Fall 2013

The Archway Investment Fund Semi Annual Report, Fall 2013

Bryant University, Archway Investment Fund

The Archway Investment Fund

Bryant University

Semi-Annual Report • FALL 2013

MESSAGE FROM PRESIDENT AND MRS. MACHTLEY

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 (now over $750,000) 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 now totals more than $820,000.

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, CFA, Maura Ann Dowling, CFP

This fall 2013 Archway Investment Fund period was focused on the kind of collaboration the portfolio managers in Finance 454 and securities analysts in Finance 450 would demonstrate in an organizationally astute financial firm. We asked ourselves how will we provide the experience to empower our students to act on evidence-based investment opinions before they would be validated or invalidated by the market? Five years after the 2008 crisis heralded by the collapse of Lehman Brothers we ask ourselves *"what are the lessons we wish to impart through the blend of academic inquiry, and values-led professional practice?"*

The portfolio managers were focused on the companies and sectors while developing a depth to their management that encompassed macroeconomics, sector strategy leading to benchmarked return, and formal reporting. October didn't disappoint in presenting the students with the capital markets' challenges of the third quarter earnings season combined with a government shut down!

The portfolio managers assigned companies to the securities analysts for research and reporting. The securities analysts were encouraged to meet with their manager colleagues in order to understand their newly crafted investment objectives for the semester. These interactions helped the securities analysts 'get up to speed' quickly as well as learn more about the portfolio. The securities analysts were focused on learning about finding companies for investment in a portfolio, rather than finding a stock to trade.

We met weekly to discuss what we were observing in the portfolio managers' and securities analysts' meetings. Of course this caused us to reflect on our own educational experiences as professionals and years ago as university students.

Finance 454: For the portfolio managers and Maura the daytime meetings meant learning by creating objectives, managing the sectors, and discussions of portfolio composition. Thursday evenings were a time to learn from visiting professionals and make formal presentations to the securities analysts. For managers, there were the added lessons of quality communication with their analysts and preparing them to take over their roles in the coming semester. And perhaps most compelling, the managers had to chart a course for the portfolio, carry it out, report to the Bryant community the state of this education fund and then pass it on to their colleagues. This is very different in nature to the stock market games that are used to begin to familiarize students with the capital markets where it's all about absolute return and stewardship and succession aren't part of the exercise.

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Finance 450: For the securities analysts and Peter, this was their first exposure to participating in the Archway Investment Fund. As such, they faced a significant learning curve: Peter had never taught a class and the students had never analyzed a stock! Early on in the semester Peter recognized that he had the equivalent class time of one full work week to teach the students all they needed to know about analyzing a stock. This presented quite a challenge for Peter and the students. As such, he adjusted the semester timeline and assignments.

An important aspect of teaching is the practice of patience in allowing the student the time and a supportive environment to work some things out for themselves, noticing when is the right time to introduce a new concept to build on deepening understanding of the paradoxes of investment management. One sector in the portfolio held a spin-off company and the sector managers attempted to study the new company and found there was little information. This new company didn't meet the hold, sell or buy criteria they had laid out for themselves. In essence this company presented a different kind of reasoning for them. They chose to sell based on the fact that they had no evidence that it met their hold criteria.

We would like to think that our lectures are most important, but we both came to the conclusion that student presentations provided some of the most important 'discussions' in class. The presentations force the students to distill all they have learned about a stock (and how to analyze a stock) into five minutes. As they go through the process of practically applying what they have learned, they naturally uncover those areas in which they have acquired knowledge and those areas in which they are deficient—and seek out guidance from us and their classmates (both through group work and by observing their classmates' presentations).

Watching the students work out a portfolio decision in class discussion is rewarding. The portfolio managers worked out their own decision about implementing the 5% holding limit for a position fairly early in the semester. And while this could have been cut down to two minutes just to be carried out, the twenty minute discussion impacted the learning of all of the managers over the long term.

The securities analysts gained a good understanding of the portfolio because they were required to write reports on existing holdings —assigned by the portfolio managers. We can become preoccupied with buys and sells when really a portfolio is a group of holdings that meet a particular investment discipline encompassing an investment time-horizon. The portfolio managers gained respect for their developing definition of investment for themselves, for the policy set forth by the Fund and to recognize that speculation is a different activity altogether.

We hope we have instilled into the portfolio managers and securities analysts that their investment opinions matter—but you must do the work to back up your opinions. Investing is a process—and includes as much art as it does science. The most gratifying aspect of teaching these courses is watching the students practice something in a new way and as a result they grow in confidence and determination.

Maura Ann Dowling, CFP   Peter R. Phillips, CFA

LETTER FROM THE EXECUTIVE COMMITTEE

(L-R) Kyle Creedon, Adrian Bialonczyk, Michael Catanzariti, Christian Russo, Stephanie Lizardi

The Archway Investment Fund's portfolio was managed by a group of 19 students this Fall semester in which were able to gain real world experience in an academic setting. The format of the Portfolio Management class is set to resemble a work meeting, much different than the classroom setting of the Securities Analysis class. The real-world business atmosphere has consistently proven to be an underlying lesson and another component that makes the Archway Investment Fund such a valuable learning experience.

Upon entering Portfolio Management, our class was solely focused on harvesting price fluctuations by buying and selling securities. We were aware of the specific stocks we owned but didn't quite understand what exactly it was we were holding. After several meetings with Maura Dowling, we quickly began to learn what it really meant to hold a stock, and why understanding holdings is so crucial to portfolio management. This taught us to understand the business and what drives both the top-line and bottom-line. This was a critical phase in the learning experience.

One of our first tasks as a group was to formulate the investment objective for the Fund. By analyzing the portfolio, we noticed some compliance related issues that we felt needed to be addressed throughout the semester. Such areas included our weighting in international exposure and in mid-cap stocks. We felt as though the Fund was not properly diversified in these areas and that it was our job to screen for stocks accordingly.

We found it important to maintain the integration between the Security Analysts and the Portfolio Managers both in and out of the classroom. We feel as though this connection between the two classes is essential to the success of the Fund. In addition to outside collaboration, we devoted the first few Thursday night classes to helping the securities analysts get started and understand the Fund. Keeping the analysts informed at all times allows them to better understand the Archway Fund as a whole, ultimately helping them make a smooth transition to Portfolio Management. This will allow them to make the proper and informed decisions on the Fund's holdings as they create their own investment styles.

The guest speakers added another element of real-world experience to the classroom. By listening to their personal experiences in the field and asking questions, we were able to deepen our understanding of the market and ourselves as investors. The speakers' looked at our portfolio from a different angle and sometimes made us question our most firm beliefs, which was helpful to us. Here we gratefully thank all who took the time to visit our class to share your experiences and insights. The knowledge you supplied us with was incredibly valuable and truly helped us.

Investment Objective

The goal of the Archway Investment Fund portfolio is to produce a higher risk-adjusted return on our holdings than the S&P 500 benchmark. Our time horizon is based on the assumption that the Fund will continue growing at a sustainable rate for the use of future classes as a learning experience about investing. To measure return compared to our benchmark we use the Sharpe ratio, creating a risk-adjusted performance percentage. In the past, the Fund's goal has been to focus on value investing, but many portfolio managers have executed core strategies. 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 positive 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 outlook, 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.

When we believe a business meets these criteria exceptionally well, we then apply a quantitative analysis 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 construct target prices.

"I will tell you how to become rich. Close the doors. Be fearful when others are greedy. Be greedy when others are fearful."
— Warren Buffett

Investment Strategies

International Exposure: We see opportunity in international equities, and would like to increase the Fund's exposure in this area. Over this period, we agree that it is necessary to grow the weighting of this segment in the portfolio to 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 when investing in international equities, as we feel more comfortable investing in areas with more established economies at this time. We do not want to be handcuffed when it comes to future opportunities, so it will be necessary to revisit emerging economic opportunities on a case-by-case basis.

Options: We will make use of covered calls for two purposes. First, selling covered calls will generate additional income, which will boost our return. Second, selling covered calls will reinforce our sell discipline. It is also important to realize 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 winter break 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 as a group 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 for that company. 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 one holding in the portfolio.

Fixed Income: This period, we do not plan on investing in fixed income securities even though they can be utilized to help balance our portfolio. We are only permitted to invest in mutual funds and ETF's. Our main focus will be in equities instead of fixed income. We do want to keep the option open for possible fixed income investments for this period and the future; however, because of the rising rate environment, we do not expect to purchase these securities currently.

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

GLOBAL ECONOMY

The global economy has seen a slight increase in growth over the past year. The Eurozone is recovering from the European Debt Crisis, and the effects of the recession continue as GDP growth for Europe increases by 0.3% for the second quarter of 2013. Major countries such as Germany and France have contributed to this growth, as both economies continue to expand and face higher levels of demand. However, overall demand growth in the Eurozone has only increased slightly, as the economies continue to face a slow recovery. Southern European countries such as Spain, Italy, Greece, and Cyprus are still struggling to rebound which has put an immense amount of resistance on the recovery process. Southern countries are still facing high levels of unemployment which continues to put stress on productivity growth and is also creating political and social unrest. Trade surpluses in the Eurozone continue to persist, while inflation remains flat at 1.6% as the central bank maintains low interest rates for extended periods. With continued monetary easing and improving credit market conditions, the Eurozone should return positive growth in 2014.

The bond buying program in Japan remains strong under Prime Minister Abe's coalition. This form of quantitative easing targets a 2% inflation rate as the policy continues to reflate asset prices. Along with this program under the new regime are structural reforms in education and health and changes in tax policies which will help stimulate growth in Japan for the next year.

In China GDP growth has fallen short of estimates and has decreased to 7.5% for the second quarter of 2013. China has also faced a decrease in exports; however, they still maintain a large trade surplus. Due to the weak housing system under the Hukou system the government of China is engaging in several structural reforms and economic reforms to better control the current monetary risks. The Purchasing Managers Index (PMI) continues to pass the 50 point threshold as China increases investment in infrastructure.

Emerging economies show signs of slow growth as inflationary problems nag countries such as Brazil, India and Indonesia. The governments of these economies face large current account deficits and are influenced by the slow demand in Europe, and lower commodity prices. Looking forward the IMF estimates global growth to increase to 3.6% in 2014 as compared to 2.9% in 2013. This increase in growth is expected to be driven by a higher level of demand in Europe as it recovers and structural reform in emerging economies. However, a downside to this growth is increased fiscal stress in the US, the tapering of QE 3 and commodity price risks. Despite the risks and slow growth, we expect some momentum in growth in Europe and emerging economies which will stimulate the development of the global economy over the next couple of years.

UNITED STATES ECONOMY

The U.S. economy is recovering at a slow pace in 2013. Expectations for the coming year are that the economy will continue to rebound from the recession but at a very gradual rate. Overall, the outlook for the U.S. economy is positive. However, investors must be careful to temper excitement regarding the bullish stock market and should remain cautiously optimistic with regard to economic conditions.

In terms of GDP, growth has slowed in the second half of 2013 as a result of the government shutdown and is expected to be about 1.5% for 2013. However, consumer and business confidence are expected to strengthen in the upcoming months and GDP growth is expected to be about 2.7% for 2014. However, there are concerns about another potential government shutdown in February when Congress will decide whether or not to raise the debt ceiling again.

For employment, slowing job growth is a negative sign for the economy. September's job numbers were lower than expected. While the unemployment rate has fallen to about 7.2%, this number does not take into consideration the number of Americans who are giving up the search for work and leaving the job market. However, average hourly earnings have increased 2.1% in the past year, more than the 1.5% inflation rate. As a result, this has led to an increase in real income. Overall, improvement in jobs numbers is expected to be gradual in the coming months.

In terms of interest rates, the Federal Reserve has decided that economic growth has not improved enough to taper the $85 million per month bond-buying program. The Fed has not released a timeline as to when the tapering will begin but has promised to keep short term rates low until 2015. However, there is upward pressure on long-term interest rates, though they remain at historic lows. The 10-year Treasury rate is expected to rise to 3.3% before the end of the year. Large spikes in long-term interest rates are unlikely in the coming months as policymakers are working to keep rates low until the economy is strong enough to bear higher rates.

With regard to inflation, the Consumer Price Index (CPI) rose to 1.5% in the past 12 months and the Core CPI, which does not include food and energy prices, rose to 1.8%. There is limited

upward pressure on prices and the inflation rate is not expected to rise beyond 2% in 2014. Federal Reserve policymakers have raised concerns that the rate of inflation is not rising fast enough to support steady economic growth. Additionally, there have been some concerns about the possibility for deflation. However, this possibility is unlikely in the coming months.

For the housing market, existing home sales have increased 7.5% in the past year and new home sales are up 36%. Building permits have risen in the past year and construction of 1.1 million new homes is expected to begin in 2014 which will increase housing inventory. Currently housing inventory is about 4.9 months' worth of homes, while a 6 months' supply is considered healthy. Growth in the housing market is expected to continue in the coming months but slow to a more sustainable pace. At the same time, growth is highly regional and some parts of the country are benefiting from stronger gains than others.

Business spending is up approximately 4% this year and is expected to rise by 4.5% in 2014. However, businesses are increasingly wary of political uncertainty, particularly concerning the potential for a second government shutdown over the debt ceiling and the ambiguity surrounding the timing of the eventual tapering of the Federal Reserve's bond buying program. In addition, the spending and investments that businesses are willing to make are generally selective, and are intended to increase efficiency and productivity through capital and technology, rather than labor. Therefore, this is a negative sign for employment.

Retail sales are up approximately 4.5% this year and are expected to increase by 5.5% for 2014. Auto sales have been a driver of this growth and are expected to rise by 5% in 2014. Spending is expected to increase for the holiday season, however, is not expected to increase substantially. Political uncertainty has damaged consumer confidence and is likely to continue to have an effect into the holiday season. Another factor potentially affecting the holidays is that while there is an increase in personal income, consumers are concerned about incurring credit card debt.

Overall, the U.S. economy is expected to continue to grow at a gradual pace. Gains in the housing market and low interest rates will be drivers of economic growth. However, slowing growth in both employment and GDP are obstacles that must be overcome before the economy can reach a stable and healthy long-run equilibrium. In addition, the Federal Reserve's actions regarding the $85 billion per month bond buying program and Congressional activity regarding the debt ceiling must be monitored closely in order to determine the potential impact on business and retail spending and on the overall economy.

UNITED STATES GOVERNMENT SHUTDOWN

From October 1 through 17, 2013, the United States federal government entered a shutdown because they did not reach an agreement on a new budget deal. Regular government operations resumed October 17 after an interim appropriations bill was signed into law. 800,000 federal employees were furloughed. The 16-day government shutdown took a $24 billion chunk out of the U.S. economy, according to an initial analysis from Standard & Poor's. The 16-day-long shutdown of October 2013 was the third-longest government shutdown in U.S. history, after the 18-day shutdown in 1978 and the 21-day 1995–96 shutdown. There was a lot of fear about how it would affect the stock market.

In the past, a government shutdown has never severely hurt the stock market long term. This situation turned out to be no different. The day after the shutdown was over; the stock market actually reached a new historic high. Furthermore, in the past the stock market has dropped during the shutdown, and then picked up immediately after. However, during this shutdown, the stock market fluctuated back and forth. It appears investors are not scared of a government shutdown. In January and February, similar negotiations are expected to come again. However, history has shown no reasons to be concerned over a government shutdown's effects on the stock market.

The government shutdown may have slowed progress in the economy. Fourth quarter growth did take a small hit. However, the economy is still recovering, which will lead to higher GDP, lower unemployment, and greater tax revenue for the government. Furthermore, the federal government is making progress in cutting its deficit. These are positive signs leading into the next negotiations. If the negotiations in January and February cause overall stock prices to drop, it may actual be a great buy opportunity, because government shutdowns have never caused the stock market to stay down long term.

SECTOR ECONOMIC OVERVIEW

CONSUMER DISCRETIONARY

Overall we are very optimistic regarding the consumer discretionary sector. We believe that with an improving economy, there is ample opportunity for growth moving forward. Consumer confidence has recently continued to strengthen and we strongly believe this will lead to an increase in consumer spending. Although consumer dictionary is more volatile, we predict positive growth over the near future, moving forward.

CONSUMER STAPLES

With the Consumer Staples sector consisting of products that consumers typically purchase regardless of their economic condition, we believe there will be steady growth moving forward. Many Consumer Staples companies are continuing to focus on innovation, and determining exactly which products will be of consumer need, and therefore they are staying one step ahead of the curve regarding consumer spending. We are confident this sector will continue to grow and develop, as consumer's wants and needs develop.

ENERGY

We have a positive outlook for the Energy sector for the coming year. As macroeconomic conditions have a strong correlation with Energy sector performance, it is crucial to take the global and national economy into consideration. In the United States, interest rates are expected to remain low through 2014. As a result, energy companies will have access to an inexpensive source of financing for new projects and expansion. As the economy slowly improves and the unemployment rate falls, domestic demand for energy products may increase. This would have a positive effect on the energy sector. An improvement in the housing sector, including an increase in new home construction will also increase demand for oil. However, increased government regulation, particularly regarding environmental concerns and greenhouse gas emissions may inhibit this sector's potential for growth.

MATERIALS

We have a neutral to positive outlook for the Materials sector for the coming year and look to Materials stocks to play a defensive role in the portfolio in the coming year. Positive factors affecting this sector include the growth in the housing market as demand for steel and lumber will increase. In addition, construction and auto manufacturing are expected to experience growth in the coming months and will contribute to positive growth potential for Materials stocks. In addition, technological advances by chemical companies play a key role as companies continue to go green. Negative factors include the potential for a second government shutdown and continued political turmoil.

"The four most dangerous words in investing are: 'this time it's different.'"

— John Templeton

UTILITIES

We have a neutral outlook for the Utilities sector for the coming year. Increased government regulation is causing nuclear power companies to incur higher costs of compliance. However, new sources of energy coupled with low cost of financing may allow the industry to generate higher profits. This sector has demonstrated its ability to withstand volatile markets and is a defensive sector. However, if interest rates rise in the coming months, the sector may experience difficulties generating substantial profit margins.

FINANCIALS

Since the recession of 2008, the Financials sector has been plagued with court litigations and speculation of new regulations. This has hurt most companies during the poor economic conditions, but with the slow expansion taking place, the future looks bright. Banks, insurance, real estate, and diversified financial companies have each substantially reduced their risk taking, creating a sense of safety for investors. The current quantitative easing (QE3) by the Federal Reserve has kept interest rates near record lows, but recent talks of "Tapering" has caused a slow rise in rates. Though this may reduce consumer borrowing for mortgages, other forms of lending are likely to remain high, adding to the fee based income generated by financial companies. Over the long term, higher rates will increase net interest margins for the industry and add to their profitability.

HEALTH CARE

The Healthcare sector is subjected to macroeconomic conditions as well as government regulations and policy. This year the Healthcare sector makes up about 13% of the S&P 500. Healthcare sector faces price pressures and fierce competition due to the creation of drugs and products for medical use. The Affordable Care Act has also seen a lot of pressure from the Republicans in the House of Representatives, but will remain in effect. While we are seeing slow economic growth and not as much spending, we believe the Healthcare sector has a positive outlook because it is a non-cyclical industry.

INDUSTRIALS

The Industrial sector as a whole has a positive economic outlook for the next year. We believe the sector will experience strong growth. We see the U.S. as the main area of growth in railroads and transportation of goods and people. We believe emerging market are neutral right now, specifically with mining, but will have significant growth and opportunities in a couple years. The industrial sector is cyclical, so we take that into account when looking at companies, but do not base our decision on it. We have recently seen successful returns within the areas we see as opportunistic and will continue to use this strategy.

TECHNOLOGY

Within the Technology sector are holdings with diverse products and services that rely heavily upon business and consumer spending. This specific sector is constantly changing and looking for the new innovative product or service that will drive businesses to success. Over the last several months we have been continually monitoring the economic environment to see what is trending and to properly identify areas of opportunity. By doing this research we have noticed trends in SaaS (software-as-a-service), a new means of accessing software and storing data, and we believe this trend will continue for the foreseeable future. We also expect to see continued growth in certain hardware segments, including tablets and mobile devices. Looking forward, we anticipate many companies within this sector to try and take advantage of what it has to offer, in order to expand and generate additional revenue.

> "Wide diversification is only required when investors do not understand what they are doing."
>
> — Warren Buffett

The Archway Investment Fund underperformed the S&P 500 index by 3.11% over the period ending on October 31, 2013. In light of this, the Archway Investment Fund Beta is 6% lower than the S&P 500. Our approach to beta is conservative. We use a five year beta, which encompasses the financial crisis of 2008 and 2009. If we used a one year beta, the Fund's risk would be lower, resulting in a higher risk-adjusted return. Moreover, our goal is to beat the benchmark on a risk-adjusted basis. Our decision to buy a stock is not reliant upon its beta; it is reliant upon fundamental research that is influenced by beta. We consistently have a lower risk-level than the S&P 500, a trend we have continued during our time as portfolio managers. This allows us to understand the relationship between risk and return in a real-world, professional scenario.

Period Returns January 1, 2013 – October 31, 2013

FUND	PERIOD RETURN	RISK ADJUSTED PERIOD RETURN	PERIOD DIFFERENTIAL RETURN	RISK ADJUSTED PERIOD DIFFERENTIAL RETURN	BETA
Archway Investment Fund	18.95%	20.16%	-4.36%	-3.15%	0.94
S&P 500 Index	23.31%	23.31%	-	-	1.00

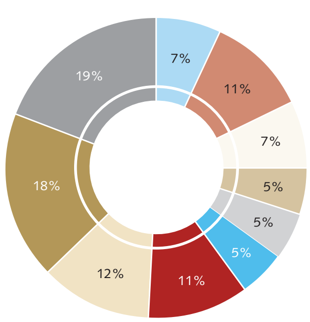
Morningstar Style Box

Market Capitalization	VALUE	BLEND	GROWTH
Large	25.00%	27.78%	16.67%
Medium	5.56%	5.56%	0.00%
Small	5.56%	8.33%	5.56%

Valuation

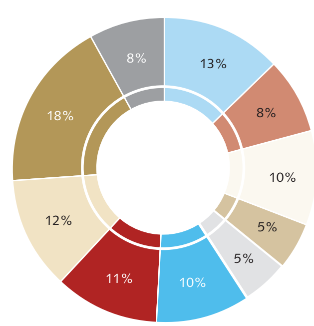
This is the distribution of stocks in the portfolio. Companies are classified on the basis of size and a combination of a value score and a growth score.

AIF Weightings 1/1/2013



- 7% Consumer Discretionary
- 11% Consumer Staples
- 7% Energy
- 5% Materials
- 5% Utilities
- 5% Financials
- 11% Healthcare
- 12% Industrials
- 18% Technology
- 19% Cash

AIF Weightings 10/31/2013



- 13% Consumer Discretionary
- 8% Consumer Staples
- 10% Energy
- 5% Materials
- 5% Utilities
- 10% Financials
- 11% Healthcare
- 12% Industrials
- 18% Technology
- 8% Cash

CURRENT ARCHWAY HOLDINGS

PURCHASE DATE	TICKER	STOCK NAME	SHARES	BETA	PURCHASE PRICE	CURRENT PRICE	STOCK WEIGHT	HPR
Consumers Discretionary								
10/28/2005	MCD	McDonald's Corp	203.15	0.35	$ 32.94	$ 96.52	2.39%	66.04%
9/29/2011	JWN	Nordstrom Inc	180	1.5	$ 45.75	$ 60.47	1.32%	36.73%
10/30/2012	BWLD	Buffalo Wild Wings Inc	148	0.68	$ 74.71	$ 142.58	2.57%	17.09%
3/26/2013	HAS	Hasbro Inc	400	0.94	$ 43.84	$ 51.65	2.51%	19.59%
4/11/2013	BKE	Buckle Inc	310	1.08	$ 48.55	$ 48.94	1.85%	1.21%
10/17/2013	WYNN	Wynn Resort	109	2.6	$ 169.70	$ 166.25	2.20%	-2.07%
Consumer Staples								
11/26/2007	KO	Coca-Cola Co.	473.88	0.42	$ 39.31	$ 39.57	2.28%	38.87%
11/13/2009	PG	Procter & Gamble Co.	191	0.52	$ 61.38	$ 80.57	1.87%	40.11%
4/23/2010	GIS	General Mills Inc	323	0.25	$ 37.40	$ 50.42	1.98%	48.36%
11/21/2010	MO	Altria Group Inc	496.82	0.49	$ 24.74	$ 37.23	2.25%	66.04%
Energy								
2/25/2011	CVX	Chevron Corp	267	0.84	$ 100.76	$ 119.96	3.90%	28.14%
9/29/2011	HAL	Halliburton Co	353	1.41	$ 32.05	$ 53.03	2.28%	67.92%
3/26/2013	SLB	Schlumberger Ltd	205	1.34	$ 74.46	$ 93.72	2.34%	26.21%
10/24/2013	TSO	Tesoro Corporation	331	1.22	$ 47.28	$ 48.89	1.97%	3.36%
Materials								
05/13/2009	PX	Praxair Inc	149	0.83	$ 73.80	$ 124.71	2.26%	24.11%
11/24/2010	SCL	Stepan Co	316	1.09	$ 58.87	$ 63.10	2.43%	49.91%
Utilities								
3/2/2011	NEE	NextEra Energy Inc	293	0.46	$ 54.75	$ 84.75	3.02%	67.04%
2/14/2012	DUK	Duke Energy Corp	222	0.33	$ 64.57	$ 71.73	1.94%	19.36%
Financials								
2/27/2012	CB	Chubb Corp	250	0.63	$ 68.69	$ 92.08	2.80%	38.35%
10/25/2012	WFC	Wells Fargo Company	436	1.84	$ 34.33	$ 42.69	2.26%	27.48%
3/08/2013	TGH	Textainer Group Holdings Ltd	450	1.57	$ 40.79	$ 39.55	2.16%	-4.79%
10/17/2013	DFS	Discover Financial Services	380	1.53	$ 53.62	$ 51.88	2.40%	-3.28%
Healthcare								
8/18/2011	COV	Covidien PLC	220	0.91	$ 49.26	$ 64.11	1.72%	31.11%
9/28/2011	WLP	Wellpoint Inc	208	0.76	$ 63.64	$ 84.80	2.15%	37.54%
9/28/2011	ESRX	Express Scripts	341	1.07	$ 39.22	$ 62.52	2.59%	59.31%
3/27/2013	UHS	Universal Health Services Inc	300	1.34	$ 62.45	$ 80.56	2.94%	29.10%
10/4/2013	PETS	PetMed Express Inc	893	1.11	$ 16.42	$ 14.84	1.61%	-9.65%
Industrials								
3/7/2011	FDX	FedEx Corp	278	1.38	$ 87.24	$ 131.00	4.43%	83.77%
2/22/2013	DLX	Deluxe Corp	495	1.94	$ 39.84	$ 47.09	2.84%	19.40%
3/13/2013	BECN	Beacon Roofing Supply Inc	500	1.32	$ 39.35	$ 34.68	2.11%	-11.90%
10/10/2013	UTX	United Technologies Corp	225	1.18	$ 105.21	$ 106.25	2.91%	0.95%
Technology								
12/23/2009	GOOG	Google Inc. Cl A	30	0.96	$ 596.42	$1,030.58	3.76%	85.04%
9/29/2011	CTSH	Cognizant Technology Solutions Corp	394	1.05	$ 65.05	$ 86.93	4.17%	37.56%
11/2/2011	VOD	Vodafone Group PLC	928	0.59	$ 25.70	$ 36.85	4.16%	42.76%
11/7/2011	IBM	IBM Corp	128	0.55	$ 173.29	$ 179.21	2.79%	1.28%
3/5/2013	QCOM	Qualcomm Inc	350	1.05	$ 65.96	$ 69.49	2.96%	6.76%

Portfolio Managers
(L-R) Nick Balboni, Jerry Condon Not Pictured: Ashley Tiberio

Consumer Staples and Discretionary

The Consumer Staples sector consists of companies that are involved in the development and production of consumer goods, primarily within the following industries: food and drug retailing, beverages, tobacco, food, household, and personal products. With the continuous push towards health, we see many companies within this sub sector progressing towards more health conscious products.

The Consumer Discretionary sector consists of industries such as automobiles and components, consumer durables, apparel, hotels, restaurants, media, and retailing. These firms are considered discretionary since they develop, produce, and offer non-essential products and services to individuals. The Consumer Staples sector consists of companies that are involved in the development and production of consumer goods.

Although there is an illusion that these two subsectors have an inverse relationship, we feel that there is ample opportunity for each subsector regardless of the economy's performance. While one subsector may in fact outperform the other in various economic conditions, we believe that the outlook for both sectors remain positive heading into the future. With the holiday season approaching, we do not know for sure how the economy is going to perform. However, with the impressive S&P 500 growth this year, we are cautiously optimistic that the holiday season will follow suit, proving positive for the consumers sector as a whole.

One risk that the Consumer Staples sector faces is higher input prices, which continue to put pressure on costs. We believe that the future outlook for this sector remains positive. This belief is due to the fact that in good economic times, the Consumer Staples sector is still a well performing sector, but with little growth, while in poor economic times, the Consumer Staples sector tends to out-perform the rest of the market. We see this sector continuing to perform well as the overall economic environment improves entering the holiday season.

The risks we see present in the Consumer Discretionary sector are low prices and low 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 twelve 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 the housing market is also continuing its recovery. Over the mid- to long-term we believe having significant holdings in this sector will be beneficial as companies in this sector tend to perform well during economic expansions.

Discretionary

We anticipate continuing to hold Buffalo Wild Wings It has shown a great level of growth over the course of the past year, and we believe the company will continue to grow for the foreseeable future. The Fund has held McDonald's for about eight years now, and it is due to McDonald's continuous dominance within its industry and its global expansion. Hasbro has shown nothing but great growth potential since its purchase in April. While the toy industry has seen hits in recent years with the growth of video games and lack of free time for children, Hasbro has been able to consistently stay ahead of the curve. Buckle has proven itself to us as a stock still worth holding within the portfolio. The past year's growth for Buckle has been a relatively positive one, and we believe that Buckle still has the potential to grow. Nordstrom is a stock that we believe still has a positive outlook. With economic conditions continuing to improve, we believe that Nordstrom has yet to reach its intrinsic value.

Staples

Over the past year, General Mills has seen growth which is clearly a positive factor, but overall it is a consistent stock. No matter the economic condition, the products that General Mills produces are ones that are necessary for consumers, thus the stock maintains its value in all conditions. Proctor and Gamble has seen considerate growth producing products that consumers need no matter the economy, Proctor and Gamble is a very stable stock and has yet to reach its intrinsic value, thus we maintain our hold position on it. Although cigarette sales have slowed down for Altria, the sale of smokeless tobacco is on the rise, and with its addictive qualities, tobacco remains a strong product for Altria. The growth over the course of the past year has been minimal, but the stability of the stock has been consistent. Coca-Cola is a consistent stock that provides a level of value in holding it. Being a consumer staple, Coca-Cola is a stock that we can expect to perform well no matter the economic condition. Along with that, Coca-Cola is an industry leader, and the threat of competition from other companies other than Pepsi is fairly minimal. We believe Coca-Cola has yet to reach its intrinsic value and is thus a hold stock.

"Invest in yourself.
Your career is the engine of your wealth."
— Paul Clitheroe

Consumer Discretionary YTD Return: 21.37%	SPDR (XLY): 34.85%
Consumer Staples YTD Return: 23.41%	SPDR (XLP): 23.53%

Current Holdings as of October 31, 2013

SECTOR	PURCHASE DATE	TICKER	STOCK NAME	SHARES	PURCHASE PRICE	CURRENT PRICE	STOCK WEIGHT	PERIOD CHANGE	HPR
Discretionary	10/28/2005	MCD	McDonald's Corp	203.15	$ 32.94	$ 96.52	2.39%	-1.97%	66.04%
Discretionary	9/29/2011	JWN	Nordstrom Inc	180	$ 45.75	$ 60.47	1.32%	10.57%	36.73%
Discretionary	10/30/2012	BWLD	Buffalo Wild Wings Inc	148	$ 74.71	$142.58	2.57%	62.87%	17.09%
Discretionary	3/26/2013	HAS	Hasbro Inc	400	$ 43.84	$ 51.65	2.51%	19.59%	19.59%
Discretionary	4/11/2013	BKE	Buckle Inc	310	$ 48.55	$ 48.94	1.85%	1.21%	1.21%
Discretionary	10/17/2013	WYNN	Wynn Resort	109	$169.70	$166.25	2.20%	-2.07%	-2.07%
Staples	11/26/2007	KO	Coca-Cola Co*	473.88	$ 39.31	$ 39.57	2.28%	-0.70%	38.87%
Staples	11/13/2009	PG	Procter & Gamble Co	191	$ 61.38	$ 80.57	1.87%	6.35%	40.11%
Staples	4/23/2010	GIS	General Mills Inc†	323	$ 37.40	$ 50.42	1.98%	3.69%	48.36%
Staples	11/21/2010	MO	Altria Group Inc	5/10/1901	$ 24.74	$ 37.23	2.25%	12.52%	66.04%

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

Trades

SECTOR	DATE	TICKER	STOCK NAME	TRADE	QUANTITY	PRICE
Staples	10/4/2013	NSRGY	Nestle SA	Sell	254	$ 69.21
Discretionary	10/17/2013	WYNN	Wynn Resort	Buy	109	$ 169.70

Securities Analysts
(L-R) Ryan Niland,
Nicholas Eceizadarrena,
Andrew Passias,
Matt MacGrotty,
Terry Murphy

Energy, Materials, and Utilities

The Energy sector consists of companies involved in the development, production and distribution of crude oil, natural gas, renewable energy and other energy-related goods and services. Our outlook for this sector is positive. This is based on the gradual improvement in the global and domestic economy. In addition, world demand for energy products is expected to continue to increase as developing nations seek energy products. As the United States seeks energy independence, technological advancements such as fracking and horizontal drilling methods become vitally important. Natural gas is viewed as an important form of clean energy. Additional important types of energy include petroleum, nuclear, coal and wind. As coal is the dirtiest form of energy, it is given the lowest priority. In terms of sector concerns, increased government regulation could hinder growth as the cost to comply rises. We hold Chevron because of its international presence, and vertical integration. We expect the company to continue its global influence and it is a defensive holding. We hold Schlumberger based on its large investments in R&D and technological advancements. This stock we expect to continue to grow and take advantage of new opportunities. Halliburton is held based on the success of its hydraulic fracturing business. The company is positioned to continue to take advantage of new opportunities. Tesoro we purchased because of its ability to acquire new companies and integrate them into the core business model. This is a long-term competitive advantage for Tesoro.

The Materials sector consists of companies involved in basic chemicals, metals and mining, construction materials, packaging and containers, and paper and forest products. Our outlook for this sector is neutral. Recent improvement in the housing market is a positive sign for materials. As the housing market continues to recover and expand, growth in the U.S. construction market is expected within the coming year. As a result, domestic demand for lumber, steel and other building materials will grow. With GDP expected to grow at an increasing rate in the coming year, manufacturers will increase their demand for input products. However, due to our negative expectations for metals and mining, our overall outlook for the sector remains neutral.

Portfolio Managers
(L-R) Stephanie Lizardi, Andrew Hado

Praxair we hold based on its continued success with economies of scale and extensive distribution network. Stepan is held due to its innovative approach to chemicals manufacturing and potential for continued success.

The Utilities sector consists of companies that generate, transmit or distribute electricity or natural gas. Our outlook for this sector is neutral. As the electricity industry continues to be restructured away from a monopoly, increased competition is a threat to incumbent, vertically integrated firms. Nuclear power companies must contend with straighter government regulation and the high cost of eventually disposal of spent fuel rods. On the other hand, as new sources of energy come into focus, there are opportunities for companies to take advantage of potential increases in efficiency. The Utilities sector is viewed as a defensive sector due to its ability to withstand market ups and downs. This is due to the highly inelastic demand for the companies' products. However, when interest rates begin to rise, there could be a pullback in the sector. We hold Duke Energy as a defensive stock due to its stability and high dividend payments, as well as its low input costs. NextEra is also held due to stability and high dividend yield, as well as its recent investments in modernizing gas plants and building wind farms. We see this company as a strong and efficient competitor in a changing energy generation environment.

"How many millionaires do you know who have become wealthy by investing in savings accounts? I rest my case."
— Robert G. Allen

Energy Sector YTD Return: 20.69%	SPDR (XLE): 22.62%
Materials Sector YTD Return: 13.85%	SPDR (SLB): 18.54%
Utilities Sector YTD Return: 21.35%	SPDR (XLU): 14.15%

Current Holdings as of October 31, 2013

SECTOR	PURCHASE DATE	TICKER	STOCK NAME	SHARES	PURCHASE PRICE	CURRENT PRICE	STOCK WEIGHT	PERIOD CHANGE	HPR CHANGE
Energy	2/25/2011	CVX	Chevron Corp	267	$ 100.76	$ 119.96	3.90%	2.64%	28.14%
Energy	9/29/2011	HAL	Halliburton Co	353	$ 32.05	$ 53.03	2.28%	31.85%	67.92%
Energy	3/26/2013	SLB	Schlumberger Ltd	205	$ 74.46	$ 93.72	2.34%	26.21%	26.21%
Energy	10/24/2013	TSO	Tesoro Corporation	331	$ 47.28	$ 48.89	1.97%	3.36%	3.36%
Materials	5/13/2009	PX	Praxair Inc	149	$ 73.80	$ 124.71	2.26%	8.85%	24.11%
Materials	11/24/2010	SCL	Stepan Co*	316	$ 58.87	$ 63.10	2.43%	-6.20%	49.91%
Utilities	3/2/2011	NEE	NextEra Energy Inc	293	$ 54.75	$ 84.74	3.02%	10.80%	67.04%
Utilities	2/14/2012	DUK	Duke Energy Corp	222	$ 64.57	$ 71.73	1.94%	0.94%	19.36%

*Stock split December 17, 2012

Trades

DATE	TICKER	STOCK NAME	TRADE	QUANTITY	PRICE
4/2/2013	HFC	HollyFrontier Corporation	Sell	285	$ 49.65
10/24/2013	TSO	Tesoro Corporation	Buy	331	$ 47.28

Securities Analysts
(L-R) Kevin Lynch, Alexander Witte, Stephen Diamond, Alexander Scelzo, Francesca DiGisi

Portfolio Managers
(L-R) Michael Richitelli, Adrian Bialonczyk, Scott Autencio, Steven Aguilar

Financials

The Archway Investment Fund currently holds positions in insurance, cargo leasing, commercial banking, and payment services. These sectors are positioned to grow as the global economy continues to improve. With consumer demand picking up, revenues for businesses in these sectors will grow and result in strong stock performance. Most companies in the sector remain far below levels traded at prior to the crisis, creating an opportunity to "buy a dollar for fifty cents". The Fund is underweight in this sector compared to the S&P, but should increase its exposure as we are confident that a lot of financial businesses are trading at a steep discount to intrinsic value.

The recent recovery in many European economies builds confidence that the future looks optimistic. Consumers worldwide are slowly regaining trust in financial intermediaries, resulting in more demand for their products and services. As employment and housing prices continue to improve, individuals will be willing to spend more money. This will result in lenders making out higher volumes of loans at low risk levels, a key for remaining compliant with new regulation post crisis. Insurance companies will also be able to yield positive returns as trends of increased underwriting premiums continue. Despite the fact that natural disasters such as Super-Storm Sandy can occur at any time, insurers are benefiting from increased prices of their products and lower risk taking.

We believe retail investors are continuing to enter the market after losing confidence in 2008. With historically low interest rates, many are shying away from bonds and turning to dividend producing equities in search for yield. As rates begin to rise, companies in this sector will see net interest margins grow and profits rise.

The Financials sector currently holds The Chubb Corporation (CB), a property and casualty insurance company operating out of New Jersey. Despite the most recent impacts of Super-Storm Sandy and Hurricane Irene, Chubb has been able to raise premiums and grow its customer base, both great indicators of future profit growth. Textainer Group Holdings (TGH) is also held within the financial sector, as it provides cargo leasing services worldwide. With the expansion of the Panama Canal expected in 2015, the demand for their cargo is expected to rise as well. Textainer has the largest cargo fleet in the world, leading the industry. Though we are skeptical about prices for leasing cargo declining, the increased demand should offset any margin compression. Wells Fargo Company (WFC) is a financial services company that has had increases in income in nine of the past ten years. By acting more ethically than other banks in the country, the reputation of the company survived the 2008 crash and net income in the 3rd Quarter was at a record high. We continue to see Wells Fargo as a pillar in the American financial system. Our most recent purchase was Discover Financial Services (DFS), which is a bank holding company based in the United States. Compared to other credit card companies, the debt held by DFS is very low, and their global ATM network (PULSE and Diners Club International) adds global diversification, with their services in over 185 countries. The focus on high-tech improvements in their products shows the impact of information technology on the Financials sector, and demonstrates Discover's ability to grow in a highly technological environment. Discover, Wells Fargo, and Chubb each contain solid long term outlooks. Though we are optimistic on the short term future of Textainer, lease price uncertainties create concerns on the long term profitability of the business if they are unable to sustain increased demand for their products.

"Anyone who is not investing now
is missing a tremendous opportunity."
— Carlos Slim

Financial Sector YTD Return: 9.87% SPDR (XLF): 26.77%

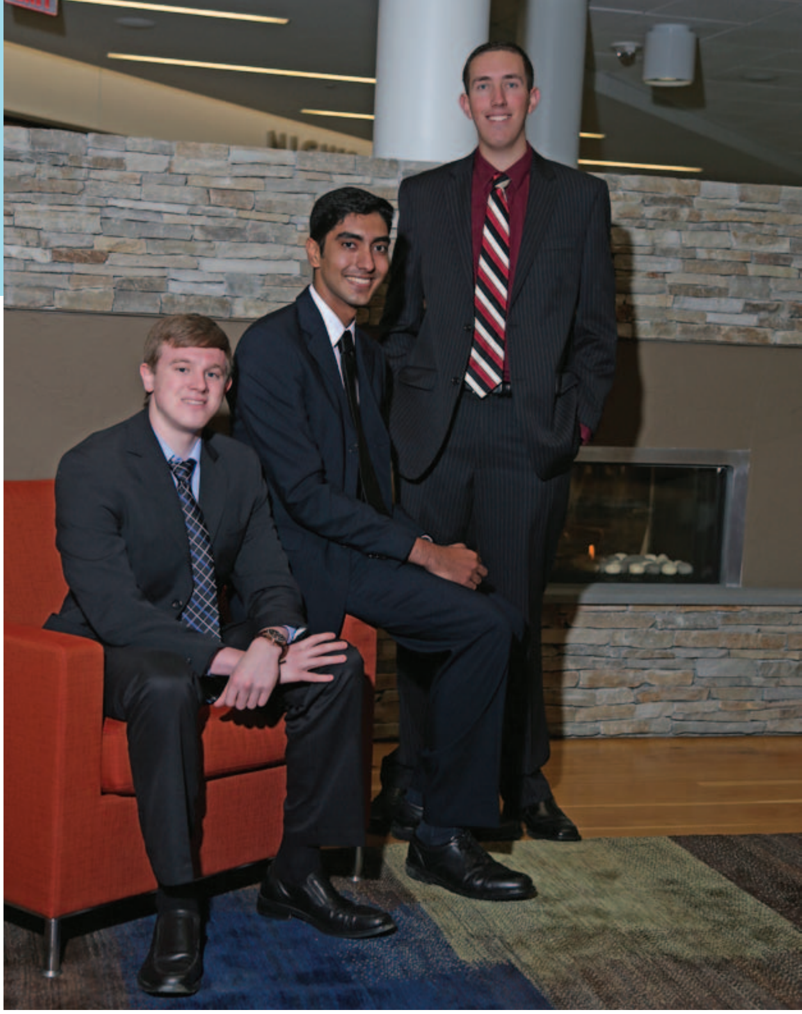
Current Holdings as of October 31, 2013

SECTOR	PURCHASE DATE	TICKER	STOCK NAME	SHARES	PURCHASE PRICE	CURRENT PRICE	STOCK WEIGHT	PERIOD CHANGE	HPR CHANGE
Financials	2/27/2012	CB	Chubb Corp	250	$ 68.69	$ 92.08	2.80%	6.71%	38.35%
Financials	10/25/2012	WFC	Wells Fargo Company	436	$ 34.33	$ 42.69	2.26%	17.03%	27.48%
Financials	3/8/2013	TGH	Textainer Group Holdings Ltd	450	$ 40.79	$ 39.55	2.16%	-4.79%	-4.79%
Financials	10/17/2013	DFS	Discover Financial Services	380	$ 53.62	$ 51.88	2.40%	-3.28%	-3.28%

Trades

SECTOR	DATE	TICKER	STOCK NAME	TRADE	QUANTITY	PRICE
Financials	10/17/2013	DFS	Discover Financial Services	Buy	380	$ 51.88

Securities Analysts
(L-R) Andrew Lafortune,
Samantha Faille,
Chika Okoro,
Jonathan LoBosco



Portfolio Managers
(L-R) Timothy Greenhill, Aadhi Manivannan, Keith Fischer

Healthcare

The Healthcare sector of the Archway Investment Fund is made up of long positions in medical devices and supplies, pharmaceuticals, facilities, and managed care organizations. Overall our goal was to have a well-diversified portfolio with stocks spread throughout the subsectors. Moving forward we will be looking into the purchase of a biotechnology company to further our diversification. Due to the Affordable Care Act we believe the overall outlook of the sector is good because of the money being brought into the industry. For this reason we believe our sector should be overweight.

Overall the ACA is positive for the Healthcare industry, even for the medical devices and supplies companies that are affected by the medical devices tax. Due to the large amount of previous non-consumers entering the industry, the demand for medical devices and supplies will increase at a quick pace and should outweigh the effect of the tax on bottom lines in the long term. The increase in patients covered by insurance will also be positive for the MCO and facilities subsectors. Finally, the increase in healthcare coverage should cause demand to rise for medications and boost the profits of both pharmaceutical and biotech firms. The ACA has recently met resistance from Republicans. Although the end goal of the Republicans is to get rid of the ACA, for now they have insisted on getting rid of the medical supplies and devices tax. They are targeting the tax because it takes away from the profitability of businesses. They have been met with severe resistance from the Democrats on the issue and it seems that the tax will stay in place for the near future.

This period we had the opportunity to witness the start of the Affordable Care Act website (healthcare.gov). So far the site has been extremely slow and has had several problems with data management, storage, and sorting. In addition to this people have had difficulty understanding pricing of plans they can purchase in their state. In October President Obama and his team hired a consultant to come in and fix the website. The site will remain running during the fixing process, which is expected to be completed by the end of November.

The Healthcare sector currently holds five companies. We hold Covidien PLC, which is a medical supplies and device company. Covidien has been a strong holding for the Fund since 2010 and has already taken the new medical supplies and device tax into account, which can be seen as a positive due to the fact that the company has fully prepared for the extra expense. 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 (PBM) company in the United States. The company tries to make the process of filling a prescription as easy as possible. Its acquisition of Medco Incorporated in 2012 has strongly helped grow the company's network and will continue to drive sales in the future. Universal Health Services is a leader in the facilities subsector of the healthcare industry. As of February, UHS has operated approximately 220 acute care hospitals and behavioral health centers and is looking to expand specifically in the behavioral sector. This should continue to be a strong hold due to the fact that many more healthcare facilities will be needed in order to sustain the new patients that were introduced to the healthcare system from the Healthcare Reform Act, which covers behavioral care. Petmed Express is the leader in the pet pharmaceutical distribution industry. They have no debt on the books, over 1200 products in their product lines, and are expanding their business through their three segments of online orders, mail orders, and phone orders. With the constant expansion of the product lines, this company has a strong future outlook.

> "The individual investor should act consistently as an investor and not as a speculator."
> — Ben Graham

Healthcare YTD Return: 25.50% SPDR (XLV): 33.81%

Current Holdings as of October 31, 2013

SECTOR	PURCHASE DATE	TICKER	STOCK NAME	SHARES	PURCHASE PRICE	CURRENT PRICE	STOCK WEIGHT	PERIOD CHANGE	HPR CHANGE
Healthcare	8/18/2011	COV	Covidien PLC	220	$ 49.26	$ 64.11	1.72%	-4.73%	31.11%
Healthcare	9/28/2011	WLP	Wellpoint Inc	208	$ 63.64	$ 84.80	2.15%	29.17%	37.54%
Healthcare	9/28/2011	ESRX	Express Scripts	341	$ 39.22	$ 62.52	2.59%	8.50%	59.31%
Healthcare	3/27/2013	UHS	Universal Health Services Inc	300	$ 62.45	$ 80.56	2.94%	29.10%	29.10%
Healthcare	10/4/2013	PETS	PetMed Express Inc	893	$ 16.42	$ 14.84	1.61%	-9.65%	-9.65%

Trades

DATE	TICKER	STOCK NAME	TRADE	QUANTITY	PRICE
9/24/2013	TEVA	Teva Pharm	Sell	376	$ 38.88
10/4/2013	PETS	PetMed Express Inc.	Buy	893	$ 16.42
10/24/2013	MNK	Mallinckrodt plc	Sell	27	$ 43.73

Securities Analysts
(L-R) Matthew Nilson, Michael Gago, Edward Broadhead, Nicola DeChamps, Travis Shaw

Portfolio Managers
(L-R) Kyle Creedon, Matthew Thompson, Michael Catanzariti, Matthew Brown, Kahini Dalal

Industrials

The Industrials sector is comprised of numerous industries including transportation infrastructure and logistics, construction and engineering, electrical equipment, industrial equipment wholesalers, industrial manufacturing companies, and aerospace and defense. Most of the industries within this sector are cyclical.

There is reason to believe that future prospects for this sector are promising. New industries that the Fund Industrial sector will be holding include aerospace and defense and diversified machinery. Additionally, the railroad industry's future looks brighter because of an increase in demand for manufactured goods and commodity and transport needs and recent environmental concerns but is hindered by the need for high initial capital investment. We also see opportunities in the airline industry. With the U.S. economy growing, more people are traveling which will lead to airline companies upgrading and repairing fleets. Subsequently, we have a positive outlook for the future prospects for the Industrial sector.

Overall, the aerospace industry is particularly attractive with regard to long-term investments. The profitability of associated companies is largely dependent upon the demand for commercial and personal travel. With increased travel and oil prices, companies are looking to upgrade and replace aging fleets. We expect demand to continue to increase in emerging markets such as Asia, Latin America, and Eastern Europe. The defense industry does not have as positive an outlook as the aerospace industry. The government is planning to continue to cut defense spending as troops are taken out of Iraq and Afghanistan. Although spending on defense is going to decrease, we see opportunity in the growing cyber defense industry. There has been a large increase in cyber-attacks on U.S. federal agencies and defense companies such as Lockheed Martin. We see cyber defense companies as good investments because of increased technology and cyber-attacks by terrorists.

The future of the mining industry relies on the economies of developing nations. In the past, growth has been rapid within China, Southeast Asia, and Latin America. As of late, the mining industry in the emerging markets has seen a downturn. These developing countries will need to build and upgrade their infrastructure, specifically China, once their economy picks back up. Issues that can be seen in the near future for the mining industry are: decreasing grades, rising input costs, higher capital costs along with the increasing remoteness of deposits. We think that the mining industry will be stagnant for the next couple of years, and then begin to rise once demand increases and prices rise.

FedEx Corporation provides transportation, e-commerce, and business services in the United States and internationally. It operates in four segments: FedEx Express, FedEx Ground, FedEx Freight, and FedEx Services. We believe that a future restructuring plan for their overall business will result in a stronger company poised for expansion and growth. With high expectations looking into the future and a confidence like none other, FedEx announced a new, extensive share buyback program to implement. They had declared they would buyback a total of 32 million shares. This plan will oversee a previous buyback plan one fourth of the new implementation. We expect the business to grow for FedEx Corporation and we believe that this is a strong holding for the Industrials sector.

Deluxe Corp. has three business segments, financial services, direct checks, and small business services. The small business segment is their largest and generates the most revenue. In their small business segment, Deluxe provides small businesses with web design and internet marketing services. We believe the Christmas season and increased demand for small businesses will drive up Deluxe's revenue and stock price. The future for Deluxe is bright, with plenty of room to grow as more consumers shop at small businesses.

United Technologies Corporation is an industrial goods company that focuses on five different segments for its business. United Technologies has been a trademark company of the industrial sector since it was founded in 1934. United Technologies boasts five diverse business segments that include Otis, UTC Climate, Controls, & Security, Pratt & Whitney, UTC Aerospace Systems, and Sikorsky. We believe that the biggest growth driver of United Technologies is the fact that the company is diverse and focuses on industrial goods and services beyond defense government contracts. For future outlook in United Technologies, we see increased foreign demand in the aerospace services and products as well as continuous growth and demand in the Otis segment in emerging markets, such as Asia and China. We expect United Technologies Corporation to be a long-term holding for the Archway Investment Fund.

Beacon Roofing Supply, Inc. is a distributor of residential and non-residential roofing materials in the United States and Canada. Beacon has struggled throughout 2013 to grow profit due to inclement weather conditions and increased overhead from recent acquisitions. Nonetheless, Beacon remains a long-term hold. Looking forward into the next several years BECN should strongly benefit from its recent acquisitions, record-low interest rates, and continuous improvement in the domestic housing market. Furthermore, and over the long haul, share profit is set to improve between 15% and 20% in the next three to five years. Though Beacon has been recently downgraded and is anticipating a 2% pullback in 2013 share earnings, we feel the company has a bright future.

"Know what you own,
and know why you own it."
— Peter Lynch

Industrials Sector YTD Return: 15.94% SPDR (XLI): 30.06%

Current Holdings as of October 31, 2013

SECTOR	PURCHASE DATE	TICKER	STOCK NAME	SHARES	PURCHASE PRICE	CURRENT PRICE	STOCK WEIGHT	PERIOD CHANGE	HPR CHANGE
Industrials	3/7/2011	FDX	FedEx Corp	278	$ 87.24	$131.00	4.43%	55.02%	83.77%
Industrials	2/22/2013	DLX	Deluxe Corp	495	$ 39.84	$ 47.09	2.84%	19.40%	19.4%
Industrials	3/13/2013	BECN	Beacon Roofing Supply Inc	500	$ 39.35	$ 34.68	2.11%	-11.90%	-11.90%
Industrials	10/10/2013	UTX	United Technologies Corp	225	$105.21	$106.25	2.91%	0.95%	0.95%

Trades

SECTOR	DATE	TICKER	STOCK NAME	TRADE	QUANTITY	PRICE
Industrials	9/19/2013	JOY	Joy Global Inc	Sell	285	$ 54.09
Industrials	10/10/2013	UTX	United Technologies Corp	Buy	225	$ 105.21

Securities Analysts
(L-R) Tyler Vicente, Tyler Holden, Gerard Delannoy, Jacob Therien

Portfolio Managers
(L-R) Christian Russo, Chris Papadellis

Technology

The Archway Investment Fund currently holds long positions in computer hardware, computer software, telecommunications, semiconductors, and IT consulting and services. Using the top-down approach looking at the Technology sector, the holdings are positioned well for the long term. The only exception to this top-down approach is Vodafone Group plc. The telecommunications subsector has a negative to neutral outlook for the next twelve months. However, we look at Vodafone more from the bottom up, due to their positioning, acquisitions and financial strength. As of now the Technology sector is underweight compared to our benchmark, the S&P 500. However, we do not see this as a problem as we feel we are properly weighted within our portfolio.

Over the past several years, companies within the Information Technology sector have shifted their focus on cloud computing and ways to take advantage of what it can offer. From a business standpoint, cloud computing has numerous ways to offer value as it "is the new hardware". It has the ability to increase efficiency for any business by lowering costs and improving the bottom line. Looking towards the future, it is estimated that the value of the cloud services market will reach $180 billion by 2015, an increase of nearly 20% each year over the next two years. Going forward, we believe this to be a great area of opportunity for businesses and investments alike.

An industry that has a positive outlook for the next 12 months is the semiconductor sub-industry. Following a weak 2012 and 2013 first quarter, sales are expected to improve over the next 12 months. Standard and Poor's NetAdvantage is predicting the supply and demand balance to range from even to slightly favorable for inventory replenishment. This will lead to a potential upside as the demand increases. The markets within the semiconductor industry are expected to perform differently throughout the next 12 months. The biggest drag on the semiconductor industry is the structural shift from the PC to tablets. However, the communications and consumer end markets will carry the majority of the load as an improved level of spending is expected due to the continued growth in smart phones. Other markets within the semiconductor industry include automotive and industrial which have positive and neutral outlooks respectively. With a neutral to positive outlook on the macroeconomic environment, the semiconductor industry is positioned well, mostly due to its extremely high correlation to global GDP.

One industry that has been given a negative outlook for the next 12-24 months is telecommunications. Companies within this industry provide services such as local/long-distance phone calls, TV program distribution, and internet access. Over the last decade, there has been a rapid decline in wired telephone usage in homes and in businesses. Instead, many people are shifting towards using mobile devices for almost all of their phone calls. With the increasing capability of mobile devices, we feel as though this industry is in a tough position right now and will depend on serious innovations in order to survive.

The Technology sector currently holds five securities that we feel are properly exposed for future growth. One of our holdings, Vodafone, is a major player in telecommunications industry and we believe they are one few companies in the industry destined for growth. Recently, Vodafone sold its 45% stake in Verizon Wireless back to Verizon at an above market value price. By doing so they received enough cash to make a key acquisition that will allow them to really focus/expand their core operations in Europe and expand into some emerging markets. IBM is a behemoth in the technology sector that is exposed to several sub-industries. Recently, the company missed earnings expectations, which led to a drop in stock price. However, the earnings also reported significant increases in certain segments that we feel are crucial for the future success of the company, such as software sales and revenue generated from cloud computing operations. With this in mind, we continue to hold IBM as we feel it is trading below its intrinsic value. Google, a leader in online advertising, has provided one of the highest returns for the Fund since being purchased. Due to their advanced algorithms for their search engine, Google is able to offer advertising to their customers in numerous ways, ultimately providing them with a large share of the overall spending on online advertising. Another one of our holdings, Qualcomm, is an innovative semiconductor company that specializes in the production of chips for mobile devices and other hardware products. Qualcomm thrives on being ahead of their competition by producing chips that are generations ahead of their competitors. This futuristic mindset is essential for the technology sector as it is constantly changing. Our final holding, Cognizant Technology Solutions Corporation, is a worldwide provider of information technology, consulting and business process outsourcing services. Cognizant retains/obtains its customers due to its reputation and global presence, which is a crucial characteristic for companies within the IT consulting/services industry.

"In investing, what is comfortable is rarely profitable."
— Robert Arnott

Technology Sector YTD Return: 27.46% SPDR (XLK): 17.92%

Current Holdings as of October 31, 2013

SECTOR	PURCHASE DATE	TICKER	STOCK NAME	SHARES	PURCHASE PRICE	CURRENT PRICE	STOCK WEIGHT	PERIOD CHANGE	HPR CHANGE
Technology	12/23/2009	GOOG	Google Inc Cl A	30	$ 596.42	$ 1,030.58	3.76%	29.14%	85.04%
Technology	9/29/2011	CTSH	Cognizant Technology Solutions Corp	394	$ 65.05	$ 86.93	4.17%	13.45%	37.56%
Technology	11/2/2011	VOD	Vodafone Group PLC	928	$ 25.70	$ 36.85	4.16%	31.92%	42.76%
Technology	11/7/2011	IBM	IBM Corp	128	$ 173.29	$ 179.21	2.79%	-15.09%	1.28%
Technology	3/5/2013	QCOM	Qualcomm Inc	350	$ 65.96	$ 69.49	2.96%	4.86%	6.76%

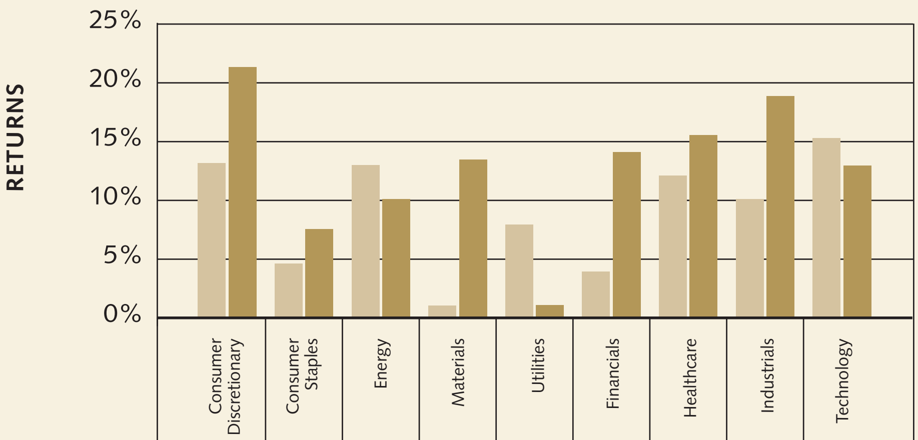
Trades

SECTOR	DATE	TICKER	STOCK NAME	TRADE	QUANTITY	PRICE
Technology	9/24/2013	VOD	Vodafone Group PLC	Sell	140	$ 34.37
Technology	10/23/2013	GOOG	Google Inc Cl A	Sell	7	$1,007.18

Securities Analysts
(L-R) Tyler Berry, Matthew Leonard, Regina Castro, Sagar Parmar, Greg Lucente

SECTOR	AIF BETA	BENCHMARK BETA	AIF WEIGHTS	BENCHMARK WEIGHTS	AIF PERIOD RETURNS	PERIOD BENCHMARK RETURNS	AIF PERIOD RISK ADJUSTED RETURNS	BENCHMARK RISK ADJUSTED RETURN
Consumer Staples	0.42	0.39	8.38%	10.74%	4.83%	7.66%	11.50%	19.64%
Consumer Discretionary	1.19	0.78	12.84%	11.47%	12.84%	21.48%	10.79%	27.54%
Energy	1.29	1.18	10.48%	11.19%	12.97%	10.09%	10.09%	8.55%
Materials	0.96	1.36	4.69%	3.50%	1.27%	13.67%	1.32%	10.05%
Utilities	0.41	0.19	4.96%	3.37%	6.71%	1.19%	16.40%	6.26%
Financials	1.35	1.30	9.63%	15.96%	4.23%	14.28%	3.13%	10.98%
Healthcare	1.06	0.60	11.01%	12.21%	11.94%	15.43%	11.24%	25.72%
Industrials	1.45	1.16	12.28%	10.29%	10.04%	18.84%	6.92%	16.24%
Technology	0.85	.74	17.84%	21.25%	15.11%	12.85%	17.87%	17.36%

Strategic Alignment (Return Comparison)



	Consumer Discretionary	Consumer Staples	Energy	Materials	Utilities	Financials	Healthcare	Industrials	Technology
AIF	12.84%	4.83%	12.97%	1.27%	6.71%	4.23%	11.94%	10.04%	15.11%
Sector SPDR	21.48%	7.66%	10.09%	13.67%	1.19%	14.28%	15.43%	18.84%	12.85%

Statement of Operations

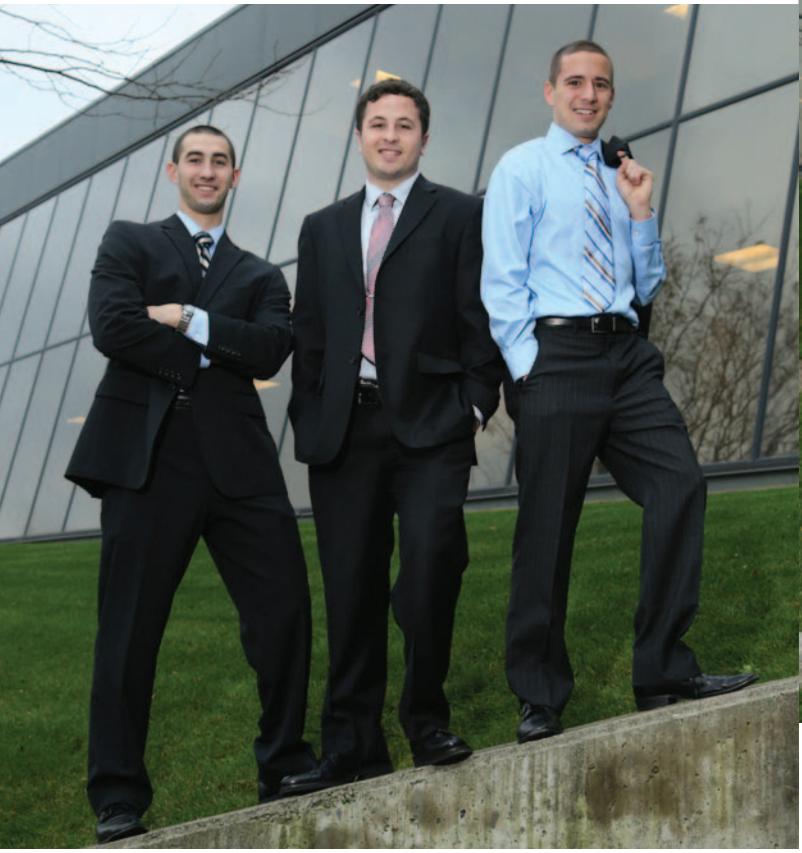
Market Value of Portfolio as of 4/1/13		$752,107.95
Income:		
Dividends	$ 8,648.81	
Interest	$ 5.56	
Total Income	$ 8,654.37	
Expenses:		
Fees*	$ 27.33	
Foreign Tax†	$ 118.39	
Trading Costs	$ 136.82	
Total Expenses	$ 282.54	
Total Income after Expenses		$ 8,371.83
Increase (Decrease) in Market Value		$ 61,621.80
Market Value of Portfolio as of 10/31/13		$ 822,101.58

Realized Gain (Loss) on Securities Transactions	
Proceeds from Securities Sold‡	$ 85,807.39
Costs of Securities Purchased‡	$ 145,898.54
Net Realized Gain (Loss)	$ (60,091.15)

* Associated with VOD

† Associated with TEVA

‡ Includes transaction fees



(L-R) Matthew Thompson, Chris Papadellis, Christian Russo

(L-R) Aadhi Manivannan, Scott Autencio, Adrian Bialonczyk, Keith Fischer

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.

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 up to date, and make recommendations to portfolio managers as needed. A key role of the committee is developing the semi-annual investment objectives, which help guide our investment decision making. Two key objectives we established this quarter based on the macroeconomic views of our portfolio managers were to reduce our cash balance to between 5-8% and increase our exposure to developed international markets to between 5-10%. We also uploaded all the transactions since 2011 into S&P Capital IQ, so we can see the fund as a portfolio over time, rather than just a period.

(L-R) Stephanie Lizardi, Steven Aguilar, Andrew Hado, Kahini Dalal

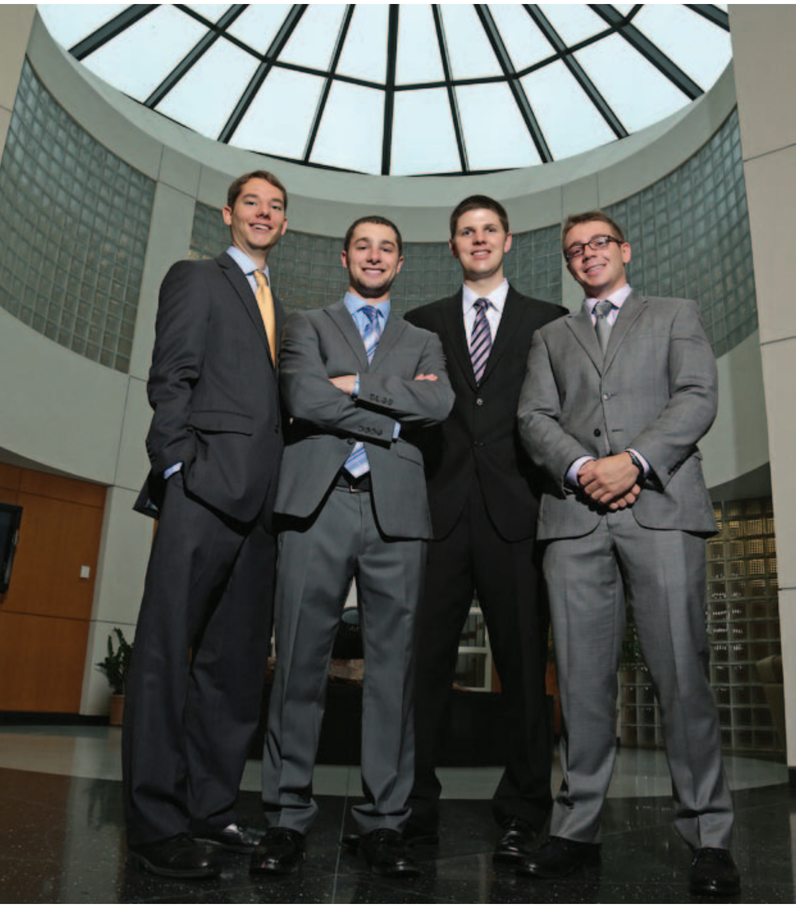
Macroeconomic Committee

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 created the equity research report, which consists of an in depth analysis on each holding.

(L-R) Kyle Creedon, Timothy Greenhill
Not Pictured: Ashley Tiberio, Nick Balboni

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, which will take place in the spring, through our LinkedIn page.



(L-R) Michael Richitelli, Michael Catanzariti, Matthew Brown, Jerry Condon

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.

Ad-Hoc Final Presentation Committee

The Final Presentation Committee is in charge of developing the framework and planning out the final semester presentation of the Archway Investment Fund. The committee focuses on increasing attendance and making the overall presentation more dynamic and interesting. This semester the committee is made up of volunteer students who are interested in creating the PowerPoint used for the presentation, as well as the flow of the presentation.

CFA Institute Research Challenge

This year, Bryant University is excited to be competing in another CFA Institute Research Challenge. This is the first time that the CFA Society of Hartford is sponsoring a local event for the competition. The CFA Institute Research Challenge is an annual global competition that provides university students with hands-on mentoring and intensive training in financial analysis. Teams of three to five students gain experience as they assume the role of research analysts and test their ability to value a publicly-traded company

This year the CFA Institute Research Challenge involves the analysis of Aetna Inc. (Note: As a result, the Archway Investment Fund is restricted from investment in Aetna until the competition has concluded.) Other colleges and universities that are competing in the Hartford event include Providence College, Trinity College, University of Connecticut, and University of Hartford. Winners at the local stage of the competition will move on to the regional level competition held in Denver, Colorado, and the following stage will be the global competition in Bangkok, Thailand. The team is composed of three current Archway portfolio managers (Matthew Brown, Kyle Creedon, and Matthew Thompson) and two current Archway security analysts (Nicholas Eceizabarrena and Chika Okoro).

(L-R) Matthew Brown, Kyle Creedon, Chika Okoro, Nicholas Eceizabarrena, Matthew Thompson

SPECIAL THANKS

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

Thursday evening classes also serve as a time for guest speakers to address the Archway Investment Fund students. We would like to extend a special thank you to the individuals listed below, who took the time to share their insights with us in class and at other special events. In addition, we would like to thank Tina Senecal, Karen Duarte, Liz O'Neil, and Karen Maguire for help with this report, Diane Costa, the Suite G Coordinator, David Silverman for photography, Peter Nigro, Betty Yobaccio, Laura Kohl, Stephanie Carter, as well as Amy Paul, Marcia Beaulieu, Sue Wandyes and all who are kind enough to lend a hand for the many aspects of the Archway Investment Fund. This year Bryant MBA candidates Tyler Buccetti and John Poirier helped with historical Archway Investment Fund performance—we are grateful for their time and efforts.

Thank you to the following speakers:

Derek Amey
Managing Director and Financial Advisor, StrategicPoint Investment Advisors

Ian Baker
VP of Risk Management and Derivatives, Pyramis Global Advisors

Michael Bautz '92
Operations Director, Travelers

Theodore Benttinen
First Vice President, UBS Financial Services

Olga Bourtseva '11
Risk Analyst, Pyramis Global Advisors

Jonathan Burke '03
Investment Officer, Amica

Robert Covino '92
Senior VP of Product Development, SSARIS Advisors

Jenifer Dilapi '12
Associate Financial Analyst, Pyramis Global Advisors

Corey Hill '11
Consultant, FactSet Research Systems

Matthew Hughes
CFO Product and Services, GTECH

Robert Scherfke
Macroanalyst, Wellington Management

Peter A. Sullivan '74
President, Arlen Corporation

Alexander Walsh '09
Archway Alumnus, Bryant University

Brian Withka
Director Client Development, S&P Capital IQ

Taylor Wood '12
Research Associate, Pyramis Global Advisors

Janet Yoo
Equity Analyst, Pyramis Global Advisors

PASSING THE TORCH

We would like to thank the Board of Trustees, Professor Louton, Professor Dowling, Professor Phillips, guest speakers, and everyone who has been involved in making the Archway Investment Fund the great learning experience it is today. Their help has been instrumental in developing our knowledge of portfolio and investment management. As we pass the torch to the securities analysts, we would like to offer some words of advice to ease their transition. Upon becoming portfolio managers, it is critical to form your own investment philosophy, which will help guide you in decision making. In analyzing the portfolio holdings and potential securities to purchase, rely on this unique identity to form a relationship with businesses you will become owners of. Be sure to thoroughly conduct qualitative research on securities and feel confident in the long term theme of where the business is headed. After identifying revenue drivers, conduct quantitative research to reach a target price that will complete your story. Stocks trading below their intrinsic value and meeting your investment objectives should be discussed to determine whether they should be added to the portfolio. The investment policy statement and objectives will be the foundation for these decisions, and the central opportunity to cement your identity into the portfolio. Whether your purchases perform well, or poorly, you will be questioned on the reasoning behind the transactions and how they tie into your broad objectives. Be sure to stay current on news of your holdings, and challenge each other on a daily basis to improve your understanding of the portfolio's holdings and general market trends. Rely on your security analysts to provide you with accurate and timely research. They are a critical resource for your success. Be sure to develop strong ties with them immediately. Actively managing an $840,000 fund is a privilege that not many individuals are presented with. Make the best of this opportunity by using it as a learning tool to develop your financial knowledge and teamwork. You will quickly find there to be no certainties in the market, but hard work will always bring you far. Remember to enjoy this experience, this is an opportunity of a lifetime, relationships and skills you develop will stay with you forever.

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Design: Gilbert Design