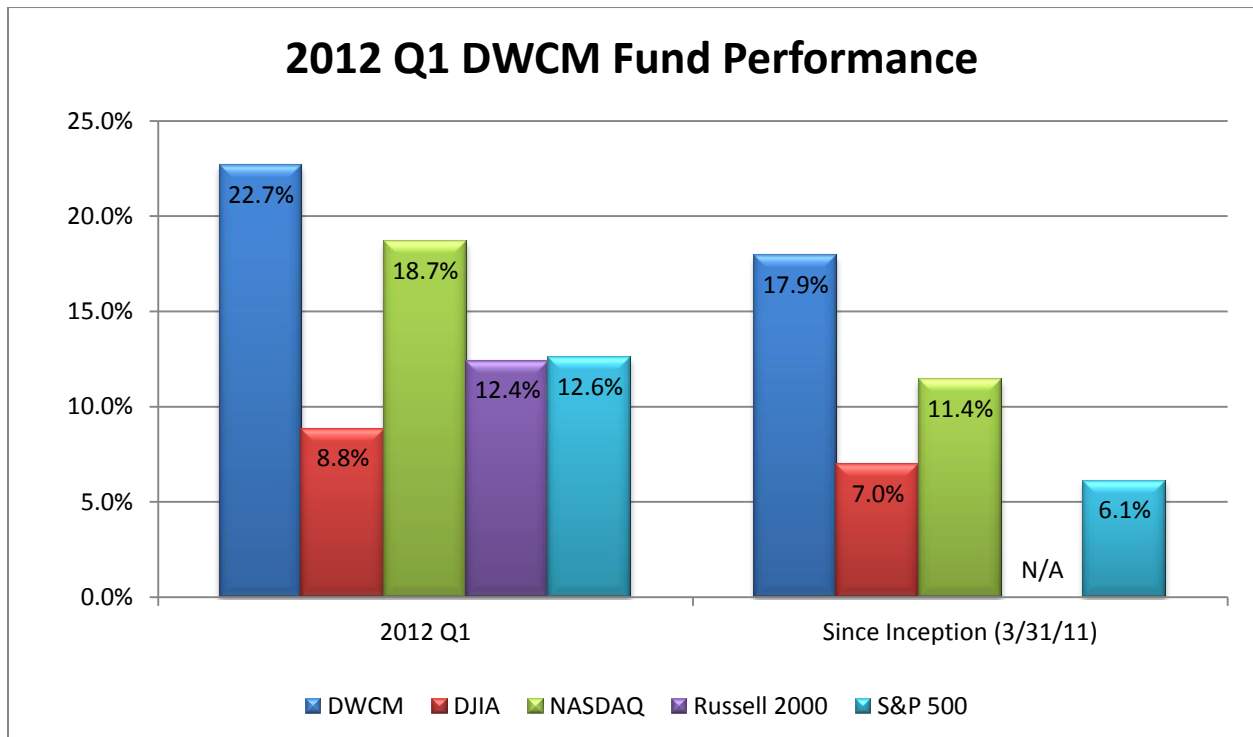




DreamWorks Capital Management LLC Quarterly Letter April 2012 “Investing is Simple But Not Easy” Paul Fenner

There is an old investment adage that “investing is simple but not easy.” “It is simple to see what is necessary, but not easy to be willing or able to do it.” So comes the difficulty in the investment environment from now until the end of 2012.

Investing in Q1 this year looked easy compared to the difficult investment environment that we believe lies ahead. The DreamWorks Capital Management fund that we manage at Investorpedia.com was up 22.7% besting all of the major equity market indices by a wide margin (see enclosed graph for comparison performance). This performance was largely on the backs of two key performers in Apple and Chipotle Mexican Grill. To think that both of these names will continue to head to the sky would be foolish. Although both great companies in their own right, both companies need to see some type of pullback in order to consolidate in order to move higher.



Our portfolio style of running a concentrated portfolio and go anywhere approach served us well thus far in Q1. Most of our gains were attributed to our option positions which make up 25.5% of the overall fund followed by our long equity positions of 17.9% and our healthy cash position of 56.6%. At the end of Q1 we did not hold any long short positions which previously included Groupon and LinkedIn. Our decision to not hold any short positions was based on the upward strength of the overall equity markets which appeared to be taking most names up with it regardless of fundamentals. We still believe that the newly minted IPO's in the social media and network space such as Groupon, LinkedIn, Pandora, Angie's List, etc. do not warrant their high valuations.

Top 5 Holdings

1. Apple
2. CME Group
3. Google
4. Chipotle
Mexican Grill
5. SPDR Gold
(GLD)

What looked good at the end of 2011 has taken a backseat to higher risk names. Dividend plays such as utilities and other blue chip companies have largely underperformed the market this quarter vs. the previous quarter. Strictly investing in a company for their dividend is never the right strategy. However, we believe that blue chip names that pay a stable and growing dividend with solid fundamentals will be a good strategy going forward this year. At a price that allows for some margin of safety these stocks should provide less volatility in an environment that we believe will get dicier as the year progresses.

The payment of the dividend allows for some return on investment that is higher than bonds or other fixed income investments. Bond rates can't get too much lower than where they stand today with the 10 year US treasury paying around 2% resulting in a negative return when you factor in the impacts of inflation. But don't be fooled into thinking a dividend paying stock is a bond, as you are still exposed to the potential of capital erosion.

Economic Outlook

We may start off every quarterly letter in this segment with a disclaimer that reads "our economic forecast guess is as good as the next firm when it comes to accurately forecasting the economy which is why we don't try." We work from a bottom's up approach when it comes to selecting investments which may not always coincide with what is taking place in the economy. The equity markets and the economy tend to become disjointed at just the right or wrong time depending upon your perspective.

What I try to gage is sentiment and where leading indicators may be heading. For instance jobs are a big indicator of confidence and thus consumer spending so when people have jobs they tend to spend money. As noted in some of my quarterly posts I follow the weekly initial jobless claims and review the trend as to what direction it may be going in. Thankfully it has been

heading lower while the headlining unemployment rate has also been heading lower but for different reasons.

The labor numbers are especially important this year because of the presidential election. The economy I believe will be the X factor as to who wins the race. With an improving labor picture and an unemployment rate below 7% Obama is the winner. Anything north of 8% Romney is your likely winner. Anything between 7% and 8% then you have a very tight ballgame in which case either candidate could win.

The real key despite who wins the White House will be who controls the house and the senate. With a split of the two between Democrats and Republicans we would likely see a continued stalemate in Washington in which nothing gets done because the two sides cannot work together for the greater good of the country. If the Democrats prevail in both fractions then you could see higher regulatory costs harming business and vice versa if the Republicans take both. At the end of the day the president has far less influence on the economy compared to the house and senate.

Investment Outlook

So based on which way you see the economy heading will affect who is in office and thus affect your future investing decisions. I would place my bets on things getting a little choppy both in the economy and in the presidential election. This is where I would be placing our capital in companies that have solid growth prospects in either political climate and that can offer some type of safety margin either in a dividend, large discount to fair value, or both.

We will still be managing our portfolio is a very concentrated method with some of our long-term strategies in mind. Even though you may have a slowing world economic picture you still have a growing world population which is why we are in favor of the agriculture names. But like anything you can't take them all at the same face value. Another area that I am interested in is technology especially cloud computing, security, and data management. These are all areas in which we expect growth but these names tend to be volatile so we will proceed with caution as I urge everyone to do this upcoming quarter and for the remainder of the year.

We may have well seen our best gains behind us in 2012.