

Big Update: November 2017



# Bowden Investment Group

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## *Letter from The President*

November was the busiest month thus far for members of the Bowden Investment Group. It was filled with guest speakers, analysts' reports and presentation planning. We met with guest speakers who have had success across the financial services industry, including Chris Pavese of Broyhill Asset Management and Blake Spivey from BlackRock. We discussed the economic outlooks and investment strategies of their firms and how they might be applicable to the Bowden Investment Fund. Additionally, Alex Jenkins and Dillon Hewitt-Castillo from Dimensional Fund Advisors, as well as Brian Steen and Aaron Martschenko from DHG Valuation Services shared their investment strategies with the group and discussed potential career opportunities at their respective firms. It's inspirational to see how the work we're doing is creating the foundation for a skill-set that will translate directly into a successful career in the field of finance.

Members of the BIG worked diligently to complete reports on the companies we selected at the beginning of the semester – Martin Marietta Materials, Nutrisystem, CarMax, Gentex and AeroVironment. Our research determined whether we believed each company to be a Buy, Hold, or Sell. The result was a written report, financial model and presentation. Group members unanimously agree that the report and presentation are of the highest caliber and the most meaningful assignments in our collegiate careers. This is a direct reflection of the in-depth learning experience we have gained from Dr. Goff and Mr. Thompson, which we are continuously thankful for.

The opportunities we have in the Bowden Investment Group would not be possible without our outstanding alumni, donors and supporters – we are truly grateful! Also, we would like to express our appreciation to the guest speakers who made time in their schedules to speak to the group. As we close out the semester and reflect on the experiences and knowledge gained individually and as a group, we would like to give thanks to all those who have continued to support us. December has arrived and the Bowden Investment Group would like to wish you all a safe and hAPPy holiday season!

Sincerely,

Johnathan Smith

## *Meet the Members: Stephen Potter*

Stephen Potter will graduate in May of 2018 with a degree in Finance and Banking. He is from Winston-Salem, NC and looks forward to moving to Charlotte begin a full-time position with Bank of America. Last summer, Stephen interned with the bank as an analyst in their Finance Management Analyst Program. He's eager to use what he learned from his internship and the Bowden Investment Group at his first finance job. In the meantime, Stephen hopes to improve his soft and analytical skills while contributing to the Bowden Investment Fund.

"With two amazing instructors and real-world exposure, being part of the Bowden Investment Group has been a truly rewarding experience. I look forward to adding to the portfolio next semester and learning under the guidance of Dr. Goff and Mr. Thompson." Stephen is excited to continue to gain an understanding of the investment world.



## Economic and Capital Markets Update—

The United States has posted another strong month of economic growth. November's unemployment rate remains historically low at 4.1% - the lowest since 2000. Additionally, U.S. employers have added jobs to the economy for a record setting 85 months in a row. A successful Black Friday and the passing of tax reform leads the Bowden Investment Group to believe the United States economy is in a stable position.

According to estimates, Black Friday and Cyber Monday were both huge successes as consumers are experiencing higher levels of disposable income this holiday season. Black Friday sales increased 4.8% compared to last year, even with average discounts down 3%. Overall sales in December are expected to increase 4% year-over-year, making the 2017 holiday season the strongest since 2014. We attribute this economic health to consistently rising wages, low unemployment and increased consumer confidence.

The Republican Party experienced arguably its most successful month since President Trump took office, as tax reform passed in the House and Senate. Within the House, the bill passed 227-205 with all Democrats voting against the bill. Several Republicans who were from high tax states also voted against the bill. In the Senate, the bill passed 51-49 - Bob Corker was the only Republican to cross party lines and vote against the bill. The Bowden Investment Group is eager to see how this tax reform will affect economic conditions as it includes a corporate tax cut that we believe will have a direct impact on the Bowden Investment Fund.

Our sentiment regarding capital markets has changed little since our last update. The markets appear to be slightly overvalued when we consider indicators like the CAPE and Shiller P/E. The Dow closed at a record high nine times in November, but firms such as Goldman Sachs, JPMorgan and Bank of America say that they expect fourth quarter trading revenue to fall by 15%. Given the economic and capital markets outlook, the BIG believes opportunities to find undervalued equities remain.

## Portfolio Analysis —

In November, the Bowden Investment Group reallocated, bought, and sold shares within the Fund. We used a portion of our cash balance to buy additional shares of IVV, seeking to gain upside in the strength of the market before buy presentations. We believed this performance would come from tax reform, expectations of fiscal policy from a new fed chair, and a strong economic growth outlook. Although we bought these additional shares, we kept a high cash balance in preparation for our stock presentations at the end of the month.

Group members voted to sell Cameco in November. This was due to the lack of growth opportunities for the company (i.e., new plants will not be built until 2020, customer contracts are expiring, and the selling price of uranium reached all-time lows). The BIF's only remaining investment in the energy sector is IVV. However, we are currently exploring specific companies and energy ETF's to gain further exposure to this group.

Amazon performed well in November, returning 6.47%. We believe this was driven by Black Friday and Cyber Monday sales, as well as the acquisition of large customers for Amazon Web Services. We maintain a strong outlook for Amazon as they enter the holiday season, continue to diversify internationally, and increase their market share of the cloud computing space through their Amazon Web Services.

At the end of the month the Bowden Investment Fund added two stocks to our portfolio - Nutrisystem (NTRI) and Martin Marietta Materials (MLM). The BIG believes growth in Martin Marietta Materials will be driven by an increase in home-building starts, nonresidential construction and infrastructure projects. President Trump has said he plans to propose a bill to overhaul infrastructure in the United States. We also believe that Nutrisystem will continue to grow and expand their market share as the American population continues grow and expand their waistlines, becoming increasingly overweight. Despite this increase in obesity, the healthy eating index is expected to trend upward driven by the desire for alternative healthier options. These are the first companies that our group has contributed to the BIF.

The BIF ended with a monthly return of 1.87% compared to the S&P 500's 3.07% for November. This underperformance is due to missed gains in the energy and consumer staples sector as well as Newell Brands' poor third quarter performance, driving the stock down 23.48%, which we believe was an overreaction. We believe these decisions have positioned the fund well for future growth and have given us the opportunity to expand into underweighted sectors.

## November Returns

\* Indicates sold during month

<u>Ticker</u>	<u>Return</u>
PPA	2.15%
V	2.55%
FB	-1.60%
FIS	1.69%
GOOGL	0.30%
IVV	3.12%
CMP	7.42%
NVS	3.90%
AMZN	6.47%
CCJ*	8.72%
VFH	3.52%
SYK	0.73%
IAT	3.25%
NWL	-23.48%
TTEK	1.73%

### Total BIF Value

\$146,523.40

### YTD Returns

BIF	17.68%
S&P 500	20.51%

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

