

"In this business if you're good, you're right six times out of ten. You're never going to be right nine times out of ten."

- Peter Lynch



Bowden Investment Group

2011 Annual Report



Bowden Investment Group and Fund Overview

Established in January 2000, the Bowden Investment Group (BIG) has enjoyed 12 successful years of managing the Bowden Investment Fund. Named in honor of Elbert V. Bowden, group members strive to instill the same passion and commitment to the fund that Dr. Bowden shared with his students in the Walker College of Business' Department of Finance, Banking, and Insurance. The Bowden Investment Fund's purpose is to earn a higher return on investment in respect to its benchmark the S&P 500. In addition, providing students with a unique opportunity to manage a live equity investment fund with practices, goals, and expectations that one would experience in a professional portfolio management role. Funds provided by the portfolio are utilized to the benefit of the students and faculty of the Finance, Banking and Insurance Department at Appalachian State University.



2011-2012 Bowden Investment Group

Back Row (left to right): Evan Jones, Trevor Wall, Ethan Foster, Jacob Finkbiner, Happy Stewart, Charlie Hinkle
Front Row (left to right): Ross Karcher, Eric McTeir, Bill Strausbaugh, Alex Burchins, Daniel Favitta, David Jones

Administrative Positions

President: Ethan Foster

Vice President: Alex Burchins

BIG Update Editor: Evan Jones

Annual Report Editor: Charlie Hinkle

Accountant: Jacob Finkbiner

Economic Analysts: David Jones &
Eric McTeir

Industry Analysts: Ross Karcher, Trevor
Wall, Happy Stewart, Daniel Favitta, &
Bill Strausbaugh

Faculty Advisors: Dr. Delbert Goff &
Mr. David Thompson, CFA

The First BIG Day



In August, incoming Bowden Investment students took part in the first ever “BIG Day” to lead off the semester. The primary focus of BIG Day was to work with students on professional development and establish a team relationship among the group. Students began the day with discussion on business professional skills and presentation skills led by Mr. David Thompson and Ms. Meg Spivey, the Director of the Walker College of Business Center for Student Leadership. The highly productive morning was followed by an etiquette luncheon guided by Ms. Spivey.



The afternoon activity was comprised of a team building exercise led by ASU Outdoor Programs. The activity revolved around the Alpine Tower, a fifty-foot, pyramid-shaped, rope and log climbing structure. We are happy to say that all Bowden students successfully summited the tower with the help and support of their colleagues. The day culminated with a reception and dinner at Mr. and Mrs. Thompson’s residence where students had the opportunity to interact with professors, administrators, and each other.



All students and professors agree the first Big Day was a great success and hope to make it an annual tradition to start off the school year for each new group.

2011 Economic Review



2011 was a mixed year for United States and World Economies. One of the biggest stories was the downgrading of United States Treasuries by Standard and Poor's in August. This downgrade was mainly due to politicians' inability to solve the debt ceiling issue. After stock prices had performed well up to this point, they took a hit due the downgrade, and then slowly continued to recover over the following months.

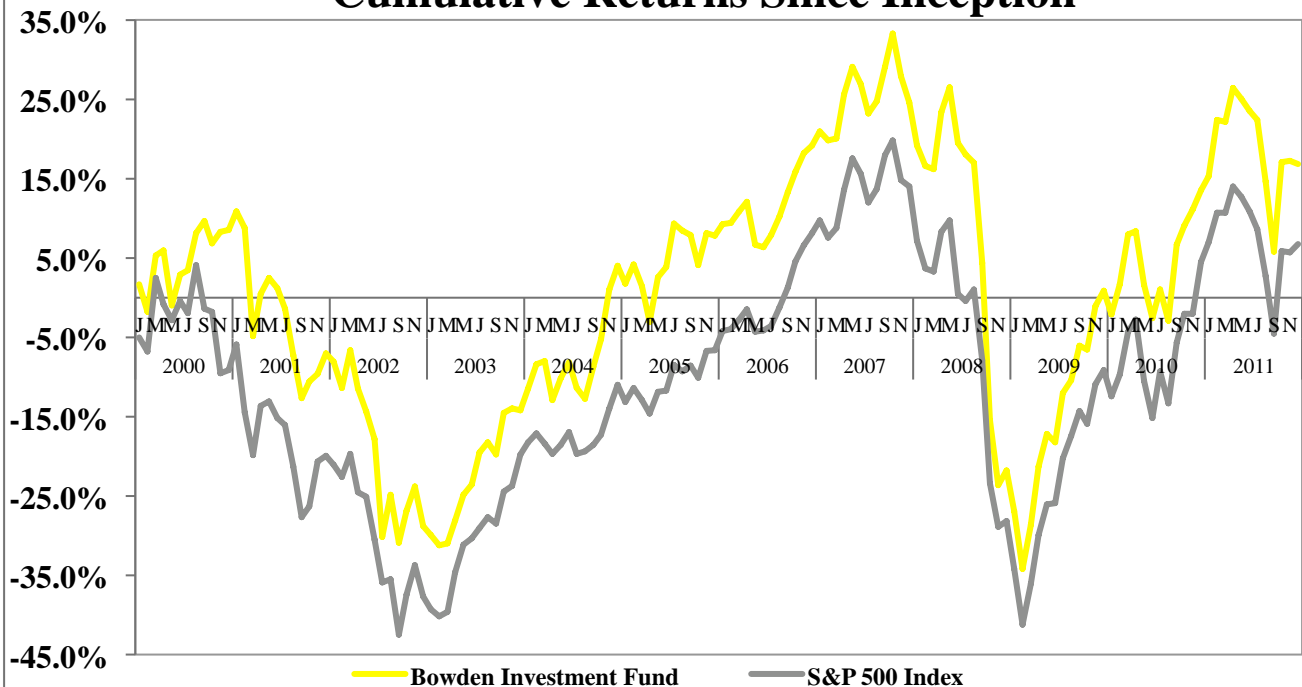
The downgrade caused great volatility, but US equities have since stabilized. Another big story that caused volatility in markets worldwide was the debt crisis in Europe. Several countries, such as Greece and Italy, were in great danger of defaulting on their debt, which would have had a great negative impact on European markets and markets around the world.

There was a proposed 130 Billion Euro Greek bailout that has yet to pass that would cause investors in Greek debt to take a 50 percent cut on their investment. Gold continued to be a safe-haven for investors as it reached an all time high of over \$1,800 per ounce, with prices falling slightly towards the end of the year. Unfortunately, the unemployment rate hovered around nine percent for most of the year despite added jobs in the United States. Also, corporate earnings in America started off high then tapered off as the year wore on.

The reviews were mixed in 2011 and the current state of world economies leaves a great deal of uncertainty for 2012 and beyond.

-David Jones, Economic Analyst

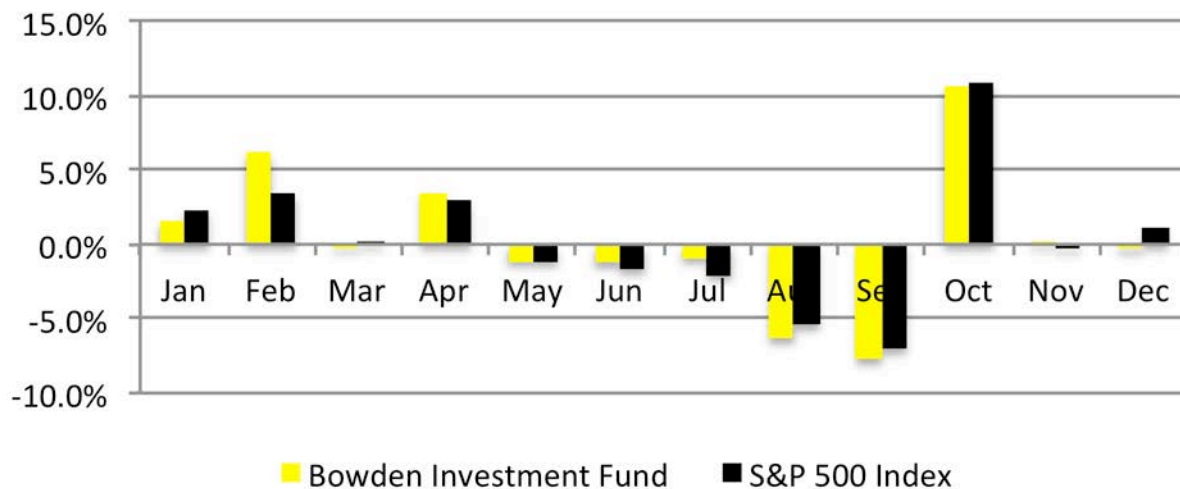
Bowden Investment Fund Cumulative Returns Since Inception



Overall Fund Performance

Since the Bowden Fund's inception in 2000 with an account balance of \$10,678.21, the Bowden Investment Group's cumulative returns have consistently surpassed their S&P 500 benchmark. Twelve years later the fund has grown to an ending balance on December 31st, 2011 of \$82,980.72. The credit for this success can be given to the continued investment decisions of BIG members over the last decade as a whole and to generous financial donations over the years. With hard work from all members, Bowden students have seen true returns on investment. This substantial growth has allowed us to expand our investing options and enhance the overall experience of the group.

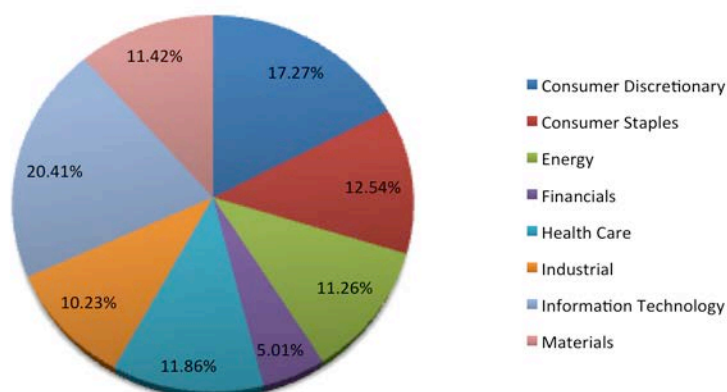
Bowden Investment Fund Monthly Returns fo 2011



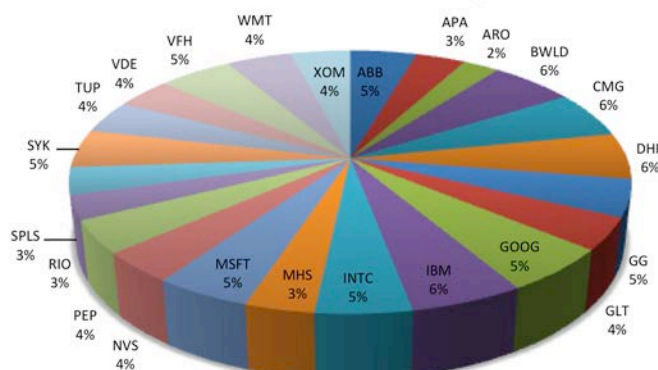
In 2011, the Bowden Investment Fund once again outperformed the S&P 500 on a cumulative basis. Our return was slightly over our benchmark in the past year; the cumulative return on the S&P was 2.11%, while the return on the Bowden Fund was 2.9%. The chart above shows true monthly returns on investment for the Bowden Investment Fund compared against the S&P 500. As you can see from the chart, the Bowden fund did outperform the S&P in the first half of the year and evened out those gains as the financial markets turned down in the second half of 2011. Looking forward, we believe the Bowden Fund is well positioned going into 2012 with ongoing analysis of our portfolio's composition of diversified growth and value stocks.

2011 Sector Exposure and Portfolio Composition

2011 Year End Sector Weightings



2011 Year End Portfolio Composition

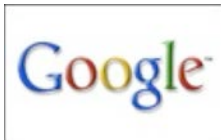


The Bowden Group understands that sector weightings are an important part of portfolio composition and overall portfolio management. Currently our most heavily weighted sectors are Information Technology, Consumer Discretionary, and Consumer Staples compiling 20.41%, 17.27%, and 12.54% respectively of the Bowden Fund. Our position in Information Technology comes from holdings in Google, IBM, Intel, and Microsoft. We agree with our overall exposure in this area going into 2012 since with an improving economy this sector has historically preformed very well. The make up of our Consumer Discretionary include Aeropostale, Buffalo Wild Wings, Chipotle Mexican Grill, and Staples. And Consumer Staples are made up of Pepsi, Tupperware, and Wal-Mart. The current Bowden fund's top 5 holdings are Buffalo Wild Wings, Chipotle Mexican Grill, Danaher, IBM, and Google.

Recent Portfolio Adjustments

As part of the BIG members responsibilities, two or more analysts closely follow every stock in the portfolio throughout the year. It is our fiduciary duty to stay up to date on current events pertaining to our stocks and the world economies to make sound and reliable decisions on portfolio composition. Students may make a recommendation to sell or buy particular stocks during the year having first fully researched their security. In BIG, we all believe this individual research is crucial to the overall success of the fund and ultimately, to each member's understanding of portfolio management.

Additions to the Bowden Fund in spring 2011 were:



In the fall semester of Bowden, each student selects a company to research and prepares an analyst report for the stock. Once completed, each student presents their stock to the group as a buy, sell, or hold. Those that are considered buys can be voted into the fund if they receive a 2/3-majority vote. We are happy to announce two new additions to the portfolio in fall 2011: Staples and Apache.

Staples, Inc. (SPLS): SPLS sells various office supplies and services, business machines and related products, computers and related products, and office furniture. Being a leader in online sales along with BIG analysts reports of undervaluation, SPLS adds to our Consumer Discretionary exposure. SPLS was recommended by Alex Burchins.



Apache Corp. (APA): APA engages in the exploration, development, and production of natural gas, crude oil, and natural gas liquids. We purchased APA because we believe the energy sector will perform well in the upcoming years and APA is well positioned in natural gas, where we expect to see future growth. APA was recommended by Happy Stewart.



2012 Economic Outlook

The main catalysts for growth or disaster in 2012 are European recession, China's ability to maintain high growth, how fast banks will deleverage, the resilience of the US economy going forward, and increasing visibility. As 2012 continues we can expect in the second half of this year to have a better outlook on the financial markets from slowing volatility and Euro Zone agreements, something the markets have not had in the second half of 2011. With increasing visibility not only will the markets be able to look into the crystal ball more accurately, so will the Federal Reserve in the United States. As of the writing of this post the Fed cannot decide whether the U.S. economy needs another boost. This is due to the strong economic data that has begun in 2012. This raises the question. Is this a real economic recovery, and can it stand a strong European recession? It seems that the main theme of 2012 will be a focus on emerging economies and Euro fears.

For this year we think that there will be a recession in Europe, the question is how intense will it be? There are multiple scenarios that could unfold in 2012. There could be a mild recession in Europe and emerging markets will continue to grow faster than the developed countries of the world. There could be the emergence of a global recession if China's economy cannot continue to grow at previous levels. This scenario could be far worse than the 2008 and 2009 financial crisis if it is coupled with the deep European recession. As of the writing of this report, I will remain optimistic that the Eurozone will experience only a mild recession.

This year has a large amount of uncertainty going forward. Economic analysts from every shop have different probabilities and scenarios unfolding in the global economy. From our perspective we believe there will be a mild recession in Europe coupled with expansion in emerging markets. We expect the American markets to perform better than the other developed countries of the world, but we expect the growth in emerging markets to be the highest performer for 2012. I believe that China will not be able to accelerate their growth above 8.5% due to my expectations that the Chinese economy cannot grow as fast without a large amount of investment in infrastructure projects. China will still grow in the higher single digits, I just believe they will not reach expected GDP growth. This coupled with a weak Eurozone recession will lead to the emerging markets taking the lead in driving global economy growth for 2012.

-Eric McTeir, Economic Analyst

Annual New York Visit

The last week in September 2011, the Bowden Investment Group had the opportunity to once again go and visit New York City to meet with and learn from individuals working with some of the leading firms in the financial industry. BIG members were very appreciative of our hosts while visiting New York and would like to thank Blackrock, Neuberger Berman, Bloomberg, ISI Group, Tiger Management, and the ASU alumni working in New York. While the group did get to walk on the floor of the New York Stock Exchange at the closing bell, the highlight of the trip was getting to meet and talk to legendary hedge fund manager, Julian Robertson, and his son, Alex Robertson. We would again like to thank all the companies we met with and for taking the time to share with us their insights into today's financial markets, capital markets analysis, portfolio management, and professional skills.



BLACKROCK

TIGER
Tiger Global Management, LLC

NYSE
New York Stock Exchange

A Special Thanks To Our Continued Supporters

We at the Bowden Investment Group will always be extremely grateful for this opportunity to gain real world experience in portfolio management and financial analysis. It is an invaluable experience and will continue to reward both our past and future members' throughout their professional lives. To all who have donated, whether monetarily or by time, we thank you.

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