The Madison Investment Fund

2007 Annual Report

COLLEGE OF BUSINESS
JAMES MADISON UNIVERSITY

JAMES MADISON UNIVERSITY

Message from the President

January 1st, 2008

Dear Board Members of the JMU Foundation,

Over the past year we have seen several trends in the market. We have seen a surge in mortgage defaults among U.S. home buyers which disrupted money markets around the world as U.S. home prices fell 7.6 percent between June and September. Meanwhile, the ABX, a widely followed index which tracks securities backed by subprime mortgage debt has lost 75 percent of its value through 2007.

The dollar has depreciated for most of this year: Down. Investors have been relentlessly bearish with the U.S. sporting near-record trade and budget deficits. The euro hit a record high against the dollar amidst the turbulence

Delinquency rates on home loans spiked to a 14-year high, as a result of overstretched borrowers falling behind on payments. Many of those bad loans are bundled into mortgage-backed bonds that have plummeted in value. Since hitting a record in May, just before the real trouble began, financial stocks have fallen off the face of the earth.

The credit scare has sent investors seeking the safety of U.S. government bonds. As a result, U.S. Treasuries are on pace to outperform equities for the first time in five years. Treasuries have taken off since the summer.

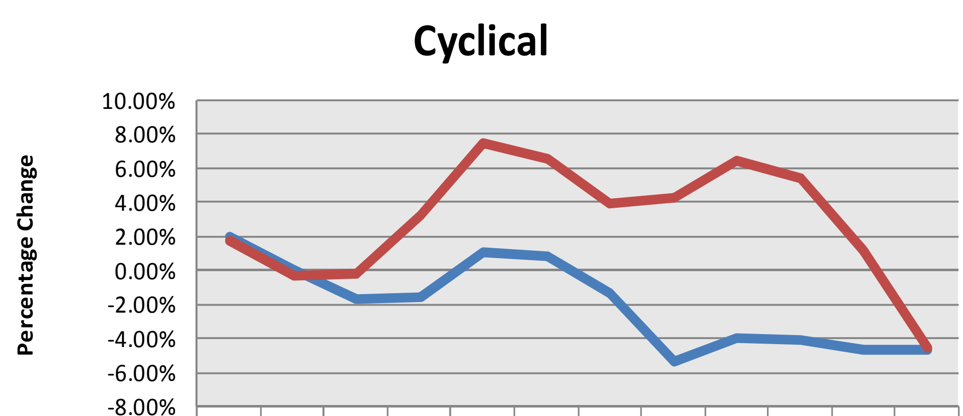
Tech made a huge comeback in 2007. This year Apple, Google, Research in Motion and Amazon.com have brought investors $200 billion in new wealth; accounting for roughly 40 percent of the increase in the value of the NASDAQ.

MIF Management's outlook for the year remains optimistic; we see many bargains in the marketplace and are in the process of making some key acquisitions and possibly realigning our current portfolio due to changing market conditions.

Our Warmest Gratitude and Best Regards,

Justin Luse
President, Madison Investment Fund

The cyclical sector covers industry groups from textiles and apparel to the manufacture of capital goods including aerospace and defense. Their scope also includes, office services, transportation, including airlines, couriers, marine, road and rail), consumer retail, forest products, transportation infrastructure, media production and services, metals, minerals and mining companies.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sector	1.99	0.03	-1.6	-1.5	1.03	0.86	-1.3	-5.4	-4.0	-4.1	-4.6	-4.7
Benchmark	1.71	-0.4	-0.2	3.23	7.44	6.52	3.93	4.25	6.40	5.42	1.15	-4.6

The markets began 2007 looking as though it would be another smooth sailing year with strong positive returns. This outlook led the cyclical sector to purchase a well known and well regarded retailer, Polo Ralph Lauren (RL), at the beginning of April. The market continued to perform well, adding to the gains already seen in the sector's holdings. Yet, shortly after the middle of the year the market entered a volatile phase; credit evaporated nearly instantly from what seemed to be an ocean of opportunity and the severity of the issues surrounding the housing market came to light. These issues, along with the rise in oil prices have since forced the cyclical sector to embrace the notion that not all markets are steadily increasing.

While the cyclical sector's outlook for 2008 appears more somber than the one seen midway through 2007, it nevertheless remains optimistic. In light of expectations that the market's volatility will continue well into 2008, the sector will remain ever-vigilant in its monitoring of the U.S. and global economies. On the cyclical sector's radar are those companies with broad global exposure, a diverse income base, and a large market capitalization.

- Matt Timmerman, Manager

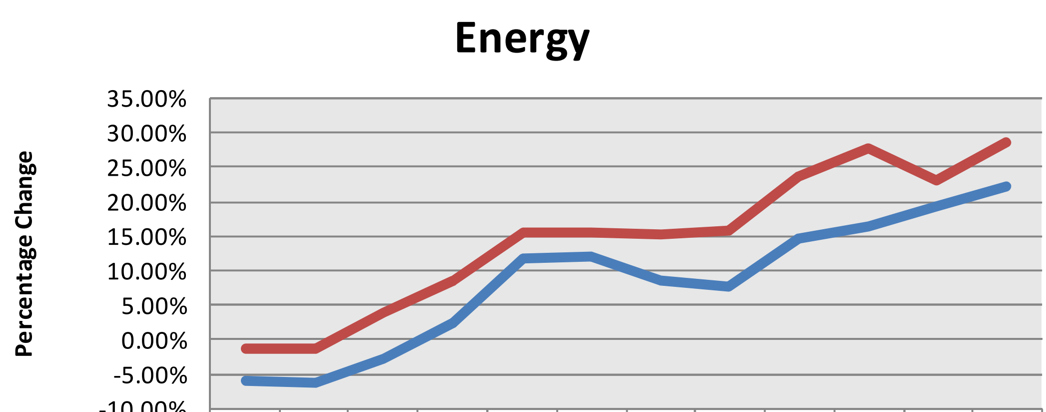
Sector Performance in 2007: (4.73) %
Sector Benchmark in 2007: (4.60)%

Sector Holdings:	2007
Coach (COH)	(8.68)%
Disney (DIS)	(4.70)%
FederalExpress (FDX)	(24.35)%
General Electric (GE)	.62%
Polo Ralph Lauren (RL)	(33.25)%

Matt Timmerman, Manager
Noah Singer, Analyst
Joseph Bove, Analyst
Hunter Caudill, Analyst
Alex Kolesnifkoff, Analyst
Todd Hutto, Analyst
Astin Pronio, Analyst
Jocelyn Simon, Analyst

Energy Sector 2007

The energy sector of the Madison Investment Fund covers a broad area of the energy space. Their scope includes integrated oil companies, oil exploration and services, mining and metals and utilities providers and generators.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sector	-5.8	-6.2	-2.8	2.47	11.6	12.1	8.59	7.61	14.5	16.3	19.1	22.1
Benchmark	-1.1	-1.2	3.87	8.55	15.3	15.4	15.0	15.7	23.4	27.6	22.9	28.4

2007 was a particularly good year in the commodities markets and the Energy sector's performance is indicative of this. While the sector's holdings did extremely well in what was nothing short of a turbulent marketplace, our benchmark, heavily weighted to integrated oil, also did extremely well, taking advantage of record high oil prices.

Whether global demand for commodities subsides due to a recession in the US or a global downturn in general, or the demand keeps pace with previous years, the energy sector is well diversified to weather any storm or ride any wave. We explored several different drillers, both on and offshore, and came up with two outstanding holdings in the second half of the year. Helmerich and Payne, a largely onshore driller and Noble Corp, largely offshore, were two critical additions to our portfolio. We remain confident in the ability of the energy sector to continue to pace the Madison Investment Fund in its success.

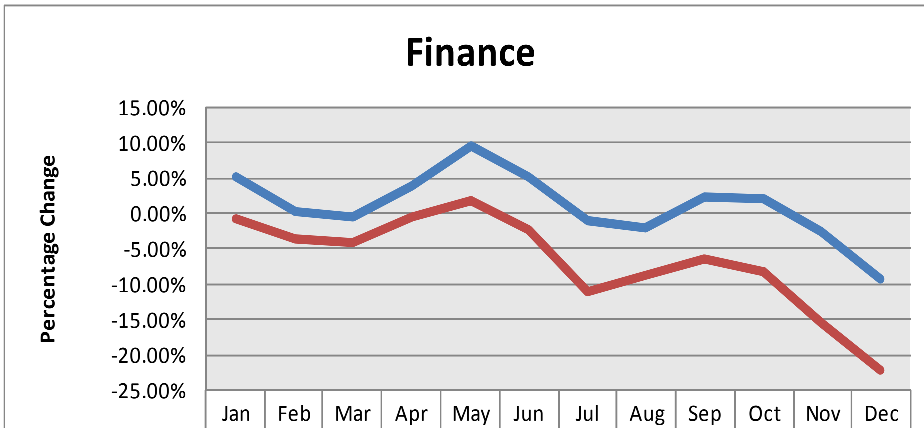
- Justin Luse, President and Manager

Sector Performance in 2007: 9.79 %
Sector Benchmark in 2007: 7.18 %

Sector Holdings:	2007
ConocoPhillips (COP)	32.32%
EnCana (ECA)	8.77%
Helmerich and Payne (HP)	22.65%
Noble Corp. (NE)	10.93%
Rio Tinto (RTP)	89.2%
Sempra Energy (SRE)	11.27%
Utilities SPDR (XLU)	18.11%

Justin Luse, Manager
Abdul Albasri, Analyst
Ryan Carrigan, Analyst
Christopher Dey, Analyst
Caitlin Henning, Analyst
Robert Lurie, Analyst
Kurt Martinson, Analyst
Eric Pasciuti, Analyst

The finance sector of the Madison Investment Fund covers the entire spectrum of financial services. Industry groups include, banking, consumer finance, investment banking and brokerage, asset management, insurance and investment, and real estate (including REITs)



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sector	5.24	0.27	-0.6	3.94	9.50	5.14	-1.0	-2.0	2.17	1.98	-2.6	-9.3
Benchmark	-0.7	-3.7	-4.2	-0.5	1.85	-2.2	-11.	-8.8	-6.5	-8.1	-15.	-22.

The financial universe has certainly had an interesting year. Throughout the first half of the year the sector showed decent strength. However, beginning in mid-summer, worries about sub-prime mortgages and the securities tied to them rocked financials. Judgment errors, and in some cases fraud, were made at every step of the securitization process, leading to a gross overvaluation of these instruments. The problems with securitized products quickly spread and have led to a significant decrease in liquidity throughout financial markets. Commercial paper seized up, the spread between LIBOR and the Fed-funds target widened, and the leveraged buyouts that were so prolific earlier in the year dried up.

The Fund's Finance sector had a pleasing year given the environment. For the most part, we avoided areas hardest hit by the credit freeze and managed to outperform our benchmark. Both of these were due being overweight in industries (insurance and credit cards) that had minimal exposure to sub-prime securities. Looking forward, possible future weakness in consumer spending may lead us to cut back on firms with direct exposure to those areas. Brokerages and investment banks may currently present attractive buying opportunities as they have been heavily battered by the credit freeze. Further damage to these companies may be possible, but one could also argue that unrealistic 'doomsday' scenarios are currently priced into their stocks.

- Nick Ramm, Manager

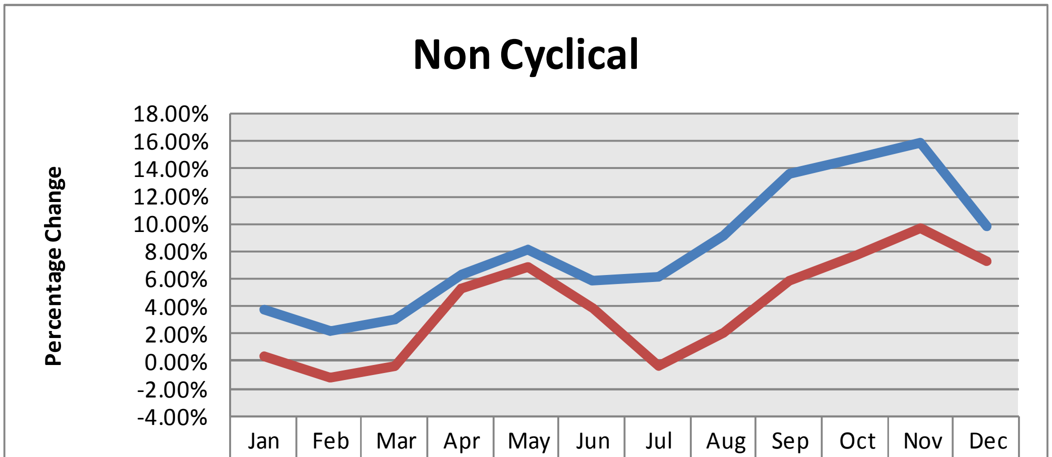
Sector Performance in 2007: (9.33) %
Sector Benchmark in 2007: (22.3) %

Sector Holdings:	2007
American Express (AXP)	(12.86) %
Bear Stearns (BSC)	(45.32)%
ICICI Bank Ltd. (IBN)	42.13%
MetLife (MET)	(12.84)%
ProLogis Trust (PLD)	2.11%
Zions Bancorp (ZION)	(45.05)%

Nick Ramm, Manager
Eric Lane, Associate Manager
Danny Ballard, Analyst
Tyler Hall, Analyst
Eric Laidlow, Analyst
Robby Saady, Analyst
Larson Thune, Analyst

Non-Cyclical Sector 2007

The non-cyclical sector of the Madison Investment Fund covers industry groups ranging from food, beverages and tobacco to non-durable household goods and personal products. Its scope also includes food and drug retailing, health care services, owners and operators of health care facilities, research, development and production and marketing of pharmaceuticals and biotechnology products.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sector	3.84	2.23	3.04	6.32	8.19	5.89	6.17	9.17	13.6	14.7	15.8	9.79
Benchmark	0.34	-1.2	-0.2	5.22	6.83	3.87	-0.3	2.00	5.78	7.62	9.62	7.18

In the past few months the US equity markets have experienced severe turbulence and volatility. This turbulence is a product of the sub-prime fallout and the looming possibility of a recession. As a result of these conditions, the Non-Cyclical Sector will continue to see an influx of capital. The possibility of a recession is causing a flight to quality and investors are looking for stable and safer investment opportunities to escape the volatility and uncertainty of the general market. The Non-Cyclical sector will continue to monitor the economic indicators and closely follow the actions of the Fed.

The Non-Cyclical sector's holdings provide the Fund with wide exposure and great diversification within the non-cyclical space. Our current holdings range from biotechnology to waste management. Our goal is to continue to minimize the sector's volatility and capitalize on the market's uncertainty and movement to more quality and less volatile stocks.

- Benjamin Young, Manager

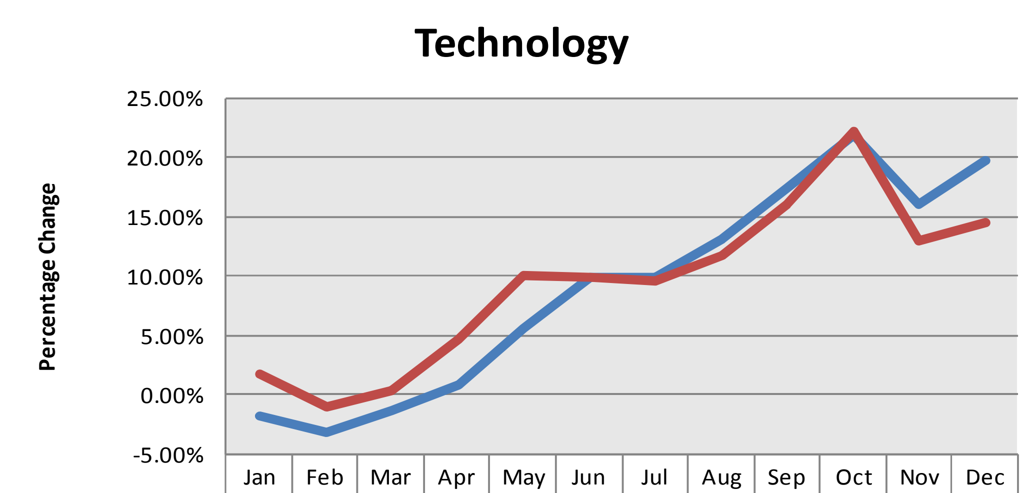
Sector Performance in 2007: 9.79 %
Sector Benchmark in 2007: 7.18 %

Sector Holdings:	2007
Procter and Gamble (PG)	16.15%
Republic Services (RSG)	16.63%
Thermo Fisher (TMO)	27.70%
WellPoint (WLP)	12.34%
YUM! Brands (YUM)	.84%

Benjamin Young, Manager
Matt Reustle, Associate Manager
Lauren Fiesthumel, Analyst
Conor Gordon , Analyst
Thomas Herbert, Analyst
Steven Hu, Analyst
Alexandra Meyer, Analyst
Justin Quaglia, Analyst
Jessica Rice, Analyst

Technology Sector 2007

The technology sector covers a broadly defined technology space including: Software development in the Internet, applications and database management. Manufacturers of computers and peripherals, electronic and semiconductor equipment, and communications services fixed line, cellular, wireless; high bandwidth and/or fiber-optic cable network are also in their area of coverage.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sector	-1.6	-3.1	-1.3	0.80	5.58	9.86	9.93	13.0	17.3	21.8	16.0	19.7
Benchmark	1.76	-0.9	0.43	4.69	9.97	9.85	9.63	11.7	15.9	22.1	12.9	14.4

It was only a matter of time before investors began to question what effects a slowing economy may have on technology spending. In late November, we began hearing concerns about the effects of possible lower IT spending on companies like Cisco Systems and Oracle, about slowing demand for hardware in the U.S. and in Europe and consequently about chipmakers needing to cut production due to growing inventories. Most recently, we have heard from a large telecom seeing an increase in payment defaults from customers on landline and wireless services.

The story for the Technology sector has certainly been easier to tell than some. As always, we are focused on holding "best of breed" companies with revenue streams from a variety of countries and a diversified product portfolio. We expect the stocks in the Tech sector to continue to be sold off to reflect expected future values of a slowdown in earnings. We expect earnings to vary on a company basis, much in the same way that we saw solid earnings from IBM, and poor earnings and guidance from Intel. As for our holdings, we believe that there are underlying catalysts, even if they will not be highlighted in this tough economic landscape. That said, we continue to focus on the long-term picture and the fundamental health of the companies we hold.

- Keith Reilly, Manager

Sector Performance in 2007: 19.70 %
Sector Benchmark in 2007: 14.40 %

Sector Holdings:	2007
Apple (AAPL)	10.21%
Cisco Systems (CSCO)	(2.38)%
Oracle (ORCL)	28.95%
United Technologies (UTX)	23.89%
Verizon (VZ)	14.67%
MEMC Electronics (WFR)	45.09%

Keith Reilly, Manager
David Hull, Analyst
Rachael King, Analyst
Ryan McCormack, Analyst
Jeff Mullen, Analyst
Neil Powell, Analyst

Management Discussion of Selected Holdings

Energy

Helmerich & Payne, Inc. (HP)

Fueled by steep growth in crude oil prices and impressive operational performance HP has surpassed our expectations thus far. HP finished up 2007 with revenue and income growth of 33% and 53%, respectively, significantly beating analyst estimates. The company also recently announced that is has signed six new three-year contracts with a drilling and exploration company to operate six new FlexRigs, their flagship drilling rig, in their US Land Drilling segment. These new contracts bring the total number of new three-year FlexRig deals to 83 since March 2005 (almost all contracts have renewal clauses built in unless special circumstances arise). Since our purchase, HP peaked at $42.15 in the first few days of January. However, we remain confident that HP is well positioned to continue to make gains in 2008.

EnCana Corporation (ECA)

EnCana is currently trading slightly off its 52 week high due to decreasing prices in light, sweet crude, and recession talks in the US as well as unseasonable temperatures. EnCana remains strong with the price of natural gas trending upward, offsetting any losses from the smaller oil sands refinement division. EnCana is also increasing their dividends to $1.60 in 2008 up from $.80. Going forward, we will see a rebound from EnCana as they open up new natural gas wells and expand their oil sands refinement division.

ConocoPhillips (COP)

Despite a weak performance in recent weeks primarily based on slow economic expectations, ConocoPhillips has been an excellent play on the increasing global demand for energy. They have recently been announced as the front runner to a $10 billion, multi-year project to develop the Shah natural-gas field in Abu Dhabi. Their savvy management, the incredible demand for energy coming out of the emerging markets, and continued strength in crack spreads are the primary reasons why the Energy Sector will continue to hold COP into the future.

Rio Tinto, Plc. (RTP)

Rio Tinto proved to be a lucrative investment in the fourth quarter of 2007. Following attempts of a hostile takeover by mining giant BHP Billiton Limited in November, RTP's stock rose approximately 38.5% from 350 to a high of 484.81. RTP refused the $139 billion all-share offer, choosing instead to enjoy the substantial growth opportunities of commodity prices on its own. There is continued speculation over a counter-bid from China as their demand for steel has been a major catalyst for the mining industry. Rio Tinto also managed to acquire Alcan Inc. in the fourth quarter of 2007, a significant gain in the consolidating industry.

Nobel Corp. (NE)

Nobel Corp. is a leading provider of diversified services for the oil and gas industry. Oil and natural gas prices continued to be strong in 2007, resulting in high demand for Noble equipment. However, prices remain extremely volatile. Looking forward, drilling activity in international markets that are influenced more by oil prices than natural gas prices are appealing. We believe that operators in these international markets will maintain high levels of oil and gas exploration and development activity through 2008.

Sempra Energy (SRE)

Sempra Energy provides exposure to a regionally based utility market. The stock has been a solid performer over the year and is likely to continue to be strong in the future as a leader in developing and promoting sustainable technologies. Based in California, the company maintains a strong commitment to the production and distribution of clean energy in order to comply with the state's strict environmental guidelines. The growth potential for the company into neighboring markets is strong, as the clean energy initiative is likely to become increasingly important in the near future.

Utilities Select Sector SPDR (XLU)
The XLU ETF provides diversification from the combination of a variety of regionally based utility energy providers. It has helped to hedge the risk of owning individual providers, which have exhibited varied results over the year. The ETF has successfully balanced the occasional volatility in returns of its holding companies.

Non-Cyclical

Proctor and Gamble (PG)
The Procter & Gamble Company (P&G), together with its subsidiaries, provides branded consumer goods products. The company operates through three global business units (GBU): Beauty, Health and Well-Being, and Household Care. It sells its products in approximately 180 countries primarily through mass merchandisers, grocery stores, membership club stores, and drug stores. The company operates in approximately 80 countries worldwide. P&G was founded in 1837 and is headquartered in Cincinnati, Ohio.

Thermo Fisher Scientific (TMO)
Thermo Fisher Scientific, Inc. provides analytical instruments, equipment, reagents and consumables, software, and services for research, manufacture, analysis, discovery, and diagnostics. It operates through two segments, Analytical Technologies, and Laboratory Products and Services. Thermo Fisher serves pharmaceutical and biotechnology companies, hospitals and clinical diagnostic labs, universities, research institutions, government agencies, and environmental and industrial process control settings in the United States and internationally. The company, formerly known as Thermo Electron Corporation, was founded in 1956 and is based in Waltham, Massachusetts.

Republic Services Group (RSG)
Republic Services Inc. provides nonhazardous solid waste collection and disposal services for commercial, industrial, municipal, and residential customers in the United States. The company's residential collection operations include curbside collection of refuse from small containers into collection vehicles for transport to transfer stations or directly to landfills. It also rents compactors to large waste generators and waste containers to construction sites, as well as provides waste collection services to industrial and construction facilities on contractual basis. In addition, the company provides recycling services, including the curbside collection of residential recyclable waste to commercial and industrial customers. As of December 31, 2006, it owned and operated 93 transfer stations, 59 solid waste landfills, and 33 recycling facilities, as well as operated approximately 6,200 collection vehicles. Republic Services Inc. was founded in 1996 and is headquartered in Fort Lauderdale, Florida.

WellPoint (WLP)
WellPoint, Inc., through its subsidiaries, operates as a commercial health benefits company in the United States. It offers various network-based managed care plans to the large and small employer, individual, Medicaid, and senior markets. The company's managed care plans include preferred provider organizations, health maintenance organizations, point-of-service plans, traditional indemnity plans, and other hybrid plans, including consumer-driven health plans, hospital only, and limited benefit products. WellPoint was founded in 1944. It was formerly known as Anthem, Inc. and changed its name to WellPoint, Inc. in 2004. The company is based in Indianapolis, Indiana.

YUM! Brands (YUM)
YUM! Brands, Inc. operates as a quick service restaurant company. It develops, operates, franchises, and licenses a system of restaurants, which prepare, package, and sell various priced food items. The company operates various restaurant brands, including KFC, Pizza Hut, Taco Bell, Long John Silver's, and A&W All-American Food Restaurants. Its restaurants specialize in chicken, pizza, Mexican-style food, and quick-service seafood categories. As of December 31, 2006, it operated approximately 34,000 restaurants in 100 countries and territories. The company was founded in 1997. It was formerly known as TRICON Global Restaurants, Inc. and changed its name to YUM! Brands, Inc. in 2002. YUM! Brands, Inc. is headquartered in Louisville, Kentucky.

Technology

Apple Inc. (AAPL)

Apple is the most recent addition to our portfolio. We initially saw an opportunity for entry on its late November correction from the mid $180's to a low right around $150. Since Dec. 31, Apple's stock price has declined just over 14%, in many ways leading the downward charge of the NASDAQ. We are believers in the Apple Nation however. In their latest quarterly report, when analyzing revenue breakdown, we found that iPhone sales had not even begun to have any tangible effect on income. We saw a shift by Apple to focus on laptop sales as opposed to desktop's, with the release of the new MacBook Pro, and upgrades to the MacBook. We see a continuing diversification of products and a growing percentage of revenues from overseas. Over the past 5 years we see a steady growth of revenue, operating margins, and operating cash flow. Finally, Quantas, a major supplier of many large U.S. firms such as Hewlett Packard, Dell and Apple, has raised its 2008 guidance of laptop shipments by 11%, suggesting that globally, notebook sales may not be slowing as significantly as some analysts have forecasted. With all these consideration, despite short-term turbulence and broader economic concern, we remain optimistic about the long-term upside potential for AAPL.

Oracle Corp. (ORCL)

Oracle is becoming known as one of the best acquisition companies of all time. Management's ability to acquire companies to horizontally and vertically improve their product portfolio, while at the same time seamlessly integrating operations of the two firms into one, continues to be their premier strength. To that point, after listening into their latest conference call earnings report, we were encouraged by what we heard. Management discussed big wins in acquiring businesses in the EU, especially in Germany and France, areas largely dominated by competitor SAP. Management also continued to emphasize that slowing IT spending was not an immediate concern. They cited the fact that, while many companies may put off the integration of a major system such as an Enterprise Resource Planning system, their product portfolio comprised many more products, which were still in high demand and remain significant sources of high margin revenue.

Cisco Systems (CSCO)

Cisco was one of the first companies to come under fire for concerns over slowing IT enterprise spending, especially from financial firms. However, we continue to look beyond the short term and are still happy with the consistent results that Cisco provides. Consistent increases in revenues while maintaining margins and keeping a clean balance sheet while remaining versatile enough to move with the constantly changing trends of the IT industry, all remain positive factors for Cisco. Most notably, within the past 12-18 months we have seen six acquisitions by Cisco systems in storage companies, placing heavy emphasis on virtualization. Virtualization is a broadly defined process, which usually refers to artificially splitting servers, and allowing for more efficient use of a single server, especially for small businesses. Along with moves by Google, and the IPO of VM Ware as its own entity, both highlight the new interest in data storage expansions, and we are encouraged to see that Cisco is adapting to remain competitive in a dynamic industry.

Verizon Communications (VZ)

We are overweight telecoms, and viewed this favorably given current market conditions, believing that revenue from landline and wireless systems would remain insulated to some degree from slowing discretionary spending by the U.S. consumer. However, when CEO of AT&T Randall Stephenson came out and voiced concerns about softening spending among consumers in landline and Internet spending to a Citigroup investor conference, there was obviously area for concern. For Verizon, landline is a near non-issue, and fears were calmed when Verizon's COO publicly stated that VZ has seen no impact from slower consumer spending. We view Verizon's declining focus on traditional landline, and increased focus on wireless services and emerging technologies in fiber optics as favorable, and more in line with broader trends in the telecom space in general. Verizon remains the highest ranked telecom company in customer retention in wireless service, and we continue to watch the growing influence of the transition to fiber optics and how it affects the performance of Verizon financially.

Cyclical

General Electric (GE)

General Electric is a stable, blue-chip company with a variety of diversified operations. Given this diversification the belief is that GE can continue its operating margins along with its productivity. Furthermore, strong Asian-Pacific growth is expected to continue aiding the company allowing analyst to forecast increased EPS growth. GE, now more than ever, presents itself as a must have for the cyclical sector.

The Walt Disney Company (DIS)

The Walt Disney Company is a media and entertainment conglomerate having diversified global operations in theme parks, motion pictures, television broadcasting and merchandise licensing. The stock did post a negative overall return for the year, yet still remains a lucrative, long-term investment. With the non-recurring cost having been accounted for and the addition of new measures for cost consolidation fiscal year 2008 should shine in a more positive light.

Federal Express (FDX)

Federal Express was the cyclical sector's first purchase of 2007. Unfortunately since the purchase, the stock has taken a loss due to the cyclicality of the company's business. While it appears the US economy will grow at only a moderate pace in the first few quarters of 2008, the cyclical sector continues to believe the strong double digit growth in China will sustain the strong balance sheet of FedEx pulling the company through the coming slow quarters in the US allowing the cyclical sector to regain some of the holding's loss.

Polo Ralph Lauren (RL)

Polo Ralph Lauren was the cyclical sector's second purchase of 2007 following FedEx. And, like FedEx, RL has taken a loss for 2007. The company remains on solid financial ground supported by its strong balance sheet in addition to zero long-term debt. In the coming months of 2008 RL plans to continue with its plan of opening one new store per month in the US, boosting the company's retail business to about 50% of total business. Supplementary to the increased revenue from new stores, the company has finished the purchase of its licenses and will see additional revenue from said licenses.

Coach (COH)

The final purchase made by the cyclical sector for 2008 was that of Coach. As with the other holdings of the cyclical sector, COH is an easily recognizable brand with a strong customer following and a growing cash flow. Again, though the U.S. economy may slow in 2008, COH has key exposure to Japan and will continue to grow its Japanese market. The cyclical sector has made a very strong purchase with COH and has set itself up to reap the rewards in the coming quarters.

Finance

American Express (AXP)

A credit-card giant, with 84.7 million cards outstanding, this company remains one of our most attractive holdings, both from a short and long-term perspective. They make their money primarily by charging merchant's fees for the use of their network, and off of interest earned on outstanding card-holder balance. However, they also have a thriving travel services business that offers a range of services, from traveler's checks to planning services. One of our oldest holdings, we can continue to like American Express' 'spend-centric' business model. The company caters to wealthier card-holders, encouraging them to spend more by offering an attractive rewards program, which in turn allows them to charge higher fees to merchants. This, coupled with a range of travel services and a widely recognized brand-name, gives the company an impenetrable market niche. The company has turned in solid financial results over the past year as the firm's emphasis on wealthier customers has allowed it to dodge many of the problems associated with sub-prime borrowers. Growth has been good and credit has remained strong. From a valuation perspective the company remains attractive. In short, we feel that this is a quintessential value stock.

MetLife (MET)
With a market capitalization of $44.9 billion MetLife is the largest US life insurer. The company offers a wide range of traditional and non-traditional insurance and retirement products. Their primary sources of revenue are premiums and income earned on their investment portfolio. MetLife provides us with exposure to a large company that is well-positioned to take advantage of long-term trends. In the US, the retirement of the baby-boomer generation will drive demand for MetLife's retirement products and advice. Internationally, the emergence of a middle-class group of citizens in many developing nations is expected to give rise to a greater need for more sophisticated financial products. One of the primary reasons for our large investment in MetLife is the relative safety that it offers. The company is extremely strong financially, with adequate capital to weather market turbulence. As well, their investment portfolio appears to be extremely safe, they hold primarily investment-grade corporate debt, with very little exposure to the mortgage and asset-backed securities that have caused trouble recently. Given current market conditions, this conservative investment portfolio, coupled with demographic trends make MetLife an attractive value investment.

Bear Sterns (BSC)
Bear Sterns, a Wall Street brokerage/investment bank, is our smallest holding. The company operates in three segments: Capital Markets, their sales, trading, and investment banking segment, Global Clearing Services, which provides prime brokerage services, and Wealth Management, which does asset management for institutions and high-net-worth individuals. Through these three segments Bear Sterns offers the full range of investment banking and brokerage services, including M&A and capital-raising advisory, market-making, asset management, and clearing services. Bear Sterns has made headlines this year, although not in a way that we wanted to see. The company has been at the center of sub-prime mortgage meltdown with the implosion of two of its internal hedge-funds over the summer seeming to spark the full-blown panic. In a combination of good judgment, good timing, and good luck we sold the majority of our holding in the company shortly before this event. We continue with our small holding of Bear Sterns as a long-term play. The current market toil will not last forever, and Bear Sterns fixed-income sophistication will be important in the global economy. Financial markets continue to become more complex due to globalization and financial innovation. Because of this financial intermediaries that have the necessary people and knowledge to meet the needs created by this increasing complexity, such as Bear Sterns, will play a key part in the world economy.

Zions Bancorporation (ZION)
Zions is a regional commercial bank. They own and operate a number of local banks primarily through subsidiaries in the Southwest. The company has a focus on commercial lending, but offers the full range of traditional banking services. The bank is operated in a decentralized fashion, except for areas, such as cash management, where obvious economies of scale exist. This allows the company to retain local brands and leadership, giving them the size advantages of a larger bank while retaining the feel and personalized customer service of local banks. Our primary rationale for holding ZION is based around two factors: an advantageous region to operate in, and out-performance of peers on a number of key banking metrics. First, the states that Zions operates in show both faster population and, for the most part, faster economic growth then the national average. This quicker growth will drive demand for lending as new residents and entrepreneurs seek capital for mortgages and new businesses. Second, the company outperforms peer banks on a number of measures. They have both better credit quality and a higher net interest margin, a measure of the "spread" earned by commercial banking activities, than similar banks. Since buying Zion the stock has not performed well. The credit crisis has hurt all financials, and Zion was not exempt from the beating. The company's earnings releases over the time we have held it have been solid, but unfortunately have not lived up to analyst expectations. As well, the company operated a Special Investment Vehicle, which caused a great deal of angst in shorter-term investors, despite small exposure to the securities that have been causing problems. We feel that these set-backs over this past year with ZION are just that: short-term setbacks that do not detract from the fact that it is an attractive long-term investment. The market had not appeared to have priced in the numerous competitive advantages that the company has when we first bought it and they are certainly not priced in at the moment. Despite the loss we have currently taken with the company we will continue to hold it as a long-term play as the company is well positioned to outperform in the future.

ProLogis (PLD)
ProLogis is a REIT and the international leader in distribution facilities. The company owns and operates facilities in key markets across the globe. The company has three primary segments. One that leases distribution space directly owned by the REIT, one that manages property funds that other investors take a stake in, and one that develops new distribution facilities that are then either sold to new investors or contributed to property funds. ProLogis is a play on the growth in international trade and globalization. As the world economy becomes increasingly connected supply chains become more and more complex, which drives demand for the sophisticated distribution facilities and expertise that ProLogis offers. The company is diversified both across different revenue segments and geographically. They have a presence in most of the world's largest and fastest growing trade hubs. The company has been turning in phenomenal financial results, often beating expectations by a wide margin. Despite this, the company is still attractively valued. These factors, combined with a great operating model, the ability to harness key long-term trends, and the fact that it diversifies the Finance Sector away from more 'traditional' companies found in our universe makes this one of our favorite holdings.

ICICI Bank (IBN)
ICICI is India's largest bank by market cap. They offer the full range of financial services from consumer lending to investment banking to insurance. The company is well-positioned to take advantage of the phenomenal growth in the Indian economy. Since buying the company in late 2006 the stock has performed admirably, rising more than 50%. This is a reflection both of the strength of the Indian economy and the company's business model. We sold a portion of our holding during the summer on valuation concerns and in order to keep our portfolio in balance. We hold ICICI as it gives us direct exposure to one of the most important and fastest growing economies in the world. India's quick economic growth over the past years, favorable demographics, and the emergence of a middle-class all make this economy a good one to invest in. With their broad range of services ICICI will be able to tap into these key trends. The company's current initiatives include expanding into rural markets that have been largely ignored by large financial institutions, but which may provide highly lucrative areas for growth, the exploitation of India's Special Economic Zones, and profitably improving the country's poor infrastructure.

- *The Madison Investment Fund Management Team*

Schedule of Realized Gains and (Losses)

as of 12/31/2007

Position	Date of Sale	Gain/(Loss)	Long/Short Term
Bank of America (BAC)	4/17/2007	$6,648.82	Short
Bear Stearns (BSC)	**6/4/2007**	**$1,895.74**	**Long**
Chesapeke Energy (CHK)	2/22/2007	$186.82	Long
Comcast Communications (CMCSA)	**9/13/2007**	**($354.42)**	**Short**
FISERV (FISV)	6/4/2007	$399.96	Short
General Electric (GE)	**4/10/2007**	**$22.47**	**Long**
GlaxoSmithKline (GSK)	10/22/2007	$103.47	Long
Honda Motor Corp (HMC)	**10/31/2007**	**$891.49**	**Long**
ICICI Bank Ltd (IBN)	6/28/2007	$483.69	Short
iShares FTSE Xinhua HK China 25 (FXI)	**1/10/2007**	**$1,300.37**	**Short**
iShares Silver Trust (SLV)	2/27/2007	$499.27	Short
MEMC Electronic Materials (WFR)	**11/30/2007**	**$636.62**	**Short**
Nabors Industries (NBR)	7/5/2007	($209.27)	Long
Oracle (ORCL)	**11/30/2007**	**$167.22**	**Long**
Prudential (PRU)	10/9/2007	$2,065.79	Long
Rio Tinto (RTP)	**6/8/2007**	**$631.72**	**Short**
Select Sector Financial SPDR (XLF)	12/4/2007	($859.77)	Short
Unit Corp (UNT)	**11/13/2007**	**($114.63)**	**Long**
United Technologies (UTX)	1/23/2007	$809.41	Long

Total Long-Term Gain/(Loss)	*$ 5,818.51*
Total Short-Term Gain/(Loss)	*$ 9,386.25*
Total Realized Gain/(Loss)	**$ 15,204.76**

Schedule of Investments

as of 12/31/2007

	Shares	Ending Value	Value of Position	Percentage of Portfolio
Apple (AAPL)	25	198.08	$ 4,952	3.40%
AmericanExpress (AXP)	115	52.02	$ 5,982	4.10%
Bear Stearns (BSC)	15	88.25	$ 1,324	0.91%
Coach (COH)	120	30.58	$ 3,670	2.52%
Citadel Broadcasting (CDL)	12	2.06	$ 25	0.02%
ConocoPhillips (COP)	110	88.3	$ 9,713	6.66%
Cisco (CSCO)	150	27.0699	$ 4,060	2.79%
Disney (DIS)	160	32.28	$ 5,165	3.54%
EnCana (ECA)	50	67.96	$ 3,398	2.33%
Federal Express (FDX)	45	89.17	$ 4,013	2.75%
General Electric (GE)	69	37.07	$ 2,558	1.75%
Helmerich and Payne (HP)	50	40.07	$ 2,004	1.37%
ICICI Bank Ltd (IBN)	50	61.5	$ 3,075	2.11%
MetLife (MET)	120	61.62	$ 7,394	5.07%
Noble Corp (NE)	50	56.51	$ 2,826	1.94%
iShares NYSE Comp (NYC)	50	89.14	$ 4,457	3.06%
Oracle (ORCL)	150	22.58	$ 3,387	2.32%
Procter and Gamble (PG)	100	73.42	$ 7,342	5.04%
ProLogis (PLD)	60	63.38	$ 3,803	2.61%
Polo Ralph Lauren (RL)	55	61.79	$ 3,398	2.33%
Republic Services (RSG)	150	31.35	$ 4,703	3.23%
Rio Tinto (RTP)	13	419.9	$ 5,459	3.74%
Sempra Energy (SRE)	50	61.88	$ 3,094	2.12%
Thermo Fisher (TMO)	130	57.68	$ 7,498	5.14%
United Technologies (UTX)	50	76.54	$ 3,827	2.63%
Verizon Communnications (VZ)	80	43.69	$ 6,117	4.20%
MEMC Electronic Materials (WFR)	25	88.49	$ 2,212	1.52%
WellPoint (WLP)	50	87.73	$ 4,387	3.01%
S&P Biotech SPDR (XBI)	80	59.36	$ 4,749	3.26%
Sector Select Utilities SPDR (XLU)	100	42.33	$ 4,233	2.90%
YUM! Brands (YUM)	120	38.27	$ 4,592	3.15%
Zions Bancorporation (ZION)	75	46.69	$ 3,502	2.40%
			$ 136,917	93.93%
CASH			*$ 8,853*	*6.07%*
TOTAL VALUE OF PORTFOLIO			**$ 145,770**	**100.00%**

Special Thanks To

The Portfolio Management Sector
of the Madison Investment Fund
George Morgan, Manager
Alyna Galli, Analyst
Brian Scott, Analyst

Dr. Joseph Albert

Our Faculty Advisors

The JMU College of Business

And

The JMU Foundation,
for giving us the opportunity to
apply our education
and for having the patience of Job

the Breeze
James Madison University's Student Newspaper

Students get hands-on investment experience from student-run organization

BY KALEIGH MAHER
news editor

The Madison Investment Fund works out of a 10 x 12 foot office in Zane Showker Hall. Unlike most business schools in the country they don't have a Bloomberg terminal, a computer system that can monitor and analyze financial data in real-time.

Last year the Madison Investment Fund outperformed the S&P 500. The S&P is an index of 500 of the largest companies today and is often used as a baseline for comparison.

"That kind of speaks to the work that we do without it," junior Matt Reustle, associate manager of the non-cyclical sector said.

In 2007 the S&P saw a total return of 5.49 percent of their investment, the MIF returned 5.7 percent.

The Madison Investment Fund is a student organization offering members the opportunity to take financial theory and apply it to real investment situations. In 1999 MIF was given $100,000 of the University Foundation's endowment to invest.

"We do this because we love it," junior Eric Lane, associate manager of the finance sector, said.

Last week they had $136,215.28.

MIF is divided into six sectors, cyclical, non-cyclical, technology, finance, energy and portfolio management. Each sector is run by a manager and contains analysts. The approximately 35 members meet within their sectors to research potential investments they then propose to the fund. Representatives from the sector present the potential investment and members vote on whether or not to invest.

"We consider ourselves to have a fiduciary duty to preserve the endowment," Lane said. "So we take it really seriously in picking stocks that are conservative."

This week Lane presented ICICI, an Indian bank, to the fund.

MIF tends to emphasize value funds, which are every day things such as cigarettes or toothpaste, versus riskier growth funds.

"We're not trying to hit a home run," Restle said.

While the focus is on value, MIF doesn't ignore growth funds.

"Essentially, we look to buy good companies on sale," senior Justin Luse, president and manager of the energy sector said.

Around the middle of November, MIF reached an all time high of $151,000.

see MONEY, page 3

MIF: Club turns theory into practice

MIF, from front

While MIF devotes about half of its meeting to investments, the other half is focused on education.

"We do a lot more with career advice now," Reustle said. "We're trying to help some of the younger kids figure out what they want to do."

MIF meetings usually present potential career descriptions as well as new investments members are considering.

Members meet in their sectors multiple times a week on top of their full-group meeting. Luse said MIF requires a significant time commitment and estimates analysts commit at least 10 hours a week to MIF.

"I've been known to neglect a class or three," Lane said.

MIF members start each day with a morning brief in their inbox summarizing what's been happening in the market. The stock market doesn't close for summer vacation, and neither does MIF. The fund continues investing through conference calls and e-mails.

"Money never sleeps," Luse said.

The time is worth it, according to Reustle, he had valuable accounting and finance experience before he ever enrolled in a class.

Sophomore Alyna Galli, portfolio management analyst, said MIF helps her see how finance works.

"It makes it make more sense when you're in a finance class," she said.

MIF is open to all majors, and though it's predominantly filled with business majors, Luse said there's a psychology major in the fund right now. Two of the newest members, sophomores Conor Gordon and Galli, both said the application process was stressful and intimidating.

"We keep it a rigorous process because of the intensity of the work that we do," Lane said. "The process to get in is not a cake walk by design."

Reustle said the interview process is similar to ones students will find in the real world.

This spring MIF will compete in the annual RISE Competition in Dayton, Ohio. More than 250 business schools come together for a convention and present their portfolios. MIF won under equity value category in 2004.