



2012 Annual Report



Bowden Investment Group

Bowden Investment Group and Fund Overview

Established in January 2000, the Bowden Investment Group (BIG) has enjoyed 13 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, and, 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.



2012-2013 Bowden Investment Group

Back row (left to right): Travis Ott, Jack Gibbs, Rory Douglas, Neil Trimble, Alan Clarke, Matt Vincent, Dan Alliss
Front row (left to right): Sarah McTeague, Ellen Morgan, AJ Romero, Julia Spring, Matthew Vanek

Administrative Positions

President: Jack Gibbs

Vice President: Alan Clarke

BIG Update Editor: AJ Romero

Accountant: Dan Alliss

Annual Update Editor: Sarah McTeague

Economic Analysts: Travis Ott, Julia Spring

Industry Analysts: Rory Douglas, Neil Trimble,
Matt Vincent, Ellen Morgan, Matthew Vanek

The 2nd Annual BIG Day



In August, the incoming Bowden Investment Group participated in the 2nd annual BIG day, initiated last year as a day of professional development and team building. Group members began the day with presentations and insight from Ms. Linda Matney, Mr. David Thompson and Ms. Meg Spivey, the Director of the Walker College of Business Center Student Leadership. The highly informational and productive morning was followed by an etiquette luncheon guided by Ms. Spivey.

The afternoon activities consisted of team building exercises led by ASU Outdoor Programs, including a story telling circle while waiting for the thunder to pass. The majority of the activity revolved around climbing the Alpine Tower, a fifty-foot, pyramid-shaped, rope and log structure.

The day ended at Mr. and Mrs. Thompson's residence, where students enjoyed a delicious spread while interacting with professors, administrators, and each other.

All students and professors agree the BIG day was very informative. The group got to interact with each other outside of the classroom setting, a trend that continued throughout the remainder of the year. Students learned many transferrable skills they can apply to their BIG experience and future careers.

2012 Economic Review



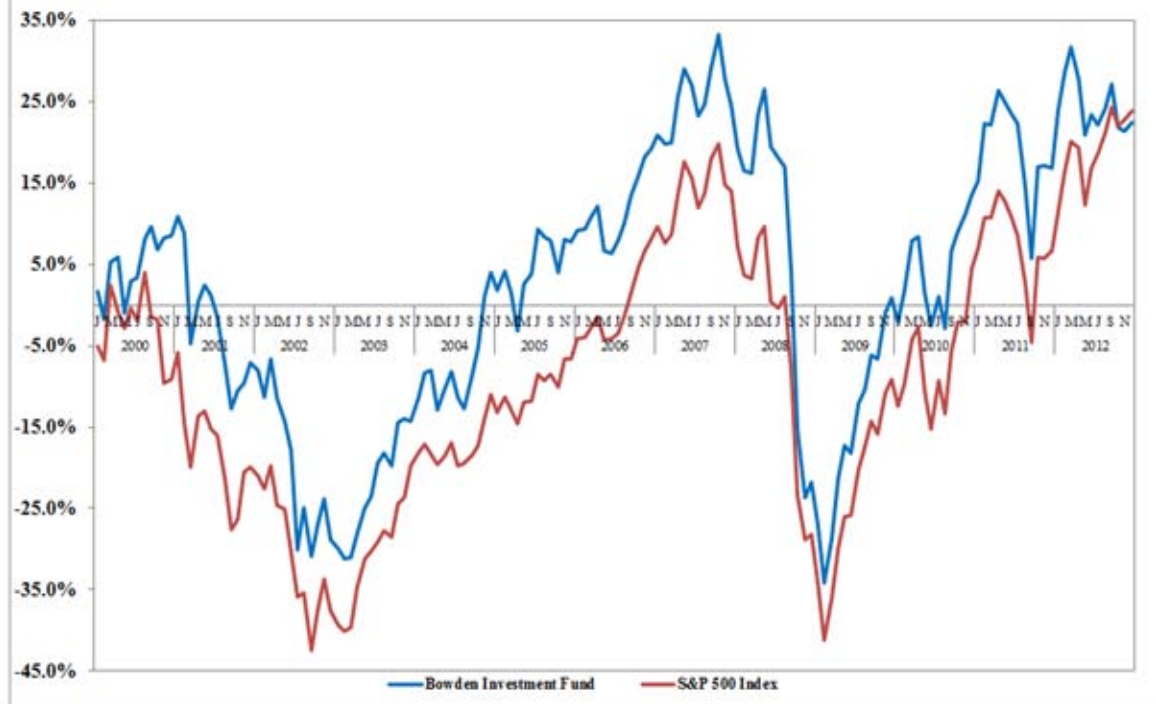
Political uncertainty and indecision held the global economy back in 2012, but overall the U.S. economy began to see some revival throughout the year. The fiscal cliff and the debt ceiling were continuous topics of discussion for the U.S. congress. Both political parties stuck to their values leading to non resolution and a delay in progress for the U.S. economy. In Europe, political disagreement also hampered the ability for countries in the European Union to deal with their fiscal and monetary policies as well. Disagreement between countries in the European Union led to a Euro zone recession, as well as downgrades for several European countries. China saw a slowdown in growth during 2012 as their new leader transitioned into power, but concerns about a crashing Chinese economy did not come to fruition. During 2012, the U.S., China, and the European Union continued to recover from the global recession, but each at their own pace.

The United States saw promising growth in 2012. Unemployment dropped from 8.3% to 7.7% during the year, as the Fed initiated QE 3 to drive unemployment down towards their target of 6.5%. The discovery of fossil fuel deposits large enough to bring the U.S. energy independence in years to come also seeded confidence in markets. Revival in the housing industry became visible as well, as housing starts increased and home prices began to rise.

The economy of the European Union weakened, specifically in the Euro zone. The diversity in cultures and values led to a lack of cooperation between countries in the Euro zone, resulting in setbacks for the national economies of countries in the union, including Germany and France. The future of the Euro zone and the progress of the global economy will depend on the ability of these countries to resolve their issues with monetary and fiscal policy and move towards better unified policies.

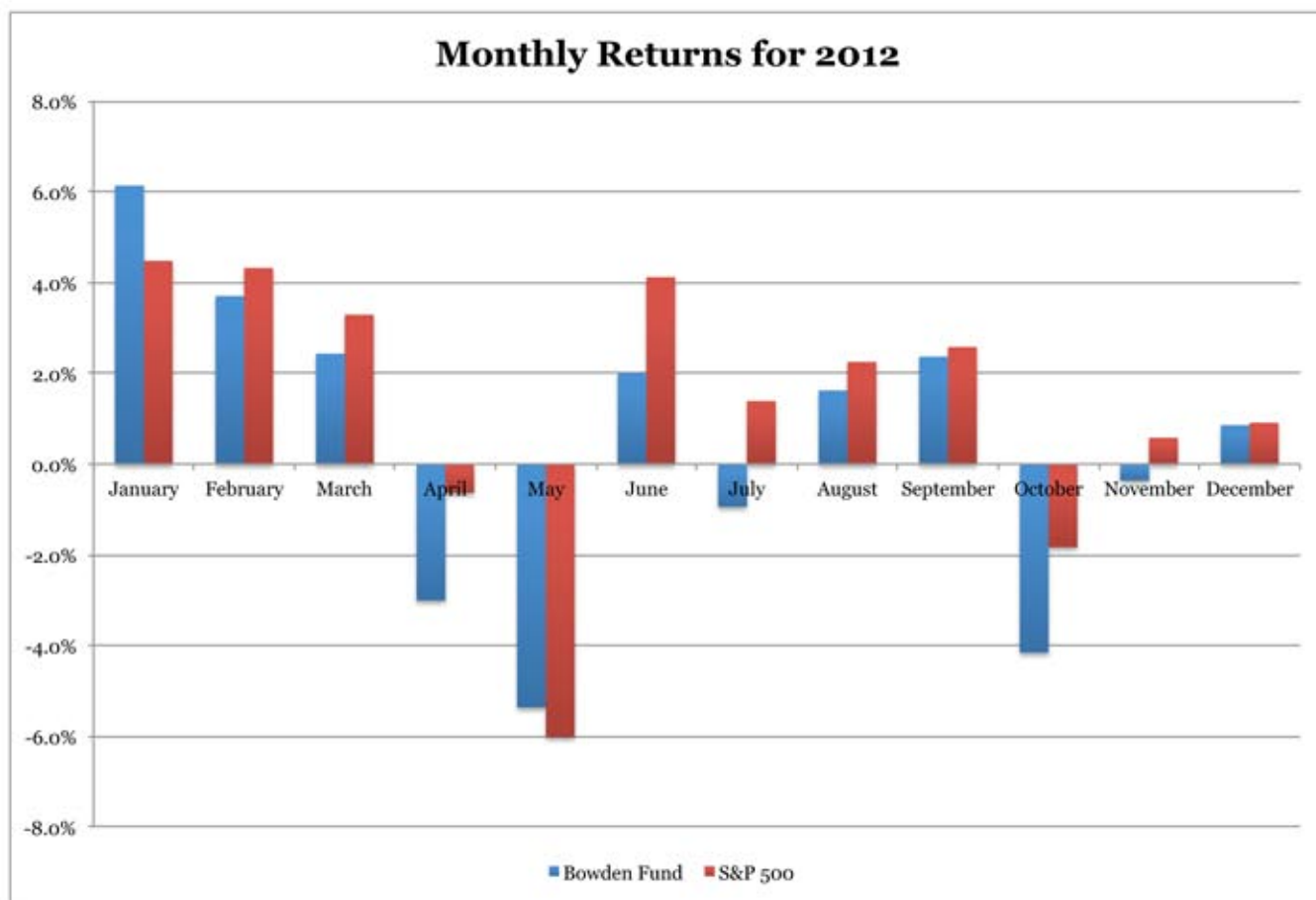
- Travis Ott, Economic Analyst

Bowden Investment Fund Cumulative Returns Since Inception



Overall Fund Performance

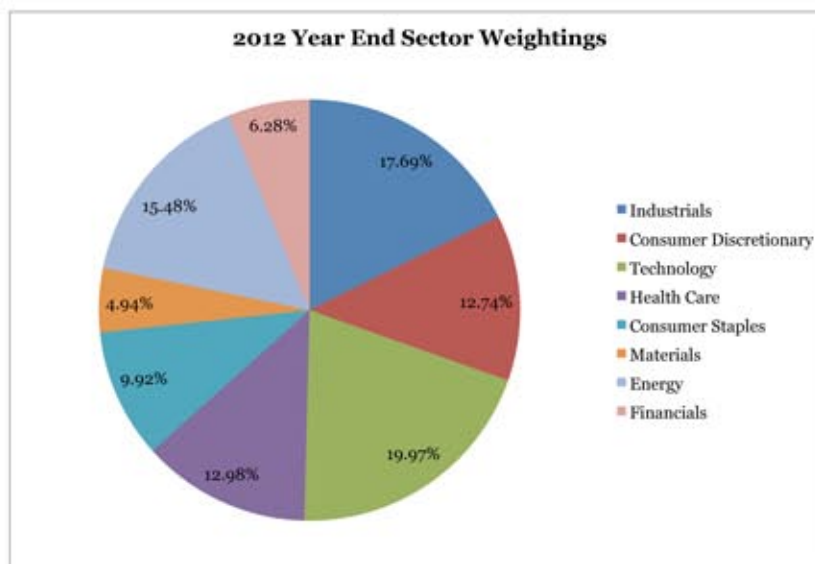
Since the Bowden Fund's inception in 2000 with an account balance of \$10,678.21, the Bowden Investment Group members have strived to surpass their S&P 500 benchmark. Thirteen years later the fund has grown to an ending balance on December 31st, 2012 of \$86,275.72. The credit for this success can be 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.



2012 Monthly Returns

The Bowden Fund underperformed its S&P 500 benchmark in 2012. This can be attributed to three factors: higher cash allocation during the summer stock market rally, two holdings that underperformed (Deckers and Chipotle), and the technology sector, specifically Apple. Looking forward, the group has been actively managing the fund and looking for new investment opportunities.

2012 Sector Exposure and 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 Technology, Industrials, and Energy comprising 19.97%, 17.69%, and 15.48% respectively of the Bowden Fund. Our position in Technology comes from holdings in Google, IBM, Intel, and Apple. We agree with our overall exposure in this area going into 2013 since with an improving economy, this sector has historically preformed very well. The Industrial sector is made up of ABB, Danaher, CSX, and Smith & Wesson Holding Company. The makeup of the Energy sector is Exxon, Apache, Patterson-UTi, and a Vanguard Energy ETF.

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 2012 were:



deckers
OUTDOOR CORPORATION

[**CSX**]



PATTERSON-UTI
DRILLING COMPANY LLC

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 2012: Smith & Wesson Holding Company and PetSmart.

Smith & Wesson Holding Company (SWHC) – SWHC is an American manufacturer of pistols, revolvers, modern sporting rifles, and an array of accessories. Smith & Wesson has a great long-term outlook as management introduces products for the growing female oriented firearms segment. The company also looks to introduce new modern sporting rifles for the hunting segment where demand for these rifles is outstripping supply. SWHC was recommended by AJ Romero.



Smith & Wesson

PetSmart (PETM) – PETM operates over 1,269 stores and is the country's leading provider of pet food, supplies, and services. PetSmart targets a specific customer base which it has named "Pet Parents" who treat their pets as if they are a true member of the family. The company appeals to this customer by offering an all-inclusive experience. We believe that PetSmart's growth story will continue through store expansion, increasing comparable store sales, and the economic moat it enjoys against industry competitors. PETM was recommended by Jack Gibbs.



2013 Economic Outlook



The beginning of 2013 has been strong for equities thus far as investors, businesses and consumers are more confident that many of last year's headwinds are behind us. As I write this, the S&P 500 has closed at a five-year high and the current earnings season has been stronger than most expected. While it looks like this could be a great year for the stock market, there is one big hurdle to overcome, the U.S. debt ceiling. Although the House has temporarily suspended the United States' borrowing limit until May 19, Congress still has a long road of tough debates ahead of them that are sure to prove more difficult than the fiscal cliff discussions. If our government is able to bring this to a grand conclusion, the markets could take off and lock in a bull market for the year. However, we believe it is much more likely that Congress will find themselves in a pinch toward the end of the deadline and have to settle this issue without fully satisfying investors.

Looking at the bigger picture, global economic indicators are showing the potential for growth to speed up as countries continue toward economic recovery. However, concerns still exist for many major markets of the world. We expect Europe will continue to struggle with high debt and unemployment for at least the next six months. Japan is also still in distress as their recession ensues, but we have hope that their new Prime Minister, Shinzo Abe, will have a positive influence as he has been pushing for increased government spending and easing. Conversely, the Bank of Japan has delayed any further asset purchases until 2014 so a recovery may be out of reach for them this year. Finally, as China's economic data appears to be turning around, we remain skeptical of their true progress and can only hope this actually will be a stronger year for China, and in turn, the rest of the global economy.

- Julia Spring, Economic Analyst

Annual New York Visit



The last week in September 2012, the Bowden Investment Group had the opportunity to once again 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 appreciative of our hosts while visiting New York and would like to thank Blackrock, Guggenheim, Bloomberg, ISI Group, Tiger Management, and the ASU alumni working in New York. The group also got to walk on the floor of the New York Stock Exchange at the closing bell. 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.

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.

For More Information:

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