

**Defender Capital Management**  
**Q3/22 Report**  
September 30, 2022

**Executive Summary**

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The DCM portfolio experienced another volatile period during Q3/22. The portfolio reached a high of \$1,000,299 on August 16<sup>th</sup> before beginning a long march down to a low of **\$802,615** on the final day of the quarter, September 30<sup>th</sup>. DCM reported an annualized return on invested capital of **-9.20%** for the period, against a -3.44% return for by the S&P 500. YTD, DCM is down 20.13%, beating the S&P by more than 2% due to outperformance during Q1/22.

Healthcare was our best-performing sector. This was beneficial, as it was also our most overweight sector entering Q3. Healthcare's outperformance offset much worse losses in Info Tech and Telecommunications. DCM sold three holdings in September, generating proceeds of \$20,000 and a net gain of \$98. We are planning to redeploy this capital into an Energy or Utilities company in the first weeks of Q4/22.

We began our regular bi-weekly Tuesday meetings September 6<sup>th</sup>. This year, we have seen regular attendance of ~35. This is good news and bad news- it is great to see so many students getting involved in the club, but we have officially outgrown the president's boardroom! This semester, our emphasis has been on discussion. A typical decision will be reached by listening to a stock pitch, splitting into small groups to discuss it, and finally coming together as a large group to reach a consensus. In addition to our regular meetings, our Vice President Isaiah DeRegt organized two speakers for November, Adam Ortolf and Robbie Burkhart. We are very excited to hear from them!

Finally, through the hard work of our webmaster, Hunter Coyle, the DCM website was totally revamped. You can find it at <https://www.defendercapitalmanagement.com/>. The new website is a wonderful marketing tool that we will use to promote the club to prospective students, future employers, and other supporters.

As always, thank you for your continued support!

In His service,



Daniel Draaistra  
*President*

Isaiah DeRegt  
*Vice President*



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## I. Quarterly Performance

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

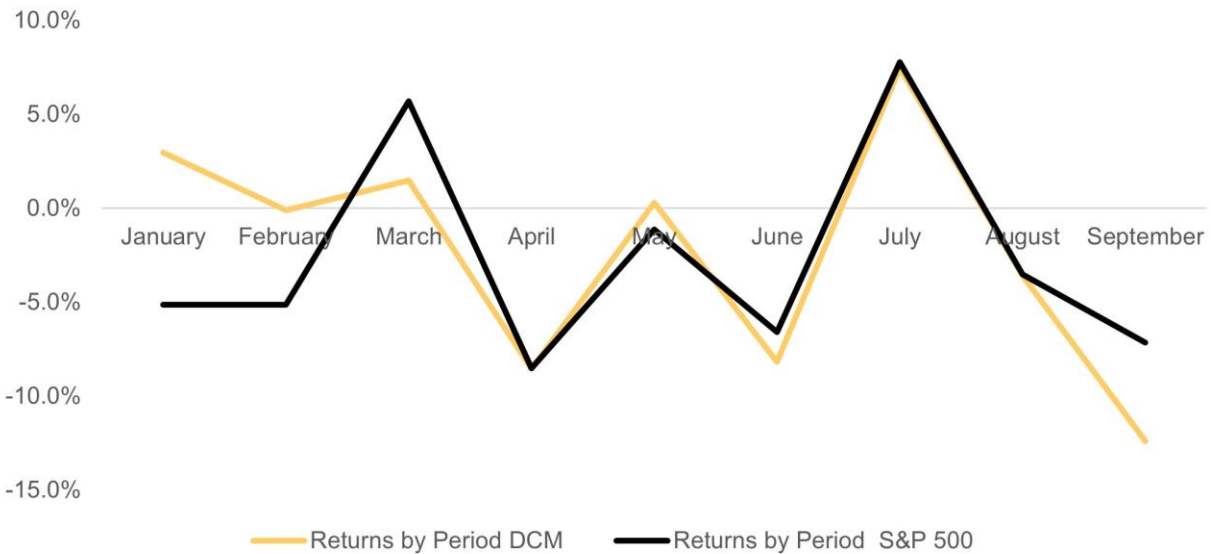


Table 1. Change in Portfolio Value from Q2-Q3

Portfolio Value on 6-30-20		\$ 883,914.73
Contributions		-
Withdrawals*		(18,250.00)
Realized Gains		98.54
Change in Unrealized Gains	(69,532.40)	
Interest	5.27	
Dividends (Net F/T)	6,378.27	
Change in Portfolio Value		(63,148.86)
Portfolio Value on 09-30-22		\$ 802,614.42

\*Scholarships

DCM reported an annualized return on invested capital of **-9.20%** for the quarter ended September 30, against a -3.44% return for by the S&P 500. YTD, DCM is down 20.13%, beating the S&P by more than 2% due to outperformance in Q1.

Table 2. Q2 Returns

Beginning Invested Value	\$ 864,156.95
<b>Ending Invested Value</b>	<b>\$ 774,681.85</b>
Money Weighted Return	-7.31%
Risk Weighted IRR	-8.05%
<b>Total Period Return</b>	<b>-9.20%</b>
S&P 500	-3.44%
YTD Return	-20.13%
S&P 500	-22.39%

## II. Statement of Position

Table 3. Statement of Position

Security	Shares Owned	Purchase Price	Total Cost*	Current Price	Market Value	Gain / (Loss)	Percent Change	Percent of Portfolio	Ending Beta	Weighted Beta	Last Period Price	Current Period Return	Last Period Value	Change in Value
ABBV	285	\$ 87.42	\$ 24,914.79	\$ 134.21	\$ 38,249.85	\$ 13,335.06	53.52%	4.77%	0.65	0.031	\$ 153.16	-12.37%	\$ 43,650.60	\$ (5,400.75)
ADBE	100	405.82	40,581.95	275.20	27,520.00	(13,061.95)	-32.19%	3.43%	1.23	0.042	366.06	-24.82%	36,606.00	(9,086.00)
All	139	107.98	15,008.86	124.53	17,309.67	2,300.81	15.33%	2.16%	0.65	0.014	126.73	-1.74%	17,615.47	(305.80)
GOOG	540	31.53	17,024.66	96.15	51,921.00	34,896.34	204.98%	6.47%	1.10	0.071	109.37	-12.09%	59,061.15	(7,140.15)
AMZN	340	42.46	14,437.24	113.00	38,420.00	23,982.76	166.12%	4.79%	1.32	0.063	106.21	6.39%	36,111.40	2,308.60
AAPL	512	16.56	8,476.95	138.20	70,758.40	62,281.45	734.72%	8.82%	1.25	0.110	136.72	1.08%	70,000.64	757.76
T	934	23.52	21,970.04	15.34	14,327.56	(7,642.48)	-34.79%	1.79%	0.65	0.012	20.96	-26.81%	19,576.64	(5,249.08)
BLK	50	789.35	39,467.50	550.28	27,514.00	(11,953.50)	-30.29%	3.43%	1.27	0.044	609.04	-9.65%	30,452.00	(2,938.00)
CARR	546	35.69	19,489.36	35.56	19,415.76	(73.60)	-0.38%	2.42%	1.13	0.027	35.66	-0.28%	19,470.36	(54.60)
CBRE	231	56.27	12,997.22	67.51	15,594.81	2,597.59	19.99%	1.94%	1.39	0.027	73.61	-8.29%	17,003.91	(1,409.10)
CVX	106	83.52	8,853.16	143.67	15,229.02	6,375.86	72.02%	1.90%	1.13	0.021	144.78	-0.77%	15,346.68	(117.66)
CSCO	662	29.19	19,322.27	40.00	26,480.00	7,157.73	37.04%	3.30%	0.95	0.031	42.64	-6.19%	28,227.68	(1,747.68)
C	230	44.67	10,274.73	-	-	-	-	-	1.00	0.000	45.99	-	10,577.70	-
CEG	89	33.20	2,954.71	-	-	-	-	-	1.00	0.000	57.26	-	5,096.14	-
CVS	440	78.12	34,372.62	95.37	41,962.80	7,590.18	22.08%	5.23%	0.71	0.037	92.66	2.92%	40,770.40	1,192.40
ELV	79	91.05	7,192.59	454.24	35,884.96	28,692.37	398.92%	4.47%	0.88	0.039	482.58	-5.87%	38,123.82	(2,238.86)
EPD	690	29.01	20,016.95	23.78	16,408.20	(3,608.75)	-18.03%	2.04%	1.11	0.023	24.37	-2.42%	16,815.30	(407.10)
EXC	269	26.27	7,065.93	37.46	10,076.74	3,010.81	42.61%	1.26%	0.63	0.008	45.32	-17.34%	12,191.08	(2,114.34)
INTC	406	61.52	24,975.09	25.77	10,462.62	(14,512.47)	-58.11%	1.30%	0.71	0.009	37.41	-31.11%	15,188.46	(4,725.84)
MA	86	175.16	15,063.36	284.34	24,453.24	9,389.88	62.34%	3.05%	1.07	0.033	315.48	-9.87%	27,131.28	(2,678.04)
MSFT	90	336.57	30,291.16	232.90	20,961.00	(9,330.16)	-30.80%	2.61%	0.96	0.025	256.83	-9.32%	23,114.70	(2,153.70)
MDLZ	519	57.78	29,985.23	54.83	28,456.77	(1,528.46)	-5.10%	3.55%	0.64	0.023	62.09	-11.69%	32,224.71	(3,767.94)
NKE	352	84.87	29,874.19	83.12	29,258.24	(615.95)	-2.06%	3.65%	1.11	0.040	102.20	-18.67%	35,974.40	(6,716.16)
PG	165	60.77	10,027.64	126.25	20,831.25	10,803.61	107.74%	2.60%	0.39	0.010	143.79	-12.20%	23,725.35	(2,894.10)
PSA	79	191.72	15,146.15	292.81	23,131.99	7,985.84	52.73%	2.88%	0.38	0.011	312.67	-6.35%	24,700.93	(1,568.94)
QCOM	350	76.94	26,929.61	112.98	39,543.00	12,613.39	46.84%	4.93%	1.28	0.063	127.74	-11.55%	44,709.00	(5,166.00)
RTX	209	65.96	13,785.25	81.86	17,108.74	3,323.49	24.11%	2.13%	0.75	0.016	96.11	-14.83%	20,086.99	(2,978.25)
RIO	470	38.97	18,315.56	55.06	25,878.20	7,562.64	41.29%	3.22%	0.60	0.019	61.00	-9.74%	28,670.00	(2,791.80)
SYK	90	55.58	5,002.00	202.54	18,228.60	13,226.60	264.43%	2.27%	0.97	0.022	198.93	1.81%	17,903.70	324.90
USB	370	30.07	11,124.58	40.32	14,918.40	3,793.82	34.10%	1.86%	0.99	0.018	46.02	-12.39%	17,027.40	(2,109.00)
DIS	199	143.33	28,521.97	94.33	18,771.67	(9,750.30)	-34.19%	2.34%	1.23	0.029	94.40	-0.07%	18,785.60	(13.93)
WBD*	225	29.84	6,713.26	-	-	-	-	-	1.00	0.000	13.42	-	3,019.50	-
WFC	388	45.06	17,481.80	40.22	15,605.36	(1,876.44)	-10.73%	1.94%	1.13	0.022	39.17	2.68%	15,197.96	407.40
			\$607,658.38		Securities \$ 774,681.85	\$186,966.17		96.52%		0.909			Securities \$ 864,156.95	\$(41,591.70)
					Cash \$ 27,932.57			3.48%					Cash \$ 19,757.78	
					<b>Q3 Total \$ 802,614.42</b>			<b>100.00%</b>					<b>Q2 Total \$ 883,914.73</b>	

\*GOOG stock split 20/1 during Q3

Through the third quarter, five holdings generated a positive return, the best of which was Amazon (6.4%). Our worst performer was Intel (-31.1%), which was purchased December 2021. We remain very confident in their long-term prospects, as geopolitical forces push semiconductor manufacturing back to the US mainland. They are in the middle of a large capex cycle that we believe will pay big dividends when fabrication plants come online. Our other two worst performers were AT&T (-26.8%) and Adobe (-24.8%).

Table 4. Sales

Date	Security	Quantity	Sale Price	Proceeds	Cost	Fees	Gain (loss)
2022-09-23	CEG	89	\$ 84.00	\$7,476.00	\$ 2,954.71	\$ 0.18	\$ 4,521.11
2022-09-28	C	230	\$ 43.10	\$9,913.02	\$10,274.73	\$ 0.26	\$(361.97)
2022-09-30	WBD	225	\$ 11.79	\$2,652.75	\$ 6,713.26	\$ 0.09	\$(4,060.60)
			\$ 138.89	\$20,041.77	\$19,942.70	\$ 0.53	\$ 98.54

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.

### III. Portfolio Diversification

Table 5. 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%	8.74%	3.80%	\$29,466.86
Consumer Staples	5.88%	6.36%	-0.48%	(\$3,736.73)
Energy	2.67%	2.12%	0.55%	\$4,275.81
Financials	10.69%	12.88%	-2.19%	(\$16,987.18)
Health Care	13.29%	19.31%	-6.02%	(\$46,600.01)
Industrials	7.77%	4.71%	3.06%	\$23,668.28
Information Tech	29.17%	25.27%	3.90%	\$30,249.68
Materials	2.56%	3.34%	-0.78%	(\$6,046.34)
Telecommunications	10.16%	10.97%	-0.81%	(\$6,312.55)
Utilities	2.50%	1.30%	1.20%	\$9,290.31
REITs & Real Estate	2.77%	5.00%	-2.23%	(\$17,268.11)

Table 6. Sector Returns

	This Quarter	Last Quarter	Change	Change as % of Portfolio
Consumer Discretionary	\$67,678.24	\$75,105.30	-9.89%	0.05%
Consumer Staples	\$49,288.02	\$55,950.06	-11.91%	-0.11%
Energy	\$16,408.20	\$16,815.30	-2.42%	0.17%
Financials	\$99,800.67	\$118,001.81	-15.42%	-0.77%
Health Care	\$149,555.23	\$155,795.20	-4.01%	1.28%
Industrials	\$36,524.50	\$44,653.49	-18.20%	-0.45%
Information Tech	\$195,725.02	\$217,846.48	-10.15%	0.06%
Materials	\$25,878.20	\$28,670.00	-9.74%	0.02%
Telecommunications	\$85,020.23	\$97,423.39	-12.73%	-0.30%
Utilities	\$10,076.74	\$12,191.08	-17.34%	-0.11%
REITs & Real Estate	\$38,726.80	\$41,704.84	-7.14%	0.17%

\*These figures are not adjusted for stock sales

During Q3, no sector produced a positive return. Our best performing sectors by far were Energy (-2.4%) and Healthcare (-4.0%), followed by REITs & Real Estate (-7.1%). We are significantly overweight in Healthcare, and underweight Consumer Discretionary and Info Tech. We are very bullish on the long-term growth prospects of the healthcare sector as demographic change prompts more spending, and the Healthcare sector has proven a strong hedge against market downturns. We are actively searching for strong, profitable companies in the Energy and Utilities sectors for further investment.

## IV. Quarterly Income

Table 7. Statement of Income

Security	Q3 2022 Amount	Annualized Yield	Q2 2022 Amount
NKE	\$ 107.36	1.47%	\$ 59.48
ALL	118.15	2.73%	118.15
MDLZ	181.65	2.55%	181.65
USB	170.20	4.56%	170.20
CSCO	251.56	3.80%	251.56
SYK	62.55	1.37%	62.55
CVS	242.00	2.31%	242.00
T	259.19	7.24%	259.19
PSA	1,038.85	17.96%	158.00
MA	42.14	0.69%	42.14
CARR	81.90	1.69%	81.90
AAPL	117.76	0.67%	117.76
EPD	327.75	7.99%	320.85
ABBV	401.85	4.20%	401.85
PG	150.69	2.89%	150.69
C	117.30	4.44%	117.30
INTC	148.19	5.67%	148.19
WFC	116.40	2.98%	97.00
MSFT	55.80	1.06%	55.80
RTX	114.95	2.69%	114.95
CEG	12.55	0.99%	12.55
EXC	90.79	3.60%	90.79
CVX	150.52	3.95%	150.52
QCOM	262.50	2.66%	262.50
RIO	1,254.90	19.40%	291.40
ELV	101.12	1.13%	101.12
BLK	244.00	3.55%	244.00
PSA	158.00	2.73%	158.00
	\$ 6,380.62		
<u>Portfolio Annualized Yield</u>		<u>3.29%</u>	

We received ~\$6,000 in dividends during Q3, implying an annualized portfolio yield of 3.29% (Table 3). RioTinto (RIO) paid a special dividend during Q3, raising the portfolio yield slightly. Dividends plus proceeds from the sale of our holdings will be invested during Q4.

