# Michael Price Student Investment Fund

## Semi-Annual Report

**For the period**
***September 1, 2001 – February 28, 2002***

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# Message from the President

We are pleased to present the MPSIF Semi-Annual Report to our Board of Advisors, staff and other interested parties. As the school year winds down, this report gives us the opportunity to inform you about our fund performance over the past six months and other information dating to inception on March 1, 2000. Furthermore, it allows us to share the results of our operational activities with you. The MPSIF staff reaffirms its mission:

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

The semi-annual report is presented in the following order:

- MPSIF Portfolio
- Growth Fund
- Small Cap Fund
- Value Fund

We would like to thank Michael Price for his gift which has created this fund. More than 100 Stern students have already benefited through their participation in MPSIF. We also wish to thank Professors Michael Keenan and Fred Renwick for their assistance throughout the year. Their guidance in administrative, investing and academic matters was invaluable to our work.

On behalf of graduating staff, we wish the best of luck to the continuing MPSIF staff and look forward to the Fund's continued development. Enjoy reading the results of our work!

*Bryan Lapidus,*
MPSIF President

## REVIEW OF OPERATIONS AND POLICY

We have numerous initiatives this the semester which are either completed or in process.

- **Separate fixed income from equity.** MPSIF has decided to separate the fixed income component of the fund from the equity (and cash for equity). This will allow for a single FI strategy with a dedicated staff. Two representatives from each of the funds will meet once per month with the MPSIF president to ensure the FI holdings are meeting the MPSIF goals, allocations and risk tolerances. The separation will become effective on May 1, 2002. For more information, see the discussion "Fund Structure and the Benchmark Portfolio" in this section.
- **Increased centralization of investment management.** MPSIF is attempting to improve coordination among the three funds to ensure the success of the overall portfolio. For more information, see Allocation of Assets and Maximum Risk Allowance.
    - One of the key tenets of our centralization effort is establishment of risk targets for separate components of the fund. More detail is presented below.
    - Other coordination efforts include combined market strategy reports and the MPSIF-wide breakout of stocks by sector allocation, and a MPSIF comparison to the overall benchmark.
- **Self-audit.** MPSIF has undertaken it first self-audit, designed to ensure that all trades over the funds' history are properly accounted for. Included in this audit will be a peer review of the semi-annual financial statements.
- **Rebalancing of portfolios.** The portfolio managers and fund president agreed in principle that the MPSIF funds may require a shifting of assets to preserve a desired allocation depending on market outlook and operational considerations. At a minimum, rebalancing should be considered when the annual and semi-annual reports are completed.
- **Marketing.** MPSIF has taken steps to raise its profile within Stern, and to help Stern raise its profile among potential employers and students. The deans of Admission, OCD and Public Relations have endorsed this effort, and in the process learned more about what we do. We have drafted a tri-fold brochure for publication and intend to go to press in April.
- **Alumni outreach.** We have attempted to contact all MPSIF alumni, with varying degrees of success. Those who we have reached have enthusiastically volunteered to be involved with the fund and current students on a variety of levels. We are still exploring how to best utilize our alumni as a resource.
- **Portfolio Managers and President's handbook.** To help new MPSIF leadership in their roles, promote consistency among management of the three sub-funds and gather the best practices from our experience, we have drafted a handbook that contains MPSIF policies, procedures and references. We envision this as a growing document that will continue to help MPSIF develop its management and investing techniques. A first draft is complete.

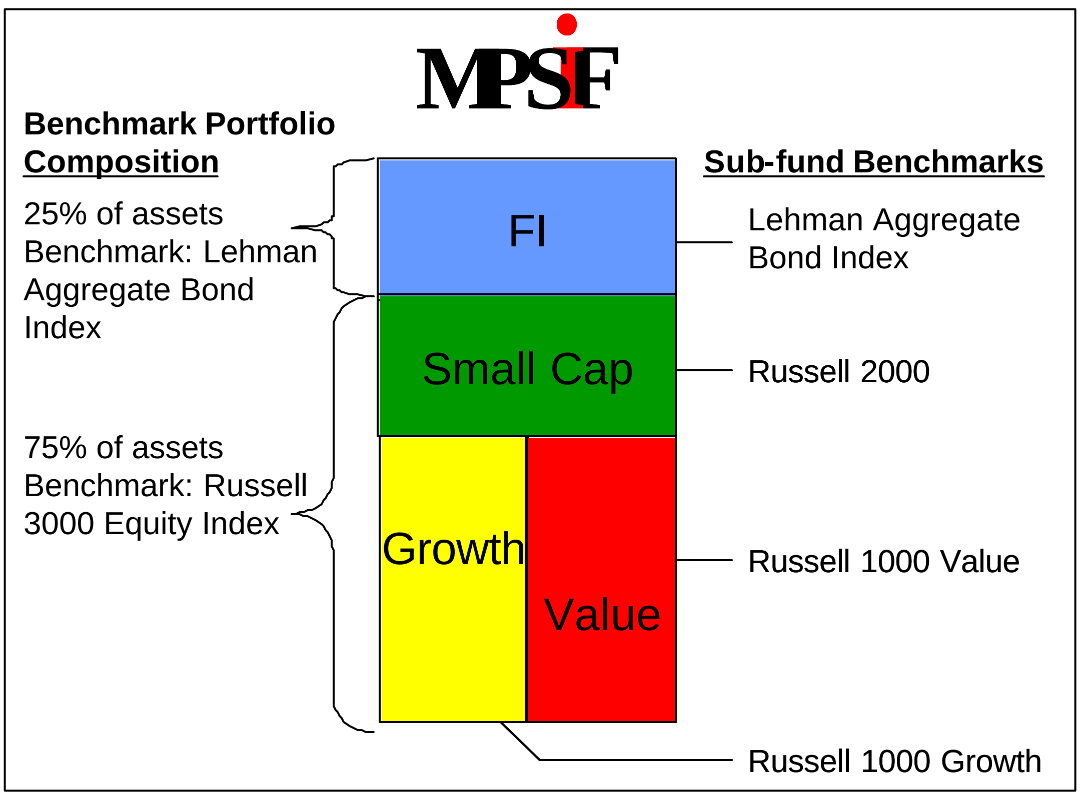
## FUND STRUCTURE AND THE BENCHMARK PORTFOLIO

In pursuit of its mission, MPSIF is taking steps to structure itself as a single portfolio divided into and managed as four asset classes. MPSIF performance will be measured relative to the Benchmark Portfolio. In our current form, and looking to the future as we separate fixed income into a fourth, independently managed fund, our portfolio is approximately 25% fixed income and 75% equity. Therefore, the Benchmark Portfolio will reflect these allocations:

- 25% fixed income weighting, relative to the Lehman Aggregate Bond Index. This index was chosen because it the broadest index that covers the majority of bond classifications.

- 75% equity, relative to the Russell 3000 Equity Index. This index was chosen because it represents the aggregate of the indices of the three equity fund benchmarks:
  - Growth benchmark: Russell 1000 Growth Equity Index
  - Small Cap benchmark: Russell 2000 Equity Index
  - Value benchmark: Russell 1000 Value Equity Index

Cash is considered to be equity waiting for deployment, and is included in the equity funds. Depicted graphically, the Benchmark Portfolio appears as follows:



## MPSIF ASSET ALLOCATION

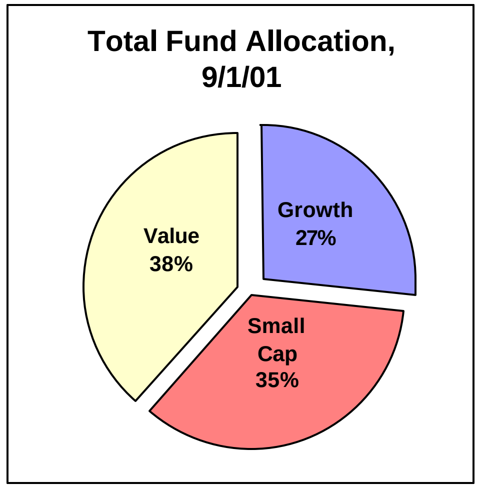
As of September 1, 2001, the funds assets were allocated as follows:

| | | Mkt. Val. | | % of Assets |
|---|---|---|---|---|
| **Total Fund Value** | | **$ 1,895,779** | | **100%** |
| | Growth Value | $ 506,109 | | 27% |
| | Small Cap Value | $ 657,207 | | 35% |
| | Value Value | $ 732,463 | | 39% |

| | | Mkt. Val. | % of FI | % of Assets |
|---|---|---|---|---|
| **Total Fixed Income** | | **$ 501,860** | **100%** | **26%** |
| | Growth FI | $ 155,381 | 31% | 8% |
| | Small Cap FI | $ 201,654 | 40% | 11% |
| | Value FI | $ 144,825 | 29% | 8% |

| | | Mkt. Val. | % of Equity | % of Assets |
|---|---|---|---|---|
| **Total Equity** | | **$ 1,220,026** | **100%** | **64%** |
| | Growth Equity | $ 277,830 | 23% | 15% |
| | Small Cap Equity | $ 418,264 | 34% | 22% |
| | Value Equity | $ 523,932 | 43% | 28% |

| | | Mkt. Val. | % of Cash | % of Assets |
|---|---|---|---|---|
| **Total Cash** | | **$ 173,896** | **100%** | **9%** |
| | Growth Cash | $ 72,899 | 42% | 4% |
| | Small Cap Cash | $ 37,290 | 21% | 2% |
| | Value Cash | $ 63,707 | 37% | 3% |



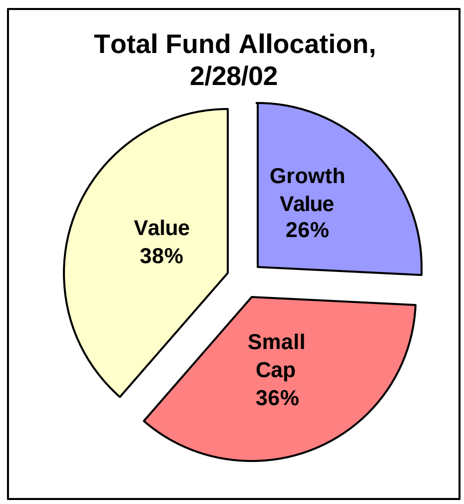

As of February 28, 2002, the funds assets are allocated as follows:

| | | Mkt. Val. | | % of Assets |
|---|---|---|---|---|
| **Total Fund Value** | | **$ 1,876,498** | | **100%** |
| | Growth Value | $ 482,617 | | 26% |
| | Small Cap Value | $ 669,934 | | 36% |
| | Value Value | $ 723,947 | | 39% |

| | | Mkt. Val. | % of FI | % of Assets |
|---|---|---|---|---|
| **Total FI** | | **$ 468,451** | **100%** | **25%** |
| | Growth FI | $ 127,809 | 27% | 7% |
| | Small Cap FI | $ 202,072 | 43% | 11% |
| | Value FI | $ 138,570 | 30% | 7% |

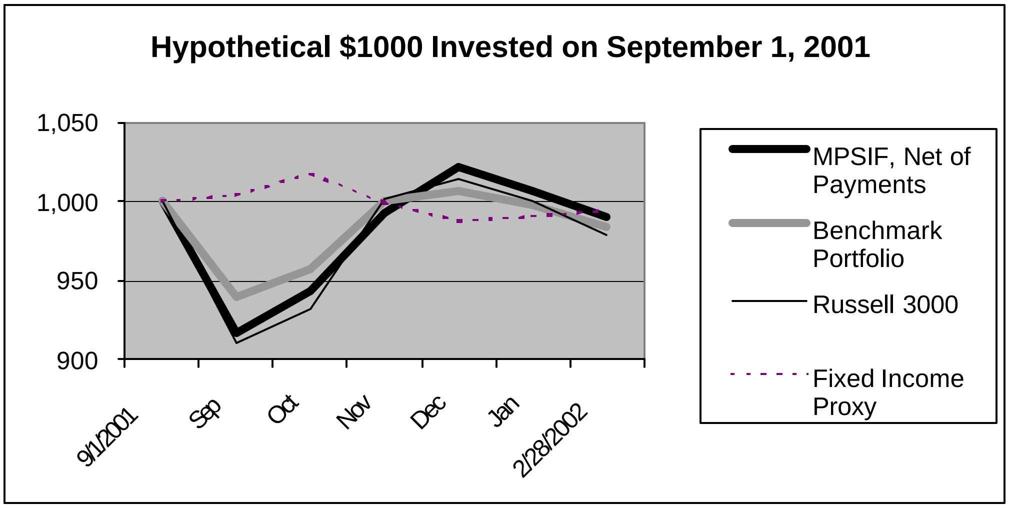
| | | Mkt. Val. | % of Equity | % of Assets |
|---|---|---|---|---|
| **Total Equity** | | **$ 1,092,516** | **100%** | **58%** |
| | Growth Equity | $ 290,680 | 27% | 15% |
| | Small Cap Equity | $ 419,350 | 38% | 22% |
| | Value Equity | $ 382,487 | 35% | 20% |

| | | Mkt. Val. | % of Cash | % of Assets |
|---|---|---|---|---|
| **Total Cash** | | **$ 315,531** | **100%** | **17%** |
| | Growth Cash | $ 64,129 | 20% | 3% |
| | Small Cap Cash | $ 48,512 | 15% | 3% |
| | Value Cash | $ 202,890 | 64% | 11% |

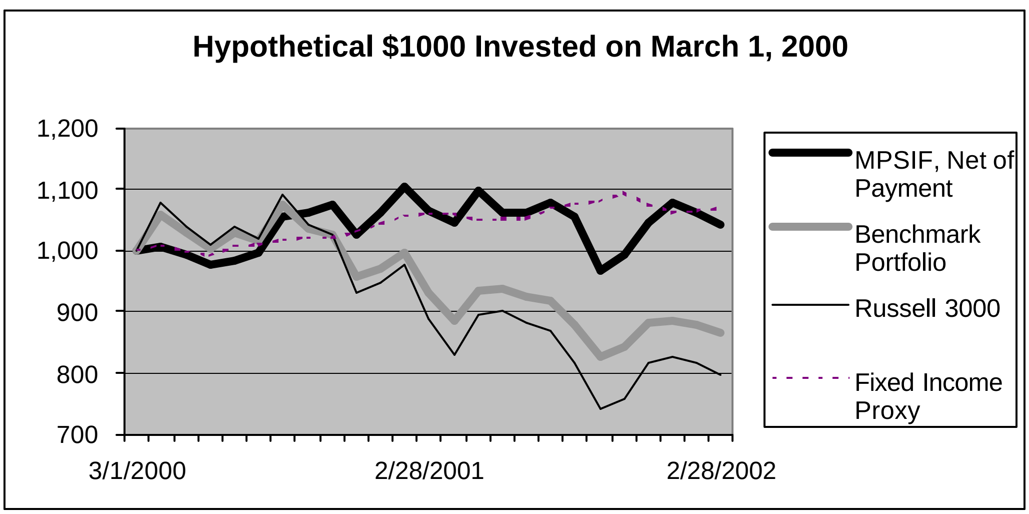


## MPSIF FUND PERFORMANCE

For the six months ended February 28, 2002, MPSIF portfolio had a (1%) return on total assets. By comparison, the Benchmark Portfolio returned (1.7%). Disaggregating the Benchmark Portfolio, we see that our equity benchmark the Russell 3000 and Fixed Income Proxy[1] had (2.1%) and (0.6%) returns respectively.




For the two years since inception, the MPSIF portfolio has gained a moderate 4.3% net of the 5% payment to the University of Oklahoma. Without this payment of $94,000 in May 2001, and assuming return equal to that of the overall MPSIF portfolio, the fund would have grown 9.4%. This compares favorably with the Benchmark Portfolio which returned (13.5%), and one of its components, the Russell 3000, down 20.3% over that period. The other component, Fixed Income, returned a positive 6.9%.




[1] Fixed Income is measured against the Lehman Aggregate Bond Index; the Vanguard VBMFX is used as a proxy measure for the Lehman index in order to capture dividend payments as well as price movements.

## MPSIF JENSEN'S ALPHA

A portfolio's alpha measures its risk adjusted return and shows the value added by active management. It is the Y-intercept in the regression that compares the portfolio's return vis a vie the risk free rate against the Benchmark Portfolio's return vis a vie the risk free rate. The six-month alpha (six-month returns – risk free rate) was chosen because it allows for a comparison between MPSIF returns before and after the payment to the University of Oklahoma. Calculating an alpha for the six months covered by this annual report would not provide enough data points for the regression to be statistically significant.

MPSIF's six-month alpha net of payments relative is 0.06; excluding payment, the returns are higher and therefore the alpha increases 0.08.

## MPSIF BETA

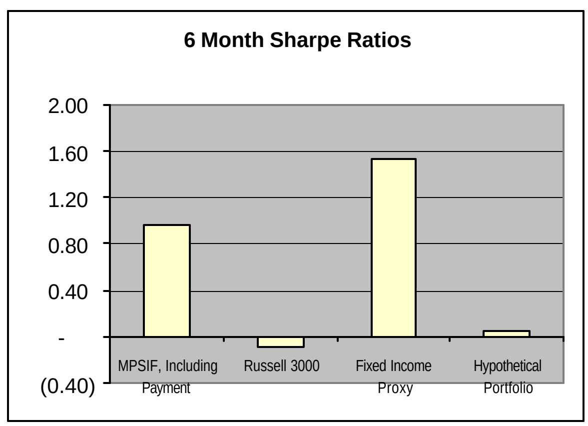
Beta measures the volatility of the MPSIF portfolio relative to the Benchmark Portfolio, which is assumed to have a base of 1.0. It is calculated in the same regression as alpha, but is the variable coefficient (slope of the regression).

Our beta, relative to the Benchmark Portfolio, net of payment, is 1.08. Excluding payments, this beta falls to 0.91. This suggests that MPSIF's volatility is approximately equal to that of a passive strategy with similar allocations, but provides higher returns. The difference in the betas reflects the change in asset value due to the endowment payment in May 2001.

## MPSIF SHARPE RATIO

The Sharpe ratio is another measure of risk-based returns. It is defined as portfolio return divided by standard deviation of returns, and therefore rewards management's performance based on growth of assets and also low volatility.

| | MPSIF, Net of Payment | Russell 3000 | Fixed Income Proxy | Benchmark Portfolio |
|---|---|---|---|---|
| 1 mo | (0.68) | (0.29) | (0.89) | (0.39) |
| 3 mo | 0.35 | (0.06) | 0.58 | 0.03 |
| 6 mo | 0.95 | (0.08) | 1.53 | 0.05 |



**FINANCIAL STATEMENTS**

*Cash flow from operations:*

| Investment Income | | |
|---|---|---|
| Equity Dividends | $ | 6,290 |
| Fixed Income Dividends | | 14,948 |
| Cash Interest | | 2,099 |
| Total Income | $ | 23,337 |
| | | |
| **Expenses** | | |
| Account Fees | | 4,933 |
| Foreign Withholding Tax | | 24 |
| Total Expenses | $ | 4,957 |
| | | |
| **Net Investment Income** | **$** | **18,380** |

*Change in net assets:*

| | | |
|---|---|---|
| Net Dividends & Interest | $ | 18,379 |
| Net Realized Gain/(Loss) | | (23,005) |
| Net Unrealized Gain/(Loss) | | (14,641) |
| Net Increase/Decrease in Total Assets | $ | (19,269) |
| | | |
| Beginning Total Asset Value (9/1/01) | | 1,895,779 |
| Net Increase/(Decrease) in Total Assets | $ | (19,281) |
| **Ending Total Asset Value (2/28/02)** | **$** | **1,876,498** |

## RESULTS OF AUDIT

To the Board of Directors of the Michael Price Student Investment Fund,

The Audit Committee of the Michael Price Student Investment Fund ("MPSIF") confirms the accuracy and validity of the each security transactions for the six months from September 1, 2001 through February 28, 2002, industry weightings and return information. The information in this semi-annual report accurately and correctly reflects the performance and current positions the Growth & Income Fund, the Small Cap Fund and the Value Fund.

While the audit was conducted by members of MPSIF, each auditor reviewed the transactions of a Fund other than their own. For each transaction the following information was reviewed for accuracy:

- Trade date
- Company, transaction type (buy/sell),
- Number of shares,
- Price of security
- Commissions paid

The three separate pieces of information that were used to confirm these transactions were: (i) MPSIF order forms filled out by the portfolio manager and trader, (ii) Merrill Lynch confirmation reports and (iii) Merrill Lynch monthly statements. As we conducted our audit, we identified missing information, which is documented in the attached exhibits. Although there was missing information, we were ultimately able to confirm all transactions through the use of the Merrill Lynch monthly statements.

*Darrin Cozzolino*

# GROWTH PLUS INCOME FUND

## MESSAGE FROM THE PORTFOLIO MANAGER

After eight strong years and three consecutive very strong years, the stock market took a remarkable downturn about the time that MPSIF started, March of 2000. Since March of 2000 we have experienced two years of poor markets – especially in the segment of stocks classified as growth stocks. The returns of the Growth Plus Income fund reflect those poor market conditions. However, the Growth Plus Income fund has managed to outperform its index during the two-year period.

Finally, after two years of negative investment returns we have started to see positive signs. Even after September 11$^{th}$, consumers have remained committed to consumption. This is in direct contrast to corporate America, which has remained very pessimistic about the short-term outlook. The result has been reduced inventories as companies have cut production and consumption has continued. In the short term we believe that consumers will dictate the economic expansion. Furthermore, as companies come up against poor year ago results, we think there is likely to be more upside surprises than downside.

As for a more long-term outlook we remain neutral on the economy. While we believe technology has certainly improved productivity in the last ten years, we believe much of that improved productivity has already been priced into the outlook for stocks.

Despite our belief that the overall market will remain in a flat trading range for the foreseeable future, we still believe there is plenty of opportunity for prudent growth managers. Many high growth companies remain in the marketplace, and we view the recent market pullback as an opportunity to purchase these companies at more reasonable valuations. As such, we have been putting money into the stock in the last two months and we now are close to fully invested for the first time since inception.

We believe over the next three years this strategy will reap rewards for the Stern endowment.

*Derek De Vries, March 2002*

## STATEMENT ON INVESTMENT STYLE AND STRATEGY

**Investment Strategy:** The fund strives for total return through capital appreciation and income. Our investment strategy differs by asset class

**Equity -** The Fund invests in companies that our analysts believe offer the potential for significant growth. The Fund generally invests in industry segments that are experiencing rapid growth and in companies with proprietary advantages.

**Fixed Income –** Owing to the small size of our fixed income holdings, the fund relies on outside managers to manage our fixed income holdings. Performance is monitored and under-performing mutual funds are replaced.

**Objective:** To achieve returns above those of a blended index consisting of 75% Russell 1000 Growth and 25% Lehman Brothers Bond Index.

**Our Investment Process:** Fundamental research drives our investment process. Throughout this process, we conduct in-depth research that includes traditional financial analysis, industry analysis, and management evaluation. We look for companies that are gaining market share and participate in an emerging market space with a large market opportunity. Additionally, we consider if they have financial strength; a distinct proprietary element; and aggressive, capable management that can leverage this proprietary advantage.

**Sell Discipline:** We will consider selling a security for the fund if:

- The issuer's growth rate deteriorates or its performance otherwise disappoints.
- The price of the security attains our price target or otherwise appears relatively high to the firm.
- There is an unfavorable change in management or industry attractiveness

**Why Growth Stocks?**

- Growth companies, by definition, are the fastest growing companies in the economy. We believe that earnings growth is the principal factor in determining common stock prices over time.
- Thus, we believe investing in the fastest growing companies should lead to realization of potentially superior investment returns over the long term.
- The fastest growing companies also tend to be the most adaptable and dynamic companies within the economy. We believe these qualities should also lead to potentially superior returns for investors over the long term.

**Why Fixed Income?**

- In order to smooth the volatility of the equity portion of our fund and provide income for our endowment, we also maintain a fixed income portion of the fund.
- Setting the overall level of fixed income is at the discretion of the Fund, however we generally keep between 20 and 30 percent of overall assets in fixed income.
- The fixed income is designed to provide the income to complement the capital appreciation of the equity holdings.

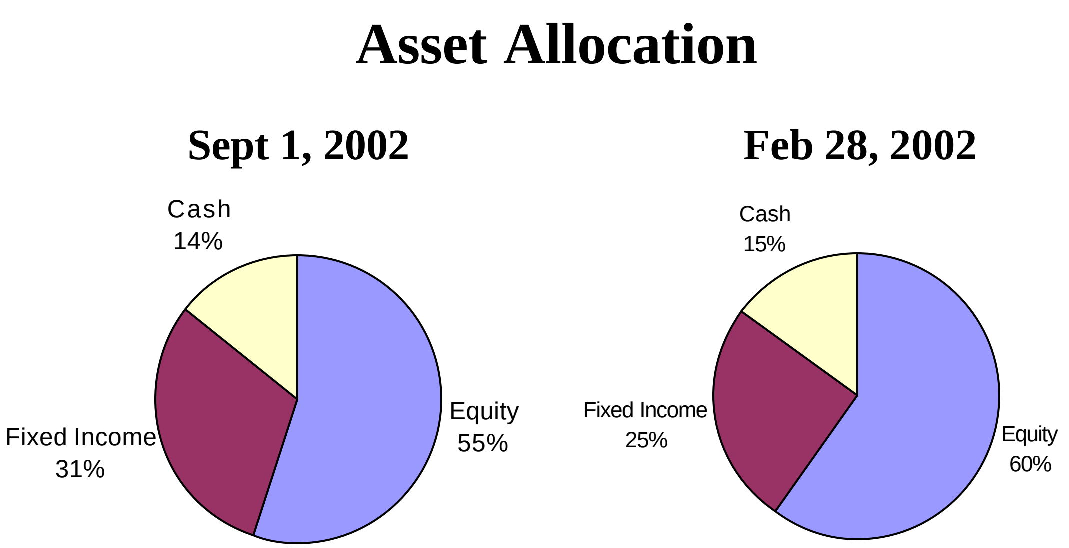
**SEMI-ANNUAL REVIEW - Six Months ending February 28, 2002**

The most recent six months marks the first six-month period in which the Growth Plus Income fund has under-performed its benchmark. Unfortunately, short periods of poor performance happen - even to successful managers. While we are not proud of the performance, we are confident we will bounce back in the next six-month period. After Sept 11th the fund's decision to add defensive positions such as healthcare and cash hurt when the market rebounded. Additionally a few negative news announcements about core holdings dramatically affected our six month performance figures.

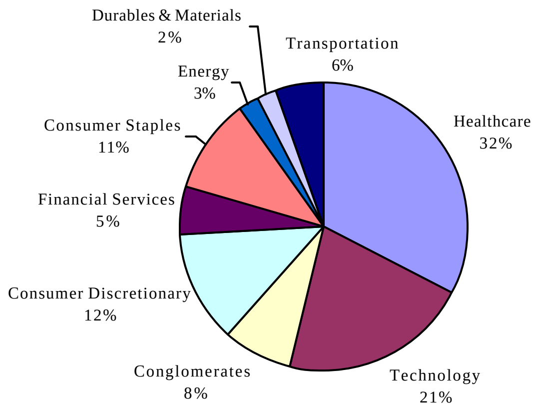
Despite the sub-par performance, we remain confident we will rebound in the next period. As a group we have made a considerable effort to understand the risks the fund is taking and to remain true to our style of investing.

**Asset Allocation**

In the past six months the fund has increased its exposure to equity. In addition, despite the pie chart below we feel we have reduced our cash exposure. This is explained by the fact that the February 28th 15% cash figure includes the 5% disbursement that the fund makes annually. When this 5% is removed, the fund will show a 10% allocation to cash (actually slightly less since we have added to our equity exposure during March and April).

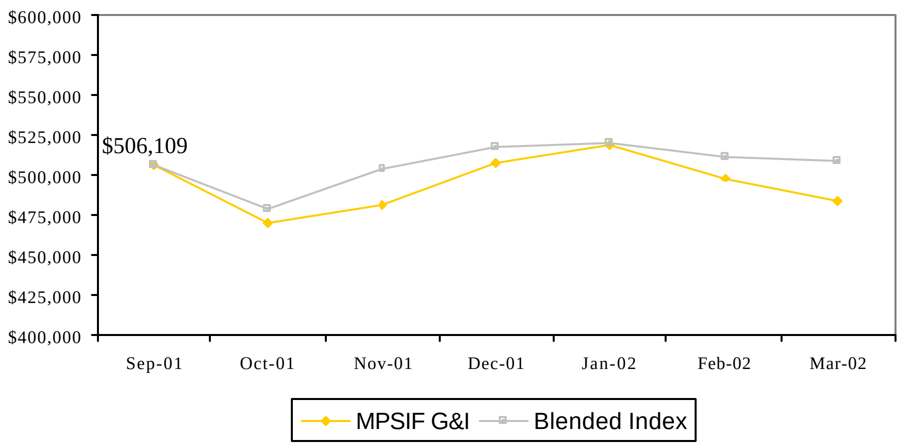


A further break down of our equity holdings is shown by sector below:




## FUND PERFORMANCE

**Performance History**
6 Months




As the preceding chart shows, the fund clearly was outperformed by the index in the last six months.

The fund was hurt by its overly defensive stand following the September 11th tragedy. The fund shifted assets to defensive positions such as healthcare and cash just before the market started its remarkable recovery. As a result the fund under-performed in the period immediately following September 11th. Further, in February and March the fund was hurt by a few of its core holdings experiencing significant drops in share price. The analysts following these stocks reexamined each event and appropriate changes were made.

## FUND PROFILE

The following snapshot reflects the Growth Plus Income portfolio as of March 1, 2002. It also shows the break out of the Russell 1000 Growth by sector. While the fund does not expressly try to match exposure with the Russell 1000 Growth we do try to understand where we are taking overweight and underweight positions.

**Michael Price Student Investment Fund**
**Growth & Income Fund**
**March 1, 2002**

### EQUITY

| | | | *Purchase Information* | | | *Current Information* | | Weekly | *Returns* | | *(Based on Current Price)* | | R1 Weights |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Sector / Company** | **Ticker** | **Shares** | **Date** | **Price** | **Cost Basis** | **Price** | **Mkt. Val.** | **Change** | **Total** | **Annualized** | **% of Equity** | **% of Assets** | **2/28/02** |
| ***Health Care*** | | | | | | | | | | | | | |
| Amgen | AMGN | 147 | 03/08/00 | $59.98 | $8,817 | $57.98 | $8,523 | 0.7% | (3.3)% | (1.7)% | 2.4% | 1.8% | |
| Bristol Myers Squibb | BMY | 279 | 03/08/00 | $45.69 | $12,746 | $47.00 | $13,113 | 2.2% | 2.9% | 1.4% | 3.7% | 2.7% | |
| IVAX | IVX | 750 | 12/10/01 | $20.23 | $15,173 | $17.00 | $12,750 | (2.2)% | (16.0)% | (54.3)% | 3.6% | 2.6% | |
| Medtronic | MDT | 275 | 03/08/00 | $48.69 | $13,389 | $44.54 | $12,249 | (3.0)% | (8.5)% | (4.4)% | 3.5% | 2.5% | |
| Pfizer | PFE | 364 | 02/26/02 | $41.30 | $15,033 | $41.64 | $15,157 | 0.8% | 0.8% | 171.2% | 4.3% | 3.1% | |
| Shire Pharmaceuticals | SHPGY | 430 | 11/26/01 | $36.30 | $15,609 | $23.78 | $10,225 | (26.9)% | (34.5)% | (80.3)% | 2.9% | 2.1% | |
| Varian Medical System | VAR | 387 | 02/05/02 | $38.75 | $14,996 | $40.38 | $15,627 | 1.0% | 4.2% | 87.1% | 4.4% | 3.2% | |
| | | | | | | | | | | | **24.7%** | **18.2%** | **25.9%** |
| ***Technology*** | | | | | | | | | | | | | |
| Checkpoint Software | CHKP | 784 | 10/15/01 | $29.46 | $23,097 | $27.92 | $21,889 | (1.8)% | (5.2)% | (13.3)% | 6.2% | 4.5% | |
| Commscope | CTV | 691 | 10/16/00 | $21.75 | $15,029 | $16.50 | $11,402 | (1.6)% | (24.1)% | (18.2)% | 3.2% | 2.4% | |
| IBM | IBM | 140 | 02/12/02 | $107.09 | $14,993 | $98.12 | $13,737 | (0.3)% | (8.4)% | (84.7)% | 3.9% | 2.8% | |
| Openwave | OPWV | 575 | 11/06/00 | $24.64 | $14,168 | $5.59 | $3,214 | 1.8% | (77.3)% | (67.6)% | 0.9% | 0.7% | |
| XM Satellite Holdings | XMSR | 790 | 11/06/01 | $6.84 | $5,404 | $11.92 | $9,417 | (4.6)% | 74.3% | 482.9% | 2.7% | 2.0% | |
| | | | | | | | | | | | **16.8%** | **12.4%** | **25.0%** |
| ***Conglomerates*** | | | | | | | | | | | | | |
| AOL Time Warner | AOL | 300 | 08/11/00 | $52.63 | $15,788 | $24.80 | $7,440 | 4.4% | (52.9)% | (38.4)% | 2.1% | 1.5% | |
| General Electric | GE | 392 | 02/20/02 | $38.20 | $14,974 | $38.50 | $15,092 | 1.1% | 0.8% | 37.3% | 4.3% | 3.1% | |
| | | | | | | | | | | | **6.4%** | **4.7%** | **15.5%** |
| ***Consumer Discretionary*** | | | | | | | | | | | | | |
| Best Buy | BBY | 305 | 04/10/00 | $68.44 | $20,874 | $67.40 | $20,557 | (0.3)% | (1.5)% | (0.8)% | 5.8% | 4.3% | |
| Home Depot | HD | 327 | 04/02/01 | $56.29 | $18,407 | $50.00 | $16,350 | (2.0)% | (11.2)% | (12.2)% | 4.6% | 3.4% | |
| | | | | | | | | | | | **10.4%** | **7.6%** | **10.2%** |
| ***Financial Services*** | | | | | | | | | | | | | |
| AIG | AIG | 70 | 02/12/02 | $73.90 | $5,173 | $73.97 | $5,178 | 5.2% | 0.1% | 2.1% | 1.5% | 1.1% | |
| Marsh & McLennan | MMC | 100 | 02/26/01 | $105.15 | $10,515 | $105.55 | $10,555 | 2.0% | 0.4% | 0.4% | 3.0% | 2.2% | |
| | | | | | | | | | | | **4.4%** | **3.3%** | **8.1%** |
| ***Consumer Staples*** | | | | | | | | | | | | | |
| General Mills | GIS | 330 | 11/02/01 | $47.39 | $15,639 | $46.23 | $15,256 | (2.2)% | (2.4)% | (7.3)% | 4.3% | 3.2% | |
| Safeway | SWY | 368 | 03/08/00 | $37.19 | $13,685 | $42.98 | $15,817 | (0.2)% | 15.6% | 7.6% | 4.5% | 3.3% | |
| | | | | | | | | | | | **8.8%** | **6.4%** | **7.8%** |
| *Energy* | | | | | | | | | | | | | |
| Dynegy | DYN | 295 | 10/16/00 | $50.81 | $14,990 | $25.57 | $7,543 | 3.1% | (49.7)% | (39.4)% | 2.1% | 1.6% | |
| | | | | | | | | | | | **2.1%** | **1.6%** | **3.6%** |
| *Durables & Materials* | | | | | | | | | | | | | |
| Quanta Services | PWR | 363 | 03/05/01 | $27.48 | $9,975 | $15.42 | $5,597 | 3.1% | (43.9)% | (44.2)% | 1.6% | 1.2% | |
| | | | | | | | | | | | **1.6%** | **1.2%** | **2.5%** |
| ***Transportation*** | | | | | | | | | | | | | |
| Harley Davidson | HDI | 95 | 02/12/02 | $50.45 | $4,793 | $51.26 | $4,870 | 1.5% | 1.6% | 40.8% | 1.4% | 1.0% | |
| Southwest Airlines | LUV | 578 | 03/08/00 | $12.01 | $6,939 | $21.11 | $12,202 | 2.6% | 75.8% | 33.0% | 3.4% | 2.5% | |
| | | | | | | | | | | | **4.8%** | **3.5%** | **0.7%** |
| **Total Equity** | | | | | **$320,204** | | **$283,759** | **(1.4)%** | **(11.4)%** | **(5.9)%** | **80.0%** | **58.8%** | **100.0%** |
| **Total Available Cash for Equity** | | | | | | | **$71,050** | | | | **20.0%** | **14.7%** | |
| **Russell 1000** | | | | | | 597.38 | | **2.1%** | | | | | |
| **S&P 500** | | | | | | 1,131.78 | | **2.0%** | | | | | |

### FIXED INCOME

| | | | *Purchase Information* | | | *Current Information* | | Weekly | *Returns* | | *(Based on Current Price)* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Bond Fund** | **Ticker** | **Shares** | **Date** | **Price** | **Cost Basis** | **Price** | **Mkt. Val.** | **Change** | **Total** | **Annualized** | **% of Fix. Inc.** | **% of Assets** |
| PIMCO Total Return Fund | PTTAX | 6,073 | 04/27/00 | $9.88 | $59,994 | $10.66 | $64,737 | 0.1% | 7.9% | 4.2% | 50.7% | 13.4% |
| Strong Short-Term Bond Fund | SSTBX | 3,334 | 03/08/00 | $9.35 | $31,159 | $9.02 | $30,069 | (0.1)% | (3.5)% | (1.8)% | 23.5% | 6.2% |
| Fidelity Advisor Intermediate | FTBRX | 3,053 | 03/08/00 | $10.18 | $31,083 | $10.81 | $33,003 | 0.2% | 6.2% | 3.1% | 25.8% | 6.8% |
| **Total Fixed Income** | | | | | **$122,236** | | **$127,809** | **0.1%** | **4.6%** | **2.3%** | **100.0%** | **26.5%** |
| **Total Available Cash for Fixed Income** | | | | | | | **$0** | | | | **0.0%** | **0.0%** |

### ASSETS

| | | | Weekly | *Returns* | | |
|---|---|---|---|---|---|---|
| | **Cost Basis** | **Mkt. Val.** | **Change** | **Total** | **Annualized** | **% of Assets** |
| **Total Equity** | $396,713 | $283,759 | (1.4)% | (28.5)% | (15.6)% | 58.8% |
| **Total Fixed Income** | $132,238 | $127,809 | 0.1% | (3.3)% | (1.7)% | 26.5% |
| **Total Available Cash** | | $71,050 | | | | 14.7% |
| **TOTAL ASSETS** | **$600,000** | **$482,618** | **(0.8)%** | **(19.6)%** | **(10.4)%** | **100.0%** |

## CASH FLOWS FROM OPERATIONS

| **Investment Income** | |
|---|---|
| Equity Dividends | 766 |
| Fixed Income Dividends | 6,060 |
| Cash Interest | 846 |
| **Expenses** | |
| Account Fees | (1,237) |
| **Net Dividends & Interest** | 6,435 |

## CHANGE IN NET ASSETS

| | |
|---|---|
| Net Dividends & Interest | 6,435 |
| Net Realized Gain/(Loss) | (40,746) |
| Net Unrealized Gain/Loss | 10,819 |
| Net Increase/(Decrease) in Total Assets | (23,492) |
| Beginning Total Asset Value (9/1/01) | 506,109 |
| Net Increase/(Decrease) in Total Assets | (23,492) |
| **Ending Total Asset Value (2/28/02)** | 482,617 |

## PORTFOLIO RISK EVALUATION

On a risk adjusted basis the fund has under-performed the index. This is owing to the fact that the fund has correctly decided to be very conservative during its two-year period of existence. As a result, the fund has beaten the index in terms of money returns but lags the index when performance is adjusted for risk.

The following are figures for the 24 months the fund has been in existence.

Semi Annual Report – March 2002

MPSIF

# Performance

### Financial Analysis

**Beta = 0.298** (2 year trailing monthly Beta versus the Blended Index)
Beta = ((24*597)-(-25.4*-51.8))/((24*1935)-(-51.8*-51.8))

**Alpha = -0.41** (2 year trailing alpha versus the Blended Index)
Alpha = (-25.339 / 24) – (.298 * (51.8/24))

**Standard Deviation of Random Error = 2.46**
Standard Deviation of Random Error Term: = {[321.8-(.41*25.3) -(.298*597)]/[24-2]}^.5

**Information Ratio = - 0.17** (2 year trailing versus the Blended Index)
Information Ratio = -0.41 / 2.46

**Treynor Ratio = Portfolio = -3.55 Index = -2.159**
Treynor Ratio Portfolio = (-0.64 – 0.418) / 0.298 = -3.55
Treynor Ratio Index = (-1.741 – 0.418) / 1.0 = -2.159

**Sharpe Ratio = Portfolio = -0.295 Index = -0.242**
Sharpe Ratio Portfolio = (-0.64 - 0.418) / 3.581 = -0.295
Sharpe Ratio Index = (-1.741 – 0.418) / 8.9 = -0.242

**Beta** – Measures the covariance of a stock or portfolio of stocks with the overall market. For our comparison we defined the market as a blended index of the Russell 1000 Growth and the Lehman Bond Index. This blended index has a Beta of 1. Our portfolio beta over the investment time period was 0.33. This can be explained by the large amounts of cash the fund held. We held this cash given our relatively uncertain economic outlook and our willingness to take high risks with our equity investments.

**Alpha** – Measure of the excess return generated by a stock or portfolio relative to the market. Stocks with positive alphas reside above the Security Market Line and therefore offer superior expected returns relative to their risk. It is the difference between the actual average excess return and that predicted by CAPM. If alpha is positive, it indicates that the portfolio had earned a higher return than the CAPM would have predicted. In other words, the return on the portfolio exceeded that which would have been commensurate with the risk associated with the portfolio.
The Growth & Income group had an alpha of –0.41. This means that for our overall risk appetite we underperfomed.

**Std. Deviation of Random Error** - This is a measure of the difference between the predicted portfolio return and the actual return. The Growth & Income portfolio had a standard deviation of random error of 2.46. This indicates the volatility of the residual risk of the portfolio.

**Information Ratio** - The Information Ratio tells us how a portfolio moves with the benchmark. It is defined as the value added divided by the tracking error. It shows the portfolio's alpha as a percentage of the residual risk that remains in the market and is a measure of the abnormal return per unit of risk that could in principle be diversified away from holding a market index portfolio. A high ratio indicates the degree to which you are being compensated for the extra risk. Our portfolio has an Information Ratio of -0.17. This indicates that our portfolio did not provide enough significant excess returns to cover its nonsystematic risk.

**Treynor's Ratio** – Treynor's ratio gives the excess return per unit of systematic risk. It is computed as the risk premium divided by the portfolio beta. The higher the value, the better the performance of the portfolio relative to its risk. Our ratio over the investment time period was –3.206%. The Blended Index's Treynor ratio over the same period was -2.159%. This indicates that on a risk adjusted basis we have underperformed the blended index

**Sharpe Ratio** – Like Treynor's ratio, Sharpe's Ratio measures excess return per unit of risk, but it uses total risk rather than systematic risk. It measures the reward to (total) volatility trade-off. High values indicate that a portfolio delivered a premium over and above the risk associated with it. The momentum portfolio's Sharpe's Ratio was –0.295. The index's Sharpe ratio was -.242 over this period. This indicates that the portfolio under performed the market, offering a slightly decreased return for the risk involved.

It is important to remember that in the most important measure – actual dollars – the Growth Plus Income fund has outperformed a passively managed index over the two-year period.

## <u>MPSIF GROWTH PLUS INCOME FUND MANAGEMENT TEAM</u>

It is important to know the people managing the money. Therefore, here is a brief introduction to the people responsible for managing the Growth Plus Income Fund:

*Amrit Tewary - Director of Research; Analyst – Technology*
In addition to his responsibilities with the Growth Plus Income fund Amrit is working full-time as an equity research analyst at Standard & Poor's. In the summer of 2001, Amrit interned as an equity research analyst at Argus Research, an independent equity research firm. Prior to his MBA, Amrit worked as a business analyst at AT&T and IBM Global Services. He holds a Bachelor of Science degree from Duke University.

*David Lewis - Communications Director; Analyst – Transportation; Durables & Materials*
Prior to joining the Growth Plus Income fund Dave Lewis spent four years as an auditor for PricewaterhouseCoopers Capital Markets practice in New York. Dave has a CPA and an undergraduate degree in business from Georgetown University.

*David Liang - Funds Services Director; Analyst – Consumer Staples*
Mr. Liang joined the Growth Plus Income Fund from Goldman Sachs. At Goldman David worked in Equity Research Division as an analyst covering the multi-diversified industry. He also founded Liang & Company, a firm that specialized in helping foreign firms expand operations into the North American market. Mr. Liang graduated from Creighton University with a degree in Finance, Accounting and Economics

*Derek De Vries - Fund Manager*
Derek has always had an active interest in investing. Prior to joining the Growth Plus Income Fund, Derek spent two years in strategic planning at Fidelity Investments and three years as a consultant at Greenwich Associates. Derek has also worked in equity research at Merrill Lynch. Derek is currently working towards his CFA. Derek holds a B.S. in Business Management from Washington & Lee University

*Douglas Creutz - Analyst – Conglomerates; Energy*
Prior to coming to Growth Plus Income, Douglas was a group health insurance underwriter for Prudential HealthCare and PacifiCare. Douglas received his bachelor's degree from Duke University and has a master's degree in economics from the California Institute of Technology. He has also managed his own investment portfolio since 1996.

*Graham Michener - Fixed Income Manager; Analyst – Consumer Cyclicals*
Prior to joining the Growth Plus Income Fund Graham spent a summer at Lehman Brothers. Previously Mr. Michener held positions at Chase Securities, where he spent 3 years in the Transportation Group of the Global Investment Bank and a year in Chase's Private Bank as an Associate in Greenwich, CT. Mr. Michener started his career at The Federal Reserve Bank of New York as a Senior Analyst in the Research Department from 1994 - 1997. Mr. Michener received a B.A. from Lafayette College in 1993.

*Lawrence Teitelbaum - Director of Research; Analyst – Healthcare*
Prior to joining the Growth Plus Income team Larry worked in research sales at Deutsche Banc Securities. Larry has also worked as an attorney for Segal and Meltzer and Greenberg Traurig, LLP in New York. Larry holds a JD from Brooklyn Law School, and a BA from Washington University.

*Mona Hans - Communication Director; Analyst – Healthcare*
Mona is originally from New Delhi, India and came to the Growth Plus Income fund by way of Texas and San Francisco. Mona's last position was working as a product manager for Thomson Financial. Prior to that she worked at Carreker Corporation in Dallas, Texas as a Yield Management consultant. She received her Bachelor in Business Administration in Finance from University of Texas at Arlington.

*Sean Ha - Analyst – Technology*
Sean has had 5 years of IT/Operational experience in both the high technology manufacturing and financial services industry. During the summer of 2001, Sean worked as an analyst in the venture capital arm of a Manhattan-based investment company.

*Simon Dong - Fixed Income Manager; Analyst – Financials*
Prior to joining the Growth Plus Income Staff Simon had 3 years of portfolio management experience, managing a fund of $25 million in China. Simon also has 2 years of equity research experience and 2 years of Accounting/Financial Analyst experience.

*Stewart Glickman – Treasurer; Analyst – Healthcare*
Prior to Stern, Mr. Glickman worked as an Associate at Law and Economics Consulting Group, Inc., and N/E/R/A, Inc., where he conducted economic analysis of antitrust and intellectual property disputes in a variety of industries. He is a double major in Finance and Accounting at Stern. For his summer internship, he worked in the Equity Research department of C.E. Unterberg Towbin and assisted the Senior Biotechnology analyst.

*Sundeep Agrawal - Chief Strategist; Analyst – Technology*
Mr. Sundeep Agrawal currently serves as the Market Strategist for the MPSIF Growth and Income Fund. Mr. Agrawal is also associated with Lehman Brothers where he is an Assistant Vice President in the Fixed Income Division. He holds a BS in Electrical Engineering from University of Delhi and a M.S. in Electrical Engineering from the University of Texas at Austin.

*Todd Cohen - Head Trader; Analyst – Consumer Cyclicals*
Prior to joining the Growth Plus Income Fund Todd worked as an investment banker in the Communications, Media and Entertainment Group at Lehman Brothers. Prior to business school Todd worked at Bernard Madoff Investment Securities for five years. At Madoff Todd served many roles, notably a market maker, proprietary trader and money manager for Bernard's hedge fund. Todd is currently pursuing a full time position in money management.

# SMALL CAP FUND

## STATEMENT ON INVESTMENT STYLE AND STRATEGY

The objective of the Small Cap Equity portfolio ("the portfolio" of "the Fund") is total return in excess of the return on the Russell 2000 through capital appreciation and dividends.

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

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

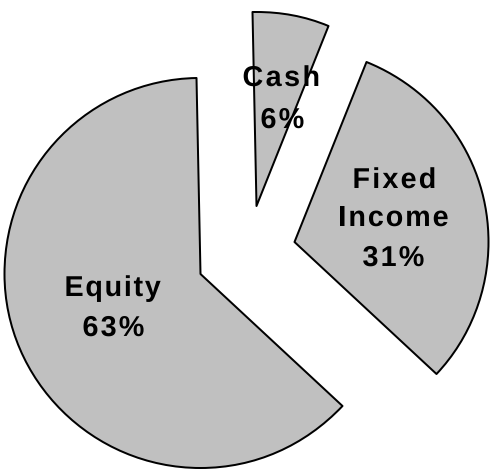
Note: Effective January 1, 2002 the fund changed benchmarks from the S&P 600 to the Russell 2000, in part to allow the Michael Price Student Investment Fund (MPSF) as a whole to have a uniform benchmark (the Russell 3000).

Historically, the Small Cap portfolio has not taken positions in stocks with a market capitalization greater than that of the largest company in the benchmark index. As the largest company in the Russell 2000 is approximately half the size of that in the S&P 600 ($1.5 billion versus $3 billion), the portfolio currently holds positions in companies that are larger than our target range. Rather than jettison positions that we continue to find attractive, portfolio management has elected to "grandfather" them in to current guidelines.

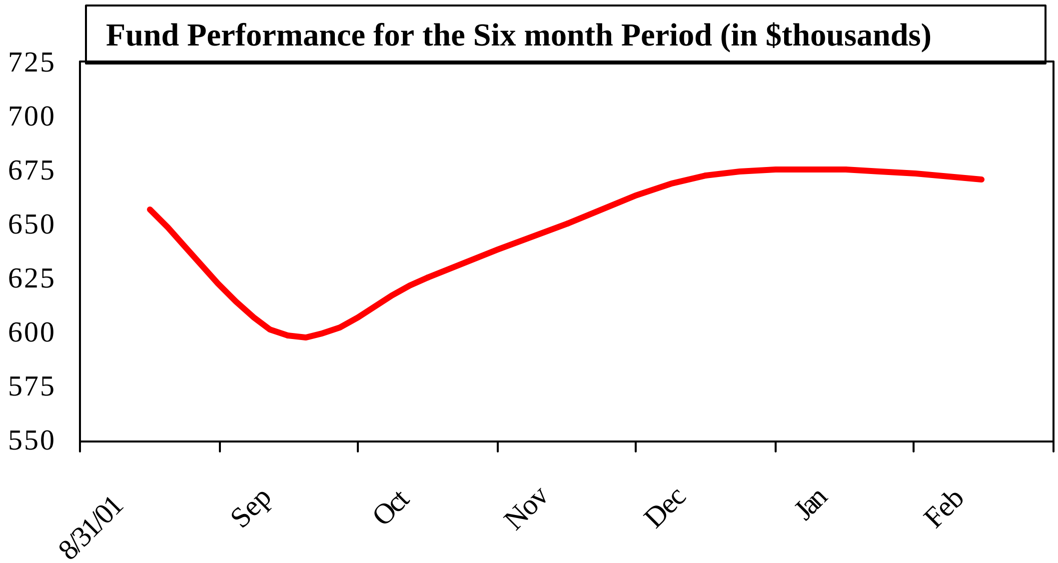
## SEMI-ANNUAL REVIEW - Six Months ending February 28, 2002

Effective January 1, 2002, the small cap fund switched its equity benchmark to the Russell 2000 from the S&P 600. During the six month period ended February 28, 2002, the small cap fund outpaced a 75/25 Russell 2000/Lehman Aggregate Bond Index benchmark return of 1.14%. Total returns for the period were 1.94%. The managed equity portion of the MPSIF small cap fund (i.e. not including the index position) returned 3.69%, in comparison to the S&P 600 return of 3.08% and the Russell 2000 return of 0.85%. Since inception, the fund has an IRR of 17.2% or 8.3% annualized.

| ASSET ALLOCATION | | | | |
|---|---|---|---|---|
| **Asset Class** | **8/31/2001** | **Weight** | **2/28/2002** | **Weight** |
| **Equity** | $418,264 | 63.6% | $419,350 | 62.6% |
| **Fixed Income** | $201,654 | 30.7% | $202,070 | 30.2% |
| **Cash** | $37,290 | 5.7% | $48,515 | 7.2% |
| **Total Assets** | $657,208 | 100.0% | $669,935 | 100.0% |




Although the small cap fund's allocation between asset classes has remained steady, the fund has experienced a significant degree of turnover during the 6-month period ending February 28, 2002. See the statement of changes in equity positions below for a complete listing of sales and purchases for the period.




The MPSIF small cap fund felt the shock of 9/11, as did the entire US financial market. Like both the S&P 600 and the Russell 2000, the small cap fund rebounded to end the period in the black. Fund assets at 8/31/01 totaled $657,208 and grew to $669,935 by the end of the period. The fund owed much of its positive performance to a significant overweighting of the financial sector. All of the fund's existing financial sector positions posted significant gains, including Allied Capital, North Fork Bancorp, and Silicon Valley Bancshares. The fund also added NCO Group, which has since increased 55% in value, and Student Loan Corporation, which increased 12% during the three months the fund has owned it in the portfolio. Dianon also entered and left the portfolio during the period, posting a 38% gain. The fund benefited from the continued boom in the housing market through DR Horton. During the period, the fund decided to close out several poor performing technology positions leftover from the year 2000 technology bubble (the fund entered its first positions in March 2000). Unfortunately, the technology positions remaining in the portfolio have continued to provide a drag on performance.

| Relative Performance of Fund During Period | |
|---|---|
| MPSIF Small Cap Portfolio | 1.94% |
| MPSIF Small Cap: Equity Portion | |
| MPSIF Small Cap: F.I. Portion | 0.21% |
| Russell 2000 Small Cap Index | 0.85% |
| S&P 600 | 3.08% |
| Lehman Aggregate Bond Fund | -0.29% |

In spite of this September's tragic events, the small cap fund was able to make back all the ground it lost, outperforming its benchmark indices over the course of the past six months.

## FUND PROFILE – Equity Portfolio

EQUITY ASSETS BY SECTOR

Total Equity Positions: 21

| Industry | % of Equity | % of Total Assets | % of Equity 8/31/01 | Russell 2000 |
|---|---|---|---|---|
| Financial Services | 30.6% | 19.1% | 15.2% | 21.6% |
| Consumer Discretionary | 18.8% | 11.8% | 18.0% | 18.5% |
| Technology | 11.4% | 7.1% | 20.3% | 14.3% |
| Healthcare | 12.0% | 7.5% | 7.7% | 11.9% |
| Producer Durables | 9.5% | 6.0% | 10.2% | 9.3% |
| Materials & Processing | 1.3% | 0.8% | 9.9% | 8.9% |
| Utilities | 1.1% | 0.7% | 1.1% | 4.7% |
| Auto & Transportation | 3.8% | 2.4% | 3.6% | 3.9% |
| Consumer Staples | 10.1% | 6.3% | 9.9% | 3.2% |
| Other Energy | 1.4% | 0.9% | 4.0% | 2.8% |
| Other | 0.0% | 0.0% | 0.0% | 0.9% |
| Total | 100.0% | 62.6% | 100.0% | 100.0% |

The fund does not maintain guidelines regarding asset allocation between sectors

Compared to our benchmark index, the Russell 2000, the fund is significantly overweight financial services and consumer staples. The fund is significantly underweight utilities, energy, materials & processing and technology.

*Benchmark data as of 1/31/02. Weighted by market capitalization

PORTFOLIO STATISTICS

| | Median | Weighted Average | S&P 500 |
|---|---|---|---|
| P/E Multiple | 18.8 | 24.29 | 22.1 |
| P/B Multiple | 2.33 | 3.88 | 3.4 |

**POSITION STATEMENT –** Equity Portfolio on 2/28/02

| Sector/Company | Shares | Market Value | Sector/Company | Shares | Market Value |
|---|---|---|---|---|---|
| **Financial Services** | | **115,962** | **Producer Durables** | | **16,865** |
| Allied Capital | 1,100 | 30,008 | Heico Cl A | 100 | 1,365 |
| NCO Group | 800 | 20,024 | Heico | 1,000 | 15,500 |
| North Fork Bancorp | 800 | 27,664 | **Materials & Processing** | | |
| Silicon Valley Bancshares | 400 | 11,104 | **Utilities** | | |
| Student Loan Corp | 300 | 27,162 | **Consumer Staples** | | **37,131** |
| **Consumer Discretionary** | | **54,336** | Marsh Supermarkets | 1,275 | 17,531 |
| DR Horton | 666 | 26,573 | McCormick | 400 | 19,600 |
| Hasbro | 1,500 | 10,733 | **S&P 600 I-shares** | | **114,318** |
| Lumenis | 1,100 | 8,030 | **Other Energy** | | |
| Steve Madden | 600 | 9,000 | **Healthcare** | | **35,874** |
| **Technology** | | **28,843** | Cephalon | 250 | 14,575 |
| Bisys | 600 | 18,888 | Dianon | 300 | 18,555 |
| Triquint Semiconductor | 1,100 | 9,955 | Illumina | 400 | 2,744 |
| **Auto & Transportation** | | **16,020** | **Total** | | **$419,350** |
| American Axle | 600 | 16,020 | | | |

**POSITION STATEMENT** – Changes in Equity Holdings (9/1/01 – 2/28/02)

| Total Purchases: 7 | | | Total Sales: 11 | | | |
|---|---|---|---|---|---|---|
| **Company** | **Shares** | **Total Value** | **Company** | **Shares** | **Total Value** | **Net Gain/Loss** |
| Dianon | 300 | 13,248 | Interdigital Communicat | 500 | 3,505 | (12,855) |
| NCO Group | 800 | 12,903 | Ryanair Holdings | 300 | 11,880 | (2,355) |
| Lumenis | 1,100 | 20,263 | Hasbro | 750 | 10,515 | 2,970 |
| American Axle & Manı | 600 | 11,266 | Gibralter Steel | 500 | 8,520 | 455 |
| Triquint Semiconducto | 1,100 | 17,634 | F5 Networks | 1,000 | 14,971 | (5,530) |
| Student Loan Corp | 300 | 24,220 | Insight Enterprises | 600 | 9,960 | (9,168) |
| Allied Capital | 300 | 8,109 | Vintage Petroleum | 600 | 7,434 | (6,594) |
| **Total** | | **107,643** | Manugistics | 400 | 4,984 | (4,368) |
| | | | Rogers Corporation | 400 | 11,984 | (4,992) |
| | | | JNI Corp | 200 | 1,430 | (7,670) |
| | | | Bemis | 600 | 32,268 | 15,660 |
| | | | **Total** | | **117,451** | **(34,447)** |

The most recent six months saw the fund sell a number of poor performing technology positions, most of which were acquired during the “bubble” of 2000. The fund also sold one of its biggest winners, Bemis. Bemis had appreciated 94% since purchase prompting concerns over the stock’s valuation.

Poor market conditions and significant market uncertainty during the beginning of the period resulted in little buying. Portfolio turnover, both in stocks and personnel caused the fund to fall short of its goal of being fully invested by the end of the period.

## MARKET REVIEW AND OUTLOOK – Fixed Income Portfolio

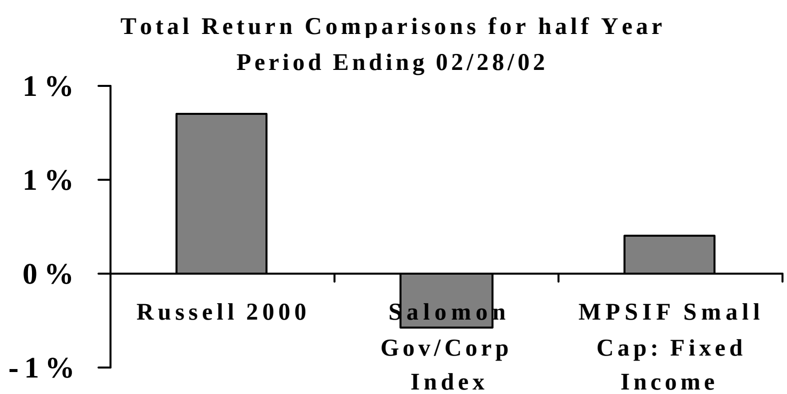
**Review**

The fund held approximately 30% of its assets in fixed income mutual funds for the duration of the period. Although no specific mandate requires the fund to hold any fixed income assets, the fund does so in attempt to align its investment philosophy with the required annual payment of 5% of its assets to the University of Oklahoma. In fiscal 2001 this fee amounted to $31,734. Because of our near term bearish outlook during most of the period, the fund continued to overweight fixed income assets compared to a 75/25 benchmark portfolio.

Fixed income results for the most recent six month period proved that fixed income securities did not provide shelter from a tumultuous equity market. Even though short-term interest rates dropped as a result of the Fed aggressive cuts, the long-short spread widened by about 10 bps. Moreover, the corporate sector suffered severe pressure from accounting scandals following Enron's collapse. As a result, the Lehman aggregate bond index lost 0.3% during the first 6 months of fiscal 2002 (October 31, 2001 to February 28, 2002). The small cap fund's fixed income holdings returned a slightly better 0.2%

**Outlook**

On March 19, the Fed decided to abandon its stance that weakness posed the greatest risk to the US economy. This signaled the end of its tightening cycle and a tangible indication of the US economic recovery. In addition, it is quite clear now that the government will run a fiscal deficit for fiscal 2002. Both of these indicators suggest a flat to increasing interest rate environment. When combined with a near term bullish outlook for US equities, the small cap fund will look to trim its fixed income in the coming months.



**POSITION STATEMENT** – Fixed Income on 2/28/02

| Fund | Ticker | Market Value 8/21/01 | Dividends | Market Value 02/28/02 |
|---|---|---|---|---|
| Fidelity Advisor Government Investment Fund | FAGVX | 66,849 | | 68,949 |
| Merrill Lynch Short Term Global Income | MASIX | 65,357 | | 65,965 |
| Strong Corporate Bond Fund | SCBNX | 69,448 | | 67,185 |
| | **Total** | 201,654 | | 202,099 |

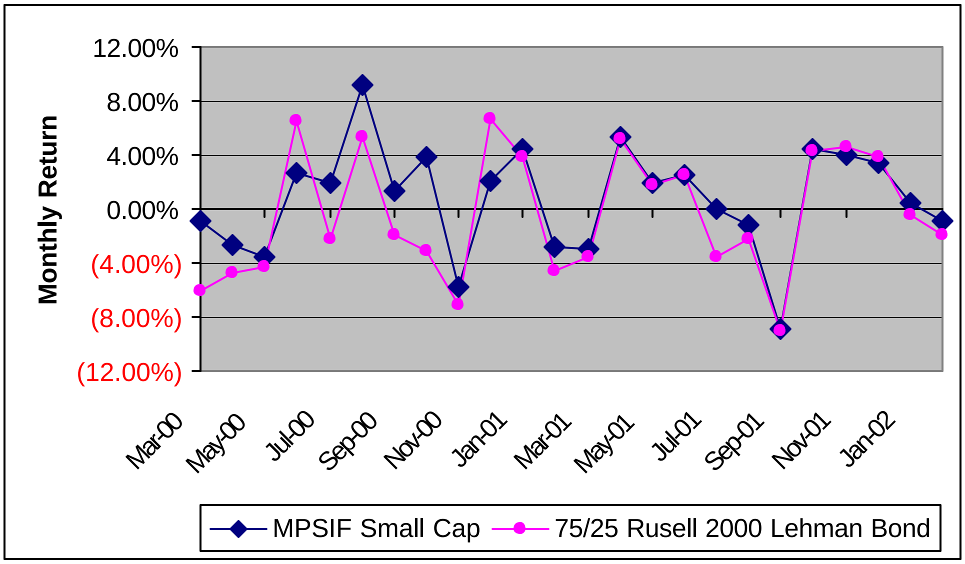
**Fund Descriptions** (from Yahoo! Finance)

**FAGVX** seeks current income. The fund normally invests at least 65% of assets in U.S. government debt, including U.S. Treasury bonds, notes and bills, GNMA mortgage-backed pass-through certificates, and various other mortgage-backed securities. This fund offers shares A,B,C,and T, all of which differ in fee structure and availability. Past names: Plymouth Government Securities Portfolio and Fidelity Advisor Government Investment Fund.

**MASIX** seeks income. The fund invests in debt securities rated at least AA with remaining maturities of fewer than three years. These securities are typically denominated in at least three currencies, which may include the U.S. dollar and multinational currency units. The fund will hedge against currency and interest-rate risk. This fund is non-diversified. The fund offers A, B, C and D shares, all which differ in fee structure and availability.

**SCBNX** seeks total return by investing for a high level of current income with a moderate degree of share-price fluctuation. The fund normally invests in intermediate maturity bonds issued by U.S. companies. The fund invests primarily in higher- and medium-quality bonds. To increase the income it pays out, it may also invest a small portion of its assets in lower-quality, high-yield bonds. The fund focuses primarily upon high-yield bonds rated BB with positive or improving credit fundamentals. To a limited extent, it may also invest in foreign securities. The fund currently offers Investor, Advisor and Institutional shares.

## PORTFOLIO RISK EVALUATION




Since the fund's inception in March 2000, it has outperformed the benchmark portfolio of a 75% ($450,000) investment in the Russell 2000 and a 25% ($150,000) in the Lehman Aggregate Bond index. Using the small cap fund's 17.2% IRR since inception to correct for the withdrawal, its $600,000 balance would have grown to $703,320. By contrast, the benchmark portfolio would have lost value to close at $528,283. A portfolio of 75/25 S&P 600/Lehman Bond Index would have also under-performed the small cap fund with a value of $636,145.

| **Portfolio Statistics** | | |
|---|---|---|
| Volatility | 3.95% | |
| Average Return | 0.74% | |
| Average Return/Volatility | 0.19 | |
| Sharpe Ratio | 0.08 | |
| **Performance Metric (based on 24 monthly returns)** | **MPSIF small cap v. 75/25 Russell 2000/ Lehman Bond** | **MPSIF small cap v. 75/25 S&P 600/ Lehman Bond** |
| Tracking Error | 5.08% | 4.53% |
| Average Excess Return | 1.16% | 0.40% |
| Information Ratio | 0.23 | 0.09 |
| *Regression Data* | | |
| Beta | 0.710 | 0.752 |
| Alpha | 0.009 | 0.004 |
| R-Sq | 0.703 | 0.754 |

## CASH FLOWS FROM OPERATIONS

| Investment Income | |
|---|---|
| Equity Dividends | 2,458 |
| Fixed Income Dividends | 4,728 |
| Cash Interest | 473 |
| **Expenses** | |
| Account Fees | (1,675) |
| **Net Dividends & Interest** | 5,984 |

## CHANGE IN NET ASSETS

| | |
|---|---|
| Net Dividends & Interest | 5,984 |
| Net Realized Gain/(Loss) | (6,432) |
| Net Unrealized Gain/Loss | 13,174 |
| Net Increase/(Decrease) in Total Assets | 12,726 |
| Beginning Total Asset Value (9/1/01) | 657,208 |
| Net Increase/(Decrease) in Total Assets | 12,726 |
| **Ending Total Asset Value (2/28/02)** | 669,934 |

## MPSIF SMALL CAP FUND MANAGEMENT TEAM

*Anthony Gerrits, Portfolio Manager*
Tony came to Stern from a Business Development position at Sanford C. Bernstein & Co., Inc. and spent his summer internship as a Research Associate at Goldman Sachs Asset Management.

*Aaron Meyer, Basic Materials/Industrials*
Aaron recently left Goldman Sachs, where he spent two years in the Equity Research department following Multi-Industry Companies as well as Photography and Imaging businesses. Prior to Goldman Sachs, Aaron worked as a management consultant for Easton Consultants. Aaron graduated in 1998 from Haverford College with a BA in Political Science and Economics.

*Andrea Bolden, Fund Services, Consumer Discretionary (Retail)*
Prior to Stern, Andrea worked as analyst with Moody's Investors Service covering a portfolio of municipal credits in the small issue market.

*Cristina Romauldez, Consumer Discretionary/Staples (Retail),*
Cristina has worked as a trader and marketing associate for the Treasury Dept. of BankWise, Inc., a local Philippine bank. This summer, she interned at v-Traction, the internal venture capital fund of Rabobank NY. Cristina has also received a part-time equity analysis internship at Chalfont Hill Capital, a boutique shop.

*David Lawrence, Healthcare*
David spent three years working as a financial analyst in the Foreign Banking Applications Department at the Federal Reserve Bank of New York. This past summer David was an Associate in the Syndications/Merchant Banking Group at BNP Paribas in New York. David graduated summa cum laude with a bachelors degree in biology from Yeshiva University.

*David Lipschitz, Consumer Cyclicals*
After graduating from Rutgers University, David joined the professional tennis tour. Afterwards, he spent 4 years working in the garment district before entering business school. David will start at Merrill Lynch as an equity research analyst full time in the fall.

*Douglass Du, Financial Services*
Before coming to Stern, Douglass founded two companies in China, one specializing in chemicals and the other an investment vehicle in China's IPO market. Douglass is a Stern Scholar.

*Francis Vo, Technology*
Francis graduated from the University of Pennsylvania's Wharton undergraduate program in 1997 with a concentration in operations and information management. Upon graduation, Francis worked for two years as a consultant for Deloitte Consulting. He then worked for two more years as an equity research associate at Banc of America Securities covering the satellite communications industry.

*John Kim, Capital Goods*

*Karina Sarmiento, Food & Beverage/Healthcare*
Prior to Stern, Karina served as Assistant Vice President of Investor Relations for BBVA, a Spanish bank. Before BBVA, Karina worked at Salomon Smith Barney in the U.S. Equity Research Group.

*Nicholas Brown, CFA Media/Entertainment*
Nick worked at Goldman Sachs in corporate bond research before coming to Stern.

*Scott Goldman, Fund Services, Technology*
Prior to enrolling at Stern, Scott spent eight years at Nortel Networks in their Caribbean and Latin American division. During that time, Scott held positions in Engineering, Management and Business Development.

*Seth Nadler, Energy/Utilities*
Seth graduated from Binghamton University with a BS in Accounting and prior to Stern, worked for two private investment management firms as an analyst.

*Terence Brown, Trader, Financial Services/Transportation*
Terry spent the summer doing investment research for a hospital worker's pension fund. Before his return to school, he worked as a financial analyst for a gaming company in Nevada.

*William Muller, Portfolio Manager*
Prior to Stern, Will worked as a tax consultant with Ernst & Young. He interned last summer with W.R. Huff Asset Management as a high yield bond analyst for the energy industry.

# VALUE FUND

## MESSAGE FROM THE PORTFOLIO MANAGER

During the six months ended February 28, 2002, we witnessed extreme volatility in the equity markets as a result of a series of unforeseen and tragic events that caused damage to this country on many levels – physical, psychological and economic. As a result, we were faced with an equity market that presented both dangers and opportunities.

It all began with the reprehensible terrorist attacks on September 11, 2001 that forever changed our nation. For a country already mired in a recession, this exogenous shock to the U.S. economy created significant uncertainty. As a result, the equity markets contracted sharply. Over the ensuing weeks, the country continued to deal with the fallout from the attacks and the equity market began to recover as the nation entered its war with Afghanistan. Shortly thereafter, the country was rocked by the Enron scandal and the lack of confidence it instilled in the U.S. financial reporting system. Trust in financial reporting, a necessary precondition to the proper functioning of the capital markets, was severely shaken and, as a result, the equity market once again experienced significant volatility. In recent weeks, the equity markets have rallied on positive economic news that indicates that the country is beginning to emerge from its recent economic stagnation.

Over the course of the last six months the fund has remained focused on executing its value investment style and looking beyond the emotional response of the equity markets and instead focusing on the long-term value of its investments. We look forward to the challenges that lie ahead.

In closing I would like to thank Michael Price for the unique opportunity he has given us to manage this fund. Thank you.

*Darrin Cozzolino, 3/24/02*

## STATEMENT ON INVESTMENT STYLE AND STRATEGY

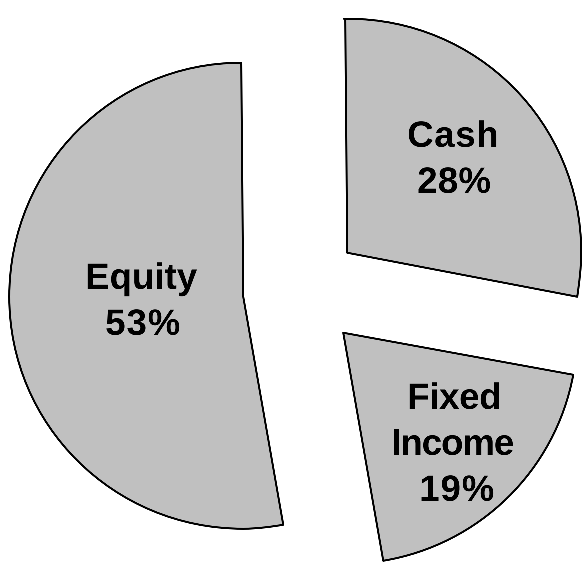
The Michael Price Student Investment Fund (MPSIF) Value Portfolio is part of the New York University. The Portfolio seeks to maximize returns by investing primarily in large cap companies with consistent year over year earnings that are trading at a discount relative to their peer group or the market as a whole. The metrics it closely monitors, among others, are Price-earnings, dividend yields, and various Free-Cash-Flows ratios. Firms must be publicly traded on major world exchanges and generate the bulk of their revenues in developed markets. There is, however, no specific country or region quota. The fund seeks to outperform its benchmark, the Russell 1000 Value, without significantly deviating from the index's risk profile. Due to the fund's tax-exempt status it does not consider the impact of capital gains or income taxes in its management decisions. The fund does not engage in shorting, derivatives trading, or other esoteric investment strategies. The fund is required to pay an annual 5% fee to support bringing selected University of Oklahoma students to New York University for a summer program. In order to ensure this payment, the fund invests a portion of its assets in fixed-income vehicles, primarily short and medium term fixed-income mutual funds.

**SEMI-ANNUAL REVIEW - Six Months ending February 28, 2002**

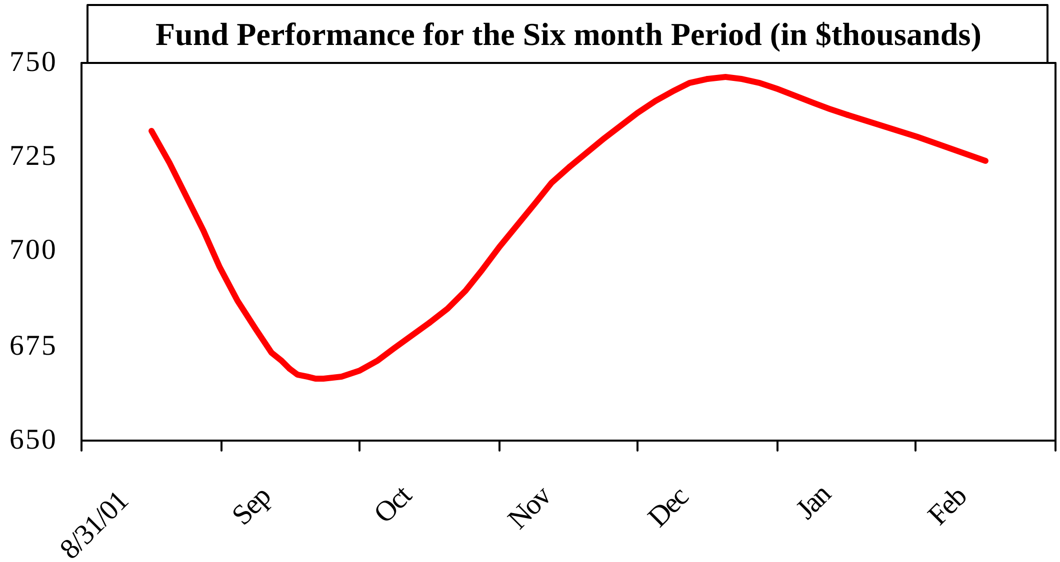
The six months ending February 28, 2002 have been a very productive period for the Value Fund. Although its performance has been only slightly better than the equity markets in general, the fund has made substantial progress rotating its equity investments out of positions with significant gains and limited potential upside and into new positions.

**ASSET ALLOCATION**

| Asset Class | 8/31/2001 | Weight | 2/28/2002 | Weight |
|---|---|---|---|---|
| **Equity** | $523,932 | 71.5% | $382,486 | 52.8% |
| **Fixed Income** | $144,811 | 19.8% | $138,570 | 19.1% |
| **Cash** | $63,707 | 8.7% | $202,891 | 28.0% |
| **Total Assets** | $732,450 | 100.0% | $723,948 | 100.0% |




As a result of significant selling action during the period, the fund held slightly more than half its value in equities, down from its historical average of approximately 75%. This is a result of the divestiture of a number of large positions with significant gains. Fund management expects the fund's allocation to return to historical levels.




The tragedy of 9/11 caused tremendous uncertainty in the market. As a whole MPSIF Value lost 9% of its value in September, falling below $670 thousand for the first time in almost a year. By December the fund made it back into the black before giving up some ground in early 2002. The fund ended the calendar year on a high note partly thanks to its timely exit from its technology position, represented by Motorola, and the scaling back of its communications allocation through the sale of AT&T and AT&T Wireless. The fund decided to hold on to its Worldcom position, however, which proved costly. To date, the fund has largely avoided the pall of disingenuous accounting practices, ala Enron, except for Waste Management, one of the fund's largest holdings, and JP Morgan Chase. Waste Management's decline in the opening months of 2002 put outsized downward pressure on the fund, as did JP Morgan Chase's financial proclivity for the bankrupt energy firm. Seven-Eleven, another large holding, swooned in February after announcing strong profits and a restructuring plan. Much of the fund's performance during the six month period is due to its largest holding, Cendant, which ran up considerably in November and December before giving up some ground in January.

| **Relative Performance of Fund During Period** | |
|---|---|
| MPSIF Value Portfolio | -0.92% |
| MPSIF Value: Equity & Cash Portion | -0.85% |
| MPSIF Value: Fixed Income Portion | -1.19% |
| Russell 1000 Value Index | -1.83% |
| S&P 500 | -2.37% |
| Dow Jones Industrial Average | 1.57% |

Despite the September swoon the fund held steady relative to its index. The fund's large cash position proved both a boon and a detriment. It was a boon because the cash portion provided stability. It was a detriment because the fund did not capture the outsized returns displayed by certain sectors in which it had little or no investments.

## FUND PROFILE – Equity Portfolio

**EQUITY ASSETS BY SECTOR**

**Total Equity Positions: 16**

| Industry | % of Equity | % of Total Assets | % of Equity 8/31/01 | Russell 1000 Value* |
|---|---|---|---|---|
| Financial Services | 22.3% | 11.8% | 13.0% | 28.0% |
| Capital Goods | 18.1% | 9.6% | 7.4% | 3.6% |
| Transportation/ Leisure | 13.9% | 7.4% | 15.0% | 3.4% |
| Consumer Staples | 12.5% | 6.6% | 18.4% | 9.5% |
| Energy | 9.5% | 5.0% | 3.1% | 6.9% |
| Healthcare | 9.5% | 5.0% | 6.1% | 10.7% |
| Basic Materials | 7.9% | 4.2% | 0.0% | 4.3% |
| Communication Services | 3.4% | 1.8% | 12.8% | 2.1% |
| Utilities | 2.8% | 1.5% | 2.3% | 11.8% |
| Consumer Cyclicals | 0.0% | 0.0% | 15.5% | 11.6% |
| Technology | 0.0% | 0.0% | 6.4% | 8.1% |
| Total | 100.0% | 52.8% | 100.0% | 100.0% |

The fund invests across a variety of sectors. Although there is no specific guideline regarding sector allocation, the fund seeks a balance across as many sectors as possible.

Compared to our benchmark index, the Russell 1000 Value, the fund is significantly overweight capital goods and transportation/leisure and significantly underweight utilities, consumer cyclicals and technology.

On a valuation basis the fund's value style shows clearly. Versus an average market P/E of 22.1x, the fund comes in at 15x.

*Benchmark data as of 1/31/02. Weighted by market capitalization

**PORTFOLIO STATISTICS**

| | Median | Weighted Average | S&P 500 |
|---|---|---|---|
| P/E Multiple | 13.9 | 15.0 | 22.1 |
| P/B Multiple | 2.8 | 3.7 | 3.4 |

**POSITION STATEMENT** – Equity Portfolio on 2/28/02

| Sector / Company | Shares | Market Value | Sector / Company | Shares | Market Value |
|---|---|---|---|---|---|
| **Financial Services** | | **85,345** | **Energy** | | **36,511** |
| Mack Cali | 940 | 29,563 | Tidewater | 530 | 20,659 |
| Meristar Hospitality | 1,440 | 23,314 | PanCanadian Energy | 547 | 15,852 |
| JP Morgan Chase | 629 | 18,398 | **Healthcare** | | **36,486** |
| Wells Fargo | 300 | 14,070 | WellPoint | 300 | 36,486 |
| **Capital Goods** | | **69,363** | **Basic Materials** | | **30,056** |
| United Technologies | 500 | 36,475 | Alcoa | 800 | 30,056 |
| Waste Management, Inc | 1250 | 32,888 | **Communication Services** | | **13,160** |
| **Transportation/Leisure** | | **53,306** | WorldCom | 1,750 | 13,160 |
| Cendant | 2,600 | 45,266 | **Utilities** | | **10,590** |
| Canadian Pacific Railway | 400 | 8,040 | Duke Energy | 300 | 10,590 |
| **Consumer Staples** | | **47,670** | **TOTAL** | | **$382,486** |
| McDonald's | 800 | 20,880 | | | |
| Seven-Eleven | 3,000 | 26,790 | | | |

**POSITION STATEMENT** – Changes in Equity Holdings (9/1/01 – 2/28/02)

**Total Purchases: 7**

| Company | Shares | Total Value |
|---|---|---|
| Alcoa | 800 | 30,616 |
| Canadian Pacific Railway* | 400 | 6,956 |
| CP Ships Ltd* | 200 | 1,622 |
| Fairmont Hotels* | 200 | 3,252 |
| Fording, Inc* | 132 | 2,166 |
| Mack Cali | 940 | 29,798 |
| PanCanadian Energy* | 547 | 15,720 |
| United Technologies | 500 | 29,875 |
| **TOTAL** | | **$120,005** |

**Total Sales: 12**

| Company | Shares | Total Value | Net Gain (Loss) |
|---|---|---|---|
| AT&T | 1400 | 26,543 | (5,770) |
| AT&T Wireless | 450 | 6,646 | (571) |
| Canadian Pacific* | 800 | 29,717 | (11) |
| Clear Channel | 200 | 9,720 | (1,480) |
| CP Ships Ltd | 200 | 2,122 | 500 |
| Fairmont Hotels | 200 | 4,720 | 1,468 |
| Fording, Inc | 132 | 2,231 | 65 |
| Motorola | 1925 | 32,300 | (1,627) |
| Nike | 725 | 43,065 | 14,354 |
| Office Depot+ | 3250 | 50,400 | 21,349 |
| Tricon Global Restaurants | 800 | 44,423 | 15,008 |
| WorldCom-MCI Group | 70 | 949 | (199) |
| **TOTAL** | | **$252,835** | **$43,054** |

*On October 9, 2001 Canadian Pacific was spun off into five separate companies: Canadian Pacific Railway, CP Ships Ltd, Fairmont Hotels, Fording Inc, and PanCanadian Energy. There was no cash payout due to the split-up.

+Office Depot was sold in three separate trades. The first was on October 5th when 1,100 shares were sold at $13.96. The second and third transactions took place on February 8th when 1,600 shares and 550 shares were sold. Both transactions were at a price of $16.30.

## MARKET REVIEW AND OUTLOOK – Fixed Income Portfolio

### Review

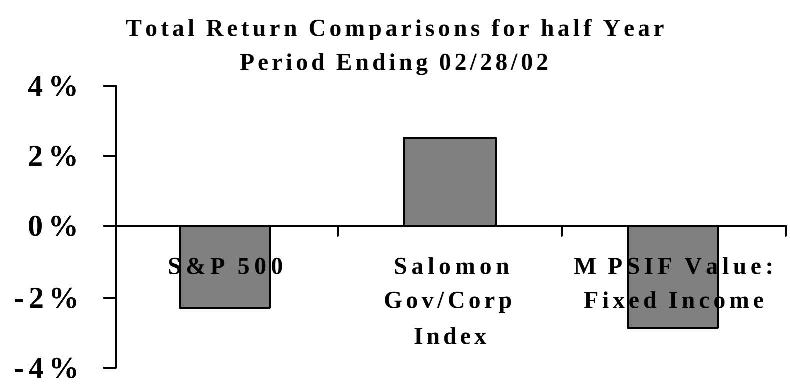
The fund currently invests approximately 20% of its assets in fixed income mutual funds. Although there is no specific mandate to hold any of its assets, the fund does so as a measure of safety in order to ensure that the fund will be able to pay its annual 5% fee in support of University of Oklahoma students. In fiscal 2001 this fee amounted to $35,445.

The first 6 months of fiscal 2002 (October 31, 2001 to February 28, 2002) have proven to be an extremely difficult time for fixed income instruments. Even though short-term interest rates tightened as a result of the Fed aggressive cuts, the longer sector of the curve widened by about 10 bps. Moreover, the corporate sector suffered severe pressure from the accounting scandals following Enron's collapse. In mid November the fund decided to shorten the duration of its fixed income investment in anticipation of higher expected interest rates. Therefore, it sold its Intermediate Bond Fund (EFIPX) and reinvested the proceeds in the Strong Short Term Bond Fund (SSTBX). SSTBX posted a negative return of –2.93% Including Accrued Interests) in the last half-year period, while the Salomon Corporate and Government Index was up 2.56%

### Outlook*

By the end of February, which is the end of the analyzed period, there were some indications that the economic recovery was finally materializing. In fact, on March 19 the Fed has decided to abandon its stance that weakness posed the greatest risk to the US economy, signaling the end of its tightening cycle. On top of this, it is quite clear now that the government will run a fiscal deficit for fiscal 2002. In light of these facts, the fund has discussed its outlook for the rest of the year and holds the view that the yield curve will flatten, with short-term interests rising more than long- term ones. If anything, there seems to be a higher risk for interest rates to go higher across the board, and therefore the fund has agreed on keeping short duration instruments in its fixed income sector.

*The views expressed here are the opinions of our Fixed Income analysts, Ezequiel Lazcano and John Hofman.



**POSITION STATEMENT** – Fixed Income on 2/28/02

| Fund Name | Ticker | Market Value 8/31/01 | Dividends During Period | Market Value 2/28/02 |
|---|---|---|---|---|
| Fidelity Advisor Intermediate Bond Fund, Institutional Class Shares | EFIPX | 73,384 | 710 | 0 |
| Strong Short-Term Bond Fund, Investor Class Shares | SSTBX | 71,432 | 3,450 | 138,570 |
| **TOTAL** | | 144,816 | 4,160 | 138,570 |

**Fund Descriptions** (from Yahoo! Finance)

**SSTBX:** Seeks current income consistent with a low degree of share-price volatility. The fund invests primarily in short- and intermediate-term corporate, mortgage- and asset-backed, and US government bonds. It invests in higher- and medium quality- bonds. The average weighted maturity ranges from one to three years. The fund may invest a portion of its assets in lower-quality, high-yield bonds. It focuses on high-yield bonds rated BB with positive or improving credit fundamentals.

**Changes to Fixed Income Holdings**

| Fund Ticker Symbol | Shares Purchased | Market Value | Shares Sold | Market Value |
|---|---|---|---|---|
| EFIPX | 0 | 0 | 6,776 | 74,399 |
| SSTBX | 7,890 | 74,008 | 0 | 0 |

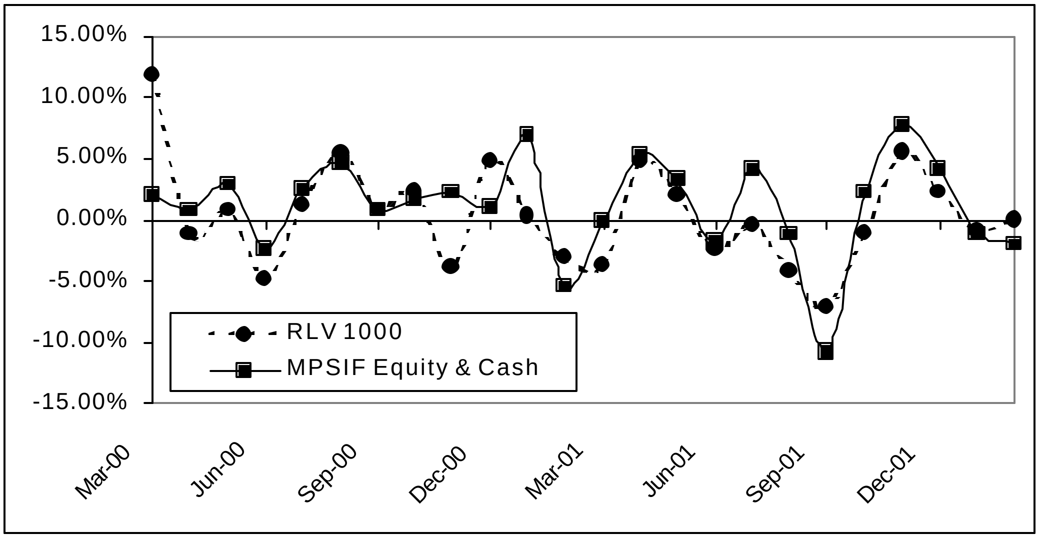
We are considering two funds to replace our existing Fixed Income position in the Strong Short Term Bond Fund. In light of our interest rate expectations (higher yields, flattening curve) we believe shifting some FI assets to intermediate maturities on the yield curve would reduce some of our short-maturity interest rate risk. In addition, we chose funds containing higher-quality assets than those in the Strong Fund (a major reason for its underperformance). The two funds we are considering are: PIMCO Total Return Fund (PTTBX) and PIMCO Low Duration Fund (PTLBX).

“PIMCO Total Return Fund Shares seeks total return consistent with preservation of capital. The fund invests at least 65% of assets in debt securities, including U.S. government securities, corporate bonds, and mortgage-related securities. It may invest up to 20% of assets in securities denominated in foreign currencies. The portfolio duration generally ranges from three to six years.”

“PIMCO Low Duration Fund seeks total return. The fund normally invests in a diversified portfolio of fixed-income securities with an average duration between one and three years. The advisor utilizes interest-rate anticipation, credit- and call-risk analysis, and foreign exchange rate forecasting. It may invest up to 10% of assets in debt rated below investment-grade but rated B or higher. It may invest up to 20% of assets in foreign securities. The fund may invest all assets in derivative securities.”

| | **PTTBX** | **PTLBX** |
|---|---|---|
| **Manager** | William Gross | William Gross |
| **Inception** | January 1997 | January 1997 |
| **Current average duration** | 5.5 years | 2.7 years |
| **Max deferred load** | 5.00% | 5.00% |
| **1 year return** | 5.45 | 4.64 |
| **3 year return** | 6.02 | 4.98 |
| **5 year return** | 6.94 | 5.43 |

## PORTFOLIO RISK EVALUATION




Since the fund's inception in March 2000, management has been successful in adding value relative the Russell 1000 Value. The regression results indicate that although the equity and cash portion fared better on a risk-adjusted basis when isolated from the fixed income position, such a comparison may not be apt. On an absolute basis, the equity and cash portfolio gained positive stability when combined with the fixed income positions. Because of the events of September, the latest six-month period is clearly the most volatile in the history of the fund. As was shown earlier in this report, the fund managed to outperform the index by 0.91%

| **Performance Metric** **(based on 24 monthly returns)** | **Equity & Cash** | **Total Portfolio** |
|---|---|---|
| Volatility | 3.99% | 3.27% |
| Average Return | 1.14% | 1.03% |
| Average Ret/Volatility | 0.28 | 0.32 |
| Tracking Error | 7.00% | 6.47% |
| Average Excess Return | 0.74% | 0.64% |
| Information Ratio | 0.11 | 0.10 |
| Sharpe Ratio (Index Sharpe Ratio: -0.01) | 0.18 | 0.19 |
| Alpha | 0.0074 | 0.0063 |
| **Regression Data** | | |
| Beta | 0.61 | 0.50 |
| R-Squared | 0.40 | 0.37 |

## CASH FLOWS FROM OPERATIONS

| Investment Income | |
|---|---|
| Equity Dividends | $3,066 |
| Fixed Income Dividends | 4,160 |
| Cash Interest | 780 |
| **Total Income** | **$8,005** |
| **Expenses** | |
| Account Fees | $2,021 |
| Non-Cash Adjustment | 0 |
| Foreign Withholding Tax | 24 |
| Total Expenses | 2,050 |
| **Net Investment Income** | **$5,960** |

## CHANGE IN NET ASSETS

| | |
|---|---|
| Net Investment Income | $5,960 |
| Net Realized Gain (Loss) | 24,173 |
| Unrealized Gain (Loss) | (38,634) |
| Net Increase (Decrease) in Net Assets | ($8,502) |
| Net Assets, Beginning of Period (9/01/01) | $732,450 |
| Total Increase (Decrease) in Net Assets | (8,502) |
| **Net Assets, End of Period (2/28/02)** | **$723,948** |

## MPSIF Value Fund Management Team

| MPSIF Value Team Spring Semester 2002 | | |
|---|---|---|
| **Name** | **Position** | **Sector** |
| Darrin Cozzolino | Fund Manager | |
| Tristan Thomas | Director of Research | Transportation |
| Jeb Armstrong | Treasurer | Energy |
| John Hoffman | Fixed Income Analyst | Consumer Cyclicals |
| Ezequiel Lazcano | Fixed Income Analyst | Consumer Staples |
| Guilherme Paiva | Director of Risk Management | Leisure |
| Evan Ben-Ner | Fund Services Manager | Capital Goods |
| Patty Liu | Market Strategist | Financial Services |
| Sherry (Wei-Qun) Cai | Assistant Treasurer | Transportation |
| Frank Boroch | Market Strategist | Technology |
| Matthew Chesler | Fixed Income Analyst | Basic Materials |
| Kazuki Nohdomi | Market Strategist | Communication Services |

MPSIF

The Michael Price Student Investment Fund

Application Overview Reports Links

**The Funds:** Growth Plus Income Small Cap Value

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