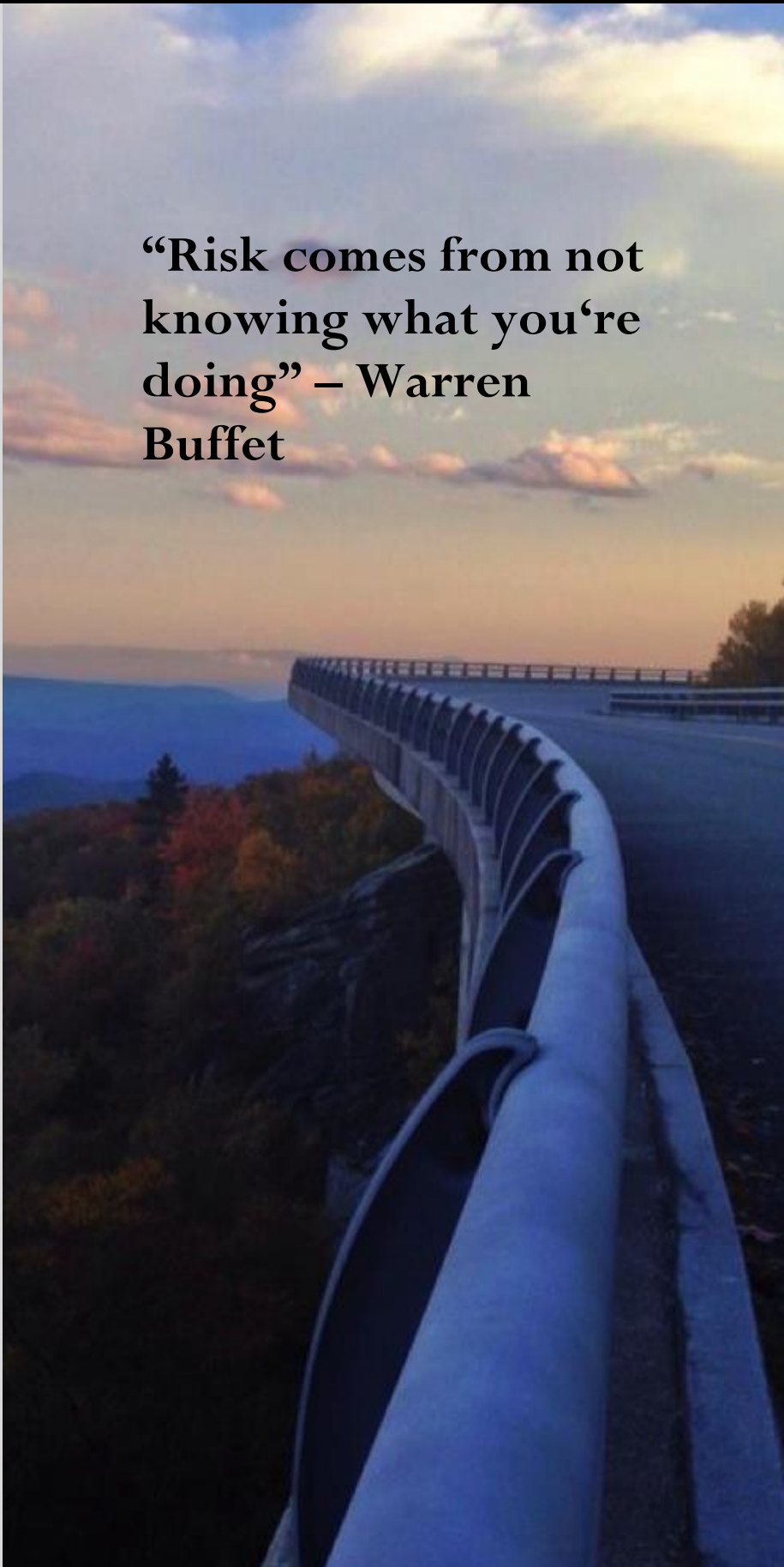


Bowden Investment Group

2013 Annual Report

Established in January 2000, the Bowden Investment Group (BIG) has enjoyed 14 successful years of managing the Bowden Investment Fund. Group members strive to instill the same passion and commitment to the fund that Dr. Elbert V. Bowden, in whose honor the Fund was named, shared with his students in the Walker College of Business' Department of Finance, Banking, and Insurance. The Bowden Investment Fund provides 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. Students apply the lessons learned toward the goal of earning a return on investment that exceeds the return of the S&P 500. Funds generated by the portfolio are used to benefit the students and faculty of the Finance, Banking and Insurance Department at Appalachian State University.



“Risk comes from not knowing what you’re doing” – Warren Buffet



Bowden Investment Group 2013-2014

Back Row: (from right): Michael Page, Cameron Newell, Sean Record, John Granzow, Jason Capps, Jack Bishop
Front Row: Zachary Lavasque, Jack Brown, Drew Cook, Madison Bigham, Clark Featherstone

Administrative Positions

President: Jack Bishop

Vice President: Jason Capps

BIG Update Editor: Madison Bigham

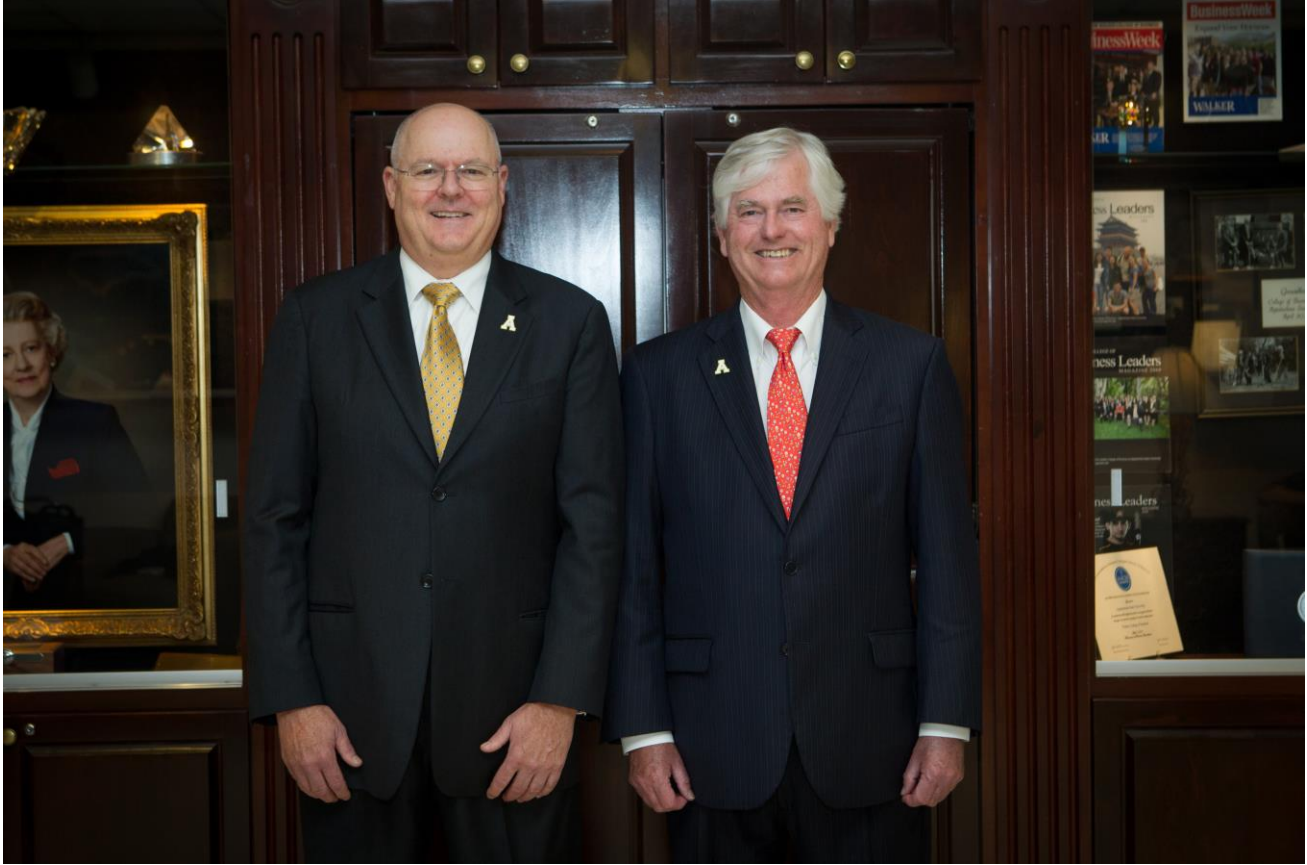
Accountant: Zachary Lavasque

Annual Update Editor: Sean Record

Economic Analysts: John Granzow, Clark Featherstone

Industry Analysts: Cameron Newell, Drew Cook, Michael Page, Jack Brown

Advisors



Dr. Delbert C. Goff

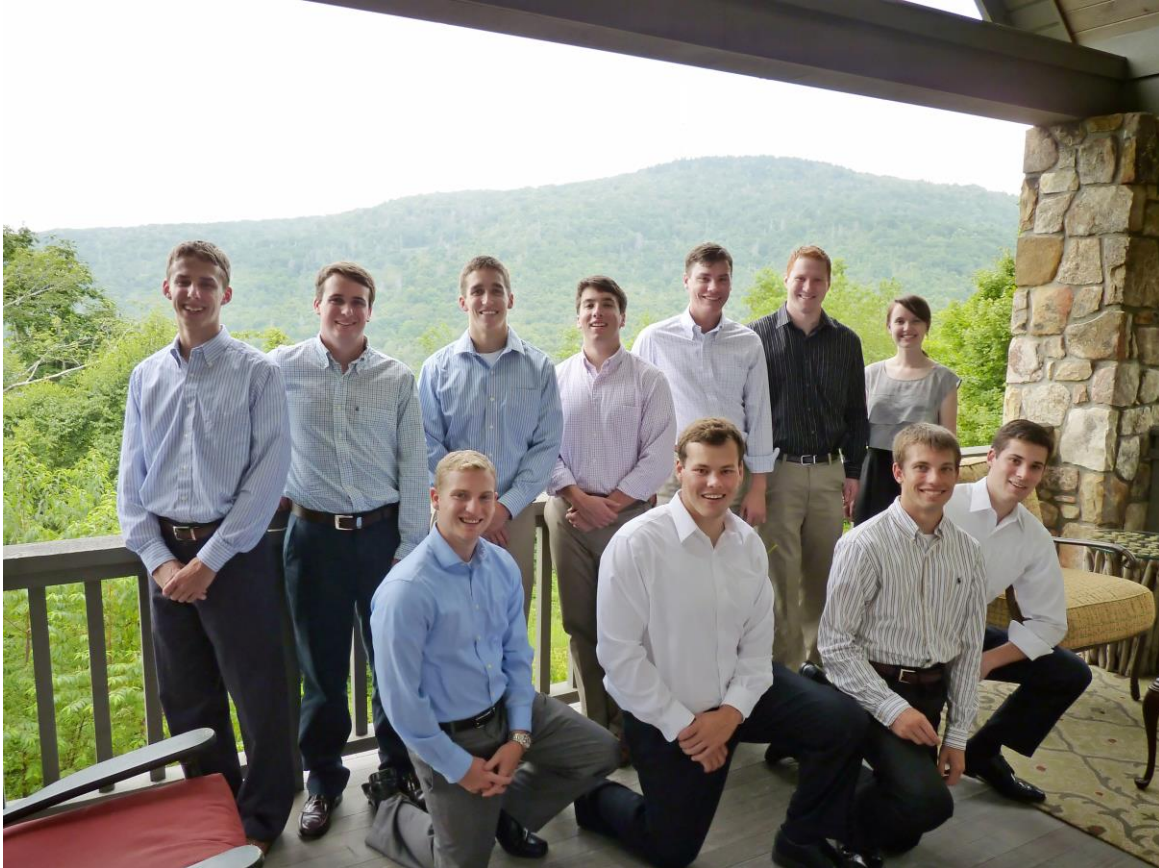
Dr. Goff is the professor and advisor for the Bowden Investment Group. He earned his B.S from the University of Florida before earning a MBA and Ph.D from Florida State University. He teaches undergraduate and graduate courses in corporate finance and investments. He is an active researcher in the area of corporate finance and investments and his research has been published in academic and trade journals. Dr. Goff was instrumental in creating the Bowden Investment Group and instrumental in raising the funds for the student managed investment fund.

Mr. David A. Thompson

Mr. David A. Thompson, CFA, CPA joined Appalachian in 2010 as an Adjunct Instructor and works with Dr. Goff to help students in the Bowden Investment Group. Mr. Thompson is a retired General Partner and CFO of WEDGE Capital Management, LLP. He brings 27 years of investment and portfolio management experience to the classroom with the objective of using his work-life experiences to enrich and expand the education of students focused on an education in finance. His real-world experiences are a wonderful addition in class.

3rd Annual BIG Day

In August, the incoming Bowden Investment Group participated in the 3rd annual BIG 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. Janet Woodson, a former investment banker and the proprietress of gourmet catering company La-Tea-Da's. The highly informational and productive morning was followed by an etiquette luncheon guided by Ms. Woodson.



The afternoon activities consisted of team building exercises led by ASU Outdoor Programs. The majority of the activity involved climbing the Alpine Tower, a fifty-foot, pyramid-shaped, rope and log structure. All eleven BIG members made the ascent successfully.

The day ended at Mr. and Mrs. Thompson's residence, where students enjoyed a delicious meal while interacting with professors, administrators, and each other. All students and professors agree the BIG Day was very informative. Throughout the day students learned many transferrable skills they can apply to their BIG experience and future careers.

2013 Economic Year in Review

Global economies had a positive 2013 as Central Banks continued their easing programs. However, there were still signs of concern in the EU and EMs. Two main themes dominate our recap of the year: the struggle for developed nations, in particular China and Europe, to regain ground through economic expansion; and, the impact of slower global growth on Emerging Markets.

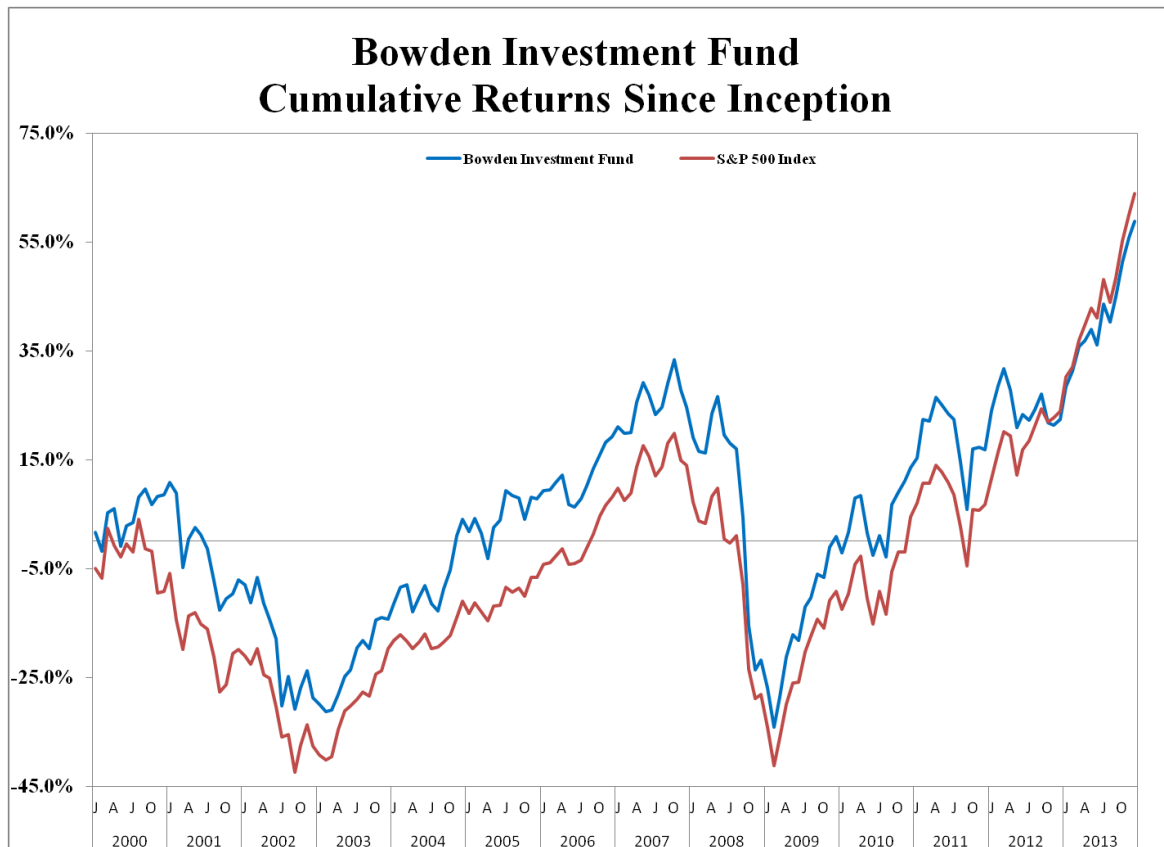
Coming out of the recession, the EU has continually searched for any signs of economic growth. Due to the threat of another PIIGS country going under, investors were fearful of the EU. However, driven by strong numbers coming out of Germany, the second half of 2013 provided some positive signs. GDP growth in the EU28 increased in both Q2 and Q3, up 0.3% and 0.2% respectively. Stricken by no growth and high unemployment for multiple years, this was huge news for the region and provided some evidence that PIIGS were stabilizing again.

On the other hand, China's amazing streak of strong GDP growth hit a speed bump with Q2 growth estimates falling short. Emerging Markets around the world, especially in Latin America, saw a flight to quality as China's economy is fueled by the natural resources these countries provide. The Bowden Fund had invested in a Latin American ETF (ticker: GML) on the premise of continued growth from China. As of today, we are down approximately 24% from our original investment. Last semester the group discussed our position in this region, and a "HOLD" vote was the consensus based on positive growth signs from Mexico, in which the ETF has its largest holding.

Despite a shaky bout with the government shutdown, US markets had a record year, with the S&P up over 30%. While the Bowden Fund did not beat our benchmark, we still ended the year at an all-time high. The driving factors for 2013 were: the asset appreciation from the Fed's QE program; and, earnings growth that provided a foundation for a portion of the appreciation. Ending the year with the unemployment rate below 7% (6.8%) for the first time since 2008 was another positive factor, which provided enough for the Fed to finally taper. Economists throughout the year struggled to understand Bernanke and the Fed's outlook on the US economy. In the end, I believe the time frame of the decision was in the best interest for all parties involved.

2013 proved to be a strong economic year both domestically and globally. Fueled by Central Bank policies, stagnant economies such as Japan and the EU showed signs of growth. The long awaited Fed taper rid the market of the looming uncertainty, and drove markets higher into year's end. However, concerns must be raised for EMs and the future sustainability of the world's second largest economy, China. The Bowden Investment Group will continue to monitor China as our position in Latin America is influenced greatly by that country. We will look further at the portfolio if Q1 '14 does not bode well for Emerging Markets.

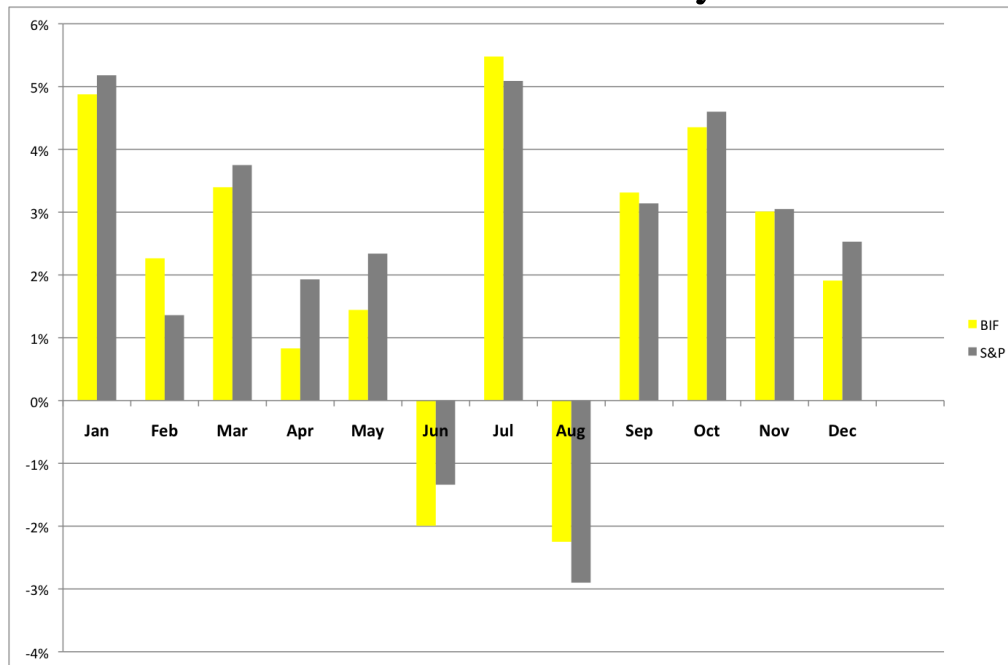
- **John Granzow, Economic Analyst**



Overall Fund Performance

Since the Bowden Investment Fund's inception in 2000 with an account balance of \$10,678.21, the Bowden Investment Group has strived to exceed the S&P 500 benchmark. Although the fund's performance has fallen short of this goal, cumulative returns over the past 14 years have allowed the balance of the fund to grow to \$112,806.10 as of December 31, 2013. The credit for this growth can be given to the continued investment decisions of BIG members over the last decade 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 for 2013



2013 Monthly Returns

The Bowden Investment Fund began 2013 leading its S&P 500 benchmark, but soon saw its returns fall behind. The months of May and June were particularly sluggish due primarily to a large position in GML.

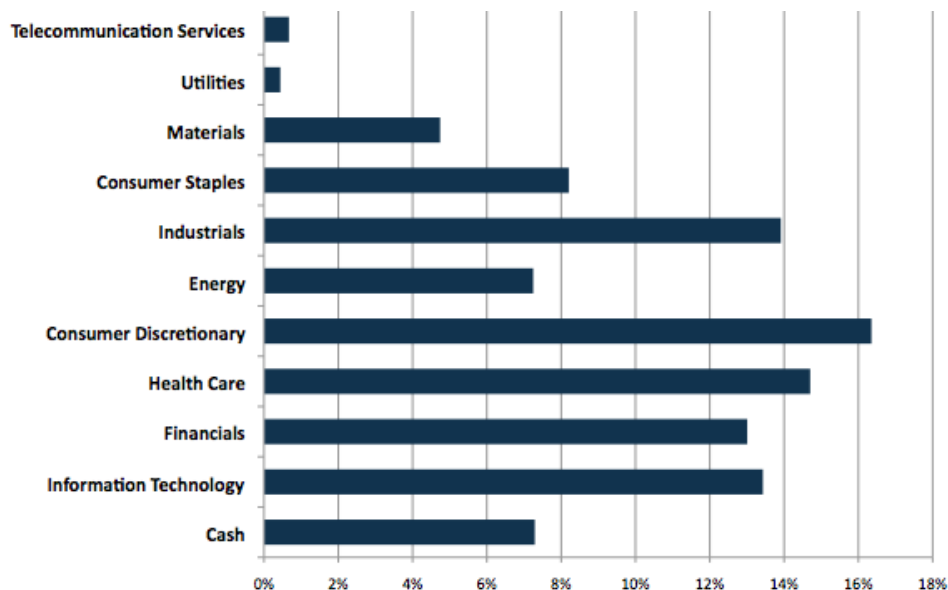
GML is a Latin American ETF with holdings in Financials, Materials, and Industrials. Political unrest in Brazil was an especially large determinant in the pullback of stock price. At the end of 2013, we were optimistic that the World Cup in Brazil, Panama Canal Expansion, and the continued manufacturing renaissance would be positive trends for GML. At the same time we had short-term performance concerns regarding this investment.

On a more positive note, the Bowden Investment Group was thrilled to see Google surpass the \$1,000 per share price at the end of the year, increasing from our purchase price of \$615 in 2011. The Bowden Investment Fund has also seen a return of 42% on Michael Kors since purchased in May this year.

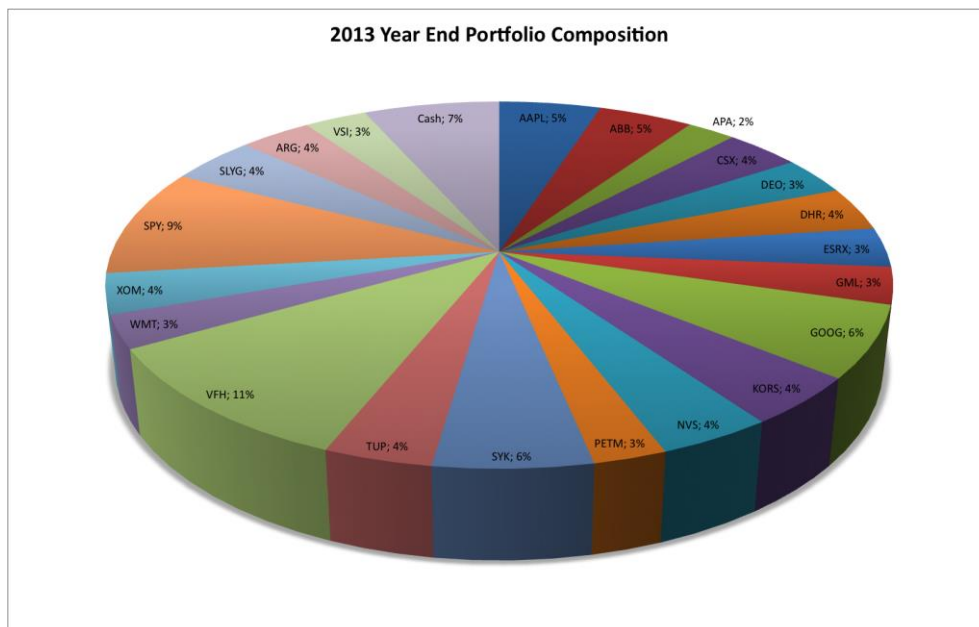
Overall, we are extremely confident with how we are positioned for 2014 and are pleased with a return of 29.7% over the course of 2013.

2013 Sector Exposure and Portfolio Composition

2013 Year End Sector Weightings



2013 Year End Portfolio Composition



The Bowden Investment Group understands that sector weightings are an important part of portfolio composition, as well as portfolio management. Currently our most heavily weighted sectors are Consumer Discretionary, Health Care, and Information Technology, comprising 16.5%, 14.7%, and 13.43%, respectively, of the Bowden Investment Fund. Our position in Consumer Discretionary comes primarily from holdings in Michael Kors, Walmart, Vitamin Shoppe, and PetSmart. With our positive growth outlook for the industry in 2014, we anticipate that it will continue to do well. The information technology sector is comprised of Google and Apple. We are extremely confident in the futures of both of these companies, but we recently trimmed one share of Google due to the growing concern that it was weighted too heavily in the portfolio. The current Bowden Investment Fund's top five holdings are Google, Stryker, Apple, ABB, and Michael Kors.

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 aid us in making 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 fund in Spring 2013:



MICHAEL KORS

DIAGEO



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 the stock to the group as a buy, sell, or hold. Those 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 2013: Vitamin Shoppe and Airgas.

Vitamin Shoppe Inc (VSI): VSI is a specialty retailer of vitamins, minerals, herbs, specialty supplements, sports nutrition products, and other products that help support a healthy lifestyle. VSI is expecting to continue expansion in 2014 by adding 50-60 brick and mortar locations including stores overseas. This expansion and the company's healthy balance sheet were contributing factors to this purchase. VSI was recommended by Jack Bishop

Airgas, Inc (ARG): ARG is the leading supplier of various gases in the United States including cylinder, industrial, manufacturing, health-related and specialty gases. With over 400 acquisitions since the company's birth, ARG has experienced repeated historical revenue growth and we are expecting this trend to continue. ARG was recommended by Michael Page

Sold in 2013:



Smith & Wesson



Under Consideration to Buy in early 2014:

Foot Locker, Inc. (FL)

Ebay (EBAY)

2014 Economic Outlook



2014 has definitely started off differently than 2013 ended. The trouble brewing in Emerging Markets, which was a general theme last year, has continued as the Fed's taper begins to take effect. As I write this, the Turkish lira has hit a record low and the South African rand fell to its lowest level versus the dollar since 2008. These effects are similar to Q2 of last year, when China posted lower-than-expected GDP growth (7.5%). Investor confidence continues to slide for the BRIC countries. 2014 will either be a solid or flat year for developing nations, as developed nations are poised for another year of growth.

While this news does cause concern for global economies, we saw US markets rebound tremendously after the roughly two-week government shutdown. We still believe there is the potential for above-average gains in US equities this year. While China has been a concern for quite some time, as historical GDP growth cannot be sustained forever, there are still positive factors that can lead to solid gains. Janet Yellen will be taking over the Fed in a few weeks, and with her history, the monthly asset purchases should continue. The EU, plagued by high unemployment and flat-to-negative growth showed positive signs in the second half of last year. I believe slowly but surely, the EU, driven by the German economy, will continue these positive trends. The last factor is the most obvious and yet the most terrifying. Central Banks continue to have enormous control over market fluctuations, and with the BOJ and BOE, remain consistent with their easing programs. In this climate, markets should continue to rise with the increase in liquidity.

- **John Granzow, Economic Analyst**

Annual New York Visit



In early October, the Bowden Investment Group had the opportunity to again visit New York City to meet and learn from individuals working with some of the leading firms in the financial industry. Using the Appalachian State Loft as a hub, the Bowden group kicked off the trip with a reception for alumni located in the area.

After this successful networking event, BIG had the opportunity to visit with Blackrock, Bloomberg, Bienville Capital Management, Cornerstone Macro, ISI Group, and Julian Robertson's Tiger Management. We would like to extend our thanks to all we met with and to say that we are extremely appreciative for the opportunities and insights the entire group gained throughout this trip.

The Bowden Group also had the opportunity to tour the New York Stock Exchange and speak with the market makers on the trading floor. What an exciting opportunity to visit such an important historical venue.

In our free time BIG was able to visit the Met, the Brooklyn Bridge, the Empire State Building, Freedom Tower, and various other places unique to New York City. We would like to once again extend our gratitude to everyone that made this trip possible.

Industry Outlook: Energy

The Oil Drilling and Gas Extraction Industry includes companies that explore and produce crude petroleum, natural gas, and hydrocarbon liquids. The recent flooding of the supply in crude oil and the slowing economies of emerging markets (specifically China) has caused a downward trend in the price of oil. Therefore, analysts' consensus of revenue growth over the next five years will be a miniscule .2%. However, Natural Gas is proving to have promising growth potential. Increase in domestic supply of natural gas has kept prices relatively low; and, paired with increases in demand from energy producers who look for cheaper alternatives to coal, continue to increase revenues for natural gas producers. The future of the industry is contingent on: the relative prices of oil and natural gas to other energy producing materials; the ability and timeliness of established energy producing firms to transition to less expensive inputs; and, the ability to sustain a high demand for domestic energy. Outlook for the industry looks promising, with annualized revenue growth of 2.2% over the next five years.

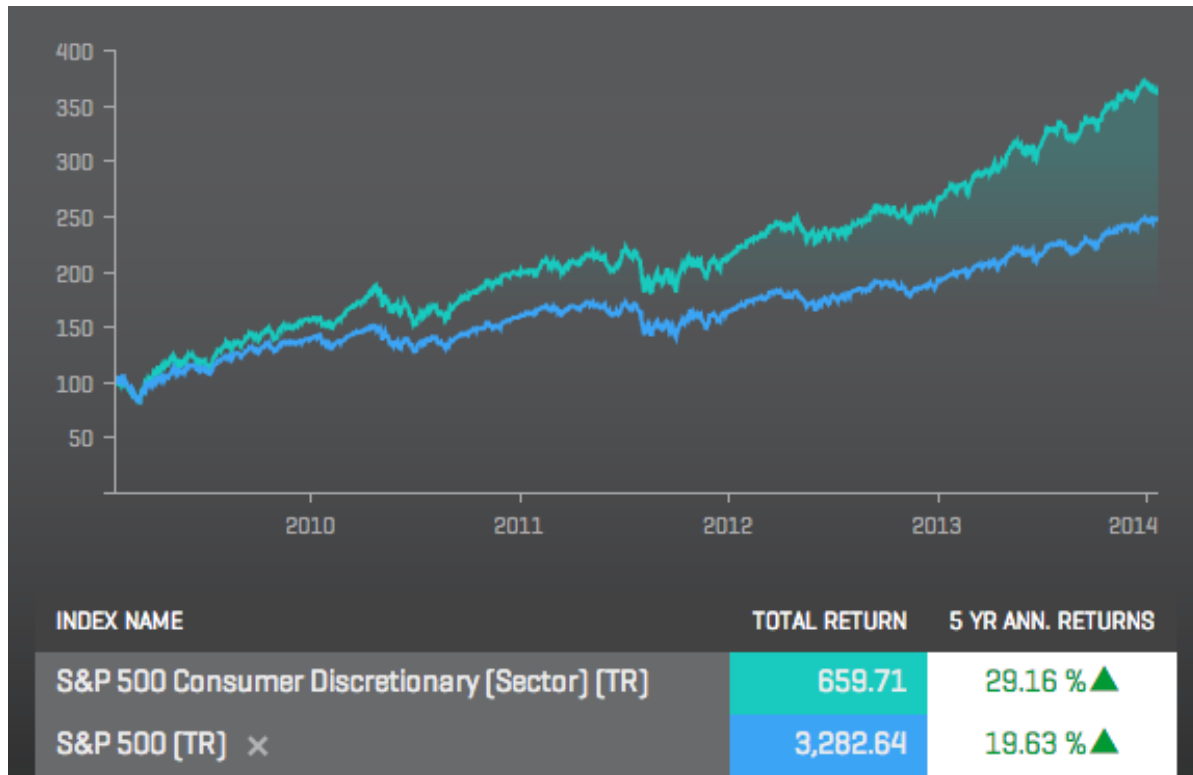


The U.S. Coal Mining Industry has struggled recently. The emergence of natural gas as a substitute for coal in electricity generation has had negative effects on the profitability of mining coal. Also, the same slowing emerging market economies that have had a negative effect on domestic oil prices have also caused a slowing demand for exporting coal. Existing stockpiles of coal are high, decreasing the demand to mine more. Coal is more expensive as an input for energy production than natural gas, and is much more harmful to the environment; therefore, in the long run, I believe the use of coal for energy production will become obsolete. Industry revenue is expected to shrink 5.8% annually. However, I believe that in the short term, as international emerging markets' demand for the production of steel increases (which necessitates the burning of coal) and energy-producing firms are slow to adopt less expensive alternatives, the market will experience a short-term increase in demand for coal.

- Jack Brown, Industry Analyst

Industry Outlook: Consumer Discretionary

5 Year Comparison of S&P 500 & Consumer Discretionary Index



Source: S&P DOW Indices. Data is backtested. Hypothetical based on data prior to the launch of the index

The Consumer Discretionary sector posted solid returns in 2013 and, for a variety of reasons, I believe these positive returns will continue into 2014. Throughout the financial crisis, retailers worked to ensure lean inventories and efficient supply chain techniques, enabling more pricing power as consumer spending increased. As the housing and job markets slowly continue to grow, we will see consumers begin to make more purchases they may have put on hold in recent years while they cut back to work on their debt, housing, and auto. This shift toward more discretionary spending will continue, but consumers will be more cautious and spend only when they perceive greater value or discounts. Outlook for overall GDP growth has been raised from 1.5% to 2.6% due to a better-than-expected recovery in 2013, directly benefiting discretionary spending. Although there are many positives, high credit standards and questions regarding the Affordable Care Act do raise some serious potential issues for consumers when assessing their discretionary spending. I anticipate a more cautious consumer going forward, but discretionary spending has a positive growth outlook for 2014 and beyond as we see a continued recovery in the housing and labor markets.

- **Drew Cook**, Industry Analyst



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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www.big.appstate.edu

“Mountain Passage” – Artwork by Dave Thompson

