

BOWDEN INVESTMENT GROUP

BIG UPDATE

JANUARY 2019

LETTER FROM THE PRESIDENT:

2019 started off strong and busy. The Bowden Investment Fund has been outperforming the S&P 500 benchmark since November 2018. After selling Nutrisystem (NASDAQ:NTRI) and Thor Industries (NYSE:THO), buying Acuity Brands (NYSE:AYI), and allocating more cash to IVV, the portfolio has been weathering the stormy tides of volatility over the past several months. As we move into buy presentations later this semester, we hope to continue outpacing our S&P 500 benchmark.

January was the first month that Dr. Brandy Hadley took over as our full-time teacher in place of Dr. Delbert Goff who is on sabbatical. She has been teaching the BIG about risk-return relationships, correlations in the market, and REITs. We are excited that she has stepped up from observing to teaching!

While most other students were vacationing or working seasonal jobs for winter break, the Broyhill Fellows were hard at work on the CFA Institute Research Challenge. After logging innumerable hours, they have a stellar presentation on the financial model and stock report. They hope to advance through the state and national levels to the global stage with their research on LendingTree (NASDAQ:TREE).

In addition, two BIG teams built financial models and submitted presentations to compete in the University of Georgia Student Managed Investment Fund Stock Pitch Challenge. One team advanced to the in-person competition in Athens, GA to pitch FedEx (NYSE:FDX). The team did not place, however, they presented well and we're proud of their work.

We hope everyone had a wonderful holiday season and thank you for your continued support of the Bowden Investment Group.

Sincerely,
Alia Dahlan



JANUARY PERFORMANCE

Symbol	Return
AMZN	14.43%
ALB	4.75%
AYI	5.18%
FB	27.16%
GOOGL	7.74%
NVDA	7.68%
RTN	7.44%
SBUX	5.81%
SCI	6.61%
SO	10.66%
SHOP	21.68%
SYK	13.28%
TCEHY	13.02%
V	2.33%
WM	7.51%
IAT	12.65%
VFH	9.42%

BIF	9.46%
S&P 500	8.01%

CHART OF THE MONTH: MARKET STRESSORS RELAX

ST. LOUIS FEDERAL RESERVE BANK FINANCIAL STRESS INDEX



YTD Performance

Benchmark	Return
BIF	9.46%
S&P 500	8.01%
AUM (1/31/19):	\$153,769

MARKETS IN A MONTH: THE 7TH INNING STRETCH—MORE ROOM TO RUN

Advisors:

Dr. Hadley

Mr. Poole

Dr. Goff

Mr. Thompson

Investment Team:

Alia Dahlan, President

Paul Abney, Co-Vice President

Carson Walsh, Co-Vice President

Madeline Hamiter, Economist

Andrew Viditz-Ward, Economist

Cooper Haynes, Accountant

Jarrett Wood, Accountant

Josh Lee, Annual Report Editor

Alex Brea, Industry Analyst

Andrew Crumpler, Industry Analyst

Newsletter Editors:

Amanda Kurland

Neil Agnew

For more information visit the [BIG Website](#)

“In the short run, the market is a voting machine, but in the long run it is a weighing machine”—Benjamin Graham

January rang in the New Year with the same woes as 2018, yet sentiment has sent indexes on a month-long tear. New year, same old market fears. What’s different this time?

Simmering trade tensions, geopolitical strife and a growing specter around decelerating global growth continue to grip already-jittery investors. But, this year it’s different. A fresh rally in equities from the beginning of the year has the S&P 500 up 7.9% YTD, although some investors believe the optimism may be short-lived. Analyst Cooper Haynes portends more volatility ahead despite the 2019 honeymoon rally: “I expect this theme [market volatility] to be amplified by high-frequency trading throughout 2019.” The Nasdaq and Dow Jones jumped 7.2% and 9.7% in January, respectively—marking the Dow’s best January since 1989.

Asian bourses recouped losses after a bruising 2018 when the Shanghai composite and Hong Kong Hang Seng cratered over 15%. This year, the tech-heavy Shenzhen index rallied 3.3% for the month. Investors scooped up Chinese shares on the cheap after overblown, albeit valid, concerns of a steepening slowdown in China made once-lofty valuations seem attractive. Japan’s Nikkei 225 rose 3.8% while South Korea’s Kospi soared 8.0%.

The same goes for many emerging markets. The current MSCI Emerging Markets index PE of 12.4x retreated from 16.5x at the beginning of 2018 as global growth, oil price gains and a then-hawkish Fed crimped emerging markets. Now, after oil’s autumn rout and dovish signals from the Fed, emerging markets like India, Indonesia and Brazil are grabbing investors’ attention. The MSCI Emerging Markets index rose 7.3% in January.

In Europe, Brexit-related turmoil led the U.K.’s benchmark FTSE 100 Index to return a modest 3.6% on the heels of Prime Minister Theresa May’s no-confidence vote survival. The sterling pound rose 2.5% in the days following the vote. A second referendum or Brexit extension is more likely going forward, especially when considering the hotly contested Irish border.

Troubles abound for the Eurozone as worries mount on weakening industrial demand from Germany, the EU’s largest economy, continued financial instability among Italian banks and tepid economic data from France. Accountant Jarrett Wood remarks, “If the Eurozone as a whole begins to fail, it could start a chain reaction in the rest of the world.”

January was a promising month for commodities. Oil prices staged a rebound after OPEC agreed to cut 1.2 million barrels of oil a day—although Brent and WTI are still over 25% off their October highs. Oil traders are now setting their sights on Venezuelan political turbulence and eyeing the global supply-demand picture for the black gold in 2019. U.S. sanctions on Iranian oil output expiring mid-May could also disrupt oil markets. Gold, silver and palladium rose 2.1%, 3.5% and 5.7% in January, respectively. So far in 2019, 10-year Treasury yields edged higher from 2.55% to 2.63% and the U.S. dollar trended 1.1% lower against a basket of 10 global currencies.

A wave of new-year optimism—supported by signals from a flexible Fed, robust U.S. economic data and largely upbeat earnings—helped buoy markets in the first month of 2019. When earnings season passes and investors aren’t as distracted from the worrisome global synchronized slowdown, what brief optimism markets had may fade.

Risk appetite has returned to markets in 2019. And, although the road this year will likely be marked with more volatility, investors thirsty for higher returns have been viewing the glass as half full—not empty. ~ Neil Agnew

Walker College of Business
APPALACHIAN STATE UNIVERSITY

MOUNTAINEERS HIKE TO GEORGIA: UGA STOCK PITCH COMPETITION

We congratulate Alia Dahlan (upper-left), Amanda Kurland (upper-right), Carson Walsh (bottom-left) and Cooper Haynes (bottom-right) for advancing to the penultimate stage of the UGA Stock Pitch Competition.

The team, which presented FedEx Corporation as a BUY, competed in Athens, Georgia against 11 other teams including Boston College, Emory and UNC Chapel Hill.

The group worked diligently since the end of the fall semester to create a financial model to value the company and convey their findings in a stock-pitch presentation for review. The FedEx team passed the first round and was invited to make their presentation to a panel of judges at the University of Georgia.

Although the team did not place, we’re proud of their work and they learned valuable insights from the trip. “I believe the thing we took away most from the challenge was not the competition itself, but what we learned from different programs and how to implement new perspectives to enhance our own investment program,” says Amanda Kurland, FedEx analyst.

Here are some of the main takeaways of the experience from the team: 1) The importance of data analytics can’t be understated; 2) presentation skills, which our team excelled at in the competition, carry lasting impressions; and 3) practice, practice, practice.

Judge feedback included positive comments on presentation skills, competence in the Q&A session and confidence in their knowledge of the stock. BIG members from the UGA pitch also had the opportunity to connect with industry professionals and other college students, as well as explore the city of Athens.

We’re proud of our Bowden team and their FedEx presentation and look forward to remaining a competitive player in the UGA Stock Pitch Competition for years to come.

