



DORDTUNIVERSITY
2022 ANNUAL REPORT

DEFENDER CAPITAL MANAGEMENT

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MARKET VALUE OF THE PORTFOLIO



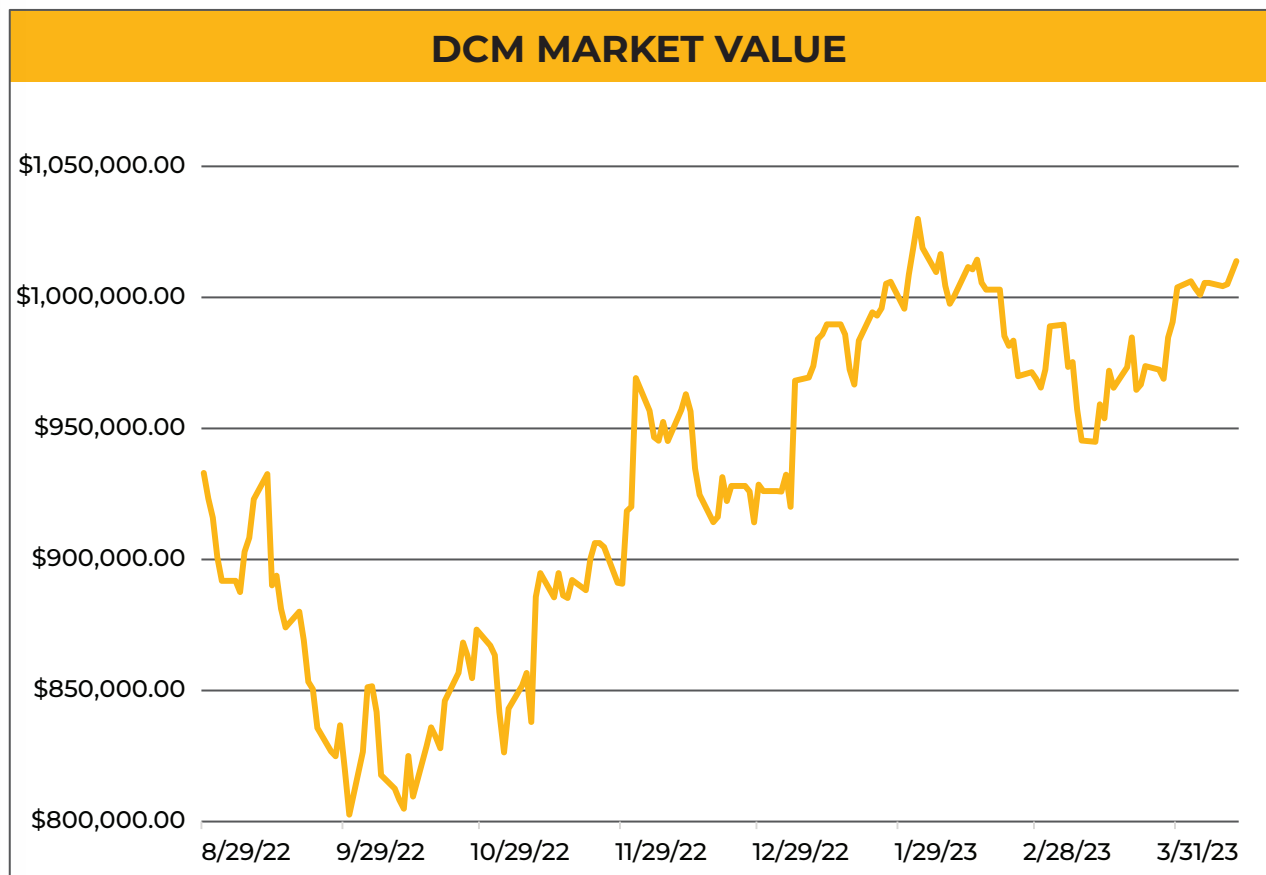
DANIEL DRAAISTRA
President

PRESIDENT'S NOTE – DANIEL DRAAISTRA

“Leading DCM over the past year has been a great experience. I am proud of how the club handled the market’s volatility throughout the year. We are all very grateful to attend a university that provides this experience.”

During the 2022-2023 school year, we achieved a return of 4.00% despite market headwinds. On August 30 we had a portfolio value of \$923,271 to start the school year. Our portfolio continued to fall reaching its down on September 30, 2022, with a portfolio value of **\$802,615**, down **25 percent** from our all-time high of **1,070,680** during March 2022.

Through the year our portfolio would climb to **\$1,029,979** which includes a **\$50,000** donation received during Christmas break. Our portfolio ended the year with a balance of **\$1,013,854**. Below is a chart displaying the value of our portfolio throughout the year.





2022 FACULTY COMMENTS

PROFESSOR JESSE
VEENSTRA

As faculty advisor of Defender Capital Management, I had a front seat to the rollercoaster year for the club and its portfolio. A couple of years ago, I put up a flip chart on my office window to track the account's balance-- at the time hanging seven digits with the dream of changing the first digit from a zero to a one. That dream became a reality on the first day of the year. We began the year seeing a balance of \$1 million for the first time in club history. The spring of 2022 saw a continued steady rise in the portfolio balance, reaching an all-time high of \$1,070,680. However, like the average American's retirement account, the highs did not last long. Unfortunately, the club experienced significant losses during the summer months. The worst part of this decline is the timing—the summer. Since the students were away from campus, we did not get to spend time discussing, analyzing, and responding. I feel we missed an excellent learning experience.

The volatility in the market resulting in swings in the DCM portfolio is a valuable learning experience for our students. The purpose and mission of DCM are to provide students with a hands-on experience with the market. When the club experiences bull and bear markets during their time at Dordt, it prepares them for the financial markets post-graduation. While we don't want the portfolio value to drop, it offers life-long lessons.

During the year, the students began to produce monthly portfolio recap videos posted to YouTube and emailed to our supporters. These videos challenge students to discuss portfolio performance and the economic factors in the market. Additionally, the club funded almost \$20,000 in student scholarships.

Club participation continues to grow, with meetings averaging 25 students. The club continues to invite industry professionals to speak and present, and I find these insightful, entertaining, and helpful. I want to thank our supporters for your prayers, encouragement, advice, gifts, and support during 2022. It's truly a pleasure to be trusted to steward this club.

2022 TRADING LOG TAEDEN VAN BEEK



02/10/22 - 50 Shares of Blackrock at \$789.35.

Blackrock was overvalued compared to some of its competitors, but we felt as a club that the area that BLK is operating in today sets them up better than their competitors. BLK has an industry-leading software called Aladdin that does investment management and risk assessment services to investors and portfolio managers. With the size of BLK, they can manage most of the risks to their firm. Leadership at BLK has been thrown into question; however, we felt comfortable handling this risk compared to other companies that DCM invests.

02/25/2022 - Sell 154 Shares of Johnson & Johnson at \$162.00.

We sold all of our holdings in Johnson & Johnson to invest more in CVS and look elsewhere for an additional growth opportunity. Regardless of Johnson & Johnson's performance (which has also lagged behind its competitors in growth the last couple of years), DCM does not find the company's attempt to avoid lawsuits ethical. A company needs to take responsibility when its products have harmed others, and Johnson & Johnson's attempt to evade this responsibility through a legal loophole does not resonate with the values of DCM. Selling the stock will be an opportunity to practice our values and part ways with a stock that has done well for us but underperformed in recent years.

02/25/22 – Buy 148 shares of CVS at \$101.99.

A purchase of \$15,000 of CVS with the proceeds of a J&J sale, adding to our 292-share position. According to our valuations, the stock is undervalued, and with recent market downturns due to Russian involvement in Ukraine, now is an excellent time to buy. CVS has growth potential, and the company's financial situation is sustainable. This action will slightly decrease the size of our holding in the healthcare sector, but we believe it will help us continue to beat the S&P 500.

03/04/2022 - Sell 202 Shares of Elbit Systems at \$202.28.

Our fundamental analysis for Elbit shows that the company is overvalued by 25% to 60%. When looking at analysts' recommendations, many have a one-year price target of \$160 and a high 5-year price target of \$210. With the stock price sitting at the five-year high estimate, we felt that this company is highly overvalued. The company is still strong and has a good outlook on its military products, so it may be a company that we can look into again if the value changes in the next three years.

04/13/2022 - Buy 157 Shares of Nike at \$126.57.

We purchased \$20,000 of Nike with the excess \$75,000 that we held in cash, adding to our 195 shares. According to our valuations, the stock is undervalued and has a high market share in a market that is not going away soon. The purchase increased our consumer discretionary sector holdings compared to the S&P 500, which is something we want to do for a club. With the strong cash flow per share and earnings per share, Nike looks like a good holding to solidify as one of DCM's more significant positions.

12/14/22 - Buy 235 shares of Digital Realty Trust at \$106.14.

Our quantitative analysis of Digital Realty Trust shows that the stock is undervalued by 20% to 30%. With the uncertainty in the market due to factors like the war in Ukraine and the current inflation rate we believe Digital Realty Trust will provide us with steady capital gains as well as dividends. This position will increase our weight in the real estate sector which should provide us with a good hedge against inflation. We believe that DLR has a stronger value proposition when compared to competitors and will show resiliency in the volatile market ahead.

04/21/22 – Buy 85 shares of Qualcomm at \$141.34.

A purchase of \$12,000 adds to our position of 265 shares that we have purchased previously. Qualcomm is currently down from its all-time high and according to our evaluations it is undervalued. We firmly believe that Qualcomm will continue to grow its earnings at a high rate at the future. Qualcomm is uniquely positioned to benefit from the continued rollout of 5G infrastructure which should be taking place over the next couple years. We see Qualcomm as a strong competitor in the mobile computing market and the drop in price along with our valuation gives us strong conviction to buy.

09/23/22 – Sell 89 shares of Constellation Energy at \$84.00.

On February 1, 2022, Constellation Energy was spun off its parent company Exelon and we received 89 shares. The shares started at \$45 a share and just a few months later they were worth 84. Constellation is a very new company and does not have much in terms of financials and financial history to look at to help us evaluate the fair price of the stock. Untimely we decided to sell as the stock had climbed 87% in the few months, we owned it. We came to the consensus that the company was likely overvalued; therefore, we would like to realize our gain on the stock.

11/03/22 – Buy 610 shares of Fortis at 38.84.

Our purchase of \$23,600 worth of Fortis will provide our portfolio with much needed stability in the coming months. 2022 was a rocky year for stocks and many have a similar outlook for 2023. This purchase will increase our weight in utilities which will bring us more in line with the S&P 500. Our valuations show Fortis as the strongest utility company, in addition we estimate that the company is undervalued by 10-15 percent. More than 90% of Fortis's cash flows are regulated which ensures stability and allows Fortis to pay a steady dividend.

09/26/22 – Sell 230 shares of Citi at 43.10.

We sold all our holdings in Citi as we felt we could find much better opportunities for growth in other areas of the market. Ever since the financial crisis in 2009 Citi has traded relatively flat and has struggled to grow. In current market conditions there are opportunities that will provide us with a much better return. In addition, our valuations show that Citi is overvalued by 5% which grants us a perfect exit opportunity.

INFLATION AND THE FINANCIAL MARKETS

Trayle Katz, Isaiah DeRegt, Maddie De Jong, Kassie Brands

Inflation has been the driving force behind markets, as well as behind the Fed, causing aggressive policies on inflation. As is generally the case, investors either (1) do not realize that we are in an inflationary period – easily identified by a "transitory" distinction, or (2) do not recognize the impacts that their late action could have. This cycle repeats itself in these periods of inflation, and investors often fail to recognize the implications and come late to the party.

The past decade of the economy has experienced low inflation rates. Because inflation has been so low, people have forgotten how to deal with high inflation. In 2020, economists had a chance to respond, but now the window for early action is closed. Consumers and investors were slow to adjust but now realize inflation's damaging effects. By 2020, the gap between the two was large and decreased with time as people realized inflation's impact on the economy.

Inflation and interest rates are closely connected and tend to move in the same direction because interest rates are a primary tool the FED uses to manage inflation. The federal reserve's primary goal is to control inflation, so if raising interest rates lowers interest rates, then the FED will do so. We have seen this over the past year as the Fed has made a series of interest rate hikes, which will profoundly impact the risk-free rate and, ultimately, the required rate of return that investors will expect. This is further exacerbated by the implied market risk premium also rising simultaneously with the risk-free rate. These two factors mean that any company that does not meet earnings shortly will likely underperform the very high bar of the market's required return.

As a result of inflation, harsh implications might be seen with DCM's portfolio investing. Due to low inflation rates in the past, adjusting to these now, high inflation rates may be reflected in stock prices. Higher stock prices could result from fear, and companies may pass this cost down to the consumers as they do not want to reflect it on their financial reports. For example, if prices of a product go up and a company has too much inventory, this may cause the cost of their stocks to rise as well. Additionally, companies may not utilize as many buybacks, and dividends may be lower as people respond negatively. Lastly, when a company's earnings are not as high due to inflation, its response could further hurt the stock price and the company.



HOLDING WEIGHTS BY SECTOR

Information Technology
is the **LARGEST SECTOR**
in our **PORTFOLIO** with
a weight of

29.82%.

We hold

3.72%

more Real Estate when
COMPARED to the
S&P 500.

Sector	Sum of Market Value	Sum of % of Portfolio	Sector Weights	Difference	Amount Over (Under)
Communication Services	\$97,049	9.57%	10.20%	-0.63%	-\$6,106.53
Consumer Discretionary	\$110,085	10.86%	10.10%	0.76%	\$7,378.69
Consumer Staples	\$25,039	2.47%	7.20%	-4.73%	-\$46,029.57
Energy	\$36,761	3.63%	4.60%	-0.97%	-\$9,478.31
Financials	\$77,803	7.67%	12.90%	-5.23%	-\$50,852.33
Health Care	\$144,995	14.30%	14.20%	0.10%	\$989.19
Industrials	\$45,292	4.47%	8.70%	-4.23%	-\$41,186.58
Information Technology	\$302,359	29.82%	26.10%	3.72%	\$36,230.94
Materials	\$32,853	3.24%	2.60%	0.64%	\$6,232.26
Real Estate	\$62,003	6.12%	2.60%	3.52%	\$34,210.55
Utilities	\$38,841	3.83%	2.90%	0.93%	\$9,060.32



THE COMEBACK OF DIVIDEND STOCKS

BY MADDIE DE JONG

With the current state of the economy, and the events which have happened since 2020, the market has been very volatile and inflated. Due to the pandemic and supply chain disruptions in Asia from the Russia-Ukraine war, the market has seen an aggravated inflation problem, impacting S&P stock prices. However, despite these taxing situations, dividend stocks have shown resilience and even growth in the past few years. Dividend stocks are starting to pick up momentum again, making a comeback in the current and future market. In addition, we could see dividends stocks start to shift from low and zero dividend yields to higher paying yields.

Dividend Payouts in 2020:

- **Harley Davidson:** \$0.38 per share to \$0.02 per share (95% decrease)
- **Gap Incorporation:** Suspended dividend payout until 2021
- **38%** of global firms eliminated or decreased payouts
- **Global** dividend cuts totaled \$220 billion (payout decreased 12.2%)
- **U.S.** dividends rose 2.6%

Along with the pandemic, the current inflation problem has also seen its effects on dividend stocks. Dividend payouts from the automotive and transportation industry have seen the biggest impact from inflation. Supply chain disruptions have forced auto makers to shut down productions since they cannot produce the semiconductors needed in vehicles. General Motors have not paid dividends since March 2020. Ford has paid dividends at 60% of their pre-pandemic amount, but it is unlikely that payouts will increase. Airlines such as American Airlines, Delta, and Southwest Airlines have all seen fuel prices doubled, therefore, these airlines have put a hold on paying out their dividends.

Historically, dividend paying stocks have protected capital against inflation, and most industries have been able to survive the inflation effect. Dividend payments rose by 6.5% in 2021 while the consumer price index was at 4.7%, and payouts were forecasted to increase 8% in the U.S. in 2022. Oil and gas products as well as the food/beverage and retail industries are continuing to perform well with dividends as consumer demand has not been impacted too much. These companies are utilizing pricing power to sustain margins and increase their dividend payments.

Considering the overall performance of dividends since 2021, dividend stocks are making a return by coming back into focus in 2022. Dividend payouts have increased after COVID-19 in 2021 with record levels of growth, and high dividend paying stocks in the U.S. have been outperforming the overall stock market in 2022 in nearly every sector.

What is the benefit of investing in dividend stocks?

1. Short-term returns
2. Generate passive income
3. Share prices of dividend paying companies fall less than the broader market

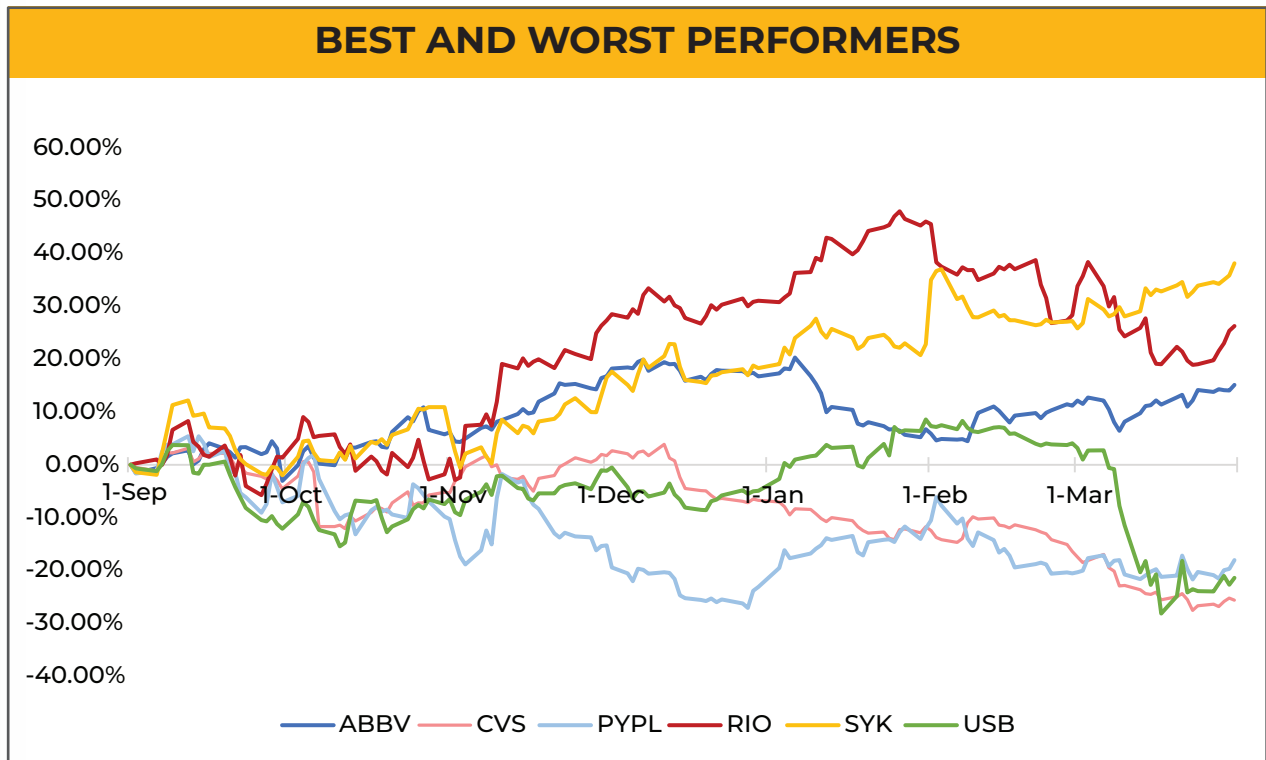
EXAMPLES OF DIVIDEND INCREASES IN 2022	
• The Hershey Company: 15%	• Verizon Communication: 6.90%
• NextEra Energy: 10.4%	• Kinder Morgan: 6.04%
• American Water Works: 8.7%	• Lumen Technologies: 17.18%
• AT&T: 5.87%	• Devon Energy 8.6



BIGGEST MOVERS IN THE PORTFOLIO

From September 1st through March 31, our best performing stocks were healthcare provider Stryker, miner Rio Tinto, and health insurance giant AbbVie. Our worst performers were CVS, US Bank, and PayPal.

As displayed in the graph, US Bank was performing well before the collapse of Silicon Valley Bank during the first week of March that threw the financial sector into turmoil, which also affected PayPal. Rio Tinto was buoyed by rising copper prices and increased demand for rare earth metals. Stryker and AbbVie rose on demographic shifts that propelled strong earnings over the course of the year.



SPEAKERS



ADAM ORTOLF '16

Business Development Manager, Upstream Data Inc.

Our first of two speakers for the fall 2022 semester began with Adam Ortolf '16. He shared with us his intentions for when he left Dorcht, and how the Lord led him from app development aspirations to environmental and digital responsibility. Now, he finds himself at the intersection of the oil, gas, and cryptocurrency industries.

Adam's role at Upstream Data has lead him from powering a bitcoin mining center with an old Chevy block engine from natural gas waste, to forming business relationships based on a proprietary manufactured data mining center, powered from gas flares, even in the most remote of locations. By doing so, Upstream Data is able to help oil and gas companies reduce waste and maximize revenue by providing a source of value to its customers utilizing what would have been unnecessary waste.



ROBBIE BURKHART, CFA

CEO, Co-CIO, Blue Rock Advisors

As our second speaker during the semester, we were able to spend an evening with Robbie Burkhardt, a member of the Advisory Board. Robbie serves as CEO and CIO at Blue Rock Advisors, and primarily works with pension funds. We learned about his experience with the turbulent market within the last year, as well as their risk arbitrage strategy. Too often, we can forget about human temperament in of money management while we are all too busy analyzing our stocks, and Robbie was able to share experiences that changed his outlook on the market, and reminded us that there is often more than what meets the eye when making decisions.

INTEREST RATES AFFECTING THE ECONOMY

ETHAN KOOIMA

Inflation has been the driving force behind markets, as well as behind the Fed, causing aggressive policies on inflation. As is generally the case, investors either (1) do not realize that we are in an inflationary period – easily identified by a "transitory" distinction, or (2) do not recognize the impacts that their late action could have. This cycle repeats itself in these periods of inflation, and investors often fail to recognize the implications and come late to the party.

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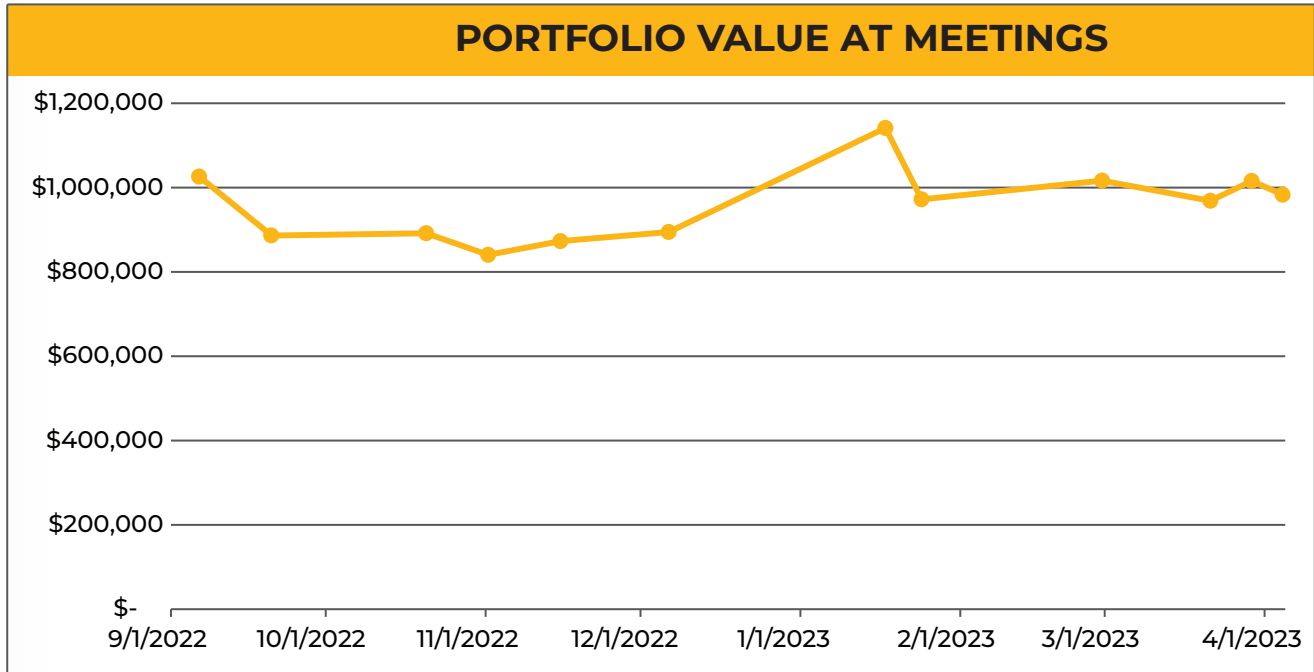
With high-interest rates, the biggest market affected is the real estate market. Many investors need help to invest with high-interest rates as it makes taking on debt more expensive. There are also upsides in the real estate market with high-interest rates. It creates less demand and, thus, less competition. Less competition makes it easier to find deals on and off the market. It also allows smaller companies to be more aggressive and make a name for themselves.

During recessions, stocks usually go down, and the bond market will increase. A recession also causes high-yield saving accounts and certificates of deposits to be highly appealing to conservative investors. If DCM wants to enter a new market area, bonds or CDs would be the place to go during a recession.

The tech market is one area DCM should avoid during a high-interest rate environment. Many companies in the tech sector are high-growth companies with their cash flows going into the future. With interest rates high, investors have to discount these stocks even more than regular companies. Stocks will rebound at some point, but the macro environment is affecting stock prices.

Whether interest rates are high or low, the best investors will seek ways to make money in the stock market. One of the most profitable strategies while investing is never to stop investing. Typically, many stocks plummet during recessions, which is when one should buy. With high-interest rates, the market that gets hit the hardest is the real estate market, but on the positive, high-yield saving accounts and the bond markets do fairly well.

MEETING BY MEETING PERFORMANCE VS. S&P



Over the course of the school year, our portfolio has performed consistently, despite downturns in the markets. Meeting to meeting, the greatest shift was over Christmas break. We came back up ~**\$100,000**—a welcome result.

Since then, inflation data, the collapse of SVB, and other macroeconomic factors weighed performance. However, we remain confident in our picks. This experience in a volatile market is invaluable to our team members when they go on to manage money professionally.



PSYCHOLOGY OF INVESTING

BY KASSIE BRANDS

Most economic models are based on the Rational Actor Theory which states that investors will make rational decisions based on the assumption that the market is efficient and that investors are rational. However, time has shown that the Rational Actor Theory is not always the reality of the market (Pareto).

Behavioral finance theory looks to cognitive psychology and suggests that investment decisions are also driven by emotions and irrational behavior. Dalbar, a financial-services research firm, released a study in 2015 which found that the average investor failed to beat or even match the broader market indices. The average equity mutual fund investor underperformed the S&P 500 by a wide margin of 8.19%, which would be unlikely if the average investor were making well-calculated decisions. The best investors are typically calm and patient; they set strategic goals, adjust them as needed, and stick to them during times of volatility (Pareto).

- **Regret theory**

- o Definition: Investors behave irrationally due to the emotional reaction people experience after realizing they've made a poor decision
- o Causes people to not sell poor investments
- o Encourages people to invest in popular

- **Prospect Theory**

- o Definition: People invest to avoid losing money rather than to make money.
- o People hold on to losing stocks
- o Same mentality as a gambling

• Pitfalls of Both Theories

- o Overconfidence
- o Self-attribution
- o Selective memory
- o Self-handicapping
- o Herding or following the crowd
- o Anchoring trap (relying too much on original thoughts)

Some investors panic when the market acts unpredictably. However, one should know that the market will always face uncertainty and investors can and will make mistakes. With this knowledge, they can sell investments they need to, and go forward learning from their mistakes. Investors should know that there is always more that they can learn and look to experts to gain more knowledge (Bloch).

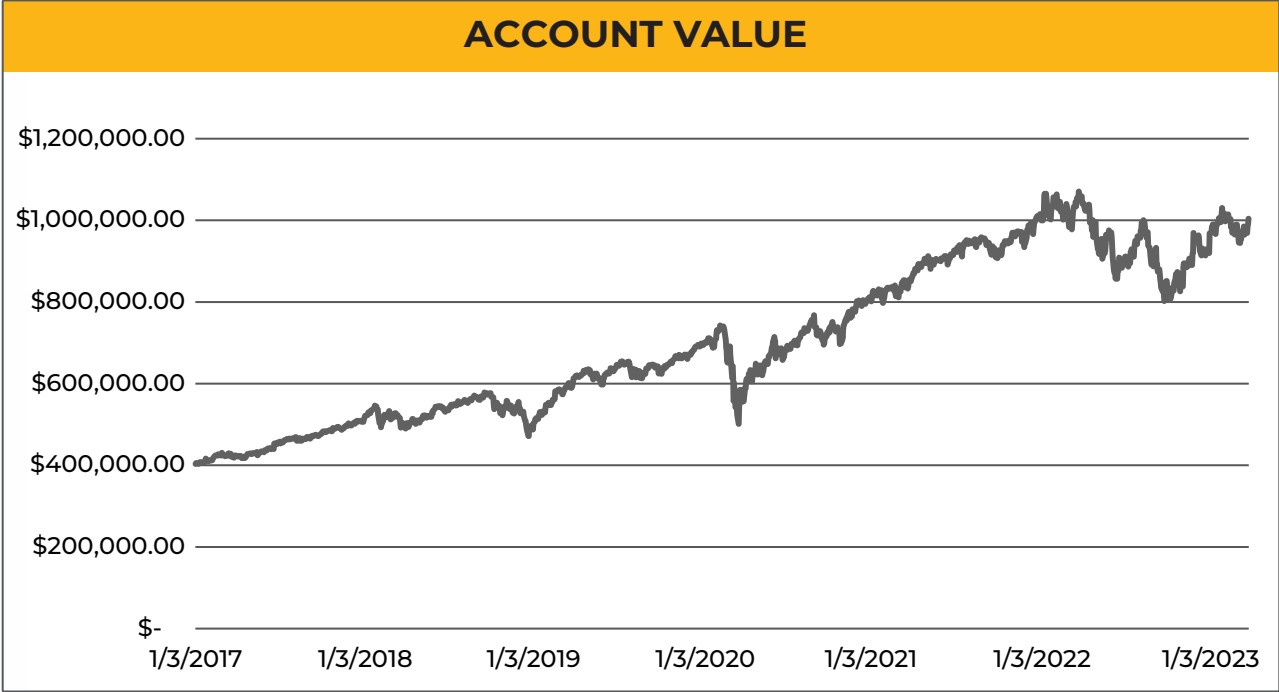
However, investment should not base all their decisions on those around them because these social factors can cause people to invest in companies that are too risky or less risky than what is needed for their portfolio (Pareto).

DCM has many procedures and strategies set in place to prevent behavioral or emotional investing. They must present their stock selections to a group of people who vote to make sure that every decision is well thought out. However, I think it is important for investors to understand that they cannot control the market, but they can evaluate their emotions and make well-thought-out decisions.

DCM's junior and senior analysts should continue avoiding emotional decisions and get-rich-quick fads through diversification and risk-adjusted portfolios. They should continue sticking to their investment strategy even during times of volatility. I think that DCM's Christian foundation is also an advantage as they can trust in God's sovereignty even during difficult times.



HISTORICAL PORTFOLIO PERFORMANCE



CLUB OFFICERS



DANIEL DRAAISTRA
President



ISAIAH DE REGT
Vice President



SHANE VAN ESSEN
Past President



TAEDEEN VAN BEEK
Portfolio Manager



BRANDON HANSEN
Economist



NATHAN WANNINGER
Economist



TRAYLE KATS
Accountant



LUKE RANKIN
Accountant



HUNTER COYLE
Webmaster



BLAKE HANSEN
Secretary



JESSE VEENSTRA
Faculty Advisor

CLUB MEMBERS

Blake Hansen	Broomfield, CO	Connor Kooima	Hull, IA
Nolan Karel	Grandville, MI	Jonah Snieder	Sioux City, IA
Grace Nanninga	Edmonton, Alberta	Olivia Macken	Grand Island, NE
Aurora Xaysana	Spruce Grove, Alberta	Cole Feenstra	Sioux Center, IA
Trevor Anderson	Rock Valley, IA	Gabriel Garcia	Tegucigalpa, Honduras
Isaiah De Regt	Lynden, WA	Luke Rankin	Grimes, IA
Karter Hoogendorn	Sioux Center, IA	Braden Wilgenburg	Rockville, MD
Taeden Van Beek	Sioux Center, IA	Michael Osgood	Brighton, CO
Shane Van Essen	Edgerton, MN	Carter De Jong	Orange City, IA
Nathan Wanninger	Berthoud, CO	Caleb Smit	Orange City, IA
Abigail Zecher	Fox Island, WA	Jacob Narkis	Watertown, WI
Caden Koole	Windsor, CO	Levi Vroom	Lethbridge, Alberta
Roger Postmus	Ripon, CA	Ethan Faber	Walnut Creek, CA
Sam Zylstra	Plymouth, MN	Ayden Den Herder	Sioux Center, IA
Trayle Kats	Sheldon, IA	Clara Hoeksma	Sussex, WI
Ethan Kooima	Hull, IA	Dianna Zepeda	Tegucigalpa, Honduras
Brendan Tiedeman	Rock Valley, IA	Tyler Van Schouwen	Orange City, IA
Clay Van Tol	Rock Valley, IA	Hunter Coyle	Van Meter, IA
Joshua Rathjen	Grand Island, NE	Derek Paup	Creston, IA
Kendall Snyder	Storm Lake, IA	Bryce Timmer	Plainwell, MI
Jason Carrig	Irvine, CA	Adam Hjemvick	Omaha, NE
Asher Brown	Gardner, KS		
Brandon Hansen	Broomfield, CO		
Jan Prins	Granger, WA		
Daniel Draaistra	Abbotsford, British Columbia		



DORDT UNIVERSITY



**DEFENDER CAPITAL
MANAGEMENT**

2022