
THE STAHL REPORT COMPENDIUM

The Contrarian Series

April 2017

Featured Companies

Lee Enterprises, Inc. (LEE)
New Media Investment Group Inc. (NEWM)
TEGNA Inc. (TGNA)
Tribune Media Co. (TRCO)



*Exclusive Marketers of
The Stahl Report*

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Murray's Musings

WHAT IS VALUE?

To answer the question of what constitutes value, the standard definitions are surely less than helpful. In books on value investing, one encounters sentences such as, "Value investors actively seek stocks that the market has undervalued." Alternatively, one might stumble upon a definition such as this: "Value investing is an investment strategy where stocks are selected that trade for less than intrinsic value." However, what is intrinsic value? The definition of absolute value has bedeviled economists.

Ferdinand Lassalle, a mid-19th century economist, proposed the "Iron Law of Wages" as a method of measuring the value on labor. The basic concept is that wages cannot fall below subsistence level, since workers would not be able to sustain themselves. Alternatively, competition among workers vis-à-vis employment opportunities would always drive wages down to the subsistence level. The idea of a labor shortage or even a shortage of highly skilled labor never occurred to Lassalle. He lived in the 19th century when there was usually an overabundance of available labor. It also never occurred to Lassalle that people would one day volunteer their labor to charities at less than subsistence wages. Indeed, he did not even consider the possibility that people would willingly work at a charitable institution for nothing.

Value investment practitioners have never developed a good formal definition of value investing; however, the academic community has, via the price-to-book-value ratio. It is important to note that in the academic version of calculating book value is somewhat different from the accounting method. Standard accounting practice states that book value, or shareholders' equity if one prefers, is total assets minus total liabilities. In investment theory practice, book value is total assets minus intangible assets minus total liabilities.

Essentially, if all stocks are ranked according to the book value metric, those with price-to-book-value ratios above the median, or middle, value are known as growth stocks, and those with price-to-book-value ratios below the median value are known as value stocks.

For instance, the iShares S&P 500 Value ETF (IVE) has a price-to-book-value ratio of 2.05x, while the iShares S&P 500 Growth ETF (IVW) has a price-to-book-value ratio of 5.13x. It is interesting to note that despite the titles, the S&P 500 Value ETF (IVE) has only 353 holdings, the S&P 500 Growth ETF (IVW) has 321 names, and the sum of the holdings of both funds equals far more than 500 names. How is it possible to divide the S&P 500 along the fault line of price-to-book-value and emerge with two funds that collectively hold 674 S&P 500 names?

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While mathematical precision may be desirable in the theoretical realm, it must give way to practical business reality. Generally, the high price-to-book-value names are more liquid than the low price-to-book-value names. If one maintained a formalist approach to growth versus value indexation, the growth index would be more liquid in terms of aggregate trading value (that is, the amount of fee-paying assets that could be accommodated) than the value index.

Consequently, the value and the growth indexes share a certain commonality of names, such as Johnson & Johnson, General Electric, Procter & Gamble, Pfizer, Merck, Verizon, and Disney, and others. Trip Advisor is part of the S&P 500 Value ETF (IVE) and also in the S&P 500 Growth ETF (IVW). It trades at 4.19x GAAP book value and more than 10x academic book value (shareholders' equity less intangibles). It also trades at 52.5x trailing 12-month earnings. In the past 60 days, the earnings estimate for 2017 has been reduced by 22%. The estimates for 2018 have been reduced by 25%. The shares now trade at 35.2x the 2017 earnings estimate, although there can be no assurance that this estimate will be achieved.

Contrary to the entirely natural assumption that the character of each index is defined by divergent valuation multiples (high vs. low) of the individual companies, each index is made different not by exclusivity of holding but by differences in the weight assigned to different sectors. The S&P 500 Growth ETF has the following sectoral diversifications. The percentages do not add up to 100 because we are looking at an ETF, not the index itself, and the ETF contains a small amount of cash.

Table 1: iShares S&P 500 Growth ETF (IVW)

Sectoral Diversification	
Information Technology	34.33%
Consumer Discretionary	16.64%
Healthcare	15.59%
Industrials	11.33%
Consumer Staples	7.41%
Financials	4.17%
Real Estate	3.67%
Energy	2.49%
Materials	2.30%
Telecommunications	1.06%
Utilities	0.78%

Source: iShares

The sectoral diversification of the S&P 500 Value ETF is as follows. The percentages for this ETF also do not add up to 100 for the same reason.

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Table 2: iShares S&P 500 Value ETF (IVE)
Sectoral Diversification

Financials	27.22%
Healthcare	12.22%
Consumer Staples	11.67%
Energy	11.10%
Industrials	8.55%
Information Technology	7.10%
Consumer Discretionary	6.88%
Utilities	5.84%
Telecommunications	4.00%
Materials	3.39%
Real Estate	1.75%

Source: iShares

The great irony of the information technology sector weight in the S&P 500 Growth ETF is that it is only slightly below the roughly 35% bubble weight it had in the S&P 500 at the end of 1999. In fact, it is only by an accident of classification that the current technology weight does not exceed the 1999 weight: Amazon is considered a member of the consumer sector despite its ownership of Amazon Web Services, which is the largest U.S. public operator of server farms for cloud computing and storage.¹ More pertinent, Amazon Web Services represented 100% of Amazon's operating earnings last year. If Amazon were classified as a member of the technology sector, the S&P 500 Growth ETF's technology weight would actually exceed the record set during the 1999 technology bubble.

Similarly, the weight of the financial sector in the S&P 500 Value ETF is over 27%. At the end of 2007, on the eve of the Financial Crisis, the weight of financials in the S&P 500 was about 22%, the sector's highest ever weight recorded in the S&P 500 Index. It is ironic that the S&P 500 Growth ETF has now attained the prior technology bubble weight, and the S&P 500 Value ETF—in principle the value investor's haven from excess valuation—has attained the pre-crisis weight in finance.

Since early 1996, the largest sectoral weight in the S&P 500 has either been financials or technology. Financials dominated the index from 1996 until late 1998. Technology was dominant from 1998 to 2001. Finance regained its dominance from 2001 to the early months of the financial crisis in 2008, and information technology has remained the dominant sector ever since.

In the S&P 500 Value ETF, the sum of information technology and financials is 34.32%. In the S&P 500 Growth ETF, the sum of information technology and financials is 38.5%. In the S&P 500 itself, the sum of information technology and financials is 36.57%. A more

¹ Statista and Data Center Frontier

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robust economy is said to benefit the information technology sector. The higher interest rates that generally accompany a more robust economy are said to be beneficial to financial services.

However, is it not possible that low interest rates are the common thread of both sectors? It is low interest rates that give rise to the high P/E multiples of the technology firms. Low interest rates have also prevented defaults on many leveraged projects during the past eight years, and perhaps before then.

The policy of ultra-accommodation by central banks commenced in about 1996. There have been rare departures from ultra-accommodative monetary policy since that time. The first such departure caused the technology bubble to collapse in 2000. The second one caused the financial collapse of 2008-2009.

Today, both the growth and value incarnations of indexation are dominated by these two sectors. Both the growth and value segments of the S&P 500 have demonstrated no differentiation from each other or even from the S&P 500 itself over the course of the past five years. For the five years ended December 31, 2016, the S&P 500 produced a 14.59% annualized rate of return. The S&P 500 Growth ETF produced a 14.33% annualized rate of return and the S&P 500 Value ETF produced a 14.48% annualized rate of return.

Perhaps the segmentation of the index into growth and value components reflects different means, however unwitting, of reliance upon the low interest rate variable. If this is true, a type of segmentation designed to provide diversification actually does the exact opposite. There is little point in dividing the index into two separate components if the resultant performance is virtually identical.

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Industry Thoughts

FINANCE

The basic problem of the financial services industry in relation to the economy is that the primary source of banks' income is interest income, although they do earn some revenue via fees. According to the National Debt Clock, the United States has total debt of \$68.371 trillion, all-inclusive of Treasuries, mortgages, credit cards, auto loans, student loans, et cetera. According to the same source, total interest paid on this sum is \$2.484 trillion.

Ignoring changes in interest rates, for the finance industry to produce a growth rate of 10% in the fullness of time, then the \$68.371 trillion of total debt must grow at 10% so the interest income—the revenue of the banks—will also grow at 10%. The problem, of course, is that the economy will not grow at anywhere near 10%, even in nominal terms, let alone real inflation-adjusted terms. Eventually, the debt burden of society will become unsustainable and, hence, a financial crisis will arise.

As an example, between 2012 and year-end 2016, J. P. Morgan Chase's total assets increased by a cumulative 5.6%; the annualized increase is 1.37%.

Table 3: JPMorgan Chase

	<u>Total Assets</u> (\$ in trillions)
2016	\$2.491
2015	2.351
2014	2.572
2013	2.414
2012	2.358

Source: Company reports

The bank's common equity increased by 24.73% cumulatively, not annualized, from \$203 billion to \$254 billion. The annualized rate was 5.68%.

Table 4: JPMorgan Chase

	<u>Common Equity</u> (\$ in billions)
2016	\$254.190
2015	247.573
2014	231.727
2013	210.857
2012	203.785

Source: Company reports

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The market capitalization nearly doubled during this period, as seen below. It went from \$167 billion to \$307 billion. The cumulative increase is 83.72%, and the annualized increase is 16.42%, which does not even include dividends.

Table 5: JPMorgan Chase

	<u>Market Cap.</u> <i>(\$ in billions)</i>
2016	\$307.295
2015	241.899
2014	232.472
2013	219.657
2012	167.26

Source: Bloomberg

Essentially, the shares progressed from a 17.7% discount to book value to a 20.89% premium. Similar calculations can be made for the Bank of America, Citigroup, Wells Fargo, et al.

If the bank's business had grown by 10% per annum, total assets would now be \$3.45 trillion instead of \$2.49 trillion. In other words, the bank would have needed to deploy another \$250 billion of capital each year. Had the banks expanded their balance sheets at 10% per annum, inflationary pressures probably would have arisen years ago.

Apart from inflationary concerns, from a regulatory perspective, a \$3.5 trillion balance sheet begins to approach the size of the Federal Reserve. Not a few observers believe that the Federal Reserve balance sheet is too large.

In any case, a \$3.5 trillion balance sheet bank might even be beyond the ability of the government to rescue, should it be required. Four simultaneous rescues of banks of this size would almost certainly be beyond the ability of the government, except perhaps with massive and inflationary monetary creation.

A large index weight in financial firms is not merely a large concentration risk; it is a very large existential risk.

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Consequently, as one might expect, the net revenue (net of interest expense) for J. P. Morgan Chase has not expanded since 2012.

Table 6: JPMorgan Chase

	<u>Net Revenue</u> (\$ in billions)
2016	\$95.668
2015	93.543
2014	95.112
2013	97.367
2012	97.680

Source: Company reports

How has the bank been able to increase its profits with no revenue growth and very little balance sheet growth? The answer is cost reduction. In 2012, the bank had \$64.7 billion of non-interest expense; in 2016, it has \$55.7 billion. This is down 13.84% cumulatively since 2012 and 20.8% cumulatively since 2013. Surely this pace of cost reduction cannot continue indefinitely.

Table 7: JPMorgan Chase

	<u>Non-Interest Expense</u> (\$ in billions)
2016	\$55.771
2015	59.014
2014	61.274
2013	70.467
2012	64.729

Source: Company reports

It is also noteworthy that, in 2016, provision for credit losses increased to \$5.36 billion from \$3.8 billion the prior year.

If soon it were to transpire that businesses of this type cannot increase net revenue because the balance sheet cannot be allowed to materially increase, then surely valuation expansion is at an end. If sizable credit losses appear, as seems to be the case at least once every decade, the result will be valuation contraction.

Allowance for loan losses to total loans is now 1.55%. In 2012, this figure was 3.02%. In any case, even without an increase in charge-offs, it would be very difficult to grow a large bank with consistency unless the balance sheet could expand. Yet, given how large the bank is already, balance sheet growth is arguably a societal danger, or at least a systemic danger.

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Let us take a broader statistical look. This information comes from the St. Louis Federal Reserve.

Table 12: All U.S. Commercial Banks

	<u>Total Assets</u> (<i>\$ in trillions</i>)
March 8, 2017	\$16.177
Dec. 26, 2007	10.846
April 5, 2000	5.720
May 14, 1990	3.184

Source: St. Louis Federal Reserve

On December 26, 2007, the total of all U.S. commercial bank assets was \$10.846 trillion, and on March 8, 2017, the last week for which data was available at the time this report was compiled, that number had increased to \$16.177 trillion. This is a rate of asset expansion modestly higher than 4% per annum.

If we look at April 5, 2000, which was during the prior stock market bubble, the total assets for the banks were \$5.72 trillion, and seven years later, by December 26, 2007, the assets almost doubled to \$10.846 trillion. The outcome was not exactly good. On May 14, 1990, total assets were \$3.184 trillion, growing to \$5.72 trillion by April 5, 2000. Even in a decade, from 1990 to 2000, that is about a 6% growth rate, but the outcome at the end of 2000 was not a pleasant one. *If the assets of banks grow faster than the economy, one is increasing loans faster than the economy is built to sustain the loans, and that is a problem.*

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Facts & Figures

VALUE INDEXES VS. GROWTH INDEXES THE RESULTS

Let us start this discussion by examining data for the five years ending December 31, 2016. Looking first at the ETFs representing the Russell 1000 Index and its growth and value components, the iShares Russell 1000 ETF earned 14.55% over five years; the iShares Russell 1000 Value ETF earned 14.57%; and the iShares Russell 1000 Growth ETF earned 14.29%. Perhaps one needs to be a trained observer to perceive a substantive difference between these returns.

Table 8: Value Indexes vs. Growth Indexes for the 5 year period ended 12/31/2016

IWB	iShares Russell 1000 ETF	14.55%
IWD	iShares Russell 1000 Value ETF	14.57%
IWF	iShares Russell 1000 Growth ETF	14.29%
IVV	iShares Core S&P 500 ETF	14.59%
IVE	iShares S&P 500 Value ETF	14.48%
IVW	iShares S&P 500 Growth ETF	14.33%
IWM	iShares Russell 2000 ETF	14.51%
IWN	iShares Russell 2000 Value ETF	14.95%
IWO	iShares Russell 2000 Growth ETF	13.89%
EFA	iShares MSCI EAFE ETF	6.43%
EFG	iShares MSCI EAFE Growth ETF	6.36%
EFV	iShares MSCI EAFE Value ETF	6.05%

Source: iShares

The S&P 500 ETF earned 14.59%; the S&P 500 Value ETF earned 14.48%; and the S&P 500 Growth ETF earned 14.33%.

Maybe we will have more luck uncovering the diversification or return divergence between the value and growth extremes with the small capitalization stocks. The iShares Russell 2000 ETF earned 14.51%. Note the similarity of the return, incidentally, to the large capitalization

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stocks. It is four basis points removed. The iShares Russell 2000 Value ETF earned 14.95% and the iShares Russell 2000 Growth ETF earned 13.89%.²

Perhaps to find some differentiation, we need to consider international investing, and there can be no better index for that purpose than the MSCI EAFE Index. For the iShares ETFs based on the MSCI EAFE ETF, the annualized rates of return for the same 5-year period ended December 31, 2016, were 6.43% iShares Russell 1000 ETF; 6.36% for the iShares MSCI EAFE Growth ETF; and 6.05% for the iShares MSCI Value ETF.

Now, for the fees. Note that the iShares Core S&P 500 500 ETF itself charged 4 basis points in fees, while the fees for both the iShares S&P 500 Value ETF and the iShares S&P 500 Growth ETF were 18 basis points. Surely, it cannot be so much more operationally difficult to maintain growth and value sector subsets of the S&P 500 than it is to maintain the S&P 500 itself, that they require 3½ times the fee, especially since they each include the names of several hundred companies.

Table 9: Value Indexes vs. Growth ETFs

		<u>Fees</u> (basis points)
IWB	iShares Russell 1000 ETF	15
IWD	iShares Russell 1000 Value ETF	20
IWF	iShares Russell 1000 Growth ETF	20
IVV	iShares Core S&P 500 ETF	4
IVE	iShares S&P 500 Value ETF	18
IVW	iShares S&P 500 Growth ETF	18
IWM	iShares Russell 2000 ETF	20
IWN	iShares Russell 2000 Value ETF	25
IWO	iShares Russell 2000 Growth ETF	25
EFA	iShares MSCI EAFE ETF	33
EFG	iShares MSCI EAFE Growth ETF	40
EFV	iShares MSCI EAFE Value ETF	40

Source: iShares

² Interestingly, this might be considered to be near or below the human physiological capacity for perception. In psychophysics, a just noticeable difference, or JND, in the ability to differentiate between two items of different weight is an increment of about 5%. For sound, depending on the frequency of the tone, the threshold is about 0.06%, which would be 6 basis points in finance argot.

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Featured Companies

LEE ENTERPRISES, INCORPORATED (LEE)

Lee Enterprises only has a \$164 million market capitalization. It seems like a small capitalization company by virtue of that figure, but it is really a \$700 million-plus enterprise-value company, by virtue of its debt.

In the world of indexation, the important metrics are market capitalization and float. Since Lee Enterprises has only a \$164 million market capitalization, it is owned by only two ETFs: the iShares Micro-Cap ETF (IWC) and the iShares Core S&P Total U.S. Stock Market ETF (ITOT).

Lee Enterprises operates 46 daily newspapers that specialize in local news. It has almost 300 other local publications and a variety of digital products. It operates in 21 states and has only 900,000 subscribers, although the company reports it has more than 3 million readers. The digital sites attract 25 million unique visitors per month. The company's markets include Napa, California; Davenport, Iowa; Tucson, Arizona; Bloomington, Illinois; and Billings, Montana.

Lee Enterprises was founded in 1890, and it is very leveraged. It has \$574 million of debt and \$20 million of cash on the balance sheet. Shareholders' equity is negative \$115 million, and that is without deducting the intangibles.

The company made the enormous strategic error of buying Howard Publications in 2002 for \$694 million. Howard Publications produces 16 newspapers. Lee thereafter purchased the much larger Pulitzer Inc. for \$1.5 billion in 2005. Since that time, Lee has been aggressively repaying debt. It had over \$1 billion of debt as late as December 2010.

While the company has remained profitable due to very aggressive cost controls, it cannot be denied that any type of revenue associated with traditional print publications is in decline. Revenue may exceed \$600 million on an annual basis, but it is declining at the rate of about 5% a year. In contrast, digital revenue has now passed the \$100 million mark on an annual basis and it is growing at roughly 11% a year. The company has the ability to repay not quite but almost \$80 million of debt a year at current levels of business. Some of the smaller digital properties, such as TownNews.com, are growing at 22% a year, albeit from a very low base.

On a GAAP basis, Lee Enterprises might earn \$50 million, and it trades at a P/E of 3x. If the earnings can be stabilized and the balance sheet debt reduced to the level of a non-existential threat, the company could trade at a higher valuation multiple. As the digital business continues to grow while the traditional business continues to shrink, at some point, the

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growing portion of the business will overtake the declining one. At that point, the company will not trade at 3x earnings. It might ultimately trade at 10, 12, or even 14 times earnings, in which case one would make 4 times one's money.

NEW MEDIA INVESTMENT GROUP INC. (NEWM)

New Media Investment Group has a \$798 million market capitalization. It is gradually approaching the status of the largest or one of the largest publishers of local media content. It has a portfolio of more than 630 publications and 535 websites. It also owns six Yellow Pages directories. Altogether, the publications and websites reach 19 million people. The company's 130 daily newspapers have each been published for more than 50 years. The company asserts it reaches across 36 states.

New Media Investment has a sensibly arranged balance sheet. It has a much less leveraged than Lee Enterprises. Although all of the equity is intangible, there is \$755 million of equity, and a total of \$354 million of long and short term debt, as against cash balances of about \$172 million.

The company is acquiring local publications. In 2016, it made eight acquisitions that cost a total of \$123 million. This strategy makes sense for New Media Investment, since the company has over \$200 million of net operating losses to shield against taxes for several years.

As is the case with Lee Enterprises, the digital properties and a handful of select publications are growing, while its traditional print publications are generally in decline. However, in the specific case of New Media, approximately 52% of the sources of revenue are expanding or stable, while 48% are in decline. If current trends continue, the company could be perceived as growing on an all-inclusive basis, rather than as a company in decline.

When New Media purchases a newspaper, the multiple paid on the last 12 months of EBITDA is about 4 times. The company reports that the unleveraged yield on purchases is roughly 23%, given certain monies they usually have to invest in the business.

The company's annual free cash flow will be between \$150 million and \$160 million. The shares trade at 5.1x estimated free cash flow. New Media asserts that revenue from "same-store operations"—that is, measuring like-to-like—is declining at less than 1% a year. Most of the cash flow is paid out as a dividend, and the stock yields 9.43%. If perceived as a stable dividend payer rather than a company in decline, the required yield might be 4% as opposed to over 9%, and the resultant price increase in the shares could be very substantial.

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TEGNA INC. (TGNA)

TEGNA is a larger company than those discussed so far: it has a \$5.6 billion market capitalization. It holds the digital media division as well as the broadcast properties created in the spin-off from Gannett in 2015. The company owns 46 television stations in 23 states. It also owns Cars.com, with over 30 million monthly visitors; CareerBuilder, the largest online job site in North America; and G/O Digital, which connects national brands with local businesses in 110 municipal markets. All told, the company reports that its brands reach a total of 90 million U.S. adults.

Unlike many media companies, this business is growing organically. The revenue in 2016 advanced by 9.5%, and the annual free cash flow is now \$569 million. Thus, it is trading at 10x free cash flow.

Due to the leverage typical of this sector, the standard way to evaluate a media business is enterprise value to EBITDA, that is, as a multiple of its operating-level cash flow before deduction of interest expense and accounting charges for depreciation and amortization.

Table 13: TEGNA Valuation

Enterprise Value	\$9.642 billion
EBITDA	\$1.234 billion
Enterprise Value/EBITDA	7.8x

Source: Company reports

TEGNA's enterprise value is 9.64 billion and the EBITDA is \$1.23 billion, so it trades at a 7.8x enterprise-value-to-EBITDA ratio. A limitation of the EBITDA method—which sometimes has the unfortunate effect of confusing equity investors—is that EBITDA is an excellent measure for debt holders, since any earnings before interest expense belongs to them first. Shareholders get whatever is left; however, the free cash flow belongs entirely to the shareholders, assuming interest and principal on debt are paid as scheduled.

In the past year, TEGNA has repurchased almost 4% of its shares outstanding, repaid about 3% of its debt, and reduced its dividend by almost 18%. If it uses free cash flow to repay debt at the rate of, say, 3% a year, and repurchases shares at 5% a year while increasing revenue at the rate of 10% a year, that in itself should produce a very robust investment return.

Cars.com, however, is going to be spun off. TEGNA has an interest of 53% in CareerBuilder and is seriously considering selling that investment as well. Those businesses should have much higher valuation multiples in publicly traded incarnations than they do within TEGNA. This is obscuring a much lower free cash flow multiple on the base business.

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What the company calls its “digital segment” is 42% of revenue, or \$1.41 billion. If the digital segment gets a multiple of 3 to 4 times revenue, whether in a private transaction or in a public offering, the investor is getting the broadcast segment for nothing.

TRIBUNE MEDIA COMPANY (TRCO)

Tribune Media Company has a \$3.2 billion market capitalization. It owns 42 broadcast TV stations and the WGN cable network, which reaches approximately 80 million homes. It owns 63 real estate properties and it has an assortment of equity investments in online media. The core broadcasting business had a very good 2016, but that was largely due to the presidential political cycle. Without that, the revenue would have declined.

The real estate is basically underutilized. For example, the 117,000 square foot Freedom Center in North Chicago, which is on seven acres, is vacant. The 2.7 acre L.A. Times Square North property operates as a parking lot, and the Freedom Center South 30.4 acre site in Chicago is now an industrial site but could and probably will one day be redeveloped. The Las Olas Way property in Fort Lauderdale, which is 1.4 acres, is a parking lot, too. All these properties could be developed.

Table 14: Tribune Media Company Real Estate Holdings Examples

<u>Location</u>	<u>Acreage</u>	<u>Development</u>
Freedom Center North in Chicago	7 acres	Vacant building
LA Times Square North	2.7 acres	parking lot
Freedom Center South in Chicago	30.4 acres	industrial site
Ft. Lauderdale Las Olas Way	1.4 acres	parking lot

Source: *Company reports*

Because the real estate is mostly dormant, it produces only \$5 million a year in free cash flow even though the holdings consist of 3 million square feet of space and 781 acres of land. What cash flow, on average, could a square foot of property receive in rent or in cash flow if it were either sold to a buyer or if the company were somehow to develop the properties itself? Anyone can see it would be a lot more than \$5 million a year, and 781 acres of land can be developed into something significant.

The position of the company would radically transform if the real estate could be monetized. Right now, Tribune ranks as a leveraged company. It has \$577 million of cash on the balance sheet, but \$3.4 billion of debt.

Without the political cycle, the company might have earned \$470 million to \$480 million of EBITDA in 2016. One might view Tribune’s debt as being associated with the real estate. The real estate is dormant. If one could sell the real estate for a substantial value and trade

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away or pay down a lot or even all of the debt, then one would have a company with a good balance sheet and with \$470 million to \$480 million of EBITDA. If a company like that were to trade at a broadcast industry multiple of, say, 10x that level of earnings, it would trade at a lot more than its current market value.

Also, the smaller digital businesses are scheduled to be sold to Nielsen for \$560 million in cash. The company has some larger businesses, too.

Table 15: TRCO % Interest in Digital Businesses

Food Network	31%
CareerBuilder	32%
Cubs LLC (Chicago Cubs)	5%

Source: Company reports

All of these assets could be monetized. In recognition of that possibility, the activist firm Starboard Value has just taken a position and, generally speaking, Starboard views itself as a catalyst for change. Perhaps change will actually occur.

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Post-Musings

BASIC GROWTH AND VALUE CATEGORIES

Growth and value categories are the standard for evaluating managers. Apart from the fact that these segments seem to provide the same rates of return over quite long periods of time, managers are hired and dismissed based on their results in relation to these indexes.

More to the point, when managers are assigned the value criteria and growth criteria of the new mandates themselves, they are monitored very vigorously, because the asset allocators and the evaluators of performance certainly would not like to see any style drift in the manager. Of course, style drifts in the index seem to be quite permissible. If the index drifts in style, but the manager is forbidden to drift in style, that is a very interesting situation, to say the least.

Value investing versus growth investing in the index business is a big business.

Table 16: Basic Value and Growth Categories

	<u>AUM</u> (\$ in billions)
IWD iShares Russell 1000 Value ETF	\$37.3
VTV Vanguard Value ETF	30.5
IWF iShares Russell 1000 Growth ETF	46.3
VUG Vanguard Growth ETF	34.2

Source: *etfdb.com*

Even looking at the Vanguard Value ETF and the Vanguard Growth ETF vis-à-vis the Russell-based ETFs of iShares, there is not a lot of distinction in performance.

Table 17: Value Indexes vs. Growth Indexes, Results

	<u>5 years ended 12/31/2016</u>
IWD iShares Russell 1000 Value ETF	14.57%
VTV Vanguard Value ETF	14.99%
IWF iShares Russell 1000 Growth ETF	14.29%
VUG Vanguard Growth ETF	14.06%

Source: *iShares & etfdb.com*

If value and growth are not only allowed to incur style drift, and are not only allowed to overlap in their holdings, but also produce results that are more or less identical, something must be wrong with the value-versus-growth means of evaluating managers.

THE STAHL REPORT COMPENDIUM

From the Readers

THE DISPUTE BETWEEN BITCOIN UNLIMITED AND BITCOIN CORE

Q: There is a dispute underway between the aficionados of Bitcoin Unlimited and Bitcoin Core. Would you please explain the dispute?

A: As I understand it, Bitcoin Unlimited is basically a way of reducing the block size so that blocks can be processed more rapidly. Without getting too technical, the same is true of Bitcoin Core, but it addresses the subject of block size with something called Segregated Witness. The idea is to shorten the time it takes to process a block on the bitcoin blockchain.

The market will decide which blockchain version is better. It is not for any one person to make that determination. Since the miners just want to make money; they will back whatever gets bitcoin's price to the highest level.

Several news articles have appeared addressing the possibility of a fight that could result in something called a "hard fork," meaning the bitcoin blockchain, or ledger, would split into two separate blockchains and bitcoin users will be forced to choose one. There are two kinds of hard forks. One occurs when there is unanimity, meaning that all the miners agree on the change. The problem arises in the other kind where there is no unanimity and the result is two different blockchain ledgers.

When the digital currency Ethereum faced a hard fork because there was no consensus on whether to stay with the original ledger (blockchain) or shifting to the new, Ethereum owners received one of each: one unit to be traced through the original ledger (Ethereum) and one through the new ledger (Ethereum Classic). Holders had the option to sell one and buy the other, or keep both. The Ethereum hard fork was event driven.

A certain smart contract called DAO had attracted over \$100 million in funding. A hacker discovered and exploited a flaw in the DAO smart contract that would have drained \$50 million from DAO investors if the hacker had been allowed to withdraw the funds after the mandatory 30-day waiting period. The hard fork was proposed as a way to stop the hacker from receiving the stolen money. A majority of the mining nodes "forked over" to the altered blockchain that thwarted the hacker, but about 20% maintained the original Ethereum blockchain, which allowed the hacker to withdraw the stolen funds. After the fork, holders of Ethereum had both Ethereum Classic and the new Ethereum. One could decide which to keep or whether to keep both. Based on the price of each, the market seems to prefer Ethereum over Ethereum Classic

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It is uncertain whether there will be a hard fork in the bitcoin blockchain. Unlike the Ethereum hard fork, the bitcoin decision is not event driven. It is promoted as a way of speeding up the time it takes to process a block of transactions. I do not think it is an issue of concern. A major difference between Ethereum and bitcoin is that the number of bitcoin that will ever be created is capped at 21 million, all of which will be mined by the year 2140. Even if there is a hard fork in bitcoin, it will not affect the thesis that the finite number of bitcoin make it anti-inflationary.

Bitcoin is a completely voluntary project. Those who work on different ways of improving the bitcoin blockchain do it for free. They are willing to do this because their knowledge of the code in the new version of the blockchain would give them an advantage over other participants. A deep understanding of the code provides an advantage in making applications for the bitcoin blockchain code, just as those who have a deep understanding of the iPhone code have an edge when creating iPhone apps.

Ethereum does not work that way. For Ethereum, the issuance is unlimited. A number of Ethereum are issued every year. The base number increases every year for a target inflation rate of 2% in 153 years. Bitcoin already has a 3% inflation rate, but in two-plus years, it will have a 1.5% inflation rate. Then, in four years, it will have a 75 basis point inflation rate, with continued halving thereafter, such that the all-in inflation rate is 20 basis points a year. However, there is at least a one percent a year disappearance of bitcoins, called bitrot, that occurs because the private access keys are lost.

As a store of value, bitcoin is far superior. The question that one might ask is why the other currencies, like Ethereum, do not just move to a fixed issuance. The answer is that issuance is used by the Ethereum Foundation to subsidize itself. It gets a certain amount of the newly issued Ethereum, which it then uses to improve the system. Ethereum might turn out to be the currency with the best transaction system, because more money is spent on improving the software.

If Ethereum has a better system, there is no reason why one could not trade one's bitcoin on the Ethereum blockchain. If Ethereum is used to facilitate securities trading, there's no reason why bitcoin couldn't be traded on it as well.

In my estimation, bitcoin has an existence as a store of value complete and separate from the blockchain itself. The blockchain is interesting, and maybe the bitcoin blockchain will be better than the Ethereum blockchain, or maybe the other way around. It is unclear as yet which will be superior. However, one must distinguish between a currency that facilitates transactions and one that functions as a store of value. Most of the digital currencies subsidize themselves by having unlimited issuance. You might think of them as a kind of profitmaking enterprise.

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WEALTH INDEX (Ticker: RCH Index)

As of March 31, 2017

<u>Annualized Total Return</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>7 Years</u>	<u>10 Years</u>	<u>15 Years</u>	<u>20 Years</u>	<u>Since Incep. 1991 - Mar '17</u>
Wealth Index	22.09%	6.49%	11.74%	13.62%	10.07%	11.17%	11.11%	12.84%
S&P 500	17.17%	10.37%	13.30%	12.94%	7.51%	7.09%	7.86%	10.05%
S&P 500 Eq. Wgt.	17.45%	9.59%	14.02%	13.63%	8.69%	9.35%	10.20%	12.14%
Russell 3000	18.07%	9.76%	13.18%	12.89%	7.54%	7.44%	8.11%	10.27%
Russell 2000	26.22%	7.22%	12.35%	12.27%	7.12%	8.38%	8.67%	10.89%

Excess Return vs. S&P 500	4.92%	-3.88%	-1.56%	0.68%	2.56%	4.08%	3.25%	2.79%
Excess Return vs. S&P 500 Eq. Wgt.	4.64%	-3.10%	-2.28%	-0.01%	1.38%	1.82%	0.91%	0.69%
Excess Return vs. Russell 3000	4.02%	-3.26%	-1.44%	0.73%	2.53%	3.74%	3.00%	2.57%
Excess Return vs. Russell 2000	-4.13%	-0.72%	-0.61%	1.35%	2.95%	2.79%	2.44%	1.94%

*Note: Calculated Using Total Returns

<u>Risk Adjusted Return</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>7 Years</u>	<u>10 Years</u>	<u>15 Years</u>	<u>20 Years</u>	<u>Since Incep. 1991 - Mar '17</u>
Wealth Index	2.08	0.47	0.88	0.88	0.49	0.58	0.50	0.63
S&P 500	2.75	1.00	1.30	1.04	0.49	0.49	0.52	0.71
S&P 500 Eq. Wgt.	2.41	0.88	1.29	1.00	0.48	0.55	0.60	0.77
Russell 3000	2.49	0.91	1.26	1.00	0.48	0.50	0.52	0.71
Russell 2000	2.00	0.46	0.86	0.71	0.35	0.44	0.43	0.58

*Note: Calculated As Annualized Total Return Divided By Annualized Total Return Volatility (Uses Monthly Total Returns)

<u>Information Ratio</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>7 Years</u>	<u>10 Years</u>	<u>15 Years</u>	<u>20 Years</u>	<u>Since Incep. 1991 - Mar '17</u>
Wealth Index vs. S&P 500	0.61	(0.57)	(0.25)	0.11	0.29	0.48	0.31	0.28
Wealth Index vs. S&P 500 Eq. Wgt.	0.77	(0.62)	(0.50)	(0.00)	0.25	0.32	0.09	0.08
Wealth Index vs. Russell 3000	0.55	(0.57)	(0.27)	0.14	0.32	0.48	0.31	0.28
Wealth Index vs. Russell 2000	(0.63)	(0.11)	(0.11)	0.22	0.39	0.36	0.22	0.19

*Note: Calculated As Annualized Excess Total Return Divided By Annualized Excess Total Return Volatility (Uses Monthly Excess Total Returns)

<u>Wealth Index Rolling Average</u>	<u>Roll 1 Year</u>	<u>Roll 3 Year</u>	<u>Roll 5 Year</u>
vs. S&P 500	56.91%	63.57%	67.19%
vs. S&P 500 Eq. Wgt.	54.26%	56.43%	57.03%
vs. Russell 3000	59.21%	63.57%	72.27%
vs. Russell 2000	57.89%	67.50%	73.83%

*Note: Calculated Using Total Returns

<u>Annualized Volatility</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>7 Years</u>	<u>10 Years</u>	<u>15 Years</u>	<u>20 Years</u>	<u>Since Incep. 1991 - Mar '17</u>
Wealth Index	10.62%	13.82%	13.32%	15.47%	20.56%	19.39%	22.05%	20.28%
S&P 500	6.24%	10.41%	10.20%	12.44%	15.30%	14.33%	15.22%	14.24%
S&P 500 Eq. Wgt.	7.23%	10.92%	10.85%	13.66%	17.96%	16.92%	17.02%	15.79%
Russell 3000	6.73%	10.71%	10.45%	12.89%	15.83%	14.73%	15.54%	14.49%
Russell 2000	13.09%	15.68%	14.36%	17.17%	20.13%	19.04%	20.02%	18.67%

*Note: Calculated Using Total Returns

<u>Annualized Tracking Error</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>7 Years</u>	<u>10 Years</u>	<u>15 Years</u>	<u>20 Years</u>	<u>Since Incep. 1991 - Mar '17</u>
vs. S&P 500	8.02%	6.76%	6.20%	6.12%	8.79%	8.52%	10.58%	9.97%
vs. S&P 500 Eq. Wgt.	6.04%	4.98%	4.55%	4.33%	5.61%	5.69%	9.81%	9.04%
vs. Russell 3000	7.26%	5.76%	5.31%	5.31%	7.91%	7.71%	9.75%	9.14%
vs. Russell 2000	6.60%	6.41%	5.61%	6.21%	7.52%	7.79%	11.03%	10.21%

*Note: Calculated Using Total Returns

<u>Wealth Index Beta</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>7 Years</u>	<u>10 Years</u>	<u>15 Years</u>	<u>20 Years</u>	<u>Since Incep. 1991 - Mar '17</u>
vs. S&P 500	1.12	1.17	1.17	1.15	1.24	1.24	1.31	1.27
vs. S&P 500 Eq. Wgt.	1.23	1.20	1.17	1.08	1.11	1.10	1.17	1.16
vs. Russell 3000	1.17	1.19	1.18	1.14	1.22	1.23	1.31	1.28
vs. Russell 2000	0.70	0.81	0.85	0.84	0.95	0.93	0.95	0.94

*Note: Calculated Using Total Returns

<u>Calendar Year Total Returns</u>	<u>Wealth Index</u>	<u>S&P 500</u>	<u>S&P 500 Eq. Wgt.</u>	<u>Russell 3000</u>	<u>Russell 2000</u>	<u>ER v. SP500</u>	<u>ER v. SP500 EW</u>	<u>ER v. R3000</u>	<u>ER v. R2000</u>
1991	44.25%	30.47%	35.51%	33.68%	46.04%	13.78%	8.73%	10.57%	-1.80%
1992	20.20%	7.62%	15.63%	9.59%	18.41%	12.88%	4.56%	10.61%	1.79%
1993	3.38%	10.08%	15.12%	10.88%	18.88%	-6.70%	-11.75%	-7.50%	-15.50%
1994	0.33%	1.32%	0.93%	0.19%	-1.82%	-0.99%	-0.62%	0.14%	2.15%
1995	31.31%	27.58%	32.03%	36.80%	28.45%	-6.27%	-0.72%	-5.49%	2.86%
1996	23.09%	22.96%	19.02%	21.82%	16.49%	0.13%	4.06%	1.27%	6.59%
1997	27.31%	33.36%	29.05%	31.78%	22.36%	-6.06%	-1.74%	-4.48%	4.94%
1998	24.95%	28.58%	12.19%	24.14%	-2.55%	-3.63%	12.76%	0.81%	27.49%
1999	44.68%	21.04%	12.03%	20.90%	21.26%	23.64%	32.66%	23.78%	23.43%
2000	-19.16%	-9.10%	9.64%	-7.46%	-3.02%	-10.06%	-28.80%	-11.70%	-16.14%
2001	-10.80%	-11.89%	-0.39%	-11.46%	2.49%	1.08%	-10.41%	0.65%	-13.29%
2002	-15.49%	-22.10%	-18.18%	-21.54%	-20.48%	6.61%	2.69%	6.05%	4.99%
2003	45.41%	28.68%	40.97%	31.06%	47.25%	16.72%	4.44%	14.35%	-1.85%
2004	17.97%	10.88%	16.95%	11.95%	18.33%	7.09%	1.02%	6.02%	-0.36%
2005	3.30%	4.91%	8.04%	6.12%	4.55%	-1.61%	-4.76%	-2.82%	-1.25%
2006	22.61%	15.79%	15.80%	15.71%	18.37%	6.81%	6.81%	6.89%	4.24%
2007	1.73%	5.49%	1.53%	5.14%	-1.57%	-3.76%	0.20%	-3.41%	3.30%
2008	-42.67%	-37.00%	-39.72%	-37.31%	-33.79%	-6.68%	-3.95%	-6.37%	-9.89%
2009	72.80%	26.46%	46.31%	28.34%	27.17%	46.33%	26.49%	44.46%	45.62%
2010	31.51%	15.06%	21.91%	16.93%	26.85%	16.45%	9.60%	14.58%	4.65%
2011	5.11%	2.11%	-0.11%	1.03%	-4.18%	3.00%	5.22%	4.09%	9.29%
2012	13.53%	16.00%	17.65%	16.42%	16.35%	-2.46%	-4.13%	-2.89%	-2.62%
2013	41.08%	32.39%	36.16%	33.55%	38.82%	8.69%	4.92%	7.53%	2.25%
2014	7.06%	13.69%	14.49%	12.56%	4.89%	-6.63%	-7.43%	-5.50%	2.17%
2015	-6.87%	1.38%	-2.20%	0.48%	-4.41%	-8.26%	-4.67%	-7.35%	-2.46%
2016	16.85%	11.96%	14.80%	12.74%	21.31%	4.89%	2.05%	4.12%	-4.45%
2017 YTD	5.30%	6.07%	5.42%	5.74%	2.47%	-0.77%	-0.11%	-0.44%	2.84%

*Note: Calculated Using Total Returns

Source: Horizon Kinetics LLC, International Securities Exchange, Bloomberg

See important disclosures for additional information.

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KINETICS LLC

Index Constituent Changes: 1. Nuveen Investments Inc (JNC US) was delisted from the US Security Exchange effective 11/14/2007 and has been removed from the index. 2. Alliance Financial Corp (ALNC US) was delisted from US Security Exchange effective 03/11/2013 and has been removed from the index. The divisor has been adjusted accordingly for each of these changes.

Money Manager Index

From Aug 1983 to Mar 2017

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yr. End	Index	Yearly return	Annualized return (since inception)
1983								1.00	0.81	0.76	0.87	0.75	1983	0.75	(60.5)%	(50.2)%
1984	0.75	0.71	0.70	0.66	0.67	0.67	0.61	0.83	0.79	0.76	0.67	0.65	1984	0.65	(13.5)%	(26.5)%
1985	0.92	0.93	0.99	0.95	1.20	1.30	1.32	1.38	1.28	1.50	1.86	2.02	1985	2.02	211.8%	33.7%
1986	2.46	2.78	2.47	2.31	2.36	2.33	2.03	2.23	1.98	2.37	2.34	2.34	1986	2.34	15.9%	28.2%
1987	3.21	3.27	3.16	2.55	2.37	2.30	2.39	2.47	2.22	1.56	1.44	1.52	1987	1.52	(35.0)%	9.9%
1988	1.80	1.87	1.78	1.79	1.69	1.94	1.92	1.96	2.01	1.97	1.95	2.07	1988	2.07	36.0%	14.3%
1989	2.42	2.37	2.54	2.63	2.64	2.64	2.93	3.12	3.07	3.05	3.23	3.26	1989	3.26	57.8%	20.2%
1990	3.12	3.15	3.53	3.06	3.47	3.45	3.30	2.70	2.68	2.40	2.52	3.02	1990	3.02	(7.3)%	16.1%
1991	3.08	3.49	3.70	3.68	3.71	3.61	3.86	4.05	4.07	4.69	4.47	5.72	1991	5.72	89.4%	23.0%
1992	5.76	5.61	5.30	5.12	4.98	4.99	5.93	6.06	6.19	6.56	7.25	7.36	1992	7.36	28.6%	23.6%
1993	8.06	8.04	8.20	7.94	8.15	8.57	9.05	10.00	9.99	9.31	8.97	8.90	1993	8.90	21.0%	23.4%
1994	9.52	8.73	8.05	7.85	7.81	7.53	7.66	8.31	8.15	8.52	7.88	7.95	1994	7.95	(10.6)%	19.9%
1995	7.74	8.38	8.72	8.77	9.20	9.35	9.93	10.78	11.22	10.53	10.89	10.40	1995	10.40	30.8%	20.8%
1996	11.12	11.50	11.33	11.62	11.86	12.53	11.91	12.36	13.32	14.03	14.42	15.02	1996	15.02	44.4%	22.4%
1997	16.04	16.81	15.32	17.27	18.42	20.29	22.28	21.39	25.31	24.95	24.95	25.50	1997	25.50	69.8%	25.2%
1998	25.67	29.00	29.89	30.60	28.90	30.44	27.67	21.33	21.74	25.16	27.27	25.41	1998	25.41	(0.4)%	23.3%
1999	26.00	23.71	23.92	26.77	28.94	29.74	28.78	26.74	25.89	27.73	28.54	30.55	1999	30.55	20.2%	23.2%
2000	31.07	31.19	36.01	35.60	35.20	40.32	43.58	45.75	45.62	48.69	44.05	49.84	2000	49.84	63.1%	25.2%
2001	50.23	46.41	44.27	46.96	48.90	49.98	50.67	49.70	46.47	44.81	48.04	51.91	2001	51.91	4.2%	23.9%
2002	53.62	53.74	55.11	52.52	52.83	50.48	42.58	44.92	41.54	42.66	45.78	43.17	2002	43.17	(16.8)%	21.4%
2003	42.72	41.18	42.36	45.98	49.02	50.71	53.47	53.97	53.46	56.12	55.83	58.49	2003	58.49	35.5%	22.1%
2004	64.38	65.08	64.63	61.68	60.86	62.30	58.71	64.08	65.73	68.86	73.53	78.16	2004	78.16	33.6%	22.6%
2005	76.46	77.94	74.06	72.83	77.02	80.25	83.59	83.07	86.03	89.19	96.58	97.35	2005	97.35	24.6%	22.7%
2006	107.62	111.44	110.75	111.88	101.89	100.61	100.62	104.98	114.61	116.64	113.78	118.05	2006	118.05	21.3%	22.6%
2007	125.73	123.77	122.62	127.58	133.57	134.68	126.61	124.07	133.57	148.09	135.13	135.56	2007	135.56	14.8%	22.3%
2008	127.53	115.76	115.94	121.58	130.51	115.68	119.94	120.55	109.69	72.70	62.95	67.91	2008	67.91	(49.9)%	18.1%
2009	57.51	51.76	65.63	79.49	85.67	90.79	99.97	101.69	107.32	107.36	110.94	115.01	2009	115.01	69.4%	19.7%
2010	106.84	110.32	118.13	114.91	100.18	88.17	97.65	89.64	103.59	108.29	108.64	119.58	2010	119.58	4.0%	19.1%
2011	122.80	128.28	127.94	127.97	126.06	121.03	115.49	104.25	91.32	102.44	103.79	103.98	2011	103.98	(13.1)%	17.8%
2012	109.46	120.12	125.37	121.64	108.44	114.12	113.56	118.33	123.18	127.91	131.76	135.00	2012	135.00	29.8%	18.1%
2013	151.20	155.13	165.52	166.55	174.89	164.20	179.01	168.47	176.12	192.14	197.16	208.44	2013	208.44	54.4%	19.2%
2014	194.17	196.87	203.88	196.24	195.40	206.41	194.00	207.06	201.07	205.28	212.28	215.25	2014	215.25	3.3%	18.6%
2015	203.96	217.70	215.97	218.17	217.01	211.12	203.85	184.77	175.53	195.50	198.54	181.68	2015	181.68	(15.6)%	17.4%
2016	165.64	164.85	183.47	190.06	194.22	177.37	187.78	190.19	185.87	173.66	194.88	199.52	2016	199.52	9.8%	17.2%
2017	196.14	209.63	205.70									205.70		205.70	3.1%	17.1%

S.No.	Ticker	Name	Amount Invested	Shares Purchased	Date of Investment	Current Index Value
1	AMG US Equity	Affiliated Manager	\$22,947	1,377	11/30/1997	\$ 225,714
2	BLK US Equity	BlackRock	\$23,205	1,658	9/30/1999	\$ 639,817
3	WDR US Equity	Waddell & Reed	\$27,513	1,587	3/31/1998	\$ 26,984
4	EV US Equity	Eaton Vance	\$2,641	3,998	1/31/1986	\$ 179,768
5	TROW US Equity	T. Rowe Price	\$2,423	2,014	4/30/1986	\$ 138,392
6	BEN US Equity	Franklin resources	\$908	1,263	4/30/1985	\$ 160,443
7	LM US Equity	Legg Mason	\$1,000	462	8/31/1983	\$ 16,791
8	FII US Equity	Federated Inv	\$26,381	2,206	5/31/1998	\$ 58,108
9	FIG US Equity	Fortress Investment Group	\$102,249	3,389	2/28/2007	\$ 27,248
10	PZN US Equity	Pzena Investment Management	\$122,426	6,317	10/31/2007	\$ 62,161

PLEASE DO NOT

THE STAHL REPORT COMPENDIUM

Index Constituent Changes: 1. New Star Asset Management (NSAM LN) was delisted from the London Security Exchange effective 03/10/2009 and has been removed from the index. 2. Australia Wealth Management (AUW AU) was delisted from Australian Security Exchange effective 05/18/2009 and has been removed from the index. 3. Bluebay Asset Management/UNI (BBAY LN) was delisted from the London Security Exchange effective 12/20/2010 and has been removed from the index. 4. Everest Financial Group Limited (EFG AU) was delisted from the Australian Security Exchange effective 7/19/2011 and has been removed from the index. 5. RAB Capital Plc (RAB LN) was delisted from the London Security Exchange effective 9/2/2011 and has been removed from the index. 6. Invista Real Estate (INRE LN) was delisted effective 8/13/2012 and has been removed from the index. 7. F&C Asset Management Plc (FCAM LN) was delisted effective 5/8/2014 and has been removed from the index. 8. Charlemagne Capital Ltd (CCAP LN) was delisted effective 12/14/2016 and has been removed from the index. The divisor has been adjusted accordingly for each of these changes.

International Money Manager Index

From Nov 1986 to Mar 2017

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yr. End	Index	Yearly return	Annualized return (since inception)
1986													1986	1.02	10.0%	10.0%
1987	1.25	1.37	1.48	1.48	1.37	1.33	1.39	1.40	1.33	0.81	0.76	0.73	1987	0.73	(27.7)%	(23.3)%
1988	0.75	0.92	1.02	0.95	0.80	0.89	0.88	0.82	0.86	0.88	0.89	0.93	1988	0.93	26.4%	(3.4)%
1989	1.03	1.02	1.06	1.17	1.19	1.18	1.25	1.16	1.17	1.20	1.21	1.28	1989	1.28	37.8%	8.1%
1990	1.24	1.24	1.18	1.19	1.22	1.24	1.26	1.26	1.23	1.24	1.25	1.33	1990	1.33	3.7%	7.0%
1991	1.34	1.52	1.56	1.58	1.57	1.47	1.52	1.64	1.81	1.89	1.94	1.92	1991	1.92	44.8%	13.5%
1992	2.01	1.93	1.88	2.14	2.19	2.13	2.08	1.99	1.95	1.77	1.76	1.96	1992	1.96	1.9%	11.5%
1993	1.98	2.03	2.20	2.39	2.42	2.45	2.54	3.05	3.01	3.07	3.01	3.30	1993	3.30	68.7%	18.1%
1994	3.72	3.39	3.17	3.04	2.99	2.89	3.01	3.14	3.13	3.19	3.15	3.15	1994	3.15	(4.7)%	15.1%
1995	3.07	3.12	3.28	3.41	3.56	3.59	3.87	3.76	3.76	3.77	3.70	3.73	1995	3.73	18.6%	15.4%
1996	3.76	3.85	3.70	3.79	3.96	3.90	3.75	3.96	4.16	4.47	4.90	4.86	1996	4.86	30.3%	16.8%
1997	5.11	5.37	4.99	4.96	5.43	5.94	6.57	6.32	7.45	7.24	6.80	7.19	1997	7.19	47.9%	19.3%
1998	7.12	8.05	8.78	9.25	8.95	8.74	8.91	6.67	6.08	7.01	7.51	7.71	1998	7.71	7.3%	18.3%
1999	7.99	8.21	8.68	9.07	8.71	8.61	8.63	8.43	8.47	8.79	9.80	10.79	1999	10.79	39.9%	19.8%
2000	11.23	12.27	13.95	13.50	13.73	15.39	15.85	16.82	17.07	16.31	14.43	16.76	2000	14.43	33.8%	20.7%
2001	17.42	15.88	13.46	15.14	15.84	15.15	14.21	13.61	10.77	11.43	13.90	14.12	2001	14.12	(2.2)%	19.1%
2002	14.74	13.78	15.09	15.11	16.38	14.14	12.92	12.10	11.23	11.06	11.33	10.50	2002	10.50	(25.6)%	15.7%
2003	10.18	9.52	9.69	10.62	12.17	13.04	13.98	15.38	16.67	17.88	18.16	18.07	2003	18.07	72.1%	18.4%
2004	20.00	22.41	29.98	35.46	26.68	30.80	25.37	25.20	23.67	23.34	31.48	27.56	2004	31.48	74.2%	20.9%
2005	32.19	32.57	31.88	27.79	27.36	29.05	30.38	31.49	33.39	32.24	32.95	37.18	2005	37.18	18.1%	20.8%
2006	41.01	40.97	43.69	46.45	42.39	41.58	40.60	43.32	43.55	43.70	44.58	49.38	2006	49.38	32.8%	21.3%
2007	50.95	51.18	53.59	56.09	58.16	56.37	53.90	48.65	50.96	57.03	48.21	45.75	2007	45.75	(7.3)%	19.8%
2008	38.71	39.71	38.59	40.18	39.25	35.10	34.59	33.33	26.09	18.72	14.50	15.79	2008	15.79	(65.5)%	13.3%
2009	14.62	13.24	14.96	19.63	22.82	23.73	26.14	27.05	28.41	28.53	28.69	29.83	2009	29.83	89.0%	15.8%
2010	28.50	27.58	29.90	29.58	25.53	24.72	27.82	26.74	30.36	33.68	31.85	34.52	2010	34.52	15.7%	15.8%
2011	34.91	36.17	36.51	39.63	37.86	35.31	35.83	32.76	29.28	32.04	31.23	30.59	2011	30.59	(11.4)%	14.56%
2012	32.12	34.36	35.67	35.08	31.03	32.92	32.66	34.17	36.33	37.28	38.11	40.73	2012	40.73	33.1%	15.22%
2013	43.61	42.58	44.42	49.29	50.40	47.75	50.58	49.32	52.49	55.65	55.41	58.88	2013	58.88	44.6%	16.19%
2014	55.35	58.98	61.86	59.92	59.05	59.89	57.84	58.64	55.47	54.37	55.77	54.31	2014	54.31	(7.8)%	15.24%
2015	52.77	58.87	58.99	62.11	62.25	60.43	60.71	56.91	55.46	60.65	60.93	59.48	2015	59.48	9.5%	15.04%
2016	55.01	53.65	59.90	61.89	61.45	55.81	58.56	58.48	60.83	60.64	58.86	59.91	2016	59.91	0.7%	14.53%
2017	63.15	64.71	65.79											65.79	9.8%	14.76%

S.No.	Ticker	Name	Initial Amount Invested	Shares Purchased	Date of Investment	Current Index Value
1	IGM CN Equity	IGM Financial Inc	\$1,000	73	31/11/1986	\$ 2,215
2	IVZ US Equity	Invesco Plc (Previously Amvescap)	\$1,357	1,153	1/31/1991	\$ 17,651
3	SDR LN Equity	Schroders Plc	\$1,208	505	3/31/1991	\$ 19,534
4	RAT LN Equity	Rathbone Brothers Plc	\$1,208	736	3/31/1991	\$ 22,031
5	ADN LN Equity	Aberdeen Asset Mgmt Plc	\$1,208	1,827	3/31/1991	\$ 6,049
6	CIX CN Equity	CI Financial Corp.	\$2,585	3,224	6/30/1994	\$ 64,165
7	EMG LN Equity	Man Group Plc	\$2,862	6,344	10/31/1994	\$ 8,883
8	AGF/B CN Equity	AGF Management Ltd-CI B	\$3,343	1,346	1/31/1996	\$ 6,216
9	8739 JP Equity	Sparx Group Co Ltd	\$11,762	108	12/31/2001	\$ 20,902
10	HGG LN Equity	Henderson Group Plc	\$14,447	8,666	12/31/2003	\$ 20,208
11	AZM IM Equity	Azimut Holding Spa	\$21,908	4,977	7/31/2004	\$ 86,931
13	PGHN SW Equity	Partners Group-Reg	\$36,848	578	3/31/2006	\$ 311,125
14	ASHM LN Equity	Ashmore Group Plc.	\$36,688	9,873	10/31/2006	\$ 44,186