



# Bowden Investment Group

BIG UPDATE

MARCH 3, 2010

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## UPCOMING EVENTS

**MARCH 5-14**  
SPRING BREAK

## Letter from the President

During the month of February, the Bowden Group continued to aggressively restructure the portfolio in order to achieve better diversification and accumulate cash. After a number of sell recommendations were presented to the class, Microsoft (MSFT), General Dynamics (GD) and VF Corporation (VFC) were sold. Sell of VF Corporation reduced Bowden Fund's exposure in the consumer goods sector, while Microsoft and General Dynamics were sold due to their weak outlook. The Bowden Group has numerous presentations lined up for the next few weeks and I look forward to informing you about new additions to the fund.

-Lev Kotliar

## Note about the CFA GIRC Challenge

After 2 ½ months of research, the Appalachian CFA Global Investment Research Challenge (GIRC) team presented their opinion of Martin Marietta on February 20<sup>th</sup>. This equity analysis challenges allows students exposure to forecast modeling, writing an equity research paper, and presentations.

The team placed second, outscoring graduate students from Duke and Wake Forest. We would like to congratulate the winning team UNC-Charlotte. At the competition, the Appalachian team received numerous positive comments regarding their presentation skills. As the only undergraduates in the competition, the team's performance speaks highly of our business school.

Kay Norwood served as the team mentor and Delbert Goff as the faculty advisor. The team would like to thank both for the hard work and assistance they put forth.

-Katie Splawn

## Healthcare Industry

Since his election, President Obama's priority and focus has centered on bringing about change to the current health care system. The plan has changed dramatically throughout Obama's presidency, although a few factors continue to remain constant. The nation's health insurers claim that if everyone is required to purchase insurance, they would no longer deny coverage to those with pre-existing medical conditions.

In January, Republican Scott Brown won the election for Edward Kennedy's seat for the U.S. Senate in Massachusetts. Shortly after the election, Democrats broke off negotiations on a final health care bill bringing

the process to a standstill. In the past month, Obama increased what was originally an \$800 billion plan into a \$950 billion- \$1 trillion plan.

Amongst pharmaceutical companies, many are faring well in the market. Large companies have chosen to consolidate and join their efforts to increase their odds of a blockbuster drug and reduce competition and expenses. Many companies are facing the threat of their big sellers losing patents in the next few years and generic brands are beginning to increase their level of competition with these company products.

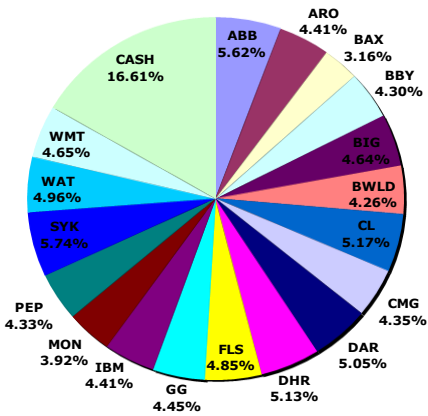
We are currently looking at Merck with interest since their

recent acquisition of Schering Plough. Schering-Plough brings in a strong pipeline of late-stage innovative drugs with blockbuster potential and faces few patent losses over the next few years, which will hopefully bring about an additional growth in Merck earnings.

-Ivey Gaskin

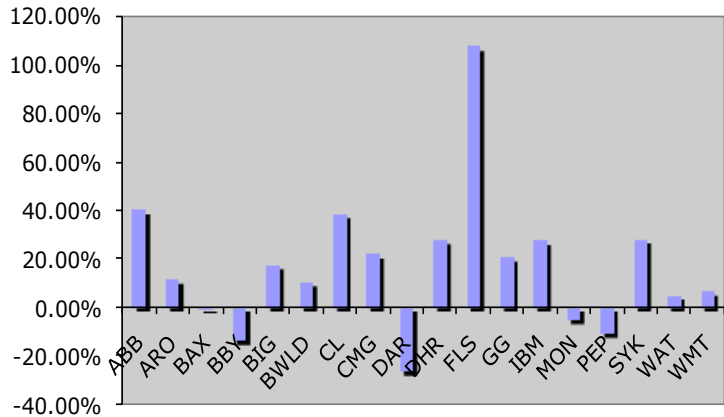
# Portfolio Snapshot

STOCKS AS A PERCENTAGE OF PORTFOLIO VALUE



YTD RETURNS FOR 2010	
BOWDEN	S&P 500
0.77%	-0.61%

STOCK RETURN SINCE PURCHASE



FUND HOLDINGS PLUS CASH		
BEG. MONTH MARKET VALUE	MONTH END MARKET VALUE	PERCENTAGE CHANGE
\$69,517.13	\$72,201.46	3.86%

## Domestic Outlook

Perhaps the most encouraging data that has been published lately is the gross domestic product growth data. For the fourth quarter of 2009, growth has been revised up to a 5.9 percent seasonally adjusted annual rate increase. This is the highest growth rate we've seen in over six years. However, a look at a few details provide a less enthusiastic view of the domestic economy.

One of the leading factors contributing to this increase is the way in which inventories are accounted for. Many firms in the fourth quarter invested capital into new inventory, taking advantage of deep discounts across many types of goods. Once this process stops, which it will soon, we will see a slight decline in

GDP growth rates.

Housing information this month is also somewhat sobering, as US existing home sales decreased 7.2 percent in February. Unemployment is still high at 10.6 percent, so the domestic economy still has a long road ahead. However, there is some good news. Domestic manufacturing expanded in February, which means the possibility of more jobs and new hiring could be on the horizon.

-Andrew Turngren

## International Outlook

The past month has had some interesting international developments. For example, the earthquake in Haiti and the more recent earthquake in Chile have been very severe and will undoubtedly affect the local economies, but their impact on the global economy will probably be minimal.

Another event concerns the Greek economy. The Greek government may default on their bonds as a result of taking on massive amounts of debt. As a result, investor confidence may be shaken in other countries with high debt. This could cause interest rates to go up in those other countries, hurting their already weak economies. According to the IMF, the good news is that the debt as a percent of GDP is not significantly rising in most industrialized countries.

Other international indicators suggest that things have gotten slightly better in the past month. Consumer confidence has risen slightly in many of the world's largest countries, including the U.K.

France, and China. Also, consumer prices have risen slightly in almost all countries; we can take this to be a sign of increased demand for consumer products. Although some countries, including Japan and Brazil, are managing to lower their unemployment rates, most industrialized countries continue to struggle with rising unemployment.

Overall, there has been a mix of positive and negative economic news with a bias towards the positive side. We feel that this is an indication of the continued slow growth that we have seen for the past few months and are hopeful will continue into the future.

-Michael Angolia