February was an excellent month for the Bowden Investment Fund. The S&P 500, our benchmark, returned 3.42% for the month while our fund returned 5.45%. Our leading portfolio gainers were Big Lots with a monthly return of nearly 25%, Buffalo Wild Wings and Goldcorp with returns of nearly 20%, and Chipotle Mexican Grill and Stryker with returns of nearly 10% each. As you can see, our overweighting in the consumer discretionary sector has helped us to outperform the broader market in recent months, and we are carefully tracking and analyzing economic data so that we do not participate in the industry’s expected reversion to the mean.

During the month we sold our full positions in Big Lots and Colgate-Palmolive. There were numerous reasons for each sale, including reasons listed above, and the performance of each stock since the sale has only reinforced what we believe was a justified decision. We purchased financial and energy sector ETFs during the month to help correct what we determined were inadvertent bets against these industries. We also purchased shares of Cree, Inc. This was the company that four of the Bowden Investment Group members researched extensively for the CFA Global Investment Research Challenge. Our team made it to the final round of the competition and placed 4th in the state, ahead of both Duke and Wake Forest among other universities. The competition was another great learning experience for our members.

Next month we will continue to make both stock selection and industry allocation decisions for the portfolio. Accordingly, we will have a round of buy recommendations with rebuttals from each member as well as sell recommendations from each member for companies that are currently held in the portfolio. Thank you for your continued support.

David Emery
President

Economic Outlook

February’s economic environment exhibited a few surprises as the world eased out of December and January’s holiday seasonal data. Retail sales showed an approximate one percent increase, despite low numbers in the many retail and consumer discretionary sectors, offering a short sigh of relief for investors.

Surprisingly, however, many of the other data points showed the darker side of things with just-released statistics for January. Business and crude inventories showed increases for much of this time indicating a slowdown in purchasing and also a slight discrepancy in inventory forecasting. February also reported, for the month prior, that factory orders more than doubled from the prior month (December) to an increase of 3.1%, up from 1.4%.

Unemployment, as always, was on everybody’s mind, and perhaps the biggest and best news for February was the advent of the unemployment rate finally rattling below the nine percent mark to an 8.9% end to the month. It should be noted, however, that with this news the average workweek fell slightly, and hourly earnings remained flat while personal income increased just a hair at 1%.

Looking forward, there is still plenty of uncertainty and unease whether we will see another dip in the markets, especially after considering the current state of turmoil in the Middle East. In such a fragile global economic environment any unsettlement can greatly slowdown personal and industrial growth and potentially cripple what some believe to be the current recovery from recession we are in now.

Christopher Wexler
Economic Analyst
**Fund Returns**

*(Through the end of February)*

![Graph of Bowden Investment Fund Cumulative Returns Since Inception]

**Securities in Focus: VDE and VFH**

In February, the Bowden Group bought into Vanguard-managed ETFs seeking to track the returns of the energy and financial sectors. The group believes these Vanguard funds are attractive because of their passive management philosophy (and therefore low expense ratios), and because they allow the group to better allocate sector weightings to represent how we believe the market will behave going forward.

VDE, the Vanguard Energy ETF, was acquired primarily so that the BIF would be overweight in the energy sector. We believe that this sector will outperform the broader market in 2011, especially if crude oil continues to rally.

VFH, the Vanguard Financials ETF, was bought in a large part because the Bowden Fund held no financials in its portfolio prior to this trade. The group saw our non-presence this sector as a significant bet against this part of our benchmark portfolio. We held no convictions as to why we should be betting against financials so heavily, so VFH was added to ensure we were not passively making a bet we did not believe in.

**Quote of the month:** “If past history was all there was to the game, the richest people would be librarians.” —Warren Buffett

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**February 2011 Returns**

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<th>Bowden</th>
<th>S&amp;P 500</th>
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<tbody>
<tr>
<td>Returns</td>
<td>5.45%</td>
<td>3.43%</td>
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**End-of-Month Fund Value**

$86,329.08

**Did you know?**

The Bowden Investment Fund outperformed the S&P 500 Index in February by the largest percentage margin in a single month since June 2008.

The 2.02% outperformance in February was the largest since the fund boasted an outperformance of 2.88% in mid-2008.

**FEBRUARY TRANSACTIONS**

The fund purchased two securities and sold two securities in the month of February.

In what turned out to be a wise decision, Big Lots (BIG) was recommended to be sold, but upon further review was actually deemed to be an undervalued stock. The next several weeks saw the price of BIG rise by more than 25%, as it became a target for a leveraged buyout.

**BOUGHT**

- VDE
- VFH

**SOLD**

- BIG
- CL