Michael Price Student Investment Fund

Annual Report

For the period

September 1, 2002 – August 31, 2003

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Spring 2003

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Fall 2003

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The Website for MPSIF is:

http://pages.stern.nyu.edu/~mpsif

MPSIF PORTFOLIO

MESSAGE FROM THE PRESIDENT

We are pleased to present the MPSIF Annual Report for fiscal 2003 to our Board of Advisors, participants, and other interested parties for their review. These pages give us the opportunity to share the past year's activity and operating results and hopefully to provoke comments or suggestions from readers. We are particularly pleased to note in this annual report that the net total fund return (after the annual five percent withdrawal) was 6.2%. Given an inflation rate of under 2.2%, this represents a real return of about four percent.

The past twelve months have witnessed significant geo-political events and significant changes in the expected underlying economic condition of the United States' economy, both of which have had profound impacts upon the market for equity and fixed income securities. While the past twelve months have been a challenging time for the markets, and the world, we value the opportunity we have had to actively manage investment funds during the past year.

As is appropriate at this opportunity for reflection and review, we include the MPSIF mission below:

> The Michael Price Student Investment Fund has been established to provide students of the Leonard N. Stern School of Business at New York University with practical investment management experience. The investment returns generated by the Fund will be used to provide scholarships to selected students from the Michael F. Price College of Business at the University of Oklahoma for study at the Stern School, and to support other educational activities at the Stern School of Business.

As participants in MPSIF, we are acutely aware of the dual purpose of the fund: to further MPSIF participants' education in security analysis and to help others further their education in business. In making security selections for the fund, we keep both of these mandates in mind.

We would like to extend our continued thanks and appreciation to Michael Price, without whom this great experiment and opportunity to learn would not be possible.

Christopher Pritchard
MPSIF President

REVIEW OF OPERATIONS AND POLICY

The MPSIF is divided into four, autonomous funds: the Growth Fund, the Small Cap Fund, the Value Fund, and the Fixed Income Fund. While the goal of each fund is to purchase undervalued securities, each fund is free to determine the best way to identify those opportunities. For example, the Growth Fund may find value by identifying securities whose implied growth rate is below what the analysts in the Fund believe is appropriate. Alternatively, the Value Fund may approach the same question of locating undervalued securities by looking for undervalued assets whose value will be unlocked by a near term catalyst.

The Fixed Income Fund's analysts are charged with taking a view on interest rates and the general economic environment, and then making investment-grade security selections according to their duration and risk exposure views. The equity funds contribute cash to the Fixed Income Fund that they believe is best put to use in fixed income securities, but have the option of recalling that cash at any time, should they find compelling reasons to increase their exposure to equities, subject to the constraint that at least 25% of the aggregate funds under management in MPSIF be allocated to fixed-income securities.

Two changes have taken place in MPSIF's operations this year and are summarized as follows:

- **Fixed Income benchmark changed from US Treasuries to the Vanguard Total Bond Fund**. The Fixed Income Fund changed its benchmark this year, from the 5-year US Treasury plus 100 basis points to the Vanguard Total Bond Fund. The Fixed Income managers felt that this benchmark was a more appropriate measure of return for a fund whose objective is to generate excess risk-adjusted returns. This change also supports MPSIF's charter, which is to provide a hands-on, education in managing investment funds to its participants. The MPSIF Executive Committee feels that selecting classes of corporate securities with different investment-grade risk profiles provides a more robust education than does buying a government security.

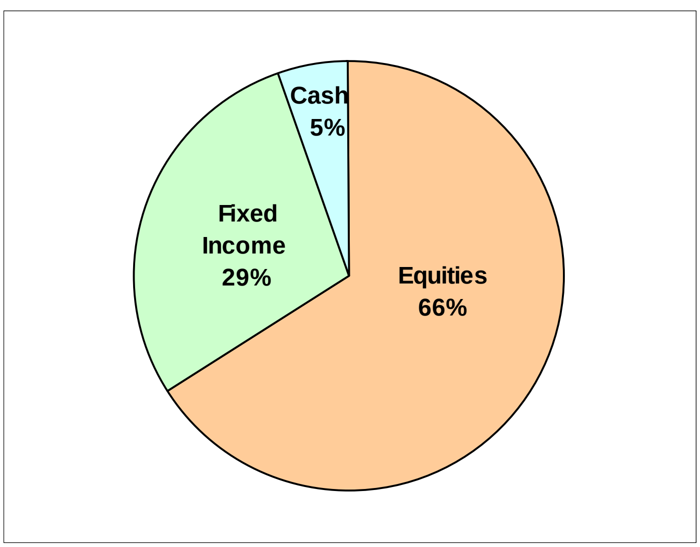
- **Active dissemination of best practices**. In reviewing MPISF Funds' operations, MPSIF's Executive Committee determined that certain Funds had developed techniques that could improve the operations of other Funds. To disseminate these practices, the Executive Committee asked the Small Cap fund, which had incorporated many of these best practices, to present its methods of security analysis and selection to a gathered audience of the entire MPSIF class. The net result is that each Fund still operates independently and uses its own criteria to locate value, but has an improved set of tools by which to screen for, evaluate, and pitch its prospective securities.

PORTFOLIO ALLOCATION

Fund Allocation

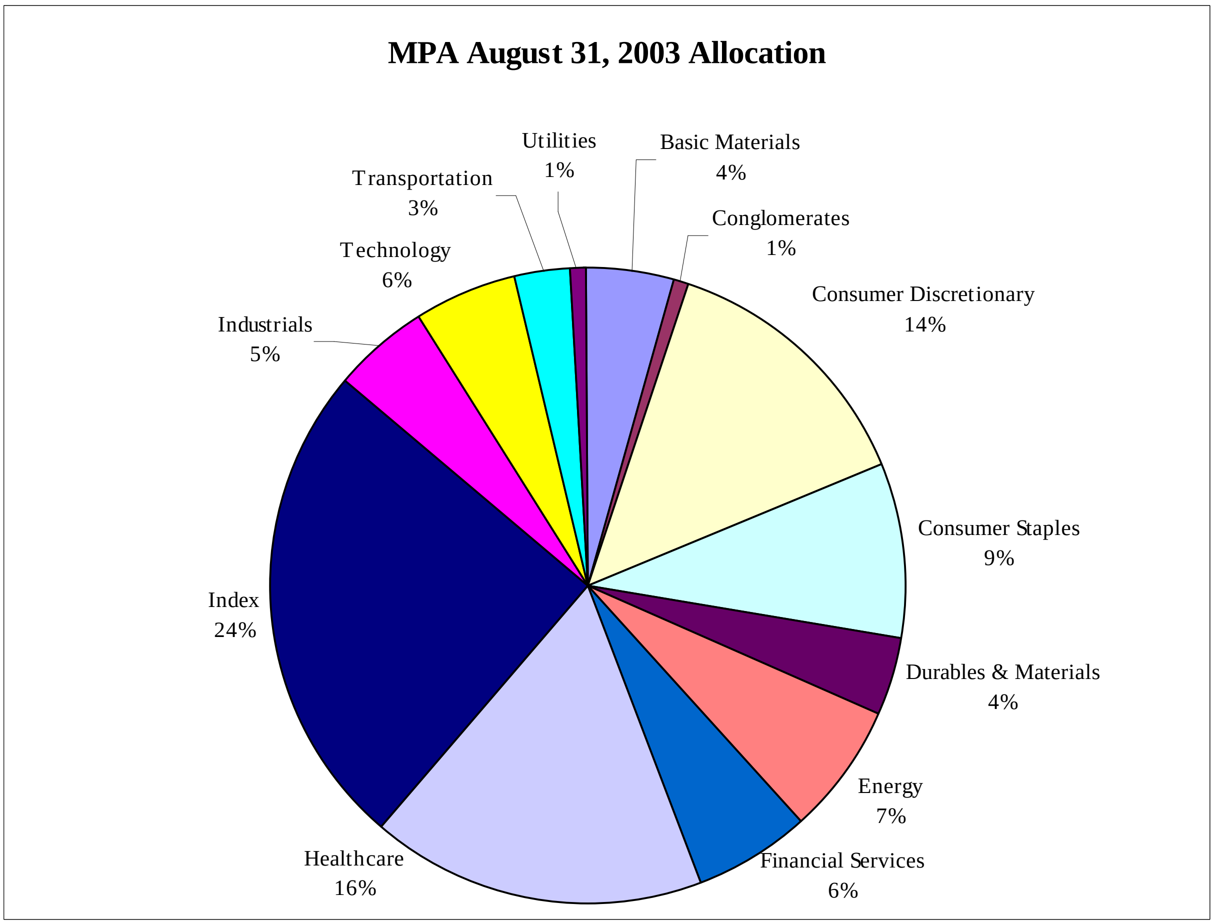
We ended the year with about the same portfolio allocation with which we began the year: 66% equities, 29% fixed income, and 5% cash. This defensive allocation made it more difficult for the MPSIF fund in aggregate to outperform its benchmark, which is composed of 75% equities and 25% fixed income. However, during the volatile markets we have encountered over the past 12 months, this allocation strategy reduced the overall portfolio's risk exposure. The Fund's overall Beta of .40 (relative to our blended index) reflects this defensive asset allocation.

	August 31, 2002		August 31, 2003	
Fund	**Mkt. Value**	**% Assets**	**Mkt. Value**	**% Assets**
Growth	230,063	14.2%	222,413	13.0%
Small Cap	421,281	26.0%	505,646	29.5%
Value	386,361	23.9%	403,623	23.5%
Equities	1,037,705	64.1%	1,131,682	65.9%
Fixed Income	460,492	28.4%	493,680	28.8%
Cash	121,356	7.5%	90,824	5.3%
Total Portfolio	**1,619,553**	**100.0%**	**1,716,186**	**100.0%**



Equity Sector Allocations

The overall equity funds show broad diversification throughout a number of different sectors. It is clear from the aggregate allocation of funds that all of the sub-funds see value and opportunity in the Healthcare and Consumer Discretionary sectors. The large holding of index funds is a timing issue. In May, portfolio managers determined that they were reluctant to hold the entire fund in individual securities, given the relative shortage of full time analysts to remain attentive to each fund's positions over the summer period. Some portfolio managers shifted assets into index funds to better manage risk during the summer and the Growth Fund maintained a higher cash position.



PORTFOLIO PERFORMANCE

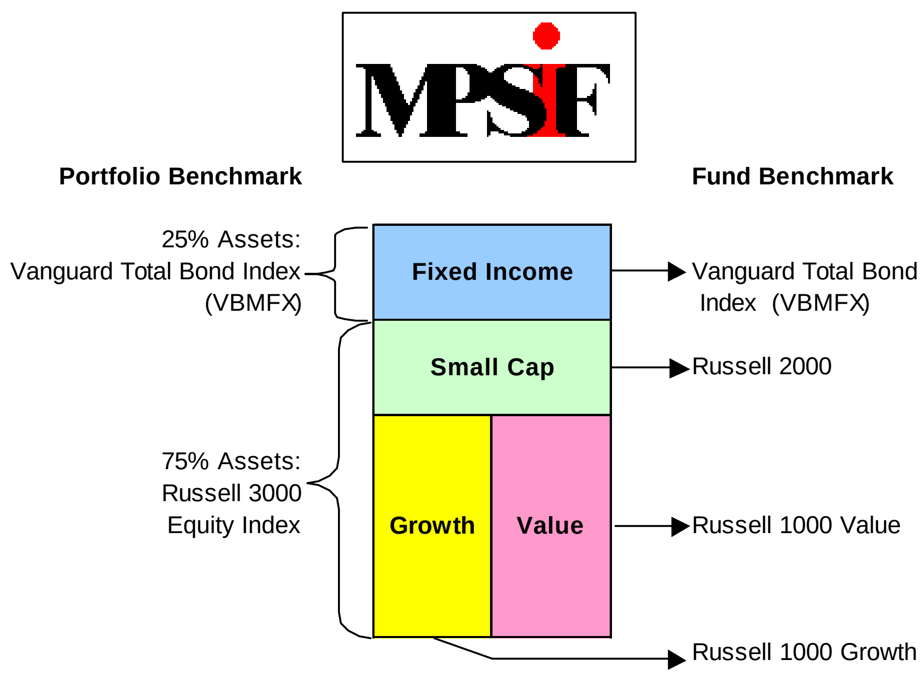
Portfolio Benchmarks

Each Fund within MPSIF tracks itself relative to an appropriate benchmark fund. The current benchmarks used by each fund are as follows:

▪ Growth Fund benchmark:	Russell 1000 Growth Equity Index
▪ Small Cap Fund benchmark:	Russell 2000 Equity Index
▪ Value Fund benchmark:	Russell 1000 Value Equity Index
▪ Fixed Income benchmark	Vanguard Total Bond Fund

The MPSIF Funds produced a 10.7% total cumulative monthly return for the time period beginning September 1, 2002 and ending August 31, 2003, exclusive of the fund's annual five percent contribution to student endowments. Inclusive of the withdrawal, the Fund returned 6.2%. During this time period, the equity portion of the fund returned about 13.1% and the fixed income portion returned 6.0%.

Over the same time period, the Russell 3000 returned an aggregate 13.9% and the Vanguard Total Bond Fund returned 4.2%. Our blended index return was 10.8%. While the fund's performance slightly lags that of its index, on a risk adjusted basis the fund posted strong returns.



Portfolio Risk Measures

Risk and Return

One year total returns	*percent*
One year MPSIF total return	6.2
One year blended index total return	10.8
Monthly total returns	
High	4.8
Low	(5.4)
Average	0.5
Standard deviation	2.6
Average blended index return	0.9
Blended index standard deviation	4.1

Note that in this table the MPSIF returns are net of the five percent annual withdrawal. There are no adjustments for this in the blended index. Before the withdrawal, the one year returns for the MPSIF fund are about 10.7%. Given an inflation rate over this period under 2.2%, the fund was able to generate a real return of over four percent. As the high-low spread suggests, the markets continue to be quite volatile. Last year when the average monthly returns were negative the monthly standard deviations were higher: MPSIF 4.2% and Blended 5.1%. So MPSIF has benefited this year from both an increased return and a reduction in risk.

Relative Performance

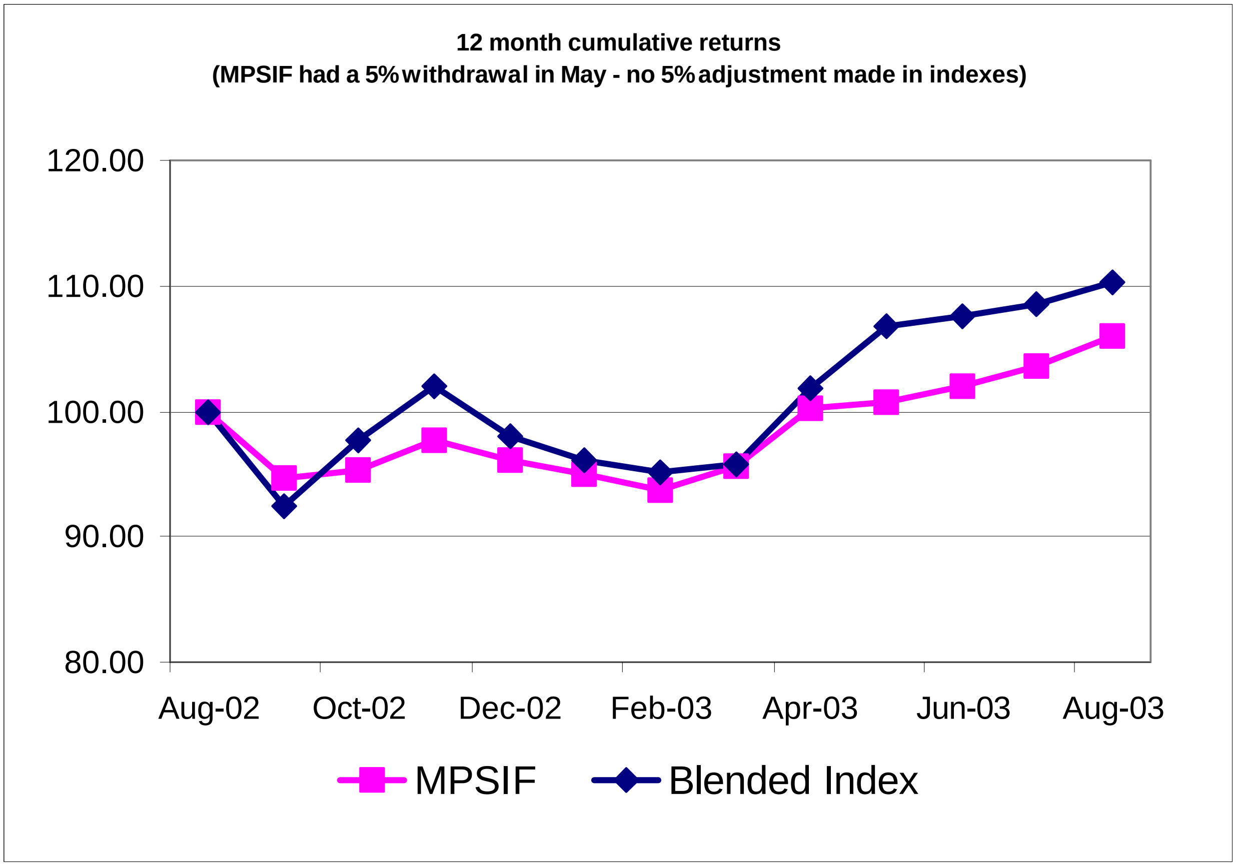
The table below summarizes performance numbers for various holding periods. For example "1 Month" is the period August 2003; "6 Months is the period March 1 through August 31, 2003. As the numbers suggest, relative performance is quite volatile over short periods so MPSIF is unlikely to make major adjustments in its portfolios based on short-run benchmark returns.

Since the MPSIF returns are net of our obligated five percent withdrawals, our benchmark target performance is to have a result for the fiscal year where (MPSIF minus Benchmark is less than a minus five percent). Of course in an absolute sense our long run target is to generate returns that are greater than (five percent plus the rate of inflation).

Recent Total Returns for Varying Holding Periods

Period	**Blended Benchmark**	**MPSIF**	**MPSIF minus Benchmark**
1 Month	1.72%	2.28%	0.56%
3 Months	3.37%	5.09%	1.72%
6 Months	15.11%	12.52%	(2.59%)
12 Months	10.82%	6.19%	(4.63%)

In this graph we indicate cumulative monthly compound total return performance over the fiscal year for MPSIF (net of the five percent withdrawal), and for our blended index, with the Russell 3000 index measured here by RUA rather than the actual index from Russell. As is evident, until the May 2003 five percent withdrawal, the MPSIF fund tracked our blended index quite closely, but with less volatility.



In closing the President's report I will only note that the markets continue to be volatile and robust this fall. Since the end of August the value of the MPSIF funds has increased from 1.716 million to 1.820 million dollars at the end of November. In what has been a serious bear market over the past three years, and after three five percent withdrawals, we now have more money than we started with in March 2000.

MPSIF FINANCIAL STATEMENTS

Year Ending August 31, 2003

CASH FLOW FROM OPERATIONS	Fiscal Year ending 08/31/2002	Fiscal Year ending 08/31/2003
Dividends and MPF Interest	$40,932	$38,010
Bank Interest	3,298	979
Investment Income	$44,230	$38,989
Expenses / Fees	9,997	8,560
Net Investment Income	**$34,232**	**$30,429**

CHANGE IN NET ASSETS

Net Investment Income	$34,232	$30,429
Realized Gain (Loss)	3,725	(139,149)
Unrealized Gain (Loss)	(173,196)	109,525
Annual Withdrawal	(97,343)	(77,385)
Net Transfers	0	0
Net Other Adjustments	(43,644)	173,213
Net Change in Assets	**($276,226)**	**$96,633**
Net Assets, Beginning of Period	1,895,779	1,619,553
Net Increase (Decrease)	(276,226)	96,633
Net Assets, End of Period	**$1,619,553**	**$1,716,186**

Notes*:* *Net Assets are at Market Value.*

Unrealized Gain (Loss) is the difference between original cost and End of Period market value. For securities purchased before the beginning of the year, a net "Mark to Market" calculation that reflects the difference between original cost and Beginning of Period market value is made to avoid double-counting the Unrealized Gain. In general, if the original cost is less than the Beginning of Period market value the "Mark to Market" variable will be negative. These adjustments constitute most of the "Net Other Adjustments" numbers.

GROWTH FUND

MESSAGE FROM THE PORTFOLIO MANAGERS

We find ourselves in very different economic and market environments this year compared to last year. Over the past twelve months major equity indexes are up double-digits in percentage terms. This performance is largely due to the increasing evidence that the U.S. economy has turned the corner and economic growth is beginning to accelerate, as highlighted by second and third quarter annualized GDP growth of 3.3% and 7.2%, respectively. This phenomenon, in combination with a stabilizing labor market and stimulative monetary and fiscal policy has led investors back to the equity markets.

However, many questions still remain. Is a sustainable economic recovery finally at hand? Or is this yet another false start as we have come to expect? Will the recent surge in bond yields negatively affect consumer spending, which appears to have relied on refinancings to finance recent purchases? Could higher bond yields stall the revival in capital spending just as it is showing signs of life? Finally, when will inventories be rebuilt and when will business borrowing rise again?

While recent economic improvement is impressive, what is more encouraging is evidence of economic "broadening." Throughout most of this recessionary cycle, the economy has fired on a single cylinder—the household sector. Until recently, the other components of real GDP (government spending exclusive of defense, business spending and trade) have remained anemic or have contracted.

In the second quarter, however, the economy was boosted not only by consumer spending and housing, but also by solid contributions from the government and business sectors. The accelerating economy now appears more balanced with contributions to overall real GDP growth now coming from a broader array of sectors. However, problem areas are still evident in the economy. Business inventories continue to be liquidated and the real trade deficit is worsening.

More than anytime since the 2001 recession, the recent character of the economy and the financial markets has followed a more traditional recovery pattern. Typically, once recessions end, the stock market and commodity prices rally first, followed by improvements in both business and consumer confidence indexes, followed by better retail spending numbers, improved manufacturing activity and finally better job reports. Both the stock market and industrial commodities began rising at the conclusion of the Iraqi war. Shortly thereafter, consumer and business confidence indexes spiked upward. Consumer spending (particularly on housing and autos) has remained firm and appears to be accelerating. Retail sales posted a solid gain in the second quarter and expectations are for continuing gains the rest of the year. The manufacturing sector also seems to be recovering - the purchasing managers' survey index has risen in each of the last three months while the service sector survey has improved in each of the last four months. Although employment has not yet decisively turned upward, it has always been the last to do so. Recent signs, however, are encouraging - including a decline in unemployment claims below 400,000, 126,000 jobs created in October, back-to-back monthly gains in temporary employment and an apparent peak in the unemployment rate.

Christopher Smith and Jennifer Milacci
November 2003

INVESTMENT STYLE AND STRATEGY

Investment Strategy: The fund strives for total return through capital appreciation and income. The Fund invests in growth stocks, characterized by long-term above-market earnings growth, taking into consideration the stock's price as related to its intrinsic value. We generally focus on firms with proprietary advantages operating in fast growing industries.

Objective: To achieve returns above those of the Russell 1000 Growth Index. This is consistent with our decision to split off the management of our fixed income portion into a separate fund. Growth Fund itself is now essentially an equity-only fund.

Our Investment Process: We base our investment decisions on fundamental research. Throughout this process, we conduct in-depth financial and industry analysis in order to determine future growth drivers. We seek companies that we believe will continue their earnings momentum into the future, by investing in new markets, technology and capital, which will allow them to gain market share and participate in emerging market opportunities. Finally, we search for firms with financial strength, a distinct proprietary advantage and aggressive and capable management that will leverage this proprietary element. The general criteria that we follow in our stock selection process are as follows: earnings growth of 15%, PEG ratio of less than 2.5, beta of at least 1.0 and market capitalization of $2.5 billion or greater.

Sell Discipline: We will consider reducing our exposure to a specific stock when:

- The issuer's growth rate deteriorates or its performance otherwise disappoints.
- The price of the security attains our price target or otherwise appears relatively high to our fund's analysts.
- The company publishes negative earnings announcements that could affect the long-term outlook and industry attractiveness.
- Unfavorable changes in management seem likely.
- Changes in our overall economic outlook dictate a re-weighting of our sector allocations.

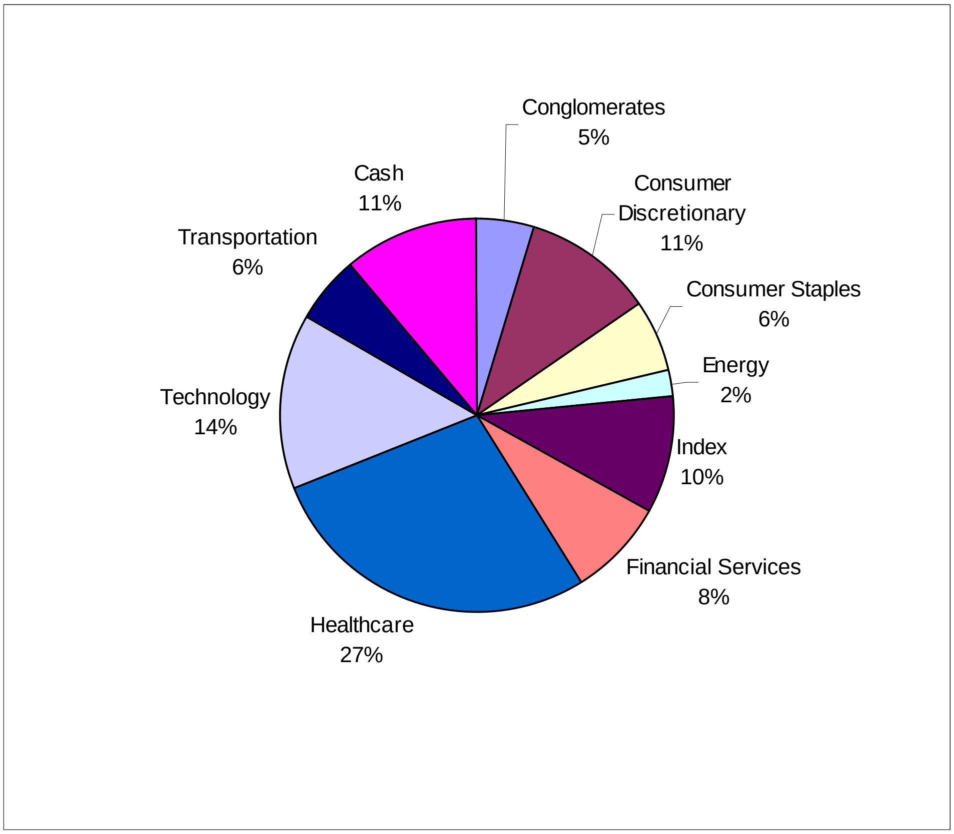
Why Growth Stocks?

- Growth companies, by definition, are the fastest growing companies in the economy. We believe that earnings growth is the principal factor in determining common stock prices over time.
- Thus, we believe investing in the fastest growing companies that are not currently overpriced should lead to realization of potentially superior investment returns over the long term
- The fastest growing companies also tend to be the most adaptable and dynamic companies within the economy. We believe these qualities should also lead to potentially superior returns for investors over the long term. Growth investing has especially outperformed other strategies when the overall growth rate of the market is positive.

ASSET ALLOCATION

The fund is currently underweight Technology and Materials, and overweight Consumer Discretionary relative to our benchmark the Russell 1000 Growth Index. In the coming months, we expect to reduce our cash and index holdings (a summer management strategy) and increase our exposure to the Technology and Financial Services sectors.

A breakdown of our holdings by sector as of August 31, 2003 is shown below:



A breakdown of our asset class is shown below:

	August 31, 2002		**August 31, 2003**	
Growth Fund	**Mkt. Value**	**% Assets**	**Mkt. Value**	**% Assets**
Cash	2,642	0.30%	27,581	11.03%
Equities	230,063	99.70%	222,413	88.97%
Fixed Income				
Total	$232,705	100.00%	$249,994	100.00%
Purchases	306,770		52,813	
Sales	378,596		88,726	

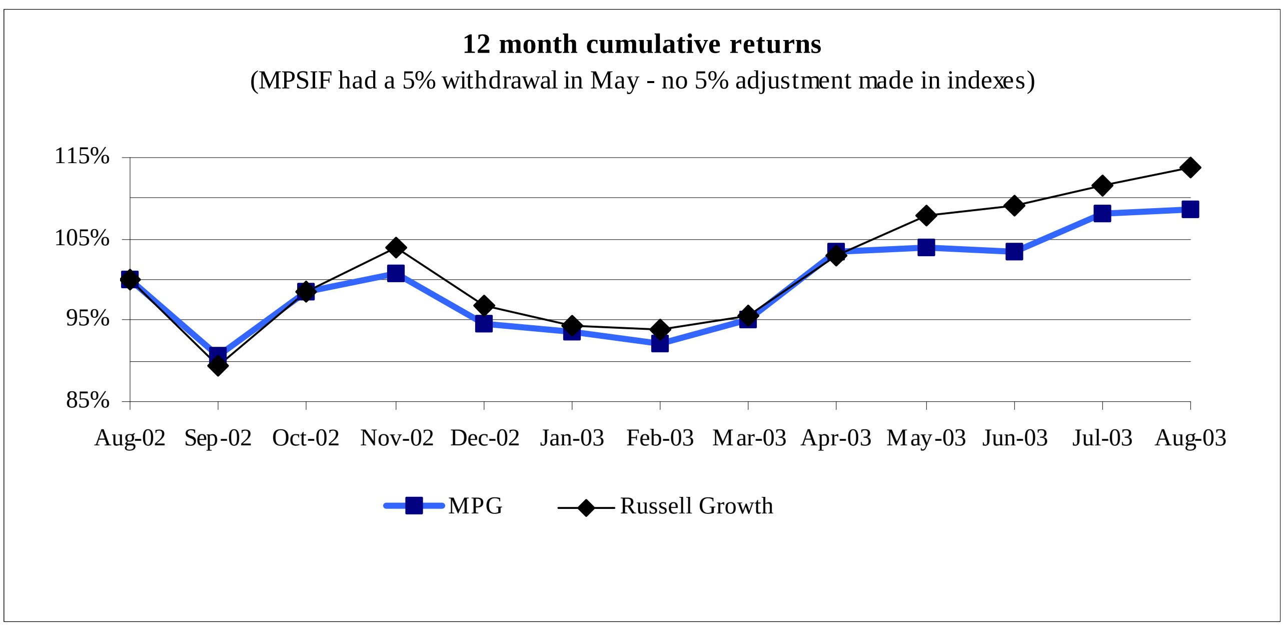
FUND PERFORMANCE

The Growth Fund matched the performance of its benchmark Russell 1000 Growth Index during the first six months of the fiscal year, but underperformed it during the last half of the fiscal year. The Growth Fund underperformed in October and November of 2002 when the Index performed well relative to the Fund's then current holdings. Despite the fund posting positive returns of 7.9% and 2.2% for those two months, the Index outperformed the Fund with 9.2% and 5.4% returns, respectively.

For most of 2003, we have attempted to reposition the fund as one more in line with a traditional growth strategy as stated in our philosophy and process. As shown by our recent performance, we believe this strategy is beginning to bear fruit and will continue to generate returns as the economic recovery continues to strengthen and corporate profitability and the labor market improve.

The fund began its fiscal year with assets of $233,100 in September 2002. During the fiscal year, the fund completed its annual 5% disbursement in May of 2003, releasing $10,970. The fund ended its fiscal year with assets of $250,000. Over the twelve month period ending August 2003 the Fund slightly underperformed its benchmark, gaining 12.1% (before the five percent deduction) versus a benchmark gain of 12.8%. Net of the five percent deduction, the fund had a gain of 7.3% for the year, well above the inflation rate for this period. We remain confident that the fund will perform even better in the next year, after having made appropriate changes in our portfolio and with a brighter outlook for the market in general.

The chart below shows the growth of an investment in the Growth Fund versus the Russell 1000 Growth Index (measured by RLG) over the past fiscal year.



FUND PROFILE

The following snapshot reflects the Growth Fund portfolio as of August 31, 2003. It also shows the sector for each holding. While the fund does not expressly try to match exposure with the Russell 1000 Growth Index, we do note where we are taking overweight and underweight sector positions relative to the index.

Company	Sector	Shares	Value	% Assets
Harley Davidson	Autos & Transportation	285	$14,198	5.68%
General Electric	Conglomerates	392	11,591	4.64%
Home Depot	Consumer Discretionary & Services	327	10,516	4.21%
Target Corp.	Consumer Discretionary & Services	149	6,049	2.42%
Viacom	Consumer Discretionary & Services	243	10,935	4.37%
Budweiser	Consumer Staples	280	14,431	5.77%
Devon Energy	Energy	102	5,278	2.11%
American International Group	Financial Services	139	8,280	3.31%
Freddie Mac	Financial Services	217	11,533	4.61%
Affymetrix	Healthcare	177	4,085	1.63%
Amgen	Healthcare	242	15,957	6.38%
Medtronic	Healthcare	275	13,634	5.45%
Pfizer	Healthcare	364	10,890	4.36%
Shire Pharmaceuticals	Healthcare	430	9,980	3.99%
Varian Medical Systems	Healthcare	271	15,127	6.05%
CheckPoint Software	Technology	784	13,665	5.47%
FEI Company	Technology	421	11,569	4.63%
XM Satellite Radio	Technology	790	10,823	4.33%
Russell 1000 Growth ishares	Index	554	23,872	9.55%
Total Equity			$222,413	88.97%
Cash			27,581	11.03%
Total Assets			$249,994	100.00%

PORTFOLIO RISK MEASURES

Risk and Return

One year total returns	*percent*
One year MPG total return	7.3
One year index total return	12.8
Monthly total returns	
High	8.6
Low	(9.4)
Average	0.7
Standard deviation	5.2
Average index return	1.2
Index standard deviation	5.7

Note that in this table the MPG returns are net of the five percent annual withdrawal. There are no adjustments for this in the index numbers.

Investing in growth stocks continues to be a relatively high risk activity in this market. While the standard deviation of monthly returns was lower for the fund than our index, our average return was also lower (in part because of our summer holdings of cash).

GROWTH FUND FINANCIAL STATEMENTS

MPG FINANCIAL STATEMENTS

Year Ending August 31, 2003

CASH FLOW FROM OPERATIONS	Fiscal Year ending 08/31/2002	Fiscal Year ending 08/31/2003
Dividends	$8,976	$1,224
Bank Interest	1,010	141
Investment Income	$9,986	$1,365
Expenses / Fees	2,221	1,367
Net Investment Income	**$7,765**	**($2)**

CHANGE IN NET ASSETS

Net Investment Income	$7,765	($2)
Realized Gain (Loss)	(71,180)	(53,853)
Unrealized Gain (Loss)	(103,318)	(21,182)
Annual Withdrawal	(24,423)	(10,970)
Net Transfers	(125,447)	0
Net Other Adjustments	43,199	103,296
Net Change in Assets	**($273,404)**	**$17,289**
Net Assets, Beginning of Period	$506,109	$232,705
Net Increase (Decrease)	(273,404)	17,289
Net Assets, End of Period	**$232,705**	**$249,994**

The net transfer in 2001 was to the fixed income group to jointly manage fixed income investments. For a discussion of "Net Other Adjustments" see page 12.

MPSIF GROWTH FUND MANAGEMENT TEAM

Kathryn Calogredes – Market Strategist; Analyst, Healthcare
Kathy currently works as an Assistant Portfolio Manager at Carret and Company, a value-investing firm with $2 billion in assets for individuals and institutions. Prior to working at Carret, Kathy worked in equity research sales at Sanford C. Bernstein & Co. She received her B.A. in Economics and English Literature from Lehigh University in 1998.

Larry Chin, CFA – Director of Quantitative Screens; Analyst, Consumer Staples
Larry is a manager at the Financial Institutions Retirement Fund, where there is $2 billion under management for small to mid-sized financial institutions nationwide. Previously, Larry spent four years at Bankers Trust as an analyst. Larry received his BBA from Baruch College and was awarded the Chartered Financial Analyst designation in 2001.

Andrew Holloway – Analyst, Technology
Prior to coming to the Growth Fund, Andrew was one of the first people to be involved in online advertising and media. Andrew spent 6 years working with start-ups and mid-cap companies helping them to develop sales and build partnerships with other companies. Andrew spent his summer working at Bank of New York working on an interest rate derivatives sales desk. Andrew received his bachelor's degree from University of Pennsylvania.

Jennifer Milacci, CFA – Co-Portfolio Manager
Prior to joining the Growth Fund, Jennifer worked for over six years at Putnam Investments as an Investment Specialist for their Institutional Management business. Over the summer, she worked at Morgan Stanley Investment Management as a Research Associate focusing on the retail and leisure industries. She is a CFA charterholder and received a B.S. in Industrial Management from Carnegie Mellon University.

Ben Radinsky – Analyst, Financial Services
Prior to joining the Growth Fund, Ben worked at Bear, Stearns and Co. Inc. as an analyst covering media companies. Previously, he spent time in the Bear Stearns market economics group forecasting trends in the domestic economy and in a group that manages the Bear Stearns middle and back offices. Ben holds a bachelor's degree in Biology from Yeshiva University.

Jennifer Sam – Fund Services; Analyst, Durables & Materials and Transportation
Prior to Stern, Jennifer was a Project Manager with a real estate investment advisor. She also worked with Ernst & Young in the Mergers & Acquisitions group and Arthur Andersen in the Audit group. This past summer she worked in Equity Research at Bear Stearns. Jennifer is a CPA and holds a Masters of Accounting from the University of Southern California and a B.S. in Managerial Economics from the University of California at Davis.

Christopher Smith – Co-Portfolio Manager
This past summer Chris worked in the high yield loan/ bond group at Bear Stearns Asset Management. Prior to this Chris worked for two years as an associate in the private equity group of The Yucaipa Companies, a Los Angeles-based private investment firm, and two years as a financial analyst in the investment banking division of Salomon Smith Barney. Chris is a CFA level II candidate and graduated from Brigham Young University with a BA in Economics.

Garrett Smith – Communications Director; Analyst, Consumer Staples
Prior to joining the Growth Fund, Garrett worked as a Mergers and Acquisitions analyst for Rothschild in New York. This past summer, Garrett covered technology, media, and telecom companies as a fixed income research associate at J.P. Morgan Chase. Garrett received a BA in Economics from the University of Pennsylvania.

Thang To – Analyst, Industrials
Prior to enrolling at Stern, Thang spent two and a half years at Arthur Andersen as a Senior Consultant in the Business Process Risk Consulting group. He spent his MBA summer at Lehman Brothers in the Sales and Trading rotational program. Thang is a Certified Public Accountant licensed in the state of California.

Kervin Uy – Research; Analyst, Energy, Utilities and Basic Materials
Kervin graduated from the University of the Philippines and is a Certified Public Accountant. Prior to Stern, he worked as a consultant with Arthur Andersen and as a corporate planning associate with Globe Telecom and JG Summit Holdings in the Philippines. Over the summer, he was an associate with Cornell Capital Partners.

Bradley Visokey – Trader; Analyst, Technology
Prior to joining the Growth Fund, Brad worked as an Associate at Deutsche Bank in New York, analyzing risk for their interest rate derivatives trading desk. He has also worked in similar functions at Greenwich Capital Markets and Prudential Securities prior to that experience. Brad earned a B.S. in Finance from Georgetown University in 1997.

George Williams – Fixed Income Representative; Analyst, Healthcare
Prior to Stern, George worked as a process engineer at FMC Corporation. This past summer, he interned with Standard and Poor's Corporate Credit Ratings group, covering U.S. utilities and energy companies. George holds a Master degree in Chemical Engineering from the University of Delaware, undergraduate degrees from Rutgers University in Chemical Engineering and Economics, and is currently a CFA Level II candidate.

SMALL CAP FUND

LETTER FROM THE CO-PORTFOLIO MANAGERS

After a difficult first quarter in 2003, the past six months have witnessed a strong performance from the US equity markets. Expansionary fiscal and monetary policy, coupled with improved corporate profits, helped to create an environment conducive to the revitalization of the economy and the markets. This recovery, however, has been characterized by an unusually slow turnaround in the employment market.

The stock market has seen impressive gains so far this year. Our benchmark index, the Russell 2000 (as measured by RUT), ended up 27.2% for our fiscal year ending August 31, 2003 and has continued to grow in recent months. Much of the recent gains are due to a few factors. First, the accommodative stance the Federal Reserve has adopted, along with the indication that it intends to keep rates low for the foreseeable future, has given investors confidence that inflation is not a major concern of the Fed. Second, consumer spending, which has been stalwart throughout the recession, continues to play an integral role during the upturn. Third, corporate earnings rose an impressive 9.9% in the second quarter, contributing to growing investor confidence. And finally, the US economy as a whole expanded at an annualized rate of 7.2% during the third quarter, the highest in 19 years.

Looking forward, we feel stock selection will prove crucial in the coming months as the recent increase in prices has caused much of the market to become fairly valued. We believe that the recent good news as well as continued high expectations have been priced into current stock market valuations. Any disappointment regarding this outlook may result in significant price declines. For example, as we have found using our bottom up valuation of technology companies, a small degree of speculation has begun to present itself. That being said, with continued positive economic developments and the materialization of corporate spending, certain segments and industries stand to benefit greatly. Accordingly, we have increased our exposure to cyclical stocks to better position the fund to profit from a recovery. We have also increased our holdings in financials due to what we believe are modest valuations.

We have focused on identifying opportunities that will allow us to achieve growth at a reasonable price. We are confident that our diligent research and active sector allocation strategy will yield significant results in the weeks and months to come as the economy continues to show signs of strength.

Sincerely,

Michael Altman and Robert Milacci

INVESTMENT STYLE AND STRATEGY

The operating objective of the Small Cap Fund is total return in excess of the return on the Russell 2000 through capital appreciation and dividends. Longer term, as an endowment fund our goal is to insure positive returns in excess of our five percent spending rate plus the annual rate of inflation.

The portfolio will invest exclusively in US-traded equities with market capitalizations of less than that of the largest component of the Russell 2000 index at the time of purchase. While the portfolio does not have an explicit bias towards "growth" or "value" investing, the substantial use of discounted cash flow analysis as a valuation tool may bias our portfolio slightly towards a price-to-earnings ratio lower than that of the Russell benchmark.

The Small Cap portfolio is intended to be a concentrated portfolio of 20 to 25 positions. Security selection is driven by bottom-up fundamental research in conjunction with the team's overall sector and economic views. While the MPSIF Fund is not bound to strict sector guidelines, it is the aim of portfolio management to be continually aware of the portfolio's sector weights versus those of the benchmark; the fund may elect to over- or underweight specific sectors as appropriate.

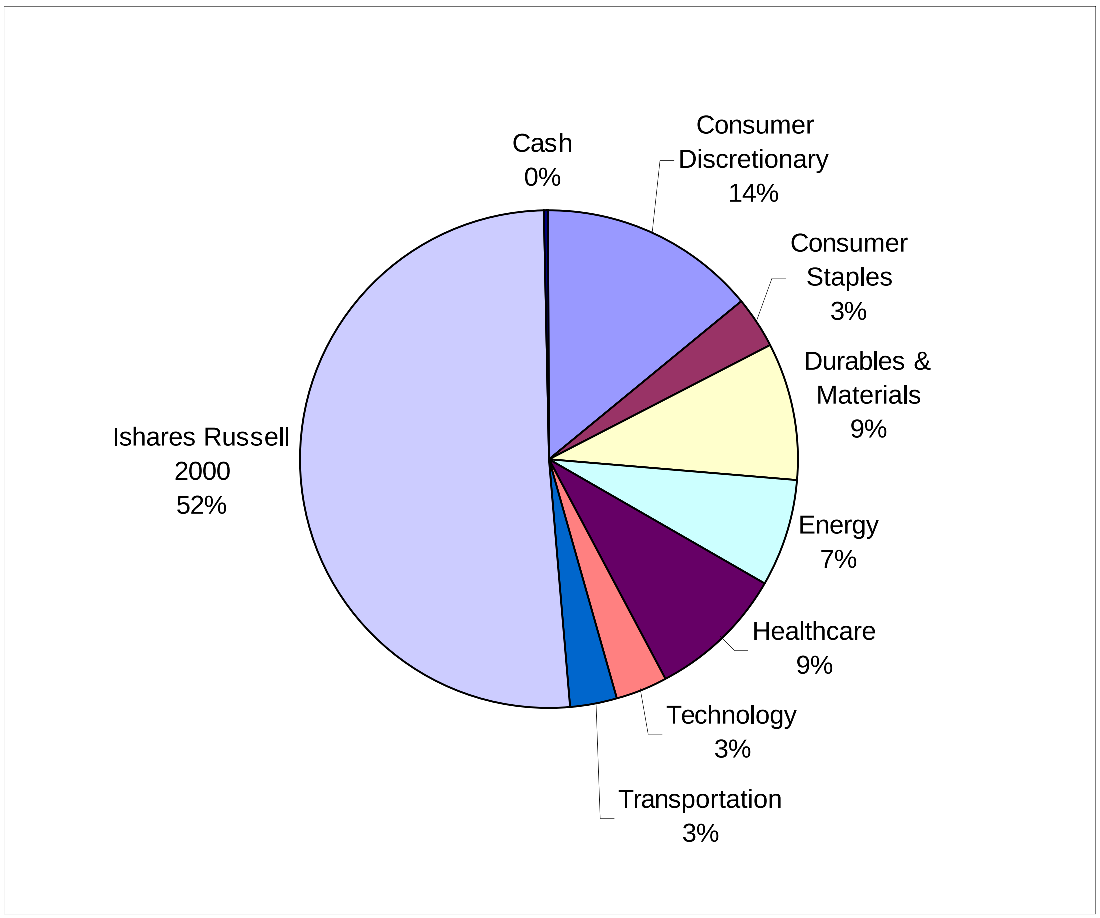
Historically, the fund has not been very actively managed during the summer as full-time employment occupies the team causing the portfolio to be underserved. This past May the team made the decision to sell out of a number of underperforming holdings and place the excess cash into an electronically traded fund (IWM the Russell 2000 iShares etf) in an effort to better position the portfolio. The sale of a number of both short-term and long-term holdings left the portfolio with a 51% position in the index at the end of August, which accounts for the large "Other" position in the Sector Allocation graphic below. This fall we have substantially reduced that position.

FUND ALLOCATION

Following is a summary of the fund's asset composition:

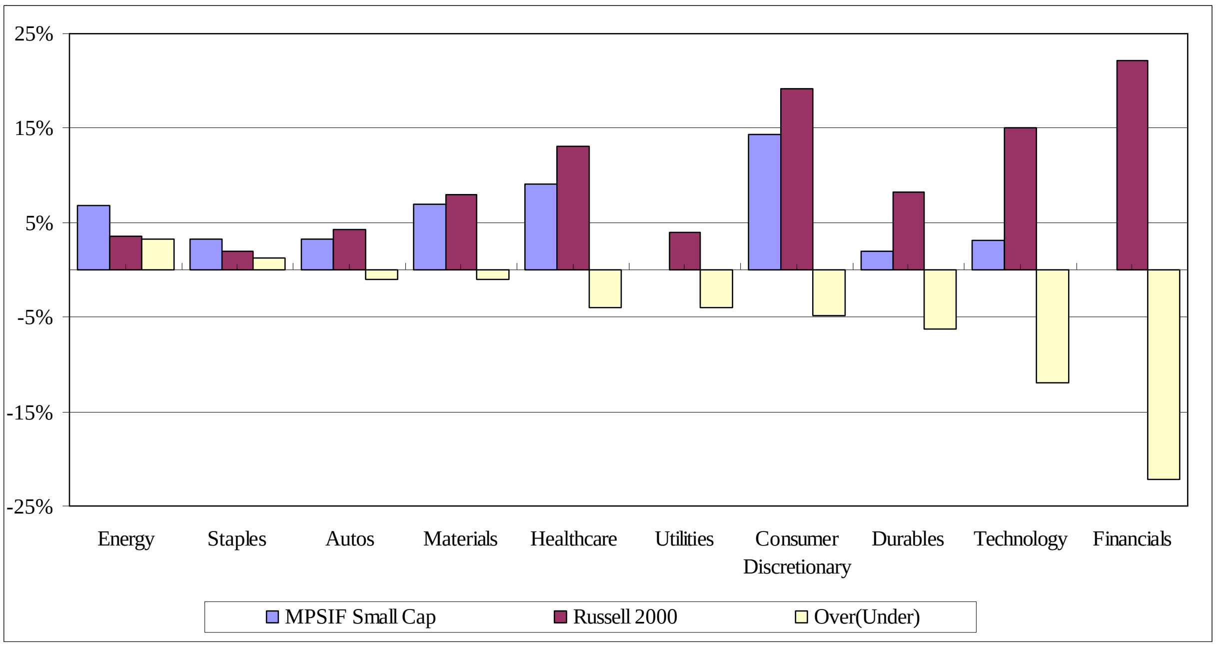
Small Cap Fund	**August 31, 2003**		**August 31, 2003**	
	Mkt Value	**% Assets**	**Mkt Value**	**% Assets**
Cash	26,688	6.0%	1,916	0.4%
Equities	421,281	94.0%	505,647	99.6%
Fixed Income				
Total	$447,969	100.0%	$507,563	100.0%
Purchases	441,894		347,177	
Sales	639,745		326,948	

This is our sector allocation at the end of August 2003.



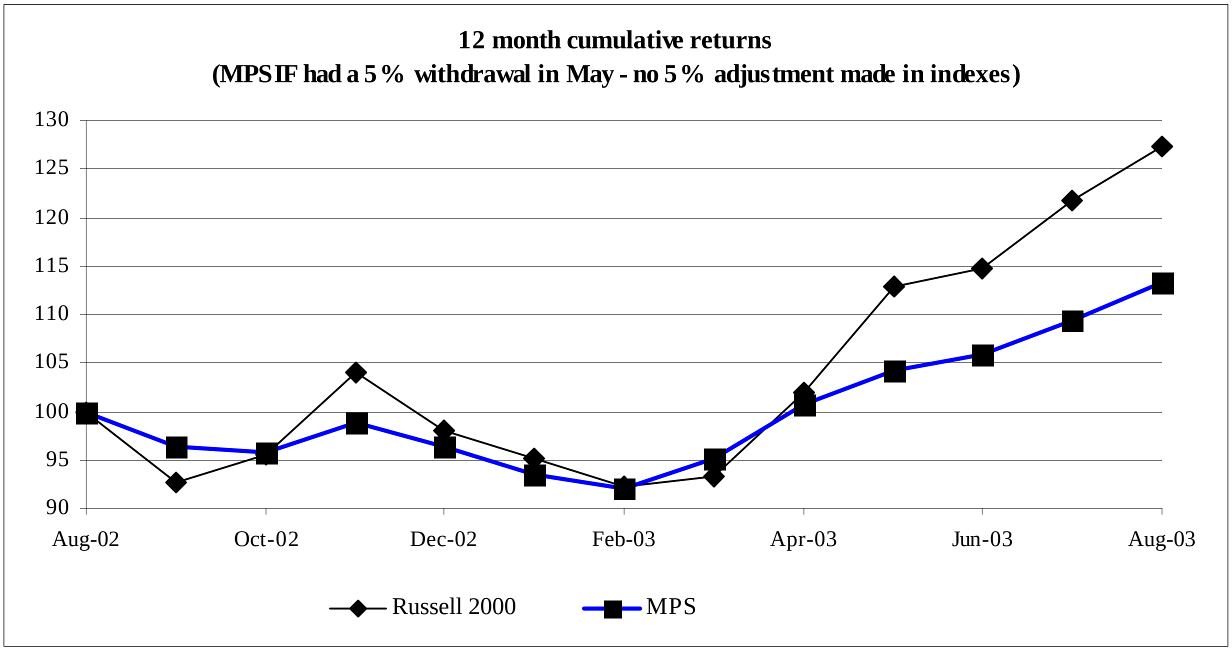
The fund does not maintain specific guidelines regarding asset allocation among sectors. Compared to our benchmark index, the Russell 2000, the fund is currently overweight in energy and consumer staples. The fund has an approximate market weight exposure to autos and materials. The fund is significantly underweight in financial services, producer durables, and technology. However, due to the fact that we were 51% indexed at the end of August the deltas in our sector allocations are actually half of what is indicated in the graph below.

The following table highlights the fund's relative sector exposures, as of August 31, 2003.



FUND PERFORMANCE

Relative cumulative returns over the past year are indicated here:



A large portion of the fund was held in cash during the recent six months as we pared non performing assets in addition to several holdings which had come to exceed the market capitalization criteria set forth by the fund. This cash was subsequently invested over the summer in Russell 2000 I-Shares in order to take advantage of the rising market.

Over the twelve month fiscal year the Russell 2000 outperformed the portfolio with a 12 month return of 27.2% versus our increase of 18.9% (excluding the 5% withdrawal). The fund began the fiscal year with $447,977 . After an annual 5% distribution amounting to $32,305, the fund ended the fiscal year at $507,562 for a net increase in value of 13.3%.

Although recent performance has trailed the benchmark index, we have been successful in meeting the primary long-term objective of the fund by achieving a consistent positive return significantly greater than the five percent spending rate plus the rate of inflation. Now that management has taken appropriate action, removing nonperforming assets while repositioning the portfolio to better exploit the recovery of the US economy, we expect to see improving performance ahead.

FUND PROFILE

August 31, 2003 Positions

Company	Sector	Shares	Value	% Assets
Cubic Corp	Technology	600	$ 15,822	3.1%
Insituform	Materials & Processing	1,150	$ 20,343	4.0%
Key Energy Services	Other Energy	2,400	$ 24,864	4.9%
Lindsay Manufacturing	Producer Durables	450	$ 9,945	2.0%
Marsh Supermarkets	Consumer Staples	1,500	$ 16,500	3.3%
Martek Biosciences	Health Care	525	$ 27,084	5.3%
Oceaneering Intl	Other Energy	400	$ 9,832	1.9%
Priority Healthcare	Health Care	900	$ 19,008	3.7%
Quiksilver	Consumer Discretionary	1,200	$ 21,780	4.3%
Rayonier	Materials & Processing	375	$ 14,861	2.9%
Saga Communications	Consumer Discretionary	500	$ 9,475	1.9%
Sinclair Broadcasting	Consumer Discretionary	700	$ 28,770	5.7%
Spartan Motors	Autos & Transportation	2,000	$ 16,380	3.2%
Steven Madden LTD	Consumer Discretionary	600	$ 12,540	2.5%
Cash			$ 1,916	0.4%
IShares Russell 2000		2,605	$ 258,442	50.9%
			$ 507,562	*100.0%*

The following table summarizes the fund's top ten holdings as of the end of August.

	Fund Top 10	Sector	% of Assets
1	IShares Russell 2000		50.9%
2	Sinclair Broadcasting	Consumer Discretionary	5.7%
3	Martek Biosciences	Health Care	5.3%
4	Key Energy Services	Other Energy	4.9%
5	Quiksilver	Consumer Discretionary	4.3%
6	Insituform	Materials And Processing	4.0%
7	Priority Healthcare	Health Care	3.7%
8	Marsh Supermarkets	Consumer Staples	3.3%
9	Spartan Motors	Autos And Transportation	3.2%
10	Cubic Corp	Technology	3.1%
	Total		***88.5%***

Note: for comparison the top ten holdings of the Russell 2000 benchmark comprised only 2.0% of the total.

The following exhibit contains purchases and sales during the six-month period ending August 31, 2003. In total there were nine additions to the fund and seventeen sales during this period.

Purchases	**Sales**
Cubic Corp.	Cephalon Inc
Intrado Inc	Chromcraft Revington Inc.
Lindsay Manufacturing	Famous Daves of America
Martek Biosciences Corp	Flir Systems
Pediatrix Corp	Intrado Inc
Priority Healthcare 'B'	Jakks Pacific Inc
Quiksilver Inc.	Keystone Property Trust
Reinsurance Group of America	Mantech Intl Corp.
Russell 2000 IShares	Martek Biosciences Corp
	McCormick
	Pediatrix Corp
	Pharmaceutical Res Inc
	Reinsurance Group of America
	Sanderson Farms
	Student Loan Corp
	Ultra Petroleum Corp
	Unisource Energy Corp.

PORTFOLIO RISK MEASURES

Risk and Return

One year total returns	*percent*
One year MPS total return	13.3
One year index total return	27.2
Monthly total returns	
High	6.0
Low	(3.7)
Average	1.1
Standard deviation	3.2
Average index return	2.2
Index standard deviation	6.0

Note that in this table the MPS returns are net of the five percent annual withdrawal. There are no adjustments for this in the index numbers.

SMALL CAP FUND FINANCIAL STATEMENTS

MPS FINANCIAL STATEMENTS

Year Ending August 31, 2003

CASH FLOW FROM OPERATIONS	Fiscal Year ending 08/31/2002	Fiscal Year ending 08/31/2003
Dividends	$13,802	$6,273
Bank Interest	717	281
Investment Income	$14,519	$6,554
Expenses / Fees	3,522	3,027
Net Investment Income	**$10,997**	**$3,527**

CHANGE IN NET ASSETS		
Net Investment Income	$10,997	$3,527
Realized Gain (Loss)	2,386	2,629
Unrealized Gain (Loss)	(11,943)	62,795
Annual Withdrawal	(34,770)	(21,305)
Net Transfers	(178,597)	0
Net Other Adjustments	2,689	11,948
Net Change in Assets	**($209,238)**	**$59,594**
Net Assets, Beginning of Period	$657,207	$447,969
Net Increase (Decrease)	(209,238)	59,594
Net Assets, End of Period	**$447,969**	**$507,563**

The net transfer in 2001 was to the fixed income group to jointly manage fixed income investments. For a discussion of "Net Other Adjustments" see page 12.

MPSIF SMALL CAP FUND MANAGEMENT TEAM

Michael Altman – Co-Portfolio Manager, Consumer Durables and Healthcare
After receiving a Bachelor of Arts in Economics from the University of Pennsylvania, Mike began working as an Associate for investment manager Morse, Williams & Co. He decided to earn his MBA degree from Stern after a five-year tenure as a generalist. Mike recently spent the summer working in J.P. Morgan's public finance department. He is also a level II CFA candidate.

Justin Caruso – Energy and Utilities
Prior to matriculation at Stern, Justin began his career as a product analyst for Sigaba, an internet security firm. Afterwards, he joined Stage One Partners as an associate and was involved in several client engagements, focusing mainly on marketing and strategy consulting. Justin spent his MBA summer as a summer associate in sales and trading at Citigroup. Additionally, Justin is a CFA level II candidate.

Adrienne Colby – Materials and Processing
Prior to Stern, Adrienne worked as an associate at Fidelity Investments in the Quantitative Equity Research group. Adrienne has an undergraduate degree from Smith College.

Amrita Guha – Fund Services, Health Care
Before starting at Stern, Amrita spent two years working at Accenture as an information technology consultant. Amrita spent the previous summer working at Morgan Stanley Investment Management as an analyst on the health care sector fund.

Asif Y. Karmally, CFA – Trader, Autos, Transportation and Consumer Discretionary
Originally from Pakistan, Asif has lived in the US for a number of years. After completing an Economics degree from Northwestern University, he worked with a Connecticut based pension consulting firm advising public pension plan sponsors. Prior to enrolling at Stern Asif managed his own business in Pakistan, exporting textile products to the EU. He is currently a second year MBA student, with concentrations in General Finance and Financial Instruments and Markets. Asif is a CFA Charterholder, and winner of Stern's Research Report Competition, 2002. Asif spent the past summer working in Deutsche Bank's Global Markets division in London. He had rotations within Debt Capital Markets and Repo Trading, and will be joining Deutsche's full time Associate Class of 2004 upon graduation.

Rohit Kumar, CFA – Financial Services
Rohit has been working at Citigroup for the last five years within the Fixed Income Quantitative Research department. At Citigroup, Rohit performs portfolio analysis and risk management on fixed income portfolios. He received a MS from Stanford University and a B.Tech from Indian Institute of Technology, Kanpur. Rohit also serves as an analyst on the MPSIF Fixed Income Fund.

Timothy McAlea, CPA – Technology

Tim graduated from the University of Richmond in 1998 with a concentration in Accounting and International Business. Upon graduation, Tim worked for four years as auditor for Arthur Andersen, primarily specializing in the technology industry. This summer Tim worked as a research associate at a long/short equities hedge fund concentrating in the technology, media, and communications industries. Tim is a CPA and Level II CFA Candidate.

Robert Milacci – Co-Portfolio Manager, Consumer Discretionary

Prior to attending Stern, Robert worked for Putnam Investments as a Research Associate for the Quantitative Equity department supporting the Large Cap Growth team. Previously, he spent four years working for Fidelity Investments in various capacities including a year in their capital markets division. Robert spent this past summer at JP Morgan analyzing television and radio companies in the equity research group where he will be returning full-time next August.

Scott Mondrow – Producer Durables

Scott is a third year law student at NYU School of Law. He plans to work at the New York-based law firm Schulte Roth & Zabel LLP next fall. Prior to attending law school he worked as an equity research analyst at Sidoti & Company, LLC. He has also completed the first two levels of the CFA exam.

Michael Perkons – Market Strategist, Financial Services

Before enrolling at Stern, Michael worked as an analyst at Caxton Associates LLC, a multibillion dollar hedge fund. Prior to Caxton, he worked as a fixed income trader at Fuji Securities in New York and Fiserv Securities in Philadelphia. Over the summer, Michael assisted the Chief Currency Strategist at The Bank of New York. Michael also serves as an analyst in the MPSIF Fixed Income Fund.

Jesse Singh – Fixed Income Portfolio Manager; Analyst, Financial Services

Prior to attending Stern, Jesse worked for four years at CalPERS in Sacramento, CA, where he traded and analyzed portfolios consisting of Asset-Backed Securities and money-market instruments. During the summer he worked in Fixed Income Sales at UBS. Jesse holds a BA in Economics from the University of California at Berkeley.

Richard Smith – Technology

Rich is currently attends Stern part-time. He works as an analyst in the Fund Treasury Group of Goldman Sachs where he oversees many functions of the US Mutual Funds and serves as an information technology project coordinator for his group. Rich graduated from Rutgers University with a B.A. in Economics and specialization in Finance.

VALUE FUND

LETTER FROM THE PORTFOLIO MANAGER

The year ended August 31, 2003, has seen continued volatility in equity markets. Since hitting 5-year lows in September 2002, the equity markets have made significant progress and the three-year bear market finally came to an end. Contributing factors included: indications of an improving economy, the relatively short conflict in Iraq, and slow but steady corporate governance improvements. Although history cautions against irrational expectations, we are more bullish than at anytime in the past two years.

As the market bottomed early in our fiscal year, we took the opportunity to rebalance our portfolio, moving into defensive industries. In addition, we sold our worst performers. This strategy had negative short-term implications. When the market rallied in October and November the strongest performers were laggards that we had just sold. This forced us to play “catch-up” for the rest of the year. However, in the second half of the year, our portfolio benefited from this rebalancing. In February we trailed our benchmark by almost 14%, but by the end of the year we had narrowed the gap significantly. Although not part of the 2003 fiscal year, had we continued to track the Value Fund’s performance into October, we would have overtaken our benchmark. This strong performance can be attributed to an increased level of diligence and a renewed focus on “value” investing, which we define in the next section of this report.

Although we adopted a slightly more conservative risk profile for much of the year, our basic strategy of investing in companies that we feel are undervalued by the equity markets has not changed. We have implemented more formal screening processes for picking stocks and for realizing gains and losses on a timely basis. Since all of us came into the business world during the greatest bull market in history, the past few years have indeed been challenging, but ultimately also very educational.

As we look forward we see signs of encouragement. The economy continues to gain strength, interest rates remain low, corporate profits are improving and cash is beginning to flow back into equity mutual funds. Since the close of the fund’s recent fiscal year in August, the equity markets have rallied dramatically and we continue to outperform our benchmark. As the market continues to rise, further diligence and focus on the principles of value investing will be required. We look forward to the challenges that lie ahead.

On behalf of the Value Fund, I would like to thank Michael Price for the unique opportunity he has given us to manage this fund.

Vincent Love
November 2003

INVESTMENT STYLE AND STRATEGY

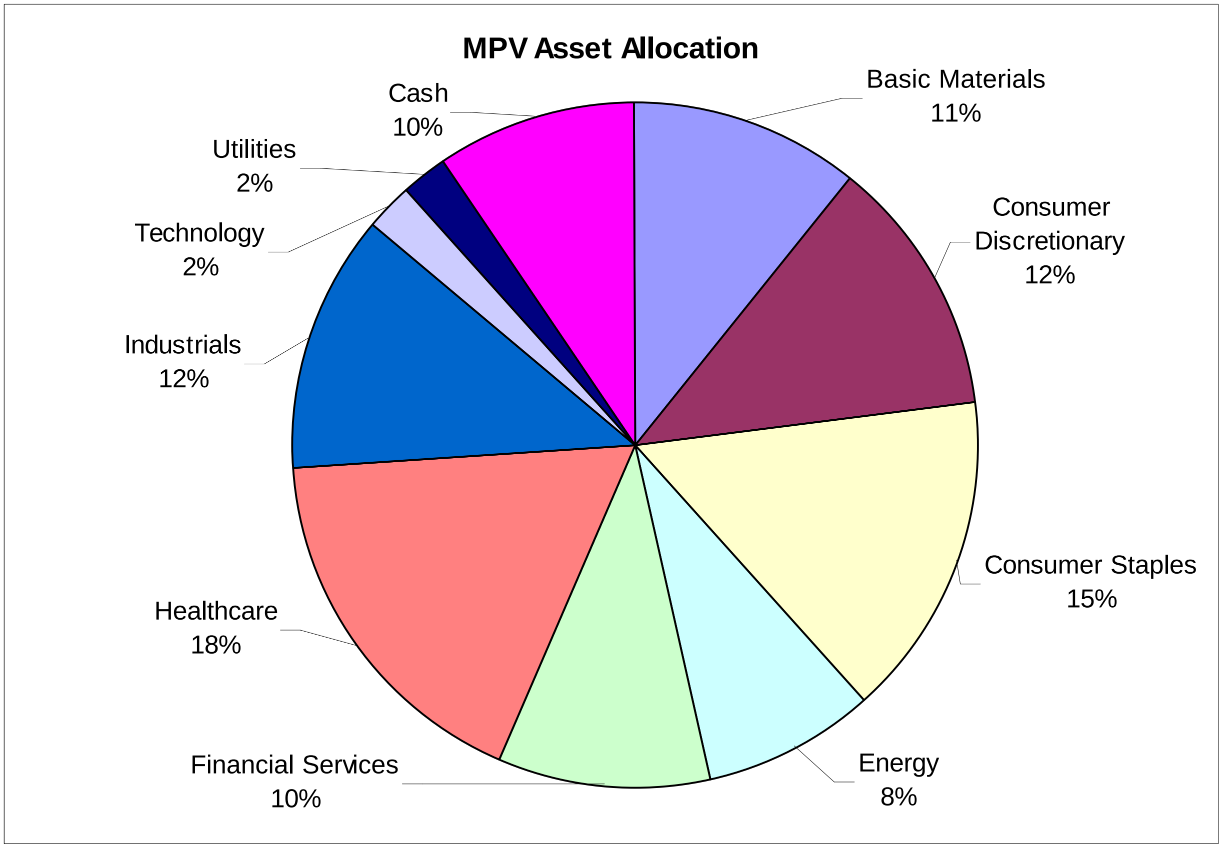
The Michael Price Student Investment Fund (MPSIF) Value Portfolio is part of the total MPSIF Fund, which in turn is a part of the New York University endowment pool. The Value Fund (MPV) employs a top-down approach, analyzing broad economic and industry fundamentals and then selecting specific stocks the fund believes are undervalued. The Value Fund seeks to maximize returns by investing primarily in large cap companies that are trading at a discount relative to their peer group or the market as a whole. Measures of value include: price/earnings ratio, enterprise value/ebitda ratio, PEG ratio, dividend yield, price/book ratio, various free-cash-flows ratios, and the discounted value of a firm's projected free cash flow. Firms must be publicly traded on U.S. exchanges and generate the bulk of their revenues in developed markets. There is, however, no specific country or region quota. Although no formal size requirement exists, the Fund invests primarily in firms with a market capitalization of more than one billion dollars.

The fund seeks to outperform its benchmark, the Russell 1000 Value Index, without significantly deviating from the index's risk profile. Due to MPV's tax-exempt status, we do not consider the impact of capital gains or income taxes in its management decisions. The fund does not engage in shorting, derivatives trading, or other esoteric investment strategies. The fund is required to pay an annual 5% fee to support bringing selected University of Oklahoma students to New York University for a summer program. In order to ensure this payment, the fund maintains a portion of its assets in fixed income securities (managed for us by MPF, the fixed income group within MPSIF).

FUND ALLOCATION

The Value Fund seeks to diversify across a variety of sectors. While we aim to invest as broadly as possible, our sector allocation at any period is based on our views about the overall economy and how specific sectors will perform given this perspective.

Compared to our benchmark, the Russell 1000 Value Index, the fund is overweight Materials, Health Care, Consumer Staples and Consumer Discretionary. These are defensive plays in a difficult market environment and are also sectors easier for us to understand and thus, value. On the other hand we are underweight Financials, Utilities and Technology. Given the extremely difficult environment for these sectors, we decided to overlook the depressed valuations of these sectors for fear of further declines.



A breakdown of our asset class is shown below:

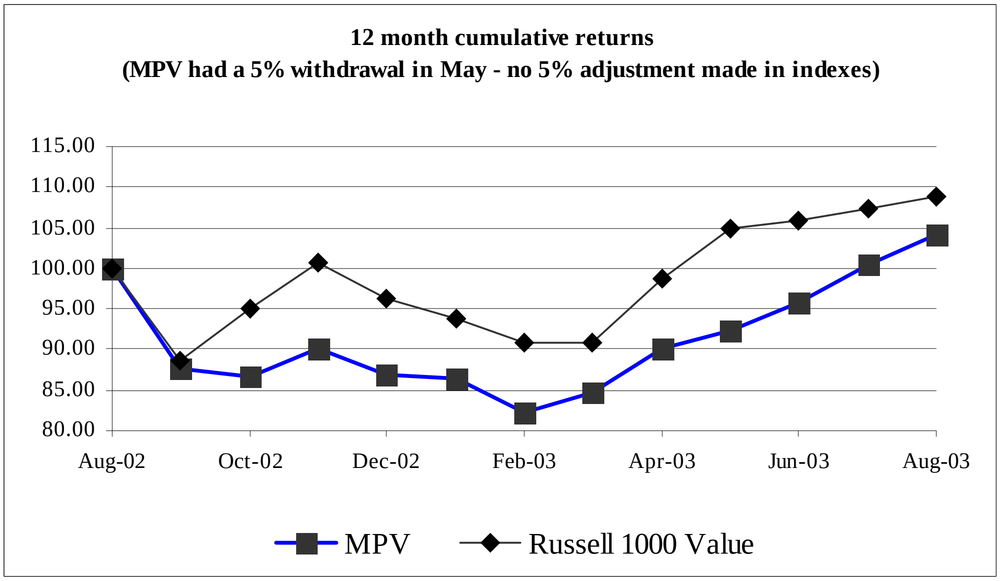
Value Fund	August 31, 2002 Mkt. Value	August 31, 2002 % Assets	August 31, 2003 Mkt. Value	August 31, 2003 % Assets
Cash	12,457	2.9%	42,315	9.5%
Equities	386,361	90.2%	403,623	90.5%
Fixed Income	29,624	6.9%	0	0.00%
Total	$428,442	100.0%	$445,938	100.00%
Purchases	314,862		175,739	
Sales	486,925		219,548	

FUND PERFORMANCE

The year ending August 31, 2003 was one of mixed results for the Value Fund. September 2002 witnessed a significant decline in both the Value Fund and the overall market. The broader market bottomed in September, the same time that we sold many of our worst performers. It was these laggards that posted the strongest performance in October and November. This resulted in significant underperformance verses the Russell Value 1000 for the first six months of the fiscal year. However, our portfolio rebalancing paid off throughout the last half of the year. In February we trailed our benchmark by almost 14%, but by the end of the year we had removed the gap. For the year ended August 2003 the Value Fund posted a gain of 9.2% (before deducting our 5% withdrawal) versus a gain of 8.7% for the Russell 1000 Value Index (RLV). Net of our withdrawal, MPV increased in value 4.1% during this period.

Beginning early in the fiscal year we realized over $70,000 in losses from some of our worst performing stocks, such as EDS, Duke Energy and JP Morgan Chase, in order to reinvest the funds in more fundamentally strong value plays. The Value Fund's top performers for the year included Advance Auto Parts, Select Medical, Barr Labs, Roadway, and United Technologies.

As the graph and table below indicate, throughout the year we made steady progress in increasing the value of MPV relative to our benchmark while maintaining a relatively low risk profile. More important in terms of our long-run strategy, we significantly exceeded the (5% plus inflation rate) target needed to maintain the real value of the fund.



PORTFOLIO RISK MEASURES

Risk and Return

One year total returns	*percent*
One year MPV total return	4.1
One year index total return	8.7
Monthly total returns	
High	6.6
Low	(12.7)
Average	0.5
Standard deviation	5.3
Average index return	0.9
Index standard deviation	5.7

Note that in this table the MPV returns are net of the five percent annual withdrawal. There are no adjustments for this in the index numbers.

FUND PROFILE

The table below shows our equity holdings as of August 31, 2003:

Company	Sector	Shares	Value	% Assets
Alcoa	Materials	800	$22,848	5.1%
Advance Auto Parts	Consumer Discretionary	446	33,294	7.5%
Barr Labs	Health Care	334	22,602	5.1%
Consolidated Edison	Utilities	232	9,171	2.1%
Cendant Corp	Industrials	800	14,384	3.2%
Clear Channel	Consumer Discretionary	257	11,596	2.6%
Encana Corp	Energy	547	20,485	4.6%
General Mills	Consumer Staples	609	28,233	6.3%
Hollywood Entertainment	Consumer Discretionary	550	9,598	2.2%
Mack Cali Realty	Financials	940	34,592	7.8%
McKesson Corp	Health Care	378	12,376	2.8%
McDonalds Corp	Consumer Staples	800	17,936	4.0%
Microsoft	Information Technology	392	10,396	2.3%
Nova Chemicals	Materials	1239	26,019	5.8%
Ralcorp	Consumer Staples	374	10,629	2.4%
Select Medical	Health Care	1507	43,402	9.7%
Tidewater	Energy	530	15,222	3.4%
United Technologies	Industrials	500	40,125	9.0%
Winnebago industries	Consumer Discretionary	217	10,687	2.4%
Wells Fargo	Financials	200	10,028	2.2%
Total Equities			403,621	90.5%
Fixed Income			0	0.0%
Cash			42,317	9.5%
Total Assets			$445,938	100.0%

VALUE FUND FINANCIAL STATEMENTS

MPV FINANCIAL STATEMENTS

Year Ending August 31, 2003

CASH FLOW FROM OPERATIONS	Fiscal Year ending 08/31/2002	Fiscal Year ending 08/31/2003
Dividends	$13,568	$6,815
Bank Interest	1,270	170
Investment Income	$14,838	$6,985
Expenses / Fees	3,910	2,798
Net Investment Income	**$10,928**	**$4,187**

CHANGE IN NET ASSETS

Net Investment Income	$10,928	$4,187
Realized Gain (Loss)	72,519	(91,854)
Unrealized Gain (Loss)	(63,830)	59,460
Annual Withdrawal	(38,150)	(18,135)
Net Transfers	(195,956)	0
Net Other Adjustments	(89,532)	63,838
Net Change in Assets	**($304,021)**	**$17,496**
Net Assets, Beginning of Period	$732,463	$428,442
Net Increase (Decrease)	(304,021)	17,496
Net Assets, End of Period	**$428,442**	**$445,938**

The net transfer in 2001 was to the fixed income group to jointly manage fixed income investments. For a discussion of "Net Other Adjustments" see page 12.

MPSIF VALUE FUND MANAGEMENT TEAM

Robert Bentley – Market Strategist; Telecom and Utilities Analyst
Rob spent last summer at NASCAR Corporate Marketing. Prior to Stern, he spent 4 years in the B-to-C and B-to-B direct marketing industry as a statistician and consultant. Rob received a BA in Sociology from Cornell University.

Alison Birch – Fund Services Director; Media Analyst
Alison worked during the summer at Standard & Poor's corporate ratings division in the hotel and gaming group. Prior to enrolling at Stern, Alison worked as an equity research associate at Credit Suisse First Boston covering satellite services and interactive television companies. Alison received her bachelor's degree in finance and marketing from Boston College. She is a CFA Level III candidate.

Derek Chan – Treasurer; Financial Services Analyst
Derek spent the summer working in the Financial Institutions Group of ING's Investment Banking division in Hong Kong. Prior to Stern, he worked in the Credit Derivatives Operations group of Goldman Sachs. Derek is a Level III Candidate for the CFA Charter and he graduated with a B. Comm degree from University of British Columbia in Vancouver, Canada.

Marcelo Charifker – Trader; Financial Institutions Analyst
Marcelo spent the summer working for Deutsche Bank as a Sales & Trading Generalist Summer Associate. Prior to Stern, Marcelo worked in Strategic Planning for AmBev, a Beverage Company in Brazil. Marcelo received his BS in Civil Engineering from Federal University of Pernambuco and a BA in Business Administration from University of Pernambuco.

Melissa Gerardi – Trading Strategist; Consumer Staples Analyst
Melissa is an Analyst in the Global Fund Treasury Group of Goldman Sachs Asset Management. Prior to joining Goldman Sachs in 2002, Melissa spent three years as an Associate Manager of Mutual Fund Accounting at Prudential Financial. Melissa holds a B.A. in Psychology/Business from Drew University.

Pierpaolo Iasci – Communication Director; Health Care Analyst
Pierpaolo worked during the summer at Lehman Brothers Europe in the Investment Banking division. Prior to Stern Pierpaolo worked in the Quantitative Equity Research Department at Pioneer Investments as Portfolio Manager. Pierpaolo passed the Level III exam for the CFA Charter and received his degree in Business Administration from Bocconi University in Milan, Italy.

Vincent Love – Portfolio Manager
Vincent spent the summer working at Citigroup in the Investment Banking department. Prior to attending Stern, he worked for three years in the mergers and acquisitions department at Scotia Capital, the investment banking division of The Bank of Nova Scotia. Vincent graduated from the University of Manitoba with a Bachelor of Commerce degree.

Stacy Miller – Market Strategist; Leisure and Lodging Analyst
Prior to Stern, Stacey lived in Chicago and worked seven years in the commercial insurance industry as a national accounts underwriter and business development supervisor. Stacey received her BS in actuarial science from the University of Illinois at Urbana-Champaign.

Michael Morris – Market Strategist; Leisure and Lodging Analyst
Mike graduated from The College of William and Mary in 1996 with a B.B.A. in Accounting and is a Certified Public Accountant. This summer, he worked as a Research Associate with New York Life Investment Management covering Electronics Manufacturing Services. Prior to Stern, Mike was a Financial Analyst with Capital One Financial and a Senior Associate in Business Assurance Services with PricewaterhouseCoopers.

Christopher Pritchard – MPSIF President; Capital Goods Analyst
Chris worked in JPMorgan's Investment Banking Coverage division this summer in the Consumer / Healthcare group. Prior to business school, he worked in consulting at Cambridge Technology Group, in venture capital at LCB Enterprises, and in business development at StarMedia. Chris has a Bachelor of Arts from Yale College in American Studies.

Stephen Shankman – Market Strategist; Energy and Consumer Discretionary Analyst
Prior to Stern, Stephen worked at Sanford C. Bernstein as an Associate Portfolio Manger for institutional accounts. Stephen spent the summer as a Research Analyst at Carret and Company. He led the research effort and worked closely with 14 different portfolio managers analyzing companies from all sectors. Stephen graduated with a B.A. from the University of Michigan.

Sujata Shekar – Market Strategist; Energy and Consumer Discretionary Analyst
Sujata spent the summer working at Lehman Brothers in the Equity Research department covering the Retail Sector. Prior to Business School she worked at American Express Bank as Relationship Manager in the Corporate Banking department. Sujata is a Chartered Accountant (Institute of Chartered Accountants of India) and has a Bachelor of Commerce from University of Calcutta, India.

Jack Woodruff, CPA – Market Strategist and Materials Analyst
Jack spent the summer with Smith Barney as an equity research summer associate covering the major and specialty chemicals sector. Jack currently performs fundamental research at Trivium Capital, a long/short equity hedge fund located in New York City. Prior to Stern, he worked at Ernst & Young in the merger and acquisition due diligence department and the audit department. Jack received his B.S. in Accounting from the University of Southern California.

FIXED INCOME FUND

MESSAGE FROM THE PORTFOLIO MANAGER

Still a relatively new fund in the MPSIF family, the fixed income fund underwent more changes in 2003 to further refine its strategy and outlook. Chief among these changes were the adoption of a new benchmark, the impending liquidation of our high yield holdings, and the change of our outlook on interest rates.

Last year the fund maintained a benchmark of the five year US Treasury note plus 100 basis points. The current fixed income team members decided this was an arbitrary choice, and, given the long term investment horizon of MPSIF, which is essentially an endowment fund, we have adopted a long duration, diversified benchmark of the Vanguard Total Bond Fund.

Given that we are making asset allocation decisions rather than choosing specific securities, we are managing the fund in a top-down manner. We have divided up responsibilities into two-person sector teams, covering credit (or "corporates"), structured products which include mortgage backed securities, and finally government securities, which includes treasuries, agencies, and sovereigns.

The fund has several objectives for the upcoming year. We would like to continue researching the idea of purchasing individual securities rather than mutual funds. Doing so would accomplish several tasks. If used in conjunction with software such as the Yield Book (which is available to Stern students), the fund could have up-to-date risk statistics, such as full and partial durations. Currently we rely only on the monthly releases by each fund, which can be detrimental in a volatile rate environment. Purchasing individual securities would also make the portfolio management process more beneficial from an educational perspective, as team members would be making decisions similar to those made by actual fixed income managers. Another objective is to choose an appropriate foreign bond fund for investment, as it is a small portion of our index.

Jesse Singh
November 2003

STATEMENT ON INVESTMENT STYLE AND STRATEGY

At our October 22, 2003 meeting, the fixed income group decided to make significant shifts in our investments to align our portfolio more with our target asset allocation. First, we decided to liquidate our holdings in our high yield fund, as we felt an interpretation of the investment guidelines for the fund indicated we should invest only in investment grade securities. Next, we decided to move from a long / neutral duration position to one that was short relative to the index. This reflects our bearish long term outlook on interest rates, given the current historic low levels. We also decided to reallocate our "mortgage" bond holdings from the Managers fund to the PIMCO fund. This was done in order to better quantify our exposure to negatively convex instruments, as the Managers fund contained a significant portion of agency securities not backed by mortgages. Finally, we shifted more of the overall holdings to spread product to take advantage of higher yields relative to treasuries.

Once we implement the rebalancing, we will have the following asset allocation and duration:

Symbol	Value	Current weights	Target Weights	Target $ amts		Buy/Sell	Duration	Duration Date	Duration weight	Old Duration (compare)
CMHYX	$54,160	10.4%	0.0%	$0	0.0%	($54,160)	4.15	9-30-03	0.00	0.43
IEF	$48,335	9.3%	0.0%	$0	0.0%	($48,335)	6.47	9-30-03	0.00	0.60
SHY	$0	0.0%	9.3%	$48,335	9.3%	$48,335	1.65	9-30-03	0.15	0.00
LQD	$225,004	43.3%	46.3%	$240,597	46.3%	$15,594	6.49	9-30-03	3.00	2.81
MGIDX	$173,282	33.3%	0.0%	$0	0.0%	($173,282)	2.10	9-30-03	0.00	0.70
VSGBX	$0	0.0%	5.7%	$29,730	5.7%	$29,730	1.70		0.10	0.00
PTMDX	$0	0.0%	35.0%	$182,119	35.0%	$182,119	2.10		0.74	0.00
$$CASH	$19,011	3.7%	3.7%	$19,011	3.7%	$0	0.00	-	0.00	0.00
TOTAL	**$519,791**	**100.0%**	**100.0%**	**$519,791**	**100%**	**$0**			**3.99**	4.54
VBMFX									**4.40**	
Long/Short duration									-0.41	0.14

Key:	
CMHYX: High Yield	MGIDX: Managers Mortgage Fund
IEF: 7-10 year Treasuries	VSGBX: Short Treasury / Agency Fund
SHY: 1-3 year Treasuries	PTMDX: PIMCO Mortgage Fund
LQD: Corporate Bond Fund	

The intended sector allocations for MPF relative to the Vanguard Total Bond Index Fund will thus be at the end of December 2003:

Sector	MPF	MPF	Index % (VBMFX)	Over/ Under Wt
Governments	**$78,064**	**15.0%**	**26.4%**	**-11.4%**
Treasuries	$48,335	9.3%	15.2%	-5.9%
Agencies	$29,730	5.7%	11.2%	-5.5%
Corporates	**$240,597**	**46.3%**	**27.4%**	**18.9%**
Investment Grade	$240,597	46.3%	**27.2%**	19.1%
High Yield	$0	0.0%	**0.2%**	-0.2%
Mortgages (MBS)	**$182,119**	**35.0%**	**41.9%**	**-6.9%**
Cash	**$19,011**	**3.7%**	**0.0%**	**3.7%**
Foreign	**$0**	**0.0%**	**4.4%**	**-4.4%**
TOTAL	**$519,791**	**100.0%**	**100.1%**	**-0.1%**

MACRO AND SECTOR VIEW

Interest Rates

We believe that interest rates will continue to trend upward over the next year, led by the long end of the curve. Several conditions will lead to this outcome. First is our view that the improving economy will trigger a reallocation of assets under management from fixed income securities to equities. Second, the federal deficit remains at a record level in terms of its absolute dollar amount, which will keep supply pressure on treasuries. At the short end of the curve, we feel the upcoming election year coupled with the perception that the Fed was overzealous in raising rates in 2000 will keep pressure on the Fed to hold rates down until there are consistent signs of inflation. The main risk we perceive is the unstable geopolitical situation in the Middle East as a potential detriment to consumer confidence, or triggering a flight to quality trade. We view these events as having a low to medium probability, but even then only in short term intervals that would be outweighed by domestic events such as an improving economy. As a result, we have moved the duration of our portfolio to less than that of the index.

Mortgage-Backed Securities (MBS)

Mortgage-Backed Securities have had one of the most incredible years on record. Along with the record low long term rates has come a refinancing boom in home mortgages, which has resulted in record prepayment levels as well. This past summer also saw a huge spike in volatility, as the 10-year note fell to near 3% in June, then widened to almost 4.50% the following month. MBS performance suffered accordingly and any volatility that accompanies a steepening curve could cause a repeat scenario. As a result we have moved to an underweight in MBS relative to the index.

Corporate Bonds

Corporate spreads have tightened significantly over the past year. This is partly due to the perception that the worst is in the past with regard to accounting scandals, but also because investors have been hungry for yield with interest rates so low. We see continued improvement in the economy and corporate balance sheets as a large positive for this sector, and have thus overweighted it relative to our index.

FUND ALLOCATION AND FUND PROFILE

As of August 31, 2003 we owned the following funds:

Columbia High Yield Fund (CMHYX)
High Yield Bonds
Current Value: 53,037
Cost Basis: 53,995
Unrealized Gain (Loss): (958)

Barclay's iShares GS$ InvesTop Corporate Bond Fund (LQD)
Corporate Bonds
Current Value: 221,120
Cost Basis: 210,266
Unrealized Gain (Loss): 10,853

Managers Intermediate Duration Government Fund (MGIDX)
Mortgage-Backed Securities
Current Value: 171,648
Cost Basis: 170,998
Unrealized Gain (Loss): 650

Barclays iShares Lehman 7-10 year Treasury Bond Fund (IEF)
Treasury Bonds
Current Value: 47,869
Cost Basis: 49,962
Unrealized Gain (Loss): (2,093)

We also held $ 46,592 in money market funds.

FUND PERFORMANCE

We measured the performance of the Fixed Income fund using our new benchmark, the Vanguard Total Bond Fund. Since this was adopted in Spring of 2003, we calculated performance for the six month period ending August 31.

Overall, being long duration helped us through the spring as rates tightened during the uncertainty of the war in Iraq. This was seen especially through the longer duration Treasury and Corporate Bond funds. However, these same long duration positions led to a loss relative to our fund in July. Conversely, the short duration Manager's fund had a relatively benign impact on returns, with the exception of the tremendous selloff in July hurting mortgages in particular. Returns overall were buoyed by the High Yield fund, especially in the months of March and April.

Month End Date	CMHYX	IEF	LQD	MGIDX	**MPF**	**VMBFX**	**Difference**
29-Aug-03	0.72%	0.15%	1.21%	0.67%	0.81%	0.70%	0.11%
31-Jul-03	-1.88%	-5.48%	-6.00%	-1.61%	-3.72%	-3.37%	-0.34%
30-Jun-03	1.19%	-0.68%	-0.39%	0.19%	-0.05%	-0.10%	0.05%
30-May-03	0.12%	3.79%	3.58%	0.29%	1.95%	1.76%	0.19%
30-Apr-03	2.32%	0.14%	2.12%	0.48%	1.29%	0.89%	0.40%
31-Mar-03	1.74%	-0.38%	0.12%	0.00%	0.19%	-0.10%	0.29%
Cumulative Total (including compounding)	*MPF portfolio assumes static weights of 10, 9, 42, and 32% respectively				0.34%	-0.30%	0.63%

Following is a summary of the fund's asset composition:

MPF Fixed Income Fund	**August 31, 2002 Mkt. Value**	**August 31, 2002 % Assets**	**August 31, 2003 Mkt. Value**	**August 31, 2003 % Assets**
Cash	79,569	15.6%	19,011	6.7%
Equities	0	0.0%	0	0.0%
Fixed Income	430,868	84.4%	493,680	93.3%
Total	$510,437	100.0%	$512,691	100.0%
Purchases	424,974		407,137	
Sales	0		350,836	

FIXED INCOME FUND FINANCIAL STATEMENTS

MPF FINANCIAL STATEMENTS

Year Ending August 31, 2003

CASH FLOW FROM OPERATIONS	Fiscal Year ending 08/31/2002	Fiscal Year ending 08/31/2003
Dividends and MPF Interest	$4,586	$23,698
Bank Interest	301	387
Investment Income	$4,887	$24,085
Expenses / Fees	345	1,368
Net Investment Income	**$4,542**	**$22,717**

CHANGE IN NET ASSETS

Net Investment Income	$4,542	$22,717
Realized Gain (Loss)	0	3,928
Unrealized Gain (Loss)	5,895	8,452
Annual Withdrawal	0	(26,975)
Net Transfers	500,000	0
Net Other Adjustments	0	(5,868)
Net Change in Assets	**$510,437**	**$2,254**
Net Assets, Beginning of Period	$0	$510,437
Net Increase (Decrease)	510,437	2,254
Net Assets, End of Period	**$510,437**	**$512,691**

The net transfer in 2001 was to the fixed income group to jointly manage fixed income investments. For a discussion of "Net Other Adjustments" see page 12.

MPSIF FIXED INCOME MANAGEMENT TEAM

(for member profiles, see appropriate equity fund section)

Jesse Singh (Small Cap) – Portfolio Manager; Mortgage-Backed Securities

Rohit Kumar (Small Cap) – Mortgage-Backed Securities

Michael Perkons (Small Cap) – Interest Rates and Government Bonds

Christopher Pritchard (Value) – MPSIF President; Corporate Bonds

Thang To (Growth) – Interest Rates and Government Bonds

George Williams (Growth) – Corporate Bonds

The current owners of the fixed income fund and their shares are:

Owner	Shares	Dollars
MPG	0.333333	170,897
MPS	0.333333	170,897
MPV	0.333333	170,897
Total	1.000000	**512,691**

The Website: http://pages.stern.nyu.edu/~mpsif