Big Update: April 2016

Bowden Investment Group

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WALKER COLLEGE OF BUSINESS

Letter from the President

The year is coming to a close for the Bowden Investment Group. With this in mind, the group has begun making moves to prepare the portfolio for the summer. At the end of the semester we added U.S. Concrete (USCR), Visa (V), Fidelity National Information Services (FIS), Newell Brands (NWL), Costco (COST), and The TJX Companies (TJX) to the portfolio. We also sold all holdings of the financials ETF (VFH), Danaher (DHR), Footlocker (FL), Express Scripts (ESRX), and Hanesbrands (HBI). We believe these moves will leave the portfolio in a strong position for continued growth.

The CFA team would like to thank everyone who supported us through our America's Regional competition. Though we did not advance any further, we are proud of our performance at the competition, and we are thankful for the wonderful experience.

As this year's Bowden class goes through final presentations and portfolio changes, we are excited to have selected next year's members. We are confident that the future class will continue to uphold the high standards of the Bowden Investment Group.

Thank you all for your continued support of the Bowden Investment Group. Your time, contributions, and general interest in the Bowden Investment Group have given all of us numerous life changing experiences over the past year. We hope that you stay involved with Bowden, just as we all plan to.

Sincerely,
Darrow Goff

Pictured from left to right: Back row: Christian Bear, MacGregor Shepard, Darrow Goff, Hunter Jordan, Dillon Hewitt-Castillo, Eric Hasenkopf
Front row: Aaron Martschenko, Andrew Johnson, Nick Todora, Nathan Wiles, Amanda Carter

Economic Outlook

Economic Crisis in Brazil

Brazil is in the midst of its worst recession in 25 years. Estimates for 2016 include a contracting GDP of 3.5%, inflation of 7.1%, and projected public debt, as a % of GDP, to be well above 70%. With its debt levels seemingly low relative to other countries, such as Greece and Japan, it must be considered that its debt has a high average interest rate of 14.5%. Fitch recently lowered Brazil from BB+ to BB, S&P holds the country at a BB, and Moody's downgraded Brazil in February to a speculative rating with a negative outlook. The near-term outlook for the latest Olympic host is bleak. Brazil's manufacturing sector has been hit dramatically with April PMI coming in at a sharp contraction level of 42.6, accompanied by sharp layoffs in the sector and weak new domestic orders. President Rouseff has a 10% approval rating ahead of the May 11th impeachment vote. If Rouseff is impeached, a shift in leadership to her vice president may deliver some hope for Brazil. The task for vice president Michel Temer will be formidable in restructuring Brazil's low credit rating, high interest debt and rebooting a severely contracted economy.

U.K. Economy and Possible "Brexit"

Analysis by the Wall Street Journal indicates that 42% of Britons polled believe the U.K. should remain in the EU, 41% believe the U.K. should leave, and 17% are unsure. The referendum is set for June 23 and has been the subject of blame by politicians and government agencies for the British economy's lost momentum in Q1. The UK's GDP growth was reported at 0.4% in Q1 compared to 0.6% in the fourth quarter of 2015. Declines in manufacturing and construction reportedly offset strong growth from the services sector. But, some are blaming the referendum and uncertainty of "Brexit" as a catalyst for the slowdown, despite a lack of hard evidence. In contrast, the Eurozone quickened its pace with an annualized 2.2% GDP growth in the first quarter of 2016 compared to 1.6% for all of 2015, regaining its pre-financial crisis output level. We believe the potential for a "Brexit" has weighed on the U.K.'s economic growth, given firms' uncertainty of hiring and investment practices, but has had little impact on Eurozone growth. At this point, we do not see polls that indicate a clear preference for "Brexit."

U.S. GDP Update

The US GDP for Q1 2016 was lower than expected at 0.5% versus economists' average estimate of 0.7%. This is the fourth time in the past six years that Q1 GDP has been forecasted to be the lowest of the year. This year's reason for low growth seems to be a sluggish global economy, combined with low oil prices hurting energy investment. Over the past six years, Q2 GDP has generally been 2.3% higher than Q1 GDP. April investments seemed to be positive; if oil prices continue their upward trend, then energy investments could see a partial rebound.

Dillon Hewitt-Castillo and MacGregor Shepard, Economic Analysts

Portfolio Allocations

Through the month of April, we underperformed by 1.45%, driven by negative selection in our Energy and Technology sectors. After our decision to sell HAL in the past month, our lack of exposure to Energy was the largest negative contributor to returns relative to the benchmark as we missed out on the benefits from oil prices rising to their highest levels since November. Consequently, the Energy sector for the S&P 500 rose 8.70% in March, elevating the benchmark's return in what was otherwise a fairly weak month for the market. In the last week of April, the S&P 500 suffered the worst week since February, highlighted by poor earnings from Technology and Health Care companies. YTD, that puts us at 2.06% below the benchmark. We hope to improve on as we wrap up the school year.

Aaron Martschenko, Portfolio Analyst

April Returns

Ticker	Return
AAPL	-13.99%
AMT	2.45%
CVS	-3.11%
DHR	1.99%
ESRX	7.34%
FL	-4.74%
GOOG	-6.97%
GOOGL	-7.21%
HBI	2.43%
IJT	0.30%
IVV	0.39%
JBLU	-6.30%
NVS	4.87%
ODFL	-5.13%
RHS	-0.92%
SYK	1.60%
USCR	-6.78%
V	-1.49%
VEA	2.31%
Total	**-1.06%**
S&P	**0.39%**

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

	Bowden Investment Fund	S&P 500 Index
YTD Return	-0.31%	1.75%