



DCM



Dordt College Defender Capital Management Annual Report For the Year December 31, 2013

2013 was an excellent year for U.S. stock market investors. As the economy continued its stabilization, confidence was on the rise and returns increased. Although words such as tapering often discouraged investors, the S&P 500 increased an impressive 29.58%, while the Dow Jones Industrial Average netted 26.5%. The Defender Capital Management portfolio came in slightly behind these benchmarks with a return of 24.81%. Although it is slightly discouraging to underperform our benchmarks, DCM is aware that even professionally managed funds sometimes underperform the S&P. We believe that by continuing to identify value and making smart decisions, DCM can close the gap between our portfolio and our benchmarks. Thanks to generous donations and strong performance, DCM closed the year with an all-time high in assets. The future is bright as DCM looks for further opportunities to grow and create value.

Throughout 2013, DCM was very active, making nine transactions. We began the year by selling our holding of Sempra Energy. This stock had experienced a large price appreciation and we believed it to be overvalued compared to its competitors. Unfortunately it has continued to rise. However, near the same time we voted to buy into Apple, after it experienced a large dip in price. This proved to be a good decision, as we have seen strong gains from the technology stock. At the end of the 2013 school year, the club voted to eliminate our holding in Sanofi in favor of Kellogg Company. Both of these stocks have remained stagnant since the transaction, but we believe there is still upside for the undervalued Kellogg. In the fall, DCM was again active in their trading. The Club decided to exchange our holding in Chesapeake Energy for a larger holding in Chevron Corporation. This move proved productive as Chesapeake saw an almost immediate drop from its overvalued position. Next the club decided to increase our holdings in U.S. Bancorp, a strong and reliable company. We were again rewarded for our efforts as the bank saw an almost immediate increase. Our final transaction of the year was the purchase of WellPoint Inc. We believed this medical insurance company to be undervalued and in a position of opportunity. Unfortunately our purchase coincided with recent market withdrawals and it remains to be seen how the stock will perform.

Besides our transactions there were also some exciting things to note from 2013. Micah Spoelstra was elected Vice President and is on track to take over the presidency with a year of experience and training. Members of the club made their first trip to Omaha in late April to hear Warren Buffet speak at his annual shareholders meeting. Finally, a promotional brochure was created to help raise awareness of the DCM club. As another year passes and DCM continues to send graduates into the work place, it is exciting to be a part of DCM and the value it creates. We look forward to another year.

Sincerely,

Micah Spoelstra, Vice President

Sam Verhulst, President



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Defender Capital Management

I. Transactions

Dordt College Defender Capital Management					
Trade Log					
For the Year Ended December 31, 2013					
Trade Date	Quantity	Security	Unit Price	Amount	Commission
PURCHASES					
2/12/2013	21	AAPL	\$ 463.25	\$ 9,728.25	\$ 7.00
3/22/2013	129	K	\$ 62.42	8,052.18	7.00
10/9/2013	160	IWB	\$ 94.01	15,041.60	7.00
10/22/2013	31	CVX	\$ 119.07	3,691.17	7.00
11/8/2013	123	USB	\$ 37.50	4,612.50	7.00
12/16/2013	154	WLP	\$ 91.00	14,014.00	7.00
				-	
				<u>\$ 55,139.70</u>	<u>\$ 42.00</u>
SALES					
2/6/2013	13	IWB	\$ 83.98	\$ 1,091.74	\$ 7.03
2/6/2013	97	SRE	\$ 75.55	7,328.35	7.17
3/14/2013	93	IWB	\$ 75.55	7,026.15	\$ 7.19
4/23/2013	153	SNY	\$ 52.52	8,035.56	\$ 7.18
10/22/2013	211	CHK	\$ 27.44	5,789.84	\$ 7.09
				<u>\$ 23,481.80</u>	<u>\$ 35.66</u>

II. Portfolio Diversification

Dordt Defender Capital Management				
Portfolio to S&P 500 Diversification Comparison				
31-Dec-13				
Industry	% of S&P 500	% of DCM	Targeted Amount for Future Investments (%)	Targeted Amount for Future Investments (\$)
Consumer Discretionary	12.30%	11.88%	0.42%	\$1,088.04
Consumer Staples	9.60%	9.29%	0.31%	\$821.67
Energy	10.10%	8.33%	1.77%	\$4,618.29
Financials	16.30%	12.36%	3.94%	\$10,281.13
Health Care	13.40%	11.55%	1.85%	\$4,822.41
Industrials	10.90%	3.79%	7.11%	\$18,549.14
Information Tech	18.80%	18.28%	0.52%	\$1,349.10
Materials	3.50%	1.10%	2.40%	\$6,251.40
Telecommunications	2.20%	1.93%	0.27%	\$713.80
Utilities	2.90%	2.82%	0.08%	\$200.67
Totals	100.00%	81.34%		
IWB		17.20%		
Cash		1.46%		
		100.00%		
Total Portfolio Value	\$260,985.63			
*Targeted investment amounts are calculated based on a total portfolio value of \$260,985.63				

	2013
Consumer Discretionary	30.90%
Consumer Staples	15.33%
Energy	13.72%
Financials	27.97%
Health Care	35.61%
Industrials	30.70%
Information Tech	23.84%
Materials	17.29%
Telecommunications	4.74%
Utilities	7.48%

As the overall economy continues to rebound from the recession of 2009, the S&P 500 boasted positive performances in all sectors. The Telecommunications sector was limited in 2013 and had a 4.74% return. The overall S&P return was above 29% due to significant performances from the Health Care, Industrials, and Consumer Discretionary industries. The size of these sectors, coupled with strong performance, greatly contributed to the outstanding performance of the index as a whole.



III. Statement of Position

Dordt College Defender Capital Management										
Statement of Position										
December 31, 2013										
Security	Shares Owned	Purchase Price	Total Cost*	Current Price	Market Value	Gain / (Loss)	Percent Change	Percent of Portfolio	Ending Beta	Weighted Beta
AAPL	21	463.58	9735.2493	561.02	11,781.42	2,046.17	21.02%	4.5%	1.21	0.055
AFL	132	45.56	6,014.04	66.8	8,817.60	2,803.56	46.62%	3.4%	1.82	0.061
C	163	46.14	7,521.59	52.11	8,493.93	972.34	12.93%	3.3%	2.57	0.084
CAT	109	100.39	10,942.58	90.81	9,898.29	(1,044.29)	-9.54%	3.8%	1.85	0.070
CLF	110	63.26	6,958.67	26.21	2,883.10	(4,075.57)	-58.57%	1.1%	2.43	0.027
CSCO	330	19.87	6,557.50	22.43	7,401.90	844.40	12.88%	2.8%	1.18	0.033
CVX	106	83.52	8,853.16	124.91	13,240.46	4,387.30	49.56%	5.1%	0.76	0.039
DRI	104	48.42	5,035.30	54.37	5,654.48	619.18	12.30%	2.2%	0.90	0.019
EXC	269	37.33	10,042.77	27.39	7,367.91	(2,674.86)	-26.63%	2.8%	0.52	0.015
HPQ	194	46.77	9,073.96	27.98	5,428.12	(3,645.84)	-40.18%	2.1%	1.09	0.023
IBM	44	187.49	8,249.48	187.57	8,253.08	3.60	0.04%	3.2%	0.66	0.021
INTC	330	15.13	4,992.64	25.96	8,566.80	3,574.16	71.59%	3.3%	1.08	0.035
IWB	435	78.87	35,611.39	103.17	44,878.95	9,267.56	26.02%	17.2%	1.02	0.175
JNJ	100	50.14	5,013.80	91.59	9,159.00	4,145.20	82.68%	3.5%	0.53	0.019
K	129	62.42	8,059.18	61.07	7,878.03	(181.15)	-2.25%	3.0%	0.44	0.013
MSFT	168	23.86	4,008.36	37.41	6,284.88	2,276.52	56.79%	2.4%	1.00	0.024
PEP	107	65.53	7,012.04	82.94	8,874.58	1,862.54	26.56%	3.4%	0.62	0.021
PG	100	50.43	5,043.00	81.41	8,141.00	3,098.00	61.43%	3.1%	0.45	0.014
SPLS	468	15.02	7,031.51	15.89	7,436.52	405.01	5.76%	2.8%	0.89	0.025
SYK	90	55.58	5,002.00	75.14	6,762.60	1,760.60	35.20%	2.6%	0.87	0.023
T	143	26.08	3,729.20	35.16	5,027.88	1,298.68	34.82%	1.9%	0.60	0.012
TGT	143	48.97	7,002.30	63.27	9,047.61	2,045.31	29.21%	3.5%	0.89	0.031
USB	370	30.07	11,124.61	40.4	14,948.00	3,823.40	34.37%	5.7%	1.00	0.057
WAG	143	39.61	5,663.79	57.44	8,213.92	2,550.13	45.03%	3.1%	0.95	0.030
WLP	154	91.05	14,021.01	92.39	14,228.06	207.05	1.48%	5.5%	0.54	0.029
XOM	84	84.17	7,070.55	101.2	8,500.80	1,430.25	20.23%	3.3%	0.60	0.020
			\$ 219,369.64		\$257,168.92	\$ 37,799.28		98.5%		0.859
	Cash		\$ 3,816.71		\$ 3,816.71			1.5%		
	TOTAL PORTFOLIO		\$ 223,186.35		\$260,985.63			100.0%		

*Calculate using FIFO cost method net of commissions

As indicated in the statement above, the majority of our stocks have been profitable for us, the notable exceptions being Hewlett-Packard (HPQ), Cliffs Natural Resources (CLF), Caterpillar (CAT), and Exelon (EXC). Cliffs Natural Resources has dropped 58% since our purchase. Hewlett-Packard has started to turn around this year and returned 33% in the last quarter.



Defender Capital Management

IV. 2013 Income

Dordt College Defender Capital Management								
Statement of Dividends and Interest								
For the Year Ended December 31, 2013								
DIVIDENDS								
Security	Q1	Q2	Q3	Q4	2013 Total	2013 Yield	2012 Total	2012 Yield
AAPL		\$ 64.05	\$ 64.05	\$ 64.05	\$ 192.15	1.63%		
AFL	\$ 46.20	\$ 46.20	\$ 46.20	\$ 48.84	\$ 187.44	2.13%	\$ 176.88	2.52%
C	\$ 1.63	\$ 1.63	\$ 1.63	\$ 1.63	\$ 6.52	0.08%	\$ 6.52	0.10%
CAT		\$ 56.68	\$ 65.40	\$ 65.40	\$ 187.48	1.89%	\$ 270.32	2.77%
CHK	\$ 18.46	\$ 18.46	\$ 18.46	\$ 18.46	\$ 73.84		\$ 73.84	2.11%
CLF	\$ 16.50	\$ 16.50	\$ 16.50	\$ 16.50	\$ 66.00	2.29%	\$ 237.05	5.59%
CSCO		\$ 56.10	\$ 56.10	\$ 56.10	\$ 168.30	2.27%	\$ 165.00	2.54%
CVX	\$ 67.50	\$ 75.00	\$ 75.00	\$ 106.00	\$ 323.50	2.44%	\$ 263.25	3.25%
DRI	\$ 52.00	\$ 52.00	\$ 57.20	\$ 57.20	\$ 218.40	3.86%	\$ 193.44	4.13%
EXC	\$ 141.23	\$ 83.39	\$ 83.39	\$ 83.39	\$ 391.40	5.31%	\$ 141.23	7.06%
HPQ	\$ 25.61	\$ 57.51	\$ 28.17	\$ 28.17	\$ 139.46	2.57%	\$ 97.78	3.54%
IBM	\$ 37.40	\$ 41.80	\$ 41.80	\$ 41.80	\$ 162.80	1.97%	\$ 145.20	1.72%
INTC	\$ 74.25	\$ 74.25	\$ 74.25	\$ 74.25	\$ 297.00	3.47%	\$ 287.10	4.22%
IWB		\$ 107.62	\$ 229.82	\$ 218.90	\$ 556.34	1.24%	\$ 474.79	1.57%
JNJ	\$ 61.00	\$ 66.00	\$ 66.00	\$ 66.00	\$ 259.00	2.83%	\$ 240.00	3.42%
K		\$ 56.76	\$ 59.34	\$ 59.34	\$ 175.44	2.23%		
MSFT	\$ 38.64	\$ 38.64	\$ 38.64	\$ 47.04	\$ 162.96	2.59%	\$ 139.44	3.11%
PEP	\$ 57.51	\$ 86.33	\$ 60.72		\$ 204.56	2.31%	\$ 115.02	2.09%
PG	\$ 56.20	\$ 60.15	\$ 60.15	\$ 60.15	\$ 236.65	2.91%	\$ 221.10	3.26%
SPLS		\$ 56.16	\$ 56.16	\$ 56.16	\$ 168.48	2.27%	\$ 205.92	3.99%
SRE	\$ 58.20				\$ 58.20		\$ 221.16	4.15%
SYK	\$ 23.85	\$ 23.85	\$ 23.85	\$ 23.85	\$ 95.40	1.41%	\$ 76.52	1.55%
T	\$ 64.35	\$ 64.35	\$ 64.35	\$ 64.35	\$ 257.40	5.12%	\$ 251.68	5.22%
TGT	\$ 51.48	\$ 51.48	\$ 61.49	\$ 61.49	\$ 225.94	2.50%	\$ 188.76	2.23%
USB	\$ 48.17	\$ 48.17	\$ 56.81	\$ 56.81	\$ 209.96	1.40%	\$ 175.39	2.22%
WAG	\$ 39.33	\$ 39.33	\$ 45.05	\$ 45.05	\$ 168.76	2.05%	\$ 143.02	2.70%
XOM	\$ 47.88	\$ 52.92	\$ 52.92	\$ 52.92	\$ 206.64	2.43%	143.64	2.63%
Total Dividends	\$ 1,027.39	\$ 1,395.33	\$ 1,503.45	\$ 1,473.85	\$ 5,400.02		\$ 4,003.24	
Interest	\$ 0.06	\$ 0.20	\$ 0.39	\$ 0.20	\$ 0.85		\$ 0.14	
Foreign Tax		\$ (77.54)			\$ (77.54)			
Total Income	\$ 1,027.45	\$ 1,317.99	\$ 1,503.84	\$ 1,474.05	\$ 5,323.33		\$ 4,003.38	

This year we again saw an increase in dividends of \$1272. This was caused mostly by additions to our portfolio. We purchased Apple, Kellogg, and WellPoint. We also increased our position in both US Bank and Chevron Corp.

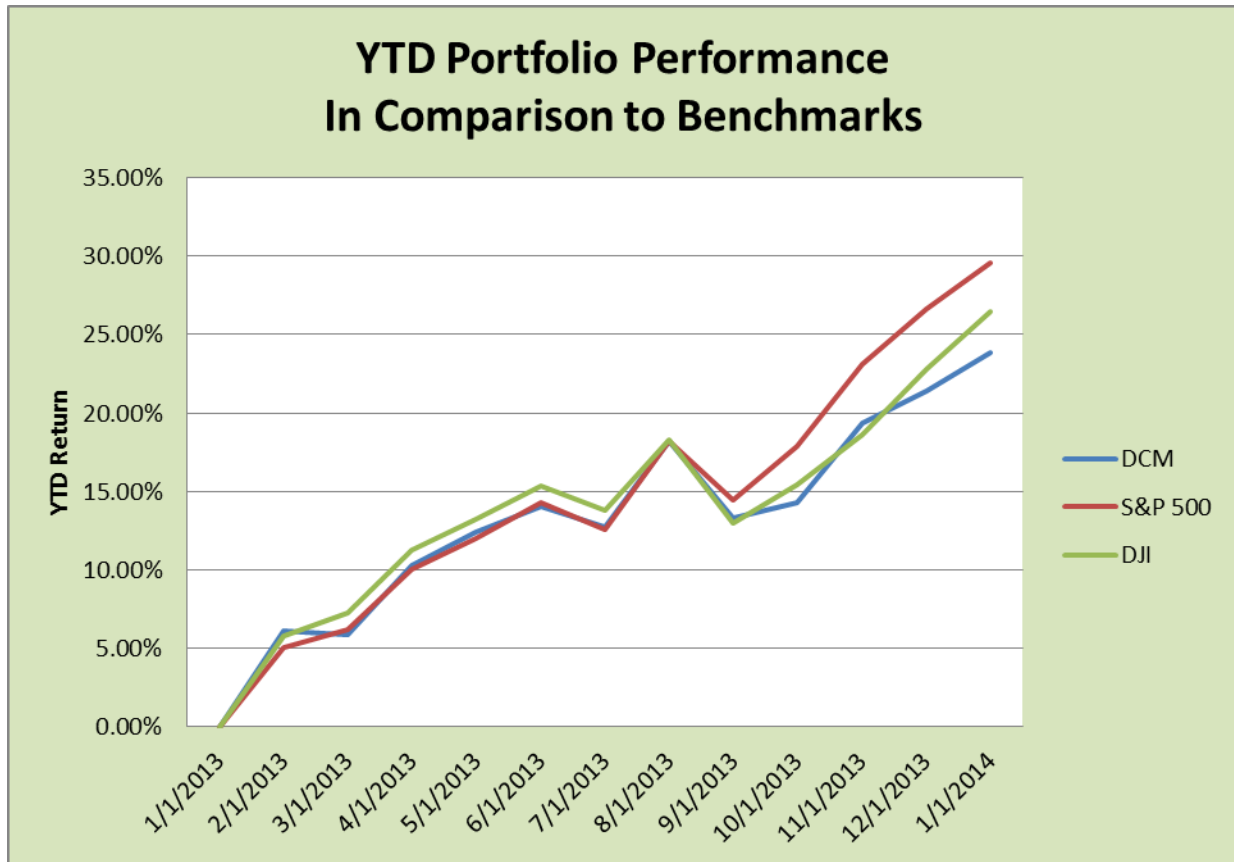


Defender Capital Management

V. 2013 Performance

Dordt College Defender Capital Management Consolidated Performance Reports For the Quarter Ended December 31, 2013			
Change in Portfolio Value			
Portfolio Value on 09-30-13		\$ 240,949.91	
Contributions		\$ -	
Realized Gains*****		\$ 771.27	
Change in Unrealized Gains**	\$17,790.16		Q3 Gains***** \$ 20,009.12
Interest	\$ 0.44		
Dividends	\$ 1,473.85		
Change in Portfolio Value		\$ 19,264.45	
Portfolio Value on 12-31-13		\$260,985.63	
Fourth Quarter Returns			
Beginning Invested Value		\$207,002.98	
Ending Invested Value		\$257,168.93	
Money Weighted Return***		5.98%	
Risk Weighted IRR****		6.96%	
Total Period Return		8.32%	
S & P 500		9.92%	
DJIA		9.56%	
Cash Activity			
Beginning Cash	\$ 33,946.93		
Dividends	1,473.85		*22,000 donation was received in September the returns were calculated without the donation included.
Interest	0.44		**The amount shown as an unrealized gain is the net change in unrealized gains since the previous report.
Sales	5,789.84		***The Money Weighted Return is calculated assuming net invested cash was added to the portfolio midquarter.
Invested Cash	(37,359.27)		****The Risk Weighted IRR is calculated using the weighted beta of the portfolio at the end of the reporting period.
Trading Fees	(35.09)		*****Realized and unrealized gains are shown on a net basis reflecting all applicable fees and commissions.
Contribution	-		
Ending Cash	\$ 3,816.70		

	Returns by Period		
	DCM	S&P 500	DJIA
January	6.09%	5.03%	5.77%
February	-0.20%	1.11%	1.40%
March	4.14%	3.60%	3.73%
April	1.97%	1.81%	1.79%
May	1.42%	2.08%	1.86%
June	-1.13%	-1.50%	-1.36%
July	4.86%	4.95%	3.96%
August	-4.15%	-3.13%	-4.45%
September*	0.87%	2.97%	2.16%
October	4.41%	4.46%	2.75%
November	1.70%	2.80%	3.48%
December	2.01%	2.36%	3.05%
Quarter One	10.27%	10.01%	11.25%
Quarter Two	2.24%	2.36%	2.27%
Quarter Three	1.38%	4.69%	1.48%
Quarter Four	8.32%	9.92%	9.56%
Year-to-Date	23.80%	29.58%	26.50%





VI. Cumulative Performance

Defender Capital Management			
Cumulative Performance vs. S&P 500			
December 31, 2013			
Contribution Date	Contribution Amount	Historic S&P Level	12/31/2013 S&P Value
2/28/2007	\$ 12,025.00	1406.82	\$ 15,799.13
3/12/2007	\$ 3,500.00	1406.6	\$ 4,599.22
9/14/2007	\$ 1,000.00	1484.25	\$ 1,245.32
1/28/2008	\$ 2,975.00	1353.96	\$ 4,061.32
10/23/2008	\$ 10,000.00	908.11	\$ 20,353.92
11/10/2008	\$ 40,000.00	919.21	\$ 80,432.55
6/17/2010	\$ 65,000.00	1116.04	\$107,651.52
9/12/2012	\$ 20,000.00	1436.56	\$ 25,733.14
9/11/2013	\$ 22,000.00	1689.13	\$ 24,073.88
	\$ 176,500.00		\$283,950.00
12/31/2013 S&P Level:		1848.36	
12/31/2013 Portfolio Value:			\$260,985.63
Total Portfolio Gains:			\$ 84,485.63
Portfolio MW Cumulative Return:			47.87%
S&P MW Cumulative Return:			60.88%
Yearly Average Portfolio Versus S&P 500 Return (Since Inception):			-1.97%