

BOWDEN INVESTMENT GROUP

BIG UPDATE

FEBRUARY 2019

LETTER FROM THE PRESIDENT:

February might be a short month, but it was filled with BIG accomplishments!

We are proud of our Broyhill Fellows for winning the North Carolina level of the CFA Research Challenge. I took several Bowden applicants to watch the competition in Greensboro, where the Appalachian State team beat Elon University, SKEMA Business School and the University of North Carolina at Wilmington. Madeline Hamiter, Neil Agnew, Andrew Crumpler and Josh Lee will be advancing to the Americas competition in New York City in late April. We applaud the team's hard work throughout the school year and are confident they will continue to represent Appalachian State at the highest level in the next stage of the competition.

During the month, we made changes to the portfolio by trimming our positions in Shopify and Starbucks, and adding to the regional banks' ETF. This decreases our exposure in the highly volatile consumer discretionary and information technology industries. We are still beating the S&P 500 benchmark YTD, and we hope to continue this trend.

We have increased recruitment initiatives by attending the club fair, creating marketing materials and visiting classes within the Walker College of Business to encourage students to apply to the BIG. We are excited to begin the process of selecting the new group.

I sincerely appreciate all of your support and interest. Thank you!

Best Regards,
Alia Dahlan

Bowden Investment Group

FEBRUARY PERFORMANCE

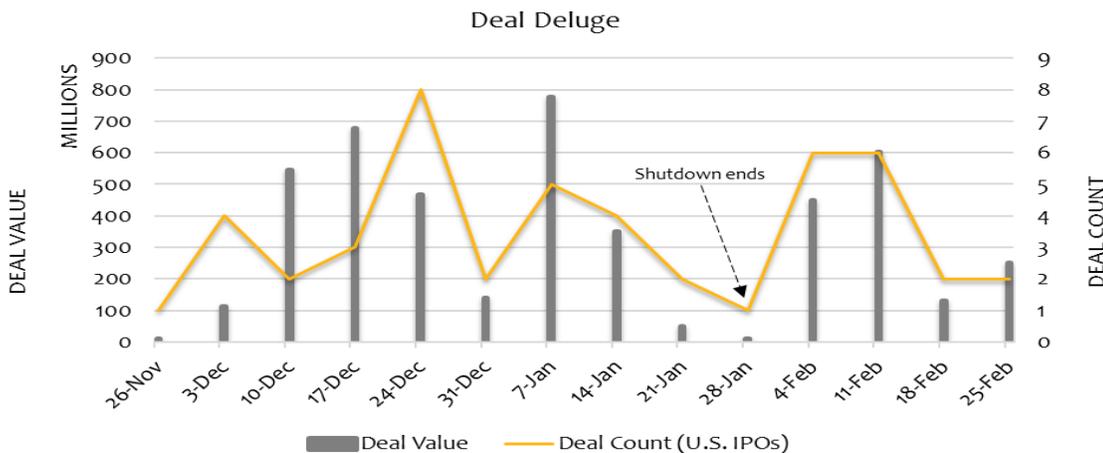
Symbol	Return
AMZN	-4.59%
ALB	13.08%
AYI	7.62%
FB	-3.14%
GOOGL	0.06%
NVDA	7.31%
RTN	13.19%
SBUX	3.11%
SCI	-3.68%
SO	2.24%
SHOP	12.28%
SYK	6.16%
TCEHY	-4.03%
V	9.71%
WM	5.83%
IAT	5.68%
VFH	3.11%

BIF	3.71%
S&P 500	3.21%

YTD Performance

Benchmark	Return
BIF	13.52%
S&P 500	11.48%
AUM (2/28/19):	\$159,552

CHART OF THE MONTH: IPO FLOODGATES OPEN AFTER SEC SHUTDOWN



MARKETS IN A MONTH: ANIMAL SPIRITS AWAKEN

Advisors:

Dr. Hadley

Mr. Poole

Dr. Goff

Mr. Thompson

Investment Team:

Alia Dahlan, President

Paul Abney, Co-Vice President

Carson Walsh, Co-Vice President

Madeline Hamiter, Economist

Andrew Viditz-Ward, Economist

Cooper Haynes, Accountant

Jarrett Wood, Accountant

Josh Lee, Annual Report Editor

Alex Brea, Industry Analyst

Andrew Crumpler, Industry Analyst

Newsletter Editors:

Amanda Kurland

Neil Agnew

For more information visit the [BIG Website](#)

"It requires a great deal of boldness and a great deal of caution to make a great fortune; and when you have got it, it requires ten times as much wit to keep it."—Nathan Mayer Rothschild

Bulls were raging again in the second month of the year, while bears continued to hibernate after a December stock-market slump. Markets roared through February with the Dow Jones Industrial Average, S&P 500 and Nasdaq notching 4.0%, 3.2% and 3.6% monthly gains, respectively. All three U.S. indexes are up over 11% in 2019.

Despite storm clouds continuing to hang over China and many EU economies, the Fed's pause on interest-rate increases, a U.S.-China trade rapprochement and sanguine fourth-quarter earnings results have, nonetheless, kept markets afloat.

As earnings season comes to a close, companies across the board have been beating the low bar of expectations for 2018 fourth-quarter earnings, amid mixed results on growth outlooks for 2019. "With lower predicted earnings for the first quarter of 2019, we see consumer sentiment dipping into a more bearish outlook as EPS growth rates normalize," says Carson Walsh. What's more, U.S. labor markets continue to tighten while CPI and PPI moves have kept a lid on inflation—bolstering the Fed's stance on halting interest rate increases.

Indexes in Asia marched higher, propelled by gains amid a respite from trade tensions and tariff escalation delays. Stimulative measures from the Chinese government, such as lowering the reserve requirement and slashing taxes, may have helped staunch the flow from what many investors are concerned is a decelerating Chinese economy. The Shanghai composite rose 13.8% and Hong Kong's Hang Seng gained 2.7% in the month, while the tech-laden Shenzhen index bounced 20.8% in February. Gains rippled across Asia as Japan's Nikkei 225, Taiwan's TAIEX and Australia's ASX 200 rallied over 2.5%.

Lackluster economic data and political strife again roiled European markets. German and Spanish industrial production figures continued consecutive monthly declines while riots in Paris persisted over French President Macron's economic policies. On the Brexit front, the fog is beginning to clear: Labour party members called for a second referendum, and Prime Minister Theresa May expressed interest in extending the March 29th deadline by three months to prolong negotiations. However, the issue still casts a pall over EU growth and investor appetite for British stocks. Britain's FTSE 100 gained 2.3% for the month. In Italy, floundering Italian banks have yet to scare investors as the FTSE MIB—Italy's benchmark stock index—rose 4.7% during the month, outperforming the broader Stoxx Europe 600's 4.2% rise.

Commodities surged as global stockpiles for metals have fallen over 20% from a year ago. As markets contend with slower growth in China, the world's largest commodities buyer, analysts are having another look at the supply-side paradigm for global commodity demand. Analyst Paul Abney weighed in: "Slowing growth in China is a concern for commodities going forward. With trade risks in the aggregate, commodities appear to be a murky play for 2019." Industrial stocks have been one of the top-performing sectors for the S&P 500 in 2019, up 18.5% YTD.

Palladium, a metal used in catalytic converters to reduce carbon emissions, surpassed gold's value on a dollar basis and has recorded a 23.0% rise YTD and a 12.9% gain for February. WTI and Brent oil continued to retrace steep losses from the fall's selloff as energy prices gained traction. Both are up over 6% for the month and 20% below their October 3rd highs. In February, 10-year Treasury yields ended the month 3 basis points lower at 2.71%, while the U.S. dollar moved 0.5% lower against a basket of global currencies.

Although equities have enjoyed broad gains and animal spirits are alive and well, that may portend greater trouble ahead. Despite equities heading higher in February, investors have steadily pumped more money into bonds than equities, with net flows of \$40.7 billion for bonds versus \$13.3 billion for stocks YTD.

In markets, the pendulum is known to swing back—eventually. And while an apparent disconnect exists between market sentiment and economic data, the elastic snapback may not be far around the corner. – Neil Agnew

Walker College of Business
APPALACHIAN STATE UNIVERSITY

BROYHILL FELLOWS CLINCH WIN IN LOCAL CFA RESEARCH CHALLENGE

The Broyhill Fellows—Andrew Crumpler, Madeline Hamiter, Neil Agnew and Josh Lee—came out on top against three other university teams in the CFA North Carolina Research Challenge at UNCG on February 23.

It was a close competition against teams from Elon University, SKEMA Business School and UNC Wilmington—but Appalachian State's team was able to bring home the gold. The team presented a sell recommendation on LendingTree, Inc. (NASDAQ: TREE) for 10 minutes, followed by a 10-minute question and answer period by three CFA judges.

Scores from the presentation and written report were calculated. All reports were elegantly comprised and professionally written, but only one team stood above the rest. The Broyhill Fellows excelled through their presentation skills and insightful answers, proving them to be the best in North Carolina.

"I believe it was in our Q&A that we really shined—and the judges picked up on that," remarks Neil Agnew.

As the representative team from North Carolina, they feel there is still room for growth as they prepare for the Americas Regional competition. They will continue to update their valuation and look to deepen their research by leveraging data analytics and coding to take their analysis of LendingTree to the next level.

"The CFA win was my most memorable college experience and it is not over yet. We have plans to strengthen our model, do more independent research and win the next level," says Andrew Crumpler, analyst on the team.

Although the four members were responsible for the win, everything in the BIG is a team effort—and the support of faculty and BIG members at the presentation and throughout the competition have not gone unnoticed. We're incredibly proud of the Broyhill Fellows and look forward to cheering them on in April when they compete at the Americas Regional in New York City against the top 50 teams from North and South America.



Left to right: Dr. Hadley, Andrew Crumpler, Madeline Hamiter, Neil Agnew, Josh Lee, Dr. Goff