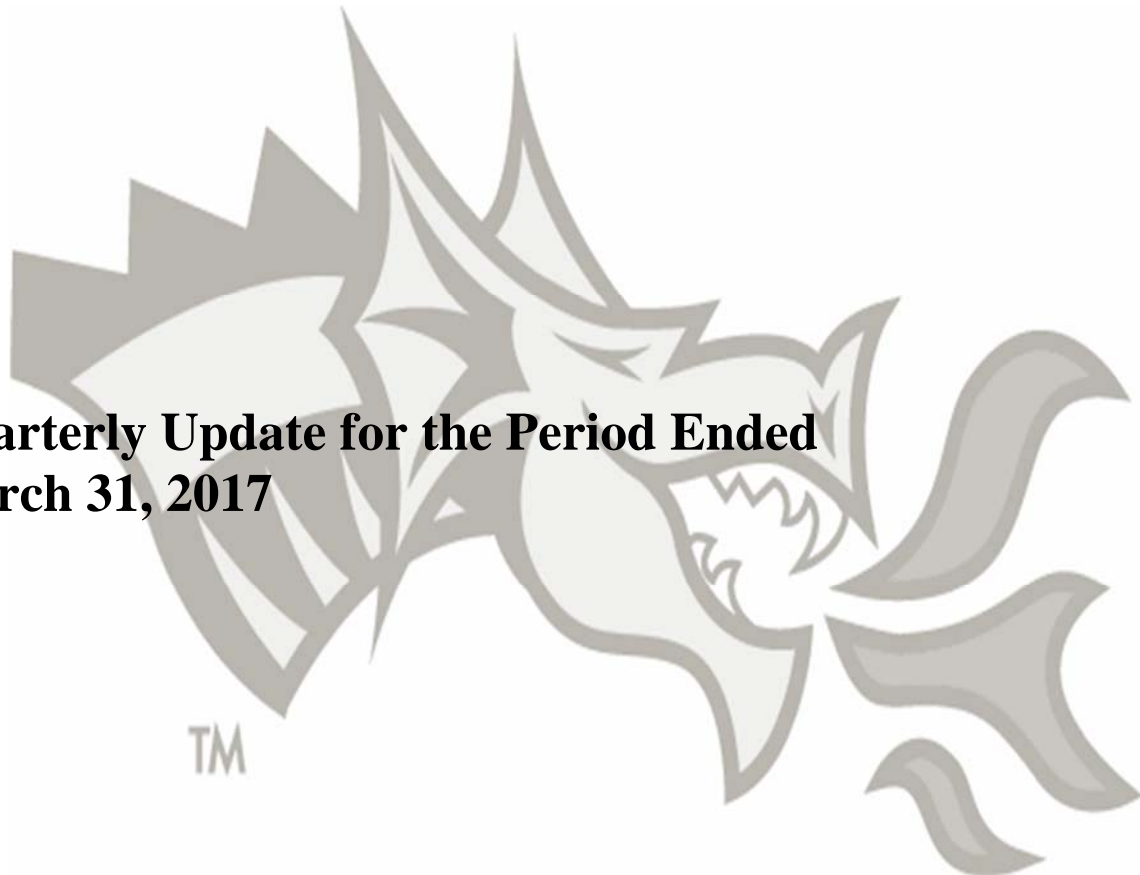


The Dragon Fund Analyst Team FIN 341  
Prof. Daniel Dorn



# Drexel University The Dragon Fund

**Quarterly Update for the Period Ended  
March 31, 2017**



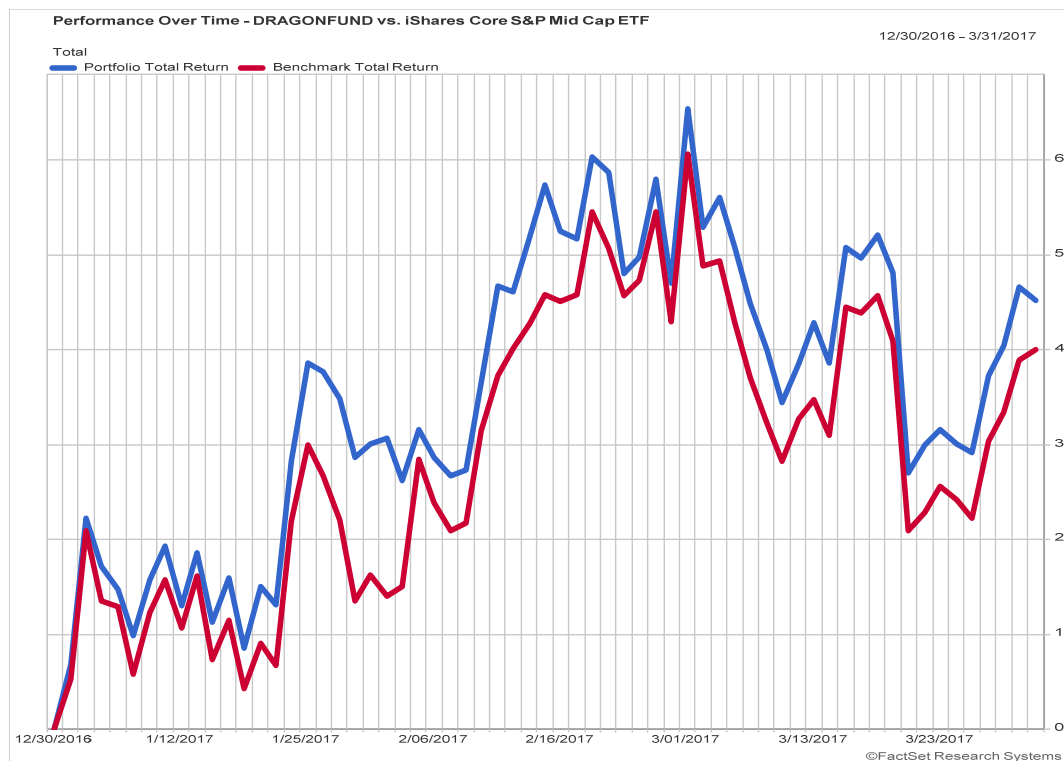
## The Dragon Fund

The Dragon Fund, which has been managed by Drexel undergraduates since the fall of 2007, seeks capital appreciation by primarily investing in U.S. stocks with a market capitalization of between \$500 million and \$10 billion. The student analysts apply a combination of sector analysis and discounted cash flow as well as multiples valuation techniques to identify attractive investment opportunities. The fund was started with \$250,000 and received additional infusions of \$100,000 in March 2011, \$450,000 in June 2013, and \$200,000 in June 2016. As of the end of March 2017, the fund's total assets stood at approximately \$2 million.

### 1 Performance review

#### 1.1 Fund performance

The Dragon Fund returned 4.4% for the quarter, outperforming its benchmark, the S&P 400, which gained 3.9%. It lagged the broader market, proxied by the MSCI USA, which appreciated by 6.2%.



Sources: Dragon Fund model portfolio in FactSet

## 1.2 Attribution analysis

Performance differences between the fund and the benchmark were primarily driven by selection effects, which added 70 basis points overall. Asset allocation had little impact, except for the fund’s overweight in Energy, which detracted 20 basis points.

Security selection in IT stocks contributed positively to performance, with both gaming software stocks (Activision Blizzard and Electronic Arts) and semiconductor stocks (Qorvo and Lam) outpacing the sector. The fund’s REIT stocks also outperformed their peers, with private prison operator GEO leading the pack, following a reversal in the Department of Justice’s policy regarding private prisons.

Healthcare stocks negatively impacted performance, with Endo losing more than 30% of its value during the first quarter. During the first quarter, the fund reduced its exposure to pharmaceuticals by selling its position in Akorn.

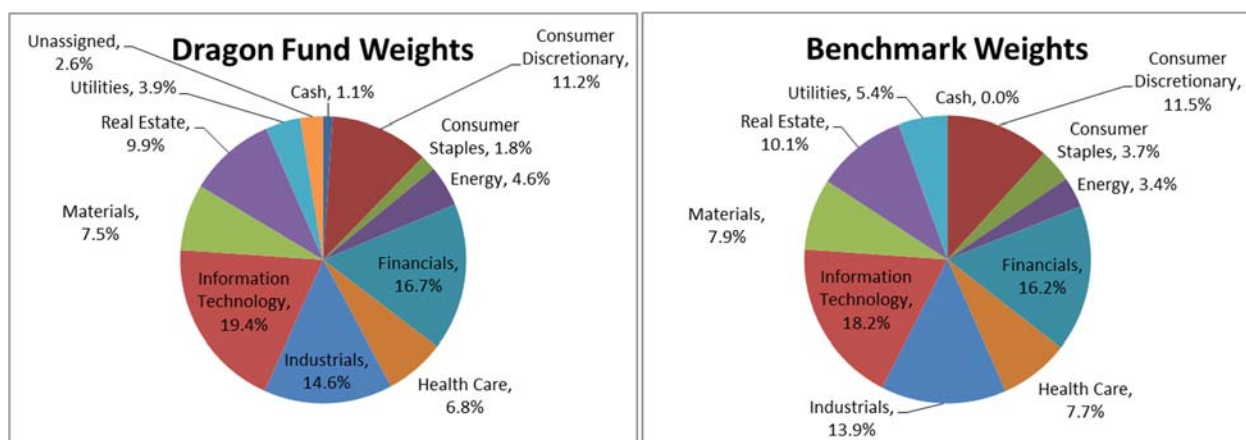
### Attribution analysis relative to ishares S&P 400 Midcap ETF, January 2017-March 2017

DF 2017 Q1 Sector	Dragon Fund		ishares S&P400		Performance effects [%]			
	Weight	Return	Weight	Return	Allocation	Selection	Interaction	Total
Cash	1%	0.1%	0%	0.0%	-0.0	--	--	-0.0
Consumer Discretionary	11%	4.1%	11%	4.5%	-0.0	-0.0	-0.0	-0.0
Consumer Staples	2%	0.3%	4%	2.1%	0.0	-0.1	0.0	0.0
Energy	6%	-12.0%	4%	-13.9%	-0.2	0.1	0.0	-0.1
Financials	18%	2.7%	16%	2.3%	-0.0	0.1	0.0	0.1
Health Care	7%	3.6%	7%	9.7%	-0.0	-0.5	0.1	-0.4
Industrials	15%	2.7%	13%	3.1%	0.0	-0.0	-0.0	-0.1
Information Technology	18%	14.0%	16%	8.4%	0.0	0.9	0.0	1.0
Materials	8%	1.3%	7%	7.3%	0.0	-0.4	0.0	-0.4
Real Estate	8%	7.6%	10%	1.3%	0.0	0.6	-0.1	0.5
Utilities	4%	5.7%	5%	5.7%	-0.0	0.0	-0.0	-0.0
Unassigned	3%	3.6%	7%	2.5%	0.0	0.0	-0.0	0.1
<b>Total</b>		<b>4.5%</b>		<b>4.0%</b>	<b>-0.2</b>	<b>0.7</b>	<b>-0.0</b>	<b>0.5</b>

The table is based on the ishares S&P 400 midcap as opposed to the actual S&P 400 index (which is not included in our FactSet subscription). Dragon Fund holdings are based on a FactSet model portfolio of the Dragon Fund which is updated on a quarterly basis. Therefore, the returns shown differ slightly from the actual fund and benchmark returns. “Weight” refers to the portfolio and benchmark allocation as of December 31, 2016.

## 2 Current holdings profile as of March 31, 2017

### 2.1 Sector allocation



Source: Dragon Fund model portfolio in FactSet, FactSet, benchmark refers to the iShares S&P 400 ETF

### 2.2 Top ten holdings

Ticker	Name	Weight [%]
NVDA	NVIDIA Corporation	3.3
LRCX	Lam Research Corporation	3.2
ATVI	Activision Blizzard, Inc.	3.0
VCR	Vanguard Consumer Discretionary ETF	2.8
WAL	Western Alliance Bancorporation	2.6
EA	Electronic Arts Inc.	2.5
MAN	ManpowerGroup Inc.	2.2
QRVO	Qorvo, Inc.	2.1
GWB	Great Western Bancorp, Inc.	2.1
AOS	A. O. Smith Corporation	2.1
<b>Total</b>		<b>26.0</b>

Source: Dragon Fund model portfolio in FactSet

### 2.3 Characteristics of Dragon Fund holdings

The forward price to earnings ratio is based on consensus estimates for the next fiscal year. The Dragon Fund statistics do not reflect the fund's ETF holdings.

<b>Characteristics (medians)</b>	<b>Dragon Fund</b>	<b>S&amp;P 400</b>
Market Capitalization	6,502	3,799
# of Securities	60	400
Dividend Yield	1.2	1.2
P/E using FY1 Est	17.5	20.0
Price/Cash Flow	13.7	12.7
Price/Book	2.9	2.7
Price/Sales	2.2	2.0
Est 3-5 Yr EPS Growth	9.7	10.0
ROA	6.4	5.1
ROE	13.1	11.0
Operating Margin	14.7	12.5
Net Margin	10.2	7.2
LT Debt/Capital	37.9	38.7

Source: Dragon Fund model portfolio in FactSet

### 3 Dragon Fund analyst team and contact information (Spring 2016/17)

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

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