Big Update: April 2015

Bowden Investment Group

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Mr. David Thompson, CFA

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WALKER COLLEGE OF BUSINESS

Letter from the President:

The Appalachian State CFA Team upheld a standard of excellence and represented ASU well in their recent competition in Atlanta. The team advanced to the top 20 of all teams in North and South America. I would like to thank Brett Featherstone, Matthew Wine, Nathan Birmingham, and Caitlin Owings for all of their hard work. I also want to thank Dr. Goff and Chris Pavese for their knowledge and guidance through the CFA competition.

As the year comes to a close we are focused on leaving a quality portfolio for the dormant summer months and the upcoming 2015-2016 Bowden Group. We recently allocated 3.5% of our portfolio to CVS common stock as a result of our growth expectations for the company and their leadership in the industry. We also trimmed our Express Scripts holding from 4.3% to 3.5% in order to avoid being over-weighted in the healthcare industry.

This final year of college has been exciting and challenging for all of us in the Bowden Group. I believe I speak for the group when I say that Bowden has been one of the most rewarding experiences of our college careers, and I am so grateful to have been accepted into this program. I would like to extend a special thank you to all of the Bowden members for being part of this journey with me. Dr. Goff and Mr. Thompson have played a major role, providing us with wisdom and real-world skills we will be able to use in the next phase of our lives. Without their leadership, expertise, and ability to motivate, I don't believe the BIG would be able to continue the success it has had this year and in the past.

Lastly, I would like to thank all the supporters of the BIG. Without you, we would not have had the opportunity to take part in this life changing experience. Thank you for your continued support of the Bowden Investment Group.

-Stephen Boatman, President

BIG members Jack Ludlow, Stephen Boatman, Caitlin Owings, and Matthew Wine at Hardin Park Elementary School. They met with the students multiple times to teach them about the stock market. The students were participating in a stock market simulation game, in which BIG members provided them advice.

Industry Performance & Outlook:

The BIG recently allocated 3.5% of the BIF to Halliburton (HAL). Market performance is forecast to decline, with an anticipated compound annual rate of change (CARC) of -6.2% over the next 5 years to 2020. However, the group believes that Halliburton is positioning itself well to weather this decline via their recent announced plan to acquire their second largest rival, Baker Hughes. HAL will benefit from many synergies, and BIG expects to gain significant ROI.

In similar fashion, Tyson has also been assigned a 3.5% weighting in the current BIF portfolio. Although the U.S meat market has experienced fluctuating growth in recent years, revenues are expected to increase to $97.2B in 2016. This is a 6.8% increase in overall market revenues since 2013. It's no surprise that beef sales prove most lucrative in the U.S market. Fortunately for Tyson, they also cater to this market, having acquired Hillshire brands in August of 2014. This acquisition gives Tyson access to products such as Jimmy Dean sausages and Ball Park hot dogs. We are excited about the potential upside for Tyson in our portfolio.

After recently abandoning tobacco and alcohol products, CVS is rebranding itself as a true pharmacy healthcare provider. The United States healthcare providers sector grew by 4.1% in 2014 to reach a value of $2,908.5 billion. The performance of the sector is forecast to accelerate, with an anticipated CAGR of 5.9% for the five years leading to 2020. At this rate, the sector will be valued at approximately $3,880.8B by the end of 2018. Competitors within the U.S market have remained hesitant to incorporate this same differentiation strategy, thus we believe CVS will greatly monetize the niche they have created.

-Andrew Furr, Industry Analyst

Economic Outlook:

Blizzards, and ports, and oil, oh my! These are some of the events blamed for the poor Q1 GDP report. The United States economy grew at a paltry 0.2% for the first quarter, well below Wall Street consensus of 1.0%. The reasons for this poor growth are in some ways temporary, (i.e., the harsh winter and the West Coast port disruptions), but there are also underlying problems, such as strong USD and low oil prices that could persist. We should continue to see strength in the USD and oil prices well below what they were at this time last year. The oil price impact can primarily be seen in business investment where there was a 48.7% contraction in spending for the mining sector.

Looking forward we should see a bounce back. Last year Q1 GDP dropped 2.9%, and we saw a rebound of 4.6% and 5.0% growth in Q2 and Q3. I do not believe that we will see rebounds of that level this year due to the USD impact on net exports. We should see those temporary effects dissipate and hopefully consumer spending and business investment pick back up. Because of this report, I believe that any rate hike by the Fed before September is extremely unlikely.

Looking across the pond we have started to see the beginning effects from the European Central Banks's Quantitative Easing. Private sector lending is up for the first time since May 2012, and the M3 money supply grew 4.6% for the year. While this information is positive, there is still uncertainty involving the economies of France and Italy, as France recorded their highest number of unemployed, and Italy is just now emerging from their recession. Finally, Greece is facing tough negotiations as they try to reform the economy before their debt is due in 2015. Talks continue to go poorly and some people have started to consider a "Grexit." I still believe, as does the IMF, that Greece will come to a resolution and will not have to exit the Euro.

-Matthew Wine, Economic Analyst

April Returns

Ticker	Return
AAPL	0.6%
ARG	-4.6%
CSX	9.0%
CVS	-1.5%
CVX	5.8%
DHR	-3.6%
ESRX	-0.4%
F	-2.1%
FL	-5.6%
GOOG	-1.9%
GOOGL	-1.1%
HAL	1.1%
HBI	-7.3%
IJT	-2.9%
IVV	1.0%
KKD	-11.0%
MU	3.7%
NVS	3.2%
SKT	-4.5%
SYK	0.0%
TSN	0.6%
VEA	3.9%
VFH	-0.3%
WMT	-5.1%
Total	**-0.68%**
S&P	**0.96%**

For an up-to-date view of the BIF, click here.

Alumni Spotlight: *Katie Crane*

Katie Crane
BIG Class: 2008 - 2009

After graduating from Appalachian, Katie joined BB&T through their Leadership Development Program. Her first position in the bank was as a Risk Officer in Commercial Credit where she prepared risk and relationship reviews on clients with $50MM in loan exposure with the Bank. Katie also did in-depth research presentations on BB&T's Healthcare, Education, and Non-profit portfolios. In August 2014, Katie transitioned to BB&T's Regulatory Reporting team as a Senior Financial Analyst. Her current role includes interpreting banking regulations and how they apply to BB&T, as well as preparing the Bank's Call Report and Y-9C filings.

Katie married her high-school sweetheart in 2012 and currently lives in Winston-Salem, NC with her husband and two dogs. In her free time, Katie enjoys antiquing and refinishing furniture.

	Bowden Investment Fund	**S&P 500 Index**
YTD Return	-0.08%	1.93%