



# DCM



## Dordt College Defender Capital Management Annual Report For the Year December 31, 2012

Investor confidence continued to rise in 2012 as the overall economy continued to recover. 2012 saw consistent growth throughout most of the year with dips in the early summer and late fall months. May 2012 saw the biggest drop since September 2011 due to a disappointment with American economic reports. Positive indicators included the unemployment rate slowly continuing its downward trend, and the U.S. reporting higher than expected GDP growth. However, the anxiety over the fiscal cliff, spending cuts, and possible tax increases created significant concern as the year ended and uncertainty remained as to whether or not congress could reach a bipartisan agreement to avoid the cliff. 2012 netted positive returns seeing the S&P grow 13.41 % and the DJIA rise 7.26%. Defender Capital Management was able to net another good year with a return of 6.55%.

Throughout 2012 DCM made six transactions (excluding IWB). Throughout the year we purchased stock in four companies and sold our shares in two. Staples, Exxon Mobile, and PepsiCo were all purchased in the first half of the year with a single purchase of Exelon in the second half of the year. Purchase amounts were \$7,000 each in the first half of the year and switched to \$10,000 for Exelon as our overall purchasing strategy changed. The club has decided to move our standard purchase amount up from \$7,000 to \$10,000 in order to keep our portfolio at a manageable size. After analyzing Terex and Automatic Data Processing (ADP) we concluded that these stocks no longer fit our investment criteria and made the decision to sell. Although 2012 only involved 6 major transactions for our club, there was no shortage of discussion or analysis. The club analyzed companies such as Hewlett-Packard, Intel, and Conoco-Phillips just to name a few. Although we did not make a decision to buy or sell any of these stocks, we listed them on our new watch list and have been constantly keeping track of each stock. A watch list was added in 2012 as a way to monitor both companies in our portfolio and companies that we have previously analyzed. Whenever a stock was evaluated it was added to the list with target prices. For securities the club owned, this would take the form of a price where a stock loses its value and should be reevaluated as a possible sell candidate. For stocks not owned by the club it is a price where the club believes that stock becomes a good value. This system will help us quickly identify stocks gaining and losing value and allow us to quickly react to this change.

Change has been prevalent in 2012 as we experienced a complete turnover of Senior Analysts and began a switch from a portfolio building investment strategy to a strategy of portfolio management. The makeup of Defender Capital Management continues to change as years pass by and new students assume roles of leadership and responsibility, but our goal remains the same: Achieve capital appreciation through a hands-on educational environment that fosters Christian ethics and principles of stewardship.

Sincerely,

Jordan Huisman, 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, 2012					
Trade Date	Quantity	Security	Unit Price	Amount	Commission
<b>PURCHASES</b>					
3/5/2012	468	SPLS	\$ 15.01	\$ 7,024.49	\$ 7.00
4/9/2012	84	XOM	\$ 84.09	7,063.55	7.00
4/9/2012	107	PEP	\$65.47	7,005.04	7.00
5/14/2012	92	IWB	\$74.46	6,850.32	7.00
10/18/2012	269	EXC	\$ 37.30	10,033.70	7.00
10/31/2012	77	IWB	\$77.99	6,005.23	7.00
11/12/2012	82	IWB	\$76.69	6,288.58	7.00
				<b>\$ 50,270.92</b>	<b>\$ 49.00</b>
<b>SALES</b>					
3/5/2012	65	IWB	\$ 75.67	\$ 4,918.55	\$ 7.31
3/5/2012	44	TEX	\$ 23.78	1,046.32	7.10
4/9/2012	179	IWB	\$ 76.64	13,718.77	\$ 7.31
5/14/2012	121	ADP	\$ 53.34	6,454.41	\$ 7.15
				<b>\$ 26,138.06</b>	<b>\$ 28.87</b>

## II. Portfolio Diversification

Dordt Defender Capital Management				
Portfolio to S&P 500 Diversification Comparison				
31-Dec-12				
Industry	% of S&P 500	% of DCM Portfolio	Targeted Amount for Future Investments (%)	Targeted Amount for Future Investments (\$)
Consumer Discretionary	11.52%	13.48%	-1.96%	(\$3,747.81)
Consumer Staples	10.64%	6.31%	4.33%	\$8,291.57
Energy	11.01%	9.86%	1.15%	\$2,193.94
Financials	15.73%	11.15%	4.58%	\$8,769.81
Health Care	12.19%	10.02%	2.17%	\$4,147.93
Industrials	10.15%	5.10%	5.05%	\$9,668.37
Information Tech	18.77%	15.13%	3.64%	\$6,970.88
Materials	3.65%	2.22%	1.43%	\$2,746.16
Telecommunications	2.98%	2.52%	0.46%	\$885.44
Utilities	3.37%	7.77%	-4.40%	(\$8,428.51)
Totals	100.01%	83.56%		
IWB		15.75%		
Cash		0.69%		
		100.00%		
Total Portfolio Value	\$191,475.57			

\*Targeted investment amounts are calculated based on a total portfolio value of 191,475.57 which includes all cash, stock, pledges, and holdings of IWB (Russell 1000 ETF)

Industry	2012 Performance
Consumer Discretionary	21.87%
Consumer Staples	7.52%
Energy	2.33%
Financials	26.26%
Health Care	15.19%
Industrials	12.46%
Information Tech	13.15%
Materials	12.24%
Telecommunications	12.50%
Utilities	-2.91%

As the overall economy continues to rebound from the recession of 2009, the S&P 500 was able to boast positive performances in all but one sector. The utilities was limited in 2012 and had a -2.91% return. The overall return was above 13% for the index due to significant performances from both the financials and consumer discretionary industries. These performances were able to propel the index due to the fact that these two industries are the second and fourth largest within the index respectively.



# Defender Capital Management

## III. Statement of Position

Dordt College Defender Capital Management										
Statement of Position										
December 31, 2012										
Security	Shares Owned	Purchase Price	Total Cost*	Current Price	Market Value	Gain / (Loss)	Percent Change	Percent of Portfolio	Ending Beta	Weighted Beta
AFL	132	45.56	6,014.04	53.12	7,011.84	997.80	16.59%	3.7%	1.82	0.067
C	163	46.14	7,521.59	39.56	6,448.28	(1,073.31)	-14.27%	3.4%	2.57	0.087
CAT	109	100.39	10,942.58	89.60	9,766.40	(1,176.18)	-10.75%	5.1%	1.85	0.094
CHK	211	23.75	5,011.48	16.62	3,506.82	(1,504.66)	-30.02%	1.8%	1.26	0.023
CLF	110	63.26	6,958.67	38.57	4,242.70	(2,715.97)	-39.03%	2.2%	2.43	0.054
CSCO	330	19.87	6,557.50	19.65	6,484.50	(73.00)	-1.11%	3.4%	1.18	0.040
CVX	75	68.73	5,154.99	108.14	8,110.50	2,955.51	57.33%	4.2%	0.76	0.032
DRI	104	48.42	5,035.30	45.07	4,687.28	(348.02)	-6.91%	2.4%	0.90	0.022
EXC	269	37.33	10,042.77	29.74	8,000.06	(2,042.71)	-20.34%	4.2%	0.52	0.022
HPQ	194	46.77	9,073.96	14.25	2,764.50	(6,309.46)	-69.53%	1.4%	1.09	0.016
IBM	44	187.49	8,249.48	191.55	8,428.20	178.72	2.17%	4.4%	0.66	0.029
INTC	330	15.13	4,992.64	20.62	6,804.60	1,811.96	36.29%	3.6%	1.08	0.038
IWB	381	70.17	26,734.77	79.15	30,156.15	3,421.38	12.80%	15.7%	1.02	0.161
JNJ	100	50.14	5,013.80	70.10	7,010.00	1,996.20	39.81%	3.7%	0.53	0.019
MSFT	168	23.86	4,008.36	26.71	4,487.28	478.92	11.95%	2.3%	1.00	0.023
PEP	107	65.53	7,012.04	68.43	7,322.01	309.97	4.42%	3.8%	0.62	0.024
PG	100	50.43	5,043.00	67.89	6,789.00	1,746.00	34.62%	3.5%	0.45	0.016
SNY	153	32.88	5,031.21	47.38	7,249.14	2,217.93	44.08%	3.8%	0.88	0.033
SRE	97	52.51	5,093.68	70.94	6,881.18	1,787.50	35.09%	3.6%	0.55	0.020
SPLS	468	15.02	7,031.51	11.40	5,335.20	(1,696.31)	-24.12%	2.8%	0.89	0.025
SYK	90	55.58	5,002.00	54.82	4,933.80	(68.20)	-1.36%	2.6%	0.87	0.022
T	143	26.08	3,729.20	33.71	4,820.53	1,091.33	29.26%	2.5%	0.60	0.015
TGT	143	48.97	7,002.30	59.17	8,461.31	1,459.01	20.84%	4.4%	0.89	0.039
USB	247	26.34	6,505.09	31.94	7,889.18	1,384.09	21.28%	4.1%	1.00	0.041
WAG	143	39.61	5,663.79	37.01	5,292.43	(371.36)	-6.56%	2.8%	0.95	0.026
XOM	84	84.17	7,070.55	86.55	7,270.20	199.65	2.82%	3.8%	0.60	0.023
			\$ 185,496.27		\$ 190,153.09	\$ 4,656.82		99.3%		0.982
	Cash		\$ 1,322.48		\$ 1,322.48			0.7%		
	<b>TOTAL PORTFOLIO</b>		<b>\$ 186,818.75</b>		<b>\$ 191,475.57</b>			<b>100.0%</b>		

\*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), Chesapeake (CHK), and Exelon (EXC). Exelon has dropped 20% since our purchase in October. Chesapeake continues to struggle along with the energy industry, but remains undervalued. Hewlett-Packard continued to fall steadily throughout the year as the market has beaten down the price of this technology company. One of the bright spots for 2012 was Citigroup which rose over 40% within the year. This was one of the many companies within the Financials industry to see significant gains this year.



# Defender Capital Management

## IV. 2012 Income

Dordt College Defender Capital Management								
Statement of Dividends and Interest								
For the Year Ended December 31, 2012								
DIVIDENDS								
Security	Q1	Q2	Q3	Q4	2012 Total	2012 Yield	2011 Total	2011 Yield
ADP	\$ 47.80	\$ 47.80	\$ -	\$ -	\$ 95.60		\$ 174.24	2.67%
AFL	43.56	43.56	43.56	46.20	\$ 176.88	2.52%	162.36	2.84%
C	1.63	1.63	1.63	1.63	\$ 6.52	0.10%	4.89	0.11%
CAT	50.14	50.14	56.68	113.36	\$ 270.32	2.77%	148.24	2.00%
CHK	18.46	18.46	18.46	18.46	\$ 73.84	2.11%	68.58	1.46%
CLF	30.80	68.75	68.75	68.75	\$ 237.05	5.59%		
CSCO	19.80	26.40	26.40	92.40	\$ 165.00	2.54%	59.40	1.33%
CVX	60.75	67.50	67.50	67.50	\$ 263.25	3.25%	231.75	2.90%
DRI	44.72	44.72	52.00	52.00	\$ 193.44	4.13%	156.00	3.29%
EXC	-	-	-	141.23	\$ 141.23	7.06%		
HPQ	23.28	23.28	25.61	25.61	\$ 97.78	3.54%	61.92	1.24%
IBM	33.00	37.40	37.40	37.40	\$ 145.20	1.72%	33.00	1.63%
INTC	69.30	69.30	74.25	74.25	\$ 287.10	4.22%	258.20	3.23%
IWB	99.41		169.91	205.47	\$ 474.79	1.57%	722.29	2.78%
JNJ	57.00	61.00	61.00	61.00	\$ 240.00	3.42%	225.00	3.43%
MSFT	33.60	33.60	33.60	38.64	\$ 139.44	3.11%	114.24	2.62%
PEP	-	57.51	57.51		\$ 115.02	2.09%		
PG	52.50	56.20	56.20	56.20	\$ 221.10	3.26%	205.68	3.08%
SNY	Annual Div	258.45	Annual Div	Annual Div	\$ 258.45	3.57%	202.35	3.62%
SPLS	-	51.48	51.48	102.96	\$ 205.92	3.99%		
SRE	46.56	58.20	58.20	58.20	\$ 221.16	4.15%	177.51	3.33%
SYK	19.13	19.13	19.13	19.13	\$ 76.52	1.55%	64.80	1.45%
T	62.92	62.92	62.92	62.92	\$ 251.68	5.22%	245.96	5.69%
TGT	42.90	42.90	51.48	51.48	\$ 188.76	2.23%	121.55	2.21%
USB	30.88	48.17	48.17	48.17	\$ 175.39	2.22%	104.99	1.57%
WAG	32.18	32.18	39.33	39.33	\$ 143.02	2.70%	114.42	2.42%
XOM	-	47.88	47.88	47.88	143.64	2.63%		
<b>Total Dividends</b>	<b>\$ 920.32</b>	<b>\$ 1,328.56</b>	<b>\$ 1,229.05</b>	<b>\$ 1,530.17</b>	<b>\$ 5,008.10</b>		<b>\$ 3,483.13</b>	
Interest	\$ 0.02	\$ 0.01	\$ 0.01	\$ 0.20	\$ 0.24		\$ 0.14	
Foreign Tax		\$ (77.54)						
<b>Total Income</b>	<b>\$ 920.34</b>	<b>\$ 1,251.03</b>	<b>\$ 1,229.06</b>	<b>\$ 1,530.37</b>	<b>\$ 4,930.80</b>		<b>\$ 3,483.27</b>	

This year we saw a significant increase in total dividends over those given in 2011. The increase of nearly \$1,450 was due to purchasing more companies than we sold as well as seeing significant increases from struggling companies. Both Exelon and Cliffs Natural Resources gave sizeable dividends. Both of these companies have been struggling financially and have attempted to hold their stockholders by subsidizing the stock price loss in value with an increased dividend amount.



# Defender Capital Management

## V. 2012 Performance

Dordt College Defender Capital Management  
 Consolidated Performance Reports  
 For the Year Ended December 31, 2012

Change in Portfolio Value		
Portfolio Value on 01-01-12		\$ 160,938.93
Contributions		\$ 20,000.00
Realized Gains*	\$ 4,449.87	
Change in Unrealized Gains**	\$1,156.89	\$ 5,606.76
Interest	\$ 0.24	
Dividends	\$ 5,008.10	\$ 5,008.34
Change in Portfolio Value		\$ 30,615.10
Portfolio Value on 12-31-12		\$ 191,476.16

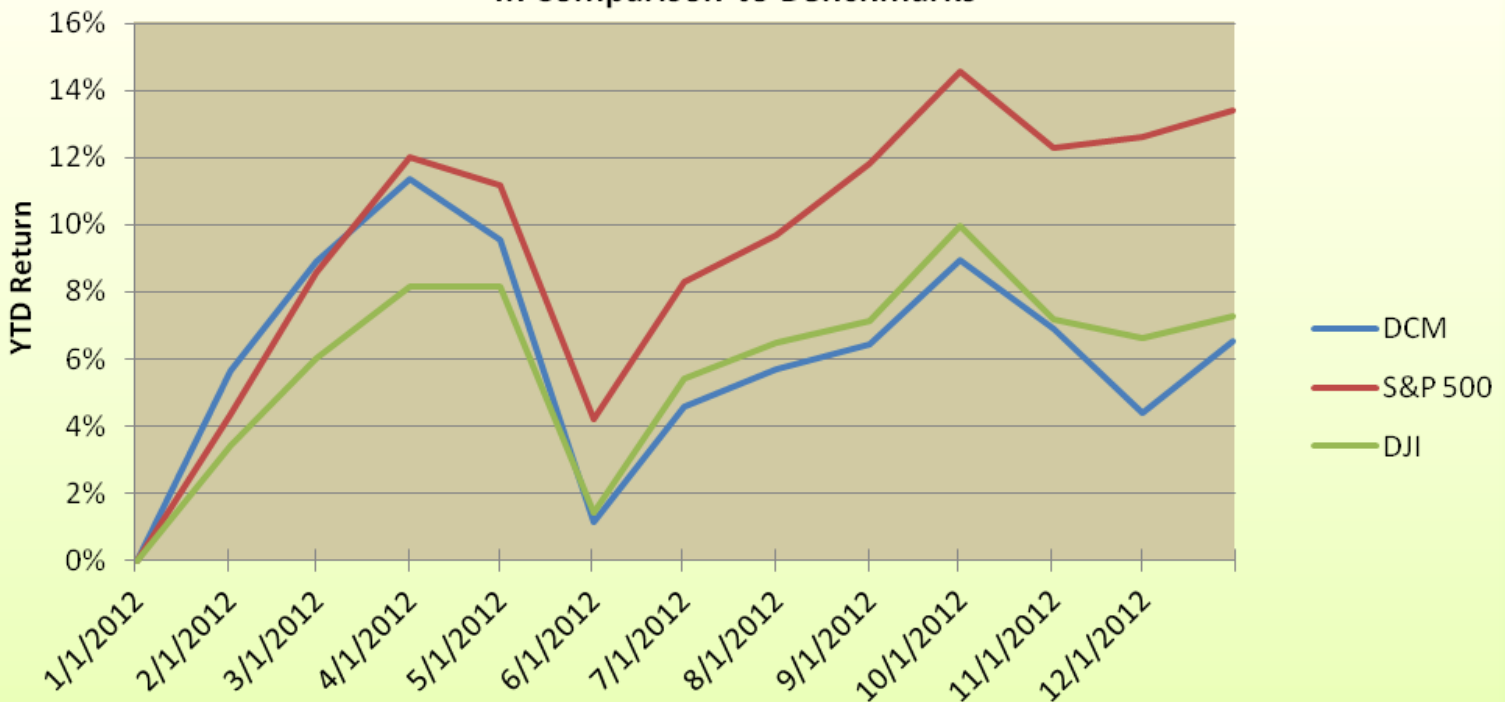
2012 Returns		
Beginning Invested Value		\$ 160,938.93
Ending Invested Value		\$ 191,476.16
<b>Money Weighted Return</b>		<b>6.64%</b>
Risk Weighted IRR***		6.76%
Total Period Return		6.55%
<b>S &amp; P 500</b>		<b>13.41%</b>
DJIA		7.26%

	Returns by Period		
	DCM	S&P 500	DJIA
January	5.67%	4.36%	3.40%
February	3.07%	4.06%	2.53%
March	2.26%	3.13%	2.01%
April	-1.62%	-0.75%	0.01%
May	-7.68%	-6.27%	-6.21%
June	3.40%	3.96%	3.93%
July	1.03%	1.26%	1.00%
August	0.74%	1.98%	0.63%
September	2.34%	2.42%	2.65%
October	-1.68%	-1.98%	-2.54%
November	-2.11%	0.28%	-0.54%
December	1.85%	0.71%	0.60%
Quarter One	11.37%	12.00%	8.14%
Quarter Two	-6.08%	-3.29%	-2.51%
Quarter Three	4.16%	5.76%	4.32%
Quarter Four	-1.98%	-1.01%	-2.48%
Year-to-Date	6.55%	13.41%	7.26%

Cash Activity		
Beginning Cash	\$ 604.07	
Dividends	5,008.10	
Interest	0.24	
Donation	20,000.00	
Sales	26,138.06	
Foreign Tax	(77.54)	
Invested Cash	(50,270.92)	
Trading Fees	(77.87)	
Ending Cash	\$ 1,324.14	

\*Realized and unrealized gains are shown on a net basis reflecting all applicable fees and commissions.  
 \*\*The amount shown as an unrealized gain is the net change in unrealized gains since the previous report.  
 \*\*\*The Risk Weighted IRR is calculated using the weighted beta of the portfolio at the end of the reporting period.  
 \*\*\*\*The Money Weighted Return is calculated assuming net invested cash was added to the portfolio mid year

## 2012 Portfolio Performance In Comparison to Benchmarks





# Defender Capital Management

## VI. Cumulative Performance

Defender Capital Management			
Cumulative Performance vs. S&P 500			
December 31, 2012			
Contribution Date	Contribution Amount	Historic S&P Level	09/30/2012 S&P Value
2/28/2007	\$ 12,025.00	1406.82	\$ 12,190.57
3/12/2007	\$ 3,500.00	1406.6	\$ 3,548.75
9/14/2007	\$ 1,000.00	1484.25	\$ 960.88
1/28/2008	\$ 2,975.00	1353.96	\$ 3,133.71
10/23/2008	\$ 10,000.00	908.11	\$ 15,705.04
11/10/2008	\$ 40,000.00	919.21	\$ 62,061.55
6/17/2010	\$ 65,000.00	1116.04	\$ 83,063.64
9/12/2012	\$ 20,000.00	1436.56	\$ 19,855.63
	\$ 154,500.00		\$ 200,519.76
		12/31/2012 S&P Level:	1426.19
12/31/2012 Portfolio Value:			\$ 191,475.57
Total Portfolio Gains:			\$ 36,975.57
Portfolio MW Cumulative Return:			23.93%
S&P MW Cumulative Return:			29.79%
Excess of Portfolio Return Over S&P 500 Return:			<b>-5.84%</b>