

Annual Report

2016

Bowden Investment Group



Appalachian State University

Walker College of Business
416 Howard Street, Peacock Hall
Boone, NC 28607

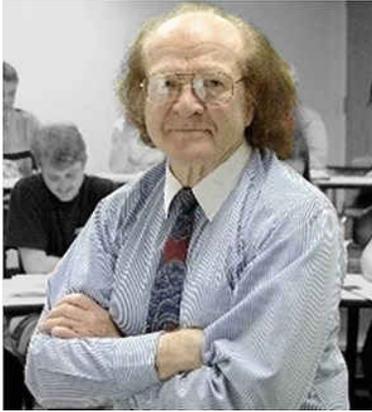
Delbert Goff, Ph.D.
Department of Finance, Banking and Insurance Chair
Professor of Investment Management

David Thompson, CFA
Adjunct Professor of Investment Management

Walker College of Business
APPALACHIAN STATE UNIVERSITY



History



Pictured: Elbert V. Bowden

The roots of the Bowden Investment Group go back to the Mountaineer Investment Club that was established in 1994. In January 2000, the organization began to manage the “Elbert V. Bowden Student-Managed Investment Fund” created from the generosity of Appalachian alumni and Walker College of Business supporters.

The organization then transitioned into a series of portfolio management classes and was referred to as the Bowden Investment Group (BIG).

The Bowden Investment Group is designed to

- Provide students with the opportunity to manage an investment fund in real time.
- Develop research and investment skills
- Improve students understanding of Markets and the Economy
- Develop communication, analytical, and professional skills

TO OUR SUPPORTERS

When the Bowden Investment Group was established, no one could have anticipated that this organization would later become one of the premier student groups at Appalachian State University. As a result of diligent effort and external support, the BIG continues to prosper, challenging members to grow personally and professionally. On behalf of the members of the Bowden Investment Group, we are proud to present our 2016 Annual Report.

Since the beginning of the Bowden Investment Group, Appalachian State University business students selected to participate in the group have had the opportunity to gain a real-world investment management experience. The knowledge accrued from this experience transfers to a wide variety of professions. Through our experiences, we have learned invaluable professional soft skills that are unrivaled in any other student organization at the university.

We are extremely grateful for all who have donated their time, resources, and knowledge to better the Bowden Investment Group. Additionally, we would like to thank the Bowden alumni for maintaining the high standards of the group and for the diligent work they put into managing the portfolio for future group members.

- Class of 2017



A LETTER FROM OUR ADVISORS

The beginning of a new year gives us an opportunity to reflect on the prior year. As with each class, the accomplishments of the students in 2016 were impressive. However, our biggest achievement for 2016 was a major step in the long-term perpetuation of the Bowden Investment Group. The establishment of the David A. Thompson Professorship will help provide the resources to attract the right people to take responsibility for the group when we retire. Although the professorship has been established, we will continue to raise funds toward the long-term goal of increasing the endowment to \$1 million.

Bowden Investment Group students continue to represent Appalachian State University and the Walker College of Business in competitions. In 2016, the CFA Research Challenge Team advanced to the Americas Regionals, the sixth group to reach that level in eight years of competition. We also had a team compete in the University of Georgia Stock Pitch Challenge and that group placed fourth overall in the competition. We have teams competing in both competitions again in 2017 and are confident that they will be great representatives for Appalachian State University.

Once again, the job placement rate for members of the Bowden Investment Group is very high. As of the end of the fall semester, seven of the ten students who will graduate in May have accepted jobs and the other three have multiple opportunities that they are pursuing. Two of the members will graduate in December and both have great internships arranged. The final student will graduate in May 2018 and he plans to spend next year focusing on accounting courses so he can graduate with a double major.

To everyone who has provided support for the Bowden Investment Group and for the Thompson Professorship, we thank you. Also, thanks 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 has exceeded our expectations.

Delbert Goff, David Thompson



THE DAVID A. THOMPSON PROFESSORSHIP IN APPLIED INVESTMENTS



The success of the Bowden Investment Group is due to the dedication of Dr. Goff and Mr. Thompson and the knowledge they convey to the members of the group. This experience is unlike any other within the Walker College of Business. It allows finance students to grow by experiencing real-time market scenarios and through learned professional skills. The Bowden Investment Group members are some of the most professional and dedicated students at Appalachian State University and they owe their achievements to the support and assistance of both Dr. Goff and Mr. Thompson.

In order to grow the Bowden Investment Group we must look to the future and seek professors and industry professionals who have as much passion for their students and knowledge of investments as our current professors. Mr. Thompson has made an impact on all of us who have studied with him. His experience and understanding of the financial industry has helped students define careers in these fields and find the confidence to go out into the professional world. To honor Mr. Thompson and ensure the continued success of the Bowden Investment Group, we are pleased that a professorship in applied investments has been established in his name. Contributions for this professorship have come from past members and various supporters of the Bowden Investment Group and the Walker College of Business. The professorship has experienced an overwhelming amount of support, which reaffirms the impact that Mr. Thompson has had on the Walker College of Business and its students. The Bowden Investment Group members are honored to have Mr. Thompson as a professor and mentor.

Mr. Thompson, thank you for everything you have done for the Walker College of Business and the Bowden Investment Group.

2017 BROYHILL FELLOWS



Pictured Left to Right: Hollie Brown, Jarrett Jacumin, John Mosser, Charles Plummer, and Mac Shelton

Five members of the Bowden Investment Group are selected every year to compete in the Chartered Financial Analyst Institute Research Challenge. This global competition provides University students with hands-on experience in financial analysis and the opportunity to work with mentors within their region. From this year forward, the five students chosen to participate will be named Broyhill Fellows. The 2017 Broyhill Fellows are senior finance and banking and economics double major Hollie Brown, senior finance and banking and risk management and insurance double major Jarrett Jacumin, and senior finance and banking majors John Mosser, Charles Plummer, and McCarthy Shelton. The Broyhill Fellows have worked tirelessly over the past few months to produce a report on Highwoods Properties, a real estate investment trust, headquartered in Raleigh, North Carolina. The Fellows have had an incredible learning experience thus far and are excited to participate in the upcoming competition.

“We are excited to represent Appalachian State and the Walker College of Business. We are appreciative of the Broyhill Family and their continued support of the Bowden Investment Group.”

-John Mosser

2015- 2016 BOWDEN MEMBERS

"To the Bowden Members of 2016, we would like to say thank you for all you did to prepare us for the hard work that was ahead. We appreciate your continued support and wish you all the best in your future endeavors." -Class of 2016-2017



Darrow Goff
President



Andrew Johnson
Vice President



Nathan Wiles
Accountant



Nick Todora
Update Editor



Hunter Jordan
Update Editor



MacGregor Shephard
Economic Analyst



Dillon Hewitt-Castillo
Economic Analyst



Amanda Carter
Annual Report Editor



Christian Bear
Capital Market Analyst



Eric Hasenkopf
Webmaster



Aaron Martschenko
Portfolio Analyst

WHERE ARE THEY NOW?



Paul Hee, class of 2014-2015, was the Annual Report Editor for the BIG. Since graduating he has gone on to the Finance Management Associate Program at Bank of America, where he works in balance sheet management and interest rate analytics.

“Bowden has shaped my professional career in a variety of ways, but I would say the most valuable lessons learned were the soft skills. The dedication to hard work and the emphasis on professionalism are two lessons that I would not have learned in typical undergraduate classes.”



Caitlin Owings, class of 2014-2015, was the Update Editor for the BIG. Since graduating, Caitlin has been rapidly progressing through Wells Fargo’s Audit Services and has been promoted to the position of Senior Auditor.

“The Bowden Investment Group allowed me to gain a number of skills that are essential at Wells Fargo Audit Services, including, leadership, writing, and presentation skills. The BIG taught me to take initiative and put 100% into my work.”



Amanda Carter, class of 2015-2016, was the Annual Report Editor for the Bowden Investment Group. Carter is currently working through her first rotation in the Finance Management Associate Program at Bank of America, where she works for the Consumer Bank in Deposits.

“Bowden gave me excel skills that have helped me improve processes in my current role. Without the Excel experience through Bowden I would not be as successful in my current role. Additionally Bowden gave me problem solving skills both within Excel and in a group setting that has helped a lot in my short career. ”

WHERE ARE THEY NOW?



Evan Jones, class of 2011-2012, was the Update Editor for the Bowden Investment Group. Evan joined Wells Fargo Audit Services in June of 2012 as a college associate. In January 2017 Evan transitioned from Audit Services to the Wells Fargo Cross Border Governance group as a Governance Consultant. During Evan's 4 plus years with Audit Services he was assigned to auditing Wells Fargo's Wholesale Bank. In the course of the past 4 years his work has taken him Internationally to Hong Kong, Singapore, Seoul, London, and Toronto, and domestically to New York, California, Washington, Minnesota, and Florida. In Evan's 4 plus years he has been promoted 4 times.



Eric Hasenkopf, class of 2015-2016, was an Industry Analyst for the Bowden Investment Group. Upon graduating Eric joined Wells Fargo Audit Services in as a college associate. According to James Connors, Eric is “is doing well, but as you can see, has some big shoes to fill and expectations to follow. He appears to be up to the task.”



Matt Wine, class of 2014-2015, was an Economic Analyst for the Bowden Investment Group. Matt joined U.S. Bancorp Investments, Inc. where he is a Credit Fixed Income Analyst.



Sean Record, class of 2013-2014, was the Annual Report Editor for the Bowden Investment Group. Sean joined Aon in 2014 for the Early Career Development Program in Accounting and has since moved up to be a Health and Benefits Consultant.

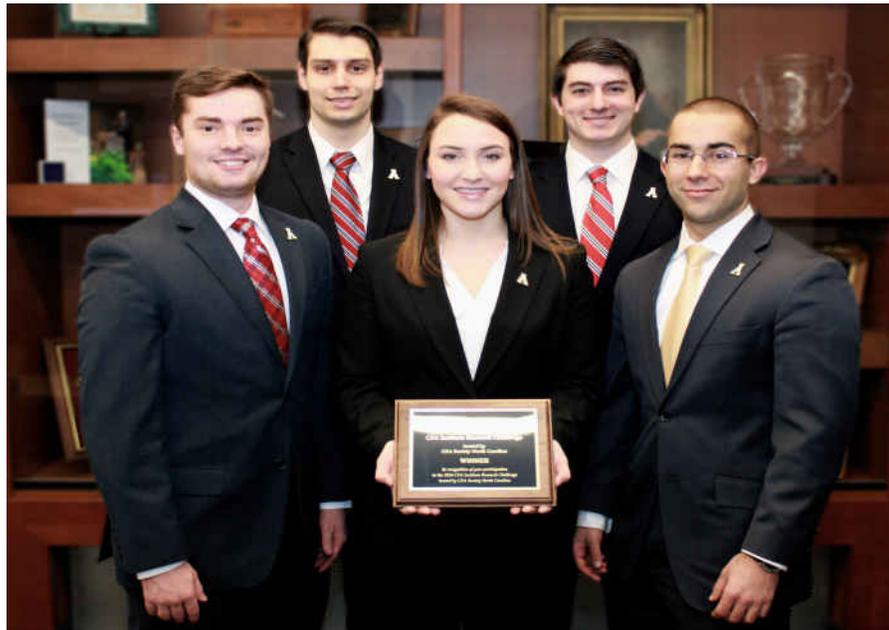
“Bowden is a great program as it emphasizes self improvement and teaches students to consistently set the bar higher. The skills and feedback I received have helped me to be self aware in my career.”

2016 NORTH CAROLINA CFA INSTITUTE RESEARCH CHALLENGE WINNERS



Pictured: Dr. Sheri Evert and 2016 CFA Team at the Boyles Lecture Series Luncheon

The 2016 members of the Bowden Investment Group chosen to participate in the Chartered Financial Analyst Institute Research Challenge were Darrow Goff, MacGregor Shephard, Andrew Johnson, Amanda Carter and Aaron Martschenko. They took first place in the North Carolina Regional competition. The team advanced to the U.S. competition where they presented their evaluation of Sonic Automotive. At the U.S. Competition our students competed amongst teams representing various institutions across the nation. Congratulations team!



Pictured: (Top Left) Darrow Goff, MacGregor Shephard, (Bottom Left) Andrew Johnson, Amanda Carter, and Aaron Martschenko

“Participating in the CFA Challenge was not only the most difficult academic endeavor through my time on campus at Appalachian State University, but it was also the most rewarding experience of my academic career. Having the opportunity to work alongside my fellow team members representing the Bowden Investment Group on a statewide and global stage was a truly unforgettable experience. ”

- Andrew Johnson

2016-2017 BOWDEN MEMBERS



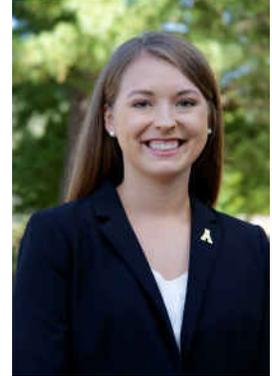
Logan Newman
President

"Being in the Bowden Investment Group has been an experience rather than a class. I have grown as a student, leader, teammate and a professional through my work in Bowden. While being a member of the Bowden Investment Group, I have gained the professional confidence that will make the transition into my career successful. I am extremely grateful for all of the opportunities that Bowden has made available to me."



Jarrett Jacumin
Vice President

"Becoming a member of the Bowden Investment Group, as well as a Broyhill Fellow has given me the experience and knowledge necessary to be successful."



Jewell Ward
Update Editor

"The Bowden Investment Group has given me a deeper appreciation for the generosity shown by College of Business donors who help enhance the education experience at Appalachian. Through the opportunity to work as an equity analyst, network with industry professionals, and learn from our professors who push students to be the best they can be, I am confident I will graduate in May with the professionalism, analytical skills, and business acumen needed to succeed."



Ana Silverstein
Update Editor

"Bowden is a tremendous experience that is marked by challenging work with an even greater reward."



James Marlowe
Accountant

"Bowden has been the most challenging, and most rewarding, experience I have had in college. My analytical and professional skills have improved a hundred-fold, and I will enter the job market confident in my ability to succeed. After Bowden, the sky is the limit!"



John Mosser
Accountant

"I have acquired more transferable skills from one semester in Bowden than in my entire college career. I feel more confident heading into the work force because of this experience."



Mac Shelton
Capital Market Analyst

"The Bowden Investment Group provides students with an unparalleled opportunity to gain transferrable hands-on experience while surrounding themselves with driven, intelligent, and like minded peers. This group has not only taught us technical skills, but provided an outlet for personal and professional development unlike any other available through most undergraduate programs."



Harrison Gillette
Capital Market Analyst

"The Bowden investment group is an amazing opportunity for students to get hands on opportunity in the investment field. I am so thankful for this group that is helping to prepare me for what I hope to do in the future."



Ben Haskell
Industry Analyst

"Bowden has been an opportunity to surround myself with great people and I have made outstanding contacts via the Bowden Investment Group."



Matt Burns
Economic Analyst

"The Bowden Investment Group has given me more confidence in professional settings and a new appreciation for the financial industry."



Charles Plummer
Economic Analyst

"Bowden acts as a catalyst to unveil one's true potential, and ensures this potential is realized to the fullest extent."



John Rucker
Webmaster

"The Bowden Investment Group gives students the opportunity to develop real world finance skills while providing professional development unparalleled at the undergraduate level."



Hollie Brown
Annual Report Editor

"I feel so fortunate to call myself a member of the Bowden Investment Group. The skills that I have learned have molded me into a young professional that I am proud to be."

The 2016-2017 Bowden Investment Group members represent four majors including, Finance and Banking, Economics, Accounting and Risk Management and Insurance.

The members have been busy presenting companies for the Bowden Investment Fund and engaging in learning experiences from visiting industry professionals. The Bowden Investment Group is committed to this experience and looking forward to the spring semester.

PORTFOLIO ASSETS

Description	Symbol	Units	Close	Market Value
Apple, Inc.	AAPL	54	\$115.82	\$6,254.28
American Tower Corporation	AMT	50	\$105.68	\$5,284.00
Costco Wholesale Corporation	COST	44	\$160.11	\$7,044.84
Fidelity National Information Services, Inc.	FIS	92	\$75.64	\$6,958.88
Alphabet, Inc.	GOOG	6	\$771.82	\$4,630.92
Alphabet, Inc.	GOOGL	6	\$792.45	\$4,754.70
iShares U.S. Regional Banks	IAT	197	\$45.38	\$8,939.86
iShares Core S&P 500	IVV	58	\$224.99	\$13,049.42
JetBlue Airways Corporation	JBLU	268	\$22.42	\$6,008.56
Novartis AG	NVS	55	\$72.84	\$4,006.2
Newell Brands, Inc.	NWL	114	\$44.65	\$5,090.10
Old Dominion Freight Line, Inc.	ODFL	72	\$85.79	\$6,176.88
PowerShares S&P SmallCap Materials ETF	PSCM	93	\$47.73	\$4,438.89
Guggenheim S&P 500 Equal Weight Consumer Staples ETF	RHS	42	\$119.42	\$5,015.64
Stryker Corporation	SYK	56	\$119.81	\$6,709.36
The TJX Companies, Inc.	TJX	93	\$75.13	\$6,987.09
Tractor Supply Company	TSCO	81	\$75.81	\$6,140.61
Visa, Inc,	V	68	\$78.02	\$5,305.36
Vanguard Financials ETF	VFH	170	\$59.35	\$10,089.50

as of December 30,2016

Total Portfolio Value:

\$122,885.09

as of December 30,2016

BUY TRANSACTIONS

Description	Symbol	Date	Price Paid	Price 12/30/2016
American Tower Corporation	AMT	2/24/2016	\$90.94	\$105.68
Visa, Inc.	V	4/05/2016	\$78.41	\$78.02
Costco Wholesale Corporation	COST	4/29/2016	\$147.48	\$160.11
Newell Brands Inc.	NWL	4/29/2016	\$46.90	\$44.65
Apple Inc.	AAPL	4/30/2016	\$93.37	\$115.82
iShares Core S&P 500	IVV	4/30/2016	\$205.13	\$224.99
Old Dominion Freight Line, Inc.	ODFL	4/30/2016	\$62.54	\$85.79
The TJX Companies, Inc.	TJX	4/30/2016	\$76.19	\$75.13
JetBlue Airways Corporation	JBLU	5/01/2016	\$19.16	\$22.42
Power Shares S&P Small Cap Materials ETF	PSCM	11/28/2016	\$47.57	\$47.73
Tractor Supply Company	TSCO	12/02/2016	\$76.53	\$75.81
iShares U.S Regional Banks	IAT	12/02/2016	\$43.67	\$45.38
Vanguard Financials ETF	VFH	12/02/2016	\$57.77	\$59.35

TSCO

We find the Tractor Supply Company to be attractive. We believe in the company's growth plans as they expand to 2,500 different locations. To support this growth, the company is increasing their distribution centers to help them cut cost. They have experienced staff that provides knowledge to all customers, whether they are fifth generation farmers or recreational ranchers. We have a positive outlook for the company. Tractor Supply has a unique position as it involves both the pet care and hardware industries. This gives the company downside protection.

VFH & IAT

VFH (Vanguard Financials ETF) and IAT (iShares US Regional Banks ETF) provide the Bowden Investment Fund with exposure to a beaten up financial sector that has rallied since the presidential election in early November. We believe that rising rates, decreased regulations, and robust M&A and trading fees will drive profitability and growth in this sector. We chose two ETFs in order to profit from the large fee-based revenues of global players like BAC and JPM, while exposing the fund to the growth potential offered by smaller shops such as BB&T and PNC.

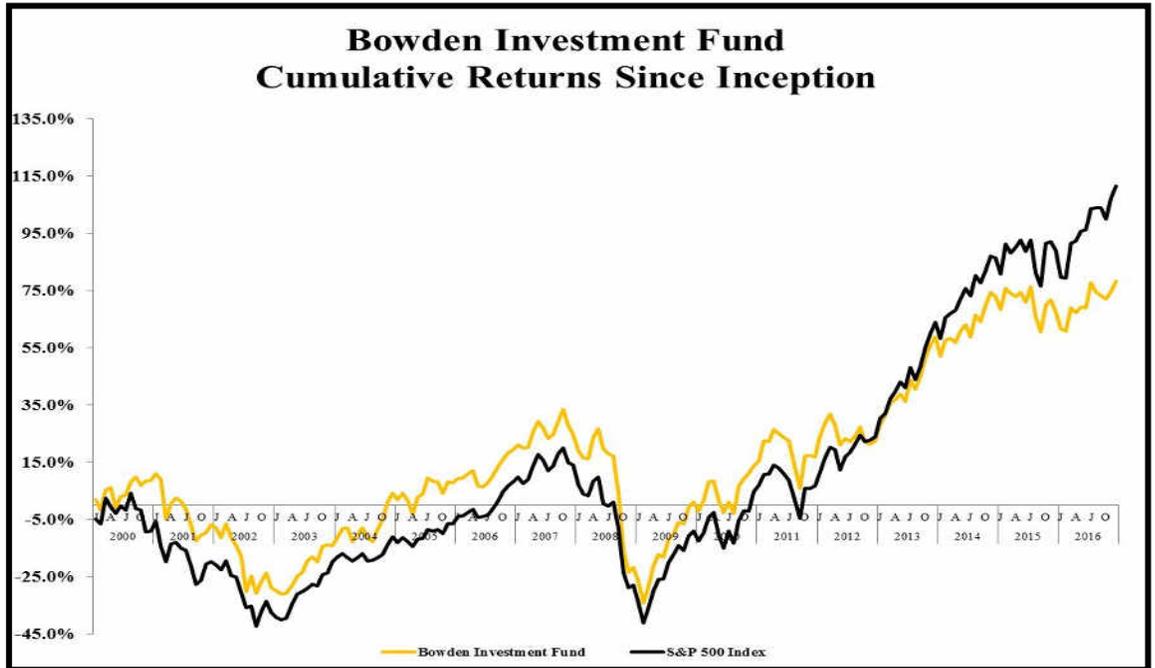
SELL TRANSACTIONS

Description	Symbol	Date	Price Paid	Price % Change
Tyson Foods, Inc.	TSN	2/03/2016	\$51.98	+20.37%
SPDR S&P 500 ETF	SPY	2/03/2016	\$191.23	+18.57
Universal Forest Products	UFPI	3/02/2016	\$77.76	+25.44%
Halliburton Company	HAL	3/15/2016	\$34.85	+61.97%
Vanguard Financials ETF	VFH	4/17/2016	\$46.97	+25.60%
iShares S&P Small-Cap 600 Growth	IJT	5/01/2016	\$124.99	+18.79%
Hanesbrand Inc.	HBI	5/04/2016	\$28.15	-20.54%
Express Scripts Holding Company	ESRX	5/04/2016	\$73.12	-1.88%
Foot Locker, Inc.	FL	5/04/2016	\$60.68	+13.95%
Danaher Corporation	DHR	5/04/2016	\$96.10	+11.55%
Vanguard FTSE Developed Markets ETF	VEA	9/22/2016	\$37.18	+2.58%
U.S. Concrete, Inc.	USCR	11/20/2016	\$56.86	+20.55%
CVS Health Corporation	CVS	11/20/2016	\$73.99	+7.90%

VEA

We sold the Vanguard FTSE Developed Markets ETF (VEA) due to our cautious outlook on Europe and Japan. Massive asset purchase (or “quantitative easing”) programs by both the European Central Bank (ECB) and Bank of Japan have flushed both economies with cash, inflating asset prices and limiting value opportunities without spurring real growth. The ECB recently announced the extension of their QE program for another nine months, and negative benchmark rates in both Europe and Japan lend further uncertainty to these markets. In addition to these factors, we doubt the political stability of the EU going forward. Italy’s constitutional referendum in early December led to the resignation of Prime Minister Matteo Renzi, and some fear that Italy’s Five Star Movement and other populist parties could push for an exit from the EU if they were to gain power. Italy is not the only EU nation to voice their discontent, and an exit by a country that uses the euro could have consequences much more severe than those we saw after the Brexit vote in June. The VEA has also severely underperformed the US market since its inception. For these reasons and others, we believe that the best opportunities for our fund are still right here in the USA. The markets responded very well to the election of President Trump, the Fed recently raised rates and announced plans to continue doing so, and the VEA has underperformed our benchmark (the S&P 500) by almost 2% since it was sold.

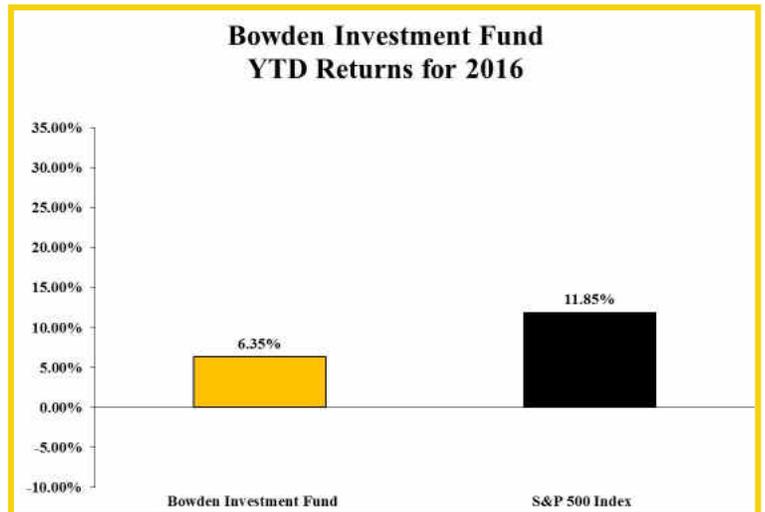
BOWDEN INVESTMENT FUND PERFORMANCE



2016 Monthly Return

	BIF	S&P
Jan	-3.5%	-5.0%
Feb	-4.1%	-5.1%
Mar	0.8%	1.4%
Apr	-0.3%	1.7%
May	1.0%	3.6%
Jun	0.8%	3.8%
Jul	5.9%	7.7%
Aug	4.2%	7.8%
Sep	3.3%	7.9%
Oct	2.6%	5.8%
Nov	4.1%	9.7%
Dec	6.3%	11.8%

as of December 30, 2016



New York Trip: Tiger Fund Management

ATTRIBUTION ANALYSIS

Information Technology – Information technology is the Bowden Investment Fund's most heavily weighted sector, currently representing 24.5% of the portfolio. Despite being overweight compared with the S&P 500, Information Technology provided only a 1.04% contribution to the total return for the BIF, compared to the S&P 500's 2.82%. This is largely because the Bowden Fund's main technology positions are blue-chip stocks like Apple and Google. While our investments have strong fundamentals and provide safe, if lackluster, returns, we missed the large returns gained by many of the stocks in this sector during the year.

Financials – Early in 2016, the Bowden Group liquidated the majority of the position allocated to this sector due to poor performance. Unfortunately, this resulted in a severe underweighting during the financial surge that occurred in reaction to President Trump's unexpected victory. However, we believe there are still gains to be made in the sector with President Trump's pro-bank agenda. In addition to a broad financials ETF, we purchased shares of a regional-banks ETF because we believe smaller banks stand to gain the most from a movement towards deregulation.

Healthcare – Healthcare provided 0.95% to the fund's total return in 2016, primarily due to our position in Stryker. It returned 33.1%, and we believe their competitive advantage still holds, positioning them well for future performance. Overall, we trimmed our allocation to healthcare heading in to 2017 due to our negative outlook on the sector as a whole, especially pharmaceuticals. Our stocks, Express Scripts and Novartis, both saw negative returns for the year. Express Scripts was sold earlier in 2016, but the group is confident Novartis will weather a downturn in pharmaceuticals due to their large position in the market and exceptional R&D pipeline.

Weightings	BIF	S&P
Basic Materials	3.69%	3.02%
Energy	.78%	7.31%
Consumer Cyclical	15.87%	11.62%
Real Estate	4.35%	3.37%
Healthcare	9.88%	13.13%
Utilities	0.33%	3.06%
Consumer Defensive	10.58%	8.91%
Communication Services	.44%	4.07%
Financial Services	16.25%	16.10%
Industrials	10.48%	11.48%
Technology	24.62%	17.95%
Cash	2.72%	

Industrials – Our 3.2% return came primarily from two stocks: JetBlue and Old Dominion. JetBlue had a rough start, but we remained confident in the fast-paced growth of the airline, even doubling down on our position. The stock largely recovered by the end of the year, and we expect to see this upward trend continue in 2017. The fund's major strength in the sector came from Old Dominion, which performed exceptionally well all year, returning 70.1%.

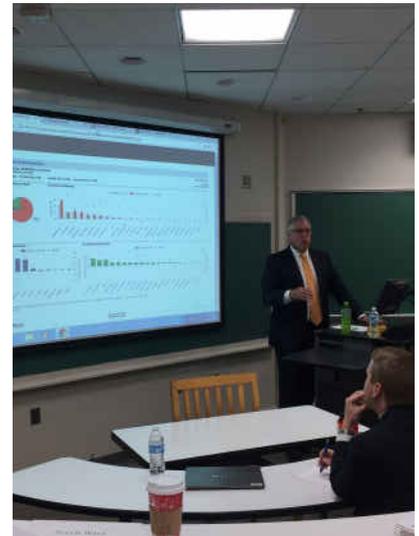
GUEST SPEAKERS



Pictured: Left to Right: Evan Porters, Logan Newman, and Alex Jenkins. Dimensional Fund Advisors.

Alex Jenkins and Evan Porters from Dimensional Fund Advisors shared their experiences and knowledge of investments with the Bowden Investment Group. Alex was able to demonstrate how Dimensional approaches investing and enlightened the group about opportunities within the financial industry. Evan talked to us about his transition from college to Dimensional and what we can expect leaving a University setting. Thank you both for taking time out of your schedule to talk with the BIG.

Eric Evans from BlackRock met with the Bowden Investment Group twice, once in New York and again a few weeks later at Appalachian. Mr. Evans shared his career journey and gave members advice for the future. In addition, he brought a presentation on his analysis of the Bowden Investment Fund. The presentation was extremely enlightening and pushed members to think about the fundamentals of investing. Thank you for sharing your experiences with us.



Pictured: Eric Evans, BlackRock

A special
thank you
to:

WEDGE Capital Management:

David Thompson

Linda Matney

Brad Fisher

Dimensional Fund Advisors:

Alex Jenkins

Evan Porters

Travis Meldau

BlackRock:

Eric Evans

Tiger Management:

Alex Robertson

Credit Suisse:

Joseph Bartholomew

La-tea-da's Catering:

Janet Woodson

For more information on the Bowden Investment Group, please contact:

Dr. Delbert Goff

goffdc@appstate.edu

(828) 262-6188

For more information regarding the Annual Report, please contact:

Hollie Brown

brownha1@appstate.edu



Bowden Investment Group