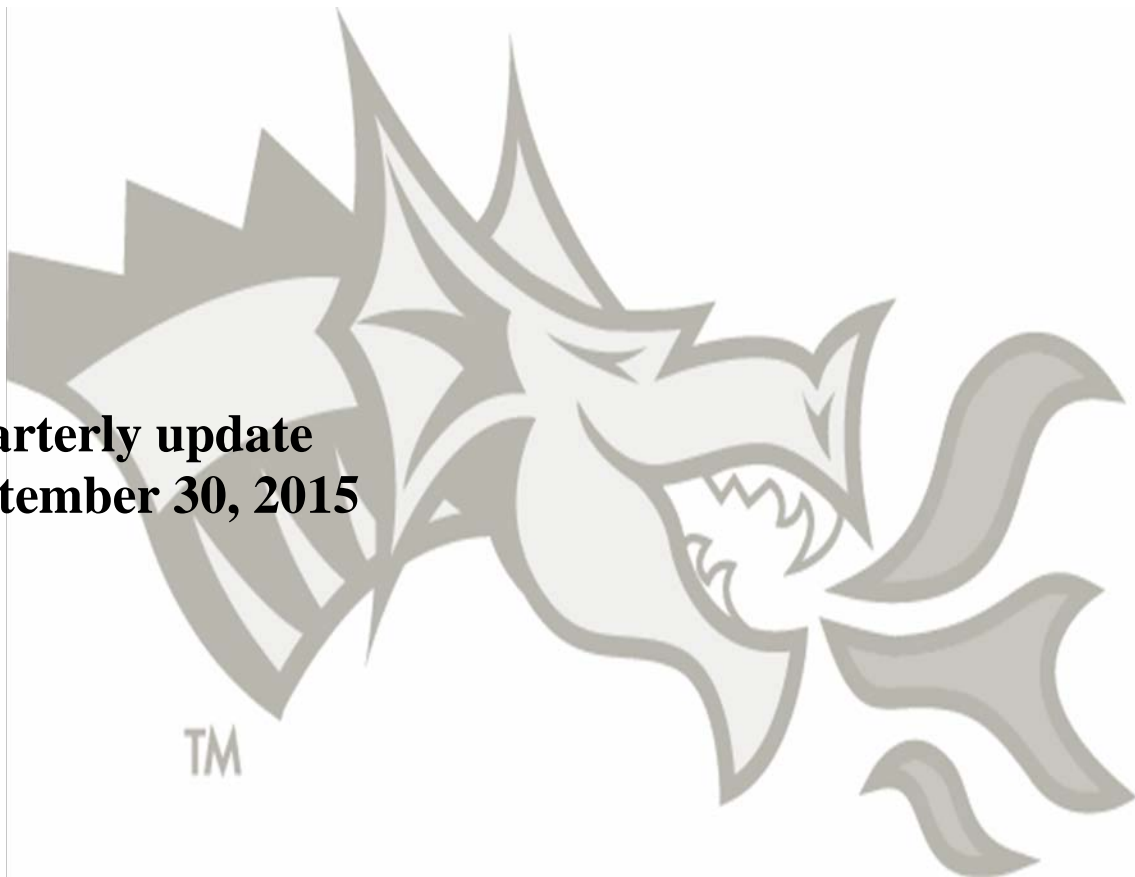


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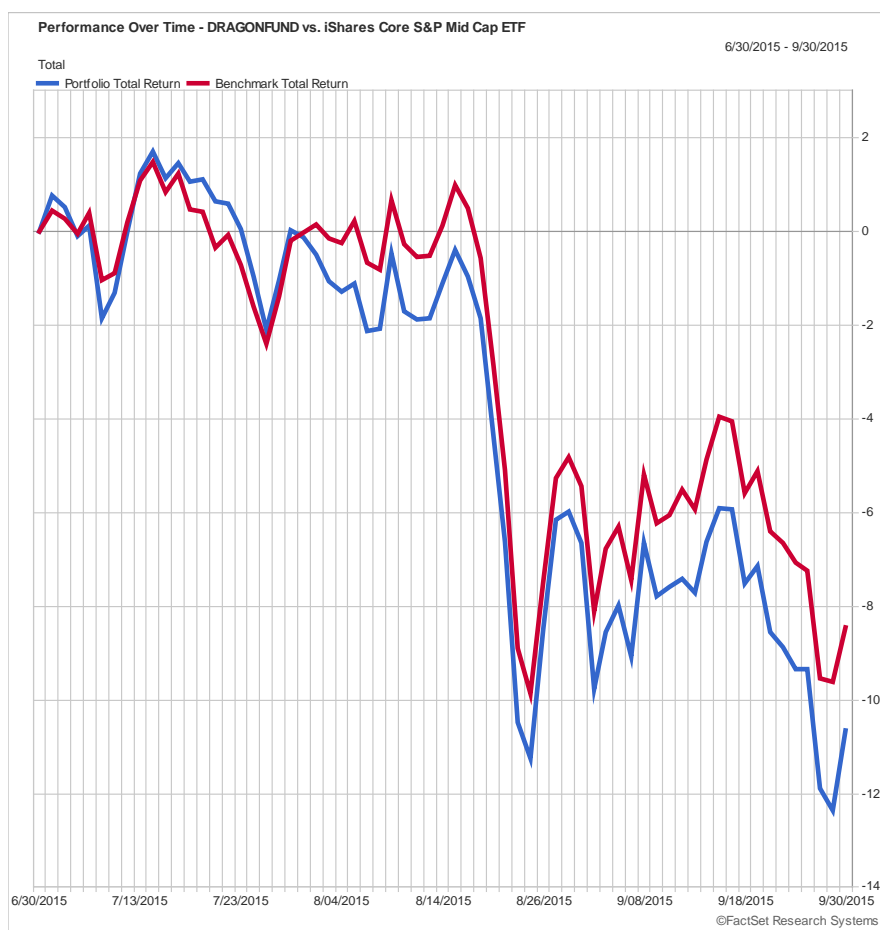
Drexel University The Dragon Fund

**Quarterly update
September 30, 2015**



How did the fund perform?

The Dragon Fund had a tough quarter, posting a -10.6% return relative to -8.5% for the S&P 400 (the fund’s benchmark) and -6.7% for the MSCI USA (a measure of the aggregate U.S. stock market). At least part of the decline can be attributed to the fund’s heightened exposure to emerging markets, especially China.



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

Note that model portfolio performance can slightly deviate from actual account performance since the model is only updated quarterly.

Returns	Dragon Fund	S&P 400	Russell Midcap	MSCI USA
Year-to-date	-3.3%	-4.7%	-5.8%	-5.1%
Q3	-10.6%	-8.5%	-8.0%	-6.7%
Q2	2.0%	-1.1%	-1.5%	0.3%
Q1	6.1%	5.3%	4.0%	1.4%

Source: US Bank, Datastream

Which sectors and stocks contributed to relative performance?

Since the fund's sector allocation is fairly closely aligned with the benchmark, active sector weights contributed little to relative performance. Stock selection in IT helped as Nvidia beat revenue and earnings estimates on the strength of their gaming platform. Nvidia's performance more than compensated for the weakness of other semiconductor stocks, notably Qorvo, which suffered due to their China exposure. Alaska Airlines benefitted from the lower oil price, as did other airlines stocks.

Which sectors and stocks detracted from relative performance?

The fund's high exposure to the capital markets industry within the Financials sector turned out to be the main detractor during the third quarter, with both Blackstone and HF losing about 20%. Mylan, one of the best-performing Healthcare picks in the Dragon Fund earlier during the year, sank 40% as Teva abandoned its hostile takeover bid and as Mylan is pursuing a potentially bruising battle to acquire Perrigo. Stock selection in Consumer Discretionary also contributed negatively. The auto parts stock BorgWarner suffered from its exposure to China due to disappointing Chinese car sales and production. Dollar Tree, the discount retailer, also had a weak third quarter, likely reflecting integration risks associated with their acquisition of Family Dollar.

Performance attribution: June 2015 – September 2015

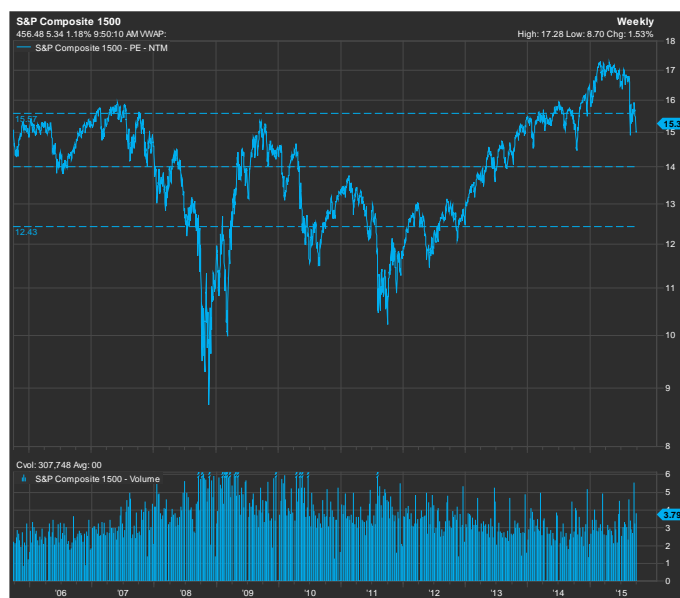
DF 2015 Q3 Sector	Dragon Fund		ishares S&P400		Performance effects [%]			
	Weight	Return	Weight	Return	Allocation	Selection	Interaction	Total
Cash	1%	0.0%	0%	0.0%	0.07	--	--	0.07
Consumer Discretionary	15%	-13.5%	14%	-7.7%	0.01	-0.81	-0.03	-0.84
Consumer Staples	3%	-8.0%	4%	-6.1%	-0.02	-0.10	0.02	-0.09
Energy	4%	-26.1%	4%	-24.1%	-0.00	-0.09	-0.01	-0.11
Financials	24%	-8.7%	25%	-3.5%	-0.03	-1.31	0.03	-1.31
Health Care	11%	-14.4%	9%	-10.9%	-0.02	-0.34	-0.08	-0.45
Industrials	16%	-10.6%	16%	-10.2%	-0.02	-0.04	-0.01	-0.07
Information Technology	18%	-7.4%	16%	-10.9%	-0.01	0.61	0.07	0.67
Materials	5%	-14.2%	7%	-13.8%	0.10	-0.04	0.00	0.06
Utilities	3%	3.2%	4%	2.2%	-0.16	0.03	-0.01	-0.15
Total		-10.6%		-8.5%	-0.07	-2.09	-0.02	-2.19

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

Market review and outlook

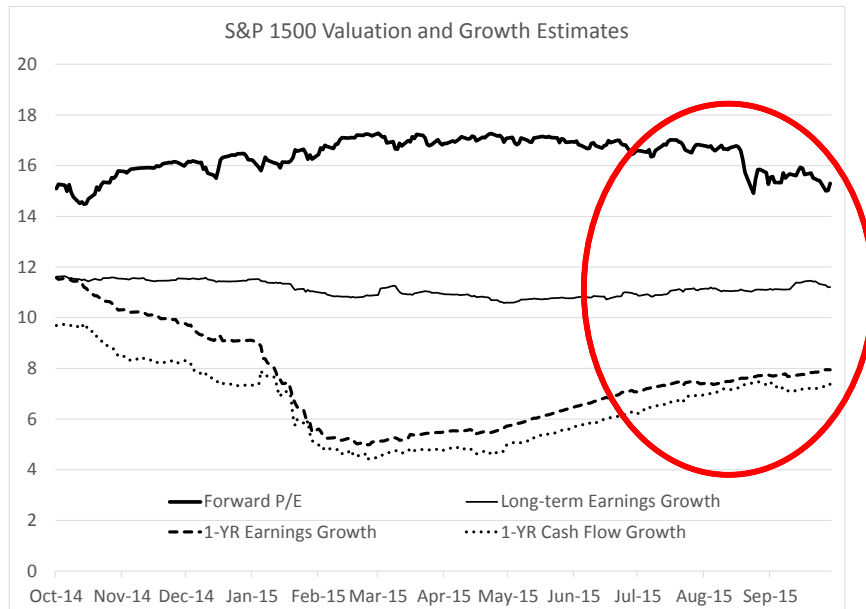
Looking back over our previous reports, we turned cautious about the stock market after the first quarter of 2014 and have remained cautious ever since. Our skepticism was primarily about lofty stock market valuation rather than the state of the U.S. economy, which we saw on track to grow throughout much of the period.

At the end of the third quarter, with the stock market being close to the level of 1 ½ years ago, this picture is starting to change. Based on our reading of economic indicators, the outlook for the U.S. economy has dimmed. Both forward looking demand- and supply-side indicators have been mixed during the third quarter. While sentiment measures published by the Conference Board and the University of Michigan have surprised positively, retail sales (ex-auto) came in at or below expectations and nonfarm payrolls were disappointing each month during the quarter. The ISM Manufacturing index disappointed as well and is now in the low 50s, indicating that purchasing managers are seeing little increase in activity.



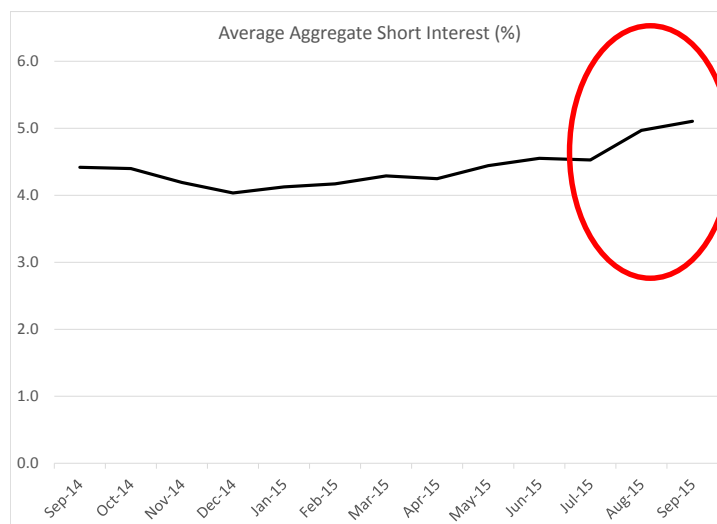
Source: One-year forward FactSet consensus estimates for S&P 1500

Valuation-wise, the stock market's forward P/E ratio is still one standard-deviation above its 10-year average, despite the recent market pullback. Short-term earnings and cash flow growth expectations seem to be the only bright spot in the cloudy financial skies. Both measures point upwards during the third quarter, indicating that analysts expect stronger year-over-year growth than a few months ago. However, at least in part, this higher year-over-year growth reflects lower 2015 earnings (a smaller denominator) rather than higher expected 2016 earnings (a larger numerator).



Source: FactSet consensus estimates for S&P 1500

Moreover, short sellers – whom we track as part of our analysis of less conventional valuation indicators – have become more pessimistic. The equally-weighted short interest across U.S. stocks (excluding micro-caps and low-priced stocks, as done by Rapach et al (2015), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2474930) has steadily increased during the last few months. We have reason to believe that short sellers tend to be more sophisticated traders and hence view this development with some concern.

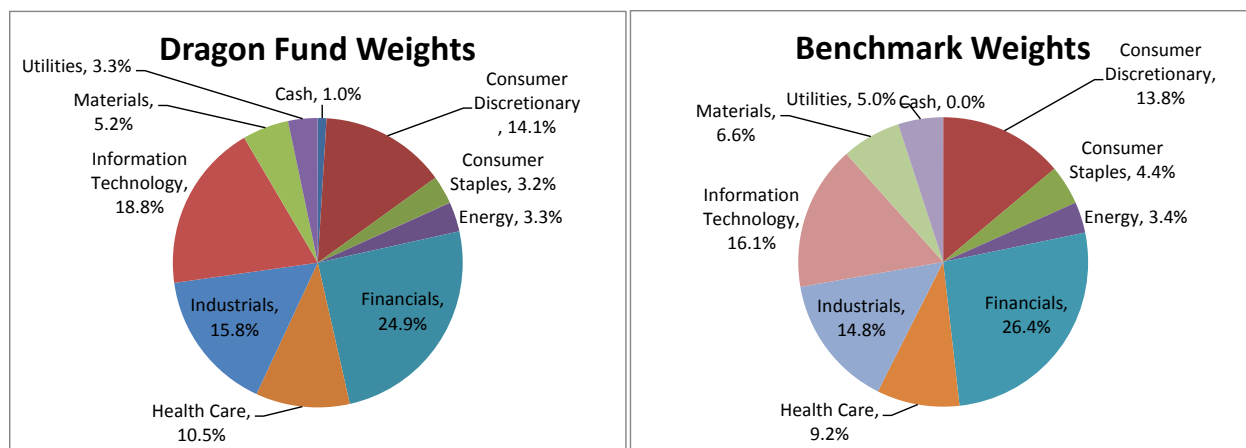


Source: NYSE/NASDAQ/AMEX short interest, Dragon Fund estimates

Overall, thus, the case for an optimistic stock market scenario is weak for the upcoming quarter and we expect the market to move largely sideways. In contrast to previous quarters, our concern is now shifting from stock market valuations to global economic growth prospects.

Current holdings profile

Sector allocation as of September 30, 2015



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

Top ten holdings as of September 30, 2015

Ticker	Name	Weight [%]
HF	HFF, Inc. Class A	3.0
HCC	HCC Insurance Holdings, Inc.	2.8
NVDA	NVIDIA Corporation	2.7
BX	Blackstone Group L.P.	2.7
DLTR	Dollar Tree, Inc.	2.6
SBNY	Signature Bank	2.6
SNA	Snap-on Incorporated	2.6
JAH	Jarden Corporation	2.6
WAL	Western Alliance Bancorporation	2.5
UHS	Universal Health Services, Inc. Class B	2.3
Total		26.6

Source: Dragon Fund model portfolio in FactSet

Top and bottom 5 contributors, 2015 Q3

Ticker	High/Low - Port. Contribution To Return	Average Weight	Total Return	Contribution To Return
Total		100.0	-10.6	-10.6
5 Highest		8.5	11.6	0.8
NVDA	NVIDIA Corporation	2.2	23.1	0.5
ALK	Alaska Air Group, Inc.	1.2	23.6	0.2
JCOM	j2 Global Inc	1.8	4.7	0.1
OHI	Omega Healthcare Investors, Inc.	2.0	3.9	0.0
VPU	Vanguard Utilities Index Fund	1.3	4.4	0.0
5 Lowest		12.2	-25.6	-3.3
MYL	Mylan N.V.	2.1	-40.7	-1.0
HF	HFF, Inc. Class A	3.3	-19.1	-0.7
BX	Blackstone Group L.P.	2.9	-21.1	-0.6
QRVO	Qorvo, Inc.	1.2	-43.9	-0.6
DLTR	Dollar Tree, Inc.	2.8	-15.6	-0.5

Source: Dragon Fund model portfolio in FactSet

Valuation characteristics of Dragon Fund holdings as of September 30, 2015

Characteristics (medians)	Dragon Fund	S&P 400
Market Capitalization	6,444	3,351
# of Securities	64	402
Dividend Yield	1.5	1.4
P/E using FY1 Est	15.9	17.2
Price/Cash Flow	11.5	11.4
Price/Book	2.6	2.3
Price/Sales	2.0	1.7
Est 3-5 Yr EPS Growth	10.4	10.0
ROA	7.8	5.4
ROE	15.1	11.0
Operating Margin	15.4	12.8
Net Margin	10.6	7.6
LT Debt/Capital	29.8	34.2

Source: Dragon Fund model portfolio in FactSet, ishares S&P 400 ETF holdings.
 NB: The Dragon Fund statistics exclude ETFs, which accounted for ~4% of the portfolio

Dragon Fund analyst team and contact information, Fall quarter 2015/16

Please feel free to contact us regarding more in-depth research reports, recruiting information, or other inquiries about the Dragon Fund.

Consumer Discretionary:

- Mike Cavalieri, mac486@drexel.edu
- Sara Golshar, spg62@drexel.edu
- Keith Mac Kenzie, kmm529@drexel.edu
- Joshua Settlemire, jps353@drexel.edu

Consumer Staples

- Amy Hoplamazian, aah89@drexel.edu
- Weilei Yu, wy39@drexel.edu

Energy

- Alexander Gilbert, arg58@drexel.edu
- Adam Meyers, acm328@drexel.edu

Financials

- John Harkins, jph83@drexel.edu
- Duc Nguyen, dvn26@drexel.edu
- Linh Trinh, lqt24@drexel.edu
- Zheng Zhong, zz334@drexel.edu

Healthcare

- Chris Brugger, cb657@drexel.edu
- Tom Kulesa, tjk77@drexel.edu
- Kevin Lefchak, ktl35@drexel.edu

Industrials

- Elena Dimeo, ecd66@drexel.edu
- Mike Giangiordano, mag435@drexel.edu
- Steve Konopka, sak327@drexel.edu
- Matthew Pron, mp955@drexel.edu

IT

- Nicholas diSanzo, nd446@drexel.edu
- Tian Fang, tf378@drexel.edu
- Vraj Patel, vjp33@drexel.edu

The Dragon Fund Analyst Team
FIN 341/Prof. Daniel Dorn



- Mimi Tran, nmt57@drexel.edu

Materials

- Linh Nguyen, ltm34@drexel.edu
- Mike Sassano, mjs529@drexel.edu
- Chad Schmidt, cws42@drexel.edu

Utilities

- John Abbott, jha43@drexel.edu
- Ashley Saidler, ars369@drexel.edu

Faculty advisor: Daniel Dorn, dd79@drexel.edu