

Big Update: **January 2016**



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WALKER
COLLEGE OF BUSINESS

Letter from the President

2016's first week of trading ended with a huge drop in the markets, which meant an exciting start to the Bowden Investment Group's new semester. Through this turmoil, the Bowden portfolio has outperformed the market by 1.41 percentage points, and we hope to keep this momentum going throughout the rest of the year. Before the break, we added JBLU and ODFL to the portfolio and are confident that they will help the portfolio despite disappointing initial results. More information on our new stock selections can be found below.

The CFA Research Challenge team returned to Boone a week early and has been working hard every day since. After well over 150 hours of work each, and countless edits, we submitted our final paper on the 25th. While we won't know the results for a few weeks, the team has already begun preparing for the North Carolina regional presentation in February. We would like to thank Dr. Goff and our mentor Chris Pavese for the invaluable advice they gave on our report, and the help we know they will continue to provide throughout the competition.

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

Sincerely,
Darrow Goff, President

JetBlue



Dillon Hewitt-Castillo – JetBlue (JBLU)

JetBlue is an attractive stock 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 as well as a new luxury. JetBlue has also recently amounted the redesigning of seats on their aircraft as well as capacity expansion without compromising quality of service. 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 new efficient aircraft to grow their infrastructure and capture market share. We believe JetBlue will be a strong performer in the portfolio through 2016.

Old Dominion Freight Line, Inc.



Nick Todora - Old Dominion Freight Line, Inc. (ODFL)

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 not only for their customers, but also their 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.



Economic Outlook

China Volatility

At the start of the year, China's stock market was in all of the headlines due to its immense volatility. In response, the Shanghai Composite Index has dropped 22.65% and the Hang Sang Index is down 10.05% for January. Chinese volatility has been driven by multiple sources, most notably the devaluation of the Yuan and concerns over China's economy slowing down. Volatility in China is now even more concerning due to the government's inability to effectively rein in their market swings. However, this does not affect the US economy very much since only 7% of US exports go to China and most American multinationals derive only 2% of their income from China. We believe that in the future, China will continue to be volatile as the economy shifts from a production economy to a consumption economy.

U.S. Economy

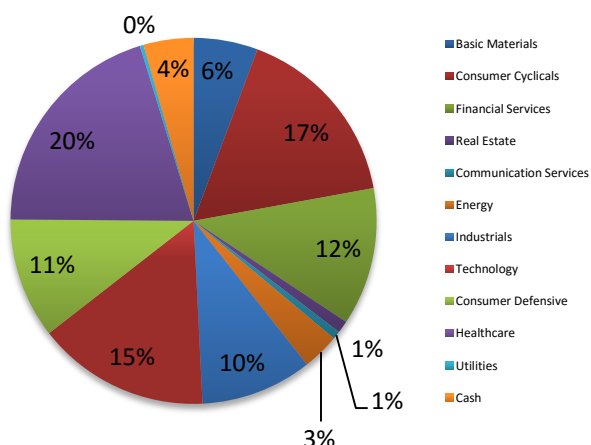
Following their January 27th meeting, the Fed posted their press release stating their decision to maintain the target fed funds rate between 0.25 and 0.5%. They believe this monetary policy will help bring inflation to 2%, although admittedly not in the near term. They see improving labor and housing market conditions despite general economic slowdown towards the end of 2015. US jobless claims fell 16,000 to 278,000 for the week ended January 23rd; GDP growth reports of 0.7% for Q4 2015 have since been released. We believe they will continue to assess global economic conditions and adjust policy patiently.

Bank of Japan

The Bank of Japan has just announced it is cutting the rate on excess reserves to -0.1%. This means that the BOJ will be charging institutions for putting in reserves above the amount required by regulations. The aim is to dissuade institutions from saving money in excess and instead lend it to businesses and consumers who will spend it. Ideally, this would boost the economy and push up inflation to desired levels. They now join the group of negative rate central banks including the ECB, Swiss National Bank, Sweden's Riksbank, and Denmark's National Bank. They maintain negative rates of -0.3, -0.75, -1.1, and -0.65% respectively. This news has been well received by investors as the Nikkei closed up 2.8% and the Shanghai composite closed up 3.09% on Friday. American and European markets displayed gains as well, 2.47% and 2.2%, respectively. Investors and economists around the world see this as an act of desperation to avoid deflation.

Dillon Hewitt-Castillo and MacGregor Shepard, Economic Analysts

BIF Sector Weights



The composition of our portfolio has been widely discussed so far this semester. Going forward, we are looking to trim back on our exposure to Healthcare. Through our buy presentations, many members are also looking to invest in Communication Services and Technology securities in order to match our weights more closely to the S&P 500. We believe that by looking into these sectors, we have the potential to better diversify our portfolio.

January Returns

Ticker	Return
AAPL	-5.14%
CVS	0.44%
DHR	-4.84%
ESRX	-16.27%
FL	4.81%
GOOG	-0.01%
GOOGL	-0.11%
HAL	-6.11%
HBI	5.71%
IJT	-4.96%
IVV	-3.40%
JBLU	-3.31%
NVS	-8.90%
ODFL	-5.97%
RHS	0.79%
SYK	8.40%
TSN	1.75%
UFPI	2.17%
VEA	-3.93%
VFH	-6.85%



Total	-3.50%
S&P 500	-5.00%

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

	Bowden Investment Fund	S&P 500 Index
YTD Return	-3.50%	-5.00%