

Big Update: **October 2016**



Bowden Investment Group

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WALKER
COLLEGE OF BUSINESS

Letter from the President

October was another busy month for the Bowden Investment Group. Colder weather is beginning to make its way into Boone and football season is in full swing. But, best of all, it's earnings season, which brings conference calls, press releases, and modeling updates.

During the month, we made our first portfolio change. The group decided to sell all shares of Vanguard's Developed Markets ETF (VEA) and allocate the proceeds to our position in Blackrock's S&P 500 ETF (IVV). We believe that reinvesting the cash allows us to achieve the returns of the market, rather than missing potential opportunities. Due to our collective expectation that interest rates will rise in December, we are actively researching a Financial ETF that is heavily weighted with banks, rather than other financial services, to capitalize on a potential interest rate increase.

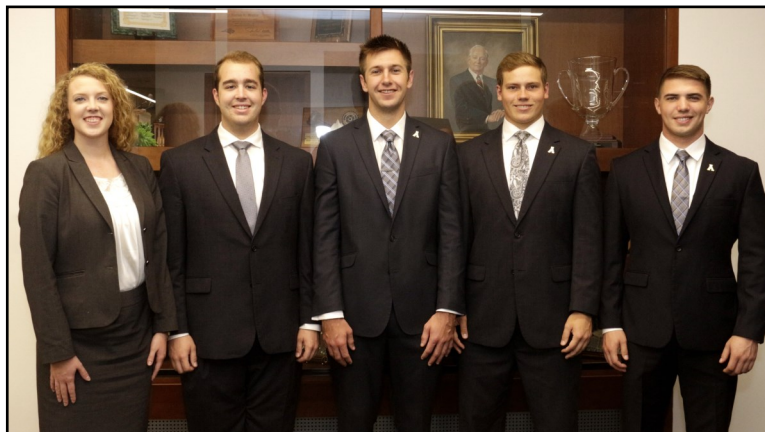
We have all been working diligently to improve our financial statement analysis knowledge. Throughout the month we have focused on refining the assumptions in our financial models by conducting in-depth research on our companies and the industries in which they operate. By performing these financial analyses, we anticipate making strong buy recommendations at the end of the semester and adding quality stocks to the portfolio.

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

Sincerely,

Logan Newman, President

Introducing the 2016 - 2017 Broyhill Fellows



Five Bowden Investment Group members are selected annually to serve as **Broyhill Fellows** and compete annually in the CFA Research Challenge, a global competition that offers university students hands-on mentoring and intensive training in financial analysis. The 2016 Broyhill Fellows, pictured from left, are senior finance and economics double major **Hollie Brown**, senior finance and banking and risk management and insurance double major **Jarrett Jacumin**, and senior finance and banking majors **John Mosser**, **Charles Plummer**, and **McCarthy "Mac" Shelton**.

[Click here](#) for the Walker College of Business news release.

Economic Outlook

Oil prices fell in October due to OPEC's inability to reach an agreement on potential production cuts. A barrel of West Texas Intermediate (WTI) is trading at approximately \$45, down from September's high of \$51.60. Looking ahead, we believe that the price of oil will continue to be depressed until this standstill between Saudi Arabia and the remaining members of OPEC comes to an end.

China matched expectations for third quarter GDP growth at 6.7%, driven primarily by easy money policies and a property market that might be too hot. Consistently high growth rates have been the norm for China lately. However, the threat coming from high levels of corporate debt, and bubbles emerging in the property and commodity markets, are cause for concern about the long-term health of the Chinese economy. Strict capital controls imposed by the politburo have kept large amounts of capital within the Chinese borders, inflating assets that otherwise may not be worth their current price. This is particularly evident in the markets for soy beans, steel, and Chinese government bonds that have seen brief bubbles in the last few years. This is a possible sign of a larger financial bubble.

The jobs market in the United States stabilized in October, with unemployment falling approximately 10 basis points from last month. According to Automatic Data Processing Inc., private company payrolls are expected to report an additional 175,000 new jobs in October. These jobs are expected to drive unemployment down to 4.8%, which we believe will increase consumer confidence in the status quo moving into the election.

The United States has experienced slow economic growth throughout the year, with an annualized GDP of 1.7%. The third quarter has seen a boost in economic activity due to a 10% annualized increase in exports, a continued strength in durable goods spending, and a modest 2.1% increase in consumer spending. We expect this third-quarter boost in GDP will contribute to the rising expectation of a rate hike in December. However, ultimately we believe the United States economy will continue to grow at a slow pace through the remainder of 2016.

Charles Plummer and Matt Burns, Economic Analysts

Meet the Members

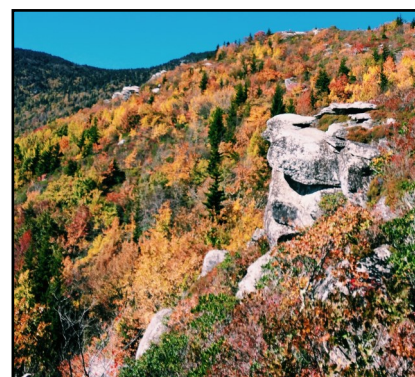


Logan Newman

Logan is a Finance and Banking major graduating in May of 2017. He is a native of Elkin, NC. After graduation, Logan will work at Bank of America in Charlotte, NC with the Finance Management Associate Program.

He is involved in Greek Life and is President of Kappa Alpha Order. When he's not focused on school, Logan enjoys playing golf and fly-fishing. He's also a very strong supporter of Appalachian State Football and never misses a game.

Logan's favorite thing about the BIG is the emphasis it puts on professional development. He enjoys the teamwork involved in achieving organizational objectives and wants to work in corporate finance with the goal of becoming a CFO. Logan would like to thank all of you for your continued support of BIG, especially Dr. Goff and Mr. Thompson for making BIG such a real world experience.



October Returns

Ticker	Return
AAPL	0.43%
AMT	3.41%
COST	-3.04%
CVS	-5.02%
FIS	-4.04%
GOOG	0.93%
GOOGL	0.73%
IVV	-1.78%
JBLU	1.39%
NVS	-10.06%
NWL	-8.81%
ODFL	8.85%
RHS	-0.64%
SYK	-0.91%
TJX	-1.38%
USCR	8.31%
V	-0.23%
^GSPC	-1.94%
Total	-0.73%

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

Jarrett is from Raleigh, NC and will graduate in May of 2017 with a double major in Finance and Banking, as well as Risk Management & Insurance. Recently, he accepted a job at Bank of America in Charlotte, NC with the Finance Management Associate Program.

He started at Appalachian State on the Varsity football team, where he played center for two years. After an injury, Jarrett decided to focus on academics and got involved in the College of Business. He participates in the Risk Management and Insurance organization, Gamma Iota Sigma, and also serves as an Appalachian Student Ambassador.

Jarrett's favorite thing about Bowden is the portfolio review at the beginning of each class. He enjoys starting his Mondays and Wednesdays hearing each member's opinion on the portfolio. Jarrett said learning to keep an eye on the market has made him more aware of what's going on in the world of finance, and how each event will affect the portfolio. He has learned an immense amount in the few months that he has been in Bowden and is excited to continue enhancing his knowledge.



Jarrett Jacumin