BIG UPDATE - March 2013

Bowden Investment Group

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Letter From the President

The Appalachian State CFA Team returned from a successful trip to the CFA Research Challenge America's Regional competition in Toronto, Canada. The competition featured the top business schools from both North and South America. I'm proud to say that our team finished in the "sweet sixteen," which is the furthest any team from Appalachian has advanced. Congratulations to Ellen Morgan, Dan Alliss, Matthew Vanek, and Alan Clarke on your hard work and dedication in achieving this goal.

We would like to give special thanks to Dr. Goff and Chris Pavese for their guidance and support. Words cannot express how much we've learned about both the process of security analysis and about teamwork. We would also like to thank the CFA Society of North Carolina and the Walker COB for making the trip to Toronto possible. Having our two mentors, as well as Mr. Thompson, present at the event helped us settle nerves and perform at our very best.

At the beginning of March, The Bowden Investment Group had the privilege of traveling to Charlotte, NC to meet with both WEDGE Capital Management and Wells Fargo Securities. Both visits were impressive as we had the unique opportunity to meet with many App State alumni who were able to share past career experiences as well as tips on how to succeed in our industry. The same day, we held a BIG alumni luncheon where we were able to meet and catch up with former group members. We hope that all of you who were able to attend enjoyed the experience and plan to continue this yearly gathering. All of the current BIG members are excited to maintain the strong connections that past groups have built.

As this final spring semester speeds past us, we would again like to thank all of you who support the Bowden Investment Group. This has been a proud month for all of us, and we plan to continue the hard work as we finish the year on a strong note.

Warm Regards,
Jack

Economic Outlook

The U.S. economy continued to show signs of a slow recovery this month, with unemployment dropping to 7.7%. We expect to see stability in unemployment in this range as hiring slows, consistent with seasonality, and the 2nd quarter begins. Inflation has reached the Federal Reserve's target of 2% and the Fed has stated it will not slow its bond-purchasing program until inflation rises above 2.5% or until unemployment reaches 6.5%. The five-year inflation-protected treasury securities infer inflation is not expected to reach 2.5% this year; therefore, we expect to see inflation around the 1.25-2.25% range for 2013. This being said, we expect the Federal Reserve to continue its bond-purchasing program during this time period.

The global economy has taken a serious pessimistic turn in recent weeks as issues in Europe reaccelerate and Japan's new government feels the pressure to return positive data from their recent quantitative easing. China seems the only glimmer of hope for the world's largest economies. Despite Mario Draghi and George Osborne's pledges to use all measures possible to improve economic conditions, Europe shows more signs of weakness as Cyprus announced the need of a bailout. Greece is struggling to meet the terms of its bailout, Spain's economy is expected to shrink 1.5% this year, and unemployment and inflation are on the rise in the U.K.

Even though Japan is expected to announce more aggressive stimulus plans next month, the country's exports have fallen, adding to their long-running trade deficit, and the effects of a declining yen have yet to provide real relief. China, on the other hand, is maintaining sound recovery with GDP potentially rising to 8.1% this quarter and manufacturing growing more quickly. Without a sizeable improvement in Europe's overall economy, and with this being the largest global threat, we expect market volatility to continue as uncertainty overtakes investors.

~ Travis Ott & Julia Spring

Outsourcing Opportunity

Outsourcing has been a sensitive topic here in the United States, with many multi-nationals sending some of their operations overseas to places with low wages. China, India, and other Southeast Asian countries had been the destinations for companies seeking low wages, but there's a problem. Wages are growing at a fast pace, 13% annual growth in Chinese wages between now and 2015, and manufacturers are looking for a solution to these rising costs. A short-term solution may be to move to another Southeast Asian country with even lower wages, but they too are almost certain to increase.

Another choice is to bring manufacturing jobs back to the United States where many warehouses and manufacturing plants still sit, empty. Last year GE began manufacturing low-energy water heaters in Louisville, KY. They had previously been manufactured in China. While the floodgates aren't swinging open for US manufacturing there has been increased activity with companies like Apple, Ford, Whirlpool and Wham-O either beginning or announcing their intentions to begin manufacturing in the US once again.

How To Make The Play

Companies in China are looking for alternative solutions to deal with the rapidly increasing wages and, as a result, Chinese factories are using more automation and robotics. Wenjie Ge, analyst with Nomura Securities, states, "The pace of automation in Chinese factories is faster than Japan in the 1980s." Factories all over the world are also trending toward using automation to increase quality and output. We expect companies that produce the automation and robotics equipment will be a catalyst for manufacturers around the world because automation provides a reliable and long-term solution for increasing output.

The Bowden Investment Group holds shares of ABB Ltd. (ABB), a power and automation technology company, which receives nearly 42% of its total orders for automation and power electronics equipment. This gives the fund good exposure to increasing demand for automated manufacturing in China and other parts of Asia, as well as Europe and the US. A weak euro helps companies like ABB and Siemens (SI) to be competitive. Rockwell (ROK) is a market leader in automation.

~ Matthew Vincent

Fund Composition

Ticker	Monthly Return
Apple Inc. **(AAPL)**	+ 1.06%
ABB Ltd. **(ABB)**	+ 0.70%
Apache Corp. **(APA)**	+ 4.89%
Chipotle Mexican Grill, Inc. **(CMG)**	+ 2.87%
CSX Corp. **(CSX)**	+ 7.74%
Danaher Corp. **(DHR)**	+ 1.46%
Family Dollar Stores, Inc. **(FDO)**	+ 2.58%
PH Glatfelter Co. **(GLT)**	+ 30.03%
Google Inc. **(GOOG)**	- 0.45%
International Business Machines Corp. **(IBM)**	+ 6.30%
Intel Corporation **(INTC)**	+ 5.05%
Novartis AG **(NVS)**	+ 5.33%
PetSmart, Inc. **(PETM)**	- 4.22%
Patterson-UTI Energy Inc. **(PTEN)**	+ 2.89%
Smith & Wesson Holding Corporation **(SWHC)**	- 5.26%
Stryker Corp. **(SYK)**	+ 2.36%
Tupperware Brands Corporation **(TUP)**	+ 4.99%
Vanguard Energy ETF **(VDE)**	+ 3.00%
Vanguard Financials ETF **(VFH)**	+ 4.35%
Wal-Mart Stores Inc. **(WMT)**	+ 5.72%
Exxon Mobile Corporation **(XOM)**	+ 1.16%
Bowden Investment Fund	+ 3.60%

Fund Performance

YTD 2013 Returns		Since Inception Returns	
Bowden	S&P 500 Index	Bowden	S&P 500 Index
10.9%	10.6%	35.8%	37.0%

Recent Fund Activity

Bought	Sold
FDO	N/A

"Soon, stockbrokers will be driving taxis, while the farmers are driving Lamborghinis. " - Ben Bernanke