



VAN DIEN ASSET MANAGEMENT LLC

JULY 2013 UPDATE

We're pleased to announce that Van Dien Asset Management LLC had a strong first half of 2013 with all accounts outperforming the S&P 500 and NASDAQ Composite indexes. The VDAM composite of managed accounts is up 23.4% year-to-date and we are optimistic that we can build on this performance during the second half of 2013. This compares favorably with the performance of the NASDAQ Composite and S&P 500, which were up 12.7% and 12.6%, respectively, for the first six months of 2013.

We have made several important decisions that have contributed to our outperformance thus far. First and foremost, we concluded that U.S. economic momentum (mediocre as it is) would trump any temporary economic dislocations or pauses, real or perceived, that might result from budget sequestration actually taking place. In other words, if legislators in Washington were unable to reach an agreement over automatic spending cuts, the pain would most likely be temporary and not powerful enough to derail the macro recovery. True to form, the housing cycle, vehicle sales, and employment data continue to move forward with modest gains. Under this construct, we remained close to fully invested, reluctant to use sequester concerns to time the equity market.

In fact, we used the more recent anxiety over "Fed tapering" as an opportunity to invest cash made available from Oracle's acquisition of Acme Packet completed on April 1st. With this idle cash we purchased shares of Renewable Energy Group (REGI), in the wake of Ben Bernanke's commentary that the Fed could look to taper its quantitative easing (QE) program if the economy's recovery remained intact. Concerns regarding the timing of the tapering and its market impact resulted in a greater than 5% correction in the S&P 500 in the month following the Chairman's May 22nd address. The equity market, having apparently come to grips with the tapering uncertainty, has since recovered most of what was lost during this recent sell-off.

However, the biggest contributing factor to our outperformance thus far in 2013, is our decision to maintain large positions in our two highest conviction names, Shutterfly (SFLY) and ChipMOS (IMOS). These remain our two largest positions and they have delivered, with SFLY shares up 87% and IMOS shares up 67% during the first six months of 2013. Although we certainly recognize the benefits of diversification and practice it rigorously at Van Dien Asset Management, we also recognize when we have ideas that warrant emphasizing. Our thorough approach to fundamental research and our decades of experience within the technology-media-telecom (TMT) equity arena have given us the ability to recognize that not all investment ideas are created equal.

Meanwhile, Renewable Energy Group, the largest producer of biodiesel in the U.S., has seen its shares rise by roughly 15% since we initiated our positions. We consider REGI an exciting play within the cleantech arena, an industry often considered a logical extension of the greater technology sector. Importantly, a cleantech investment can bring diversification benefits to the typical TMT portfolio as its demand drivers are different than that found within the information technology spending cycles. Cleantech represents a diverse group of companies that deliver a range of products and services that harness renewable materials and energy sources, dramatically reduce the use of natural resources, and cut or eliminate emissions and wastes. Demand for clean energy and cleantech innovation has grown rapidly in recent years as Washington has set forth considerable legislation and regulation designed to improve our greenhouse gas emissions (mitigate climate change) and reduce our reliance on foreign oil (improve our national security). In our view, the EPA's Renewable Fuel Standards Program (RFS2) provides a market-based framework that has broad support from stakeholders and market participants throughout the energy and agriculture/food ecosystems, as well as a track record of early real-world success. Given such, political risk of meaningful changes to RFS2 appear to be diminishing. This suggests that REGI's operating environment will become increasingly stable, and that multiple expansion should occur over time.

REGI currently owns and operates over 250 million gallons of annual biodiesel production capacity and a distribution and logistics system that allows it to be a reliable biodiesel partner within the distillate marketplace. As the leader in the space, REGI continues to strengthen its market position by acquiring assets from weaker players and then upgrading these biorefineries so that just about any fat, grease, or vegetable oil (not just soybean oil) may be used as a raw material in its biodiesel production process. This not only helps REGI manage its input costs, but delivers revenues to businesses (livestock and meat producers, restaurants, etc.) that produce waste byproducts (poultry fats, beef tallow, used cooking oils, etc.) that previously garnered little value. This helps mitigate food price inflation across the country and incentivizes farmers to grow more.

In conclusion, we believe we have our portfolios well-positioned for continued strong performance during the second half of 2013. However, we are on watch for early indicators of equity market corrections and maintain an eye on developments within Washington and the international markets. As we've experienced in recent years, what appears to be a small isolated problem at first, often mushrooms into larger market concerns. No one will forget that what began as a Greek budget problem expanded into a serious debt problem for all of Europe or that what began in Tunisia as a peaceful protest has spread into ongoing instability throughout much of the Middle East. Beyond the big picture, we continue to monitor our current holdings thoroughly and research new ideas. As always, we appreciate your business and referrals, and welcome your feedback.

J. Kent Blair III, CFA
President
Van Dien Asset Management LLC
kentblair@vandienasset.com

Beth Blair
Co-Founder
Van Dien Asset Management LLC
bethblair@vandienasset.com