# Drexel University The Dragon Fund

Quarterly update
June 30, 2013

How did the fund perform?

The Dragon Fund returned 3.8% during the second quarter, versus 1.0% for the benchmark S&P 400 index and 2.7% for the broader U.S. market as proxied by the MSCI USA index. This strong performance helped lift the fund to a year-to-date return of 16.7% relative to 14.6% for the S&P 400 and 13.7% for the MSCI USA. During their May 2013 meeting, the finance committee of Drexel's Board of Trustees authorized additional funds of $450,000 to be managed by the Dragon Fund team; the funds arrived on June 14 and were fully invested that day. As of June 30, 2013, the fund's total assets stood at $ 1,012,952.
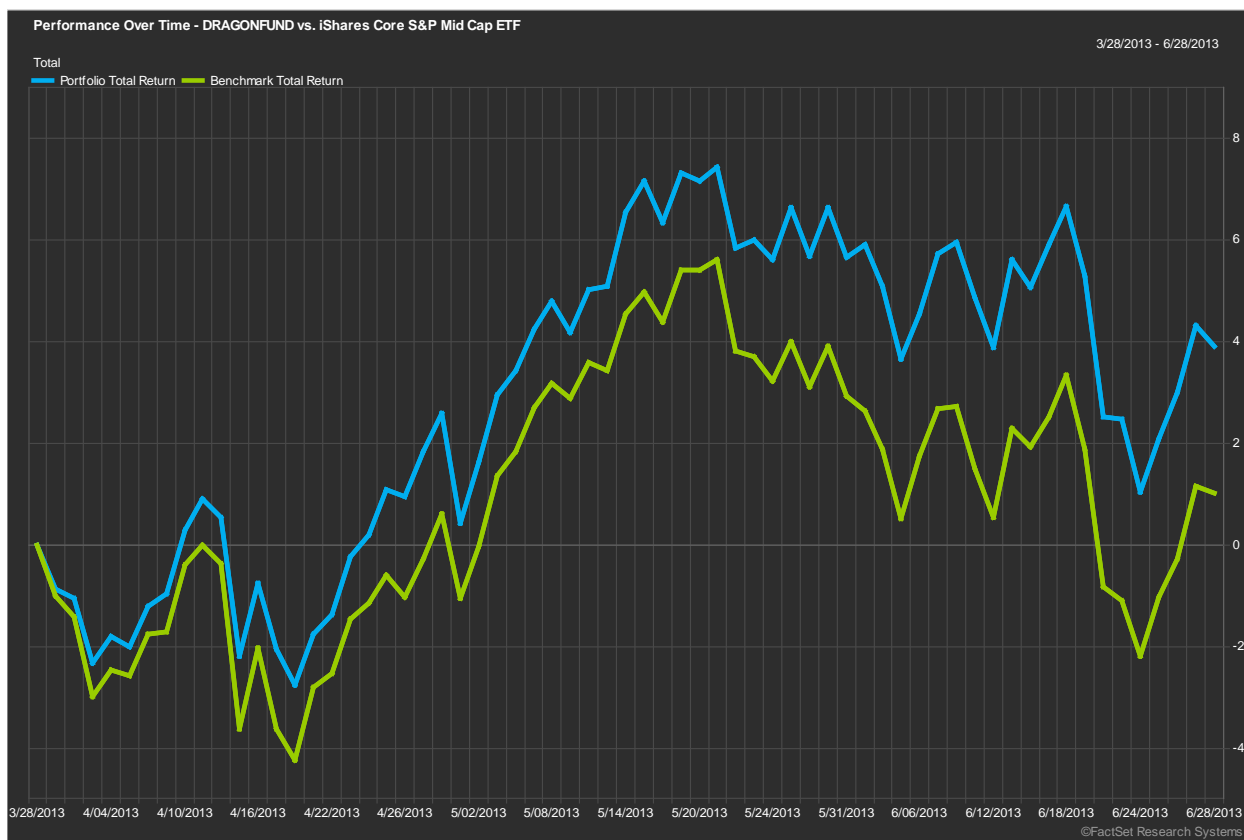
Source: Dragon Fund model portfolio in FactSet, ishares S&P 400 ETF

Which sectors and stocks contributed to performance?

Stock picks from all sectors contributed to the outperformance. Healthcare stocks did particularly well, with Dragon Fund holdings NPS Pharmaceuticals, Theravance, and WuXi PharmaTech propelling the fund's health care holdings to a 17% return versus 8.9% for the healthcare benchmark stocks. Acquisitions of two Dragon Fund holdings made headlines:

The Dragon Fund Analyst Team
FIN 342/Prof. Daniel Dorn

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Shuanghui's planned takeover of Smithfield Foods (Consumer Staples) and Berkshire Hathaway's purchase of NV Energy (Utilities). Other strong performers were Atlas (Energy) and Waste Connections (Industrials). Sector allocation had a negligible effect on performance.

Which stocks detracted from performance?

Regal-Beloit (RBC), a large position in the Industrials portfolio, announced disappointing earnings and the loss of a major customer; the stock fell 20% and the fund reduced its RBC position during the quarter. Accenture, a new stock pick, announced slower conversions of bookings and slower growth in consulting bookings, causing stock price to fall by 10%.

Performance attribution: April 2013 – June 2013

Sector	Dragon Fund		ishares S&P400		Performance effects [%]		
	Weight	Return	Weight	Return	Allocation	Selection	Total
Consumer Discretionary	16%	7.7%	13%	4.5%	0.1	0.4	0.5
Consumer Staples	4%	4.4%	4%	5.4%	0.0	-0.0	-0.0
Energy	6%	1.4%	5%	-4.9%	-0.0	0.4	0.4
Financials	21%	3.0%	23%	0.8%	0.0	0.5	0.5
Health Care	10%	17.0%	9%	8.9%	0.1	0.7	0.8
Industrials	17%	-2.0%	17%	-1.3%	-0.0	-0.1	-0.1
Information Technology	14%	1.9%	15%	-1.2%	0.0	0.5	0.5
Materials	8%	2.5%	7%	-2.6%	-0.0	0.4	0.4
Utilities	4%	2.8%	5%	0.6%	0.0	0.1	0.1

Source: Dragon Fund model portfolio in FactSet, ishares S&P 400 ETF

Note that the attribution analysis is based on a FactSet model portfolio of the Dragon Fund which is not updated on a daily basis. Therefore, the returns shown can slightly differ from the actual fund returns.

Market outlook

Based on recently released economic indicators such as surprisingly high increases in durable goods orders, robust consumer confidence, and a strengthening U.S. housing market, the Dragon Fund team expects the U.S. economic recovery to continue during the third quarter. The team also forecasts a modest appreciation of the stock market, although uncertainties surrounding the Fed tapering of QE3 could easily swamp any appreciation, at least in the short term.

Style analysis

Based on the analysis proposed by Sharpe (1992, Journal of Portfolio Management) and using monthly returns from January 2009 to December 2012, the Dragon Fund team has characterized the fund's investment style in terms of seven underlying asset classes: cash, a small-cap portfolio, a mid-cap portfolio, a large-cap portfolio, a growth portfolio, a blend portfolio, and a value portfolio. Monthly returns for these asset classes were obtained from Professor Ken French's website at Dartmouth, available at http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html.

According to the analysis, the fund's style can be classified as mid-cap growth – the allocations to the mid-cap and growth portfolios account for between two thirds and 90% of the portfolio that best mimicks actual Dragon Fund returns, depending on the exact time period considered.

Current holdings profile

Sector over-/underweights as of June 30, 2013
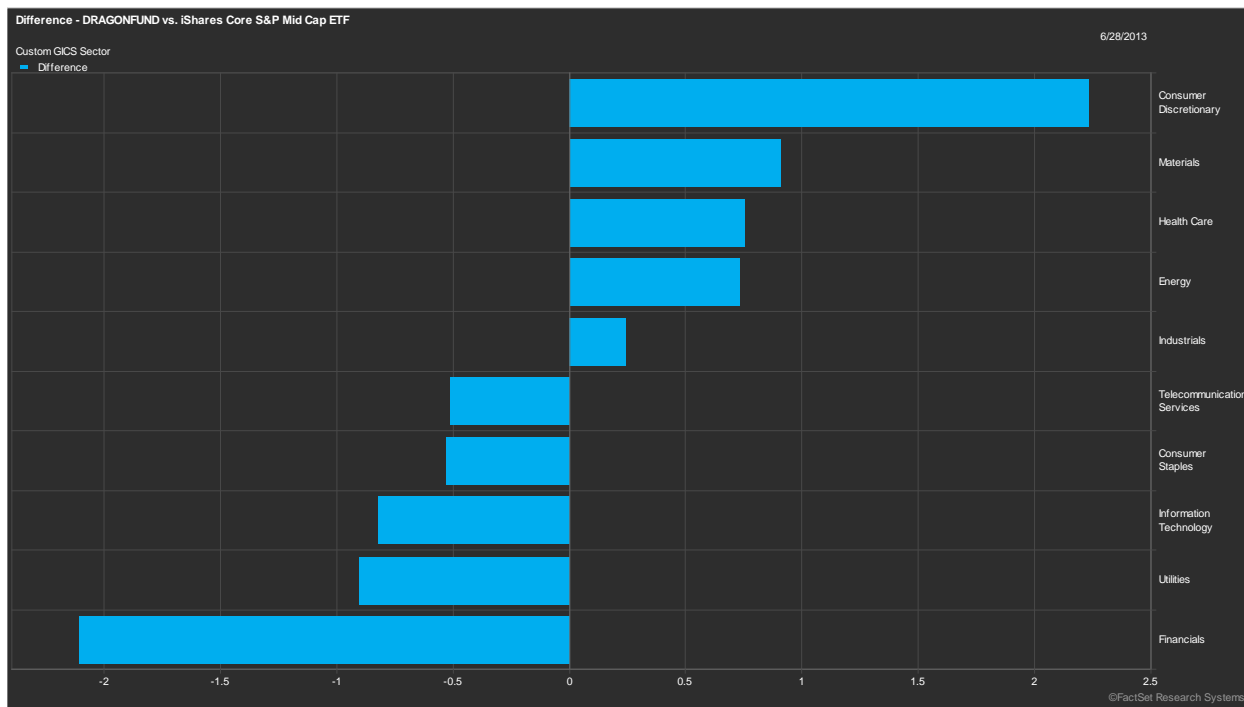
Source: Dragon Fund model portfolio in FactSet

Top ten holdings as of June 30, 2013

Ticker	Name	Weight [%]
VFH	Vanguard ETF Financials	4.0
BX	Blackstone Group L.P.	3.5
DLTR	Dollar Tree Inc.	2.6
WCN	Waste Connections Inc.	2.6
BWA	BorgWarner Inc.	2.6
ROST	Ross Stores Inc.	2.5
OHI	Omega Healthcare Investors Inc.	2.4
AOS	A.O. Smith Corp.	2.4
AGCO	AGCO Corp.	2.4
EVR	Evercore Partners Inc. Cl A	2.1

Source: Dragon Fund model portfolio in FactSet