

**Defender Capital Management**  
**Q4/22 Report**  
December 31, 2022

## **Executive Summary**

---

The DCM portfolio experienced another volatile year in 2022. The portfolio reached an all-time high of \$1,070,680 on March 29<sup>th</sup> before beginning a long descent to a low of \$802,615 on Sept. 30<sup>th</sup>, the final day of Q3. We ended the year at **\$926,104**, up 15.40% from that low. DCM reported a money-weighted return of **-18.44%** for 2022, beating the -18.63% return of the S&P 500.

Over the course of the year our portfolio yielded 2.38%, netting \$21,213 in dividends. We sold \$85,907 of stock, realizing \$40,913 in gains. This cash, plus some from donations, was deployed into 7 new positions at a basis of \$165,319 throughout the year. We ended 2022 with ~\$34,000 in cash. We plan to deploy most of this in February 2023, most likely into a company in the Information Technology sector.

DCM was blessed with **over \$100,000** in donated capital this year. On behalf of Defender Capital Management, we would like to extend to all our donors and supporters a heartfelt thank you for your generous contributions. This support has made a significant impact on every club member, the Dordt Business department, and the University as a whole. Your investment funded \$18,250 in scholarships this year, while enabling us to gain exceptional investment experience. Thank you for entrusting these donations to our stewardship.

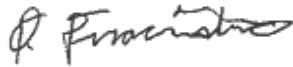
As a club, we greatly value the expertise that we have available to us through friends of Dordt, especially those that give their time to serve on our Advisory Board. During the Fall semester, we had the chance to hear from Adam Ortolf, a recent Dordt graduate. He shared with us the plans he had when he left Dordt, and how God took his career in a very different direction. Now, he finds himself at the intersection of oil & gas and cryptocurrency. Adam's role at Upstream Data has led him from powering a bitcoin mining center with an old Chevy block engine from natural gas waste, to selling a proprietary manufactured data mining center powered by flares. By doing so, Upstream Data can help oil & gas companies reduce waste and maximize revenue by making a profit off of what would have been unnecessary waste.

Later in the semester, we were able to spend an evening with Robbie Burkhart, 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, especially focused on Blue Rock's risk arbitrage strategy.

Often, we forget about the role human temperament plays in money management when we are busy analyzing our spreadsheets. Robbie was able to share experiences that changed his outlook on the market, reminding us that there is often more than what meets the eye when making decisions. We are looking forward to two more business professionals spending time with us this coming semester, and for the discussion that those conversations will bring.

Despite a negative return, Defender Capital Management had a successful 2022. We are looking forward to stewarding what God has entrusted to us in the new year. We remain committed to managing our resources within the constraints of Dordt's unique Christian perspective, while still achieving a competitive rate of return. Thank you for your continued support!

In His service,



Daniel Draaistra  
*President*



Isaiah deRegt  
*Vice President*



Luke Rankin  
*Accountant*

## Table of Contents

---

I.	Q4 Performance .....	4
II.	Annual Performance.....	5
III.	Statement of Position .....	6
IV.	Portfolio Diversification .....	8
V.	Annual Income.....	9

## I. Q4 Performance

*Table 1. Change in Portfolio Value from Q3-Q4*

Portfolio Value on 09-30-22		\$ 802,614.41
Contributions		50,000.00
Withdrawals*		(18,250.00)
Realized Gains		-0-
Change in Unrealized Gains	69,144.94	
Interest	19.73	
Dividends (Net F/T)	4,325.17	
Change in Portfolio Value		73,489.84
Portfolio Value on 12-31-22		<b>\$ 926,103.87</b>

\*Scholarships

DCM reported an annualized money-weighted return of **8.98%** for the quarter ended December 31, against a 4.85% return for by the S&P 500. Several stocks outperformed Q3 earnings expectations, especially Nike (up 40.77%), Rio Tinto (up 29.31%) and BlackRock (up 28.78%). Our biggest losers were relatively smaller, including Amazon (-25.66%), Disney (-7.90%) and Google (-7.72%). Overall, we benefitted from entering the quarter overweight energy and healthcare, as well as limiting major losses.

*Table 2. Q4 Returns*

Beginning Invested Value	\$ 802,614.41
Ending Invested Value	\$ 926,104.25
<b>Money Weighted Return</b>	<b>8.98%</b>
Risk Weighted IRR	10.35%
Total Period Return	15.39%
S&P 500	4.85%

## II. Annual Performance

Graph 1. YTD 2022 Portfolio Performance in Comparison to S&P

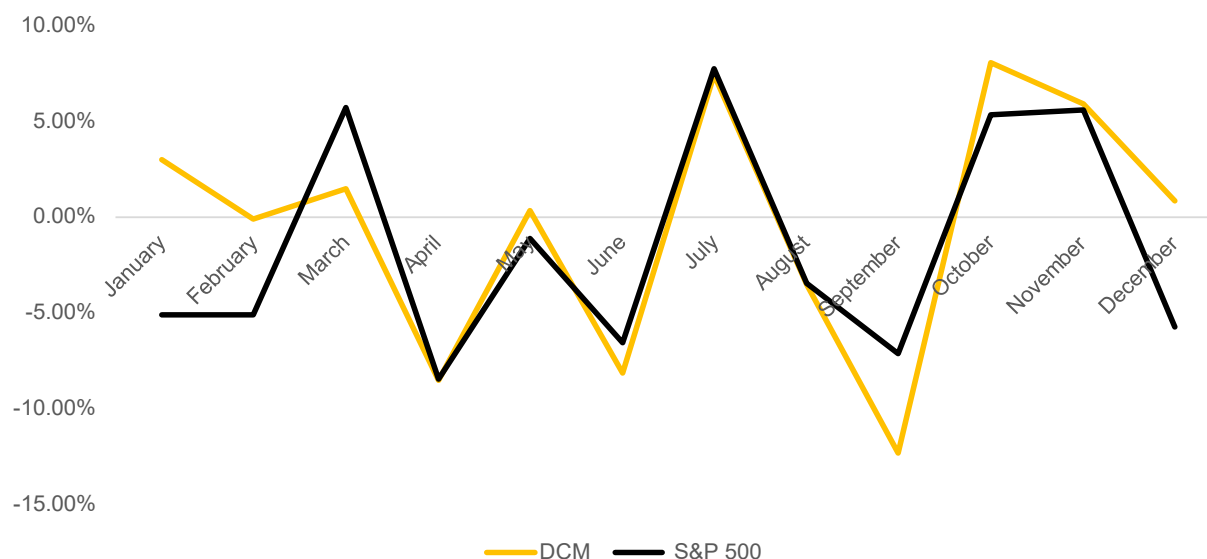


Table 3. Change in Portfolio Value from Jan 1-Dec 31

Portfolio Value on 1-01-22			\$ 1,004,935.50
Contributions			105,500.00
Withdrawals*			(18,250.00)
Trading Fees			0.91
Realized Gains			40,914.04
Change in Unrealized Gains		(228,207.85)	
Interest		27.26	
Dividends (Net F/T)	(61.66)	21,247.49	
Change in Portfolio Value			(206,994.76)
Portfolio Value on 12-31-22			\$ 926,103.87

\*Scholarships

DCM reported an annualized money weighted return on invested capital of **(18.44%)** for the year ended December 31, narrowly beating the S&P's (18.63%) loss. We had a risk-adjusted return of (19.75%), trailing the S&P slightly.

Table 4. Annual Returns

Beginning Invested Value	\$ 1,004,935.50
Ending Invested Value	\$ 926,103.87
<b>Money Weighted Return</b>	<b>-18.44%</b>
Risk Weighted IRR	-19.75%
Total Period Return	-7.84%
S&P 500	-18.63%

### III. Statement of Position

Table 5. Statement of Position

Security	Shares Owned	Purchase Price	Total Cost*	December 31 Price	Market Value	Gain / (Loss)	Percent Change	Percent of Portfolio	Ending Beta	Weighted Beta	January 1 Price	January 1 Value	Change in Value	Annual Return
AAPL	512	16.56	8,476.95	129.93	66,524.16	58,047.21	684.77%	7.45%	1.22	0.09	177.57	90,915.84	(24,391.68)	-26.83%
ABBV	285	87.42	24,914.79	161.61	46,058.85	21,144.06	84.87%	5.16%	0.67	0.03	135.40	38,589.00	7,469.85	19.36%
ADBE	100	405.82	40,581.95	336.53	33,653.00	(6,928.95)	-17.07%	3.77%	1.26	0.05	567.06	17,011.80	16,641.20	-40.65%
ALL	139	107.98	15,008.86	135.60	18,848.40	3,839.54	25.58%	2.11%	0.63	0.01	117.65	16,353.35	2,495.05	15.26%
AMZN	340	42.46	14,437.24	84.00	28,560.00	14,122.76	97.82%	3.20%	1.19	0.04	166.72	56,683.78	(28,123.78)	-49.62%
BLK	50	789.35	39,467.50	708.63	35,431.50	(4,036.00)	-10.23%	3.97%	1.31	0.05				
CARR	546	35.69	19,489.36	41.25	22,522.50	3,033.14	15.56%	2.52%	1.15	0.03	54.24	29,615.04	(7,092.54)	-23.95%
CBRE	231	56.27	12,997.22	76.96	17,777.76	4,780.55	36.78%	1.99%	1.37	0.03	108.51	25,065.81	(7,288.05)	-29.08%
CSCO	662	29.19	19,322.27	47.64	31,537.68	12,215.41	63.22%	3.53%	0.98	0.03	63.37	41,950.94	(10,413.26)	-24.82%
CVS	440	78.12	34,372.62	93.19	41,003.60	6,630.98	19.29%	4.59%	0.68	0.03	103.16	30,122.72	10,880.88	-9.66%
CVX	106	83.52	8,853.16	179.49	19,025.94	10,172.78	114.91%	2.13%	1.19	0.03	117.35	12,439.10	6,586.84	52.95%
DIS	199	143.33	28,521.97	86.88	17,289.12	(11,232.85)	-39.38%	1.94%	1.21	0.02	154.89	30,823.11	(13,533.99)	-43.91%
DLR	235	106.14	24,942.67	100.27	23,563.45	(1,379.22)	-5.53%	2.64%	0.47	0.01				
ELV	79	91.05	7,192.59	512.97	40,524.63	33,332.04	463.42%	4.54%	0.90	0.04	463.54	36,619.66	3,904.97	10.66%
EPD	690	29.01	20,016.95	24.12	16,642.80	(3,374.15)	-16.86%	1.86%	1.08	0.02	21.96	15,152.40	1,490.40	9.84%
EXC	269	26.27	7,065.93	43.23	11,628.87	4,562.94	64.58%	1.30%	0.63	0.01	57.76	15,537.44	(3,908.57)	-25.16%
FTS	610	38.84	23,692.40	40.04	24,424.40	732.00	3.09%	2.74%	0.19	0.01				
GOOG	540	31.53	17,024.66	88.73	47,914.20	30,889.54	181.44%	5.37%	1.06	0.06	144.68	78,126.93	(30,212.73)	-38.67%
INTC	406	61.52	24,975.09	26.43	10,730.58	(14,244.51)	-57.03%	1.20%	0.74	0.01	51.50	20,909.00	(10,178.42)	-48.68%
MA	86	175.16	15,063.36	347.73	29,904.78	14,841.42	98.53%	3.35%	1.11	0.04	359.32	30,901.52	(996.74)	-3.23%
MDLZ	519	57.78	29,985.23	66.65	34,591.35	4,606.13	15.36%	3.88%	0.69	0.03	66.31	34,414.89	176.46	0.51%
MSFT	90	336.57	30,291.16	239.82	21,583.80	(8,707.36)	-28.75%	2.42%	0.93	0.02	336.32	30,268.80	(6,885.00)	0.00%
NKE	352	84.87	29,874.19	117.01	41,187.52	11,313.33	37.87%	4.62%	1.14	0.05	166.87	32,500.65	6,686.87	-29.80%
PG	165	60.77	10,027.64	151.56	25,007.40	14,979.76	149.38%	2.80%	0.42	0.01	163.58	26,990.70	(1,983.30)	-7.35%
PSA	79	191.72	15,146.15	280.19	22,135.01	6,988.86	46.14%	2.48%	0.37	0.01	374.56	29,590.24	(7,455.23)	-25.19%
QCOM	350	76.94	26,929.61	109.94	38,479.00	11,549.39	42.89%	4.31%	1.22	0.05	182.87	48,460.55	(9,981.55)	-39.88%
RIO	470	38.97	18,315.56	71.20	33,464.00	15,148.44	82.71%	3.75%	0.68	0.03	66.94	31,461.80	2,002.20	6.36%
RTX	209	65.96	13,785.25	100.92	21,092.28	7,307.03	53.01%	2.36%	0.80	0.02	86.06	17,986.54	3,105.74	17.27%
SYK	90	55.58	5,002.00	244.49	22,004.10	17,002.10	339.91%	2.47%	0.99	0.02	267.42	24,067.80	(2,063.70)	-8.57%
T	934	23.52	21,970.04	18.41	17,194.94	(4,775.10)	-21.73%	1.93%	0.72	0.01	24.60	22,976.40	(5,781.46)	-25.16%
USB	370	30.07	11,124.58	43.61	16,135.70	5,011.12	45.05%	1.81%	0.99	0.02	56.17	20,782.90	(4,647.20)	-22.36%
WFC	388	45.06	17,481.80	41.29	16,020.52	(1,461.28)	-8.36%	1.80%	1.16	0.02	47.98	18,616.24	(2,595.72)	-13.94%
			\$ 618,868.93		Securities: \$ 892,461.84	\$ 256,111.11	41.38%			0.93	Securities: \$ 1,000,343.69	\$(107,881.85)		-10.78%
					Cash: \$ 33,642.40						Cash: \$ 4,591.81			
					\$ 926,104.24						\$ 1,004,935.50			-7.84%

\*Both AMZN and GOOG split 20/1 during Q3

\*\*Positions sold over the course of the year are hidden

\*\*\*Anthem (ANTM) rebranded as Elevance Health (ELV)

We had a very volatile year. Many positions that had strong returns through September flatlined or declined, especially in Healthcare, while others regained large losses, particularly in Consumer Discretionary. Our worst three performers on a percentage basis were Amazon (-49.62%), Intel (-48.68%) and Disney (-43.91%). All three faced significant external market pressures, yet they all remain the foremost company in each of their respective sectors. We remain confident they will recover. Our biggest gainers were Chevron (52.95%), AbbVie (19.36%), and Rio Tinto (17.27%).

### Sales.

Table 6. Sales

Trade Date	Security	Quantity	Sale Price	Proceeds	Cost	Gain/Loss	Fees	Net of Fees
2022-02-07	EXC	1	\$ 31.79	\$ 31.79	\$ 22.13	\$ 9.66		\$ 9.66
2022-03-04	JNJ	154	162.00	24,947.85	13,034.95	11,912.90	0.15	11,912.75
2022-02-25	ESLT	202	202.28	40,860.33	11,964.94	28,895.39	0.23	28,895.16
2022-04-13	WBD	0.95		25.38	28.36	(2.98)		(2.98)
2022-09-23	CEG	89	84.00	7,476.00	2,954.71	4,521.29	0.18	4,521.11
2022-09-28	C	230	43.10	9,913.02	10,274.73	(361.71)	0.26	(361.97)
2022-09-30	WBD	225	11.79	2,652.75	6,713.26	(4,060.51)	0.09	(4,060.60)
				\$ 85,907.12	\$ 44,993.08	\$ 40,914.04	\$ 0.91	\$ 40,913.13

Due to corporate splits at Exelon and Warner Bros- Discovery, our sales chart for this year looks a little different than usual. We closed our position in Johnson & Johnson in March, with primarily ethical concerns relating to accounting practices and their vaccine

research policies. In February, we sold Israeli defense company Elbit Systems at a large gain, as their stock reached a valuation we thought was too high. At the end of September, we sold three of our smallest holdings (*Table 4*). From those three sales, we recognized \$20,041.77 for a net gain of \$98.54. The first sale was Constellation Energy Group (CEG). We did not purchase CEG, it was spun out of Exelon in Q1/22. Because CEG is a spinoff, they do not have a clear financial history we can rely on to make a concrete valuation, which was the primary reason for the sale. We sold Citigroup (C) because we felt its long-term growth prospects were poor compared to peers, and that it would perform relatively worse in a recession due to overreliance on investment banking revenue. Warner Brothers – Discovery (WBD) was spun out of AT&T in Q2/22. As with CEG, WBD does not have a clear financial history to rely on, so we weren't comfortable with the quality of our financial models. As well, WBD faces stiff competition from other entertainment subscription services like Netflix, Disney, and NBC.

## Purchases

*Table 7. Purchases*

Trade Date	Security	Quantity	Unit Price	Amount
2022-02-10	BLK	50	\$ 789.35	\$ 39,467.50
2022-02-25	CVS	148	101.99	15,095.13
2022-04-18	NKE	157	126.57	19,871.49
2022-04-18	ADBE	70	431.95	30,236.15
2022-04-21	QCOM	85	141.34	12,013.76
2022-11-03	FTS	610	38.84	23,692.40
2022-12-14	DLR	235	106.14	24,942.67
				<u>\$165,319.10</u>

DCM opened new positions in Blackrock, Fortis, and Digital Realty Trust. We added to existing positions in CVS, Adobe, Nike, and Qualcomm. Part of the responsibility of our senior club members is to continually monitor our existing holdings, which led to four of our seven investments this year being additions to existing positions.

## IV. Portfolio Diversification

Table 8. Portfolio to S&P Diversification

Industry	% of S&P 500	% of DCM Portfolio	Targeted Amount for Future Investments (%)	Targeted Amount for Future Investments (\$)
Consumer Discretionary	12.54%	7.82%	4.72%	\$42,167.19
Consumer Staples	5.88%	6.68%	-0.80%	(\$7,121.99)
Energy	2.67%	4.00%	-1.33%	(\$11,840.01)
Financials	10.69%	13.04%	-2.35%	(\$20,936.73)
Health Care	13.29%	16.76%	-3.47%	(\$30,983.00)
Industrials	7.77%	4.89%	2.88%	\$25,729.50
Information Tech	29.17%	22.69%	6.48%	\$57,822.90
Materials	2.56%	3.75%	-1.19%	(\$10,616.98)
REIT	2.77%	7.11%	-4.34%	(\$38,732.84)
Telecommunications	10.16%	9.23%	0.93%	\$8,275.86
Utilities	2.50%	4.04%	-1.54%	(\$13,741.72)

Table 9. Sector Returns

	31-Dec	01-Jan	Change	Change as % of Portfolio
Consumer Discretionary	\$ 69,747.52	\$ 81,658.35	-14.59%	-0.85%
Consumer Staples	59,598.75	57,794.82	3.12%	0.55%
Energy	35,668.74	35,068.88	1.71%	0.28%
Financials	116,340.90	126,664.05	-8.15%	-0.40%
Health Care	149,591.18	153,601.63	-2.61%	0.47%
Industrials	43,614.78	45,750.65	-4.67%	0.03%
Information Tech	202,508.22	228,348.60	-11.32%	-1.53%
Materials	33,464.00	37,788.00	-11.44%	-0.26%
Telecommunications	82,398.26	124,775.99	-33.96%	-4.00%
Utilities	36,053.27	12,812.47	181.39%	2.68%
REIT	63,476.22	38,479.00	64.96%	3.03%

\*These figures are not adjusted for stock sales

We closed 2022 overweight Real Estate, Healthcare, and Financials, and underweight Information Technology, Consumer Discretionary, and Industrials. Throughout the second half of the year, we placed an emphasis on safety, avoiding investments in more cyclical companies and those exposed to a broad slowdown in spending. Looking forward, we are preparing to carefully address the significant underweighting of the IT sector during the first quarter of 2023.



## V. Annual Income

Table 10. Statement of Income

Security	Q1	Q2	Q3	Q4	2022 Total	2022 Yield
AAPL	\$ 112.64	\$ 117.76	\$ 117.76	\$ 117.76	\$ 465.92	1.31%
ABBV	401.85	401.85	401.85	401.85	1,607.40	3.49%
ADBE	-	-	-	-	-	0.00%
ANTM	101.12	101.12	-	-	202.24	1.42%
ALL	112.59	118.15	118.15	118.15	467.04	2.48%
BLK	244.00	244.00	244.00	244.00	976.00	2.75%
C	117.30	117.30	117.30	-	351.90	0.99%
CARR	81.90	81.90	81.90	81.90	327.60	1.45%
CEG	12.55	12.55	12.55	-	37.65	0.21%
CSCO	244.94	251.56	251.56	251.56	999.62	3.17%
CVS	160.60	242.00	242.00	242.00	886.60	2.16%
CVX	150.52	150.52	150.52	150.52	602.08	3.16%
ELV	-	-	101.12	101.12	202.24	1.00%
ESLT	92.92	-	-	-	92.92	0.56%
EPD	320.85	320.85	327.75	327.75	1,297.20	7.79%
EXC	90.79	90.79	90.79	90.79	363.16	3.12%
FTS	-	-	-	255.88	255.88	1.05%
INTC	148.19	148.19	148.19	148.19	592.76	5.52%
JNJ	163.24	-	-	-	163.24	1.52%
MA	42.14	42.14	42.14	42.14	168.56	0.56%
MDLZ	181.65	181.65	181.65	199.82	744.77	2.15%
MSFT	55.80	55.80	55.80	61.20	228.60	1.06%
NKE	-	59.48	107.36	227.04	393.88	0.96%
PG	143.52	150.69	150.69	150.69	595.59	2.38%
PSA	158.00	158.00	1,196.85	158.00	1,670.85	7.55%
QCOM	180.20	262.50	262.50	262.50	967.70	2.51%
RTX	106.59	114.95	114.95	114.95	451.44	2.14%
RIO	-	2,251.30	1,254.90	-	3,506.20	10.48%
SYK	62.55	62.55	62.55	62.55	250.20	1.14%
T	485.68	259.19	259.19	259.19	1,263.25	7.35%
USB	170.20	170.20	170.20	177.60	688.20	4.27%
WFC	97.00	97.00	116.40	116.40	426.80	2.66%
Total Dividend:	4,239.33	6,263.99	6,380.62	4,363.55	21,247.49	
Interest	1.19	1.07	5.27	19.73	27.26	
Foreign Tax	(18.58)	-	-	(38.38)	(56.96)	
Fees	-	(2.35)	(2.35)	-	(4.70)	
<b>Total Income</b>	<b>\$ 4,221.94</b>	<b>\$ 6,262.71</b>	<b>\$ 6,383.54</b>	<b>\$ 4,344.90</b>	<b>\$ 21,213.09</b>	<b>2.38%</b>