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WALKER COLLEGE OF BUSINESS

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Letter from the President - November was a busy month for the Bowden Investment Group; filled with guest speakers, industry analyses and sell decisions. During the month, we were fortunate to have visits from Alex Jenkins and Evan Porter of Dimensional Fund Advisors, as well as Chris Pavese and Mike Loeb from Broyhill Asset Management. We were also privileged to have Eric Evans and Austin Schlieman from BlackRock travel to Boone to speak with the class. The BIG is grateful for the valuable time and knowledge these professionals shared with us, and we understand how beneficial it is to listen to and interact with people working in the industry who can share their real-world experiences. Thanks to all our guests for making time to visit with us. We feel more prepared to transition to our careers – which is coming sooner than we think!

The members of BIG worked diligently to complete stock valuations and final presentations. Our reports reflected the time spent learning financial analysis and working to grasp the in-depth difficult concepts. The members agree these reports are the best work that we have ever produced in our collegiate careers thus far. When sharing our presentations, we are eager to discuss the quality these companies may bring to the Bowden Investment Fund.

Again, we sincerely appreciate the time that our guest speakers graciously gave us this semester. It is because of their continued generosity that the Bowden Investment Group is such a valuable experience. As the season draws near, we would like to wish you all a safe and h**APP**y holidays!

Sincerely,

Logan Newman, President

Portfolio Analysis - Over the course of the month we reallocated, sold holdings, and held a high cash balance in preparation for our buy presentations at the end of the month. We were pleased to see our positive outlook for JetBlue from our September update hold true for the month of November, with almost 15% returns. Unfortunately, one sector's uptick we didn't capture during the month was financials. Our minimal allocation to the financial sector was attributed to its partial weighting in the iShares Core S&P 500 ETF (IVV). This industry produced an average return of approximately 14% over the month, due to post-election reactions and expectations of rate hikes in December.

We reduced our positions in Stryker (SYK), Old Dominion (ODFL), and Apple (AAPL). These stocks had produced large returns and become too heavily weighted within the portfolio for our comfort. The proceeds from these sales are being held in preparation for potential additions from our buy presentations and a decision on how best to enter the financial sector.

The group decided to sell our position in CVS Health Corporation (CVS). Holding CVS thus far was attributed to our confidence in their sustainable competitive advantage. We now believe their economic moat is declining due to increased competition from a potential Rite Aid and Walgreens merger. In addition, CVS has lost contracts that were responsible for over 40 million prescriptions. A declining competitive advantage paired with our overall bearish feeling in the healthcare sector was enough to warrant a decision to sell.

We have a bullish outlook on the Materials sector due to the Trump administration's proposed investment in infrastructure. We believe the inputs used in these maintenance and building projects will help boost the sector from its recent slump. Two decisions were made based on this belief. First, we sold all shares of U.S. Concrete (USCR) because we don't believe its competitive advantage involving green materials will be enough to secure government funds over other competitors.

Similarly, we believe that it will be impossible to determine which companies will benefit from these infrastructure funds because of the fractured nature of the industry. Thus second decision to invest in PSCM, a small-cap materials ETF. This allows us to be slightly overweight in this sector, relative to the benchmark, and the broad exposure will capture the increased infrastructure spending regardless of which individual companies benefit.

James Marlow and John Mosser, Accountants

Economic Outlook

Trump! Trump! Trump! – As President-Elect Donald Trump prepares to take over the White House in January, we eagerly anticipate more details on the new administration's economic plans. A widely expected massive infrastructure plan would certainly provide a boost to aggregate GDP; however, the focus of the spending and the contribution to real economic productivity are still to be determined. Mr. Trump's position on international trade is a concern. The World Trade Organization warned in September that 2016 was on track to record the slowest growth in global trade since the great recession. Mr. Trump's desire to place tariffs on foreign goods is almost certain to exacerbate this situation. He spoke briefly in his election victory speech about the desire to place a 35% tariff on Ford cars coming across the border from Mexico. Moreover, companies in the BIF that have historically tried to move earnings overseas, such as Apple and Alphabet, will likely face temporary headwinds.

FED poised for December rate hike – Consistently strong economic indicators put Yellen and Co. in a comfortable position to finally increase interest rates. Strong annualized third quarter GDP growth of 2.9%, solid recent unemployment figures of 4.9%, and post-election strength in financial markets support the Federal Open Market Committee's near-certain increase. Minutes from the FED's November meeting quote Chairwoman Yellen as saying an increase would be appropriate "relatively soon."

OPEC Deal Reached – At long last, OPEC representatives and non-member countries reached an agreement to cut the cartel's oil production by 1.2 million barrels a day. That amounts to 1% of global oil production, more than most analysts were expecting. Oil prices reacted swiftly, spiking to above $50 a barrel. OPEC has been fighting for relevance since the rising success of American shale producers, and this agreement is a reminder that OPEC still matters. Though this agreement will cause temporary increases in crude oil prices, we don't see any sign of prices returning to pre-2014 levels anytime soon.

Revised GDP Growth for Q3 2016 – The economic growth for the third quarter in 2016 was better than originally anticipated, with GDP growing at an inflation-and-seasonally adjusted annual rate of 3.2%. According to the Commerce Department, this is the strongest growth that the United States economy has seen in two years. Consumer spending rose 2.8% over the quarter and corporate after-tax profits were up 3.5% from the previous quarter. Overall, we believe that the US, the world's largest economy, has a very optimistic outlook for 2017.

Charles Plummer and Matt Burns, Economic Analysts

November Returns

Ticker	Return
AAPL	-2.16%
AMT	-12.73%
COST	1.82%
FIS	4.42%
GOOG	-3.38%
GOOGL	-4.20%
IVV	3.67%
JBLU	14.93%
NVS	-3.18%
NWL	-1.71%
ODFL	16.90%
PSCM	1.46%
RHS	-4.24%
SYK	-1.47%
TJX	6.58%
V	-6.09%
^GSPC	3.60%
BIF	**1.52%**

For an up-to-date view of the BIF, click here.

Research Spotlight: Tractor Supply Company (TSCO)

According to our research, Tractor Supply Company is very attractive and we recommend a BUY for the stock. We predict continued success as they expand the number of stores around the country. The company's knowledgeable staff provides experience to all customers whether they are fifth generation farmers or recreational ranchers. We strongly believe Tractor Supply has a lot of growth potential.

Harrison Gillette & Logan Newman, Equity Analysts

Meet the Members

John Rucker

John Rucker is a Finance and Banking, as well as a Risk Management and Insurance double major from Charlotte, North Carolina. He expects to graduate in May 2017. Aside from his participation in Bowden Investment Group as the Digital Media Coordinator, John is a Resident Assistant and president of The Resident Assistant Council. John is also a member of the Appalachian State 2016-2017 Spencer Risk Management Challenge team. His favorite thing about the Bowden Investment Group was the trip to New York City. In his spare time, John enjoys golfing, hiking, traveling, and listening to music.

Ben Haskell

Benjamen T Haskell is a native of Spruce Pine, North Carolina. He studies Finance and Banking and expects to graduate in May of 2017. Ben has enjoyed his senior year thus far, noting a particular interest in the investment analysis portion of the Bowden Investment Group program. His favorite experience in Bowden has been attending a conference call with the CEO of Cal-Maine foods, which he did in order to acquire more insight into the egg industry. After graduation, Ben will be working for Wells Fargo in their internal audit division. A fun fact about Ben is his middle name is "T" -- just the letter!