



# BOWDEN INVESTMENT GROUP

**Faculty Advisors:**

Dr. Brandy Hadley  
Mr. Shawn Poole, CPA

**BIG Members:**

**President**

[Cooper Bumgarner](#)

**Vice President**

[Olivia Guillebeau](#)

**Accountants**

[Sam Crouse](#)

[Sam King](#)

**Economists**

[Donovan Arnold](#)

[Nkhosinathi Moyo](#)

**Update Editors**

[Katie Cole](#)

[Sean James](#)

**Annual Report Editor**

[Bradley Lovelace](#)

**Industry Analysts**

[Karlee Lakin](#)

[Obi Ludwig](#)

[Zach Stowell](#)

*Letter from the President*

Happy New Year from the Bowden Investment Group!

The new year brings in cold weather and new opportunities as we begin our final semester here at Appalachian State University. While we are sad to move on, we can look back upon our college careers and feel accomplished. We came into college with big dreams and respectable goals. Through hard work, support from our peers and professors, and a little luck, we are now prepared to make our mark in the real world. But, before we officially leave, we have work to do and decisions to make. We look forward to our second semester in the BIG to further our development as professionals and enhance our investing knowledge.

As we move forward in the semester, we will put all that we have learned to work and continue to analyze and pitch companies that we believe deserve a place in the portfolio. As we do this, we keep a watchful and attentive eye on our current positions and the impact the current market is having on each.

This month, we have focused on risk and return theories and the impact of correlations in the market. Additionally, we have been monitoring the turbulent markets that are a result of events such as the inauguration, shift in control of the Senate, and the recent short squeeze of GameStop. These events have provided great opportunities to learn to expect the unexpected while also recognizing that foundational knowledge of economics and the stock market play fundamental roles in investing. With this in mind, the group is striving to place the portfolio in the best possible position for future growth.

After a delay of in-person classes due to university guidelines and the infamous Boone weather, we are excited to finally be back in the classroom now. Everyone was excited to see each other and experience some relief from Zoom.

Finally, we want to extend our gratitude to all of our supporters, advisors, and donors. Without your generosity and belief in the group, this experience would not have been possible.

*Sincerely,*

*Cooper Bumgarner*

*Broyhill Fellows Prepare to Compete at CFA Research Challenge*

Over winter break, the Broyhill Fellows pushed their limits and completed the written report for the CFA Research Challenge. The group, consisting of Sam Crouse, Olivia Guillebeau, Sean James, and Zach Stowell, worked tirelessly to produce the highest quality report possible. The target price is the weighted average of four valuation methodologies, including a discounted cash flow analysis and three relative valuations. Due to Albemarle having three lines of business (lithium, bromine, and catalysts), the group employed P/E, EV/EBITDA, and EV/Revenue multiples analyses in order to incorporate market pricing trends for the separate industries into the target price. The discounted cash flow analysis supported the multiple-derived valuations.

It was recently announced that the Broyhill Fellows have advanced to the first round of oral presentations. The first round will take place in mid-February, but the group is already well underway in preparing. With guidance and direction from Dr. Hadley and Mr. Chris Pavese of Broyhill Asset Management, the Broyhill Fellows are confident that they will uphold (and hopefully exceed) the standards set by previous groups. We look forward to discussing specific numbers and data once the competition concludes.

For information about the Bowden Investment Group, please contact:

Dr. Brandy Hadley  
Hadleybe@appstate.edu  
(828) 262 6938

For more information on this update, contact:

Katie Cole  
colekg1@appstate.edu

Sean James  
jamesm2@appstate.edu



## Creating a Game Plan for the Future of Bowden

Our responsibility as portfolio managers is to earn returns above our S&P 500 benchmark without taking excessive risks. We closely monitor the portfolio to ensure we are not too concentrated in any one stock or sector. In the fall semester, we diversified the Bowden Investment Fund by purchasing IWM, the Russell 2000 index, increasing our exposure to U.S. small cap equities. Our goal for the spring is to diversify between investment styles.

A major driver of our excess return in 2020 was that the Bowden Investment Fund is heavily oriented towards growth. Last year, the S&P 500's growth stocks outperformed value by 35 percentage points, but 2020 was not an anomaly. In the past ten years, growth stocks have outperformed value by an average of 6.2 percentage points annually. However, we believe that the market goes through cycles where growth is preferred over value. We are currently observing what we believe to be irrational valuations in the market, and we expect a shift towards value to occur.

Additionally, our class inherited a portfolio full of darlings in the market, including Align, Amazon, Nvidia, and Shopify. All four of these companies benefited from the pandemic, and all four of the stocks are classified as growth. While valuation multiples in the broader market are at premiums well above 2019 levels, some of our positions dwarf them in comparison.

We were handed a portfolio full of winners and allocated towards the right investment style. It is now our responsibility to build a winning portfolio that we can pass on to the next BIG class. To begin this process, we made the addition of the J.M. Smucker Company in December to lower the beta of the portfolio because of the low volatility of the stock. We intend to lower our concentration in growth and cash in profits from some of our best performers in 2020. Our goal is to search the market for companies with solid fundamentals and that are trading at a discount. With the addition of more value stocks to the fund, we believe we will be setting up future Bowden classes for success in anticipation of a shift in market preference towards value stocks.



### 2020 Overall Returns

BIF	34.41%
S&P 500	18.41%

### January Returns

Ticker	Return
ALGN	-1.68%
AMZN	-1.56%
FB	-5.43%
GOOGL	4.26%
HD	1.96%
LHX	-9.26%
LMT	-9.34%
NKE	-5.57%
NVDA	-0.50%
SHOP	-2.95%
SJM	-0.70%
SYK	-9.81%
V	-11.65%
IVV	-1.03%
IWM	4.85%

### Total BIF Value

\$271,720.40

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

## Interesting Stock Market Facts Learned in Class

- 2020 set a new record for the numbers of IPOs
- More than half of the 2020 IPOs were for SPACs
- There are more ETFs than there are U.S. public companies
- More than 80% of stock trades are automated
- Short squeezes are only sustainable if new buyers outweigh sellers taking profits
- Global world stock exchanges have a cumulative capitalization of over \$85 trillion
- The technology sector accounts for more than 20% of the U.S. stock market capitalization
- There have been 18 economic recessions (including the current recession) in the past 100 years — averaging one every five and a half years (the current bull market has persisted for 10+ years)

## Economic Outlook

The U.S. economy is forecasted to grow 5.2% in 2021, according to the IMF. The fulfillment of this forecast is contingent on multiple factors, the most notable being the success of vaccination efforts against the Coronavirus. A successful vaccination campaign should help the economy kickstart its post-pandemic recovery, particularly in hard hit sectors like the services sector. Further fiscal stimulus will also be vital in maintaining the health of the economy for the foreseeable future, and all signals from Washington currently indicate this will be delivered. However, it remains to be seen how large the next stimulus package will be. We will be monitoring developments in these areas, alongside the Federal Reserve's updates over the course of the semester, to determine our outlook for a post-pandemic recovery.