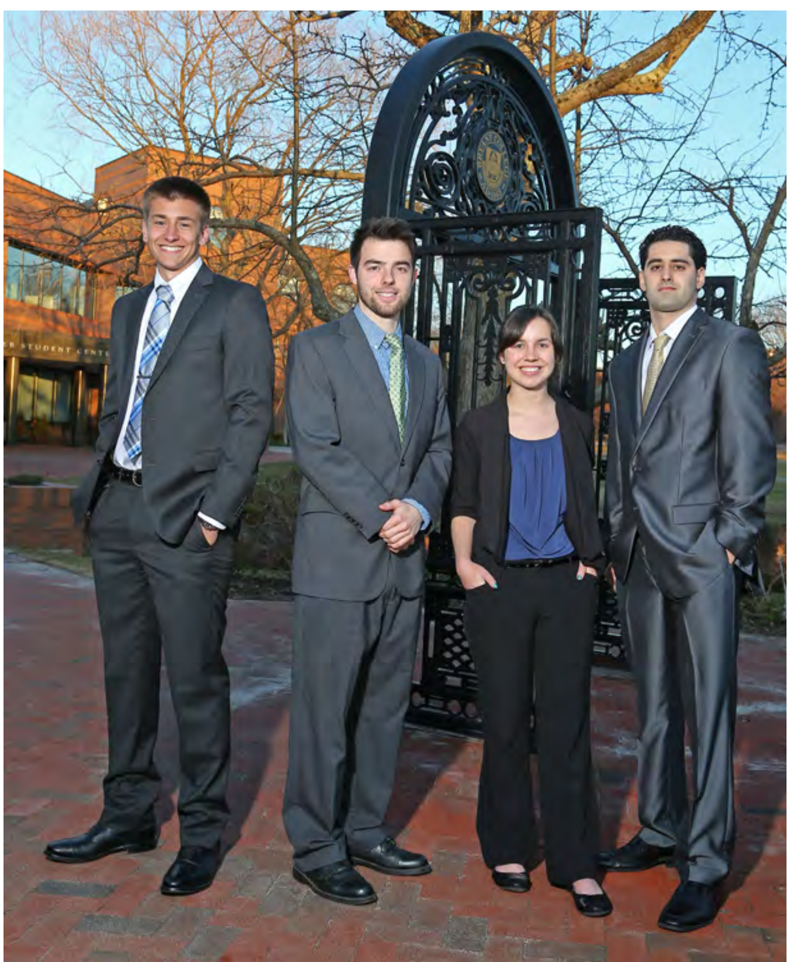
"I think you have to learn that there's a company behind every stock, and that there's only one real reason why stocks go up. Companies go from doing poorly to doing well or small companies grow to large companies."
— Peter Lynch

Current Holdings as of March 31, 2014

SECTOR	PURCHASE DATE	TICKER	STOCK NAME	SHARES	PURCHASE PRICE	CURRENT PRICE	STOCK WEIGHT	PERIOD CHANGE	HPR CHANGE
Industrials	3/7/11	FDX	FedEx Corp	240	$ 87.24	$132.56	3.62%	-7.69%	57.64%
Industrials	2/22/13	DLX	Deluxe Corp	495	$ 39.84	$ 52.47	2.95%	1.02%	13.00%
Industrials	10/10/13	UTX	United Technologies	225	$105.21	$106.25	2.99%	3.19%	11.57%
Industrials	3/18/14	BA	The Boeing Company	100	$124.56	$125.49	1.43%	1.55%	0.69%

Trades

SECTOR	DATE	TICKER	STOCK NAME	TRADE	QUANTITY	PRICE
Industrials	3/18/14	BECN	Beacon Roofing Supply Inc	Sell	500	$ 39.14
Industrials	3/18/14	BA	The Boeing Company	Buy	100	$ 124.56



Securities Analysts
(L-R) Tyler Pardee,
Connor Norat,
Emma Guinnessey,
David Rossi

Portfolio Managers
Sagar Parmar, Tyler Berry, Regina Castro, Matthew Leonard, Greg Lucente

Technology

The Archway Investment Fund currently holds positions in computer hardware, computer software, telecommunications, semiconductors, and IT consulting and services. We have a positive outlook for 2014 for the Technology sector overall and the sub sectors we are holding due to strong positive trends in four key areas with strong growth potential such as semiconductors, IT services and security, 3D printing, and data processing. As a result, we overweighted the sector by approximately 1% compared to S&P 500.

In cloud computing, NetAdvantage expects annual public investment to grow to $11.3 billion by 2016, a 68% increase from current levels. The revenue growth for cloud computing is expected to be even more lucrative, with growth from $40 billion to over $98 billion. We believe that data processing, IT services, and security are areas that will greatly benefit from the trend of cloud computing. As for 3D printing, Gartner forecasts the rate of growth to rise to 75% in 2014, fuelling shipments of 98,065 units for sub-$100,000 3D printers alone. Lastly, the shift in recent years to mobile computing and smart devices leaves much growth in the semiconductor subsector, especially in emerging markets. World Semiconductor Trade Statistics (WSTS) predicts positive worldwide semiconductor sales growth of 4.1% in 2014 and 3.4% growth in 2015 with the greatest opportunities in wireless and automotive products. We believe that these sectors will give the Archway Investment Fund the best chance of beating the benchmark S&P 500 going forward in 2014.

Technology Sector Holdings

The Technology sector currently holds five securities that we feel strongly about for future growth. One of our holdings is IBM, a technology titan that has a diversified array of services that extends to multiple sub-industries. The sell-off of its declining hardware sector to Lenovo is viewed as a positive as they are now focusing on higher margin software, security, analytics, and cloud services. We believe that IBM will continue to grow as a company and provide strong dividend growth. This is evident by IBM's objective of obtaining a $20 EPS by 2015. Thus, we will continue to hold IBM until we believe it is trading at its intrinsic value.

Another holding is Qualcomm, a semiconductor company that has a history of innovation with mobile devices and several hardware products. Qualcomm invests heavily in future products and has been ahead of its competition with high quality semiconductors. Over the past four years, Qualcomm has favored development LTE networks, which is an improved extension of 3G networks to make it comparable to 4G without the added strain on power consumption. The company has also positioned itself to begin capturing low end smartphone markets by releasing a low cost 4G LTE chip that can be utilized in cheaper models of smartphones. Both of these developments bode well for Qualcomm's future in developing markets. With this forward-looking mindset regarding the future of their competitive landscape, Qualcomm continues to be an important holding of the AIF.

Google has maintained its leadership position in online advertising for several years. The biggest driver of the company's revenue, Google AdWords, is its main advertising product. Google also improved the algorithm that its search engine uses in order to provide more detailed results and has been utilizing image-based advertisements, which are proving more valuable to advertisers than the company's standard text ads. In addition, Google's Android is dominant in the smartphone market and has built up an enormous ecosystem around it. As a result, we believe that Google will continue to grow and maintain its leadership position in advertising arena.

Cognizant is a leading provider of IT services, consulting, and business process outsourcing around the globe. Cognizant has been able to help Fallon Health Partners to develop a new online quoting tool called QuoteNow that facilitates quoting, underwriting, rating and streamlining applications. Fallon Health has become the first Massachusetts health insurer to provide quotes for merged market plans mandated by the Affordable Care Act (ACA). If Cognizant succeeds in Massachusetts, there is a great opportunity to expand into other states and drive the company forward. We expect Cognizant to beat the analysts' projections in 2014.

Equinix (EQIX) facilities function as neutral hubs at which companies can become part of an ecosystem that is otherwise not available. EQIX currently operates 100 data centers across 15 countries. Each company renting space at an EQIX data center has the ability to directly connect to any other tenant thus reducing latency. It leads the industry in market share and has a 48% gross margin. EQIX has a network effect due to the number large telecom networks they were able to receive thus compelling other companies to do business with them. This all leads us to our conclusion that EQIX is a strong company and is able to generate alpha for our portfolio.

Lastly, we sold Vodafone, a British multinational telecommunications company; however we received 244 shares of Verizon Communications Incorporated, an American broadband and telecommunications company through the recent Vodafone/Verizon deal. We are in the process of evaluating Verizon and deciding whether or not it provides enough alpha for our portfolio.

"Risk comes from not knowing what you're doing"
— Warren Buffett

YTD Performance

Technology Sector Benchmark: 2.37%
Technology Sector AIF: 1.78%

Current Holdings as of March 31, 2014

SECTOR	PURCHASE DATE	TICKER	STOCK NAME	SHARES	PURCHASE PRICE	CURRENT PRICE	STOCK WEIGHT	PERIOD CHANGE	HPR CHANGE
Technology	12/23/09	GOOG	Google Inc Cl A	30	$ 596.42	$ 1,114.51	3.80%	-0.55%	102.18%
Technology	9/29/11	CTSH	Cognizant Technology Solutions Corp*	788	$ 32.53	$ 50.60	4.53%	0.22%	60.14%
Technology	11/7/11	IBM	IBM Corp	128	$ 173.29	$ 192.49	2.80%	3.13%	8.51%
Technology	3/5/13	QCOM	Qualcomm Inc	350	$ 65.96	$ 78.86	3.14%	6.68%	20.96%
Technology	2/24/14	VZ	Verizon Communications, Inc.	244	$ 47.50	$ 47.57	1.32%	4.20%	2.90%
Technology	3/7/14	EQIX	Equinix, Inc.	92	$ 193.08	$ 184.84	1.93%	-4.27%	24.04%
Technology	3/7/14	XLK	Technology Sector SPDR	868	$ 36.48	$ 36.35	3.59%	0.08%	0.05%

*Stock split August 13, 2012

Trades

SECTOR	DATE	TICKER	STOCK NAME	TRADE	QUANTITY	PRICE
Technology	2/24/14	VZ	Verizon Communications, Inc.	Spin Off	244	$ 47.50
Technology	3/4/14	VOD	Vodafone Group PLC	Sell	506	$ 41.40
Technology	3/7/14	EQIX	Equinix, Inc.	Buy	92	$ 193.08
Technology	3/7/14	XLK	Technology Sector SPDR	Buy	868	$ 36.48

Securities Analysts
(L-R) Andrew Langellier, Sam Duffy, Ines Terki Hassaine, Tiago Marinho, Mike Doran

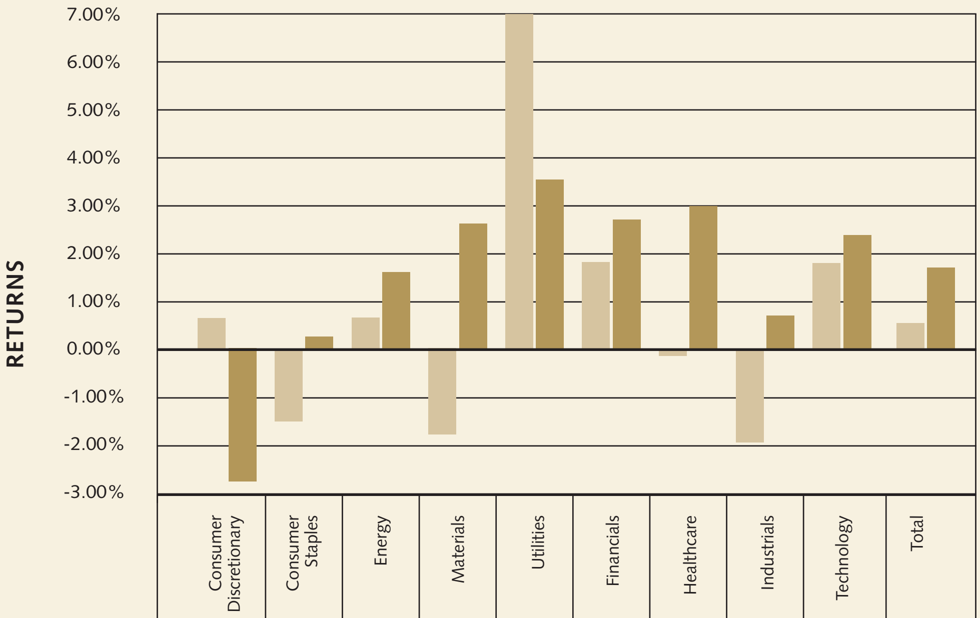
SUMMARY OF SECTOR PERFORMANCE

This is our risk adjusted performance broken down by sector, compared to the benchmark of each sector SPDR. Throughout the semester we were able to decrease our cash holding by investing in new opportunities.

Sector Risk Adjusted Performance

SECTOR	AIF BETA	BENCHMARK BETA	AIF WEIGHTS	BENCHMARK WEIGHTS	AIF PERIOD RETURNS	BENCHMARK PERIOD RETURNS	AIF PERIOD RISK ADJUSTED RETURNS	BENCHMARK RISK ADJUSTED RETURN
Consumer Discretionary	1.21	0.86	7.89%	12.26%	0.72%	-2.78%	0.59%	-3.23%
Consumer Staples	0.39	0.42	13.96%	9.50%	-1.48%	0.26%	-3.77%	0.62%
Energy	1.53	1.20	10.15%	9.98%	0.71%	1.60%	0.47%	1.33%
Materials	1.49	1.20	4.56%	3.54%	-1.78%	2.65%	-1.20%	2.21%
Utilities	0.29	0.15	1.99%	2.99%	6.97%	3.56%	24.47%	23.73%
Financials	1.39	1.12	14.37%	16.53%	1.86%	2.71%	1.35%	2.42%
Healthcare	0.99	0.65	13.36%	13.39%	-0.14%	3.02%	-0.14%	4.65%
Industrials	1.25	0.96	10.98%	10.61%	-1.93%	0.73%	-1.54%	0.76%
Technology	0.98	0.74	21.11%	21.20%	1.78%	2.37%	1.82%	3.20%
Cash	0.00		1.65%					

Sector Returns Comparison



	Consumer Discretionary	Consumer Staples	Energy	Materials	Utilities	Financials	Healthcare	Industrials	Technology	Total
AIF	0.72%	-1.48%	0.71%	-1.78%	6.97%	1.86%	-0.14%	-1.93%	1.78%	0.60%
Sector SPDR	-2.78%	0.26%	1.60%	2.65%	3.56%	2.71%	3.02%	0.73%	2.37%	1.70%

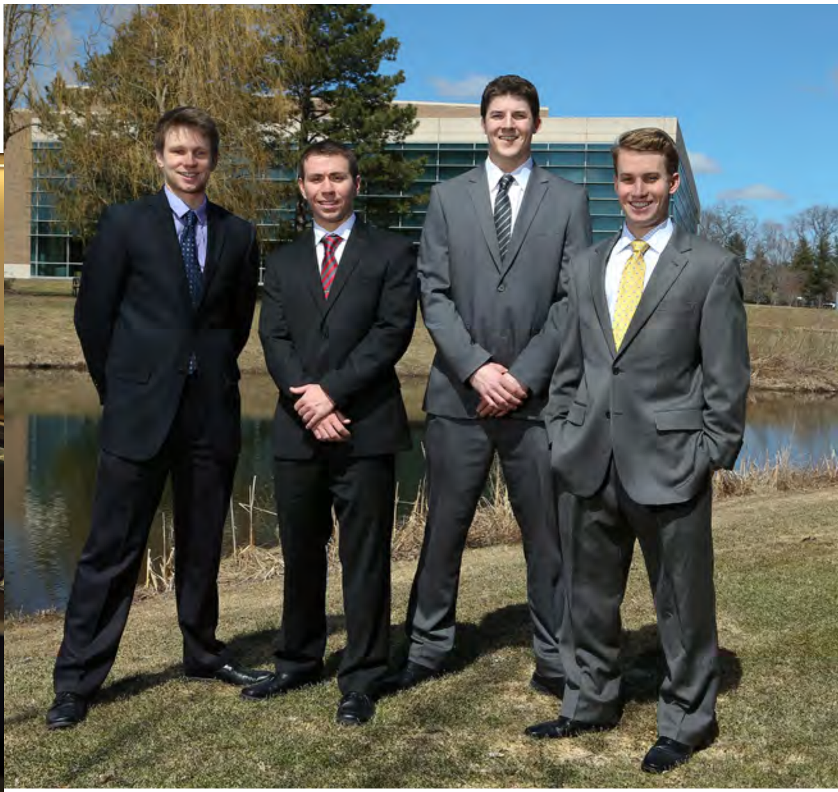
STATEMENT OF OPERATIONS

January 1, 2014 through March 31, 2014			
Income:			
Dividends	$ 9,433.04		
Interest	$ 1.20		
Expenses:			
Foreign Taxes	$ 0.00		
Trading Costs & Fees	$ 151.44		
Net Investment Income:			$ 9,282.80
Realized Gain (Loss) on Investments:			
Proceeds from Securities Sold	$ 128,065.58		
Cost of Securities Sold	$ 123,389.17		
Net Realized Gain (Loss) on Investments		$ 4,676.41	
Net Increase (Decrease) in Unrealized Appreciation on Investments:			
Market Value of Holdings as of March 31, 2014	$ 879,904.50		
Market Value of Holdings as of December 31, 2013	$ 888,585.96		
Increase (Decrease) in Net Unrealized Appreciation:		$ (8,681.46)	
Net Realized Gain (Loss) and Increase (Decrease) in Net Unrealized Appreciation:			$ (4,005.05)
Net Increase (Decrease) in Assets Resulting from Operations:			$ 5,277.75

(L-R) Gerard Delannoy, Sagar Parmar, Samantha Faille, Andrew Passias

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. In addition, the committee has been working on uploading the transactions from January 2014 into S&P Capital IQ.



(L-R) Matthew Nilson, Greg Lucente, Matthew MacGrotty, Ryan Niland, Not Pictured: Tyler Holden

Compliance Committee

The Compliance Committee is responsible for ensuring the Archway Investment Fund holdings remain compliant with the Investment Policy Statement. The committee continuously tracks the Fund's exposure compared to the S&P 500 benchmark. By understanding the Investment Policy, we make sure sector weightings, market capitalizations, beta, international exposure, and cash balance remain in line with our statement. Through updating our Google Documents for each transaction made, we can accurately track our position, and make recommendations to portfolio managers as needed.

(L-R) Edward Broadhead, Matthew Leonard, Jacob Therien, Nicolas Eceizabarrena, Not Pictured: Alexander Scelzo

Macroeconomic Committee

The Macroeconomic Committee is responsible for keeping the class aware of changes taking place in the global economy. It is important for the committee to be aware of changes in GDP growth, employment, interest rates, inflation, the housing market, business and retail spending, and other indicators which could adversely affect our investment decisions. Throughout the semester, the committee has provided updates on relevant global and domestic occurrences that may affect our current holdings or investment opportunities. We also researched global market conditions on an ongoing basis to ensure our portfolio guidance is accurate.

(L-R) Jonathan LoBosco, Francesca DiGisi, Tyler Berry, Alexander Witte, Chika Okoro

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 prospective 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. In addition, we created awareness for the Financial Services Forum, through our LinkedIn page.

(L-R) Travis Shaw, Nicola Dechamps, Kevin Lynch, Regina Castro, Stephen Diamond

Reporting Committee

The Reporting Committee designs and creates the Archway Investment Fund Semi-Annual 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.

G.A.M.E. Forum

Quinnipiac University hosted the Fourth Annual Global Asset Management Education (G.A.M.E.) Forum in New York City on March 20 through 22 of 2014. The Forum brought together more than 1000 students and faculty from over 130 colleges and universities across 23 countries. All students who participated in the G.A.M.E. Forum have had an experience managing a portfolio, either in the classroom or school sponsored club. This year the Archway Investment Fund sent 16 students from Portfolio Management and Securities Analysis classes, along with Professor Louton and Professor Dowling to attend the Forum. During the three day conference, students were able to visit panels and seminar sessions led by professionals in financial industry. Students attended variety of different panels, ranging from macroeconomic topics to risk management, fixed income, and career paths in investments field.

In addition, a team of Bryant students presented the Archway portfolio to a panel of finance professionals. Students discussed the economic outlook, investment objectives, and performance of the portfolio in 2013. Outside of the Forum, students were able to meet with Bryant alumni and gain insights into their experiences in the industry. Part of the trip included visiting Levin Capital and learning about career strategies and gain first-hand experience on daily operations within the hedge fund. Attending the G.A.M.E Forum was a highly beneficial experience that went beyond traditional classroom structures.

(L-R) Francesca DiGisi, Jacob Therien, Colton Faddish, Greg Lucente, Jonathan LoBosco, Regina Castro, Samantha Faille, Kevin Cousineau

Financial Services Forum

The 9th annual Financial Services Forum encompassed two compelling and timely panel discussions, remarks from keynote speaker Ian Baker, and the Archway Investment Fund Presentation. This year's Forum was special because all panelists were Bryant alumni returning to share their knowledge and experiences that they have gained since graduating Bryant University. The first panel addressed the impact of changing interest rates. Highly regarded alumni from the fields of finance, banking, and financial services discussed the topic, offering a variety of perspectives gained through their unique experiences.

Bryant's seasoned alumni panelists were able to contribute wide-ranging outlooks of significant current market trends and advance understanding of future trends we may see, now that the Federal Reserve Bank indicates it will continue to pull back on quantitative easing.

Keynote speaker Ian Baker, Senior Vice President of Derivatives and Risk Management at Pyramis Global Advisers, a unit of Fidelity Investments, delivered a thought provoking speech on aspects of investments that he believes our generation of Bryant students will need to tackle as we enter the business world. He warned to remain vigilant to prevent groupthink, and to challenge old methods. He also stated that teams need group members with diverse skill sets and perspectives in order to be fully successful. Baker's valuable insights resonated strongly with many of the Forum participants, as it reminded us to remain true to our core values. The Forum concluded with a presentation of the Archway Investment Fund by Portfolio Managers Jacob Therien, Regina Castro, Francesca DiGisi, and Samantha Faille.

(L-R) Gerard Delannoy, Andrew Passias, Samantha Faille, David Louton, Nicola Dechamps, Jacob Therien, Francesca DiGisi, Kevin Lynch, Regina Castro

Throughout the semester, the Archway Investment Fund students meet each Thursday night for a joint session. At the beginning of the semester, the Portfolio Managers present macro and sector strategy ideas in this meeting; as well as the occasional stock pitches. As the semester progresses, the Security Analysts begin to take a more active role and use this forum to present their own stock pitches.

The 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 other special events.

Speakers

J. Steven Cowen '69
Cowen and Associates

Robert Clark '97
Equity Analyst, Lord Abbett

John DelVecchio '98
Co-founder and Co-manager, Active Bear ETF

Brett Lousararian '07
Director, Babson Capital

Jennifer Schwall '11
Executive Director, Cherrystone Angel Group

Eric J. Bertand '94
Managing Director, EJB Capital Management

Jerome Fusco '06
Equity Analyst, Citigroup

Michael Leonard '12
Equity Research Associate, Cowen and Company

Jack Murphy '84
Senior Portfolio Manager, Levin Capital Strategies

Stephen Tully '98
Head of U.S. Institutions, Cantillon Capital Management

Geoffrey Cornell '93
Deputy Chief Investment Officer, American International Group

Damon DelMonte '95
Senior Vice President, Keefe, Bruyette &Woods

James Gallant '07
Research Analyst, Fidelity Investments

Frank Guest '06
Portfolio Manager, Hartford Investment Management

Sarah McDonnell '07
Vice President, BNP Paribas

Thomas Tzitzouris '99
Director, Strategas Research Partners

Alexander Walsh '09
Associate Analyst, Wells Fargo Securities


1863
EXPANDING
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