

2015 Annual Report



"Mountain Journey" Original Art by Dave Thompson

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big.appstate.edu

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Bowden **Investment** Group





About the Bowden Investment Group

The Bowden Investment Group gives students an opportunity to learn in-depth financial analysis and gain real-world experience in investing. Membership in the BIG is highly competitive, and participants are chosen by the advisors and past BIG members through an application and interview process. Academic standing and overall interest in investing are two of the deciding factors for membership. The Group manages an equity portfolio valued at approximately \$110,000 with the goal of outperforming the S&P 500 Index. Each fall's class inherits the portfolio from the previous BIG and the members are taught how to and permitted to make sell decisions in the first semester. After participating in class lectures, each student selects one company for which they complete a full financial analysis report and model. After completion of the reports, companies which were recommended as a "Buy" can be voted into the BIF by the students. Membership in the BIG is a very challenging, yet rewarding experience for all students. Thus far we have gained many life-long lessons, and investment strategies for the future.

The BIG also participated in many inspiring activities outside of the classroom. At the beginning of the year, we had our annual "BIG Day" at Camp Broadstone where we were able to build trust within the group. During the day, we learned about professional etiquette. In the fall semester, the BIG also traveled to New York City. The members can all agree that the trip to NY was the highlight of the fall semester, if not our college careers! We were able to visit many large companies and receive advice from many successful professionals.

Letter from our Advisors

When the student-managed investment fund was started fifteen years ago, no one could envision that it would lead to the development of one of the premier student groups at Appalachian State University. We are very proud of the growth and development of the Bowden Investment Group; however, we are even more proud of the accomplishments of our students and alumni.

Each year brings new challenges and new opportunities for our students, and 2015 was no exception. From an investment standpoint, students experienced the challenge of investing in a flat market and that market environment provided a great learning opportunity for our students. While it is not always possible to have positive investment returns, we can always have positive learning experiences for our students.

To everyone who has provided support for the Bowden Investment Group, we thank you for your support. Also, thank you to our students and alumni for accepting the challenge of being a member of the Bowden Investment Group and for performing at a level that is above and beyond average expectations.

Our Advisors



Dr. Goff

Professor and Advisor
B.S. from UF and MBA
& Ph.D. from FSU



Mr. Thompson

Adjunct Instructor
Artist, CFA & retired
General Partner and
CFO of WEDGE Capital
Management

Meet the Class of 2015-2016

All students in the Bowden Investment Group are finance & banking majors and several members are also double majoring in economics or accounting. Most of the students in this year's class have accepted full-time career positions in banking, corporate finance, or sales.



Darrow Goff

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CFA Team

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Andrew Johnson

Vice President

CFA Team

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Nathan Wiles

Accountant

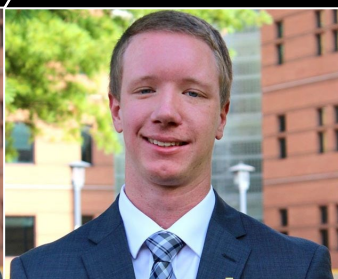
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Fall Semester Highlights

Members of The Bowden Investment Group returned to Appalachian after a successful summer as interns for various banks and companies. To prepare for the challenges of the BIG, we worked during to summer to learn how to build financial models and improve our knowledge of accounting. As we assumed responsibility for managing the BIF we began extensively studying financial analysis. Following the summer, we jumped into managing the BIF. There were many challenges faced, but above all we experienced many memorable moments.

BIG Day: Our studies this summer were not enough to fully prepare for the upcoming fall semester. We began the BIG Day by learning valuable information about professionalism and dinner etiquette. Following lunch, we enjoyed team-building exercises which have helped us thus far to trust each other as we are making investment decisions. We ended the day at Mr. Thompson's house in Linville for dinner and to recap what a wonderful day it had been and to look toward our future semester.

NY Trip: This trip was definitely a week to remember! One of our favorite highlights was our trip to Tiger Management. During a presentation on a portfolio idea, Julian Robertson, founder of Tiger Management, walked in. He shared some of his industry experience and listened to our thoughts about investment prospects and current consumer trends. We believe it is fair to say Mr. Robertson was disappointed with the BIG's decision to hold any oil stocks. While in NY, we also had a private lesson on the Bloomberg Terminal which we found very useful for our studies. Additionally, many of the members on the trip loved the active and high paced meeting we were a part of at Evercore ISI. We were able to learn so much in the short week, visiting Tiger Management, Evercore ISI, Bloomberg, BlackRock, The NYSE, and Credit Suisse.

We also took in a Broadway show, a Yankee's game, and visited the Empire State Building, just like typical tourists.

KKD: We were fortunate to have a visit from Mr. Jim Morgan, former CEO and current Chairman of Krispy Kreme. We heard from him about Krispy Kreme and some of his other life experiences.

BlackRock: The BIG learned a lot from Eric Evans' and Adam Growley's visit to our morning meeting. One of our favorite charts they shared depicted gains in relation to how many of the best and worst days investors stayed in the market, clearly showing the advantage of staying in the market long term and not pulling out when times are tough. They also had some great book suggestions for the group!

CFA: Members of the Bowden Investment Group are excited to compete once again in the CFA Institute Research Challenge. Competitors on this year's team are Darrow Goff, Aaron Martschenko, MacGregor Shepard, Andrew Johnson, and Amanda Carter. The company chosen by the CFA Institute is Sonic Automotive, Inc. Sonic is an automotive retailer headquartered in Charlotte, North Carolina. The team has been dedicated to researching SAH and compiling a research report to be submitted into the competition. We wish the team the best of luck as they compete against some of the best colleges and teams across the state of North Carolina. We hope to see the same success as our previous teams.

Winning stocks for the fall semester were Google (Alphabet) and Tyson. Both stocks made great gains, easily beating the S&P 500. Tyson, which was added to the portfolio in the Spring of 2015, has been a very strong performer. The BIG remains positive on our current position with both holdings.



Fall Semester Lows

The Bowden Investment Group was bearish on both Walmart and Micron but did not act quickly enough to prevent large losses. Both of these stocks represented some of the worst performing stocks in the entire portfolio. The BIF is currently underweighted in technology after the sell off of all shares of MU.

When discussing the potential sell of MU, Mr. Thompson warned the BIG of what he called, "the dead cat bounce", and we quickly sold. Shares of MU fell nearly 60% last year due to the market for NAND flash and DRAM memory chips.

There were many reasons the group quickly lost confidence in Walmart. We believed that competitors, such as Amazon, were quickly taking digital market share, and that Walmart's online capabilities were not as advanced as they should be considering the current trend of online shopping. Additionally, we had reservations about the high increase in wages for WMT's workers. Sadly, we did not act quickly enough on our assumptions, and the market reacted to this information. After reports confirmed negative outlook as a result from wage increases, the stock dropped, and we sold off as did the rest of the market.

Portfolio Assets

Assets held by the Bowden Investment Group as of December 31, 2015.



Description	Symbol	Units	Close	Market Value
Apple Inc.	AAPL	51	105.26	5368.26
CVS Health Corporation	CVS	42	97.77	4103.34
Danaher Corp.	DHR	55	92.88	5108.40
Express Scripts Holding Co.	ESRX	50	87.41	4370.50
Foot Locker Inc.	FL	111	65.09	7224.99
Alphabet Inc.	GOOG	6	758.01	4548.06
Alphabet Inc.	GOOGL	6	778.01	4668.06
Haliburton Company	HAL	90	34.04	3063.60
Hanesbrands Inc.	HBI	148	29.43	4355.64
iShares S&P Small-Cap 600 Growth	IJT	57	124.31	7085.67
iShares Core S&P 500	IVV	29	204.87	5941.23
JetBlue Airways Corporation	JBLU	192	22.65	4348.80
Novartis AG	NVS	55	86.04	4732.20
Old Dominion Freight Line Inc.	ODFL	68	59.07	4016.76
Guggenheim S&P 500 Equal Weight Consumer Staple ETF	RHS	42	116.02	4872.84
Stryker Corporation	SYK	78	92.94	7249.32
Tyson Foods Inc.	TSN	112	53.33	5972.96
Universal Forest Products Inc.	UFPI	79	68.37	5401.23
Vanguard FTSE Developed Markets ETF	VEA	236	36.72	8665.92
Vanguard Financials ETF	VFH	262	48.45	12693.9

Symbol	Fall Semester Returns	Annual Returns
AAPL	-19.01%	-3.72%
CVS	-3.99%	-3.47%
DHR	7.02%	8.35%
ESRX	1.54%	3.26%
FL	3.99%	16.15%
GOOG	40.75%	45.00%
GOOGL	40.75%	46.92%
HAL	-25.87%	-1.03%
HBI	-7.48%	-.53%
IJT	-4.35%	-2.32%
IVV	-3.72%	-.90%
JBLU*	-11.28%	-11.28%
NVS	-16.42%	-6.73%
ODFL*	-3.45%	-3.45%
RHS*	2.68%	2.86%
SYK	-3.30%	-1.12%
TSN	26.17%	35.01%
UFPI	23.21%	22.55%
VEA	-11.28%	-11.28%
VFH	-3.31%	-2.55%

*Purchased after June 1, 2015

S&P Returns

1.38%

BIF Returns

-3.07%

Total Portfolio Value:

\$119,058.99

* As of December 31, 2015

Transactions

Made by the Bowden Investment Group in the fall semester.



Buy Decisions

Description	Symbol	Units	Date	Price Paid	Price as of Dec. 31, 2015
Guggenheim S&P 500 Equal Weight Consumer Staple ETF	RHS	42	12/28/2015	113.36	116.02
Old Dominion Freight Line Inc.	ODFL	68	12/09/2015	61.18	59.07
JetBlue Airways Corporation	JBLU	192	12/09/2015	25.53	22.65

Sell Decisions

Description	Symbol	Date	Sell Price	Percent Change since sale
Krispy Kreme Doughnuts, Inc.	KKD	12/10/2015	14.77	+2.03%
CSX Corp.	CSX	11/18/2015	28.19	-7.95%
Wal-Mart Stores Inc.	WMT	10/19/2015	58.75	+4.34%
Chevron Corporation	CVX	10/19/2015	90.22	-.29%
Micron Technology, Inc.	MU	10/05/2015	16.69	-15.16%

ODFL: Old Dominion Freight Line Inc. - Nick Todora

Old Dominion Freight Line, Inc. is a global freight company with more than 6,900 tractors and over 27,000 trailers. Their primary source of business is generated through the sale of less-than-truckload (LTL) operations. ODFL is looking to expand both domestically and globally. Through their growth, ODFL believes that it is important to retain their small-company feeling for both their customers and employees. The company's competitive advantage is to have low claims. By striving to have low claims, Old Dominion is able to retain old customers as well as gain new ones. Because of the trucking industry's strong correlation with consumerism, I believe that Old Dominion is a strong investment.

JBLU: JetBlue Airways Corporation - Dillon Hewitt-Castillo

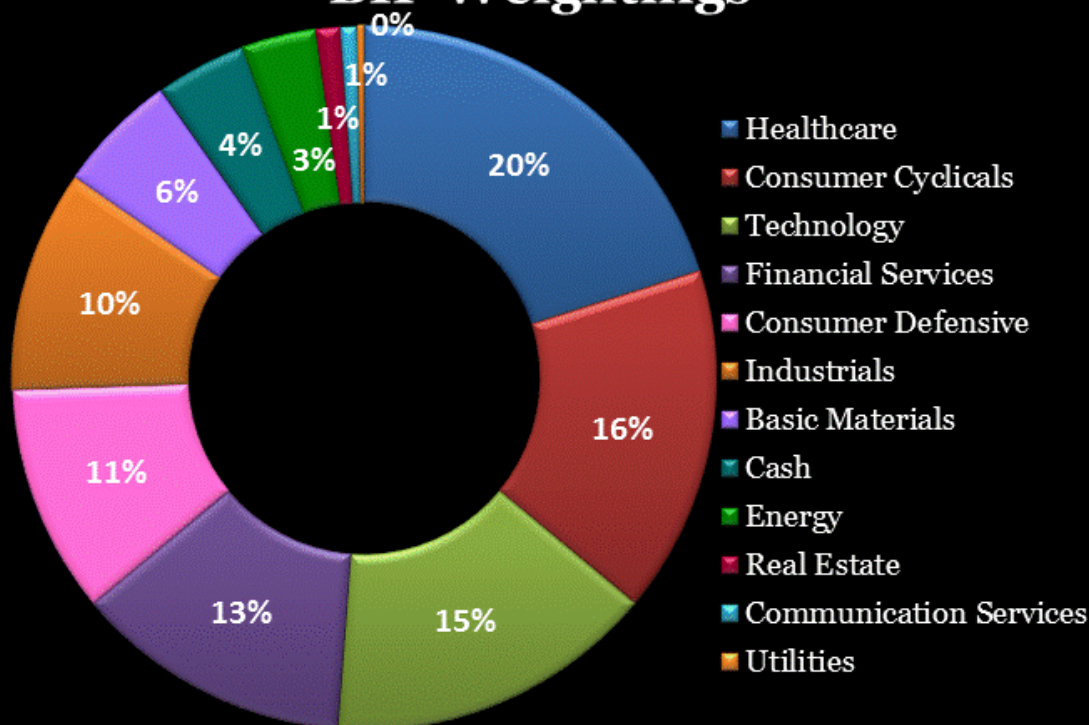
JetBlue is an attractive stock to research given the expected growth in air travel from the young and newly professional millennial generation. This low-cost airline offers more amenities than most competitors including free WiFi, XM radio, and TV entertainment. Additionally, they are incorporating a new luxury, lie-flat seat option called Mint. The airline delivers their service with flying colors. They have received the J.D. Power and Associates "Highest Customer Satisfaction among Low-Cost Carriers" for 11 years in a row. Their revenue growth is expected to stay strong in 2016 coupled with continued low fuel costs to bolster their profits. JetBlue continues to regularly add new routes of service and aircraft in order to grow their infrastructure. We believe JetBlue will be a strong performer in the portfolio through 2016.

Portfolio Weightings vs S&P 500

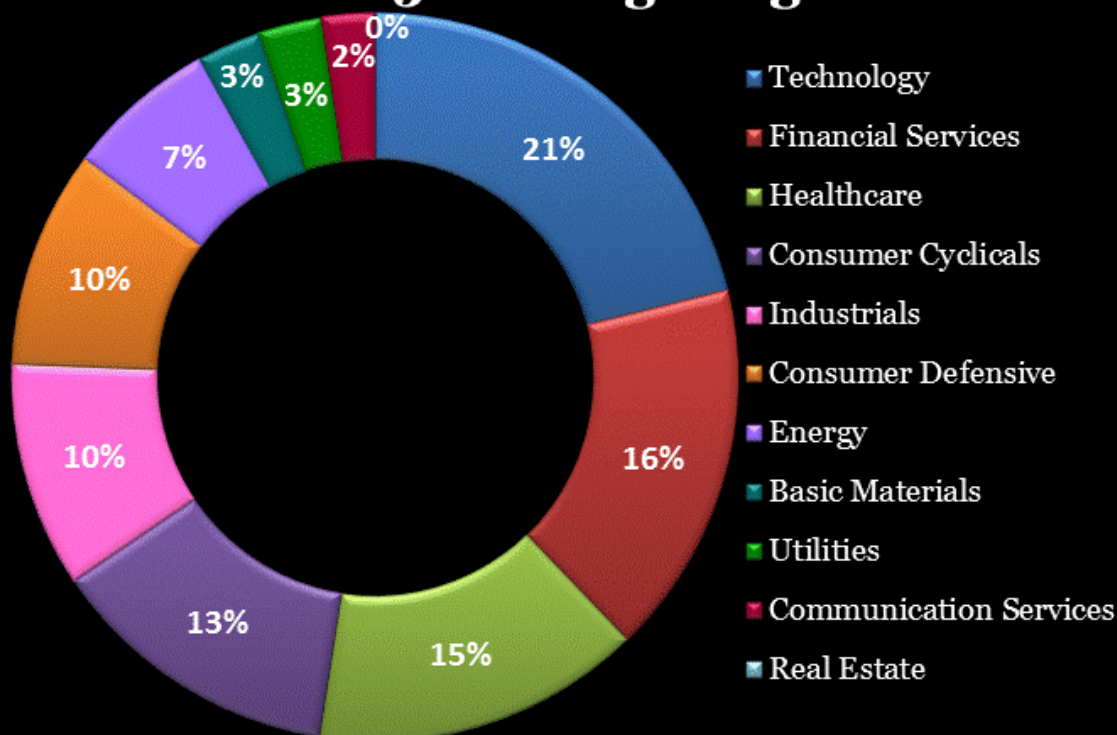
Weightings as of December 31, 2015.



BIF Weightings



S&P 500 Weightings

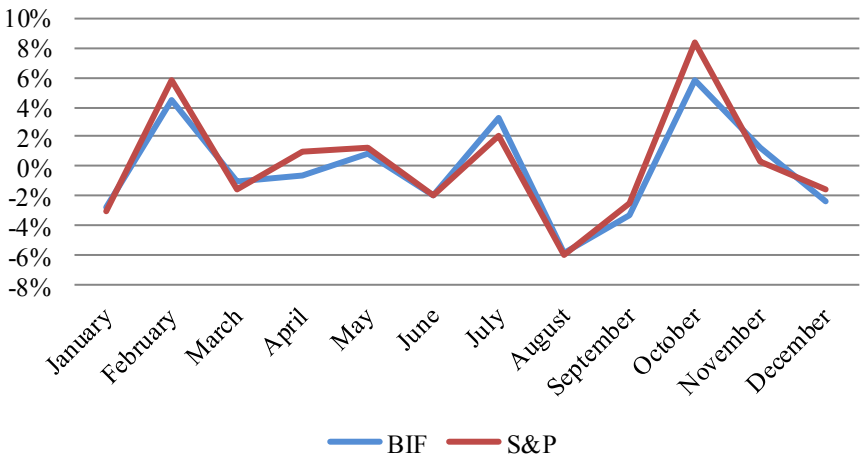


Portfolio Performance vs S&P 500

As of December 31, 2015



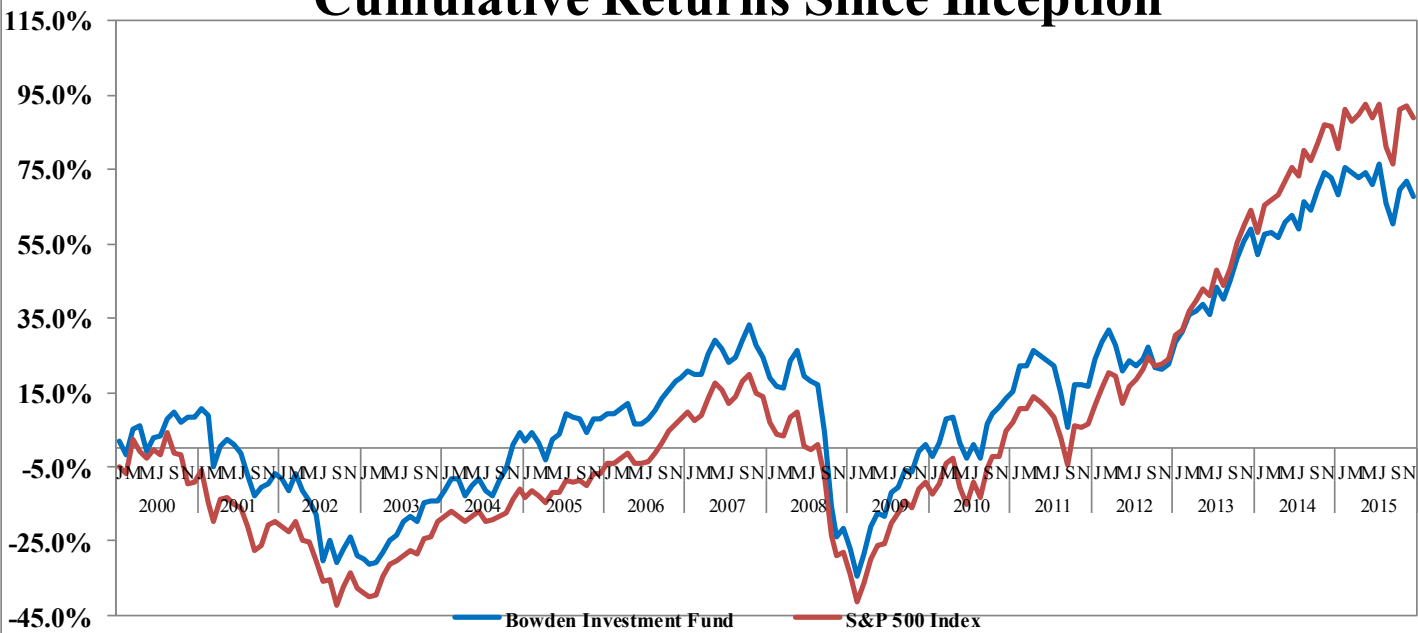
2015 BIF Returns vs S&P 500

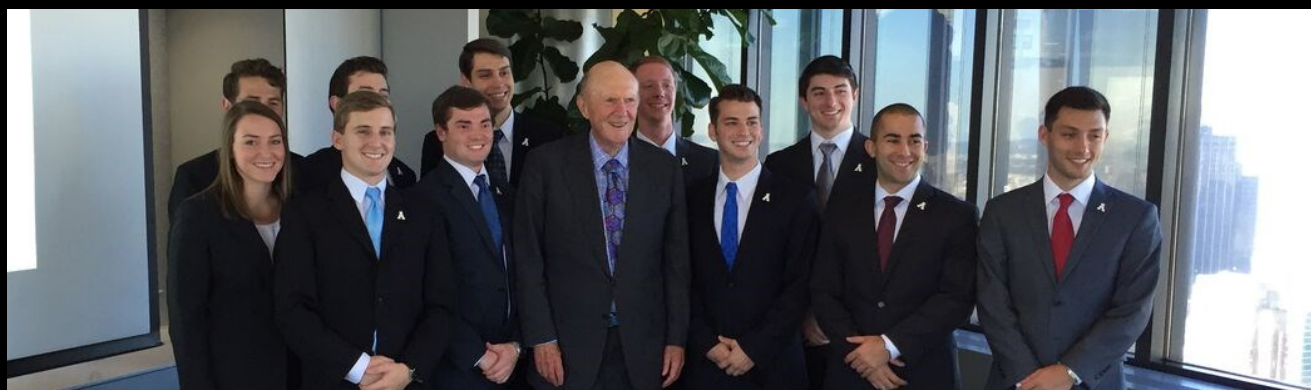


2015 Returns

	BIF	S&P
January	-2.74%	-3.00%
February	4.48%	5.75%
March	-1.00%	-1.58%
April	-0.68%	0.96%
May	0.79%	1.29%
June	-1.94%	-1.94%
July	3.22%	2.10%
August	-5.88%	-6.03%
September	-3.35%	-2.47%
October	5.82%	8.41%
November	1.23%	0.30%
December	-2.42%	-1.58%

Bowden Investment Fund Cumulative Returns Since Inception





Fall Semester Economic Review & Outlook

The economic climate that started for this year's Bowden Investment Group was rife with trouble stemming from the Fed's decision not to raise interest rates in September, while the markets took a tumble in August from fears that China's economy was slowing down. Along with monetary policy concerns, it is becoming more apparent that central bankers cannot shift markets in their favor thereby gaining some form of inflation. All of this combined with the hunt for growth opportunities in this post-recessionary environment, create an economic atmosphere of little to no expansion.

World trade volume growth has slowed significantly from 2.4% YOY in the first ten months of 2015 to a mere rise of 0.5% YOY in October, according to the CPB Netherlands Bureau of Economic Policy Analysis. China's cooling economy and slowdowns in other emerging markets have caused trade volume growth to decline. The Baltic Dry Goods Index, a global measurement for the costs to ship dry bulk goods, is at an all time low of 325 compared to its 52 week high of 1,222 on August 5, 2015. The two main culprits of this phenomenon are the YOY decrease in trade volume growth and a supply glut of ships. There are simply too many ships and not enough demand. We believe the growth of global trade will continue to be modest moving forward compared with its normal growth of two times annual GDP growth. The following reasons contribute to this belief: China's slowdown, falling commodity prices, crises in Europe (migration, terrorism, and Greece), and economic slowdowns in emerging markets.

Oil is difficult to predict and we were certainly incorrect in anticipating a slight rebound and hovering around \$50 a barrel since the WTI dropped below \$27 just recently. We now see an oil environment that could move even lower in price. The EIA charts Q4 global production and consumption at 95.95 and 94.28 million barrels per day respectively. Their projections point to a balance of supply and demand by Q1 2017. Until then, it seems the imbalance will continue through 2016 as Iran returns to the market. If oil does continue to slide down in price, we anticipate greater issues around the world including: greater turmoil in the middle east; the Saudi Treasury burning through reserves; greater economic issues in countries like Canada, Russia, and other OPEC countries; and further obstacles in the performance of oil companies. In light of these problems, we do not see 2016 being a strong year for energy and utilities companies.

The bright side of this economy has come primarily from the US where housing starts and home prices have continued to increase along with automotive sales, which came in at 17.5 million vehicles sold surpassing the 2000 peak of 17.3 million. Across the pond, Europe is still lagging. The GDP growth for 2015 quarters 1, 2, and 3 came in at 0.5, 0.4 and 0.3 respectively. The US, however, had steady growth in 2015 despite queasy US manufacturing. Throughout 2015, America's manufacturing sector hovered between growth and decline, with a current ISM Manufacturing PMI at 48.2 signaling a contraction. This is due to a strong dollar, weak global growth, and falling oil prices. However, a strong, expanding services sector has been offsetting uneasiness in manufacturing.

Job rates in the US are at the natural rate due to a steady decline in unemployment throughout the year currently resting at 5%. Wages, however, remain difficult to move limited by: a lack of inflation, an increase in part-time workers, the retirement of high-paid workers, and a general mediocre attitude in employers towards growth in the economy. We do not anticipate sizeable wage growth until the latter part of 2016 due to a decline in investor sentiment and the Business Confidence Index. We also have expectations of higher inflation to follow a trend of higher consumer spending, lower unemployment, and increasing interest rates in correlation with December Fed projections.

With the US election looming in 2016, we must consider stock performance as it relates to the upcoming change in leadership. Considering the four-year term cycle of the president, stocks tend to do best in pre-election years and second best in election years. If this theory proposed in The Graziadio Business Review of Pepperdine University were true, then this pre-election year, posting a near flat return would indicate that the 2016 election year returns will be as disappointing. Therefore, in 2016 we anticipate modest growth with unimpressive inflation, slow wage growth, lingering low oil prices, slow global economic growth, and increases in fiscal policy measures. As we hear warning signs of recession, we can expect investors and economists to be at odds over the near term future of the markets.



A special thanks to our guests, lecturers, and those who allowed us to visit:

David Thomson • WEDGE Capital Management

Linda Matney • WEDGE Capital Management

Janet Woodson • La-tea-da's Catering

Jeff Chilson • BlackRock

Gregory Brunk • BlackRock

Ahmadu Gidado • BlackRock

Kathryn Bernhardt • BlackRock

Stan Shipley • Evercore ISI

Marc Cain • Bloomberg

Audrey DaDalt • Bloomberg

Julian Robertson • Tiger Management

Alex Robertson • Tiger Management

Nate Herring • Tiger Management

Joseph Bartholomew • Credit Suisse

Jim Morgan • Krispy Kreme

Eric Evans • BlackRock

Adam Growley • BlackRock

Thank you!

The Bowden Investment Group is especially thankful for those of you who help us to learn about the industry through your expertise. Interactions with industry professionals are what make this course unlike any other. The members have learned a great deal from you all, and we will take your advice with us into our careers and future endeavors.

The Bowden Investment Group

Appalachian State University

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