CONTRARIAN RESEARCH REPORT COMPENDIUM

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Featured Companies

Booz Allen Hamilton Holding Corp. (BAH)
Boardwalk Pipeline Partners, LP (BWP)
Biglari Holdings Inc. (BH)
Spirit AeroSystems Holdings, Inc. (SPR)

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PCS Research Services
125 Maiden Lane, 6th Floor
New York, NY 10038
(212) 233-0100
www.pcsresearchservices.com

HORIZON KINETICS

Research Team

Murray Stahl **Steven Bregman**

Thérèse Byars, Ryan Casey, James Davolos, Derek Devens
Peter Doyle, Michael Gallant, Matthew Houk, Utako Kojima
Eric Sites, Fredrik Tjernstrom, Steven Tuen

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Murray's Musings

GROWTH VERSUS VALUE

The subject of the Musings is the ever-popular subject of Growth versus Value, which is expressed in the modern era by various style indexes. A common way of disaggregating growth from value is to aggregate companies by growth and value factors. Commonly used growth factors include three-year change in earnings per share, three-year change in revenue per share, and momentum, which means the rate at which the stock price is rising. Commonly used value factors are: price to book ratio (P/B), price to earnings ratio (P/E), and price to sales ratio (P/S). Companies are scored according to these factors and then placed in appropriate baskets.

It is not infrequently the case that the same company can be in both the growth and the value basket. For instance, the S&P 500 Growth Index and the S&P 500 Value Index both count Exxon in their top ten holdings. IBM, one of the top ten companies in the Value Index, is also in the Growth Index. Wells Fargo and J.P. Morgan are in the Value Index, but Bank of America is in the Growth Index. Viacom is in the Growth Index; AT&T is in the Value Index.

Let us begin to make some comparisons. The P/E ratio of Bank of America, based on 2013 consensus estimates, is 12.4x, J. P. Morgan is 9.25x, and Wells Fargo is 10.61x. By this metric Bank of America is the most expensive, so one can see why it would be ranked in the Growth Index. However, does anyone genuinely consider Bank of America a growth stock?

Before criticizing this disaggregation technique too strenuously, it is worth noting that the purpose is not necessarily to determine which are growth and which are value stocks. It is to group stocks into portfolios that should mirror the quantitative and quantifiable characteristics of portfolios managed by growth investors or by value investors. The purpose of the S&P 500 Growth Index is not to identify the growth companies, it is to create a portfolio using passive selection techniques that will statistically emulate an agglomeration of portfolios managed by growth investors. The same approach applies to value investors.

Other banks in the Value Index include Fifth Third, Sun Trust, Citigroup, and KeyCorp. They have P/E ratios ranging from 10.06x 2013 estimates to 11.89x. U.S Bancorp, another large bank, has a P/E of 11.09x, more or less the midpoint of the four banks just mentioned. U.S Bancorp is in the Growth Index. There are some banks that are in both indexes, including Bank of New York and M & T Bank, both with P/E ratios of roughly 12.5x.

Table 1: Price/Book Value Ratio for Banks in the S&P Growth Index and Value Index

Bank of America	0.57x
JP Morgan	0.93x
Wells Fargo	1.28x
Fifth Third	1.04x
Sun Trust	0.74x
Citigroup	0.76x
KeyCorp	0.91x
US Bancorp	1.63x
Bank of New York	0.92x
M&T Bank	1.31x

Source: Bloomberg

The table above shows the price to book ratios for the large banks that are included in both indexes. By this metric, one can clearly see that Bank of America at 0.57x book is the cheapest of all the banks, but it is included in the Growth Index. U.S. Bancorp, the most expensive of all the banks on a P/B basis, is also included in the Growth Index. The Growth Index has the unique honor of including the most expensive and the least expensive bank, on a P/B basis.

Wells Fargo has a P/B of 1.28x, and M&T Bank has a P/B of 1.31x. Clearly, these ratios are almost identical, yet Wells Fargo is in the Value Index and M&T Bank is in the Growth Index. These four companies, Bank of America, U.S. Bancorp, Wells Fargo, and M&T Bank, have been disaggregated into different indices based on these characteristics and, ironically, Berkshire Hathaway, a well-known value investing entity, owns stock in all four of these banks.

According to Phillip Fisher's 15 points in his classic, *Common Stocks and Uncommon Profits*[1], the first four points deal with growing sales. Of course, Fisher is one of the progenitors of growth stock investing. The basic characteristic of a growth stock is its organic growth feature. In other words, is this company experiencing growth from either expanding markets or new products? If not, and if revenues are growing by acquisition, the company may have a very well-crafted business strategy, but it is not a growth stock. To quote the first four of Fisher's 15 points:

1) Does the company have products or services with sufficient market potential to make possible a sizable increase in sales for at least several years?
2) Does the management have a determination to continue to develop products or processes that will still further increase total sales potential when the

[1] Fisher, Phillip A. Fisher, *Common Stocks and Uncommon Profits and Other Writings* (NY: John Wiley & Sons, 1996), 19-34.

growth potentials of currently attractive products have largely been exploited?
3) How effective are the company's research and development efforts in relation to size?
4) Does the company have an above average sales organization?

If those four points define the important characteristics of a growth stock, it should be self-evident that these are not features for which one can screen. In a computer database, given the data field of revenue, it would be very difficult to screen for the subset of companies with growing revenue due to acquisitions as opposed to that subset of companies with growing revenue due to organic growth. Analysts could determine that difference, but fundamental research would be required. In principle, one could build a universe of companies whose common characteristic is revenue growth above a certain size, let us assume 10% per annum, entirely from organic sources, and what follows in the table below is such a universe.

Table 2: Candidates for an Organic Growth Index

Apple (AAPL)	Target (TGT)
Google (GOOG)	Starbucks (SBUX)
Oracle (ORCL)	Anadarko Petroleum (APC)
Qualcomm (QCOM)	Biogen (BIIB)
Amazon (AMZN)	Nike (NKE)
Visa (V)	Priceline (PCLN)
Amgen (AMGN)	American Tower (AMT)
Gilead (GILD)	Precision Castparts (PCP)
eBay (EBAY)	Cognizant Tech Solutions (CTSH)
MasterCard (MA)	Crown Castle International (CCI)
EMC (EMC)	Intuitive Surgical (ISRG)
Celgene (CELG)	Discovery Communications (DISCA)
Medtronic (MDT)	Air Products and Chemicals (APD)
Costco (COST)	Whole Foods Market (WFM)

Source: Horizon Kinetics Research

The annualized return of the S&P Growth Index since inception is 0.84%. The annualized return of the S&P Value Index since inception is 3.12%. The inception date is May 22, 2000. That's an important date because it is slightly more than 60 days from the high point of the Internet Bubble, and it is arguable that internet stocks and technology stocks had become a suction point, actually forcing money, in a sense, away from the hands of value investors and into the hands of the so-called growth investors, who were paying preposterous multiples for technology stocks. It is unclear that these numbers mean anything more than that.

Why doesn't someone create a growth stock index based on a statistically predictable indicator of growth? The simple reason is that it cannot be mechanized. It doesn't necessarily have to be—it can be a non-mechanized form of passive investing. Two hundred years ago, the Belgian sociologist, Quetelet, the founder of modern statistical science, would make certain assertions about how many people were going to commit suicide in a given year. How can anyone know who is sufficiently depressed to commit suicide and when they might do so? One cannot know that for any individual, but Quetelet was looking at the populations of different countries and, in a universe of that size, one can make an assertion that has a fair degree of validity. There is a way to engage in non-mechanical passive investing by using fundamental analysis to find a feature of a company that is predictive of growth in earnings, yet at the same time be passive and not make an assertion about which of those companies will continue to grow and which will not.

Industry Thoughts

GROWTH VERSUS VALUE, CONTINUED

Let us continue with the subject of growth versus value. We'll begin with the case of Pepsi. Is Pepsi a growth stock or a value stock? It resides in the S&P 500 Growth Index so, on that basis, it is a growth stock, and it has characteristics that one might assume are associated with growth. It has a P/E ratio of 17.55x based on 2013 earnings, it trades at 5.34x book value and, from 2003 to 2012, its revenues advanced at a rate of 10.36%.

However, much of the advance in revenues was not organic. For instance, revenue growth was achieved in large measure by the acquisition of Pepsi's own bottling companies, which had simply been un-owned affiliates. In 2001, Pepsi acquired Gatorade. In 1988, Pepsi acquired Tropicana Orange Juice. In fact, for decades, Pepsi has expanded its business by acquisition. In 1997 it bought Cracker Jack, in 1989 it bought Walkers Potato Crisps (which is what they call potato chips in the United Kingdom). In 1961, it bought Rold Gold Pretzels. Its subsidiary, Frito-Lay, became a publicly traded company in 1954. It merged with H.W. Lay in 1961 which, in turn, merged with Pepsi in 1965.

Pepsi's dilemma is that it is now so large in relation to the soft drink market and the snack food business that it is very difficult for it to make an acquisition of sufficient scale to grow the company meaningfully without dominating its business to the extent that the Federal Trade Commission would object. In the soft drinks segment, it is hard to imagine gaining much of a market share on Coca-Cola via organic sources. Even if Pepsi sought to grow its market share by further acquisition, what other soft drink brand is there left to purchase that would meaningfully change the scale of operations of Pepsi? The fairly obvious answer is that there is no such brand.

Procter & Gamble is in the same predicament. Here are some of its quantitative characteristics: it has an 18.8x P/E ratio based on estimated 2013 earnings, it trades at

3.12x book value, it nearly doubled its revenues between 2003 and 2012, and it is in the S&P 500 Growth Index.

At the moment, however, Procter &Gamble is not growing. In fact, it is divesting brands with a view to improving margins. The fact that its revenue nearly doubled between 2003 and 2012 was largely a function of acquisitions, many of which it is now in the process of shedding. For instance, it recently sold its electric toothbrush business to Church & Dwight, its Papermate Pens to Newell Rubbermaid, its Right Guard and Soft & Dri Deodorant to Dial (Dial was since acquired by Henkel), its pharmaceuticals business to Warner Chilcott, its Pringles Potato Chips to Kellogg's, and Jif Peanut Butter and Folgers Coffee to Smucker's.

Growth versus value is a meaningful distinction, but not based on the quantitative definition that's being used. Organic revenue growth versus non-organic revenue growth, or no revenue growth, are much more meaningful attributes. Companies that increase revenues organically, meaning from increased demand for existing products or internally developed new products by 10% per annum is what was once meant by growth companies. The industry would do well to return to that definition. Unfortunately for the industry, those are factors for which one cannot readily screen, because the analysis of those factors requires human, not computer, intervention.

Facts & Figures

EDUCATION AND TRAINING VS ADVERTISING SPENDING

In 2012, the United States Federal Government spent $139.2 billion on education and training. In 2010, it spent $127.7 billion on education[2]. In a certain sense, that number is misleading, because there is also state and local spending on education. In fact, most of the money is spent at the state and local levels. In 2010, state and local spending on education was $254.1 billion[3]. However, even that figure is misleading, because much of the money that is spent at the state and local level actually comes from the Federal Government, so it is not correct to take the two figures and sum them. Nevertheless, it is clear that the actual education figure is probably greater than $254 billion. Of course, there's also the private education sector.

Let's compare that to the total advertising expenditure in 2010. One might say that advertising is education of a different sort—educating consumers as to what they should buy. In 2010, total advertising expenditures came to $131 billion[4].

[2] Source: Budget of the U.S. Government
[3] Source: U.S. Census
[4] Source: Kantar Media

For comparison, let us say that the total advertising expenditures are something less than half of the U.S. education expenditures. Students are in the classroom, theoretically, seven to eight hours a day, five days a week and then most of them have homework assignments. To provide educational facilities, the government (or sometimes the private sector) needs to maintain a tremendous infrastructure that includes buildings, equipment, personnel, and so forth. Advertising expenditures work on the platform of existing media. If an advertiser chooses to advertise on television, radio, newspapers, or the internet, the advertiser is making use of an existing platform, which some other entity established for the purpose of advertising. You can see how the two numbers are not commensurate.

Furthermore, if it is television advertising, it is not eight hours straight—although many advertisers would like it to be so—it is usually for about 20 minutes out of every hour. Yet, the advertisers manage to spend $131 billion annually. Obviously, the advertisers are attracting a great many people, but they can't attract individuals when they're at work nor can they attract students who are in school. They can only attract those people in the off hours. Spending $131 billion a year to attract people's attention when they are not otherwise engaged in productive activities is an incredible number when you think about it.

THE TEN LARGEST MLPS

Let's examine the MLP industry. Table 3 provides the yields of the Top 10 master limited partnerships ("MLPs") in the Alerian MLP Index. If these ten MLPs were merged into a single publicly traded firm, it would have an aggregate market capitalization of $182.5 billion. If that merged company were included in the S&P 500, it would be the 15th largest holding in that index. The MLPs have grown over the years by issuing a fairly large number of shares. If they keep issuing shares at the same rate, in short order they will be, in aggregate, the largest holding in the S&P 500, even rivaling Exxon and Apple.

Table 3: Top 10 Names in the Alerian MLP Index

Ticker		Yield
EPD	Enterprise Products Partners LP	4.63%
KMP	Kinder Morgan Energy LP	6.02%
PAA	Plains All American Pipeline LP	4.16%
ETE	Energy Transfer Equity LP	4.54%
ETP	Energy Transfer Partners LP	7.59%
MMP	Magellan Midstream Partners LP	4.03%
KMR	Kinder Morgan Management LLC	-
LINE	Linn Energy LLC	7.59%
MWE	MarkWest Energy Partners LP	5.62%
OKS	ONEOK Partners LP	5.34%

Source: http://www.alerian.com/indices/amz-index/, Bloomberg, as of 3/15/13

Of these ten MLPs, Kinder Morgan is already in the S&P 500, but that index does not have a large MLP exposure. Something that is bound to happen is that the S&P 500, as a pure mathematical proposition, will need to increase its MLP exposure if it is going to be representative of what's happening in the marketplace. If the S&P 500 were to do that, it would create a problem because, since these MLPs have, at the moment, an aggregate market capitalization of $182 billion, to add a market capitalization of that magnitude into the S&P 500 would mean eliminating ten names from the current list, otherwise it would have to be the S&P 510 instead of the S&P 500.

These are some of the dilemmas that arise in the world of indexation. The MLPs are of sufficient number that including them in the S&P 500, which purports to replicate the character of the American stock market, creates problems. If the MLPs continue issuing shares at the current rate, it is just a matter of time before the S&P 500 MLP exposure will have to increase significantly. Whenever one applies a fixed decision rule against an organically living agglomeration of companies, it will almost always create a problem.

Table 4 provides goodwill and intangibles as a percent of shareholders' equity for the Top 10 MLPs in the Alerian MLP Index. Two of them have essentially no goodwill as a percent of shareholders' equity. The highest figure, 412%, is for Energy Transfer Equity. Effectively, if there is more than a 100% ratio of goodwill intangibles as a percentage of shareholders' equity, there is no tangible equity. The ratio for Energy Transfer Partners is 77.9%, so it has very little tangible equity. Kinder Morgan is currently in the S&P 500 and is the most popular of the MLPs. Its ratio is 50.3%. Another consequence is that the company is more leveraged than it appears to be. It has equity, but only as a result of buying assets at a price above book value, but the claim of the bondholder is on those assets.

Table 4: Top 10 Names in the Alerian MLP Index

Ticker		Goodwill & Intangibles as a % of Shareholders' Equity
EPD	Enterprise Products Partners LP	27.7%
KMP	Kinder Morgan Energy LP	50.3%
PAA	Plains All American Pipeline LP	38.2%
ETE	Energy Transfer Equity LP	412.9%
ETP	Energy Transfer Partners LP	77.9%
MMP	Magellan Midstream Partners LP	4.4%
KMR	Kinder Morgan Management LLC	0.0%
LINE	Linn Energy LLC	0.0%
MWE	MarkWest Energy Partners LP	34.5%
OKS	ONEOK Partners LP	46.8%

Source: http://www.alerian.com/indices/amz-index/, Company Reports

Let us compare Kinder Morgan Partners (KMP), a pipeline company, to another regulated company in a different industry, which is The Southern Company (SO), a utility. The long-term debt to equity ratio of Kinder Morgan, inclusive of the goodwill, is 1.43 to 1. The comparable figure for The Southern Company is 1 to 1. Long-term debt to tangible equity in the case of Kinder Morgan is 2.88 to 1, and in the case of The Southern Company, it is 1 to 1.

Table 5: Kinder Morgan (KMP) versus The Southern Company (SO)

	KMP	SO
Long-Term Debt to Equity	1.43:1	1:1
Long Term Debt to Tangible Equity	2.88:1	1:1
Capital Expenditures to Depreciation	164.2%	224.2%
Dividends and Distributions to Net Income or Payout Ratio	186.4%	70%

Source: Company Reports

Both companies are growing and both need to make capital expenditures that are in excess of their historical depreciation amounts. In the case of Kinder Morgan, the capital expenditures are 164.2% of depreciation expense. For The Southern Company, it is even higher at 224.2%. The comparison stops there. The dividends and distributions in relation to net income or the payout ratio of Kinder Morgan is 186.4%. It is not only paying out all of its net income, it is actually paying out all of the appreciation. It funds capital expenditures by issuing shares and borrowing money.

The Southern Company has a 70% payout ratio, so it reinvests some of its earnings into the company, although even that is inadequate to fund its required capital expenditures. It sells bonds and equity to fund the difference, but it does so in such a manner that its debt ratios remain relatively constant, because it retains enough money to make sure that its shareholders' equity is rising for organic reasons. For Kinder Morgan, while it is true its shareholder equity is rising, it is rising because it is making acquisitions and/or issuing more equity, which is a very different approach. These two companies are organically very different.

From an asset allocation standpoint, the more risk averse equity investors are encouraged to invest in utilities because, after all, they are regulated businesses and the businesses are not inherently cyclical or volatile. Similarly, the same is said about the master limited partnership pipelines. Yet, looking at the balance sheet and the capital expenditure policies of these two companies, it is clear that they are actually two unconventional entities.

Featured Companies

BOOZ ALLEN HAMILTON (BAH)

Booz Allen Hamilton has a market capitalization of $1.8 billion and a March 31 fiscal year. This company is essentially a consulting company with a focus almost entirely on the defense industry. Even though it is entirely defense, it deals with 1,200 U.S. government agencies. To serve the United States Defense Department, it is not unusual to deal with civilian agencies, because military personnel need to be fed, housed, and receive certain post-employment benefits. Booz Allen is involved in many projects of that nature. The company deals with nearly all the U.S. Government cabinet level departments.

Booz Allen has $13 billion of backlog, which is about 2x annual revenue. Unfortunately, due to the sequestration and various budgetary initiatives imposed by Congress, this company, trades at 9.4x estimated fiscal 2014 earnings. The analysts who follow this company assume that profits and revenues will decline by 10% largely as a factor of budget reduction and sequestration. That assumption may or may not be a good one. If it is an appropriate assumption, it doesn't appear to be very likely that a decline in revenue will continue for the simple reason that many of the projects the company works on are at the highest level of national security.

For instance, there is a huge cyber security threat directed against the United States and there are very few companies with the expertise to deal with that problem. One of the reasons Booz Allen has that expertise is that 76% of its employees hold security clearance and have already worked in that field. Those qualifications represent an asset that certainly isn't reflected on the balance sheet. The United States government will not let anyone without security clearance—even someone with a computer science degree—work on its most top secret computer projects. At Booz Allen, 27% of its employees have a rating of 'Top Secret Sensitive', 22% have a 'Top Secret' rating, and 26% have a 'Secret' rating. The company's book of business is fairly diversified. The largest single contract is 10% of revenues. The largest single task order under any contract is 1.2% of revenues.

Where it gets interesting is that some years ago, this company, believe it or not, was a leveraged buyout. It is hard to imagine a company that works on the United States government's most sensitive projects would actually be permitted to subject itself to a leveraged buyout, but that is what happened. Four years ago, The Carlyle Group controlled Booz Allen and it eventually was subject to an IPO. It is still very leveraged with $1.7 billion of debt. It has $317 million of cash on the balance sheet, so it is a fairly liquid balance sheet in that sense. It has $184 million of equity, all nontangible. The goodwill and intangibles are $1.5 billion or equal to 8.4x or 824% of the equity, so there is no tangible equity in this company. Interest expense is 18% of operating profits.

One way the company can grow is simply by paying down debt, because it has copious cash flow. However, it is not entirely clear that the revenues and earnings are going to decline. There is a school of thought that believes the United States government might be compelled by circumstance to increase its expenditures in this area. If the United States government should decide to increase its expenditures, the companies in question will only see it a year or two after. Therefore, Booz Allen might not see it until the 2015 fiscal year. As soon as the government's intentions are apparent, they will be reflected in the stock price. It is a very inexpensive stock. The bad news, such as it is, is clearly reflected in the current price of the stock, but there are many good prospects that are not reflected in that price.

Q: Are CACI and Booz Allen similar companies?

A: They are similar, but with the difference that a greater percent of the work appears to be top secret and at the highest level in Booz Allen than in CACI. CACI does a lot of work in logistics and Booz Allen does not have a tremendous amount of exposure in that area. Logistics in this case is really the art of supplying the military. As the United States military withdraws from different areas of the world, there will be less effort on logistics, and it is hard to imagine that there will not be more effort on cyber security. How much more effort is impossible to determine, and that's one of the reasons why the stock trades at its current P/E.

One cannot determine with any degree of precision how much the United States government will increase spending on cyber security, if it increases it at all; perhaps it will even decrease it. We have no way of knowing, because they won't tell us. It is a reasonable assertion, however, that the government is likely to make cyber security a high priority. If it were increased, you would not find any statement other than a vague one from the United States government about what it is doing in that field, so you cannot confirm it; you will just see it one day in the Booz Allen earnings.

BOARDWALK PIPELINE PARTNERS, LP (BWP)

Boardwalk Pipeline Partners is a master limited partnership pipeline that yields 7.67%. Its market capitalization is $6.4 billion, so it is fairly large. Unlike many master limited partnerships, it maintains a one-to-one debt to equity ratio. It is more conservative than most MLPs. Unlike those discussed in the *Facts & Figures* section, Boardwalk's balance sheet has fairly minimal goodwill. The company, in partnership with Williams, is engaged in what should be a revenue and earnings enhancing project. In partnership, Boardwalk and Williams will build an extension to an existing pipeline to enable the company to access 200,000 barrels a day of LNG liquids from the so-called Marcellus Shale trend. The Marcellus trend is in Ohio, West Virginia, Kentucky, and Pennsylvania.

Boardwalk owns 14,000 miles of pipeline that begins somewhere in Ohio and ends in the Gulf Coast. When that pipeline system was constructed, no one was really aware of the Marcellus trend. Oil and gas is being found in the Marcellus trend in ever-increasing measure. However, it doesn't necessarily have an outlet for delivery or storage capacity. Among other assets, Boardwalk Pipeline owns 201 billion cubic feet of gas storage capacity and 20 million barrels of liquid storage capacity.

In addition to the Marcellus Shale, there is also the so-called Utica Shale in Ohio. Extending the pipeline to Pennsylvania, West Virginia, and Kentucky to access Marcellus trend involves being in a position to access the Utica trend. This access would involve the extension of a 14,000-mile pipeline by just several hundred miles. A relatively small capital expenditure could mean a big increase in throughput. There is also a smaller project designed to bring gas to Northern Florida.

One of the reasons that Boardwalk Pipeline so infrequently finds its way into the ever-popular master limited partnership ETFs and funds is that the company is 53% controlled by Loews. Therefore, its liquidity characteristics are much more limited than those normally associated with a company with a $6.4 billion market cap. From the point of view of float, it is effectively a small cap company and, therefore, from the point of view of passive management and indexation in MLPs, it is systemically ignored. Incidentally, it has a much higher yield than a typical MLP. In 24 months, that yield could meaningfully increase at a very small risk to the company.

BIGLARI HOLDINGS INC. (BH)

Biglari Holdings is named after its creator, Sardar Biglari, an investor who aspires to renown as a value-based investor. Thus far, this company has a $470 million market capitalization. Biglari has confined his interest to restaurants. Some number of years ago, he acquired control of Steak 'n Shake Restaurants and Western Sizzlin Restaurants, which happen to have $45 million to $47 million of annual operating income. It was Biglari's efforts that achieved that level of income. Before Biglari's arrival, Steak 'n Shake was not doing nearly as well as it is now. He has evidenced an interest in Cracker Barrel stores, and over the years he has managed to acquire nearly 20% of the company. He has also engaged in a proxy fight with Cracker Barrel but, thus far, it has not resulted in the board seat that he seeks. Nevertheless, Cracker Barrel has been a very good investment.

Judging by its book value, because it is an investment holding company, Biglari's company has increased at the rate of roughly 10% per annum since 2008. This company also controls a $48 million hedge fund called the Lion Fund. Since 2008, the Biglari Holdings stock has done essentially nothing, so it has largely been ignored. It has $130 million of debt and, logically, the place to apply it is on the operating businesses, meaning the restaurant businesses, although it need not be applied there. If one assumes $8 million plus of interest expense on that debt, in principle, one might be able to attain, after various corporate expenses, $20 million of pretax income out of the restaurants if they were grouped in a separately traded business. That income is worth a certain amount of money, and there are about $350 million worth of investments, most of which are in Cracker Barrel stores.

The company is seeking more capital and, at the moment, is in the process of engaging in a $15 million rights offering. Rights offerings are fairly unusual in the United States, although they are popular in other countries. Due to a lack of analytical coverage, the concentration of the business, the difficulty of classifying it, and the rights offering, Biglari Holdings is just another example of one of those structural anomalies that no one pays attention to. However, the person running this company has done a credible job of creating shareholder value. It is simply not recognized in the stock price.

SPIRIT AEROSYSTEMS HOLDINGS INC. (SPR)

Spirit AeroSystems has a $2.7 billion market capitalization. It builds components of airframes like fuselages and wing systems. Since the business is cyclical, because it is associated with the civilian aircraft business, it trades at 9.4x estimated earnings. Boeing, a cyclical company with a very large defense component, trades at 13.6x earnings. Certain well-managed manufacturers of components that are perceived as providing something unique, like Precision Castparts, trade at 19.9x earnings at the moment. In the world of component manufacturers, Spirit AeroSystems is at the lower end of the valuation range.

There is a huge wave of civilian aircraft that is going to be delivered in the next five or six years because, given all the problems the airlines had in the last ten to twenty years, in addition to the problems that various leasing companies had for non-aircraft reasons, like International Lease Finance, there was a dearth of civilian aircraft purchases. In fact, Spirit AeroSystems has a $35 billion backlog, which equals 6x annual revenue, and that backlog is growing. The estimates upon which the 9.4x P/E ratio is based are at a 5% net margin, but the coming scale of operations is likely to generate some type of economy of scale. If it were to generate a profit margin more like 7.5%, which is perhaps more reasonable, this company could be very undervalued.

In 2012, the earnings were very weak, although the revenue was not weak. The weakness of the earnings largely resulted from gearing up to produce some of what’s been ordered under the huge backlog. It is readily conceivable that 24 months hence, this company could generate $7 billion of annual revenue. At a 7% net margin that revenue would equal nearly $3.50 per share in earnings. In that scenario, the price of the stock would be $43. It is currently at an $18 share price. This stock could appreciate meaningfully.

Moog is a company that AeroSystems might be compared to in one sense. Moog, although it produces aircraft controls, also produces some very low margin industrial products.

However, that company generates, even now, 6.3% net margins. Therefore, 7% net margins are achievable. One of the reasons that people pay very little attention to this company is that it is 64% owned by Onex Corporation. As a result, while it has a $2.7 billion market capitalization, in reality, it has only one-third of that amount in float making it effectively a very small capitalization stock that investors, especially indexes, tend to ignore it. That is where the opportunity lies.

Post-Musings

STRUCTURAL ANOMALIES

Each of the companies recommended in this edition have one or more structural anomalies associated with them. Booz Allen Hamilton is the aftermath of a publicly traded IPO, and there is an unwillingness to buy companies with a great amount of debt, even though financing can now be acquired at lower rates than have ever. If interest rates stay low, then in the fullness of time, they can help to generate an incredibly high return on equity. The other side of the coin of low interest rates would be to take some money out of bonds, which produce very little return, and buy some companies that are beneficiaries of low borrowing rates and are leveraged. However, very few people will employ that strategy.

In the case of Boardwalk Pipeline, a big block of its shares is controlled by Loews and, therefore, it doesn’t have the liquidity commensurate with typical MLPs that repeatedly issue large numbers of shares. Spirit AeroSystems has a lot of profit potential. Its business is in the middle of a cyclical uptrend of huge dimensions, but it doesn’t have the liquidity as a stock to be eligible for inclusion in many indexes. The same goes three or four times for Biglari Holdings with its $470 million market capitalization and the further complexity of engaging in a rights offering. A good way of making money, or at least of finding candidates that are interesting for analysis, is to look for companies that are eschewed for one reason or another by indexes.

WEALTH INDEX (Ticker: RCH Index)

As of March 31, 2013

Annualized Total Return	**1 Year**	**3 Years**	**5 Years**	**7 Years**	**10 Years**	**15 Years**	**20 Years**	**Since Incep. 1991 - Mar '13**
Wealth Index	11.97%	16.25%	13.47%	9.68%	14.18%	8.73%	11.38%	13.04%
S&P 500	13.96%	12.67%	5.81%	5.01%	8.53%	4.27%	8.53%	9.50%
S&P 500 Eq. Wgt.	17.54%	14.25%	9.24%	6.69%	12.04%	7.51%	10.53%	11.96%
Russell 3000	14.56%	12.97%	6.32%	5.14%	9.15%	4.68%	8.66%	9.81%
Russell 2000	16.30%	13.45%	8.24%	4.59%	11.52%	6.04%	8.84%	10.81%
Excess Return vs. S&P 500	-1.99%	3.58%	7.65%	4.67%	5.65%	4.46%	2.85%	3.54%
Excess Return vs. S&P 500 Eq. Wgt.	-5.57%	2.00%	4.23%	2.99%	2.14%	1.21%	0.85%	1.08%
Excess Return vs. Russell 3000	-2.60%	3.28%	7.15%	4.54%	5.03%	4.04%	2.72%	3.23%
Excess Return vs. Russell 2000	-4.34%	2.80%	5.23%	5.09%	2.66%	2.69%	2.54%	2.24%

**Note: Calculated Using Total Returns*

Risk Adjusted Return	**1 Year**	**3 Years**	**5 Years**	**7 Years**	**10 Years**	**15 Years**	**20 Years**	**Since Incep. 1991 - Mar '13**
Wealth Index	0.92	0.91	0.52	0.42	0.69	0.36	0.52	0.61
S&P 500	1.34	0.84	0.31	0.30	0.58	0.26	0.56	0.64
S&P 500 Eq. Wgt.	1.49	0.84	0.40	0.33	0.67	0.41	0.62	0.72
Russell 3000	1.37	0.83	0.32	0.30	0.59	0.28	0.56	0.65
Russell 2000	1.26	0.67	0.34	0.21	0.57	0.28	0.45	0.56

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

Information Ratio	**1 Year**	**3 Years**	**5 Years**	**7 Years**	**10 Years**	**15 Years**	**20 Years**	**Since Incep. 1991 - Mar '13**
Wealth Index vs. S&P 500	(0.41)	0.65	0.72	0.48	0.64	0.39	0.27	0.34
Wealth Index vs. S&P 500 Eq. Wgt.	(2.02)	0.47	0.68	0.50	0.38	0.11	0.09	0.11
Wealth Index vs. Russell 3000	(0.62)	0.67	0.74	0.52	0.63	0.38	0.28	0.34
Wealth Index vs. Russell 2000	(0.91)	0.41	0.59	0.64	0.35	0.22	0.23	0.21

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

Wealth Index Batting Average	**Roll. 1 Year**	**Roll. 3 Year**	**Roll. 5 Year**
vs. S&P 500	59.77%	67.67%	68.75%
vs. S&P 500 Eq. Wgt.	57.81%	62.07%	56.73%
vs. Russell 3000	62.50%	68.10%	75.00%
vs. Russell 2000	60.55%	64.66%	72.12%

**Note: Calculated Using Total Returns*

Annualized Volatility	**1 Year**	**3 Years**	**5 Years**	**7 Years**	**10 Years**	**15 Years**	**20 Years**	**Since Incep. 1991 - Mar '13**
Wealth Index	13.04%	17.90%	25.82%	22.82%	20.46%	23.97%	21.84%	21.28%
S&P 500	10.39%	15.01%	18.92%	16.72%	14.82%	16.17%	15.16%	14.85%
S&P 500 Eq. Wgt.	11.73%	16.95%	23.00%	20.07%	18.04%	18.45%	16.88%	16.55%
Russell 3000	10.63%	15.66%	19.66%	17.35%	15.42%	16.60%	15.44%	15.11%
Russell 2000	12.92%	20.10%	24.42%	21.67%	20.13%	21.43%	19.62%	19.31%

**Note: Calculated Using Total Returns*

Annualized Tracking Error	**1 Year**	**3 Years**	**5 Years**	**7 Years**	**10 Years**	**15 Years**	**20 Years**	**Since Incep. 1991 - Mar '13**
vs. S&P 500	4.84%	5.51%	10.62%	9.70%	8.89%	11.34%	10.59%	10.46%
vs. S&P 500 Eq. Wgt.	2.76%	4.27%	6.18%	5.95%	5.67%	10.82%	9.89%	9.60%
vs. Russell 3000	4.22%	4.92%	9.68%	8.81%	8.04%	10.55%	9.81%	9.64%
vs. Russell 2000	4.75%	6.75%	8.91%	7.98%	7.52%	12.22%	11.23%	10.82%

**Note: Calculated Using Total Returns*

Wealth Index Beta	**1 Year**	**3 Years**	**5 Years**	**7 Years**	**10 Years**	**15 Years**	**20 Years**	**Since Incep. 1991 - Mar '13**
vs. S&P 500	1.18	1.14	1.27	1.26	1.27	1.35	1.29	1.28
vs. S&P 500 Eq. Wgt.	1.09	1.03	1.09	1.10	1.09	1.17	1.17	1.16
vs. Russell 3000	1.17	1.10	1.24	1.24	1.24	1.34	1.30	1.29
vs. Russell 2000	0.94	0.84	0.99	0.99	0.95	0.96	0.96	0.95

**Note: Calculated Using Total Returns*

Calendar Year Total Returns	**Wealth Index**	**S&P 500**	**S&P 500 Eq. Wgt.**	**Russell 3000**	**Russell 2000**	**ER v. SP500**	**ER v. SP500 EW**	**ER v. R3000**	**ER v. R2000**
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%	12.58%	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%	0.95%	0.19%	-1.82%	-0.99%	-0.62%	0.14%	2.15%
1995	31.31%	37.58%	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%	8.06%	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	-43.67%	-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%	-2.48%	-4.13%	-2.89%	-2.82%
YTD 2013	11.24%	10.61%	12.52%	11.07%	12.39%	0.63%	-1.28%	0.16%	-1.16%

**Note: Calculated Using Total Returns*

Source: Horizon Kinetics LLC, International Securities Exchange, Bloomberg

See important disclosures for additional information.

WEALTH INDEX (Ticker: RCH Index)

As of March 31, 2013

No.	Ticker	Security Name	Individual Name	Position
1	PEGA	Pegasystems Inc	Alan Trefler	Chairman/Chief Executive Officer/Founder
2	L	Loews Corp	Andrew H. Tisch	Co-Chairman
3	IACI	IAC/InterActiveCorp	Barry Diller	Chairman
4	EXPE	Expedia Inc	Barry Diller	Chairman
5	SYNT	Syntel Inc	Bhrat Desai	Chairman/Co-Founder
6	JWN	Nordstrom Inc	Blake W. Nordstrom	President/Significant Owner
7	PAYX	Paychex Inc	Blasé Thomas Golisano	Chairman/Founder
8	CMCSA	Comcast Corp	Brian L. Roberts	Chairman/President/Chief Executive Officer
9	NEU	NewMarket Corp	Bruce C. Gottwald	Chairman
10	ARII	American Railcar Industries Inc	Carl C. Icahn	Chairman
11	CVI	CVR Energy Inc	Carl C. Icahn	Chairman-by-Proxy/Significant Owner
12	CHK	Chesapeake Energy Corp	Carl C. Icahn	Director-by-Proxy/Significant Owner
13	NAV	Navistar International Corp	Carl C. Icahn	Director-by-Proxy/Significant Owner
14	HAIN	Hain Celestial Group Inc/The	Carl C. Icahn	Director-by-Proxy/Significant Owner
15	MENT	Mentor Graphics Corp	Carl C. Icahn	Director-by-Proxy/Significant Owner
16	TTWO	Take-Two Interactive Software Inc	Carl C. Icahn	Director-by-Proxy/Significant Owner
17	WBMD	WebMD Health Corp	Carl C. Icahn	Director-by-Proxy/Significant Owner
18	BEN	Franklin Resources Inc	Charles B. Johnson	Chairman
19	AMCX	AMC Networks Inc	Charles Francis Dolan	Chairman
20	CVC	Cablevision Systems Corp	Charles Francis Dolan	Chairman
21	SCHW	Charles Schwab Corp/The	Charles R. Schwab	Chairman/Founder
22	SATS	EchoStar Corp	Charles William Ergen	Chairman
23	DISH	DISH Network Corp	Charles William Ergen	Chairman/Co-Founder
24	WERN	Werner Enterprises Inc	Clarence L. Werner	Chairman Emeritus/Founder
25	BKE	Buckle Inc/The	Daniel J. Hirschfeld	Chairman
26	YHOO	Yahoo! Inc	David Filo	Chief Yahoo/Co-Founder/Significant Owner
27	DOLE	Dole Food Co Inc	David H. Murdock	Chairman
28	GLRE	Greenlight Capital Re Ltd	David M. Einhorn	Chairman/Co-Founder
29	CACC	Credit Acceptance Corp	Donald A. Foss	Chairman
30	DHI	DR Horton Inc	Donald R. Horton	Chairman/Founder
31	SHLD	Sears Holdings Corp	Edward S. Lampert	Chairman
32	AN	AutoNation Inc	Edward S. Lampert	Director-by-Proxy/Significant Owner
33	SHOS	Sears Hometown and Outlet Stores Inc	Edward S. Lampert	Director-by-Proxy/Significant Owner
34	DKS	Dick's Sporting Goods Inc	Edward W. Stack	Chairman/Chief Executive Officer
35	TSLA	Tesla Motors Inc	Elon R. Musk	Chairman/Chief Executive Officer
36	FCNCA	First Citizens BancShares Inc/NC	Frank B. Holding Sr.	Vice Chairman
37	BRKR	Bruker Corp	Frank H. Laukien	Chairman/President/Chief Executive Officer
38	MOLX	Molex Inc	Frederick A. Krehbiel	Co-Chairman
39	FDX	FedEx Corp	Frederick Wallace Smith	Chairman/President/Chief Executive Officer
40	BOKF	BOK Financial Corp	George B. Kaiser	Chairman
41	BF/B	Brown-Forman Corp	George Garvin Brown IV	Chairman
42	MCY	Mercury General Corp	George Joseph	Chairman/Founder
43	DST	DST Systems Inc	George L. Argyros	Board Member/Significant Owner
44	HTH	Hilltop Holdings Inc	Gerald J. Ford	Chairman
45	RAX	Rackspace Hosting Inc	Graham M. Weston	Chairman
46	KRO	Kronos Worldwide Inc	Harold C. Simmons	Chairman
47	CLR	Continental Resources Inc/OK	Harold G. Hamm	Chairman/Chief Executive Officer/Founder
48	BRCM	Broadcom Corp	Henry Samueli	Director/Founder/Chief Technology Officer/Significant Owr
49	SPG	Simon Property Group Inc	Herbert Simon	Chairman Emeritius
50	SBUX	Starbucks Corp	Howard D. Schultz	Chairman/President/Chief Executive Officer/Founder
51	FDO	Family Dollar Stores Inc	Howard R. Levine	Chairman/Chief Executive Officer
52	BRO	Brown & Brown Inc	J. Hyatt Brown	Chairman
53	GWW	WW Grainger Inc	James D. Slavik	Board Member/Significant Owner
54	SMG	Scotts Miracle-Gro Co/The	James Hagerdorn	Chairman/Chief Executive Officer
55	AMKR	Amkor Technology Inc	James J. Kim	Chairman
56	NATI	National Instruments Corp	James J. Truchard	Chairman/President/Chief Executive Officer/Co-Founder
57	MSG	Madison Square Garden Co/The	James L. Dolan	Chairman
58	WLK	Westlake Chemical Corp	James Y. Chao	Chairman
59	DSW	DSW Inc	Jay L. Schottenstein	Chairman
60	AEO	American Eagle Outfitters Inc	Jay L. Schottenstein	Chairman
61	AMZN	Amazon.com Inc	Jeffrey P. Bezos	Chairman/President/Chief Executive Officer/Founder
62	MHK	Mohawk Industries Inc	Jeffrey S. Lorberbaum	Chairman/Chief Executive Officer
63	HES	Hess Corp	John B. Hess	Chairman/Chief Executive Officer
64	LBTYA	Liberty Global Inc	John C. Malone	Chairman
65	LMCA	Liberty Media Corp	John C. Malone	Chairman
66	LINTA	Liberty Interactive Corp	John C. Malone	Chairman
67	LVNTA	Liberty Ventures	John C. Malone	Chairman
68	DISCA	Discovery Communications Inc	John C. Malone	Board Member/Significant Owner
69	STRZA	Starz - Liberty Capital	John C. Malone	Chairman-by-Proxy/Significant Owner
70	MAR	Marriott International Inc/DE	John W. Marriott Jr.	Chairman/Chief Executive Officer
71	VAC	Marriott Vacations Worldwide Corp	John W. Marriott Jr.	Family Board Members/Significant Owner
72	HUN	Huntsman Corp	Jon Meade Huntsman Sr.	Chairman/Founder
73	MORN	Morningstar Inc	Joseph D. Mansueto	Chairman/Chief Executive Officer/Founder
74	LUK	Leucadia National Corp	Joseph S. Steinberg	Chairman
75	NWSA	News Corp	Keith Rupert Murdoch	Chairman/Chief Executive Officer/Founder

WEALTH INDEX (Ticker: RCH Index)

As of March 31, 2013

No.	Ticker	Security Name	Individual Name	Position
76	TTEC	TeleTech Holdings Inc	Kenneth D. Tuchman	Chairman/Chief Executive Officer
77	UA	Under Armour Inc	Kevin A. Plank	Chairman/President/Chief Executive Officer/Founder
78	MGM	MGM Resorts International	Kirk Kerkorian	Director Emeritus/Significant Owner
79	FOSL	Fossil Inc	Kosta N. Kartsotis	Chairman/Chief Executive Officer
80	GOOG	Google Inc	Lawrence E. Page	Chief Executive Officer/Co-Founder
81	ORCL	Oracle Corp	Lawrence Joseph Ellison	Chief Executive Officer
82	LYB	LyondellBasell Industries NV	Len Blavatnik	Director-by-Proxy/Significant Owner
83	LTD	L Brands Inc	Leslie Herbert Wexner	Chairman/Chief Executive Officer
84	CRM	Salesforce.com Inc	Marc R. Benioff	Chairman/Chief Executive Officer/Co-Founder
85	CPB	Campbell Soup Co	Mary Alice Dorrance Malon	Family Board Members/Significant Owners
86	TR	Tootsie Roll Industries Inc	Melvin J. Gordon	Chairman/Chief Executive Officer
87	AFSI	Amtrust Financial Services Inc	Michael Karfunkel	Chairman
88	DELL	Dell Inc	Michael S. Dell	Chairman/Chief Executive Officer/Founder
89	CCL	Carnival Corp	Micky Meir Arison	Chairman/Chief Executive Officer
90	GRMN	Garmin Ltd	Min H. Kao	Chairman/Chief Executive Officer
91	MSM	MSC Industrial Direct Co Inc	Mitchell Jacobson	Chairman
92	CFX	Colfax Corp	Mitchell P. Rales	Chairman/Co-Founder
93	BXP	Boston Properties Inc	Mortimer B. Zuckerman	Chairman/Chief Executive Officer/Co-Founder
94	CERN	Cerner Corp	Neal L. Patterson	Chairman/President/Chief Executive Officer
95	WEN	Wendy's Co/The	Nelson Peltz	Chairman
96	QCOM	QUALCOMM Inc	Paul Eric Jacobs	Chairman/Chief Executive Officer
97	PGR	Progressive Corp/The	Peter Benjamin Lewis	Chairman
98	ARG	Airgas Inc	Peter McCausland	Chairman/President/Chief Executive Officer/Founder
99	APOL	Apollo Group Inc	Peter V. Sperling	Chairman
100	HRG	Harbinger Group Inc	Philip A. Falcone	Chairman/Chief Executive Officer
101	NKE	NIKE Inc	Philip H. Knight	Chairman
102	OPK	Opko Health Inc	Phillip Frost	Chairman/Chief Executive Officer
103	TEVA	Teva Pharmaceutical Industries Ltd	Phillip Frost	Chairman
104	EBAY	eBay Inc	Pierre M. Omidyar	Chairman/Co-Founder
105	RES	RPC Inc	R. Randall Rollins	Chairman
106	ROL	Rollins Inc	R. Randall Rollins	Chairman
107	RL	Ralph Lauren Corp	Ralph Lauren	Chairman/Chief Executive Officer/Founder
108	HALO	Halozyme Therapeutics Inc	Randal Kirk	Board Member/Significant Owner
109	OXY	Occidental Petroleum Corp	Ray R. Irani	Chairman
110	URBN	Urban Outfitters Inc	Richard A. Hayne	Chairman/President/Chief Executive Officer
111	HST	Host Hotels & Resorts Inc	Richard E. Marriott	Chairman
112	CAB	Cabela's Inc	Richard N. Cabela	Chairman/Co-Founder
113	FAST	Fastenal Co	Robert A. Kierlin	Chairman/Founder
114	ITW	Illinois Tool Works Inc	Robert C. McCormack	Board Member/Significant Owner
115	PSMT	Pricesmart Inc	Robert E. Price	Chairman
116	GPS	Gap Inc/The	Robert J. Fisher	Family Board Members/Significant Owners
117	TCO	Taubman Centers Inc	Robert S. Taubman	Chairman/President/Chief Executive Officer
118	PCYC	Pharmacyclics Inc	Robert W. Duggan	Chairman/Chief Executive Officer
119	MNST	Monster Beverage Corp	Rodney C. Sacks	Chairman/Chief Executive Officer
120	PAG	Penske Automotive Group Inc	Roger S. Penske	Chairman/Chief Executive Officer
121	CVA	Covanta Holding Corp	Samuel Zell	Chairman
122	AXE	Anixter International Inc	Samuel Zell	Chairman
123	ELS	Equity Lifestyle Properties Inc	Samuel Zell	Chairman
124	EQR	Equity Residential	Samuel Zell	Chairman
125	INTU	Intuit Inc	Scott D. Cook	Director/Founder/Significant Owner
126	CTAS	Cintas Corp	Scott D. Farmer	Chief Executive Officer
127	MRVL	Marvell Technology Group Ltd	Sehat Sutardja	Chairman/President/Chief Executive Officer/Co-Founder
128	LVS	Las Vegas Sands Corp	Sheldon Gary Adelson	Chairman/Chief Executive Officer/Treasurer
129	WYNN	Wynn Resorts Ltd	Stephen A. Wynn	Chairman/Chief Executive Officer/Founder
130	RP	RealPage Inc	Stephen T. Winn	Chairman/Chief Executive Officer
131	DHR	Danaher Corp	Steven M. Rales	Chairman/Co-Founder
132	VNO	Vornado Realty Trust	Steven Roth	Chairman
133	CHH	Choice Hotels International Inc	Stewart W. Bainum Jr.	Chairman
134	LEN	Lennar Corp	Stuart A. Miller	Chief Executive Officer
135	CBS	CBS Corp	Sumner M. Redstone	Chairman
136	VIAB	Viacom Inc	Sumner M. Redstone	Chairman
137	RJF	Raymond James Financial Inc	Thomas A. James	Chairman
138	ERIE	Erie Indemnity Co	Thomas B. Hagen	Chairman
139	H	Hyatt Hotels Corp	Thomas J. Pritzker	Chairman
140	NG	Novagold Resources Inc	Thomas S. Kaplan	Chairman
141	COLM	Columbia Sportswear Co	Timothy P. Boyle	President/Chief Executive Officer
142	WTI	W&T Offshore Inc	Tracy W. Krohn	Chairman/Chief Executive Officer/Founder
143	BRK/B	Berkshire Hathaway Inc	Warren E. Buffett	Chairman/Chief Executive Officer
144	HHC	Howard Hughes Corp/The	William A. Ackman	Chairman
145	OCN	Ocwen Financial Corp	William C. Erbey	Chairman
146	ASPS	Altisource Portfolio Solutions SA	William C. Erbey	Chairman
147	EL	Estee Lauder Cos Inc/The	William P. Lauder	Chairman
148	WRB	WR Berkley Corp	William R. Berkley	Chairman/Chief Executive Officer/Founder

Source: Horizon Kinetics LLC, International Securities Exchange, Bloomberg

See important disclosures for additional information.

Important Disclosures

Horizon Kinetics ISE Wealth Index, Horizon Kinetics ISE Global Wealth Index, and Horizon Kinetics Asia Ex-Japan Wealth Index (the "Indexes") were created in conjunction with the International Securities Exchange, LLC ("ISE"), which operates a leading U.S. options exchange and offers option trading on over 2,000 underlying equity, EFT, index, and FX products.

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This presentation may show the performance of the Indexes for a period of time prior to when the Indexes were officially launched. Such information may reflect hypothetical historical performance and as such may be backtested. Anyone interested in better understanding the methodology for the Indexes, including details on the manner in which the Indexes are rebalanced, the timing of such rebalancing, the criteria used in determining additions and deletions to the Indexes as well as other index calculations may contact Horizon Kinetics at info@horizonkinetics.com or (646) 495-7333.

In situations where backtested performance of data has been employed, prospective application of the methodology used to construct the information of such Indexes may not result in performance commensurate with the backtest returns shown. The backtest period does not necessarily correspond to the entire available history of the Indexes. A limitation associated with the hypothetical information of the Indexes is that generally the calculations of the Indexes are being prepared with the benefit of hindsight. Backtested data reflects the application of the Indexes methodology and selection of Indexes constituents in hindsight. No hypothetical record can completely account for the impact of financial risk in actual trading. For example, there are numerous factors related to the equities markets in general which cannot be, and have not been accounted for in the preparation of the Indexes information, all of which can affect actual performance. Historical calculations may change from month to month based on revisions to the underlying economic data that was used in the calculation of the Indexes.

Furthermore, the returns of the Indexes shown herein do not represent the results of actual trading of investor assets. The returns of the Indexes do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. Backtested performance of the Indexes is hypothetical, does not reflect trading in actual accounts and is provided for informational purposes only. The respective methodologies of the Indexes are subject to change at the discretion of the index provider. The backtested methodologies may differ from the current methodologies of the Indexes, which are subject to change over time. Backtested performance is achieved through the retroactive application of portfolios designed with the benefit of hindsight. Additionally, the performance of the Indexes does not incorporate the impact of expenses or fees and may differ materially from performance realized in actual accounts. The Horizon Kinetics ISE Wealth Index, the Horizon Kinetics ISE Global Wealth Index, and the Horizon Kinetics ISE Asia ex-Japan Wealth Index were first published on August 8, 2011, October 1, 2012, and October 1, 2012, respectively; therefore, any performance stated prior to this date is backtested performance.

Money Manager Index

From Jan 1983 to Feb 2013

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											2013	155.13	14.9%	18.6%

S.No.	Ticker	Name	Initial Amount Invested	Shares Purchased	Date of Investment	Current Index Value
1	AMG us equity	Affiliated Manager	$22,947	1377	11/30/1997	201,331
2	ALNC us equity	Alliance	$7,633	491	4/30/1994	21,811
3	BLK us equity	BlackRock	$23,205	1658	9/30/1999	397,389
4	WDR us equity	Waddell & Reed	$27,513	1587	3/31/1998	65,111
5	EV us equity	Eaton Vance	$2,641	3998	1/31/1986	152,699
6	TROW us equity	T. Rowe Price	$2,423	2014	4/30/1986	143,366
7	BEN us equity	Franklin Resources	$908	1263	4/30/1985	178,418
8	LM us equity	Legg Mason	$1,000	462	8/31/1983	13,172
9	FII us equity	Federated Inv	$26,381	2206	5/31/1998	51,755
10	FIG us equity	Fortress Investment Group	$102,249	3389	2/28/2007	22,131
11	PZN us equity	Pzena Investment Management	$122,426	6317	10/31/2007	40,746

HORIZON KINETICS

Index Constituent Changes: 1. Everest Financial Group Limited (EFG AU) was delisted from the Australian Security Exchange effective 7/19/2011 and has been removed from the index. 2. RAB Capital Plc (RAB LN) was delisted from the London Security Exchange effective 9/2/2011 and has been removed from the index. 3. Invista Real Estate (INRE LN) was delisted effective 8/10/2012. The divisor has been adjusted accordingly for each of these changes.

International Money Manager Index

From Jan 1983 to Feb 2013

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yr. End	Index	Yearly return	Annualized return (since inception)
1986											1.00	1.02	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	16.76	55.4%	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	(15.8)%	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	27.56	31.48	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)%	14.7%
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%	15.2%
2013	43.61	42.58											2013	42.58	4.5%	15.3%

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	3,252
2	FCAM LN Equity	F&C Asset Management Plc	$1,203	485	5/31/1989	756
3	IVZ US Equity	Invesco Plc (Previously Amvescap)	$1,357	1,153	1/31/1991	15,537
4	SDR LN Equity	Schroders Plc	$1,208	505	3/31/1991	15,272
5	RAT LN Equity	Rathbone Brothers Plc	$1,208	736	3/31/1991	15,739
6	ADN LN Equity	Aberdeen Asset Mgmt Plc	$1,208	1,827	3/31/1991	11,929
7	CIX CN Equity	CI Financial Corp.	$2,585	3,224	6/30/1994	84,825
8	EMG LN Equity	Man Group Plc	$2,862	6,344	10/31/1994	7,345
9	AGF/B CN Equity	AGF Management Ltd-Cl B	$3,343	1,346	1/31/1996	15,309
10	8739 JP Equity	Sparx Group Co Ltd	$11,762	108	12/31/2001	14,424
11	HGG LN Equity	Henderson Group Plc	$14,447	8,666	12/31/2003	16,717
13	AZM IM Equity	Azimut Holding Spa	$21,908	4,977	7/31/2004	79,379
15	CCAP LN Equity	Charlemagne Capital Ltd	$36,848	22,300	3/31/2006	3,471
16	PGHN SW Equity	Partners Group-Reg	$36,848	578	3/31/2006	134,139
18	ASHM LN Equity	Ashmore Group Plc.	$36,688	9,873	10/31/2006	53,713