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Letter from the President

Greetings,

February has brought new highs and renewed volatility to the markets. As markets continue to climb and fall, the BIG has begun to lock in profits and move the portfolio in a value focused direction. As you will read about later, the group's decision to focus on value came at an opportune time. I am proud of everyone's efforts to position the portfolio for long-term success and make decisions given macroeconomic and company specific data.

We welcomed Mr. Thomas Temple from FIDUS Partners and Mr. Sam Kaufman from Wells Fargo into our (virtual) class. When we host guest speakers, we hold class online. We found that we have much more intentional conversations when each member has their own zoom square, instead of using the camera on the computer in the physical classroom. Mr. Temple gave insight into the investment banking industry and provided personal stories about how to succeed. Mr. Kaufman taught us about his role as Managing Director of Sales, and also gave valuable advice to those still seeking jobs. We greatly appreciate the time and effort both of our guest speakers donated.

This month, the Broyhill Fellows presented a sell recommendation for Albemarle Corporation in the North Carolina CFA Competition. Our team presented an excellent report using the skills and knowledge learned thus far in the BIG and in many hours of research outside of class. The team **placed first** and will proceed to the sub-regional competition where they will represent Appalachian State and North Carolina in the Southeast region of the United States. We are very proud of the Broyhill Fellows and thankful to those, such as Dr. Hadley and Mr. Chris Pavese from Broyhill Asset Management, who helped them achieve success.

The BIF has seen large and abnormal returns in the past year driven by strong bull markets following the lows caused by Covid-19. The group has taken a step back to see how the portfolio has fared and if the thesis for each individual position still held. This reflection resulted in the selling of Nvidia and Shopify during the 3rd week of February. Using research from famed investor and author of *What Works on Wall Street*, Patrick O'Shaughnessy, the group is focusing its attention on stocks that offer shareholder friendly practices, earn strong returns on investments, and have high-quality earnings.

We are eagerly looking forward to the continued success of the Broyhill Fellows as well as the other members of the group who will be presenting buy recommendations for Royal Dutch Shell (RDS.B) and CVS Health Corporation (CVS). Royal Dutch Shell is the fourth largest oil company in the world and has operations in 70 countries. CVS is the second largest pharmacy operator in the United States with more than 9,900 locations. The company has been at the forefront of the pandemic and is expected to perform 250,000 immunizations per week in the next month. I am hopeful that both companies will enter the portfolio because of the value characteristics and fundamental role in society each company provides.

The group is also preparing to welcome the future Bowden Investment Group class in the coming weeks. We are excited to read each application and conduct interviews to determine the class of 2022. It truly is amazing at how quickly time flies by!

Lastly, thank you for your continued support of the Bowden Investment Group! Your generosity, advice, and knowledge truly change lives.

Sincerely,
Cooper Bumgarner



The Broyhill Fellows after winning the first round of the CFA Research Challenge!

Get to Know the Members

As we finish up our final few months, we would like to showcase our members and their accomplishments. Beginning with Donovan, Obi, and Zach, we will be highlighting members in the BIG Updates for the remainder of the year. Each member's name is hyperlinked to a short clip introducing themselves.



[Donovan Arnold](#)

Donovan is a non-traditional student who served in the Marine Corps prior to attending Appalachian State University. The group describes Donovan as a passionate and knowledgeable member who delivers his thoughts with conviction. Donovan uses his Marine Corps experiences to explain complicated concepts related to our defense positions in Lockheed Martin and L3Harris Technologies. Finally, Donovan serves as an Economist for the group and presents useful economic measures, such as the Buffet Indicator, Consumer Price Index, and interest rate developments, each week.



[Obadja Ludwig](#)

Obi chose to attend Appalachian State after serving our country in the U.S. Navy. His fellow CFA members described Obi as someone who "shows up early and stays late" as well as someone who has strong analytical skills and attention to detail when working on group projects. Additionally, Obi is described as very humble and always willing to help. Even prior to the fall semester, Obi served as a resource to fellow group members in finding errors in their summer discounted cash flow models. Obi also serves as an Industry Analyst for the group. Last semester, he presented on the aerospace and the financial services industries.



[Zachary Stowell](#)

Zach is double majoring in Finance and Banking and Computer Information Systems. He frequently teaches Excel shortcuts to the group and always volunteers to stay on Zoom calls to help group members. His peers appreciate Zach's ability to "explain complex items in simple ways." Throughout portfolio discussions, Zach encourages members to think with an open-mind and not fall victim to group-think. Zach also serves as an Industry Analyst and presented on the healthcare and data processing industries last semester. Finally, Zach is a valued member of the Broyhill Fellows and played an integral role in researching Albemarle's ESG initiatives.

YTD Total Returns

BIF	3.42%
S&P 500	1.72%

February Returns

Total Return: 4.72%

<u>Ticker</u>	<u>Return</u>
ALGN	7.94%
AMZN	-3.53%
FB	-.27%
GOOGL	10.65%
HD	-4.61%
LHX	6.06%
LMT	2.62%
NKE	.89%
NVDA	5.58%
SHOP	16.60%
SJM	-3.79%
SYK	9.81%
V	9.90%
IVV	2.76%
IWM	6.20%

Total BIF Value

\$284,546.92

For an up-to-date view of the BIF, [click here](#)

We are not trying to time the market... but we timed the market

Our ongoing conversations about potential market frothiness and extended valuations in our growth stocks finally came to an inflection point in February. Sam King, the protagonist (and long-time bull) for Shopify, surprised us all with a sell presentation after the company released quarterly earnings. Sam cited the company's lack of forward guidance as a major bearish signal and also pointed out that the stock has risen over 1,000% since it was originally purchased. Following in the wise words of Mr. Poole who said, "Pigs get fat, hogs get slaughtered," the group decided to lock-in the significant profits and look for value opportunities elsewhere.

Additionally, Nvidia was a victim of the selling chopping block. Similar to Shopify, the group analyzed the company's sharp price increases and discussed how future opportunities for the company have likely already been priced into the stock. Furthermore, we examined how anti-trust lawsuits regarding the company's ARM acquisition and supply chain disruptions could negatively impact the company in the short-to-medium term. The discussions led to a rare unanimous vote to sell the stock.

While we know correctly timing the market is near impossible, we managed to exit our positions in Shopify and Nvidia days before a major sell-off. Since selling Shopify, the stock has declined more than 13% while Nvidia has dropped a staggering 15%. Our moves confirm our commitment to fundamentals and value. When the stories no longer supported the prices, the group moved quickly to protect profits and look for value in other areas of the market.

Cash from the sales of Shopify and Nvidia is currently waiting to be deployed back into the market. Upcoming buy presentations for Royal Dutch Shell and CVS Pharmacies give us hope that we will be full participants in the market sooner rather than later.