

Big Update: **October 2014**



Bowden Investment Group

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Letter from the President:

Going into the 4th quarter of 2014, we are happy to report the value of our portfolio is at a record high of just over \$120,000. This growth is due to the performance of companies such as AAPL, CSX, DHR and others. In September we decided to sell all holdings of KORS and the stock has dropped over 9% since that time, validating our sell decision.

The highlight of the past month was a visit with Mr. Jim Morgan, Chairman of Krispy Kreme. Mr. Morgan came to Appalachian and spent time sharing valuable insight into the business world. He showed us some of the intricacies of Krispy Kreme, what to look for when management changes, and what a turnaround company should be doing. Krispy Kreme is currently held in our portfolio and performing well. Leveraging its popular name, small market cap, great leadership, and growth opportunities with new products, has given us a positive long-term outlook for the company. We have also used KKD as an example when creating our financial statement models. It has been a unique experience to see how companies with tax carry-forwards affect the financial statements and, in turn, the ratios. Jim Morgan was a delightful guest and provided priceless knowledge to us all.

As a group we have all been working hard to improve our financial statement analysis skills. We have been focusing on refining our assumptions for our projected years by looking at historical data and conducting in-depth research on the company and industry. Based on our analysis we all hope to present a strong buy recommendation before the end of the semester. Also, the CFA team continues their work on an in-depth valuation of Hanes, which mirrors our work on our individual company analysis. Thank you for your continued support and interest in the Bowden Investment Group. We are extremely appreciative.

-Stephen Boatman, President

Sector & Industry Performance and Outlook – Health Care: Pharmaceuticals:

The health care sector of the S&P 500 has been significantly outpacing the market's year-to-date returns. Health care has seen a 23.2% gain compared to the market's modest 9.9%. Of course the million-dollar question is, why? What catalysts have driven health care to perform over two times better than the market? I believe the graying of the American population and the implementation of the Affordable Care Act have both effectively pumped up the health care sector on metaphorical steroids.

The graying of America is increasing the demand for products and services offered by this sector. The pharmaceutical industry saw prescription drug demand jump in 2013, and it's maintaining the increased volume through 2014. Wholesale and retail prescription drugs have both seen price gains this year that have been driving earnings growth for these companies.

Love it or hate it, the ACA has been boosting the profits of companies within the sector by sending new, paying customers into the healthcare system. Prior to the implementation of the new health care policies, most pharmaceutical companies had been in the process of positioning themselves to provide for the increased demand and the proactive pharmaceutical companies were the clear winners, capturing the new wave of consumers.

Going forward, I believe the Bowden Investment Fund is adequately exposed, with a 13.73% sector weighting, to capture the gains from the health care sector. I believe both the aging American armada and all-encompassing Affordable Care Act will continue to drive returns within the health care sector for the foreseeable future.

-Connor Kelly, Industry Analyst

Economic Outlook:

In October, Brent crude oil prices dropped to 27-month lows. This drop was due to the increase in United States shale oil production and to Saudi Arabia cutting sales prices to compete. Oil is currently trading at \$82/barrel, but is expected to rise to \$90/barrel within the next year.

Ebola cases are projected to increase to 5,000-10,000 cases per week, which is expected to cause a negative \$33 billion impact on economic activity. One of the factors leading to this predicted economic loss is citizens changing their travel plans over the holidays as well as potential restrictions on where airlines are allowed to operate.

The European markets growth will continue to suffer as business confidence weakens due to increased geopolitical risk. Germany, the strongest economy in Europe, is expected to have a growth rate of 1.3% for the current year, and that rate is projected to drop to a meager 1% in 2015. Ireland is starting to phase out their 'double Irish' tax loophole, which allows for decreased taxation on royalty payments. Since their corporate tax rate is not expected to be changed from the current 12.5%, the new changes to the 'double Irish' tax loophole shouldn't affect their allure to companies wishing to pay lower taxes.

-Patrick Fontaine, Economic Analyst

October Returns

Ticker	Return
AAPL	6.1%
ABB	-2.1%
ARG	0.8%
CSX	11.1%
CVX	0.5%
DHR	5.8%
ESRX	8.8%
F	-4.7%
FL	0.6%
GOOG	-3.2%
GOOGL	-3.5%
HD	6.3%
KKD	10.3%
NVS	-1.5%
RTN	2.2%
SKT	9.3%
SLYG	6.3%
SPY	2.4%
SSYS	-0.3%
SYK	8.4%
VFH	3.8%
VSI	5.7%
WMT	-0.3%
Total	3.4%

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

Alumni Spotlight: Ngoc-vu Nguyen



Ngoc-vu Nguyen
BIG Class: 2007-2008

Upon graduation in 2008 from Appalachian, Vu worked for two years at Bank of America in their Finance Management Associate Program, with rotations in Global Commercial Banking and Corporate Real Estate. In July 2010, Vu moved to New York City to work in Financial Planning and Analytics (FP&A) for Bank of America Merrill Lynch, supporting the Global Mortgage Products and Fixed Income, Currencies, and Commodities (FICC) Emerging Markets businesses. Currently, Vu is based in Hong Kong supporting the entire Asia-Pacific FICC business in FP&A.

Vu will be running his fifth marathon in November in New York and is currently training to compete in the Asia Regional Crossfit Games next year.

If you would like to be featured in this section, please contact Danelle Chilcott (chilcottdm@appstate.edu) or Caitlin Owings (owingsca@appstate.edu)

Bowden Investment Fund YTD Returns

	Bowden Investment Fund	S&P 500 Index
2014 YTD	6.80%	10.99%