

Big Update: **February 2016**



# Bowden Investment Group

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**WALKER**  
COLLEGE OF BUSINESS

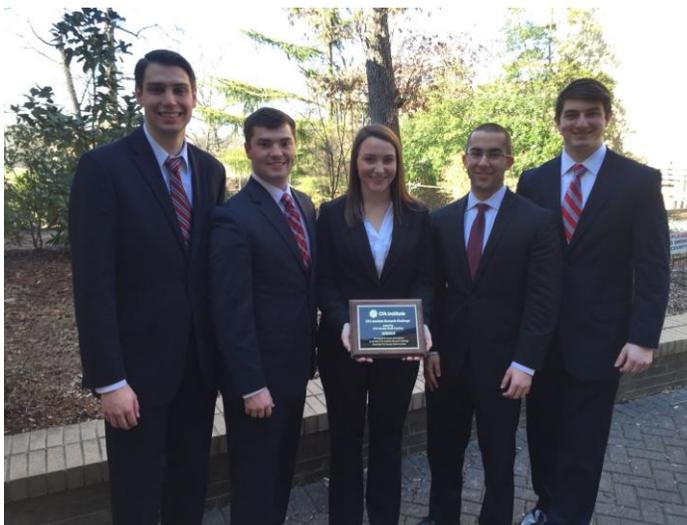
## ***Letter from the President***

The Bowden Investment Group made full use of the extra day this February by purchasing American Tower Corporation (AMT) on the 29<sup>th</sup>. We are confident that this will be a strong addition to the portfolio, and hope to add even more strong stocks to the portfolio soon.

The big news of the month came with the CFA Research Challenge Team's victory in the North Carolina regional competition. As a member of the team, I am extremely proud of what we have accomplished thus far, and we are thankful for all the congratulations and support we have received. With this victory, we have earned a place in the America's Regional competition in Chicago in April. We are looking forward to improving our presentation and doing our best to win the Regional as well as the World competition. Additionally, we have the honor of being invited to give our presentation during the upcoming CEO luncheon.

Thank you all for your continued support and interest in the Bowden Investment Group.

Sincerely,  
Darrow Goff



*Pictured from left to right: Darrow Goff, Andrew Johnson, Amanda Carter, Aaron Martschenko, MacGregor Shepard*

## ***Portfolio Allocation***

Our January performance was strengthened by superior relative performance in our top four heavily weighted sectors: Industrials, Health Care, Consumer Discretionary, and Technology. In contrast, February has not been as positive. To begin the month, we underperformed in the first week by 1.21% and erased much of the positive attribution that had been generated previously. The weeks following have shown some improvement primarily due to the holdings in our Industrials sector where UFPI, ODFL and DHR have all generated returns exceeding 8%, cushioning our performance. However, recent weakness in our Consumer Discretionary and Technology holdings was significant enough to lead to underperformance of 1%, putting our total YTD attribution at +0.99%.

*Aaron Martschenko, Portfolio Analyst*



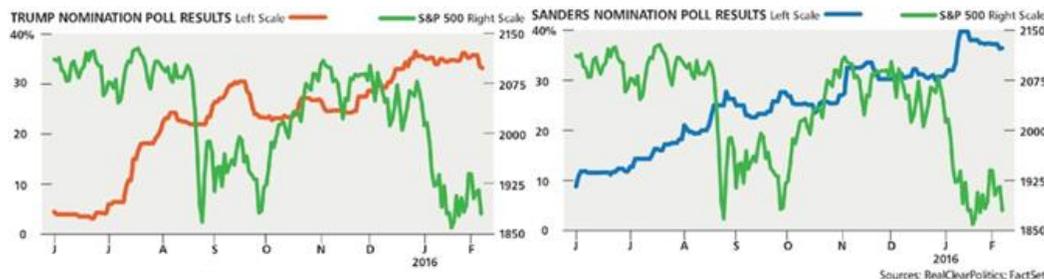
## Economic Outlook:

**U.S. Quick Update** – The GDP for quarter four has been revised up to 1.0%. Consumer confidence fell to 92.2 from 97.8, despite increases in income and spending, likely due to market volatility and the sharp slowdown in job growth from 262k in December to 151k in January. With a continuing low labor participation rate, unemployment declined to 4.9%. In January, existing-home sales rose as new-home sales fell 9.2%. This is indicative of lighter housing starts. The ISM manufacturing index showed contraction for the fourth straight month while non-manufacturing fell to 53.5, its lowest point in two years. We see the U.S. economy continuing to grow below 2%, with a slowly improving unemployment rate due to the above-mentioned low participation. There seems to be no catalyst present for a manufacturing recovery and the services sector will likely suffer low economic growth as well.

**Will Oil Output Freeze?** – The WTI closed at \$33.75 on February 29th after news throughout the month of a possible output freeze. Saudi Arabia met with Russia on the 16<sup>th</sup> to discuss a freeze at January levels, the highest monthly level in recent history. Iran would also need to agree, but considering their high output goals in a post-sanction environment, this does not seem likely. Oil performed well on this news, despite the plan's low feasibility and potential lack of impact on pricing. Analysts speculate that an output freeze at record high levels would not do much in pushing oil prices higher, and that a cut is necessary to do so. Regardless, the Saudis have pledged to continue working with partners to limit volatility. Meanwhile, US production is still high at 4.5% off its April peak, and down 2% YOY in December. Shale producers recently stated that they would ramp up production again if prices hit the low- to mid- 40s. This oil environment has been beneficial for consumers but not for the oil industry, which continues to slash jobs and battle with debt obligations.

**Primaries and Market Performance** – With state primaries in full swing, we may be seeing the trend of poor market performance correlated with two candidates' success in the primaries. Perhaps the market's performance this year is not just the result of Chinese slowdown, the oil supply glut, and central bank worries. The charts below show a composite of poll performance for each candidate along with the performance of the S&P 500. Beginning in late December, the S&P performance moves inversely to the increasing popularity and success of these candidates. It appears as though investors are weary of these non-establishment candidates and the uncertainty of the future American political realm. Establishment candidates such as Ms. Clinton are more predictable and would provide a more comfortable environment for investors. We believe volatility will persist in the coming months unless calmer candidates rise in the polls or current leaders ease their agendas.

*Dillon Hewitt-Castillo and MacGregor Shepard, Economic Analysts*



## February Returns

Ticker	Return
AAPL	-0.67%
AMT	2.26%
CVS	0.60%
DHR	3.02%
ESRX	-2.07%
FL	-7.49%
GOOG	-6.08%
GOOGL	-5.80%
HAL	1.54%
HBI	-6.80%
IJT	0.04%
IVV	-0.06%
JBLU	3.24%
NVS	-8.88%
ODFL	17.75%
RHS	1.94%
SYK	0.74%
UFPI	11.37%
VEA	-3.08%
VFH	-2.55%



Total	-0.56%
S&P 500	-0.13%

For an up-to-date view of the BIF, click [here](#).

	Bowden Investment Fund	S&P 500 Index
YTD Return	-4.09%	-5.08%