

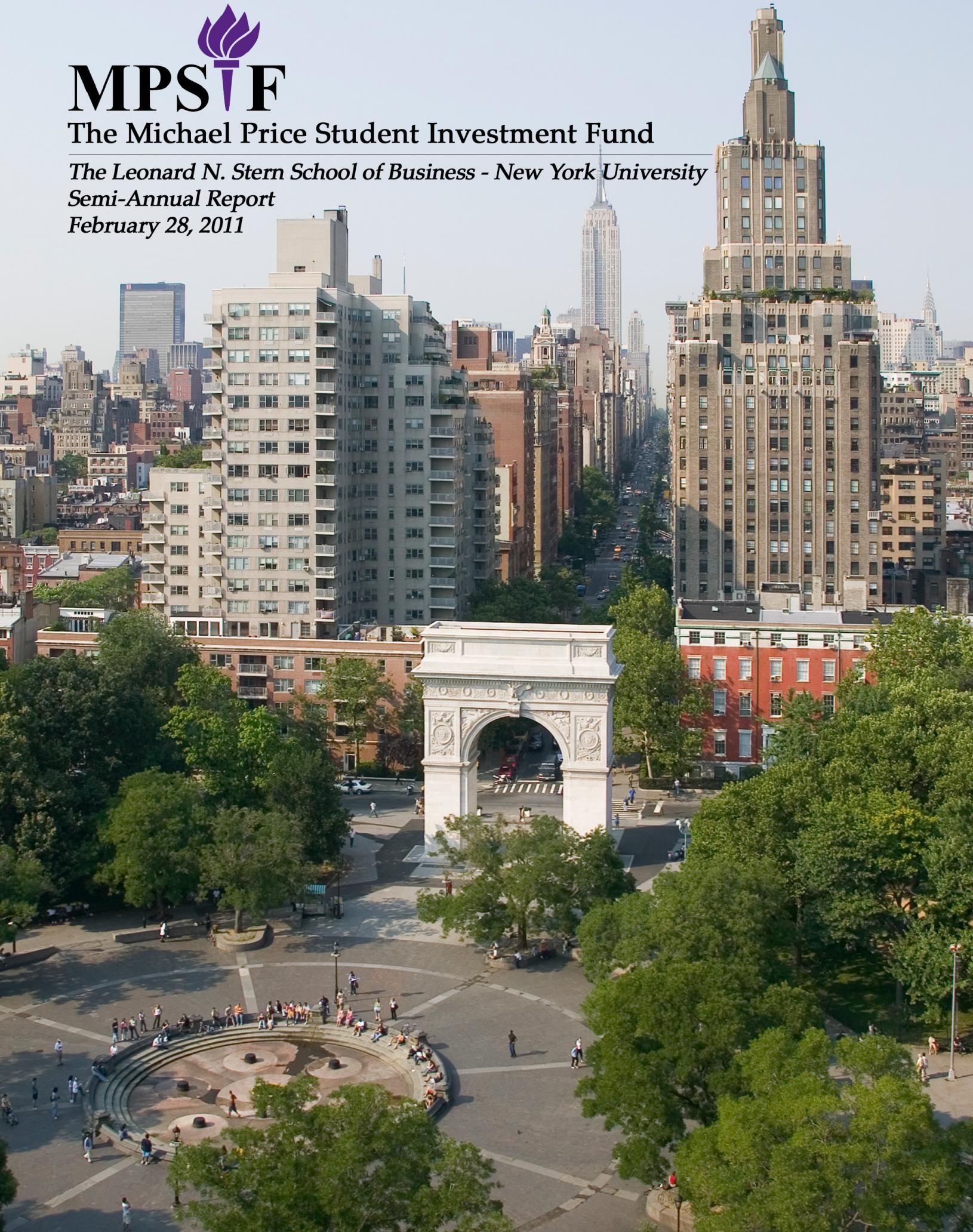


# The Michael Price Student Investment Fund

*The Leonard N. Stern School of Business - New York University*

*Semi-Annual Report*

*February 28, 2011*





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**NYU STERN'S MICHAEL PRICE STUDENT INVESTMENT FUND**  
**A FAMILY OF FUNDS MANAGED BY**  
**NYU STERN SCHOOL OF BUSINESS MBA STUDENTS**

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**WHAT IS THE MICHAEL PRICE STUDENT INVESTMENT FUND?**

With over \$1.75 million currently under management, the Michael Price Student Investment Fund ("MPSIF" or "the Funds") is a family of funds managed directly by NYU Stern MBA students. The Funds, part of the overall NYU endowment, were established in 1999 through a generous gift from Michael Price, Managing Partner, MFP Investors, LLC and former Chairman of Franklin Mutual Series Funds.

**WHAT IS UNIQUE ABOUT MPSIF?**

The Michael Price Student Investment Fund provides Stern MBA students with hands on experience managing real Funds with significant assets. In addition, the Funds are required to pay an annual 5% dividend to the University Of Oklahoma Price School Of Business, Mr. Price's undergraduate alma mater. This dividend assists students with their tuition and living expenses so they can attend summer classes at Stern. Additionally, MPSIF maintains a transparent record of our performance and classroom activities.

**WHAT IS THE PORTFOLIO COMPOSITION?**

For diversification purposes, MPSIF is divided into three equity Funds - Growth, Value and Small Cap - and one Fixed Income Fund. While each sub-Fund has its own performance benchmark (Russell 1000 Growth Index, Russell 1000 Value Index, Russell 2000 and the Vanguard Total Bond Index, respectively), MPSIF's primary goal is to deliver overall positive returns.

**WHAT ROLE DO STERN MBA STUDENTS PLAY IN MANAGING THE FUNDS?**

Students must go through a competitive process to become a portfolio manager or analyst with the Funds, which is the basis of Stern's "Managing Investment Funds" course. Stern MBAs must apply to this course, and demand has always exceeded available spots. About 40 students enroll each year and are then responsible for all Fund activities—screening and evaluating stocks, preparing and presenting pitches for buy and sell recommendations and strategizing on broader portfolio issues as they relate to sectors allocation. For the Fixed Income Fund the primary role of analysts is to make tactical allocation recommendations and decisions based on market outlook and economic analyses among various product sectors.

### **Executive Committee – Spring 2011**

President	Damian Karas
Co-Portfolio Managers, Fixed Income Fund	Mirette Kouchouk and Henry Chen
Co-Portfolio Managers, Growth Fund	Ling (Henry) Chen and Dennis Snopkowski
Co-Portfolio Managers, Small Cap Fund	Henry Chen and Justin Matthews
Co-Portfolio Managers, Value Fund	Patrick Fruzzetti and Robert Wynn
Faculty Advisor	Professor Richard Levich

### **Executive Committee – Fall 2010**

President	Benjamin Reynolds
Portfolio Manager, Fixed Income Fund	David Mandel
Co-Portfolio Managers, Growth Fund	Mario Contreras and Kristen Pulley
Co-Portfolio Managers, Small Cap Fund	Dana Vartabedian and Eric Wu
Co-Portfolio Managers, Value Fund	Matthew Akers and Ron Zember
Faculty Advisor	Professor Richard Levich

### **Internal Leadership – Spring 2011**

Vice President, External Affairs	Miguel Menezes-Falcao
Vice President, Economic Strategy	Aviva Shwaid
Vice President, Portfolio Analytics	Jeff Schwartz
Vice President, Sector Strategy	Siddharth Bhargava
Vice President, Annual Report	J. Arne Volkers
Vice President, Marketing	Sindhu Sameer

### **Management Advisory Council**

David Dineen, Senior Portfolio Manager, Pinnacle Associates
Nomi Ghez, Co-founder of Circle Financial Group, retired Partner and Managing Director, Goldman Sachs
Randall Haase, Portfolio Manager, Baron Fifth Avenue Growth Fund
Monica Issar, Managing Director and Senior Advisor, JP Morgan Chase
Christopher Long, Macro Portfolio Manager, Tudor Investment Corporation
Richard Saperstein, Senior Portfolio Manager, Treasury Partners

### ***Ex Officio Members***

Rosemarie Loffredo, Vice President and Treasurer, New York University
Tina Surh, Chief Investment Officer, New York University

### **Board of Advisors**

Dean Peter Henry, Stern School of Business, New York University
Duane R. Stock, Professor of Finance, Price College of Business, University of Oklahoma
Michael F. Price, Benefactor
Martin Gruber, Professor of Finance, Stern School of Business
Richard Levich, Professor of Finance, Stern School of Business
Arthur Zeikel, Adjunct Professor of Finance, Stern School of Business

### **Resource Faculty**

Aswath Damodaran, Professor of Finance, Stern School of Business
Martin Gruber, Professor of Finance, Stern School of Business
Edward Kerschner, Adjunct Professor of Finance, Stern School of Business
Fred Renwick, Emeritus Professor of Finance, Stern School of Business
Matthew Richardson, Professor of Finance, Stern School of Business

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## LETTER FROM THE FACULTY ADVISOR

On behalf of the students who participate in the Michael Price Student Investment Fund, I am proud to introduce the semi-annual report for the six-month period ending February 28, 2011.

It is sometimes claimed that Wall Street climbs a “wall of worry.” And worry seems to abound as numerous economic and geopolitical concerns have grabbed the markets’ attention. In the United States, these include the relatively slow pace of economic recovery, high and resilient unemployment, real estate prices that remain soft with higher mortgage rates in store, unsustainable Federal and State budget deficits, and political gridlock that too often seems focused on the next election rather than on efficient solutions to the nation’s problems. Overseas, the European sovereign debt crisis may be dormant but for some countries it remains a major threat. In Tunisia and Egypt, popular revolutions succeeded in quickly ousting their entrenched leaders. But similar revolutionary pressures in Libya and elsewhere have so far only raised the level of tensions, conflict, and the price of oil. Against this troubling backdrop, the broad market indices have shown a nearly steady increase with the S&P 500 up nearly 26% in the last six months, and the Russell 2000 (a component of our own blended benchmark) up almost 42%

MPSIF earned 18.9% over the period, which in absolute terms is a satisfying outcome, but fell short of our benchmark by over four full percentage points. Each of our three equity funds underperformed relative to their respective benchmarks, while Fixed Income broke even for the period and outperformed its benchmark by more than a percentage point. MPSIF assets under management which hit an all-time low of \$1.36 million 2 years ago at the market trough have now recovered to \$1.76 million. In May, MPSIF will pay our 11th annual distribution which will bring our cumulative total of payouts to nearly \$1 million.

On the administrative, MPSIF is on the verge of moving our accounts to a new brokerage relationship. The move is likely to cut our management fees in half and also provide a better trading platform for the Fund. On the academic side, overall interest in MPSIF remains high. Applications for MPSIF in the spring semester were twice the available slots, which promotes our ability to enroll a dedicated group of students who strive to manage the fund in a professional manner.

As we look ahead, it is hard to imagine a scenario in which exposure to quantifiable known risks as well as exposure to uncertain risk and unknown factors is not part of the market. We anticipate that MPSIF will remain an important vehicle through which our students learn about investment management in an uncertain world.

Richard M. Levich

Professor of Finance

March 6, 2011



## LETTER FROM THE PRESIDENT

The first half of the 2011-2012 fiscal year has proven an eventful period, as another six months of strong stock market performance has coincided with the emergence of significant geopolitical risks and economic shocks. Political instability in the Middle East and Africa, most notably the overthrow of Egypt's longstanding ruler and the civil war in Libya, have sent oil prices sharply higher and kept investors on their toes. The devastating earthquake in Japan has contributed to volatility. Additionally, growing state and federal budget deficits, sovereign debt difficulties, and weak housing and labor conditions persist. This challenging environment has fostered robust debate in our class meetings and it has proven a valuable learning experience for our students.

The Fund appreciated 18.88% over the last six months compared to our blended benchmark of 22.76%. While we are disappointed with this relative underperformance, we are encouraged by the fact that it has in large part resulted from cash drag, and that our stock selection on the whole has been commendable. We are confident that our renewed emphasis on efficiently allocating cash following asset sales, in particular during breaks in the academic calendar, will better position the Fund to outperform its benchmark.

This semester the Fund has also instituted various operational changes which we believe will serve to reduce risk and improve the investment selection process. Increased reliance on sector and index ETFs has proven useful in reducing cash drag and more nimbly adapting to market conditions. At the same time, the growing universe of ETFs has increased the importance of understanding which funds are best suited for the fund's objectives. To this end, we have developed an approved ETF list, subject to periodic review by the Executive Committee.

Additionally, we have taken strides to increase communication and collaboration across our four funds. Growth, Small Cap, Value, and Fixed Income funds have begun circulating weekly summaries of their respective activities. This has provided our PMs and Analysts additional means of generating and screening investment ideas. Going forward, it

will also ensure that overlapping positions do not overexpose the fund to a particular investment.

It should also be highlighted that the transfer of MPSIF assets to BNY Mellon is now in process. The new service will reduce broker fees thereby improving net returns. Equally important are the administrative time savings that will result from a simplified account setup and more intuitive trading platform, affording more time to focus on the Fund's core activities.

In closing, on behalf of the current MPSIF class, I would like to express our gratitude to Michael Price for his generosity and ongoing commitment to our educational cause. Since the inception of MPSIF in 2000, the Fund has distributed over \$900,000 to the University of Oklahoma enabling 92 students to attend summer courses at Stern. I must also thank our Faculty Advisor, Professor Richard Levich, for his tireless efforts in making MPSIF an unparalleled educational opportunity.

Damian Karas

MPSIF President

March 29, 2011



## THE MICHAEL PRICE STUDENT INVESTMENT FUND

### REVIEW OF OPERATIONS

The Michael Price Student Investment Fund is divided into four autonomous sub-funds: the Fixed Income Fund, the Growth Fund, the Small Cap Fund and the Value Fund. The Fund managers employ a well-defined, disciplined investment and diversification strategy.

We continued to work towards achieving the goals set by preceding Executive Committees while continuously striving to set new and better goals for the current year. Our progress and strategic objectives for the fiscal year were as follows:

- Initiate a weekly newsletter to increase communication and collaboration across the four sub-funds
- Establish formal policies and procedures governing the selection and trading of ETFs
- Conduct weekly lightning rounds to ensure continual monitoring and discussion of open stock positions
- Provide more frequent and timely sector and economic analysis to help drive stock allocations
- Continue to invite successful investors as guest speakers to stimulate the learning process
- Develop a technology initiative

We started the semester with a "Pitching 101" session in which experienced second semester analysts presented stock pitches in front of the entire class. Three analysts, one from each equity fund, pitched a stock already in the portfolio as a way to demonstrate (especially to students in their first semester in MPSIF) the various elements of a pitch and the types of questions that typically arise during a presentation. Jeff Schwartz presented Copa Airlines, a stock that he had originally pitched for the Value Fund in December 2010 and still offered an attractive valuation. Dennis Snopkowski presented Itron, one of the Growth Fund's preferred holdings since November 2010. Finally, Adam Borg pitched Hanger Orthopedic, a company that had

appreciated considerably since the Small Cap Fund's investment in November 2010 and continued to show tremendous earnings potential.

In addition, we had the privilege of hosting a number of speakers who are veterans of institutional investing. Having an opportunity to learn from experienced market professionals, and engage them with questions is an important feature of MPSIF.

On February 10, we were privileged to have Paul Krikler, President of Krikler Inc. and former Chief of Staff at Goldman Sachs University, as a guest speaker. Mr. Krikler spoke with us about his extensive experience developing and selling investment ideas and provided students valuable advice for writing research reports.

Several members of the MPSIF Management Advisory Council also visited the class during March.

On March 1, we welcomed Richard Saperstein, Managing Director and Principal at Treasury Partners, Randy Haase, Portfolio Manager for the Baron Fifth Avenue Growth Fund, and David Dineen, Senior Portfolio Manager at Pinnacle Associates. These three seasoned investors discussed the current state of the economy and where things stand with respect to the business cycle, offering their views on sound investment strategies going forward.

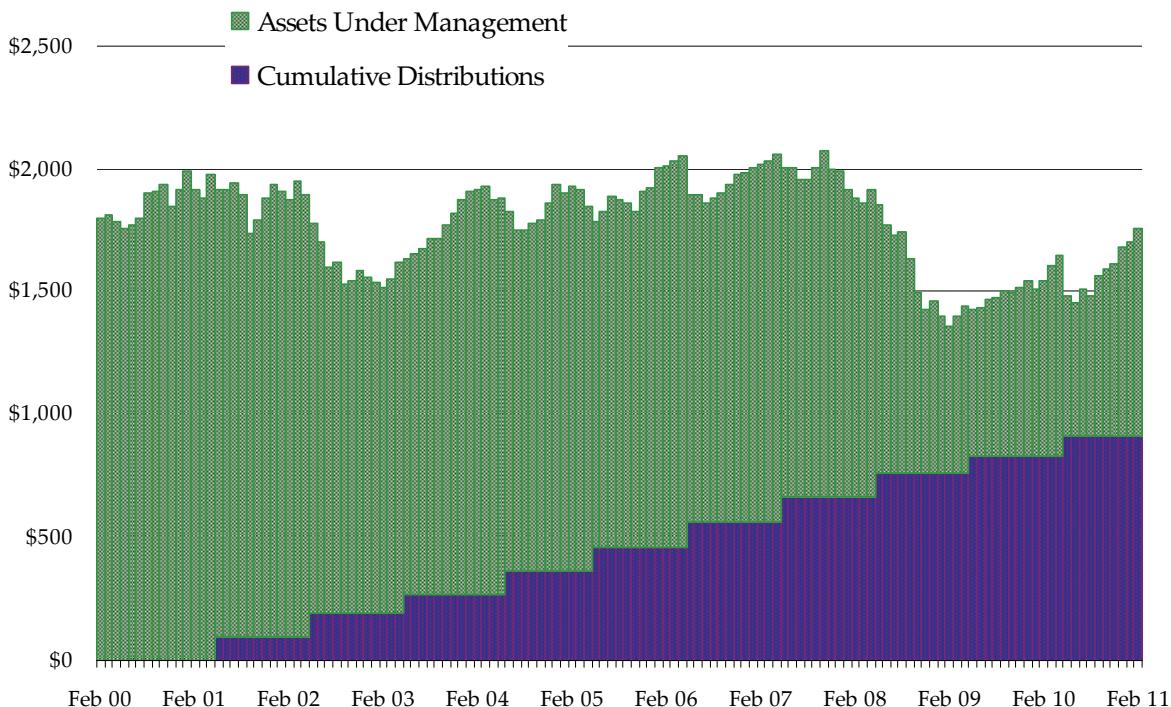
On March 22, Nomi Ghez, Co-Founding Partner of Circle Financial Group and retired Partner at Goldman Sachs, and Christopher Long, Portfolio Manager for Global Fixed Income at Tudor Investment Corp., led a stimulating discussion on risks facing the macroeconomy and the emerging markets growth story, among other topics.

We scheduled economic and sector analysis presentations at the beginning of the semester so that the sub-funds were better able to leverage the views to generate stock ideas. Given ongoing uncertainty and elevated risk across the globe, sector and economic analysis are now more important than ever before.

## Assets Under Management & Cumulative Distributions

The Funds were initially endowed with \$1.8 million as we began operations on March 1, 2000. As of February 28, 2011, our assets under management stand at \$1.76 million, which represents a cumulative return of 71.46% (gross), taking into account distributions of over \$907,000 to the Michael

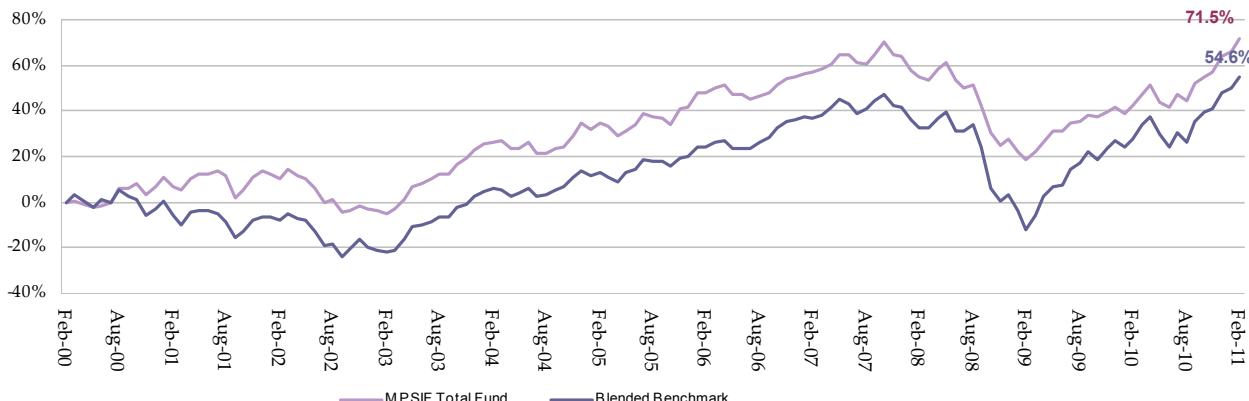
Price School at the University of Oklahoma. On an annualized basis since inception, the MPSIF funds have returned 4.48% net of management and administrative fees (outpacing the benchmark return of 4.04%), allowing us to cover our annual 5% distribution requirement although incurring a small reduction of our asset base.



**Performance of the Michael Price Student Investment Fund**  
*For the period ending February 28, 2011*

	<b>6 Month</b>	<b>1 Year</b>	<b>3 Year</b>		<b>5 Year</b>		<b>Inception</b>	
			Cum.	Annualized	Cum.	Annualized	Cum.	Annualized
<b>The Price Fund</b>	<b>18.88%</b>	<b>20.59%</b>	<b>10.68%</b>	<b>3.44%</b>	<b>15.66%</b>	<b>2.95%</b>	<b>71.46%</b>	<b>5.02%</b>
Management Fees	-0.28%	-0.60%	-1.69%	-0.57%	-2.69%	-0.54%	-5.73%	-0.54%
<i>Blended Benchmark</i>	22.76%	21.30%	16.73%	5.29%	24.42%	4.47%	54.60%	4.04%
Relative - Gross of Fees	-3.87%	-0.71%	-6.05%	-1.85%	-8.76%	-1.51%	16.86%	0.98%
Relative - Net of Fees	-4.21%	-1.43%	-7.91%	-2.44%	-11.87%	-2.07%	7.03%	0.42%
<b>Small Cap Fund</b>	<b>25.82%</b>	<b>33.28%</b>	<b>3.54%</b>	<b>1.17%</b>	<b>-6.78%</b>	<b>-1.39%</b>	<b>119.33%</b>	<b>7.40%</b>
Management Fees	-0.22%	-0.50%	-1.55%	-0.52%	-2.67%	-0.54%	-6.11%	-0.57%
<i>Russell 2000 Index</i>	37.54%	32.58%	25.25%	7.79%	20.49%	3.80%	64.44%	4.63%
Relative - Gross of Fees	-11.72%	0.70%	-21.71%	-6.63%	-27.28%	-5.19%	54.89%	2.78%
Relative - Net of Fees	-12.00%	0.03%	-23.31%	-7.15%	-29.77%	-5.73%	41.49%	2.16%
<b>Value Fund</b>	<b>23.92%</b>	<b>20.42%</b>	<b>13.46%</b>	<b>4.30%</b>	<b>35.55%</b>	<b>6.27%</b>	<b>105.62%</b>	<b>6.77%</b>
Management Fees	-0.34%	-0.70%	-1.66%	-0.56%	-2.92%	-0.59%	-6.57%	-0.62%
<i>Russell 1000 Value Index</i>	26.30%	22.16%	0.66%	0.22%	8.10%	1.57%	74.62%	5.20%
Relative - Gross of Fees	-2.38%	-1.75%	12.80%	4.08%	27.46%	4.70%	31.00%	1.57%
Relative - Net of Fees	-2.79%	-2.59%	10.91%	3.50%	23.49%	4.07%	17.50%	0.92%
<b>Growth Fund</b>	<b>21.59%</b>	<b>18.28%</b>	<b>2.18%</b>	<b>0.72%</b>	<b>1.60%</b>	<b>0.32%</b>	<b>-10.43%</b>	<b>-1.00%</b>
Management Fees	-0.26%	-0.61%	-1.83%	-0.61%	-2.59%	-0.52%	-5.60%	-0.52%
<i>Russell 1000 Growth Index</i>	31.04%	24.94%	15.55%	4.93%	25.35%	4.62%	-17.67%	-1.75%
Relative - Gross of Fees	-9.45%	-6.66%	-13.36%	-4.21%	-23.75%	-4.30%	7.24%	0.76%
Relative - Net of Fees	-9.76%	-7.38%	-15.23%	-4.83%	-26.38%	-4.83%	2.22%	0.24%
<b>Fixed Income Fund</b>	<b>0.20%</b>	<b>6.71%</b>	<b>16.77%</b>	<b>5.30%</b>	<b>31.15%</b>	<b>5.57%</b>	<b>55.71%</b>	<b>5.14%</b>
Management Fees	-0.35%	-0.70%	-1.79%	-0.60%	-2.57%	-0.52%	-3.70%	-0.43%
<i>Vanguard Total Bond Fund</i>	-1.10%	4.84%	17.88%	5.64%	33.75%	10.18%	58.61%	5.36%
Relative - Gross of Fees	1.31%	1.87%	-1.11%	-0.33%	-2.59%	-4.60%	-2.90%	-0.22%
Relative - Net of Fees	0.95%	1.12%	-3.20%	-0.96%	-5.97%	-5.15%	-8.66%	-0.67%

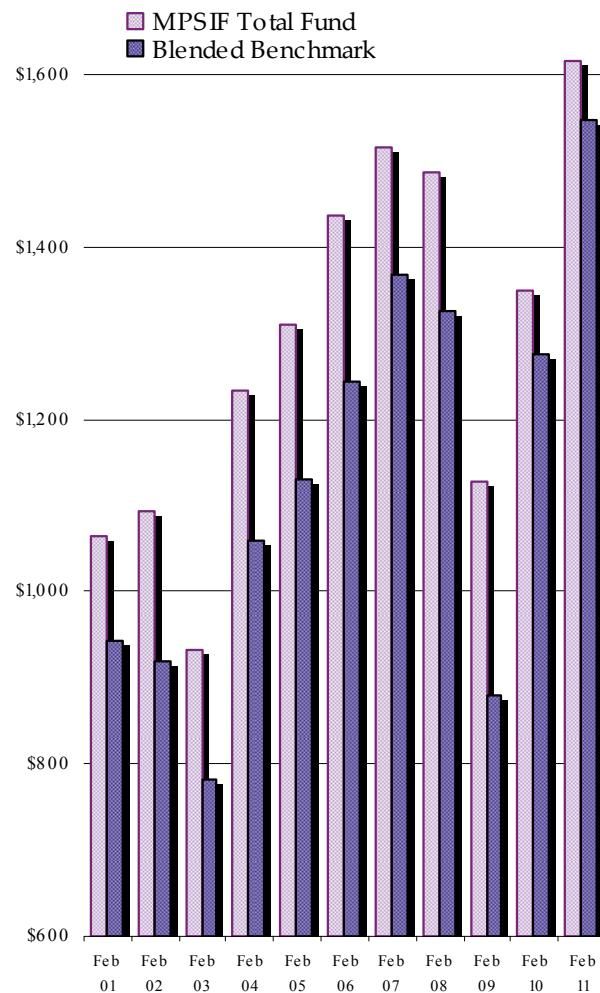
\* Inception for all equity funds is March 1, 2000. The Fixed Income fund began operations on May 20, 2002.  
All values calculated according to GIPS methodology, and hence adjust for time-weighted & external cash flows.

**Michael Price Total Fund vs. Blended Benchmark**

As of February 28, 2011, MPSIF had approximately 12.3% in cash holdings, down from its 26.9% level at the beginning of the fiscal year. The percentage of cash holdings increased from about 9% last December to 14% by January 2011's close, as the new class of students voted to sell out of some legacy positions upon returning from the winter recess. The resumption of normal class sessions has since seen the cash position gradually reduced as analysts have pitched new stocks to add to the portfolio.

Generally, due to inactivity during the summer and winter breaks, the Fund accumulates excessive amounts of cash which cannot be readily reallocated to new investment ideas. The portfolio managers try to identify buying opportunities in broad-based market and sector ETFs to employ the cash positions and own the market until new securities are pitched.

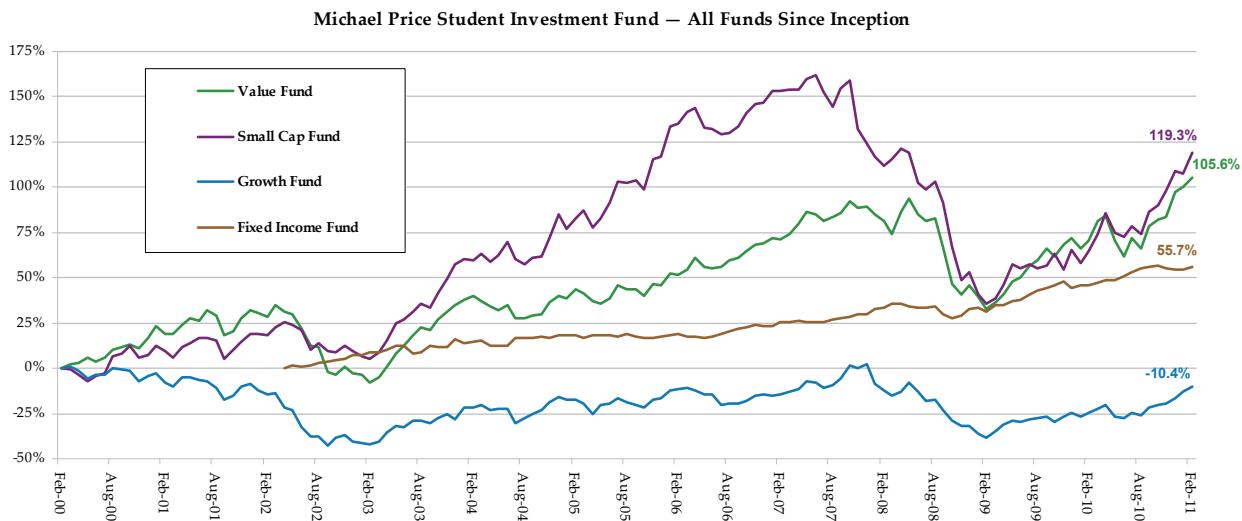
This past summer, while some portfolio managers invested in ETFs, others decided to hold their cash positions, believing that the downturn was more widespread and not specific to a sector so holding cash was more prudent. We will continue to explore new opportunities to effectively invest the remaining cash in the summer and winter recess periods.

**\$1,000 Invested with MPSIF**

## The Michael Price Student Investment Fund

The overall Fund returned 18.88% compared to the benchmark of 22.76% on a gross return basis for the first half of the fiscal year. Relative performance has improved over the last three months, with the Fund's 9.01% return trailing the index by 60 basis points. With respect to the individual funds, performance was varied. The Small Cap and Growth Funds both underperformed, gaining 25.82% and 21.59% compared to their respective

benchmark returns of 37.54% and 31.04%. The Value Fund advanced 23.92% but trailed its benchmark by only 2.38%. The Fixed Income Fund posted a 0.2% gain, beating its benchmark, which contracted by -1.1%, by a solid 1.31%. Since inception, MPSIF has earned a cumulative return of 71.46%, outpacing the blended benchmark by 16.86% or 0.98% on an annualized basis prior to fees.



## BENCHMARK INDEX DESCRIPTION

The purpose of benchmarking is to track the Funds' performance relative to the index that most closely resembles the investment mandate of each portfolio. It is important to note that while the Funds are measured against the market, our more critical and overarching goal is to provide an absolute rate of return that exceeds our annual distribution mandate to the University of Oklahoma plus the rate of inflation in a given year. Therefore, although we consider the aforementioned indices our benchmark, we are keenly focused on risk management in the construction of each sub-Fund.

Each of the four sub-Funds, Fixed Income, Growth, Small Cap, and Value, are benchmarked to a leading index in order to measure relative performance. The benchmarks are as follows:

- Fixed Income: Vanguard Total Bond Index Fund
- Growth: Russell 1000 Growth Index
- Small Cap: Russell 2000 Index
- Value: Russell 1000 Value Index

Vanguard Total Bond Index Fund measures the performance of fixed income securities. The benchmark has the following characteristics:

- Invests in U.S. Treasury, Investment-grade corporate, mortgage-backed, asset-backed securities
- Seeks to track the performance of the Barclays Capital Aggregate Bond Index
- Broadly diversifies exposure to investment-grade U.S. bond market
- Passively manages using index sampling
- Intermediate-duration portfolio and
- Provides moderate current income with high credit quality

The Russell 1000® Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, representing approximately 10% of the total market capitalization of the Russell 3000 Index.

The Russell 1000® Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.



## Valuation, Style And Capitalization

The matrix below shows the relative positions of the MPSIF strategies and their benchmarks for both style and average market capitalization. Our stock selection process is based upon security fundamentals and the stated strategy for each portfolio, thus there are no hard restrictions regarding what a particular fund may own. The smaller average market cap of our value and growth strategies is indicative of our total return approach.

**Style and Capitalization Matrix as of February 28, 2011**



### Equity Valuation Characteristics

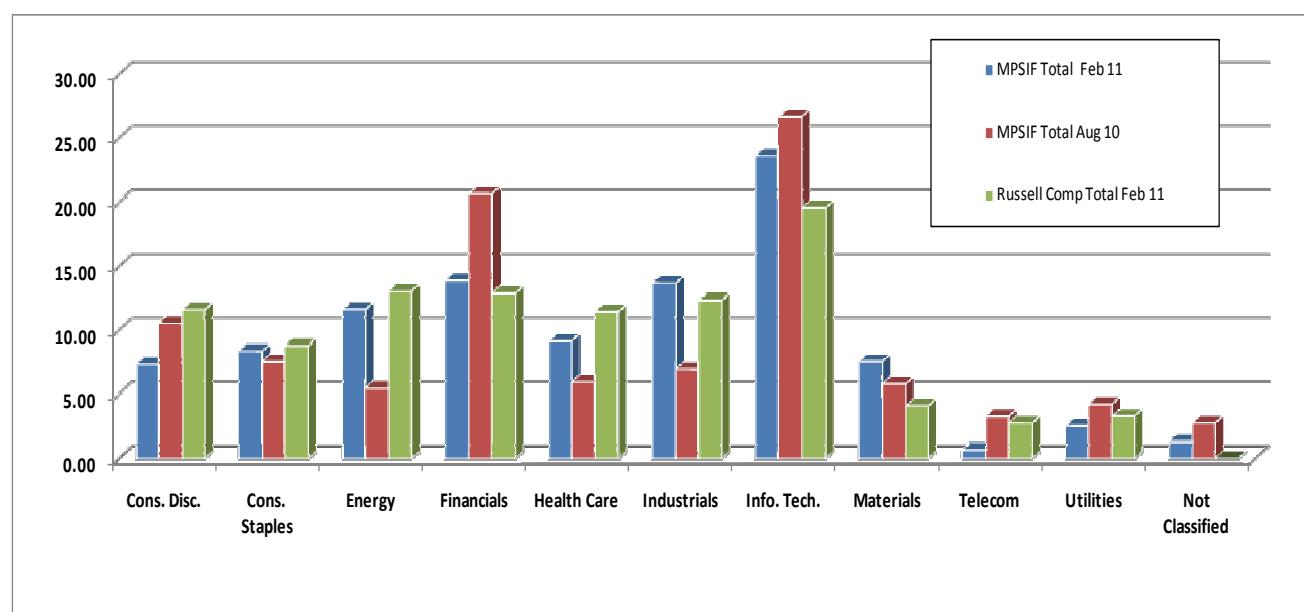
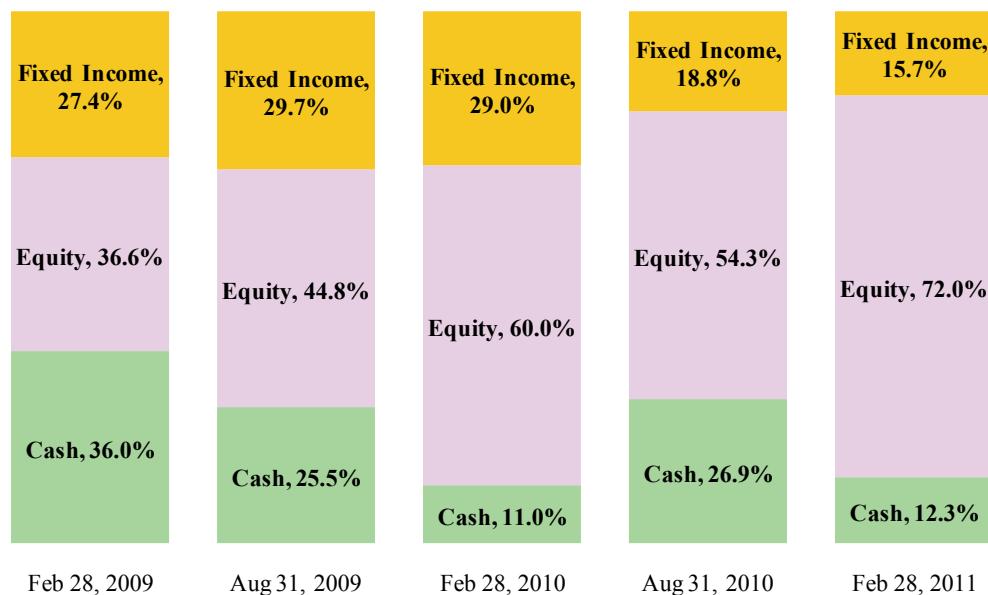
	P/E	ROE	P/B	Div. Yield
<b>MPSIF Growth</b>	25.3	10.17%	1.919	0.77%
Russell 1000 Growth	18.2	25.71%	4.011	1.38%
<i>Relative</i>	1.4x	0.4x	0.5x	0.6x
<b>MPSIF Value</b>	19.1	11.68%	0.624	1.76%
Russell 1000 Value	15.3	13.72%	1.59	2.14%
<i>Relative</i>	1.2x	0.9x	0.4x	0.8x
<b>MPSIF Small Cap</b>	18.7	11.12%	2.143	1%
Russell 2000	19.2	8.91%	1.931	1.12%
<i>Relative</i>	1.0x	1.2x	1.1x	0.9x

## Asset Allocation

The following charts show our total asset allocation by asset class and our composite equity sector allocation. The Executive Committee does not utilize any top-down approach to set a target allocation. In May 2010, the Executive Committee voted to reduce our allocation to Fixed Income and Value, transferring those funds to Growth and Small Cap. Each sub-Fund evaluates recommendations made by our economic strategy team.

As indicated in the Asset Allocation chart, cash holdings decreased from 26.9% in the prior reporting period to 12.3%. Equities increased from 54.3% to 72% while Fixed Income decreased from 18.8% to 15.7%.

**Asset Allocation by Semi-Annual Periods**



## FUND TURNOVER

### Portfolio Turnover for the Six Months Ending August 31, 2010

	<b>Fixed Income Fund</b>	<b>Growth Fund</b>	<b>Small Cap Fund</b>	<b>Value Fund</b>
Total Purchases	81,340	295,330	235,203	303,846
Total Sales	268,775	320,162	275,732	351,142
Minimum (Sales, Purchases)	81,340	295,330	235,203	303,846
Average Invested Assets	336,072	252,734	250,449	370,376
Turnover	24%	117%	94%	82%

### Portfolio Turnover for the Six Months Ending February 28, 2011

	<b>Fixed Income Fund</b>	<b>Growth Fund</b>	<b>Small Cap Fund</b>	<b>Value Fund</b>
Total Purchases	0	570,870	118,696	510,144
Total Sales	0	434,332	87,402	489,269
Minimum (Sales, Purchases)	0	434,332	87,402	489,269
Average Invested Assets	275,835	393,088	329,938	408,042
Turnover	0%	110%	26%	120%

\*\* Turnover is calculated as the minimum of (sales during the period, purchases during the period) divided by the average invested assets for the period on a monthly basis. Average invested assets does include beginning of period assets in the calculation. As we are considering invested assets, these values exclude cash holdings.



## MACROECONOMIC AND MARKET REVIEW

While there is still more progress to be made in the recovery, the U.S. economy has seen marked improvement over the past several months. The seasonally-adjusted unemployment rate dropped to 8.8% as of March 2011 from its peak of 10.1% in October 2009. However, the housing market remains tenuous as prices remain low and starts have bottomed out with little sign of near-term improvement.

In the US, GDP grew at an annual rate of 3.2% in 4Q 2010, an increase from a 2.6% rise in the previous quarter. Despite overall growth, GDP growth fell short of expectations of 3.5% and if sustained throughout 2011 would not be strong enough to significantly improve employment. On a more positive note, personal income increased \$38.1 billion, or 0.3%, and disposable personal income increased \$36.0 billion, or 0.3%, in February, according to the Bureau of Economic Analysis. This increase in income is likely to boost consumer spending which has already witnessed some improvement in recent months and is forecast to improve further over the remainder of the year with the National Retail Foundation indicating that it expects U.S. retail sales to rise 4% this year, the best gain since 2006.

In stark contrast to the relative calm seen domestically, global markets have been dominated by several major developments in the first quarter of 2011. First and foremost in our minds are the tragic events that continue to unfold across Japan in the aftermath of the earthquake, tsunami, and nuclear crisis that struck in early March. In addition to the humanitarian impact, supply issues continue to emerge, especially in the automotive and technology sectors. A wave of fresh concern over the safety of nuclear power has started a widespread review of new and existing nuclear plants as well. China, France, and Germany seem to be at the forefront, reviewing current plants or placing moratoriums on future construction.

The Middle East rose to the forefront in February, as Egypt followed Tunisia's lead and forced long standing President Mubarak to step down. Unrest spread to Bahrain, Libya, Yemen, and others. The

price of oil rose from \$75 to nearly \$108 in a few short months, and the U.S. and its NATO allies reluctantly took military action against pro-Gadhafi forces in Libya to prevent further civilian casualties. While the long term outcome is still unclear, continued elevation in oil prices will be a significant drag on growth in the U.S. and abroad.

Perhaps lost among the other developments, the European sovereign debt crisis is still an issue in the ongoing and fragile global recovery. Greece, Ireland, and Portugal continue to be the most problematic, with 10-year yields exceeding 7% (12.74% for Greece). Many consider the situation unsustainable, but the spillover effects of any default or asset haircuts are still unclear. In late March, Portugal's Prime Minister Socrates resigned after much-needed austerity measures failed to pass, perhaps signaling just how difficult an effective resolution will be.

In addition to oil prices surging, industrial and agricultural commodity prices have also witnessed increases in recent months and are expected to continue to trend higher. Cotton and corn prices seem to be particularly susceptible to further price appreciation. Cotton prices have risen approximately 45% since the start of 2011 (inflation-adjusted, the highest level since 1981), primarily due to soaring demand from China, poor cotton crops in Pakistan and other parts of South East Asia, and export restrictions in India. In addition, U.S. corn supplies have tightened considerably due to lower yields and strong demand for ethanol production. This, along with concerns related to weather effects on crops in the southern hemisphere where Chinese demand is strong, point to further upside in near-term corn prices.

Although there has been a recent uptick in geopolitical events and uncertainty surrounding Japan and Europe, equity markets have held up well. Year-to-date the S&P 500 is up 6.5% and the Dow surged 6.4% or 742 points (its second largest gain on record). Energy has been the star performer, with the sector up 16.8%, while Consumer Staples and Utilities were the laggards of the group, up only 2.34% for the year. Remarkably, the S&P 500 is now up 96% from the March 2009 lows. Although the

recovery in equity markets is in part due to improving economic trends, it is difficult to ascertain how much of the performance is due to the Federal Reserve's aggressive \$600 billion quantitative easing program. The Fed is currently in the middle of a second round of quantitative easing, where \$600B in bond purchases may be initiated prior to June 2011. Since December of 2008, the Fed has kept the funds rate near 0% and has purchased approximately \$2 Trillion in assets to push borrowing costs down even further. Some policy makers are growing more concerned over potential inflation. Thomas Hoenig, current president of the Kansas City Fed, stresses that higher benchmark interest rates and a reduction of the Fed's balance sheet should be instituted even before issues like the spike in oil prices and the turmoil resulting from Japan's tsunami may be resolved. Amidst these concerns, however, current domestic inflation is under control, averaging under 2% throughout the beginning of 2011. Additionally, the spread between 10-year government bonds and inflation-protected securities remains stabilized at pre-recession levels.

This stable domestic inflationary picture is in stark contrast to the international impacts of inflation currently being realized. Inflation in China, which has historically trended with the U.S. inflation rate, has skyrocketed in 2010, growing from 2% to over 5% by the beginning of 2011. Many analysts believe this dichotomy is attributable to the consumer pricing baskets in emerging markets being more heavily weighted toward commodities, which have appreciated considerably in the last six months. As a result of these inflationary pressures in China, the Chinese government has raised borrowing rates three times since October 2010 and has increased reserve requirements seven times since January 2010.

For the coming quarters, we expect the US economic growth to continue, albeit at a slower pace. Given the overall recovery in economic conditions, and the increase of inflation risk due to higher food and energy prices, we believe that "QE3" or additional Fed support through another round of quantitative easing is unlikely. In fact, an earlier than expected rate hike has become a near-term risk, as Fed

officials have recently turned more hawkish on inflation. Nevertheless, in light of continued turmoil abroad, we continue to favor US equity markets relative to international markets in the near term.



### Sector Initiative

As the US emerged from the recession in 2010, investors chased early cycle opportunities, driving consumer discretionary, industrials and materials sectors to the top of the leader board during the year. For 2011, we see sector leadership changing driven by continued growth in the developing world and recovery in the developed world.

At the beginning of 2010, the correlation among individual stock returns was near an all-time high. The same was true of industrial sectors, with the ten primary sectors within the S&P 500 all near all-time high trailing twelve-month correlations with the index as a whole. However, correlations should fall as the market becomes more confident in the economic backdrop and focuses more on fundamentals. As correlation falls, we anticipate being able to generate more alpha through dispersion in industries and names.

Our sector team recommends overweighting the information technology sector. We recommend underweighting healthcare, utilities, financials, and have a neutral outlook for the energy, consumer staples, telecommunications, industrials, consumer discretionary and materials.

**Information Technology** looks to benefit from multiple secular growth stories in cloud computing, software-as-a-service, tablet computing and wireless data growth. Although the sector has improved and

is trading towards historical P/E multiple norms, there are still good signs of improvement in consumer and commercial demand. Tech firms continue to hold huge cash balances which they are employing in M&A activity, stock-buybacks, and dividend issuance. - *Overweight*

**Energy** continues to perform strongly as crude oil prices have risen to over \$108 a barrel. The current rally, however, is larger than that of any rally during the 2003-2008 up-cycle. - *Marketweight*

The **Consumer Staples** benefits from the fact that global sales volumes are increasingly being driven by emerging market economies. The sector is also seen as a defensive play in the event of a "double dip", although we are not expecting that scenario. - *Marketweight*

**Telecommunications** offer the highest dividend yields in the current market and healthy balance sheets. The sector should continue to benefit from growth in the smart phone/wireless segments and the effects from consolidation from the merger between AT&T and T-Mobile. - *Marketweight*

**Industrials** look to benefit from emerging markets sales exposure, continued global inventory restocking, and ongoing global infrastructure spending. Stimulus programs, however, are winding down, which may pressure near term demand. - *Marketweight*

The **Health Care** sector saw Q4 2010 earnings meet or slightly beat consensus estimates. Going forward, we see weak new drug pipelines in the face of expiring drug patents, leading to increased competition from generics. European government austerity measures are also expected to adversely impact health care outlays. Healthcare Technology,

Providers & Service, and Equipment and Supplies have been the strongest performers. - *Underweight*

**Consumer Discretionary** was the best performing sector in 2010 but ran out of steam this year. The sector continues to derive benefits from recovering emerging market economies that outpace the US recovery. However, the sector remains above its 43-week exponential average and the personal savings rate remain greater than 5%. We see headwinds ahead, as consumers are still deleveraging and unemployment is likely to remain high. - *Marketweight*

**Utilities** have benefitted from their defensive nature over the past year, and yields have declined as investors flocked to safety. We believe money will begin to exit this sector in search for higher returns. - *Underweight*

The **Financial** sector continues to search for clarity regarding financial reform. A "worst-case" scenario is no longer feared, and reform will take years to phase in. Since the crisis, consumer based businesses in the US have stabilized, but we still expect rising charge-offs on credit card loans and commercial mortgages due to the elevated levels of unemployment. Real estate management and development have been the strongest performers within the sector. - *Underweight*

**Materials** look to benefit due to growing demand from emerging markets for metals and mining products. Restrained capital expansion bodes well for the sector in the long-term. A substitution effect, however, may begin to take effect in 2011 as higher primary commodity prices force investors to seek cheaper alternatives. - *Marketweight*



## THE GROWTH FUND

### MESSAGE FROM THE PORTFOLIO MANAGERS

For the six months ending February 28, 2011, the Growth Fund (“the Fund”) had an absolute return of 19.7%. The benchmark, the Russell 1000 Growth Index, generated a return of 27.9% during the same time period. While we are disappointed to have underperformed our benchmark, we have had positive returns for every month this period and more recent outperformance in January gives us confidence that we are positioned well going forward. We continue to strive to position the Fund to capture the recovery for the US and global economies and identify high growth opportunities for the Fund.

So far, the end of 2010 and beginning of 2011 has proven to be an excellent period for growth stocks. We have seen sustained gains in growth stocks from the beginning of the fourth quarter of 2010 until the recent unrest in the Middle East. Strong earnings and continued progress in an economic recovery have boosted growth stock prices in every month since the summer of 2010. Economic indicators continued to remain positive, though little improvement in employment and higher energy prices remain a threat to growth stocks.

Over the six-month period from August 2010 through February 2011, the Fund eliminated its exposure to Healthcare and Financials. We have increased our holdings in Information Technology and Consumer Discretionary stocks. A few of our positions stopped-out during the previous six months, though for every position that stopped-out below our purchase price we had a position stop-out at a higher price that was set to lock in gains.

Positions that contributed the most to the Fund’s performance over the past six months were Catalyst Health Systems, Fortinet, Qualcomm, and Apple. Those that contributed the least were Gafisa, Akamai, and Visa. The Fund ended August 2010 with a significant cash position due to position stop-outs over the summer and we believe this cash position was a main cause for our

underperformance in this period, as our portfolio was not fully invested until late fall of 2010 while the benchmark was rising steadily every month.

In the beginning of the spring semester 2011, in an effort to maintain a fully invested portfolio, better position the Fund relative to the benchmark, and align ourselves with the sector weights recommended by the MPSIF Sector Strategy team, we established positions in IYJ, an Industrials ETF, XLE, an Energy ETF, XLB, a Materials ETF, and XLK, an Information Technology ETF.

Going forward in Spring Semester 2011, we are aiming to invest in sectors that we believe are primed for continued growth during the recovery. We anticipate tough stock selection going forward as many growth stocks have seen significant run-ups in prices recently. We will continue to stay abreast of our holdings with regular “lightning rounds” during which Fund members can share updates on their covered stocks. We look forward to continuing to generate alpha for the Fund and taking full advantage of the learning opportunity that has been afforded to us by Michael Price and the Board.

Ling (Henry) Chen and Dennis Snopkowski  
Portfolio Managers, Growth Fund



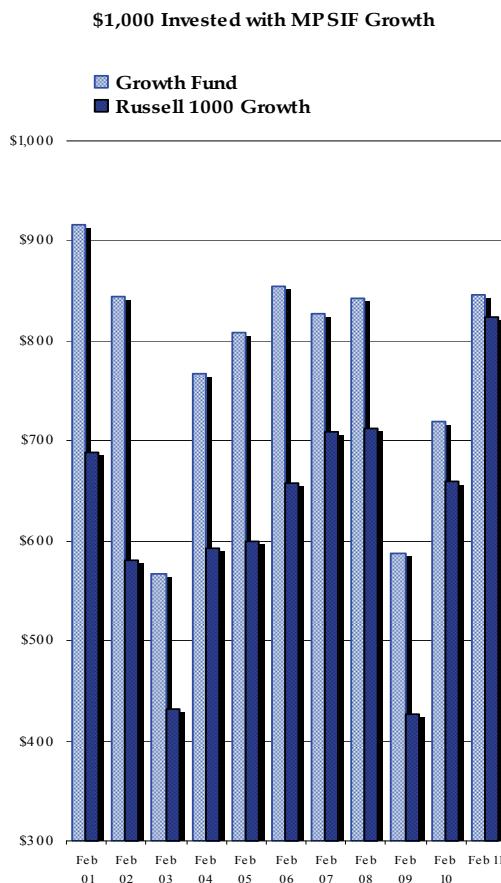
## DISCUSSION OF PERFORMANCE

	6 Month	1 Year	3 Year		5 Year		Inception	
			Cum.	Annualized	Cum.	Annualized	Cum.	Annualized
<b>Growth Fund</b>	<b>21.59%</b>	<b>18.28%</b>	<b>2.18%</b>	<b>0.72%</b>	<b>1.60%</b>	<b>0.32%</b>	<b>-10.43%</b>	<b>-1.00%</b>
Management Fees	-0.26%	-0.61%	-1.83%	-0.61%	-2.59%	-0.52%	-5.60%	-0.52%
<i>Russell 1000 Growth Index</i>	31.04%	24.94%	15.55%	4.93%	25.35%	4.62%	-17.67%	-1.75%
Relative - Gross of Fees	-9.45%	-6.66%	-13.36%	-4.21%	-23.75%	-4.30%	7.24%	0.76%
Relative - Net of Fees	-9.76%	-7.38%	-15.23%	-4.83%	-26.38%	-4.83%	2.22%	0.24%

\* Inception from March 1, 2000

### Performance Overview

During the second half of fiscal year 2010, the Fund underperformed its benchmark, the Russell 1000 Growth Index, by 9.45% gross of management fees. The Growth fund earned a positive return of 21.59% while the Index returned 31.04%. The Fund's underperformance relative to its benchmark was partially the result of a large cash position after the turmoil over the summer, which led to the Fund missing out on market appreciation in the fall.



On a longer-term view, the last decade has not been very positive for growth stocks. If we had invested \$1,000 in Russell 1000 Growth in March 2000 at our Fund's inception, our net holding would have been only \$846 by February 2011.

<u>Top Sectors</u>	<u>Return</u>	<u>Impact</u>
Information Technology	28.28%	11.56%
Industrials	34.43%	5.23%
<b>Top Contributors</b>		
Apple, Inc.	41.09%	3.07%
EMC Corp.	42.09%	2.47%
Stock Selection		-3.59%
Allocation Effect		0.94%
<i>Impact : measures contribution to the portfolio's relative performance vs. benchmark</i>		
<i>Stock Selection : is the aggregate success of selection decisions within each group vs. benchmark</i>		
<i>Allocation Effect : is the total impact of sector weighting decisions within each group vs. benchmark</i>		

### Stock Picking

According to our Wilshire Analytics team, stock-selection had negative impact of 3.59% towards the net performance of the Fund.

The Information Technology (IT) sector contributed most to the six-month relative performance with a positive impact of 11.56%. However, the Industrials sector provided the Fund with our highest absolute return, 34.43%

Apple, Inc. (AAPL) was our top individual stock, with an impact of 3.07% and a 41.09% absolute return. AAPL designs, manufactures, and markets

personal computers, mobile communication and media devices, and portable digital music players, as well as sells related software, services, peripherals, networking solutions, and third-party digital content and applications worldwide. The Fund continues to hold a position in AAPL.

Another noteworthy stock for the Growth Fund was EMC Corp. (EMC), which develops, delivers, and supports information infrastructure and virtual infrastructure technologies and solutions. EMC delivered the highest absolute return of any stock in our portfolio 42.09% over the reporting period. Our EMC analyst continues to support the company's growth story and the Fund has retained a full position in the stock.

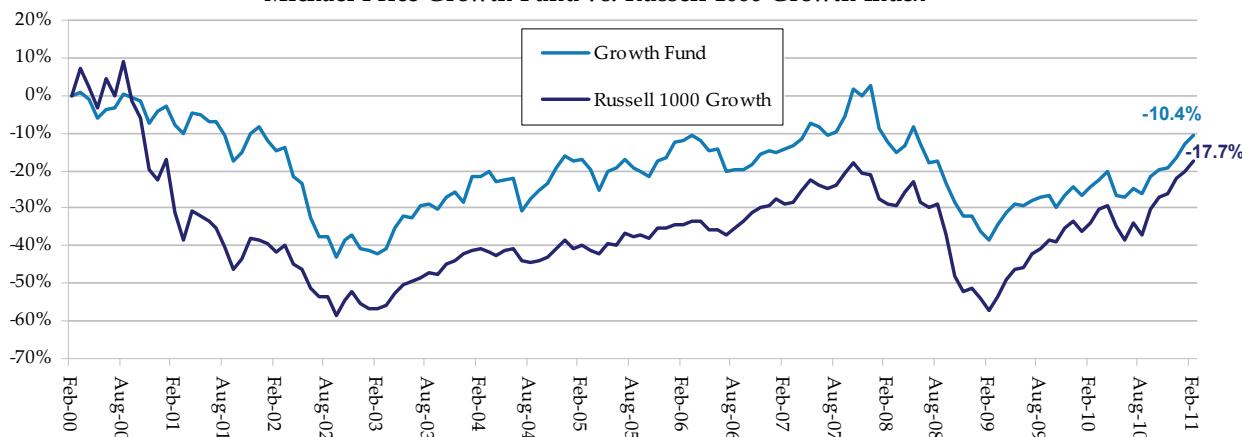
Despite good overall gains, our IT sector holdings also included Akamai Technologies (AKAM) which produced a -22% return, one of our worst

performing stocks. Gafisa SA, a Brazilian homebuilder lost roughly 26%, our worst performing stock over the reporting period.

### Driving Fund Performance

During the first half of fiscal 2011, the Fund increased its equity holdings, as the increased stability of the market presented attractive investment opportunities. As a result, the Fund reduced its cash position from 43.12% of Total Assets as of August 2010 to 6.66% of Total Assets as of February 2011. The strong market recovery in combination with the pitches presented during the academic year meetings, have lead to a reduction in the Fund's cash position.

**Michael Price Growth Fund vs. Russell 1000 Growth Index**



## ASSET ALLOCATION

As the Fund focuses on bottom up stock-picking and fundamental analysis, asset allocation is a secondary priority. Despite this, asset allocation had a positive impact in the second half of fiscal year 2010. According to our Wilshire Analytics team, asset allocation decisions improved portfolio performance by 0.94%.

The Fund's commitment to bottom-up stock selection is primarily pedagogical in nature. The Fund is a seminar style course in which students can use and combine skills garnered in their other classes in a professionally practicable manner. We believe the benefits derived from such a course are immeasurable.

That said, it should be clearly understood that as the central principle of modern portfolio theory, asset allocation, should not be ignored by the Fund. On an informal basis, the Fund routinely reviews the industry allocation of its holdings and encourages analysts to explore underweight industries.

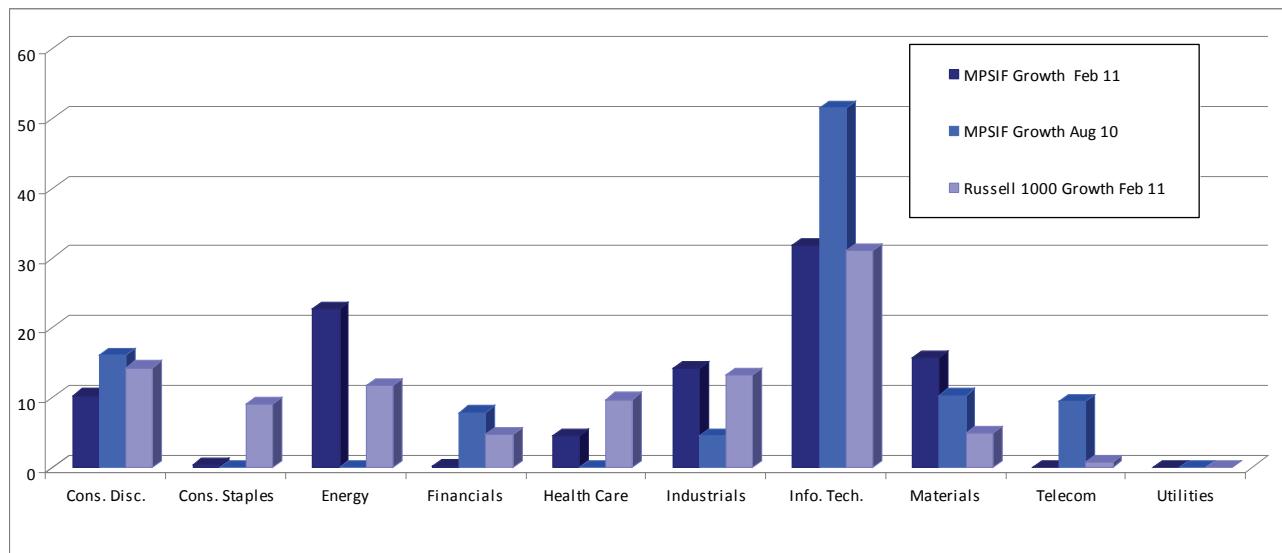
As of February 28, 2011, the sectors with the most significant weight in the Growth Fund are:

- Information Technology held a 31.8% asset allocation, the largest sector in the Fund, and slightly overweight compared to the Russell 1000 Growth, which has a 31.0% weight in IT.

- Energy accounted for a 22.7% allocation in the Fund, almost double the 11.8% allocation for Energy in the Russell 1000 Growth.

- Materials captured a 15.8% share in the Fund, more than three times the 5.0% allocation in the benchmark Russell 1000 Growth.

Over the past six months we have continued to focus on a blended approach of identifying promising sectors which could prove to be resilient amid the aftermath of the recession and implemented a bottom-up process for selecting best of breed in these areas. A bottom-up strategy alone could be insufficient in the current market. As of February 28, 2011, the fund held positions in five ETFs: Energy SPDR (XLE), iShares DJ Industrials SPDR (IYJ), Materials Select SPDR (XLB), Technology Select SPDR (XLK), and iShares Russell 1000 Growth (IWF).



**Holdings Profile****Growth Portfolio as of February 28, 2011**

<b>Company Name</b>	<b>Ticker</b>	<b>Sector</b>	<b>Shares Held</b>	<b>Closing Price</b>	<b>Position Value</b>	<b>% of Assets</b>
Apple, Inc.	AAPL	Information Technology	84	\$353.21	\$29,670	<b>6.30%</b>
Baidu Com Inc.	BIDU	Information Technology	94	\$121.16	\$11,389	<b>2.42%</b>
EMC Corp.	EMC	Information Technology	1096	\$27.21	\$29,822	<b>6.33%</b>
Eastman Chem Co.	EMN	Materials	254	\$93.41	\$23,726	<b>5.04%</b>
First Solar Inc.	FSLR	Energy	131	\$147.39	\$19,308	<b>4.10%</b>
Fortinet Inc.	FTNT	Information Technology	667	\$40.84	\$27,240	<b>5.78%</b>
Fossil Inc.	FOSL	Consumer Discretionary	290	\$76.74	\$22,255	<b>4.72%</b>
Itron Inc.	ITRI	Energy	340	\$56.71	\$19,281	<b>4.09%</b>
Kansas City Southern	KSU	Industrials	435	\$53.84	\$23,420	<b>4.97%</b>
Mindray Medical International	MR	Health Care	670	\$27.08	\$18,144	<b>3.85%</b>
Qualcomm Inc.	QCOM	Information Technology	266	\$59.58	\$15,848	<b>3.36%</b>
Royal Caribbean Cruise	RCL	Consumer Discretionary	470	\$43.79	\$20,581	<b>4.37%</b>
Syngenta AG	SYT	Materials	350	\$67.32	\$23,562	<b>5.00%</b>
Energy Select Sector SPDR	XLE	Energy	750	\$78.54	\$58,905	<b>12.50%</b>
iShares DJ Industrial SPDR	IYJ	Industrials	520	\$69.93	\$36,364	<b>7.72%</b>
Materials Select Sector SPDR	XLB	Materials	535	\$39.46	\$21,111	<b>4.48%</b>
Technology Select Sector SPDR	XLK	Information Technology	750	\$26.56	\$19,920	<b>4.23%</b>
iShares Russell 1000 Index	IWF	Index ETF	325	\$60.66	\$19,715	<b>4.19%</b>
Direct Equity Holdings					\$284,247	<b>60.34%</b>
Total Equity Holdings					\$440,261	<b>93.46%</b>
Cash as of February 28, 2011					\$30,813	<b>6.54%</b>
<b>Total Assets</b>					<b>\$471,074</b>	<b>100.00%</b>

**Growth Portfolio as of August 31, 2010**

<b>Company Name</b>	<b>Ticker</b>	<b>Sector</b>	<b>Shares Held</b>	<b>Closing Price</b>	<b>Position Value</b>	<b>% of Assets</b>
Aeropostale, Inc.	ARO	Consumer Discretionary	558	\$ 21.30	\$11,885	<b>3.06%</b>
Agnico-Eagle Mines Ltd.	AEM	Materials	171	\$ 64.97	\$11,110	<b>2.86%</b>
Apple, Inc.	AAPL	Information Technology	84	\$ 243.10	\$20,420	<b>5.26%</b>
ARM Holdings Plc	ARMH	Information Technology	991	\$ 16.70	\$16,550	<b>4.26%</b>
Eaton Corporation	ETN	Industrials	147	\$ 69.48	\$10,214	<b>2.63%</b>
EMC Corporation	EMC	Information Technology	603	\$ 18.24	\$10,999	<b>2.83%</b>
First Solar, Inc.	FSLR	Energy	131	\$ 127.85	\$16,748	<b>4.31%</b>
FMC Corporation	FMC	Materials	189	\$ 62.28	\$11,771	<b>3.03%</b>
Jefferies Group, Inc.	JEF	Financials	777	\$ 22.51	\$17,490	<b>4.50%</b>
Longtop Financial Technologies Ltd.	LFT	Information Technology	625	\$ 32.58	\$20,363	<b>5.24%</b>
Millicom International Cellular SA	MICC	Telecomm	229	\$ 92.08	\$21,086	<b>5.43%</b>
Qualcomm, Inc.	QCOM	Information Technology	266	\$ 38.30	\$10,188	<b>2.62%</b>
Ross Stores, Inc.	ROST	Consumer Discretionary	292	\$ 49.63	\$14,492	<b>3.73%</b>
Urban Outfitters, Inc.	URBN	Consumer Discretionary	304	\$ 30.32	\$9,217	<b>2.37%</b>
Wipro Ltd.	WIT	Information Technology	1436	\$ 12.83	\$18,424	<b>4.74%</b>
Direct Equity Holdings					\$220,957	<b>56.88%</b>
Total Equity Holdings					\$220,957	<b>56.88%</b>
Cash as of August 31, 2010					\$167,472	<b>43.12%</b>
<b>Total Assets</b>					<b>\$388,429</b>	<b>100.00%</b>

## INVESTMENT STYLE AND STRATEGY

**Our goals:** The goal of the Growth Fund is to identify and capitalize on investments that have significant growth potential. The companies we invest in may derive their growth from a unique business model or a strong competitive position in a rapidly growing industry. We believe that companies with these characteristics can achieve more than 15% annual EPS growth over the next five years and in turn experience substantial stock price appreciation. These growth opportunities can be uncovered by identifying companies that are pioneering a new product or service that will see significant future demand. Other companies may be altering pre-established norms in a static industry and gaining significant market share. Additionally, these companies could be applying their business model to new regions or they could simply be a leader in an industry that is experiencing high levels of growth. Our analysts use comparable and intrinsic valuation techniques to determine if these growth opportunities are available at attractive prices.

**Our objective:** Our goal is to outperform the benchmark on a total return basis by investing in securities that provide superior returns on a risk/return basis through capital appreciation and dividends.

**Investment Process:** Our analysts look at a firm and ask: "What is the catalyst for growth?" Then the analyst considers whether the company's business model will succeed. A valuation analysis follows, which begins with balance sheet analysis as well as revenue and earnings trends. The analyst completes a fundamental analysis of the company and examines relative valuations. The analyst then writes a research report and pitches the stock to the class. The class engages in a discussion to challenge the investment rationale. After this rigorous process, the group votes whether or not to add the security to the portfolio.

**Sell Discipline:** In 2006, the Fund added stop-loss orders to provide more sell discipline. The stop-loss price is determined by the analyst and

is related to the stock's volatility and downside risk. The Fund's consensus model also helps determine stop-loss orders. Additionally, the stop-loss policy is regularly evaluated to ensure that these risk controls stay relevant. This includes actively reducing our exposure to a specific stock when our investment thesis no longer sees room for upside. Some of the factors that would change our investment thesis are:

- The company growth rate deteriorates or its performance otherwise disappoints.
- The price of the security attains our price target or otherwise appears relatively high to the analyst.
- The company publishes negative earnings announcements that could affect the long-term outlook and industry attractiveness.
- Unfavorable changes in management.

**Why Growth Stocks?** Growth companies have above average earnings growth, which we believe will translate into above average price appreciation. Thus, we believe investing in growing companies that are not currently overpriced should lead to realization of potentially superior investment returns over the long term.



## THE VALUE FUND

### MESSAGE FROM THE PORTFOLIO MANAGERS

The Value Fund (“the Fund”) generated a return of 23.92% (gross of fees) for the six-month period ending on February 28, 2011. While we view our returns as strong during the period, we underperformed the Russell 1000 Value benchmark (“the benchmark”) by 2.38%. Our underperformance was mainly due to our portfolio being underweight certain sectors when compared to the benchmark, most notably the energy sector.

The Fund began the period with a cash position of 5.35%, which was slightly down from 6.95% at the start of the previous period. The Fund had an aggregate ETF position of 36.3% at the end of the period consisting entirely of the benchmark ETF. For over a year, the Fund has allocated a significant portion of cash on hand to both the benchmark ETF and sector-specific ETFs in order to maintain exposure to the market as we research new names to add to the portfolio. Most recently, the Fund decided to abandon sector-specific ETFs as our diversification is best determined by the companies we choose to add to the portfolio. The benchmark ETF will continue to be a placeholder for cash as we turnover personnel and pursue additional investments.

At the end of the period, the Fund was underweight the Energy and Financial sectors and overweight Information Technology when compared to the benchmark. We believe the best sector allocation strategy is to continue buying companies with good balance sheets that are trading at attractive values.

Our best performers during the period were concentrated in Industrials, Healthcare, and Information Technology. We continued to add

attractive names in the IT sector and increased the number of Financials holdings, as we have found valuable companies in those sectors over the past six months. We will continue to seek companies for the portfolio using a “bottom up” approach.

Looking forward, we expect to be able to identify solid companies with strong value propositions that are trading below their intrinsic values. A focus on stock selection will be the predominant theme of the Fund in the months to come, and we expect that it will allow us to outperform the benchmark in the long run.

Patrick Fruzzetti and Robert Wynn  
Portfolio Managers, Value Fund



## DISCUSSION OF PERFORMANCE

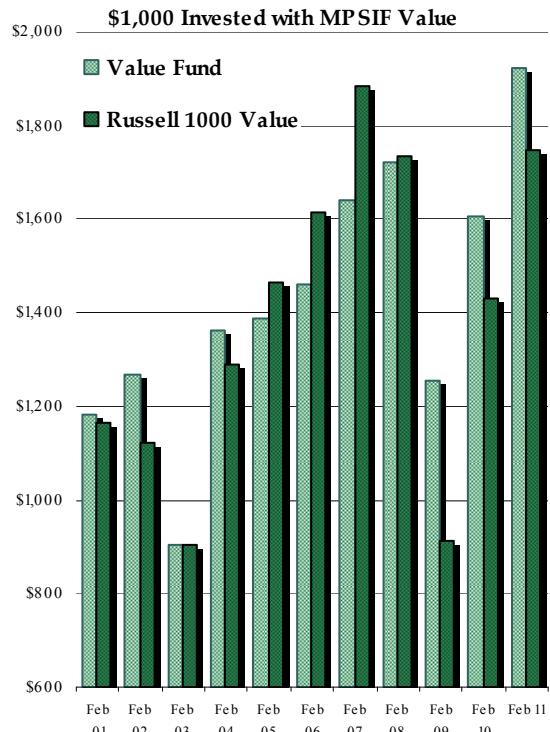
	<b>6 Month</b>	<b>1 Year</b>	<b>3 Year</b>		<b>5 Year</b>		<b>Inception</b>	
			Cum.	Annualized	Cum.	Annualized	Cum.	Annualized
<b>Value Fund</b>	<b>23.92%</b>	<b>20.42%</b>	<b>13.46%</b>	<b>4.30%</b>	<b>35.55%</b>	<b>6.27%</b>	<b>105.62%</b>	<b>6.77%</b>
Management Fees	-0.34%	-0.70%	-1.66%	-0.56%	-2.92%	-0.59%	-6.57%	-0.62%
<i>Russell 1000 Value Index</i>	26.30%	22.16%	0.66%	0.22%	8.10%	1.57%	74.62%	5.20%
Relative - Gross of Fees	-2.38%	-1.75%	12.80%	4.08%	27.46%	4.70%	31.00%	1.57%
Relative - Net of Fees	-2.79%	-2.59%	10.91%	3.50%	23.49%	4.07%	17.50%	0.92%

\* Inception from March 1, 2000

The sectors that contributed most to the twelve-month relative performance were consumer financials, and energy. These sectors returned 19.42%, and 34.36% respectively, in absolute terms.

The energy sector had the largest absolute return, earning 34.36%, outperforming the benchmark by 14.24%. Our most profitable holding in the portfolio was Corning Inc. gaining 42%. Other profitable holdings in the portfolio were Philip Morris International Inc, which advanced 21.2% and Sandisk Corp and Tidewater Inc. returning 30% and 36% respectively.

<b>Top Sectors</b>	<b>Return</b>	<b>Impact</b>
Financials	19.42%	4.47%
Energy	34.36%	3.78%
<b>Top Contributors</b>		
Philip Morris Intl Inc.	21.206	1.53%
Corning Inc.	42.00%	1.26%
Stock Selection		0.68%
Allocation Effect		-1.77%
<i>Impact : measures contribution to the portfolio's relative performance vs. benchmark</i>		
<i>Stock Selection : is the aggregate success of selection decisions within each group vs. benchmark</i>		
<i>Allocation Effect : is the total impact of sector weighting decisions within each group vs. benchmark</i>		

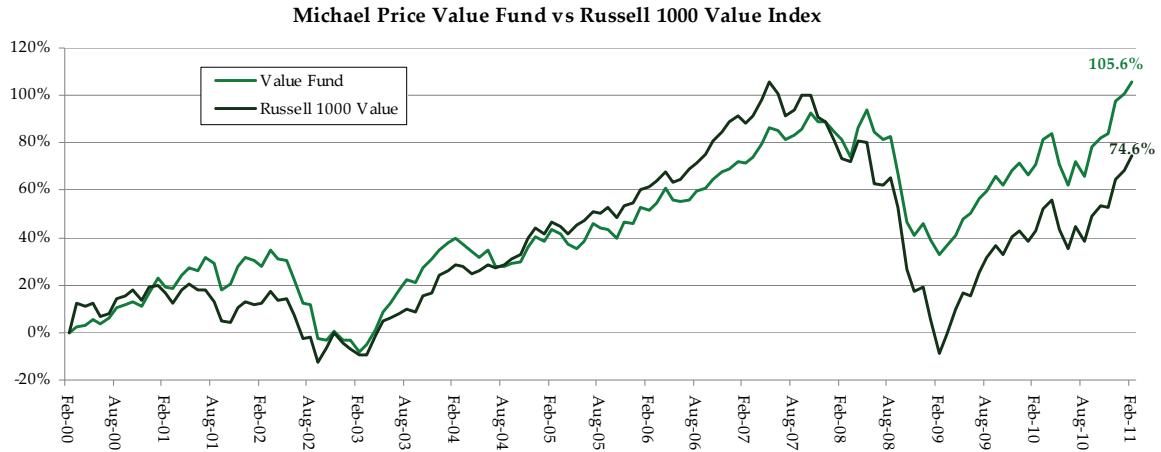


The worst performing stock in our portfolio was McGraw Hill Inc., which lost 10.8%. We also incurred losses on Copa Holdings S.A, Intel Corp., and NRG Energy Inc., which dropped 5.9%, 5.0%, and 18.1%, respectively.

During the twelve-month period we sold off many of our holdings due to price targets being met, and in a few cases due to protective stops being triggered. In some cases this left us without exposure to certain sectors, and in these instances we purchased sector exchange traded funds (ETFs) in these sectors as we searched for attractive investments.

Our twelve-month performance fell just below that of our benchmark by 1.75%. In addition, we are proud to see that over the past three years our Fund has outperformed the benchmark by over

four percentage points annually. This shows that we have been successful in protecting our investors' interests during difficult market times.



## ASSET ALLOCATION

Value Fund analysts take a bottom-up approach to stock selection. While we discuss sector weightings relative to the Russell 1000 Value benchmark, we do not make active sector bets. Instead, we look at all stocks within the range of our investment policy.

Over the past six months, we significantly decreased our positions in Materials, selling our position in ArcelorMittal SA. Our only investment in this sector is now through an ETF.

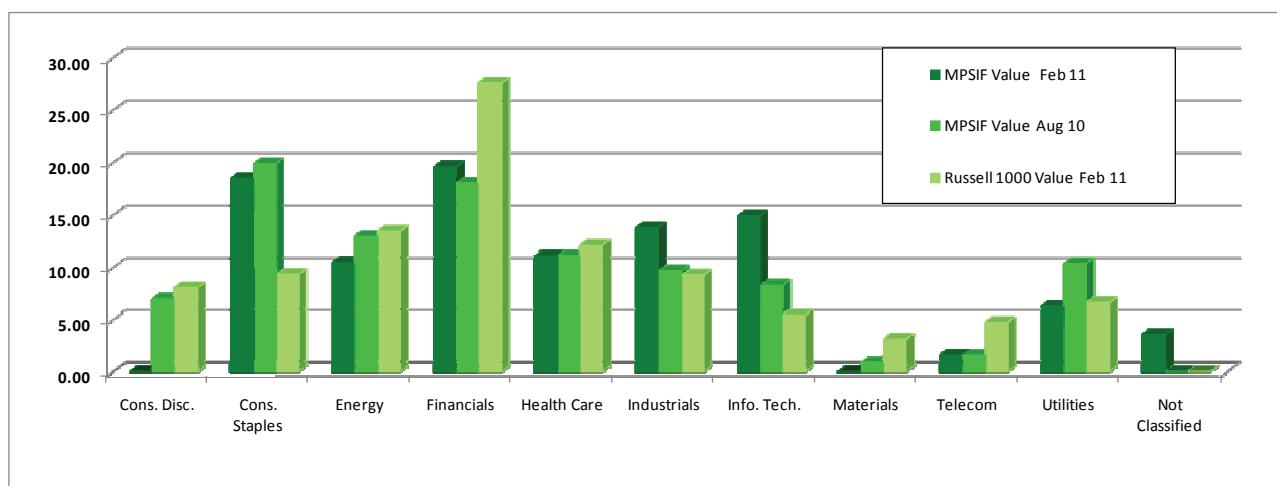
We also decreased our exposure to Consumer Discretionary, selling off Carnival Corp. and VF Corp. Healthcare was also reduced, as we cut our stake in Becton Dickinson & Co. This shift puts us closer to market weight in Consumer Discretionary and Energy.

As of February 28, 2010, we are represented in the Healthcare, Energy, and Materials sector only through ETFs.

By adding Annaly Capital Management, Inc., we increased our position in Financials. However, the financial sector still leaves us with our largest difference compared to our benchmark.

We were active in the Utility sector, as we added NextEra Energy, Inc. (formerly known as FPL Group Inc.) and NRG Energy, Inc.

During the past fiscal year, cash decreased as a percentage of assets from 20.2% to 5.4%, reflecting a shift from a cash-heavy mix at the end of the previous period.



## HOLDINGS PROFILE

### Value Portfolio as of February 28, 2011

Company Name	Ticker	Sector	Shares Held	Closing Price	Position Value	% of Assets
Copa Holdings Sa	CPA	Consumer Discretionary	267	53.33	\$14,239	3.13%
Pepsico Inc	PEP	Consumer Staples	271	63.42	\$17,187	3.77%
Philip Morris Intl Inc	PM	Consumer Staples	229	62.78	\$14,377	3.16%
Wal Mart Stores Inc	WMT	Consumer Staples	248	51.98	\$12,891	2.83%
Alpha Natural Resour	ANR	Energy	300	54.22	\$16,266	3.57%
Ares Capital Corp	ARCC	Financials	920	17.67	\$16,256	3.57%
J P Morgan Chase & C	JPM	Financials	390	46.69	\$18,209	4.00%
Metlife Inc	MET	Financials	370	47.36	\$17,523	3.85%
Partnerre Ltd	PRE	Financials	180	79.3	\$14,274	3.13%
Medtronic Inc	MDT	Healthcare	400	39.92	\$15,968	3.51%
Zimmer Hldgs Inc	ZMH	Healthcare	300	62.34	\$18,702	4.11%
3m Co	MMM	Industrials	175	92.23	\$16,140	3.54%
Analog Devices Inc	ADI	Information Technology	390	39.88	\$15,553	3.41%
Ca Inc	CA	Information Technology	700	24.78	\$17,346	3.81%
Corning Inc	GLW	Information Technology	650	23.06	\$14,989	3.29%
Sandisk Corp	SNDK	Information Technology	400	49.6	\$19,840	4.35%
Nextera Energy Inc	NEE	Utilities	280	55.47	\$15,532	3.41%
Nrg Energy Inc	NRG	Utilities	650	19.99	\$12,994	2.85%
Ishares Dj Cons Goods	IYK	Consumer Staples	600	65.59	\$39,354	8.64%
Ishares Dj Energy	IYE	Energy	700	44.98	\$31,486	6.91%
Ishares Dj Finl Svcs	IYG	Financials	651	60.02	\$39,073	8.58%
Ishares Dj Healthcare	IYH	Healthcare	231	67.99	\$15,706	3.45%
Ishares Dj Industrial S	IYJ	Industrials	406	69.93	\$28,392	6.23%
Ishares Dj Basic Mat	IYM	Materials	49	79.3	\$3,886	0.85%
Ishares Dj Telecomm	IYZ	Telecommunications	316	23.3	\$7,363	1.62%
Direct Equity Holdings					\$288,286	63.28%
Total Equity Holdings					\$453,545	99.55%
Cash as of February 28, 2011					\$2,029	0.45%
<b>Total Assets</b>					<b>\$455,573</b>	<b>100.00%</b>

### Value Portfolio as of August 31, 2010

Company Name	Ticker	Sector	Shares Held	Closing Price	Position Value	% of Assets
Yum! Brands, Inc.	YUM	Consumer Discretionary	400	\$ 41.70	\$16,680	4.52%
Phillip Morris International Inc.	PM	Consumer Staples	554	\$ 51.36	\$28,453	7.71%
PepsiCo, Inc.	PEP	Consumer Staples	271	\$ 64.18	\$17,393	4.71%
Wal-Mart Stores, Inc.	WMT	Consumer Staples	248	\$ 50.14	\$12,435	3.37%
Chevron Corporation	CVX	Energy	200	\$ 74.08	\$14,816	4.02%
Tidewater Inc.	TDW	Energy	250	\$ 40.08	\$10,020	2.72%
Annaly Capital Management, Inc.	NLY	Financials	700	\$ 17.38	\$12,166	3.30%
Deere & Company	DE	Industrials	270	\$ 63.27	\$17,083	4.63%
Corning Inc.	GLW	Information Technology	650	\$ 15.68	\$10,192	2.76%
Intel Corporation	INTC	Information Technology	750	\$ 17.67	\$13,249	3.59%
NextEra Energy, Inc.	NEE	Utilities	280	\$ 53.73	\$15,044	4.08%
NRG Energy, Inc.	NRG	Utilities	650	\$ 20.32	\$13,208	3.58%
iShares Dow Jones US Energy Sector	IYE	Energy	300	\$ 29.60	\$8,880	2.41%
iShares Dow Jones US Financial Services	IYG	Financials	455	\$ 47.79	\$21,744	5.89%
iShares Dow Jones US Healthcare Sector	IYH	Healthcare	430	\$ 58.02	\$24,949	6.76%
iShares Dow Jones US Materials Sector	IYM	Materials	130	\$ 58.67	\$7,627	2.07%
iShares Russell 1000 Value Index	IWD	N/A	1910	\$ 55.13	\$105,298	28.54%
Direct Equity Holdings					\$180,739	48.98%
Total Equity Holdings					\$349,237	94.65%
Cash as of August 31, 2010					\$19,735	5.35%
<b>Total Assets</b>					<b>\$368,972</b>	<b>100.00%</b>

## INVESTMENT STYLE AND STRATEGY

**Fund Objective:** Outperform the benchmark on a total return basis by investing in securities that provide superior returns on a risk/return basis through capital appreciation and dividends.

**Benchmark:** Russell 1000 Value Index

**Fund Strategy:** The Value Fund utilizes a bottom-up fundamental approach. Our analysts go through a rigorous screening process to select deep value positions. The team pursues this strategy by investing primarily in large capitalization companies with consistent year-over-year earnings that are trading at a discount relative to their peer group. We estimate the value of our securities primarily through an intrinsic value methodology. Additionally, we examine each security's valuation relative to its peer group. For the purposes of this analysis, we utilize many of the following metrics: price-to-earnings, price-to-book, dividend yield, and various free-cash-flow ratios. There is, however, no specific country or region quota. Analysts discuss the Fund's overall sector allocation compared to our benchmark to monitor our exposure, though we do not intentionally make sector bets. The Fund seeks absolute returns in order to fulfill our distribution

requirements and monitors our performance against the Russell 1000 Value index.

**Why Value Stocks?** Value stocks are stocks that tend to be out of favor. A value stock is one that is underpriced by the market for reasons that may have nothing to do with the business itself. They are undervalued relative to their comparables on various metrics used to value comparable companies. Stocks that are undervalued on metrics compared to the index may not be Value stocks because sectors trade differently. Historical trading multiples are often a good indicator of whether a sector has a favorable perception.

**Number of Holdings:** An objective of 30 positions, 3.3% of assets under management per new position.

**Cash:** The goal of the Fund is to be invested in the best value opportunities in the marketplace. To the extent we have non-invested cash, we will search for opportunities to employ that capital that fits our strategy. We do not have a maximum cash balance and only utilize ETFs to reduce our cash exposure on a short-term basis. These ETFs are focused in sectors that we are underweight and are sold off when investment ideas are added to the portfolio.



## THE SMALL CAP FUND

### MESSAGE FROM THE PORTFOLIO MANAGERS

The second half of 2010 and early 2011 marked a steady rise in the markets, where the Dow Jones and S&P 500 rose steadily, both gaining over 20% as the economy rose from the ashes of the recession and financial crisis. During this time, the Michael Price Small Cap Fund (the “Fund”) saw its positions gain along with the economy, producing healthy positive returns although lagging behind our benchmark Russell 2000 index.

For the six months comprising September 1, 2010 thru February 28, 2011, the Fund generated a 25.5% return. However, the Fund underperformed the benchmark Russell 2000 Index with an excess return of (11.72%). We attribute much of the negative excess return to our sizeable initial cash position that placed a substantial cash drag on the Fund.

Positions that contributed most to the Fund’s positive performance include Skyworks Solutions, Riverbed Technology, Innophos Holdings, Hanger Orthopedic, and Chicago Bridge and Iron all of which have gained 40% or more since being added to the Fund.

A major policy shift occurred during the semester as the Fund elected to invest a larger percentage idle balances in the Russell 2000 versus retaining large cash positions. As of August 31, the Fund held a 20% cash allocation, which grew to as large as 30% of assets under management. In a time of robust growth in equity valuations, we viewed this large cash holding as a drag on performance. The fund agreed to reallocate our holdings lowering our cash allocation to 15%, replacing it with shares of the benchmark Russell 2000 ETF, allowing us to hug beta as the market continued to appreciate. Going forward, the fund will strive to replace a portion of our new allocation in the Russell 2000 with carefully chosen equity positions that will generate alpha in our portfolio.

Looking forward, our economic outlook is positive. The market should experience gains as the health of the American consumer improves. However, we maintain a defensive view in light of the possibility of a double dip in the wake of Middle East turmoil and regime change. We aim for capital preservation through continued hawk-like monitoring of stop losses, along with alpha generation through careful stock selection.

Henry Chen and Justin Matthews  
Portfolio Managers, Small Cap Fund



## DISCUSSION OF PERFORMANCE

	<b>6 Month</b>	<b>1 Year</b>	<b>3 Year</b>		<b>5 Year</b>		<b>Inception</b>	
			Cum.	Annualized	Cum.	Annualized	Cum.	Annualized
<b>Small Cap Fund</b>	<b>25.82%</b>	<b>33.28%</b>	<b>3.54%</b>	<b>1.17%</b>	<b>-6.78%</b>	<b>-1.39%</b>	<b>119.33%</b>	<b>7.40%</b>
Management Fees	-0.22%	-0.50%	-1.55%	-0.52%	-2.67%	-0.54%	-6.11%	-0.57%
<i>Russell 2000 Index</i>	37.54%	32.58%	25.25%	7.79%	20.49%	3.80%	64.44%	4.63%
Relative - Gross of Fees	-11.72%	0.70%	-21.71%	-6.63%	-27.28%	-5.19%	54.89%	2.78%
Relative - Net of Fees	-12.00%	0.03%	-23.31%	-7.15%	-29.77%	-5.73%	41.49%	2.16%

\* Inception from March 1, 2000

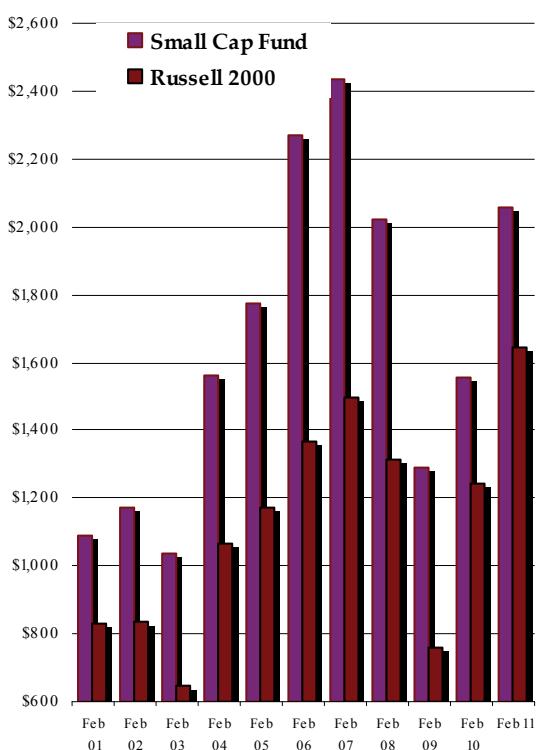
Over the most recent six-month period beginning September 1, 2010, and ending February 28, 2011, Small Cap earned 25.8% gross of fees, underperforming the benchmark Russell 2000 return of 37.54%. For the most recent 12 months, the Small Cap Fund earned 33.28% net of fees, slightly outperforming the benchmark return of 32.58%.

In terms of stock holdings, the Fund's decisions were based on a bottom-up strategy that focused on finding innovative firms with stable balance sheets, strong management teams, and compelling growth prospects.

<b>Top Sectors</b>	<b>Return</b>	<b>Impact</b>
Information Technology	70.47%	11.36%
Consumer Discretionary	27.84%	5.16%
<b>Top Contributors</b>		
Skyworks Solutions		
Skyworks Solutions	96.50%	7.48%
Energy Partners Ltd	50.32%	3.54%
Stock Selection		
Stock Selection		3.18%
Allocation Effect		
Allocation Effect		1.44%
<i>Impact:</i> measures contribution to the portfolio's relative performance vs. benchmark		
<i>Stock Selection:</i> is the aggregate success of selection decisions within each group vs. benchmark		
<i>Allocation Effect:</i> is the total impact of sector weighting decisions within each group vs. benchmark		

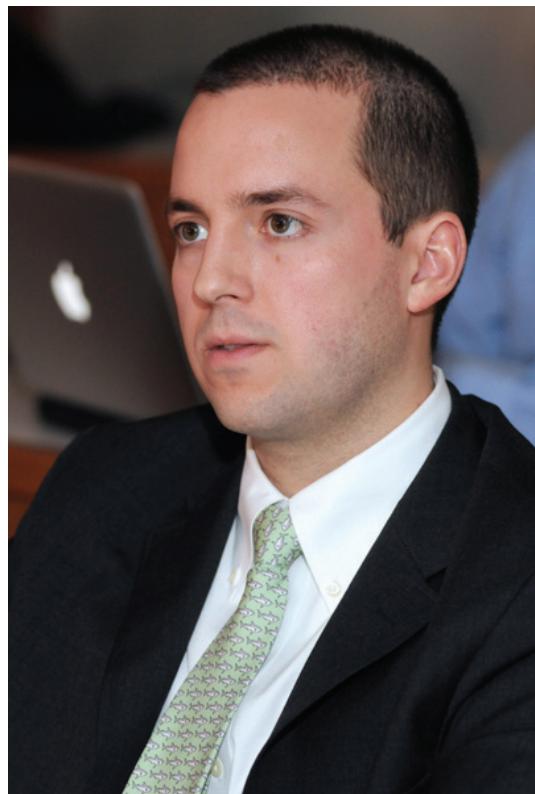
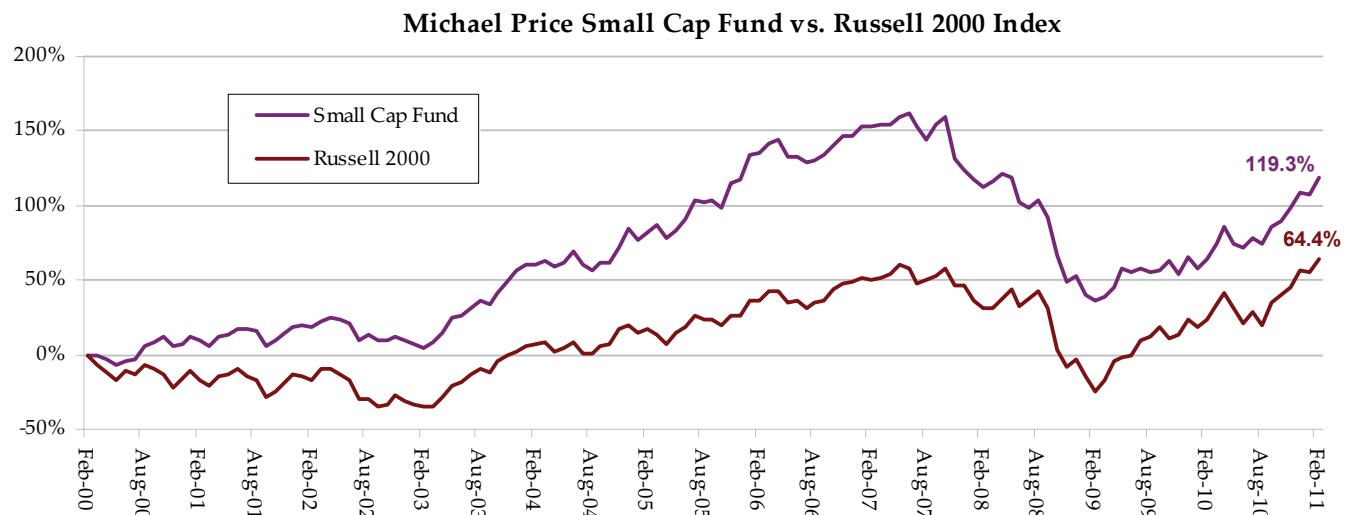
The Information Technology and Consumer Discretionary sectors contributed most to our six-month relative performance. These sectors returned 70.5% and 27.8% respectively.

\$1,000 Invested with MPSIF Small Cap



The best performing stock in the portfolio over the six-month period was Skyworks Solutions (SWKS), a provider of semiconductors worldwide. The stock appreciated 96.5% in the six-month period.

Energy Partners Ltd (EPL), which engages in the exploration and production of oil and natural gas in the United States was another excellent performer, with an absolute return of 50.3% during the period.

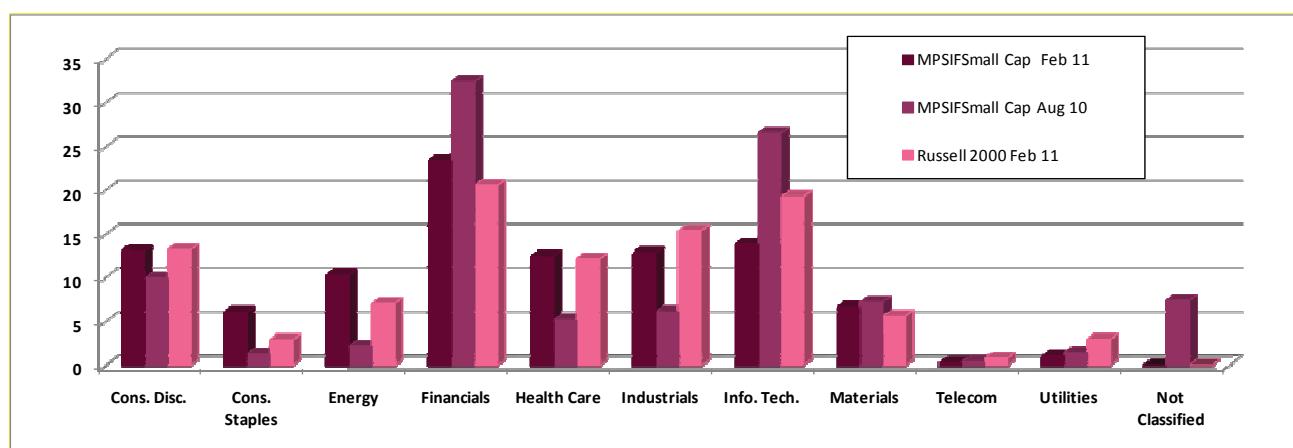


## ASSET ALLOCATION

The Small Cap Fund employs a bottom-up approach to analyzing potential investments. However, optimal sector allocations are taken into consideration for any additions to the portfolio. The Fund's use of price targets and lack of bias towards either growth or value has contributed to turnover, which in turn has led to significant changes in sector allocation over the course of the year. Due to our committee decision-making structure, the level of equity investment may vary significantly. In particular, during the winter and summer break periods when liquidations occur because of stop-loss orders, the Fund does not have the benefit of new stock pitches to take the original position's place. This was the case in Summer 2010, when many

positions were automatically sold. With just eight equity holdings and a large cash position as of the end of the fiscal year, it is difficult to achieve a high degree of diversification. For the current period, the fund is overweight in Financials, Energy, Consumer Staples and Cash but is underweight in Information Technology, Industrials and Utilities.

Below is the asset allocation as of February 2011 and August 2010, along with that of the Russell 2000. Please note that the Fund does not maintain mandatory guidelines regarding asset allocation among sectors.



**HOLDINGS PROFILE****Small Cap Portfolio as of February 28, 2011**

<b>Company Name</b>	<b>Ticker</b>	<b>Sector</b>	<b>Shares Held</b>	<b>Closing Price</b>	<b>Position Value</b>	<b>% of Assets</b>
Aeropostale, Inc	ARO	Consumer Discretionary	739	\$ 25.94	\$19,170	<b>3.69%</b>
Amerisafe, Inc.	AMSF	Financials	1079	\$ 19.96	\$21,537	<b>4.14%</b>
Chicago Bridge & Iron Co	CBI	Industrials	796	\$ 35.52	\$28,274	<b>5.44%</b>
Community Bank System, Inc.	CBU	Financials	556	\$ 25.16	\$13,989	<b>2.69%</b>
Energy Partners, Ltd	EPL	Energy	1793	\$ 16.37	\$29,351	<b>5.64%</b>
Hanger Orthopedic Group	HGR	Healthcare	1058	\$ 26.90	\$28,460	<b>5.47%</b>
Innophos Holdings, Inc.	IPHS	Materials	409	\$ 42.83	\$17,517	<b>3.37%</b>
Medifast, Inc.	MED	Consumer Discretionary	818	\$ 23.14	\$18,929	<b>3.64%</b>
National Retail Properties, Inc.	NNN	Financials	983	\$ 25.69	\$25,253	<b>4.85%</b>
RC2 Corporation	RCRC	Consumer Discretionary	586	\$ 21.71	\$12,722	<b>2.45%</b>
Skyworks Solutions, Inc.	SWKS	Information Technology	751	\$ 35.94	\$26,991	<b>5.19%</b>
iShares Russell 2000 Index	IWM	Not Classified	1559	\$ 82.27	\$128,256	<b>24.65%</b>
Direct Equity Holdings					\$242,193	<b>46.56%</b>
Total Equity Holdings					\$370,449	<b>71.21%</b>
Cash as of February 28, 2011					\$149,758	<b>28.79%</b>
<b>Total Assets</b>					<b>\$520,207</b>	<b>100.00%</b>

**Small Cap Portfolio as of August 31, 2010**

<b>Company Name</b>	<b>Ticker</b>	<b>Sector</b>	<b>Shares Held</b>	<b>Closing Price</b>	<b>Position Value</b>	<b>% of Assets</b>
NutriSystem Inc.	NTRI	Consumer Discretionary	994	\$ 17.56	\$17,455	<b>4.21%</b>
RC2 Corporation	RCRC	Consumer Discretionary	586	\$ 18.41	\$10,788	<b>2.60%</b>
Riverbed Technology, Inc.	RVBD	Information Technology	479	\$ 38.36	\$18,374	<b>4.43%</b>
Skyworks Solutions, Inc.	SWKS	Information Technology	1502	\$ 17.82	\$26,766	<b>6.46%</b>
Amerisafe, Inc.	AMSF	Financials	1079	\$ 17.57	\$18,958	<b>4.58%</b>
Community Bank System, Inc.	CBU	Financials	556	\$ 22.58	\$12,554	<b>3.03%</b>
National Retail Properties, Inc.	NNN	Financials	983	\$ 24.36	\$23,946	<b>5.78%</b>
Innophos Holdings, Inc.	IPHS	Materials	409	\$ 29.17	\$11,931	<b>2.88%</b>
iShares Russell 2000 Index	IWM	Not Classified	1559	\$ 60.18	\$93,821	<b>22.64%</b>
Direct Equity Holdings					\$140,772	<b>33.97%</b>
Total Equity Holdings					\$234,593	<b>56.62%</b>
Cash as of August 31, 2010					\$179,764	<b>43.38%</b>
<b>Total Assets</b>					<b>\$414,356</b>	<b>100.00%</b>

## INVESTMENT STYLE AND STRATEGY

**Objectives:** The objectives of the Small Cap Fund are to achieve total returns in excess of the Russell 2000 Index and to achieve an absolute return in excess of inflation in accordance with the Fund's role as a part of a university endowment.

**Style:** The Small Cap Fund combines a bottom-up approach for security selection and portfolio construction with consideration of the Fund's current sector weightings for any new additions to the portfolio. The Fund invests primarily in domestic equities with market capitalization less than \$2 billion and benchmarks its returns against the Russell 2000 Index. The portfolio does not have a value or growth bias or primarily utilize a top-down investment methodology. Rather, individual company analysis is conducted in conjunction with economic and sector outlooks provided by the MPSIF economic team and evaluated in the context of the consensus economic opinion of the Fund. Various criteria may be reviewed to determine the attractiveness of an investment, including, but not limited to, the company's earnings outlook, valuation, M&A activity, management team, and/or other specific catalysts or events.

**Strategy:** The Fund targets a relatively concentrated portfolio comprised of 10 to 25 investments. Depending on both market and security-specific conditions, the turnover of the Fund may vary. Throughout the semester, Fund analysts provide both updates on existing positions and pitches for new investments. With regard to existing allocations, the analyst assigned to a particular stock provides updates to the Fund throughout the course of the semester. At that time, the entire Fund votes on the analyst's recommended course of action. The possible actions are selling the position, holding the position, or accumulating more of the position, subject to portfolio size constraints. This semester, "half positions" have been eliminated as an equity purchase option.

New pitches are also presented to the Fund throughout the semester. During new investment

deliberations, the Fund analyzes investment fundamentals and weighs them against any potential macro or company-specific risks. Furthermore, the analyst and the Fund review the expected timing of the investment as well as all upside price targets and downside stop-losses. When considering a new investment, the Fund may vote for a full position (approximately \$20,000), zero allocation, or wait and watch the position until there is a more attractive entry point. Additionally, while there are neither specific sector guidelines nor sector concentration limits, the Portfolio Managers continually monitor and assess the Fund's sector weightings on an absolute basis and relative to the benchmark.

**Why Small Cap Stocks?** Small cap stocks are defined by the Fund as stocks that have market capitalization of less than \$2 billion. Based on historical data, they have proven to offer the greatest returns to investors over long-term horizons. However, given their size, earnings volatility, and lack of analyst coverage, these stocks may be subject to greater price risk and may take longer to be recognized by the market.

**Risk Management:** As stated earlier, stop-loss prices are implemented during the winter and summer breaks. The Fund employs a standard 15% stop-loss policy at purchase (or update) price across all names, regardless of sector or industry, which is revised with every 20% price appreciation throughout the holding period. Considering the volatility of Small Cap stocks, it is very important to take action immediately against price movement and market sentiment. Every position is assigned to a particular analyst. In order to maintain continuity between semesters, stocks assigned to outgoing analysts are temporarily assigned to second-semester analysts (over the recess periods) until new analysts join the Fund and the stock coverage is reassigned.

## THE FIXED INCOME FUND

### MESSAGE FROM THE PORTFOLIO MANAGER

The U.S. economic outlook has certainly shown signs of improvement over the past year, reflected in GDP, consumption, and corporate profit data. Our view, however, is that we are currently benefiting from a temporary boost following extensive fiscal and monetary policy actions. With unemployment persistently high and inflation muted, we subscribe to the belief that a sustainable, demand-driven growth story is still a long ways away.

Accordingly, we have maintained our overweight exposure to US Treasuries, as well as our overweight position in U.S. Corporate Bonds – both Investment Grade and High Yield. We believe that in a recovering economy, it behooves us to favor credit risk and the resulting recurring cash flows over duration. While credit spreads have narrowed significantly in the past two years, attractive opportunities in the credit space remain. For example, investment Grade Corporate spreads remain wide compared to historical averages, with companies maintaining large cash positions on their balance sheets.

We recognize the increased investor expectations for U.S. interest rate hikes entering 2012, particularly with inflation turning up overseas. Thus as the economy approaches what we consider to be a possible inflection point, the Fund stands ready to quickly reposition our holdings accordingly. In the more immediate term, all eyes remain focused on job creation.

On the international front, markets have rebounded following the very real threat of sovereign defaults last year. While these risks have recently been on the backburner, we continue to monitor the situation

closely as fiscal holes remain and could return to roil markets. More recently, ongoing political strife in the Middle East has come to the forefront. What began in Tunisia and Egypt is now in the process of spreading rapidly throughout the region, and will likely last well into the coming quarters. The Fund maintains a selective exposure to international markets at this point, favoring emerging markets (BRICs) while limiting exposure to developed foreign markets.

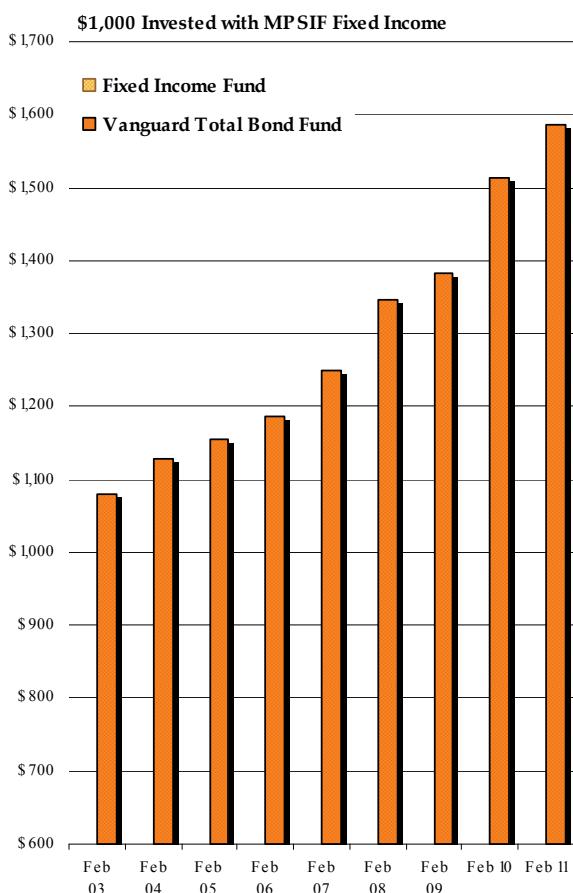
As an endowment fund we have both capital preservation and payout requirements which focus our energies on absolute returns. We expect the Fund will need to be nimble particularly through the remainder of 2011, and have therefore structured the portfolio to best weather any potential challenges ahead.

Mirette Kouchouk and Henry Chen  
Portfolio Manager, Fixed Income Fund



## DISCUSSION OF PERFORMANCE

Over the past 6 and 12 months, the Fund has earned 0.21% and 6.71% gross returns, respectively. During the most recent 6-month period, gross of fees, the Fund outperformed the benchmark Vanguard Total Bond Fund, which lost 1.10%, by 1.31%. For the full 12 months timeframe, the Fund return was 1.87% above the benchmark, gross of fees.



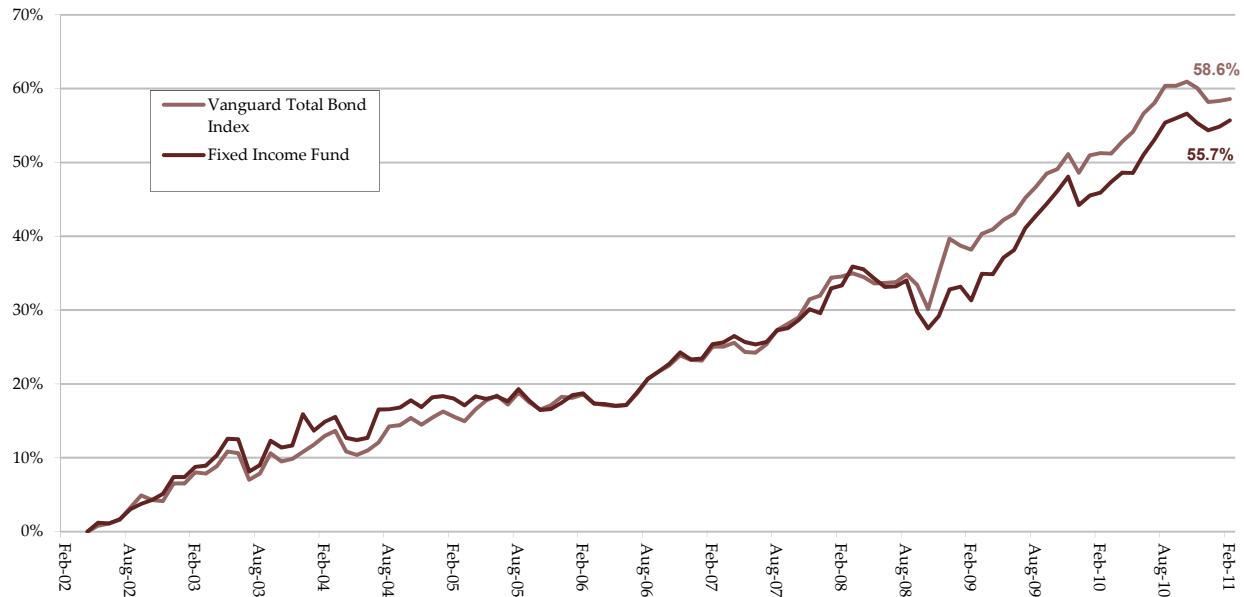
Overall, the Fund achieved positive results through successful yield curve management. Over the past 6 months, the Fund has made a couple minor portfolio additions. The Fund added to its positions in the PIMCO Mortgage-Backed Securities Fund (PRMPX) viewing MBS as a potential winner in an economic recovery. The Fund also made a minor addition to the PIMCO Emerging Market Fund (PEMPX) to maintain our exposure to another sector that we expect to perform favorably in a recovery.



	6 Month	1 Year	3 Year		5 Year		Inception	
			Cum.	Annualized	Cum.	Annualized	Cum.	Annualized
<b>Fixed Income Fund</b>	<b>0.20%</b>	<b>6.71%</b>	<b>16.77%</b>	<b>5.30%</b>	<b>31.15%</b>	<b>5.57%</b>	<b>55.71%</b>	<b>5.14%</b>
Management Fees	-0.35%	-0.70%	-1.79%	-0.60%	-2.57%	-0.52%	-3.70%	-0.43%
<i>Vanguard Total Bond Fund</i>	-1.10%	4.84%	17.88%	5.64%	33.75%	10.18%	58.61%	5.36%
Relative - Gross of Fees	1.31%	1.87%	-1.11%	-0.33%	-2.59%	-4.60%	-2.90%	-0.22%
Relative - Net of Fees	0.95%	1.12%	-3.20%	-0.96%	-5.97%	-5.15%	-8.66%	-0.67%

\* Inception from May 20, 2002

Michael Price Fixed Income Fund vs. Vanguard Total Bond Index



## ASSET ALLOCATION

Each of the bond mutual funds in our portfolio achieves our goals as the investment vehicle for exposure to a particular sector. The Fund is currently overweight the High yield and Corporate bond sectors, and underweight the Treasuries and MBS sectors. As we go forward, we intend to continue making investments consistent

with our view which currently includes closely following our exposure to the MBS and emerging market sectors. Although our actual allocation in each fixed income product may differ from our intended sector percentages, we are prepared to take a more active investment approach.

## HOLDINGS PROFILE

**Fixed Income Portfolio as of February 28, 2011**

Company Name	Ticker	Sector	Shares Held	Closing Price	Position Value	% of Assets
PIMCO Mortgage-Backed Securities P	PMRPX	MBS/ABS	7,948	\$ 10.66	\$84,725	<b>27.41%</b>
PIMCO Emerging Markets Bond Cl P	PEMPX	Foreign	1,220	\$ 10.99	\$13,406	<b>4.34%</b>
SPDR Wells Fargo Preferred Stock ETF	PSK	Prfd Stk	230	\$ 45.59	\$10,486	<b>3.39%</b>
iShares Barclays Agency Bond Fund	AGZ	Agency	115	\$ 109.44	\$12,586	<b>4.07%</b>
iShares Lehman 1- 3 Year Treasury Bond	SHY	Treasuries	286	\$ 83.92	\$24,001	<b>7.77%</b>
iShares Barclays 20+ Year Treasury Bond	TLT	Treasuries	150	\$ 92.40	\$13,860	<b>4.48%</b>
iShares Trust Barclays Treasury Inflation Bond	TIP	Treasuries	182	\$ 108.15	\$19,683	<b>6.37%</b>
iShares iBoxx Invest Grade Corp Bond Fund	LQD	Corporate	668	\$ 109.22	\$72,959	<b>23.61%</b>
iShares iBoxx \$ High Yld Corp Bond	HYG	Corporate	250	\$ 92.50	\$23,125	<b>7.48%</b>
Total Securities					\$274,831	<b>88.93%</b>
Cash as of August 31, 2010					\$34,216	<b>11.07%</b>
<b>Total Assets</b>					<b>\$309,047</b>	<b>100.00%</b>

**Fixed Income Portfolio as of August 31, 2010**

Company Name	Ticker	Sector	Shares Held	Closing Price	Position Value	% of Assets
PIMCO Mortgage-Backed Securities P	PMRPX	MBS/ABS	7,549	\$ 11.10	\$83,802	<b>27.08%</b>
PIMCO Emerging Markets Bond Cl P	PEMPX	Foreign	1,190	\$ 11.25	\$13,396	<b>4.33%</b>
SPDR Wells Fargo Preferred Stock ETF	PSK	Prfd Stk	230	\$ 45.91	\$10,559	<b>3.41%</b>
iShares Barclays Agency Bond Fund	AGZ	Agency	115	\$ 111.60	\$12,834	<b>4.15%</b>
iShares Lehman 1- 3 Year Treasury Bond	SHY	Treasuries	286	\$ 84.34	\$24,121	<b>7.79%</b>
iShares Barclays 20+ Year Treasury Bond	TLT	Treasuries	150	\$ 108.56	\$16,284	<b>5.26%</b>
iShares Trust Barclays Treasury Inflation Bond	TIP	Treasuries	182	\$ 108.24	\$19,700	<b>6.36%</b>
iShares iBoxx Invest Grade Corp Bond Fund	LQD	Corporate	668	\$ 113.00	\$75,484	<b>24.39%</b>
iShares iBoxx \$ High Yld Corp Bond	HYG	Corporate	250	\$ 87.15	\$21,788	<b>7.04%</b>
Total Securities					\$277,968	<b>89.81%</b>
Cash as of August 31, 2010					\$31,544	<b>10.19%</b>
<b>Total Assets</b>					<b>\$309,512</b>	<b>100.00%</b>

## INVESTMENT STYLE & STRATEGY

The Fund seeks to outperform its benchmark, the Vanguard Total Bond Fund (VBMFX). The Fund implements its views through a top-down allocation approach to the four main sub-sectors of the US Fixed Income investment grade market, namely – US Treasuries, Corporate Bonds, Mortgage-Backed/Asset-Backed Securities and Foreign Investment Grade Bonds (Emerging Markets and Developed Markets). Due to its tax-exempt status, the Fund does not invest in Municipal bonds. Also, the Fund does not engage in shorting, derivatives trading, or other non-linear investment strategies. Currently, the Fund does not buy individual securities, due to the limited size of our trades and market spreads associated with buying individual securities. Instead the Fund invests in ETFs and other publicly traded funds to implement its sector allocation. However, given the current market opportunities, we are working on a strategy to incorporate individual securities which provide superior returns with limited risk.

Due to the Fund's inability to take positions in specific bond issues (limited dollar resources, the need to maintain a diversified fixed income portfolio and the limitations of our trading account), we use the Vanguard Total Bond Fund as our benchmark, as opposed to the more widely used Barclays Capital Aggregate Bond Index. Instead, we make sector allocation decisions and invest through ETFs and established mutual funds. We incur management fees, and thus benchmark to an index whose performance is also adversely impacted by mutual fund management fees. We feel it most appropriate to benchmark to the bond mutual fund index with the least tracking error to the Barclays Capital Aggregate Bond Index, and thus chose the Vanguard Fund. Going forward, when the Fund gains the capability to choose individual bond issues, a shift of our benchmark will be considered.



## SECTOR REVIEW & OUTLOOK

**US Treasuries:** From September 2010 to February 2011, US treasury yield curve steepened 73 basis points measured by the 2s/30s spread. While the front end of the curve continued to be anchored at near zero, the mid section (3s, 5s, and 7s) steepened an average of 72 basis points, and the back end of the curve (10s, 20s, 30s) steepened an average of 98 basis points. During the same period, the US treasury issued \$1.1 trillion worth of coupon securities, and the Fed took down about 3%. Another 57% went to dealers and brokers, 17% went to investment funds and 23% went to foreign accounts.

The most notable Fed action during the period is the announcement of QE2 on 11/3/10. In summary, the anticipated purchases through June 2011 are \$900 billion. That is \$600 billion in additional QE plus an estimated \$300 billion in paydowns on currently held securities. The purchases will focus on intermediate maturities, with two thirds of the buys targeted in the 4yr-10yr part of the curve, 2% in 10-17yrs and 4% in 17-30yr bonds. To provide “operational flexibility” the Federal Reserve temporarily relaxed the 35% SOMA (System Open Market Account) per issue limit. Since the announcement, sellers of the treasuries have pushed up the yields of 10s and 30s, which could be explained by the old saying “buy the rumor, sell the news”. When the rumor came out in August 2010, the market suspected the Fed would push out the duration longer, there was heavy buying in 10yrs. When it was announced, the market (especially those long 10s) was largely disappointed in that the average duration of Fed’s purchase are less than 6 years, hence the belly sell off.

In the near term, we are bearish UST rates from here. Although non-farm payrolls and unemployment have showed some improvement in 2011, this is far from enough for the Fed to end the round early. Additionally, there is a high possibility that oil prices above \$100 will be sustained as long as North Africa and Middle East do not restore law and order. An oil price spike will most likely increase inflation expectations on

the back end of the curve, which was one of the reasons we sold off our exposure to the 20+ year section of the curve. In the longer term, we are bullish on UST rates. We believe that the Fed will have to extend its purchases once this round is over in order to provide some meaningful stimulus in the economy. This means the Fed will have to push out its duration in its purchases to bring yields down.

**High-Yield Bonds:** In 2010 investors captured higher yields with reduced risks as default rates plunged and the high-yield, new issue market demonstrated significantly increased activity. However, the favorable market environment for high yield may put pressure on new issue yields going forward.

High yield markets reopened in 2010 with new-issue volume experiencing a significant increase with a record \$288 billion priced. Around 67% of these new issuances were used to refinance existing debt, creating conditions that lowered default rates. Default rates declined from 10.3% in the beginning of 2010 to 0.74% by the end of 2010, well below the long-term average of 4.3%. As the fear of defaults has subsided, high-yield bond spreads to declined toward T+500 and YTW decreased to 6.92%, the lowest in history, as of February 18. These conditions should yield favorable pricing environments for high-yield companies thereby increasing the value of already-issued securities. Lastly, current high yield market premiums are building in a significantly higher default rate than current environment and sell-side forecasts. Therefore we believe that any increase in Treasury rates can be offset by decreases in the spread.

Given the fertile environment for corporate debt, continued investor demand for yield, low default rates, and the ability for the high yield spread to offset increases in Treasury rates, the High Yield space continues to be one where the Fund desires exposure.

**Developed market credit:** Government bonds in the world's major economies have posted strong gains through the first three quarters of 2010 as yields have converged upon historically low levels. However, starting in September 2010 and particularly after the announcement of QE2, spreads have continued to widen.

Of the major economies, all have suffered significant declines as yields have increased quickly off their third quarter 2010 lows. 10-year spreads are up 29% on the U.K. gilts, 16% on German bunds and 62% on Japanese bonds.

Despite this spread increase, investors remain wary of the PIIGS countries (Portugal, Ireland, Italy, Greece and Spain). The risks inherent to investing in even the "safest" of securities can still be observed per the relatively high yields on the PIIGS debt; spreads over the 10-year German bund are still several hundred basis points, near record levels. Additionally, recent unrest in several North African and Middle Eastern countries has caused a spike in oil prices and stoked fears among investors that governments may move to raise rates to fight rising inflation.

In spite of the efforts of QE2 to anchor rates lower, the Fund continues to believe that there is little room for bond yields to move lower in most developed economies and the risk of another instance of spread widening is fairly high due to concerns over the Eurozone defaults and Middle East unrest. With 10-yr yields in the U.S., Germany, UK, and Japan all under 400 bps, we believe an underweight allocation in these countries is appropriate at the current time.

**Emerging Market Credit:** Emerging markets fixed income is expected to outperform developed markets in 2011. Catalysts for growth continue to be increasing consumer wealth, negative real interest rates, flexible monetary policy, strong capital inflows, and rising wages and asset prices. Emerging markets have the ability to maintain high economic growth rates due to favorable demographics, competitive cost structures, historically strong fiscal positions, rising reserves, growing consumer demand and low aggregate debt

levels. These structural advantages have paid off well in the short-term and position emerging markets for continued growth into the long-term.

There has been a recent pattern of an increasing inflow of funds to BRICS. GDP growth rates have been rising in Brazil, China and India steadily, nearing 10% in each country in Q4 2010. Emerging economies with high GDP growth rates tend to have higher savings rates. Saving is what flows back into the financial markets and contributes to its growth, and this is expected to increase the size of financial markets. As economies in South Asia, Eastern Europe and Latin America develop more robust financial regulatory institutions, more companies are accessing financial markets for debt. This is evident by the declining share of bank credit in the total market size of credit in these economies. This too would contribute to a rise in AUM in fixed income.

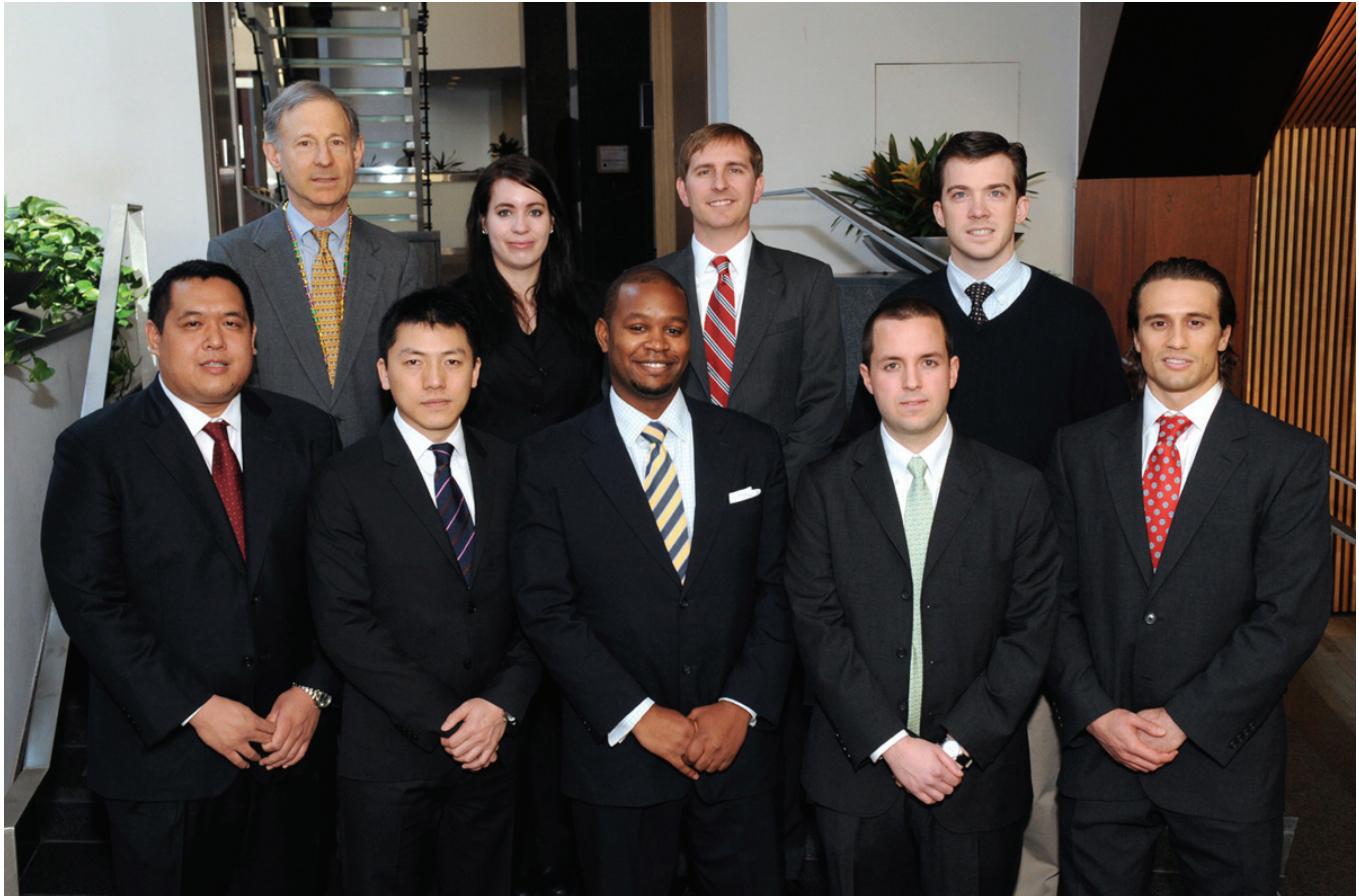
Risks to the sector include the Middle East crisis affecting oil prices and threats of contagion, as well as ongoing fears of inflation. Inflation has come back as a global investor theme in recent months due to QE2 in the US and rising inflation in EM countries, largely China. Year-on-year inflation increased in September – November 2010, but experts focus on rising food prices globally rather than loose monetary policy as the key reason. Analysts speculate that inflation will continue to increase in the first part of 2011, but will end the year close to end-of-year 2010 rates. The BRICs have all raised rates in response to inflation fears in the past months, indicating that their governments are committed to keeping inflation in control.

**Mortgage Backed Securities:** After a strong start to 2010, agency MBS spreads began to widen shortly after the Fixed Income Fund's Fiscal Year 2010 close on August 31. Among the factors contributing to the sector's weakness were falling treasury yields driven by expectations of additional quantitative easing and the FOMC's decision to reinvest MBS portfolio pay-downs back into treasuries. With lower yields, prepayment fears increased and MBS spreads widened. Further pressure on the MBS sector stemmed from rumors that government sponsored refinancing plans would be far reaching and have a significant impact on residential

prepayment patterns. The Fixed Income Fund reduced its exposure to structured products in 2010 and was well positioned to weather the storm.

As we look forward to 2011, we expect MBS to perform well, supported by favorable supply and demand factors, and attractive relative valuations. Conventional supply should be limited by GSE buyouts, while weak home sales and government efforts to limit the market share of GSEs should keep net new issuance depressed. On the demand side, more attractive spreads have brought on buying from large institutional investors. According to the National Information Center, the top 50 bank holding companies added \$38.4B (+4.7% q/q) of agency MBS assets. With more clarity around the government's GSE restructuring plans, rising treasury yields and reduced prepayment risk, we expect this trend to continue.

**FUND MANAGEMENT  
THE EXECUTIVE COMMITTEE**



*Back Row: Professor Levich, Mirette Kouchouk, Robert Wynn, Patrick Fruzzetti*

*Front Row: Henry Chen, Ling (Henry) Chen, Justin Matthews, Dennis Snopkowski, Damian Karas*

**Professor Richard Levich – Faculty Advisor**

Richard Levich is Professor of Finance and International Business and Deputy Chairman of the Department of Finance at New York University's Leonard N. Stern School of Business. Previously, he served as Chairman of the International Business Program at Stern. He is also a Research Associate with the National Bureau of Economic Research and he is a founding editor of the Journal of International Financial Management and Accounting. Professor Levich has been a visiting faculty member at many distinguished universities in the United States and abroad. He has published more than fifty articles and is the author or editor of fifteen books on various topics dealing with international finance. In 1997, Professor Levich received a CDC Award for Excellence in Applied Portfolio Theory from the Caisse Des Dépôts Group, France. Professor Levich received his Ph.D. from the University of Chicago.

**Damian Karas – President**

Damian Karas has a B.A. in Economics and Italian Literature from the University of Notre Dame. Prior to Stern, Damian worked as a Risk Manager at Pace Global Energy Services, LLC. He spent the past summer in London as a Sales & Trading Summer Associate at Deutsche Bank.

**Ling (Henry) Chen - Co-Portfolio Manager, Growth Fund**

Ling (Henry) Chen has a B.A. in Accounting from Baruch College in 2005. Prior to Stern, he worked in the ABS Secondary Trading Desk at Deutsche Bank. During the summer, Ling worked at the Rates Trading desk at UBS and will be returning to UBS as a fulltime associate.

**Dennis Snopkowski - Co-Portfolio Manager, Growth Fund**

Dennis Snopkowski has a B.S. in Biology from Tufts University. Prior to Stern, Dennis worked as a Client Associate at Greenwich Associates. He spent the past summer as a Research Intern at Liquidnet.

**Patrick Fruzzetti - Co-Portfolio Manager, Value Fund**

Patrick Fruzzetti has a B.S. in Business Administration from Babson College. Prior to Stern, Patrick worked at Lehman Brothers in various groups including Treasury and Fixed Income.

**Robert Wynn - Co-Portfolio Manager, Value Fund**

Robert Wynn has a B.S. in Political Science from the United States Naval Academy. Prior to Stern, Rob worked for five years as a Submarine Warfare Officer in the United States Navy Submarine Force. He spent his summer as an Associate with the J.P. Morgan Private Bank where he will return after graduation.

**Henry Chen - Co-Portfolio Manager, Small Cap Fund and Co-Portfolio Manager, Fixed Income Fund**

Henry Chen has a B.A. in Economics and Mathematics from Northwestern University. Prior to Stern, Henry worked as a Research Associate at Harvard Business School. He spent the past summer as an Associate at GCG LLC, an investment advisory firm.

**Justin Matthews - Co-Portfolio Manager, Small Cap Fund**

Justin Matthews received a B.S. in Industrial and Labor Relations from Cornell University in 2000. Before coming to Stern, Justin worked as the Associate Director of Retail Research at Standard & Poor's Vista Research. He spent the previous summer as an Equity Research Associate at UBS, where he will return full-time this summer.

**Mirette Kouchouk - Co-Portfolio Manager, Fixed Income Fund**

Mirette Kouchouk has a B.S. in Quantitative Economics from Tufts University. Prior to Stern, Mirette worked as an Equity Research Analyst at Banc of America Securities. She spent the past summer as an Investment Banking Associate in the Valuation Group at Houlihan Lokey.

### THE GROWTH FUND



*Back Row: Gopikrishan Unnithan, Mirette Kouchouk, Sindhu Sameer, Jonathan Avni, Amit Raybarthan  
Front Row: Sarosh Nentin, Ling (Henry) Chen, Jeremiah Driansky, Dennis Snopkowsk, Pamela Kaufman*

**Jonathan Avni** has a B.Sc. in Industrial Engineering from Tel Aviv University in Israel, where he double majored in Information Systems Engineering and in Business Management. Prior to Stern, Jonathan worked at Ness Gilon, Israel's largest Business Intelligence Technology Group.

**Ling (Henry) Chen** has a B.A. in Accounting from Baruch College in 2005. Prior to Stern, he worked in the ABS Secondary Trading Desk at Deutsche Bank. During the summer, Ling worked at the Rates Trading desk at UBS and will be returning to UBS as a fulltime associate.

**Jeremiah Driansky** has a B.S.E in Materials Science and Engineering from The University of Michigan. Prior to Stern, he worked as a Risk Analyst for 1st Financial Bank USA, a retail lender with over \$1B in assets under management.

**Miguel Menezes Falcão** has a B.A. in Business from the Catholic University of Portugal. Prior to Stern, he was a Sovereign Fixed Income analyst at the Portuguese bank Millennium BCP. Over the summer he worked in Brazil at Opus Asset Management doing Buy-Side Equity Research.

**Pamela Kaufman, CFA** has a B.S. in Finance and International Business from the Leonard N. Stern School of Business. Prior to Stern, she worked as a research analyst at Enso Capital Management and then as a financial analyst at Wolf Popper LLP. She will be spending the summer in Equity Research at UBS.

**Mirette Kouchouk** has a B.S. in Quantitative Economics from Tufts University. Prior to Stern, Mirette worked as an Equity Research Analyst at Banc of America Securities. She spent the past summer as an Investment Banking Associate in the Valuation Group at Houlihan Lokey.

**Sarosh Nentin** has a B.S. in Finance and Economics from Boston College. Prior to attending Stern, Sarosh was an Associate in the M&A Advisory group at Dexia Global Structured Finance, LLC, an investment bank in New York focusing on Power/Renewables. Sarosh will spend his summer at Morgan Stanley in Equity Research.

**Amit Raybardhan** has a B. Sc. in Electrical Engineering from the University of Waterloo and a M.Sc. in Electrical Engineering from Boston University. He was an Engineering Lead at iRobot and Teradyne prior to attending Stern. Over the summer, he will be working as a Research Associate at Jefferies Equity Research in New York.

**Sindhu Sameer** has a B.Tech. in Civil engineering from Indian Institute of Technology (IIT) Delhi. Prior to Stern, he worked as a Business Analyst at American Express. He spent the past summer as an Investment Banking Summer Associate in the Natural Resources/ Power Group at Nomura International in London.

**Dennis Snopkowski** has a B.S. in Biology from Tufts University. Prior to Stern, Dennis worked as a Client Associate at Greenwich Associates. He spent the past summer as a Research Intern at Liquidnet

**Gopikrishan Unnithan** has a B.A. in Physics and a B.S.E. in Computer Science & Engineering from the University of Pennsylvania. Prior to Stern he worked in the technology group at Eton Park Capital Management. Gopi has also completed all three levels of the CFA Program and is currently applying for the CFA charter.

## THE VALUE FUND



*Back Row: Arne Volkers, Greg McSweeney, Robert Wynn,*

*Middle Row: Patrick Fruzzetti, Marguerite Pressley, Laura Figlina, Aviva Shwaid,*

*Front Row: Mark Pursell, Damian Karas, Tom Libertto, Jeff Schwartz, Nicholas Wells*

**Laura Figlina** has a B.A. in Psychology from Boston University. Prior to Stern, Laura worked as an Associate Director at UBS Investment Bank in London and New York. Most recently, Laura worked in hedge fund capital raising at Oakpoint Advisors, an alternative asset management services firm.

**Patrick Fruzzetti** has a B.S. in Business Administration from Babson College. Prior to Stern, Patrick worked at Lehman Brothers in various groups including Treasury and Fixed Income

**Damian Karas** has a B.A. in Economics and Italian Literature from the University of Notre Dame. Prior to Stern, Damian worked as a Risk Advisor at Pace Global Energy Services, LLC. He spent the past summer in London as a Sales & Trading Summer Associate at Deutsche Bank.

**Tom Libertto** holds a B.B.A. in Finance from James Madison University and is a CFA Level III candidate. Prior to attending Stern, he was a Credit Analyst at Aladdin Credit Partners, an alternative asset management firm focused on distressed debt investing.

**Greg McSweeney** received a B.A. in Economics from Dartmouth College. Before attending Stern, he was an Associate in Asset-Backed Portfolio Management at the Royal Bank of Scotland.

**Marguerite Pressley** earned her B.S. in Finance and B.S. in Accounting from North Carolina State University. Prior to attending Stern, she worked as a senior analyst at Goldman Sachs in the Special Situations Group focusing on Commercial Real Estate and Private Equity. Marguerite is currently a CFA Level II candidate.

**Mark Pursell** earned a B.S. in Civil Engineering from the University of Wisconsin. Prior to attending Stern, he worked as a Project Manager overseeing the design and construction of airport facilities. He will spend this summer as a Senior Financial Analyst at Merck & Co.

**Jeff Schwartz, CFA, FRM** has a B.S., cum laude, in Finance and Accounting from NYU Stern. Before business school, Jeff was an Analyst in J.P. Morgan's Emerging Debt Capital Markets group and Director of Analytics at Traiger & Hinckley LLP. He spent the past summer researching equities at Roosevelt Investments.

**Aviva Shwaid, CFA** holds a Bachelor of Commerce in Finance and International Business from the University of Manitoba. Prior to Stern, Aviva worked as an Equity Analyst for Dreman Value Management, LLC. She spent the past summer working in R&D Strategy & Analytics as Bristol-Myers Squibb.

**J. Arne Volkers** has a B.S. in Finance from Schleswig-Holstein University of Applied Administrative Sciences in Germany. During the summer, Arne worked in the transactions group at a real estate private equity fund where he was directly involved in deal sourcing and gained underwriting experience. Prior to NYU Stern, Arne worked as a Manager at Augustin Partners LLC, an international tax and accounting firm in Manhattan.

**Nick Wells** has a B.A. in Management from the Honors College at Texas Tech University. Prior to Stern, he served in several roles on the fixed income trading desk at Southwest Securities, including Vice President of Fixed Income.

**Rob Wynn** holds a Masters of Science in Political Science from the United States Naval Academy. Prior to Stern, Rob served as a Submarine Warfare Officer in the United States Navy. He spent his summer working as an Associate Global Investment Specialist at the J.P. Morgan Private Bank.

## THE SMALL CAP FUND



*Back Row: Sven Karlsson, Chris Hemmelgarn, Brian Malkerson, Adam Borg, Siddharth Bhargava*

*Front Row: Sok Ung, Henry Chen, Justin Matthews, Anik Gandhi, David Umbro*

*Not Pictured: Steven Harris*

**Siddharth Bhargava** graduated with a B.A. in Economics from the University of Virginia in 2005. Prior to attending Stern, he worked at Sandell Asset Management in New York. During the summer of 2010, he worked at Navigator Capital with responsibilities for consumer discretionary and financial stocks in emerging markets.

**Adam Borg** has a B.S in Management, with concentrations in Finance and Management Information Systems from Binghamton University, graduating Magna Cum Laude. As a part-time student, he is currently a manager in the Risk Management Corporate Audit group at the Depository Trust & Clearing Corporation.

**Henry Chen** has a B.A. in Economics and Mathematics from Northwestern University. Prior to Stern, Henry worked as a Research Associate at Harvard Business School. He spent the past summer as an Associate at GCG LLC, an investment advisory firm.

**Anik Gandhi** has an A.B. in Economics from Dartmouth College. Prior to Stern, Anik was a Senior Analyst in the Performance Improvement Office at Energy Future Holdings. Anik will be working as a Summer Associate in the Investment Banking Division at Goldman Sachs.

**Stephen Harris** graduated from Tufts University with a B.A. in Economics. Prior to Stern, Stephen was an Analyst in the Capital Markets group at commercial real estate advisory firm Cushman & Wakefield Sonnenblick Goldman. Stephen will be joining the Institutional Real Estate Banking group at Wells Fargo as a Summer Associate.

**Chris Hemmelgarn** has a B.S. in Foreign Service from Georgetown University. Prior to Stern, he worked as a Research Analyst at Shaker Investments LLC, a Cleveland, Ohio based hedge fund and as an Associate at Morgan Stanley. He will spend the upcoming summer working in the Equity Research department at Barclays Capital.

**Sven Karlsson** received a B.S. in Operations Research and Industrial Engineering from Cornell University and has completed all three levels of the CFA curriculum (charter pending fulfillment of work experience requirement). Prior to Stern, Sven worked in a rotation program at J.P. Morgan focused primarily on assessing and valuing proprietary acquisition & divestiture opportunities. He will be spending his summer at Halcyon Asset Management.

**Brian Malkerson** holds a B.A. in Economics from Northwestern University. Prior to Stern, Brian worked at JH Whitney Capital Partners, a mid market private equity firm.

**Justin Matthews** received a B.S. in Industrial and Labor Relations from Cornell University in 2000. Before coming to Stern, Justin worked as the Associate Director of Retail Research at Standard & Poor's Vista Research. He spent the previous summer as an Equity Research Associate at UBS, where he will return full-time this summer.

**David Umbro, CFA** earned a B.S. in Finance and Accounting from the Carroll School of Management at Boston College. Prior to Stern, he was the Director of Research at Fernwood Advisors, a family investment office in Boston. David will be working at Fred Alger & Company this summer.

**Sok Ung** has a B.S. in Policy Analysis and Management from Cornell University, with a concentration in Finance. As a part-time student, he is currently an Associate at J.P. Morgan on a team that manages \$15 billion of private equity and principal investments for ultra high net worth clients.

**THE FIXED INCOME FUND**



*Back Row: Ling (Henry) Chen, Tom Libretto, Greg McSweeney  
Front Row: Anik Gandhi, Henry Chen, Mirette Kouchouk, Laura Figlina  
Not Pictured: Sven Karlsson*

Bios for Fixed Income team members are listed under their respective Equity Funds.

## FINANCIAL STATEMENTS

### Michael Price Student Investment Fund

#### Consolidated Financial Statement

	Fiscal Year Ending 8/31/08	Six Months Ending 2/28/09	Fiscal Year Ending 8/31/09	Six Months Ending 2/28/10	Fiscal Year Ending 8/31/10	Six Months Ending 2/28/11
<b>Investment Income</b>						
Dividends - Fixed Income	20,983	12,492	21,577	14,192	20,400	8,310
Dividends - Growth	2,474	838	2,102	1,288	3,780	928
Dividends - Small Cap	5,131	3,882	6,330	1,545	3,906	2,141
Dividends - Value	9,226	3,039	5,873	3,594	8,253	4,550
Total Dividends	<u>37,814</u>	<u>20,251</u>	<u>35,882</u>	<u>20,619</u>	<u>36,339</u>	<u>15,929</u>
Interest - Fixed Income	102	232	274	(4)	14	48
Interest - Growth	1,921	812	913	90	230	61
Interest - Small Cap	3,226	502	625	83	221	185
Interest - Value	3,044	792	904	71	118	21
Total Interest	<u>8,293</u>	<u>2,338</u>	<u>2,716</u>	<u>241</u>	<u>584</u>	<u>314</u>
Investment Income - Fixed Income	21,085	12,725	21,851	14,188	20,414	8,358
Investment Income - Growth	4,395	1,650	3,015	1,378	4,011	988
Investment Income - Small Cap	8,358	4,384	6,954	1,629	4,128	2,326
Investment Income - Value	12,269	3,831	6,778	3,665	8,371	4,571
Total Investment Income	<u>46,106</u>	<u>22,589</u>	<u>38,598</u>	<u>20,860</u>	<u>36,923</u>	<u>16,243</u>
Expenses - Fixed Income	(2,784)	(1,043)	(2,161)	(1,234)	(2,509)	(1,094)
Expenses - Growth	(2,784)	(1,043)	(2,161)	(1,234)	(2,509)	(1,094)
Expenses - Small Cap	(2,677)	(913)	(1,766)	(812)	(1,863)	(1,038)
Expenses - Value	(3,258)	(1,016)	(2,033)	(1,355)	(2,844)	(1,402)
Total Expenses	<u>(11,504)</u>	<u>(4,014)</u>	<u>(8,120)</u>	<u>(4,635)</u>	<u>(9,725)</u>	<u>(4,629)</u>
Net Investment Income - Fixed Income	18,301	11,682	19,690	12,954	17,905	7,264
Net Investment Income - Growth	1,611	607	855	144	1,502	(106)
Net Investment Income - Small Cap	5,680	3,472	5,189	816	2,264	1,288
Net Investment Income - Value	9,011	2,815	4,744	2,310	5,527	3,169
Total Net Investment Income	<u>34,603</u>	<u>18,575</u>	<u>30,478</u>	<u>16,225</u>	<u>27,199</u>	<u>11,614</u>
<b>Cash Flow from Operations</b>						
Cash Balance, beginning of period - Fixed Income	3,429	(10,920)	(10,920)	1,885	1,885	31,544
Cash Balance, beginning of period - Growth	132,325	242,042	242,042	132,019	132,019	167,472
Cash Balance, beginning of period - Small Cap	68,954	190,479	190,479	158,896	158,896	179,764
Cash Balance, beginning of period - Value	49,922	169,768	169,768	83,180	83,180	19,735
Total Cash Balance, beginning of period	<u>254,629</u>	<u>591,368</u>	<u>591,368</u>	<u>375,980</u>	<u>375,980</u>	<u>398,515</u>
Annual 5% Distribution - Fixed Income	(23,754)	0	(23,057)	0	(22,800)	0
Annual 5% Distribution - Growth	(21,089)	0	(15,000)	0	(16,700)	0
Annual 5% Distribution - Small Cap	(23,442)	0	(14,552)	0	(17,300)	0
Annual 5% Distribution - Value	(25,063)	0	(18,600)	0	(23,400)	0
Total Annual 5% Distribution	<u>(93,348)</u>	<u>0</u>	<u>(71,209)</u>	<u>0</u>	<u>(80,200)</u>	<u>0</u>

**Michael Price Student Investment Fund**  
**Consolidated Financial Statement (cont.)**

	Fiscal Year Ending 8/31/08	Six Months Ending 2/28/09	Fiscal Year Ending 8/31/09	Six Months Ending 2/28/10	Fiscal Year Ending 8/31/10	Six Months Ending 2/28/11
<b>Cash Flow from Operations (cont.)</b>						
Sales of Securities - Fixed Income	138,061	111,876	246,661	129,013	397,788	0
Sales of Securities - Growth	714,285	335,433	531,690	254,769	574,931	434,332
Sales of Securities - Small Cap	990,417	201,024	437,954	328,692	604,423	87,402
Sales of Securities - Value	484,773	129,449	303,430	362,378	713,520	489,269
Total Sales of Securities	2,327,536	777,782	1,519,735	1,074,852	2,290,663	1,011,004
Purchases of Securities - Fixed Income	(137,143)	(45,068)	(215,911)	(131,519)	(212,858)	0
Purchases of Securities - Growth	(595,791)	(399,084)	(627,482)	(317,714)	(613,044)	(570,870)
Purchases of Securities - Small Cap	(851,131)	(292,628)	(460,171)	(420,867)	(656,070)	(118,696)
Purchases of Securities - Value	(348,825)	(151,932)	(376,118)	(417,268)	(721,114)	(510,144)
Total Purchases of Securities	(1,932,890)	(888,711)	(1,679,683)	(1,287,368)	(2,203,087)	(1,199,710)
Net Other Adjustments - Fixed Income	(9,813)	(9,967)	(14,577)	(9,190)	(150,377)	(4,592)
Net Other Adjustments - Growth	10,701	(30)	(85)	(5)	88,764	(16)
Net Other Adjustments - Small Cap	0	0	(2)	0	87,550	0
Net Other Adjustments - Value	(50)	(45)	(45)	(16)	(37,977)	0
Total Net Other Adjustments *	838	(10,041)	(14,708)	(9,212)	(12,040)	(4,607)
Net Change in Cash - Fixed Income	(14,349)	68,524	12,806	1,258	29,658	2,672
Net Change in Cash - Growth	109,717	(63,075)	(110,023)	(62,806)	35,453	(136,659)
Net Change in Cash - Small Cap	121,525	(88,132)	(31,583)	(91,359)	20,867	(30,006)
Net Change in Cash - Value	119,846	(19,713)	(86,588)	(52,597)	(63,445)	(17,706)
Total Net Change in Cash	336,739	(102,395)	(215,388)	(205,504)	22,534	(181,699)
Cash Balance, end of period - Fixed Income	(10,920)	57,604	1,885	3,144	31,544	34,216
Cash Balance, end of period - Growth	242,042	178,967	132,019	69,213	167,472	30,813
Cash Balance, end of period - Small Cap	190,479	102,347	158,896	67,537	179,764	149,758
Cash Balance, end of period - Value	169,768	150,055	83,180	30,583	19,735	2,029
Total Cash Balance, end of period	591,368	488,973	375,980	170,476	398,515	216,815

\* Taxes owed on foreign securities' dividends, reinvestment of dividends on bond funds.

**Growth Fund Financial Statements**

	Twelve Months Ended 8/31/06	Six Months Ended 2/28/07	Twelve Months Ended 8/31/07	Six Months Ended 2/29/08	Twelve Months Ended 8/31/08	Six Months Ended 2/28/09	Twelve Months Ended 8/31/09	Six Months Ended 2/28/10	Twelve Months Ended 8/31/10	Six Months Ended 2/28/11
<b>Investment Income</b>										
Dividends	1,649	1,113	2,143	1,764	2,474	838	2,102	1,288	3,780	928
Interest	3,241	2,779	4,425	906	1,921	812	913	90	230	61
Total Investment Income	4,891	3,892	6,568	2,670	4,395	1,650	3,015	1,378	4,011	988
Expenses	(1,948)	(759)	(1,740)	(1,305)	(2,784)	(1,043)	(2,161)	(1,234)	(2,509)	(1,094)
Net Investment Income	2,943	3,133	4,827	1,365	1,611	607	855	144	1,502	1,066
<b>Cash Flow from Operations</b>										
Cash Balance, beginning of period	68,933	226,701	226,701	132,325	132,325	242,042	242,042	132,019	132,019	167,472
Net Investment Income	2,943	3,133	4,827	1,365	1,611	607	855	144	1,502	(106)
Annual 5% Distribution	(24,200)	0	(22,317)	0	(21,089)	0	(15,000)	0	(16,700)	0
Transfer for MPSIF-Wide Rebalancing	0	0	0	0	0	0	0	0	0	0
Sales of Securities	597,689	203,576	666,337	307,146	714,285	335,433	531,690	254,769	574,931	434,332
Purchases of Securities	(418,664)	(329,987)	(743,065)	(355,940)	(595,791)	(399,084)	(627,482)	(317,714)	(613,044)	(570,870)
Net Other Adjustments *	0	(153)	(158)	10,718	10,701	(30)	(85)	(5)	88,764	(16)
Net Change in Cash	157,768	(123,431)	(94,376)	(36,710)	109,717	(63,075)	(110,023)	(62,806)	35,453	(136,659)
Cash Balance, end of period	226,701	103,270	132,325	95,614	242,042	178,967	132,019	69,213	167,472	30,813

\* Taxes owed on foreign securities' dividends.

# The Michael Price Student Investment Fund

## Value Fund Financial Statements

	Twelve Months Ended 8/31/06	Six Months Ended 2/28/07	Twelve Months Ended 8/31/07	Six Months Ended 2/29/08	Twelve Months Ended 8/31/08	Six Months Ended 2/28/09	Twelve Months Ended 8/31/09	Six Months Ended 2/28/10	Twelve Months Ended 8/31/10	Six Months Ended 2/28/11
<b>Investment Income</b>										
Dividends	6,569	3,641	8,147	5,452	9,226	3,039	5,873	3,594	8,253	4,550
Interest	1,302	2,084	2,905	2,008	3,044	792	904	71	118	21
Total Investment Income	7,871	5,724	11,053	7,460	12,269	3,831	6,778	3,665	8,371	4,571
Expenses	(3,155)	(1,534)	(3,266)	(1,683)	(3,258)	(1,016)	(2,033)	(1,355)	(2,844)	(1,402)
Net Investment Income	4,716	4,190	7,787	5,777	9,011	2,815	4,744	2,310	5,527	3,169
<b>Cash Flow from Operations</b>										
Cash Balance, beginning of period	50,622	50,399	50,399	49,922	49,922	169,768	169,768	83,180	83,180	19,735
Net Investment Income	4,716	4,190	7,787	5,777	9,011	2,815	4,744	2,310	5,527	3,169
Annual 5% Distribution	(24,895)	0	(26,515)	0	(25,063)	0	(18,600)	0	(23,400)	0
Transfer for MPSIF-Wide Rebalancing	0	0	0	0	0	0	0	0	0	0
Sales of Securities	598,661	241,782	427,677	241,966	484,773	129,449	303,430	362,378	713,520	489,269
Purchases of Securities	(578,906)	(192,070)	(410,085)	(213,241)	(348,825)	(151,932)	(376,118)	(417,268)	(721,114)	(510,144)
Net Other Adjustments *	201	447	658	(10)	(50)	(45)	(45)	(16)	(37,977)	0
Net Change in Cash	(223)	54,349	(477)	34,492	119,846	(19,713)	(86,588)	(52,597)	(63,445)	(17,706)
Cash Balance, end of period	50,399	104,748	49,922	84,414	169,768	150,055	83,180	30,583	19,735	2,029

\* Taxes owed on foreign securities' dividends.

## Small Cap Fund Financial Statements

	Twelve Months Ended 8/31/06	Six Months Ended 2/28/07	Twelve Months Ended 8/31/07	Six Months Ended 2/29/08	Twelve Months Ended 8/31/08	Six Months Ended 2/28/09	Twelve Months Ended 8/31/09	Six Months Ended 2/28/10	Twelve Months Ended 8/31/10	Six Months Ended 2/28/11
<b>Investment Income</b>										
Dividends	3,758	1,484	2,620	1,747	5,131	3,882	6,330	1,545	3,906	2,141
Interest	3,326	4,133	5,725	2,508	3,226	502	625	83	221	185
Total Investment Income	7,083	5,617	8,345	4,255	8,358	4,384	6,954	1,629	4,128	2,326
Expenses	(3,509)	(1,450)	(3,196)	(1,510)	(2,677)	(913)	(1,766)	(812)	(1,863)	(1,038)
Net Investment Income	3,575	4,168	5,149	2,744	5,680	3,472	5,189	816	2,264	1,288
<b>Cash Flow from Operations</b>										
Cash Balance, beginning of period	47,310	227,349	227,349	68,954	68,954	190,479	190,479	158,896	158,896	179,764
Net Investment Income	3,575	4,168	5,149	2,744	5,680	3,472	5,189	816	2,264	1,288
Annual 5% Distribution	(29,985)	0	(29,730)	0	(23,442)	0	(14,552)	0	(17,300)	0
Transfer for MPSIF-Wide Rebalancing	0	0	0	0	0	0	0	0	0	0
Sales of Securities	1,345,398	411,635	685,099	599,080	990,417	201,024	437,954	328,692	604,423	87,402
Purchases of Securities	(1,138,948)	(430,368)	(818,927)	(422,615)	(851,131)	(292,628)	(460,171)	(420,867)	(656,070)	(118,696)
Net Other Adjustments *	0	0	14	0	0	0	(2)	0	87,550	0
Net Change in Cash	180,039	(14,565)	(158,395)	179,209	121,525	(88,132)	(31,583)	(91,359)	20,867	(30,006)
Cash Balance, end of period	227,349	212,784	68,954	248,163	190,479	102,347	158,896	67,537	179,764	149,758

\* Taxes owed on foreign securities' dividends.

## Fixed Income Fund Financial Statements

	Twelve Months Ended 8/31/06	Six Months Ended 2/28/07	Twelve Months Ended 8/31/07	Six Months Ended 2/29/08	Twelve Months Ended 8/31/08	Six Months Ended 2/28/09	Twelve Months Ended 8/31/09	Six Months Ended 2/28/10	Twelve Months Ended 8/31/10	Six Months Ended 2/28/11
<b>Investment Income</b>										
Dividends	18,771	10,546	20,519	12,156	20,983	12,492	21,577	14,192	20,400	8,310
Interest	231	209	383	120	102	232	274	(4)	14	48
Total Investment Income	19,002	10,756	20,902	12,276	21,085	12,725	21,851	14,188	20,414	8,358
Expenses	(1,948)	(759)	(1,740)	(1,305)	(2,784)	(1,043)	(2,161)	(1,234)	(2,509)	(1,094)
Net Investment Income	17,054	9,997	19,162	10,971	18,301	11,682	19,690	12,954	17,905	7,264
<b>Cash Flow from Operations</b>										
Cash Balance, beginning of period	4,695	7,332	7,332	3,429	3,429	(10,920)	(10,920)	1,885	1,885	31,544
Net Investment Income	17,054	9,997	19,162	10,971	18,301	11,682	19,690	12,954	17,905	7,264
Annual 5% Distribution	(23,459)	0	(23,805)	0	(23,754)	0	(23,057)	0	(22,800)	0
Transfer for MPSIF-Wide Rebalancing	0	0	0	0	0	0	0	0	0	0
Sales of Securities	161,254	0	81,492	53,800	138,061	111,876	246,661	129,013	397,788	0
Purchases of Securities	(142,733)	0	(70,987)	(52,778)	(137,143)	(45,068)	(215,911)	(131,519)	(212,858)	0
Net Other Adjustments *	(9,479)	(5,447)	(9,765)	(6,843)	(9,813)	(9,967)	(14,577)	(9,190)	(150,377)	(4,592)
Net Change in Cash	2,637	4,550	(3,903)	5,150	(14,349)	68,524	12,806	1,258	29,658	2,672
Cash Balance, end of period	7,332	11,882	3,429	8,578	(10,920)	57,604	1,885	3,144	31,544	34,216

\* Reinvestment of dividends on bond funds.







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