Horizon Asia Opportunity

Second Quarter Commentary

July 2015

During the second quarter of 2015, the Horizon Asia Opportunity Institutional Composite ("Strategy") returned 7.3%, net of fees, compared to the MSCI All Countries Asia Index ("Index"), which appreciated 1.7% over the same period. Our holdings in the Financials sector in Hong Kong, and Consumer Staples and Consumer Discretionary names in Japan contributed positively to returns, while our positions in Thailand companies detracted from performance.

What goes up quickly may come down quickly as well. The Chinese A share [1] market is the poster child of a speculative bubble forming and bursting. The Shanghai A share market measured in Chinese Yuan went up 37.8% from the end of March 2015 to June 12, 2015, then dropped 20.8% from its peak. However, it still appreciated 14.1 % in the second quarter of 2015, as seen in Chart 1 (right). This bubble was fueled by easy margin loans provided by the Chinese brokerage firms and some unofficial financing sources (i.e. wealth management products, known as WMPs and umbrella trusts). At the market peak, the margin loan to total market capitalization ratio was 9 %, which was unusually high compared with that of more developed markets (in the United States, this ratio was 3 % at its peak).

Chart 1: China: H-Share vs A-Share

Source: Bloomberg

Judging from the volume statistics of the stock exchanges in China, unfortunately, most retail investors got involved in the markets in the latter stage of the market's appreciation, and therefore are most likely sitting on losses in their accounts, which were surely made worse by the high leverage employed.

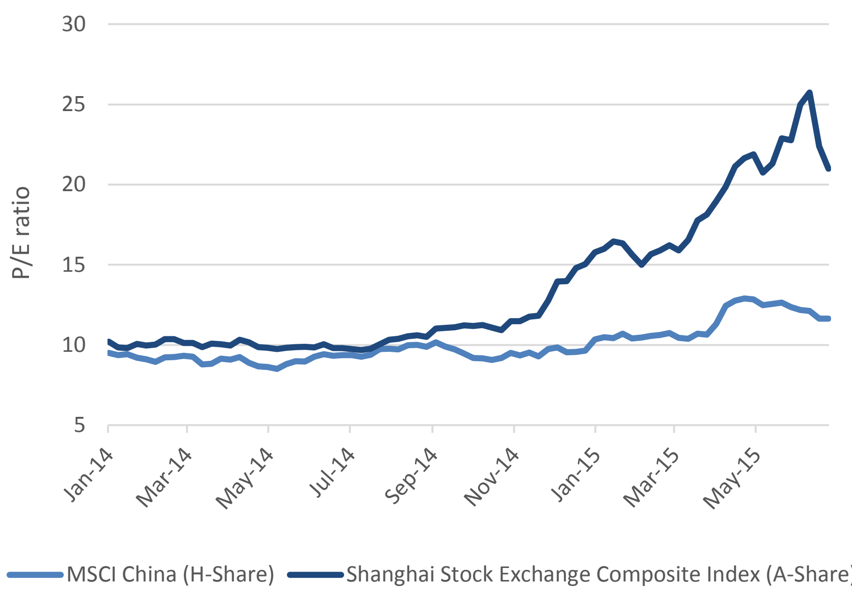
The Chinese government introduced a series of policies to stop the decline, such as establishing a 120 billion yuan stock market fund to buy A shares, suspending trading for about a half of the shares listed, and halting IPOs. We expect more measures from the Chinese Government to stabilize the markets. However, the valuation of the A share market is not very appealing at current levels, and the companies

[1] A shares are listed on the Chinese exchanges and, until recently, were not available for investment by non-Chinese investors until the Shanghai-Hong Kong Trading link was established in November 2014. H shares, traded on the Hong Kong Stock Exchange, are available to international investors.

in general show relatively low profitability and returns. We are not sure how long the artificial measures to support the market by the government can sustain the A share levels.

The real future concern is its impact on the Chinese economy. The good news is that even at the peak of margin loan frenzy, the total volume of the margin loans (2.2 trillion Chinese Yuan) represented only about 4% of consumer bank deposits outstanding, out of the total of about 53 trillion Yuan. Regardless, even before the stock market decline, the domestic economy had been slowing since Premier Xi's corruption crackdown got started in earnest in 2013. We cannot believe that China can escape some negative ripple effects on its economy going forward. First, once-hot real estate markets have cooled down nationally, and now the stock markets have followed. We expect some negative impacts on discretionary spending, such as cars and luxury goods. So far, some European auto makers have lowered their total car sales targets due to the Chinese slowdown. We continue to monitor Chinese consumption trends carefully, even though we do not own any A shares in our Asia portfolio, as some of our Asian consumer holdings have been the beneficiaries of increased Chinese consumer spending. We still expect that the Chinese government will pursue the economic reform agenda presented by Premier Xi two years ago, but the pace of reform should slow down to accommodate some of these newly emerging forces destabilizing the Chinese economy. In addition, valuations of A shares are not particularly attractive with the government manipulating the stock markets price discovery process (see Chart 2, right). We remain cautious with respect to the Chinese local share markets.

Chart 2: China Price to Earnings Multiple: H-share vs A-share



Source: Bloomberg

The smaller Asian markets performed poorly as, in the second quarter, investors rotated out of strong performing South East Asian stocks into Chinese stocks. With the exception of some resource-related and high tech companies in Asia, the direct earnings impact from the Chinese market correction and likely subsequent economic slowdown will be limited for the Asian markets in general. However, the psychological impact should not be overlooked, and until the Chinese market stabilizes, we expect some volatility in the rest of Asia as well.

In the second quarter, Japan stood out as a safe haven during the violent gyration in the Chinese equity markets. The main reason that the Japanese markets have been getting more attention has been perceived and real corporate governance improvement. During the annual shareholders meeting season in Japan, many corporations announced increased dividends and share buybacks using the cash on their balance sheets instead of taking loans to pursue buybacks, as many US companies have done. Returns on equity have been improving thanks to better earnings and balance sheet management over the past 2 years. Still, small to mid-size companies in Japan have been left behind and valuations remain very attractive. We believe that this segment of the Japanese equity markets will provide us with interesting long term investment opportunities in Asia.

In the third quarter of 2015, we believe that investors will be increasingly paying attention to the timing of the inevitable interest rate hike by the Federal Reserve Bank ("FRB") in the US. This will impact the US dollar and the Asian currencies pegged to the US dollar. The last time this rate hike scare occurred, the emerging markets were hit the hardest. However, given the not so robust global growth outlook, we do not expect the FRB to employ very aggressive rate hikes in the near future. Any volatility caused by FRB interest rate action might provide us with better entry points to deploy our cash position in the portfolio.

DISCLOSURES

Past performance is not indicative of future returns. This information should not be used as a general guide to investing or as a source of any specific investment recommendations, and makes no implied or expressed recommendations concerning the manner in which an account should or would be handled, as appropriate investment strategies depend upon specific investment guidelines and objectives. This is not an offer to sell or a solicitation to invest.

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The MSCI AC Asia Index captures large and mid-cap companies represented across 3 Developed Markets countries and 8 Emerging Markets countries in Asia. With 930 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

Returns have not been independently verified and are subject to change. Note that indices are unmanaged, and the figures shown herein do not reflect any investment management fee or transaction costs. Investors cannot directly invest in an index. References to market or composite indices, benchmarks or other measures of relative market performance (a "Benchmark") over a specific period are provided for your information only. Reference to a Benchmark may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, correlation, concentrations, volatility, or tracking error targets, all of which are subject to change over time. The strategy is a total return strategy, and the benchmark is provided for illustrative purposes only. It is not our intention to state, indicate or imply in any manner that our future results will be profitable or equal past results.

Horizon Kinetics LLC is the parent company to several US-registered investment advisers, including Horizon Asset Management LLC ("Horizon") and Kinetics Asset Management LLC ("Kinetics"). Horizon and Kinetics manage separate accounts and pooled products that may hold certain of the securities mentioned herein. Horizon Asset Management is the investment manager to the strategy referenced herein. For more information on Horizon Kinetics, you may visit our website at www.horizonkinetics.com.

Asia Opportunity - Institutional Composite

As of 6/30/2015

HORIZON KINETICS

Investment Approach

- The strategy seeks long term capital appreciation by investing in undervalued stocks in Asia.
- Our investment process involves bottom-up, fundamental research to identify mispriced securities. We conduct face to face meetings with managements and competitors as well as analysis of business models and balance sheets. The strategy emphasizes management quality, with a preference for owner-operator companies.
- Returns are often generated by identifying businesses that cater to local economies, e.g. infrastructure, consumer, financial services, etc. Although the majority of the holdings are equities, the portfolio may invest in other parts of the capital structure when the research process identifies unique opportunities.

Portfolio Construction

- The strategy generally seeks to avoid significant portfolio turnover which has historically averaged 20 to 25% per annum.
- Portfolio typically invests in 30 to 40 securities and position sizes generally range from 0.5% to 10.0%
- The portfolio seeks to manage co-dependency across business models and does not measure risk versus a specific benchmark.

Investment Time Horizon:
5+ Years

Representative Benchmark:
MSCI All Country Asia

Asset Under Management:

Horizon Kinetics ($bln)	8.9
Horizon Institutional ($bln)	3.2

Inception Date:
January 2008

Portfolio Manager:
Murray Stahl
37 yrs investment experience

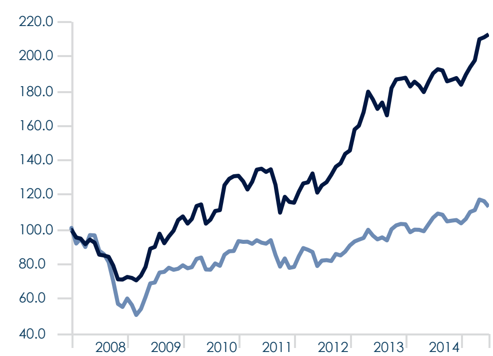
Aya Weissman
32 yrs investment experience

(1)Horizon Kinetics LLC is the parent company to Horizon Asset Management LLC, Kinetics Asset Management LLC, and Kinetics Advisers, LLC, each of which is an SEC-registered investment adviser.
(2)Horizon Institutional is defined as the traditional, long only separate accounts and private investment fund assets managed by Horizon Asset Management LLC. Horizon Institutional excludes separately managed, non-direct accounts and other accounts that either are serviced by wrap/dual contract sponsors or utilize a wrap or bundled fee structure. Please refer to Important Disclosures on the following page.

Performance Statistics	MTD	QTD	YTD	1 Yr	3 Yrs	5 Yrs	ITD
Total Return (gross)	0.8	7.6	15.8	11.8	19.2	15.0	10.6
Total Return (net)	0.7	7.3	15.3	10.7	18.0	13.8	9.5
MSCI All Asia NR	-2.8	1.7	9.2	5.9	11.3	8.0	1.5
Excess Return (gross)	*3.6*	*5.9*	*6.6*	*5.9*	*7.9*	*7.0*	*9.1*
Standard Deviation (%)	—	—	—	8.4	11.0	14.5	15.9
Tracking Error (%)	—	—	—	4.4	6.4	8.3	10.6
Sharpe Ratio	—	—	—	1.4	1.7	1.0	0.7
Information Ratio (arith)	—	—	—	*1.3*	*1.2*	*0.8*	*0.9*
Beta	—	—	—	0.8	1.0	0.9	0.7
UpMkt Capture Ratio (%)			—	101	121	106	93
Down Capture Ratio (%)			—	46	64	64	54

Cumulative Growth of $100 *(gross)*

Time Period: 12/31/2007 to 6/30/2015



Top 10 Holdings	% Port
Pigeon Corporation Unsponsored ADR	11.15%
Value Partners Group Limited	6.37%
transcosmos Inc.	5.63%
Unicharm Corporation	4.35%
Minor International Public Co., Ltd.	4.17%
Shanghai Fosun Pharmaceutical (Group) Co., Ltd. Class H	4.03%
SoftBank Group Corp.	3.52%
Genting Hong Kong Limited	3.40%
JG Summit Holdings Inc.	3.38%
Cookpad Inc.	2.96%

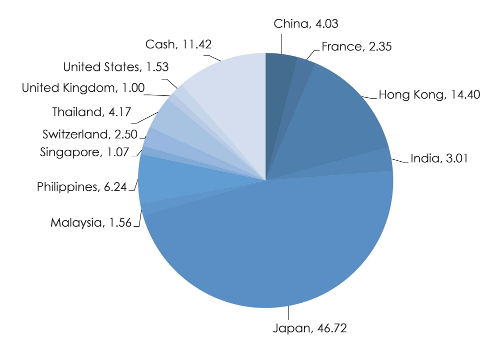
Strategy Characteristics	
Number of Positions	36
Avg. Market Cap. (B)	11.2
P/E [1]	23.2
Price/Book [1]	2.8
Dividend Yield	1.1%
Turnover (1 Year)[2]	11.7%
Active Share[3]	98.7%

[1] Weighted Harmonic Average

[2] Based on Model Portfolio

[3] Calculated using the MSCI AC Asia Index as a benchmark.

Country Allocaton (%)



Source: Morningstar Direct

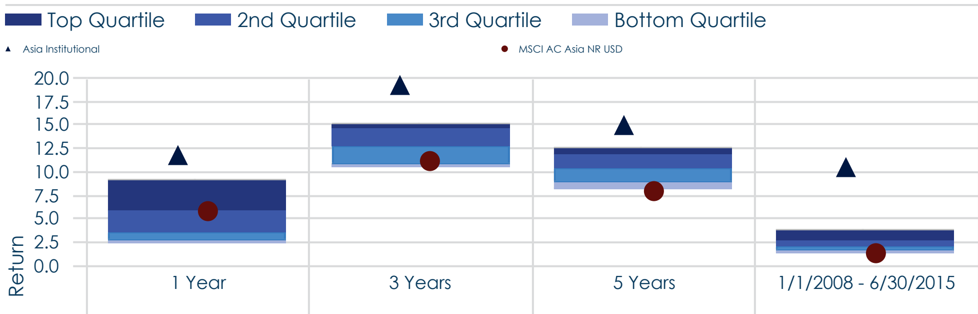
Asia Opportunity - Institutional Composite

As of 6/30/2015

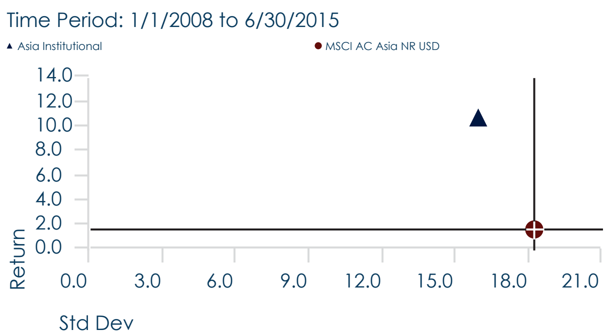
HORIZON KINETICS

Performance Relative to Peer Group *(gross)*

As of Date: 6/30/2015   Peer Group (5-95%): Separate Accounts/CITs - U.S. - Diversified Pacific/Asia



Risk/Reward *(gross)*



Monthly Performance *(gross)*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Index
2015	3.2	2.3	2.0	6.2	0.5	0.8							15.8	9.2
2014	-2.7	1.5	-1.2	-2.0	3.2	2.7	1.2	-0.4	-3.3	0.5	0.5	-2.1	-2.2	0.5
2013	8.4	1.4	4.9	7.1	-2.5	-3.1	2.2	-4.3	9.5	2.8	0.2	0.3	28.8	13.4
2012	5.5	4.0	0.5	4.0	-8.4	3.4	1.5	3.3	3.6	1.4	4.0	1.3	26.0	15.8
2011	-2.5	-3.7	3.6	5.5	0.4	-1.4	1.1	-6.7	-12.7	8.3	-2.5	-0.4	-11.9	-15.9
2010	-3.9	2.6	7.0	0.8	-9.7	2.2	4.7	0.4	12.9	2.9	1.1	0.2	21.8	17.6
2009	-0.8	-1.9	3.9	6.8	13.4	1.1	8.5	-5.7	4.2	3.5	6.2	2.0	48.0	31.7
2008	-4.4	-0.7	-3.4	2.9	-1.9	-7.5	-0.5	-0.9	-6.0	-10.1	-0.2	2.1	-27.2	-40.3

Source: Morningstar Direct

Definitions: Historical Statistics

- *Excess Return is the measurement of a portfolio's return minus the return of the representative index.*
- *Standard Deviation is a statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution.*
- *Tracking Error is the standard deviation of a portfolio's return relative to a benchmark.*
- *Sharpe ratio is a statistical measure that uses standard deviation and excess return to determine reward per unit of risk. A higher Sharpe ratio implies a better historical risk-adjusted performance. Morningstar chooses a risk-free benchmark based on the portfolio's domicile, e.g. the 3-month Treasury bill for portfolios based in the United States.*
- *Information Ratio is a ratio of portfolio returns above the returns of a benchmark (usually an index) to the volatility of those returns.*
- *Beta is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole.*
- *Up-Market Ratio is the statistical measure of an investment manager's overall performance in up-markets. The ratio is calculated by dividing the manager's returns by the returns of the index during the up-market.*
- *Down-Market Ratio is the statistical measure of an investment manager's overall performance in down-markets. The ratio is calculated by dividing the average manager's returns by the average returns of the index during the down-market.*
- *Turnover is the lower of total buys or total sells divided by the average market value of the account. Turnover ratio is calculated by Fiserv APL.*
- *Active Share is a measure of the percentage of holdings in a portfolio that differ from a benchmark index. It is calculated by taking the sum of the differences of the weight of each holding in the portfolio and the weight of each holding in the benchmark index and dividing by two. Active share is measured against the strategy's primary benchmark.*

Important Disclosures

Horizon Asset Management Institutional ("Horizon Institutional" or "the firm") is defined as the traditional long only separate accounts and private investment fund assets of Horizon Asset Management LLC. ("Horizon" or the "firm"), an SEC-registered investment adviser and a wholly owned subsidiary of Horizon Kinetics LLC. Horizon Institutional excludes separately managed, non-direct accounts and other accounts that either are serviced by wrap/dual contract sponsors or utilize a wrap or bundled fee structure. The firm maintains a complete list and description of composites, which is available upon request via CSBD@horizonkinetics.com.

Horizon Institutional claims compliance with the Global Investment Performance Standards (GIPS®).

The Horizon Asia Opportunity Composite seeks above market long-term returns by investing primarily in a focused portfolio of common stocks of Asian issuers.

Performance is expressed in USD. Past performance does not guarantee future results and the value of the investments and the income derived from them may increase or decrease. Note that indices are unmanaged and the figures shown herein do not reflect any investment management fee or transaction costs. Investors cannot directly invest in an index. References to market or composite indices, benchmarks or other measures of relative ma rket performance (a "Benchmark") over a specific period are provided for your information only. Reference to a Benchmark may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, correlation, concentrations, volatility or tracking error targets, all of which are subject to change over time. The Portfolio is a total return strategy and the benchmark is provided for illustrative purposes only. It is not our intention to state, indicate or imply in any manner that our future results will be profitable or equal past results.

On February 29th 2012 the benchmark for the Horizon Institutional Asia strategy was changed retroactively from the S&P Asia 50 index to the MSCI All Country Asia Index, as we believe that the regional coverage within the MSCI All Country Asia Index better reflects the universe of the strategy (The MSCI All Country Asia is an equity index drawn from eleven major Asian markets – Japan, Hong Kong, Singapore, Korea, Taiwan, China, Philippines, Malaysia, India, Indonesia, and Thailand.) It is designed for investors seeking broad market exposure through an index that is efficient to replicate. The underlying prices for the MSCI All Country Asia are collected in local currencies and index levels are released in U.S. dollars and calculated on a real-time basis).

Unless otherwise noted, the portfolio characteristics shown above relate to the composite as of the date noted above. Not every client's account will have these exact characteristics. The actual characteristics with respect to any particular client account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) market prices of individual securities at the time of investment (iii) individual client circumstances.) On August 1st 2014, the name of this composite was changed from the Horizon Asia Institutional Composite to the Horizon Asia Opportunity Composite, in order to better reflect the Firm's strategy of investing in companies and regions in which potential, long-term growth opportunities have been identified. Horizon Asset Management LLC reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. This strategy may invest in both equity and fixed income securities without regard to market capitalizations or issue size. Horizon does not necessarily fully invest portfolios immediately after an account is funded. There can be no assurance we will ever fully invest an account. There is no assurance that any securities discussed herein will remain in an account. The securities discussed may not represent an entire account and in the aggregate may represent only a small percentage of an account's holdings.

The following applies to all of the indices used in this document: Indices are presented merely to show general trends in the markets for the period and are not intended to imply that the strategy is benchmarked to the indices either in composition or level of risk. The indices are unmanaged, may or may not be investable, have no expenses and reflect reinvestment of dividends and distributions. Index data is provided for comparative purposes only. A variety of factors may cause an index to be an inaccurate benchmark .

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