

Big Update: **October 2017**



Bowden **Investment** Group

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Letter from The President

During October, the Bowden Investment Group continued modeling and completing research assignments to further our knowledge of the companies that we selected for analysis this fall. We added common size financial statements and calculated financial ratios that enabled us to compare our companies relative to their industry and top competitors. Additionally, we conducted industry and firm-specific analyses to gauge the environment of our respective industries and gain insight into the strategy and competitive advantage of our companies. Through continued research, we are gaining a deeper understanding of each company and will begin developing recommendations for presentations at the end of the semester. Along with this analysis, BIG members are studying how to use PE and EV/EBITDA multiples to establish additional target prices for our companies.

During the month we also made our first changes to the portfolio. We sold all shares of JetBlue, Valeant Pharmaceuticals and Micron. With the proceeds from the sales, we allocated \$10,200 to IVV, an ETF that follows the S&P 500. Investing in IVV gives the fund the opportunity to benefit from overall market returns, especially in a strong market environment. As we continue to move through the semester, members of the group are actively researching other ETF's that would allow the fund to achieve higher returns—financials and defense are among those being considered.

Since the semester began, the Bowden Investment Group has truly grown closer. It seems that the friendships and bonds have galvanized the group and made us stronger. Dr. Goff and Mr. Thompson continue to provide us with an incredible learning experience, one that incites excitement for class each week. We are grateful for the incredible support from alumni, contributors and anyone with interest in the Bowden Investment Group, and for this experience.

Sincerely,

Johnathan Smith, President

Introducing the 2017-2018 Broyhill Fellows



Each year, five Bowden Investment Group Students are selected to serve as Broyhill Fellows and compete in the CFA Research Challenge. The CFA Challenge is a global competition that provides university students with hands-on mentoring and extensive training in financial analysis. The 2017 Broyhill Fellows, pictured from left, are: senior finance and banking majors **John Miller**, **Andrew Hanley** and **Amalia Miles**; senior finance and banking and accounting double major **Christopher Miller**; and, senior finance and banking major **Daniel Sullivan**.

Economic and Capital Markets Update

The end of October brought news that this quarter produced an annual GDP growth rate of 3%. This is the first time GDP has grown at 3% in consecutive quarters since 2014. The Bowden Investment Group believes this indicates a stable economy, particularly with an increase in consumer sentiment resulting in consumer spending, and unemployment reaching a 16-year low of 4.1%.

Despite this strength in GDP growth, the impacts of Hurricanes Harvey and Irma were felt as 1-in-13 jobs are located in affected areas. The economy lost 33,000 jobs compared to an expected increase of 90,000 jobs – a decrease for the first time in seven years. Additionally, housing starts were down 4.7% from the previous month, likely another result off Hurricanes Harvey and Irma. As recovery efforts continue, we expect these economic indicators and the overall economy to bounce back.

As we begin November, the Trump Administration and GOP continue their push to pass the proposed tax reform bill. The Bowden Investment Group believes the proposed bill will positively affect both corporations and individuals. The corporate tax rate would be reduced from its current 35% to 20% boosting corporate profits and spending while increasing job availability. Tax brackets for individuals will have tiers of 12%, 25% and 35%.

On November 2nd President Trump announced that Jerome Powell will succeed Janet Yellen. Mr. Powell had served as a Federal Reserve Governor since 2012. His policy is not expected to deviate much from that of Yellen's, although he is likely to be a bit more hawkish in his approach to interest rates. Rates remained stagnant at the Federal Reserve's latest meeting, but a hike of 0.25% is expected at the December meeting.

The trend in overvaluation in the market has continued since our report last month. Indicators like the Shiller P/E and the Buffet Indicator have continued to increase monthly. Earnings season is upon us and the Bowden Investment Group is diligently working to identify opportunities and make the appropriate decisions and allocations to the Bowden Investment Fund.

Meet the Members: Amalia Miles

Amalia Miles will graduate in May of 2018 with a degree in Finance and Banking. She is currently seeking a career in corporate finance to use the skills she has gained through her education and full time work experiences. Amalia believes that Mr. Thompson's and Dr. Goff's ability to collaborate and create a truly extraordinary "classroom" experience will continue to drive students to achieve far beyond what they thought they were capable of. Her experiences in the Bowden Investment Group have already exceeded all levels of difficulty and fun that a group of young professionals working together could anticipate. She is looking forward to what the rest of the year has in store, especially through her participation in the CFA Research Challenge.

"Being a member of the Bowden Investment Group has exposed me to the many possibilities and opportunities finance has to offer, and I look forward to developing my career in this field. I hope to be able to motivate and give back to students like myself who aspire to pursue a career in finance, just as those who teach, encourage and inspire students here at Appalachian State have done and continue to do for me."



October Returns

* Indicates sold during month

<u>Ticker</u>	<u>Return</u>
PPA	1.18%
V	4.31%
FB	6.25%
FIS	-0.61%
GOOGL	6.78%
IVV	1.91%
CMP	-0.53%
NVS	-4.35%
AMZN	15.23%
CCJ	-16.17%
VFH	1.70%
SYK	7.92%
IAT	1.00%
NWL	-5.01%
TTEK	4.45%
JBLU*	7.08%
MU*	4.10%
VRX*	-12.38%

Total BIF Value

\$146,523.40

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

