CONTRARIAN RESEARCH REPORT COMPENDIUM

June 2014

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Exclusive Marketers of
The Contrarian Report

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Murray's Musings

S&P 500 VS. RUSSELL 2000

A very unusual valuation situation is developing with regard to the S&P 500 and the Russell 2000. Although I have compared the two before, this is a new development. On March 31, 2014, according to iShares, the S&P 500 traded at a price-to-book ratio of 4.22x. A month later, on April 30, 2014, the same source put that figure at 4.38x. The May numbers are not yet available, but it is reasonable to expect another increase in the S&P 500 price-to-book ratio.

In contrast, the Russell 2000 price-to-book ratio was 4.24x on March 31, 2014, according to iShares; that ratio was almost identical to the S&P 500 price-to-book ratio. As of April 30, 2014, the price-to-book ratio of the Russell index had declined to 3.91x. Most observers have concluded, irrespective of the price-to-book value considerations, that the Russell 2000 is nevertheless more expensive than the S&P 500 since the Russell index, as calculated by iShares, has a trailing P/E of 28.73x. By way of comparison, the same source calculates the S&P 500 P/E on a trailing basis at 21.76x.

In any case, perhaps based upon comparative valuation, in the first months of 2014 the Russell 2000 has underperformed the S&P 500. From January 1, 2014 to May 30, 2014, not surprisingly, there has been outflow from the iShares Russell 2000 ETF, specifically $3.5 billion of outflow. Given its $24 billion market value, this is quite a considerable loss of assets under management (AUM) in only five months.[1]

In order to place this 2014 outflow in context, it is instructive to view the historical flows of this fund. As can be seen in Table 1 below, there were only three years between 2001 and 2013 in which this ETF experienced outflows: 2007, 2009, and 2011.

[1] Source: ETF.com

Table 1: iShares Russell 2000 (IWM) Cash Flows

	($ in billions)
2001	$1.81
2002	0.81
2003	1.25
2004	1.56
2005	0.16
2006	3.92
2007	(0.85)
2008	5.73
2009	(0.13)
2010	1.77
2011	(1.81)
2012	0.64
2013	4.10

Source: ETF.com

In 2007, it had $850 million of outflow, in 2009, $130 million, and in 2011, $1.8 billion. As the table shows, in the crisis year 2008, the ETF actually had $5.7 billion of inflow.

Placed in this context, the year-to-date withdrawal from the Russell 2000 ETF is almost equivalent to the entire 2013 contribution. If the year-to-date outflow for 2014 were a year in itself, it would be double the biggest year of outflow, which was 2011.

Of course—and here we come to the interesting part—Russell recognizes that valuation is a very important factor in investing. For this reason it has created the Russell 2000 growth and value indexes, and iShares has made these into ETFs.

If one were concerned with valuation in the Russell 2000—and keep in mind that valuation is a criterion for inclusion in the growth and value indexes—one could, in principle, remove money from the Russell 2000 Growth Index and place it in the Russell 2000 Value Index. A hedge fund, of course, could buy shares of the Russell 2000 Value ETF and sell short shares of the Russell 2000 Growth ETF, if it were concerned about valuation. Clearly, price-to-book ratio is an important factor for index construction. As a matter of fact, it is probably the most important factor.

Let us consider the relative valuation figures for the two sub-indexes of the Russell 2000: the iShares Russell 2000 Growth ETF (IWO), and the iShares Russell 2000 Value ETF (IWN). As Table 2 shows, on April 30, 2014, the Russell Value ETF, with a P/E of 25.55x,

was modestly cheaper than the Russell Growth Index, which had a P/E of 31.96x; this was based on trailing figures, of course.

Table 2: Russell Growth (IWO) and Value (IWN) ETF Valuations

	IWO	IWN
P/E as of 4/30/2014	31.96x	25.55x
P/B as of 4/30/2014	5.87x	1.91x
AUM	$5.5 billion	$5.77 billion
Cash Flow 1/1/14 – 5/30/14	($493) million	($370) million

Source: ETF.com

The price-to-book-value ratio on the same date was 5.87x for the Russell Growth. For the value index it was 1.91x. As mentioned earlier, it is not P/E but price-to-book that is the dominant valuation criteria for inclusion in the growth or value indexes.

It is also worth mentioning that the assets under management for both Russell indexes are more or less equivalent: $5.5 billion for the growth ETF and $5.7 billion for the value ETF.

Let us also examine the asset flows of these ETFs between January 1, 2014, and May 30, 2014, noting that, although these are subsets of the Russell 2000 Index, they are standalone ETFs. One cannot draw any conclusions, positive or negative, about the Russell 2000 Index from these two ETFs; these are different funds. In the first five months of the year, the iShares Russell 2000 Growth ETF (IWO) lost $493 million of assets, while the iShares Russell 2000 Value ETF (IWN) lost $370 million. Clearly, the amounts of money in these funds are nearly identical and the AUM flows, while not identical, are similar too.

By way of comparison, one can use the same construct with the S&P 500, because there is an S&P 500 Growth ETF and an S&P 500 Value ETF, both of which are iShares products. Table 3 shows these figures.

Table 3: S&P 500 Growth and Value ETF Valuations

	IVW	IVE
P/E as of 4/30/2014	24.63x	18.66x
P/B as of 4/30/2014	5.66x	3.00x
AUM	$9.64 billion	$7.67 billion

Source: ETF.com

The P/E was 24.63x for the iShares S&P 500 Growth ETF (IVW). Its price-to-book value ratio was 5.66x, and assets under management totaled $9.64 billion.

In the iShares S&P 500 Value ETF (IVE), the P/E was 18.66x. The price-to-book value ratio, the dominant valuation metric used in index construction, was 3x, and the assets under management were $7.67 billion.

The same valuation distinction exists in these funds as with those of the Russell 2000 funds based on sub-indexes. If one were concerned with the overvaluation of growth-related equities, one would think that rational investors would withdraw money from the ETF. That did not happen. In the first five months of 2014, investors acted as follows: the iShares S&P 500 Growth ETF had an inflow of $8.69 million. That is small but an inflow nevertheless. The iShares S&P 500 Value ETF had an inflow of $880 million. For the iShares S&P 500 ETF, also known as the S&P 500 Core ETF, the inflow totaled $949 million.

Although people make much of relative valuations in different index segments, one has to wonder if dispassionate valuation decisions are being made. If valuation is a consideration, one would expect to see some differences in investor activity as between growth and value ETFs, which one does not see.

Industry Thoughts

LAND VS. BONDS

Historically, it was not easy for an institutional investor to buy companies whose primary asset was land—companies with not much in the way of earnings, but possessing only land as a hedge against inflation.

It was not easy because of the limited selection, which includes companies such as Home Fed, Consolidated Tomoka, Tejon Ranch, J.W. Mays, Keweenaw Land, Alico, and Forestar Corporation. As Table 4 shows, the largest of the group is St. Joe Corporation. It has a $2.2 billion market capitalization, which is actually rather small for the institutional investment world. Even so, St. Joe is not as liquid as it would seem because there are large shareholders, so the float is much less than is customary with a $2.2 billion company.

Table 4: Land Owners

Ticker	Company	Market Cap *($ in millions)*
HOFT	HomeFed	$847
JOE	St. Joe	2,200
CTO	Consolidated Tomoka	272
TRC	Tejon Ranch	627
MAYS	J.W. Mays	92
KEWL	Keweenaw Land Assn.	109
FOR	Forestar Corp.	608
ALCO	Alico	275

Source: Bloomberg

In the last three years, however, we have seen the rise of three land companies that are liquid. As a subset of real estate, land is not big enough, if one counts the number of companies, to be an asset or industry class. However, there are three new examples whereby one could buy land in liquid tradeable corporate form—and it is meaningful and very well diversified land. The three companies are shown in Table 5.

Table 5: Liquid Land Companies

Ticker	Company	Market Cap *(USD in billions)*
BRP	Brookfield Residential	$2.70
TPH	TRI Pointe Homes *(after Weyerhaeuser split-off)*	2.40
DRM CN	Dream Unlimited	1.15

Source: Bloomberg

As you can see, Brookfield Residential has a $2.4 billion market cap; TRI Pointe Homes after the Weyerhaeuser split-off, should have roughly a $2.4 billion market capitalization even though now it is more like $500 million; and Dream Unlimited, which is a Canadian company with vast land holdings in Canada, has roughly a USD 1.1 billion market capitalization. There is substantial inside ownership at Brookfield and Dream. Nevertheless, Brookfield has over $2 million of daily trading volume. Dream's volume is not yet $1 million, but the company has both been acquiring substantial quantities of land and expanding its development activities, such that its size and liquidity should follow a coincident path.

The land companies do not pay dividends (or at least not meaningful dividends) so they cannot really be part of an REIT group, even apart from the questions of illiquidity. Of the three companies, Brookfield Residential was created out of Brookfield Homes about three years ago. That was the first, and it stood alone. Dream was created out of Dundee about a year ago. TRI Pointe is in the process of being created.

The reason we mention these land companies in relation to bonds is as follows: A standard hedge against inflation is gold. Gold is a very idiosyncratic asset, as anyone can tell by looking at gold returns for the last 10 years. Gold is amazingly well correlated with returns of long-term U.S. Treasury bonds, as Table 6 shows.

Table 6: Annual Performance of Gold & Long Term Treasury Bonds

	iShares 20+ Year Treasury Bond Fund (TLT)	iShares Gold Trust (IAU)
2013	(13.91)%	(27.94)%
2012	3.25%	8.37%
2011	33.60%	8.66%
2010	9.26%	27.94%
2009	(21.53)%	23.46%
2008	33.77%	5.41%
2007	10.14%	30.92%
2006	0.85%	22.43%
2005	8.46%	
2004	8.87%	
2003	1.76%	

Source: iShares

The price of gold can be influenced by all sorts of factors, including changes in technology and the ability to extract gold from the ground. Supply has historically increased tremendously in certain time periods and pushed gold prices down. On the other hand, at other times supply becomes scarce; this situation sometimes is associated with political risk and has nothing to do with inflation.

In a portfolio, gold is a homogeneous asset, meaning that one ounce of gold is no different from another ounce of gold. Land, by contrast, is a heterogeneous asset. An acre of land in California at a certain location is a completely different property than an acre of land in Georgia, and some acreage in California is completely different than other acreage in California.

If one blends together a diverse portfolio of raw land assets, presumably the idiosyncratic factors of the land parcels ultimately would cancel out and one would have a better hedge against inflation than gold. No one, however, has been able to make a land index before, because the shares of land companies were so illiquid that perhaps the results would be moot. Now, for the first time, someone will be able to do it. There are only three companies, but it is worthy of being done.

In the world of bonds, it is important to know that the Aggregate Bond Index ETF (AGG), an iShares product, has a weighted average maturity of 6.78 years and a weighted average yield to maturity of 1.91%. Minus an eight basis point annual fee, the best return one can expect from the aggregate bond market is 1.83%. If one were a taxable investor, the best-case return is probably less than 90 basis points. If a taxable investor were to buy land companies, that investor would pay only the capital gains tax; the land companies pay no dividends.

Therefore, the hurdle rate, after-tax, for land companies is 90 basis points as an inflation hedge. The pre-tax hurdle rate for an institution is 183 basis points. The presumed inflation rate is greater than 183 basis points. Over the last year—and, true, it was in the absence of inflation—we saw the price of gold decline tremendously. Gold is supposed to be a portfolio stabilizer not another volatile asset; if held as a hedge, it is designed to make the portfolio less volatile, not more volatile. Ultimately, as more land companies are created around the world, there will be a land index, and people will pay attention to raw land as probably the more appropriate inflation hedge against a bond portfolio.

There are some problems with land, however, that make it interesting and inefficiently priced. Land, by definition, is not merely a hedge. It is also usually good value. First, it cannot be valued on future cash flow since that is uncertain at best. After all, what is the future cash flow? It can only come from developing the property, and no one, including the land owners, knows exactly when development will occur. Therefore, the only valuation possible would be the value of the land as if it were to be liquidated at the current time, with a generous discount applied to that value. It is almost certain that it will not be liquidated at the current time and probably will not be liquidated for a considerable and uncertain period of time. Intuitively, there must be an imbedded, and fairly high, discount incorporated within the present liquidation value of the land in order that the owner is willing to hold on to it.

Another factor in land companies is that land does not fit into any part of the existing security classification system. Land is real estate, though not real estate in the generally understood sense of the word, but it does not belong in any other category.

For all those reasons, land is not merely a hedge against bonds. It does not suffer the idiosyncratic factors that gold has. For example, central banks could begin selling gold for reasons of their own, and that would affect the value and the hedge. By contrast, the central banks do not own land and, therefore, cannot sell it, and they are unlikely to buy land, although given the developments of recent years, one cannot say that with any degree of certainty. It is not a likely development, however.

Furthermore, government regulations sometimes affect the value of gold, but it is hard to envision government regulations that would affect the vast panoply of land resources in the world in some uniform way. Therefore, land is worth considering as a portfolio asset.

Facts & Figures

WHAT AGG SAYS ABOUT U.S. BONDS

In the iShares Core U.S. Aggregate Bond ETF (AGG), the underlying index for which incorporates all the investment grade bonds in the United States, 73.51% of the holdings are rated A or better by S&P. In other words, almost three-quarters of all the bonds that you can buy are rated A, which tells you something about the degree of credit risk that investors are willing to tolerate.

Of the bonds in the index, 15.4% are not rated by S&P and 14% are not rated by Moody's. Generally, if a firm cannot get a high rating, it will prefer not to get a rating at all.

Another interesting arithmetical point about the Aggregate Bond Index is that of the 2,363 bonds in the ETF, 31 have a negative yield to maturity. In principle, somebody could short those bonds and earn something like a money market rate of return. If any of those bonds, for whatever reason, become credit unworthy or, alternatively, if rates rise and those bonds fall in price, one would capture a higher rate of return.

The iShares High Yield Bond Index (HYG) is another ETF that I like to look at. The weighted average maturity, meaning the expected life of the bonds, is currently 4.2 years; the effective duration, 3.91 years. Clearly, no one is willing to buy a high-yield bond with a lengthy maturity. As a consequence, the weighted average yield to maturity is only 4.66%. There is refinancing risk there, however, if credit spreads should widen. In other words, the big risk is not maturity risk. It is not even insolvency risk. The big risk is refinancing risk—and an amazing number of bonds happen to mature between the years 2020 and 2022.

By way of comparison, the weighted average maturity of the U.S. bond market, replicated in AGG, the iShares ETF, is 6.78 years. The effective duration is 5.11 years. People are not interested in long-duration paper. For that reason it is almost impossible to find LBO-related debt in the bond indexes, including the iShares High Yield Bond Index, because private equity needs long-term debt. It is not entirely clear that private equity can even obtain long-term debt.

Another point about the U.S. bond market, as replicated by AGG is that 42.64% of the holdings are Treasuries and agencies. When you add in certain sovereign foreign governments that issue in the United States, and the various supranational organizations like the World Bank, the figure for government issuers comes to 45.55%. That means nearly half is non-private sector, which is very important.

THE BOND INDEX BARBELL

Here is another statistic about the U.S. bond market, and you will see later why this is all relevant. As mentioned, the iShares Aggregate Bond Index (AGG) effective duration is 5.11 years and its weighted average maturity is 6.78 years, but 55.85% of the bonds have maturities of 10 years or fewer, as Table 7 shows.

Table 7: Maturity Breakdown of AGG

Number of Years	% of AGG
0-1	3.18%
1-5	34.68%
5-10	17.99%
10-15	3.04%
15-20	2.91%
20-25	4.16%
25+	20.18%

Source: iShares

Where is the balance? The duration of 20.18% of the bonds in the index is 25 years or more, while the duration for about 38% is five years or less. In other words, the bond index is a barbell, which is amazing in and of itself.

The 25-year bonds, in due course, will become 20-year bonds and 15-year bonds and so on. Even though bond investors do not wish to hold long-maturity paper, that is what insurance companies need to hold because they have long-tail liabilities. Given that 38% will mature in the next five years, the United States as a nation has funding risk exposure to rising rates.

Another interesting statistic is that 6.78% of all the bond paper out there is issued by financial institutions like Morgan Stanley and Bank of America. I consider that a very small amount. It is small because the financial institutions are awash in cash in deposits, so they do not have to obtain funding.

Featured Companies

WORLD FUEL SERVICES CORP. (INT)

World Fuel Services has a $3.3 billion market capitalization. This company provides fuel supplies to the aviation industry, the marine industry, and various truck and automobile fleets. Once you have a fleet of transportation-related assets, there is a tendency to outsource delivery of fuel because it is not considered to be a value-added activity. This company's business is providing that service.

Apparently, the desire to outsource fuel supplies is so intense that World Fuel Services is the fastest-growing firm—by revenue, not earnings—among large corporations in the United States. This is a global company with 60 offices in 25 countries.

Historically, big oil companies were interested in being suppliers directly, supplying aviation fuel to airlines, which consume a lot of fuel. Now the big producers, like Exxon and Shell, apparently have little or no interest in doing that, thereby encouraging the growth of a company like World Fuel Services.

On the demand side, commercial airlines, cruise fleets, and cargo vessels all want to reduce headcount; they are all unionized. They also want to be asset-light. They have fuel storage terminals, because fuel has to be stored. That involves expense and assets, however, as well as some degree of insurance expense and some degree of risk. Very few of those companies wish to take that risk, so the trend to outsourcing is surprisingly robust.

With all that outsourcing, only 6% of the aircraft fleets worldwide have thus far outsourced their fuel purchasing. Only 12% of all the marine fleets in the world have outsourced their fuel purchasing, and fewer than 1% of the truck fleets—including the truck fleets of the United States government—have outsourced. FedEx, however, has outsourced, as have JetBlue, KLM, and Royal Caribbean. These are all customers of World Fuel.

Just to understand how large the company is—and this is important—World Fuel Services sells 4.9 billion gallons of aviation fuel annually at 2,300 airports. That is significant, because the company is present at 2,300 airports. If another airline were interested in an outsourcing deal, the marginal cost of supplying that airline probably would be very low for World Fuel, since the company is likely to already operate at the relevant airports for that carrier.

Similarly, the company sells 27 million metric tons of marine fuel a year at 1,100 ports throughout the world, which means it covers most, if not all, of the significant ports. Again, the company could expand with very little marginal expense. It also sells 3.5 billion gallons of gasoline to truck and car fleets at more than 1,000 locations around the world.

That number is growing, but the expansion possibilities are more problematic, although certainly doable.

In the last nine years, the company's revenue has increased eightfold, which is a pretty impressive growth rate. Some of that growth came from expanding to new customers and some from buying up very small competitors. There are some small competitors in this business, and it is possible to buy them. The reason no one wants to be in this business is that its net profit margin is one half of 1%. It is a very stable business, but its profit margin is very low, and return on assets is only 4.6%.

For its scale of operations, the company is relatively asset-light. It has $1.4 billion of net current assets, $446 million of cash on the balance sheet, $730 million of debt (almost all of it long term), and $1.7 billion of equity. The company has made very modest share repurchases in the last two years—it does not need much more in the way of capital—and it trades at 13x its estimated earnings for 2015.

World Fuel Services is a growth company. It does have a slightly cyclical dimension to it, in that it was a supplier of gasoline to the United States military forces in Afghanistan. As that mission winds down, the company will sell less gasoline to the United States government, so there might be a brief period of less than the historical rate of growth. That growth is very likely to resume shortly, however, and this is an excellent entry point to the company.

TREDEGAR CORP. (TG)

Tredegar, with a $688 million market capitalization, is a small company. It has two divisions: one that makes plastic films and the other that makes aluminum extrusions. Historically, both businesses were very cyclical, and the company's strategy reflected it. You might recall we recommended this stock over a decade ago and it did well.

As a cyclical business, Tredegar historically—over a decade ago—would take its cash flow and make venture capital investments, many of which were related to high technology. That was a very successful endeavor. Then, with the advent of the internet bubble, that no longer seemed a viable strategy and the company ceased doing that. At that point it simply had a cyclical pair of businesses.

In the last 24 months, however, the company decided to make itself less cyclical. Since plastic films can be used for growth-oriented products, the company is moving into surface protection for high-end TVs and smartphones, flexible packaging for personal care products, and other applications.

In addition, the plastic films division is seeking to diversify its customer base. Plastic films are used for consumer products, and Procter & Gamble was its largest customer, at 38% of revenue. That was a big problem, because Procter & Gamble, seeking ever-higher margins, put pricing pressure on the company, and Tredegar made a conscious effort to diversify away from it. In the last 24 months, with sales greater than they were two years ago, Procter & Gamble moved to 28% of sales, from 38%, and that number is moving lower.

Essentially, Tredegar has put itself in a position to resist Procter & Gamble's ever-increasing efforts to generate higher margins. This makes Tredegar a terms-of-trade company. Terms of trade, at least here, are beginning to alter, with negative implications for Procter & Gamble, because Tredegar is not the only company doing it.

The other element of cyclicality was the aluminum extrusions business. Since aluminum is used as a decoration, it is used for window frames and all sorts of applications in non-residential construction, which was its primary market. As non-residential construction is fairly cyclical, the company is moving away from it. As a result, non-residential construction of the aluminum extrusion business, once 68% of sales, is now 60% and going lower.

It turns out that aluminum extrusions will be used much more intensively in motor vehicles. The only way that vehicle manufacturers can achieve the fuel standard guidelines is to build cars that weigh less, and the only way to do that is to build cars with a less weighty metal, meaning aluminum rather than steel. Clearly, there are a lot of opportunities to expand the aluminum business.

In any event, no one really follows the company. At the 2014 run rate, it would trade at a P/E ratio of 15. Earnings are beginning to increase. The debt is very modest at $134 million. The company has $42 million in cash, it has just increased the dividend by 29%, and there has been not-insignificant insider buying. In other words, the company has reasonable prospects for success in its endeavors, and it is priced as if it is not going to succeed. It is priced as a conventional cyclical.

AMERICAN HOMES 4 RENT (AMH)

American Homes 4 Rent has a $3.2 billion market capitalization. This is an REIT formed two years ago to purchase, renovate, and rent homes in foreclosure. It is not the only company that engages in this activity. Since there was capital available to buy up foreclosed homes, this probably contributed to the home market's rapid recovery.

This company trades at a 10% premium to book value, exclusive of the non-controlling interests. Given that the company has been buying homes for a few years, and the homes have increased in value, it is probably a fair guess that it trades at the value at which the homes conceivably could be liquidated.

For a company of this type, its debt is fairly modest, 20% debt in relation to equity. It is fair to say that homes have increased in value by at least 10% since they were purchased by the company, and the argument could be made that maybe they have increased by more than 10%. If one could make that argument, perhaps the company is actually trading at a discount to its liquidation value, although that assumption is not necessary to a recommendation of the shares.

The company looks like it is losing money. On a cash flow basis, taking into account the appreciation expense, however, it probably is making $100 million a year. That does not make it sound like a cheap stock, but the company is also spending $40 million a year on currently vacant properties that pay no rent. Ultimately, those properties will be leased, and expenses will decline. Revenues probably will increase by $25 million, and that will go right to the bottom line. If the property portfolio were fully leased and the expense base was normalized, the company is probably trading at somewhere between 13x and 14x the cash earnings.

The company's homes are designed for lower-income people. The average home has about 2,000 square feet, with an average age of 11.3 years. The company owns 25,000 properties. Its largest geographical center is the Dallas/Fort Worth area, with 9.3% of the homes, but it is diversifying rapidly, and it is truly a national company.

How does this investment work? The investor gets a cash return for whatever the rent roll is because, once it has reportable earnings, the company will pay them out. You also get, in principle, the appreciation from presumably depressed levels. This is really a call option on home prices with a negative premium because you are paid to hold the asset. To that extent, it is an interesting investment.

LEXINGTON REALTY TRUST (LXP)

Lexington Realty is an REIT with a $2.6 billion market capitalization. It has a 5.8% yield, which is significant because there are not many REITs with 5.8% yields. (Generally their yields are in the 4% or even 3% range.) This is a triple-net-lease REIT in the office and industrial space. It trades at 10x funds from operations, and its payout of funds from operations is only 58%. In other words, it is rather conservative.

Given its property mix, the company is fairly well diversified. It has 117 office properties with 15.2 million square feet. It has 59 industrial properties with 22.3 million square feet. It even has 25 retail properties with 1.5 million square feet, which is relatively insignificant. It also has 15 multi-tenant properties, for multiple purposes, at 2.5 million square feet.

One interesting thing about this company is that the top three tenants are not for buildings at all but, rather, for ground leases in New York City, comprising 11.1% of the base rent. Those leases expire in 2112, making them nearly 100-year leases.

Interesting aspects of ground leases are their very unusual escalator clauses. Unlike conventional escalator clauses that are governed by a presumed inflation rate, with a ground lease, properties are frequently reappraised. The rent is calculated based on the maximum height and the maximum square footage at which that the building could be built out—zoning laws permitting—even if the owner of the building has no intention of building to that size.

The tenant base is pretty recognizable: FedEx, Bank of America, the United States government. Like all REITs, this one is unlikely to grow by acquisition. Most REITs in the last five years have been able to grow by acquisition but this practice is becoming exceedingly difficult—not impossible, but very difficult.

Now, this company is moving into the so-called build-to-suit segment. In the build-to-suit segment, one acquires some land and constructs a building for a tenant or a group of tenants. That sector has pretty good cash-on-cash yields. The initial cap rate is somewhere between 7.3% and 10.7%. They are usually 10 to12 year terms. How much that will affect the earnings of the company is questionable. The company will not be able to grow its earnings materially, even from the build-to-suit segment. It has a conservative balance sheet with $2.1 billion of debt and $2.6 billion of equity.

The valuation is really important in this case, because Lexington Realty trades at a valuation discount to most of the other mainline REITs. A 4% yield would be more reasonable to expect from a company with this balance sheet quality. Why does it not yield that? Because in 2007 it was highly leveraged and, at the time, this was its legacy.

Ultimately, as it demonstrates balance sheet probity, its yield will approach the yields of the other companies. If it now yields 5.8%, and its yield were to drop to something like 4%, and if it increased its dividend modestly, that could produce a very substantial rate of return over a couple of years. Its ROE and yield, at the moment in any event, are fairly sound.

Post Musings

IF RATES DO NOT RISE

The reason for talking so much about the bond market in the *Facts & Figures* section is the question of rates. It is universally assumed that, in short order, interest rates will begin to rise. It is so universally assumed that one must examine what would happen if rates did not rise.

There is about $60 trillion of debt in the United States. With a $17 trillion economy, only some portion of the $17 trillion economy has to service the $60 trillion of debt. For ease of calculation, let us assume that portion to be $10 trillion. If interest rates were to rise by 300 basis points, 300 basis points on $60 trillion is $1.8 billion. Is there any realistically achievable growth rate one can conceive on $10 trillion that could service an incremental $1.8 trillion of interest expense? It does not seem likely.

Investors might be wise to begin to prepare for a scenario in which rates do not rise. There is nothing anyone can buy; there are no hedges anyone can take. It is self-evident what would happen to the typical pension fund and insurance company if rates do not rise.

Updates on Past Ideas

CAL-MAINE FOODS, INC. (CALM)

Original Recommendation: 2/6/13 at $41.55
Current Share Price: $71.33
Market Cap: $1.7 billion

Cal-Maine Foods (CALM) was recommended for purchase in February 2013, when it traded at only 11.5x trailing earnings. Since then, the shares have returned 75.9% (versus 31.3% for the S&P 500), the result of the compound effect of an increase in earnings and an expansion in the P/E multiple to its historical average level.

The company is the single largest egg producer in the U.S., with a flock of approximately 31.0 million layers, accounting for roughly one-fifth of the eggs consumed in the country. Its earnings are cyclical, primarily due to the fluctuating price of eggs. For example, in the 2002-2004 period, demand for eggs spiked dramatically from the widespread popularity of the Atkins diet (which emphasized the consumption of protein). Compounding the volatility of earnings are changes in production costs, primarily related to the cost of feed.

Through the first three quarters of the 2014 fiscal year[2], Cal-Maine's average selling price per dozen eggs increased to $1.34, up from $1.30 in 2013 and $1.21 in 2012. The cost of feed thus far in 2014 has averaged $0.495 per dozen eggs, down from $0.545 per dozen in 2013. Consequently, earnings per share for the nine months ended March 1, 2014 increased 43% over the same period in 2013. Concurrent with this increase in earnings, the trailing P/E expanded from the aforementioned 11.5x to the current 18.6x.

Although the demand for eggs is subject to significant short term fluctuations, long term demand is actually quite predictable, more or less increasing with population growth. Naturally, much of Wall Street and the investment community focuses on the former. Fortunately, Cal-Maine's owner-operators focus on the latter. Fred Adams, who founded the company in 1969, now serves as Chairman Emeritus, and his son-in-law, Adolphus Baker, serves as Chairman and CEO. For over four decades, Mr. Adams has implemented a strategy of acquiring smaller competitors, consolidating what was once a highly fragmented industry. In March of this year, Cal-Maine acquired the 50% interest it did not already own of Delta Egg Farm, LLC, which owns and operates a feed mill and egg production complex in Utah.

Given the considerable expansion in the P/E multiple over the past 16 months, Cal-Maine is not as attractive from a risk/reward standpoint. Yet, this is not to say the shares should

[2] Cal-Maine operates on a fiscal year ending in May.

now be sold. As Messrs. Adams and Baker together own a 31% economic interest and control 89% of the voting rights, one can be assured they will continue to focus on generating value for shareholders over the long term. Over the past decade, they have managed to increase the Cal-Maine book value per share at a 22.2% annualized rate, as shown here.

Historical BVPS	
(at year-end)	
2003	$2.78
2004	5.76
2005	5.11
2006	5.10
2007	6.00
2008	11.69
2009	13.99
2010	15.79
2011	17.50
2012	20.02
2013	21.55
Current	23.89
CAGR	*22.2%*

Furthermore, while the return on equity can fluctuate substantially from year to year, the ten year average is a remarkable 24.3%. In the following table, one can view the impact on ROE of the Atkins diet craze in 2004, the sudden fall from popularity of the diet in 2005, and the impact of the large drop in the number of table-egg laying hens in the U.S. in 2008.

Historical ROE	
2004	64.4%
2005	(7.9)%
2006	(0.8)%
2007	26.6%
2008	70.4%
2009	26.1%
2010	19.1%
2011	15.3%
2012	20.0%
2013	10.1%
Average	*24.3%*

Upon viewing the variability of these annual ROE figures, one can see the potential pitfalls of attempting to time entry and exit points in the Cal-Maine shares. It is worth observing that the normalized earnings of the company, calculated as the 10-year average ROE multiplied by the current BVPS, are now $5.81 per share (24.3% × $23.89 = $5.81). At the current share price, the price-to-normalized earnings ratio is only 12.3x. Therefore, it is recommended that owners of Cal-Maine continue to hold their shares.

WEALTH INDEX (Ticker: RCH Index)

As of March 31, 2014

Annualized Total Return	**1 Year**	**3 Years**	**5 Years**	**7 Years**	**10 Years**	**15 Years**	**20 Years**	**Since Incep. 1991 - Mar '14**
Wealth Index	28.84%	17.02%	32.02%	11.64%	12.47%	9.54%	12.74%	13.68%
S&P 500	21.86%	14.66%	21.16%	6.31%	7.42%	4.46%	9.53%	10.01%
S&P 500 Eq. Wgt.	24.59%	15.38%	26.61%	8.31%	9.75%	9.06%	11.45%	12.48%
Russell 3000	22.61%	14.61%	21.93%	6.60%	7.86%	5.22%	9.64%	10.34%
Russell 2000	24.90%	13.18%	24.31%	7.08%	8.53%	8.91%	9.48%	11.38%
Excess Return vs. S&P 500	6.98%	2.37%	10.86%	5.34%	5.05%	5.07%	3.21%	3.68%
Excess Return vs. S&P 500 Eq. Wgt.	4.25%	1.64%	5.41%	3.33%	2.72%	0.48%	1.29%	1.21%
Excess Return vs. Russell 3000	6.23%	2.41%	10.09%	5.04%	4.61%	4.32%	3.10%	3.35%
Excess Return vs. Russell 2000	3.94%	3.84%	7.70%	4.56%	3.94%	0.63%	3.26%	2.31%

**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 '14**
Wealth Index	2.36	1.10	1.60	0.51	0.61	0.41	0.58	0.65
S&P 500	2.20	1.18	1.51	0.37	0.50	0.29	0.63	0.68
S&P 500 Eq. Wgt.	2.44	1.07	1.55	0.41	0.55	0.51	0.68	0.76
Russell 3000	2.27	1.12	1.50	0.37	0.51	0.33	0.62	0.69
Russell 2000	2.10	0.79	1.28	0.32	0.43	0.43	0.48	0.60

**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 '14**
Wealth Index vs. S&P 500	1.24	0.43	1.15	0.56	0.57	0.45	0.30	0.36
Wealth Index vs. S&P 500 Eq. Wgt.	0.93	0.41	0.98	0.57	0.48	0.05	0.13	0.13
Wealth Index vs. Russell 3000	1.29	0.51	1.17	0.59	0.57	0.41	0.32	0.35
Wealth Index vs. Russell 2000	1.07	0.77	1.01	0.57	0.54	0.05	0.29	0.22

**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	61.19%	69.26%	70.45%
vs. S&P 500 Eq. Wgt.	58.58%	63.93%	59.09%
vs. Russell 3000	63.81%	69.67%	76.36%
vs. Russell 2000	60.45%	66.39%	73.64%

**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 '14**
Wealth Index	12.20%	15.45%	20.00%	22.90%	20.29%	23.23%	21.84%	20.97%
S&P 500	9.96%	12.47%	13.99%	17.02%	14.71%	15.48%	15.20%	14.67%
S&P 500 Eq. Wgt.	10.08%	14.33%	17.12%	20.30%	17.64%	17.90%	16.92%	16.33%
Russell 3000	9.96%	13.04%	14.58%	17.63%	15.30%	15.87%	15.48%	14.93%
Russell 2000	11.83%	16.78%	19.00%	21.85%	19.74%	20.52%	19.66%	19.04%

**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 '14**
vs. S&P 500	5.61%	5.49%	9.44%	9.45%	8.87%	11.26%	10.53%	10.29%
vs. S&P 500 Eq. Wgt.	4.58%	4.03%	5.50%	5.80%	5.72%	10.55%	9.80%	9.43%
vs. Russell 3000	4.82%	4.75%	8.64%	8.60%	8.03%	10.48%	9.70%	9.48%
vs. Russell 2000	3.67%	5.01%	7.61%	7.94%	7.35%	11.95%	11.06%	10.61%

**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 '14**
vs. S&P 500	1.09	1.17	1.29	1.25	1.27	1.36	1.29	1.28
vs. S&P 500 Eq. Wgt.	1.13	1.04	1.13	1.10	1.11	1.17	1.17	1.16
vs. Russell 3000	1.13	1.14	1.27	1.23	1.24	1.35	1.30	1.29
vs. Russell 2000	0.98	0.88	0.97	0.98	0.96	0.97	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%
2013	41.08%	32.39%	36.16%	33.55%	38.82%	8.69%	4.92%	7.53%	2.25%
2014 YTD	1.59%	1.81%	2.96%	1.97%	1.12%	-0.22%	-1.37%	-0.39%	0.47%

**Note: Calculated Using Total Returns*

Source: Horizon Kinetics LLC, International Securities Exchange, Bloomberg

See important disclosures for additional information.

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 May 2014

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								2014	195.40	(6.3)%	18.7%

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	$259,666
2	BLK US Equity	BlackRock	$23,205	1,658	9/30/1999	$505,376
3	WDR US Equity	Waddell & Reed	$27,513	1,587	3/31/1998	$95,841
4	EV US Equity	Eaton Vance	$2,641	3,998	1/31/1986	$148,540
5	TROW US Equity	T. Rowe Price	$2,423	2,014	4/30/1986	$164,189
6	BEN US Equity	Franklin resources	$908	1,263	4/30/1985	$209,213
7	LM US Equity	Legg Mason	$1,000	462	8/31/1983	$22,573
8	FII US Equity	Federated Inv	$26,381	2,206	5/31/1998	$62,917
9	FIG US Equity	Fortress Investment Group	$102,249	3,389	2/28/2007	$24,334
10	PZN US Equity	Pzena Investment Management	$122,426	6,317	10/31/2007	$65,066

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. The divisor has been adjusted accordingly for each of these changes.

International Money Manager Index

From Nov 1986 to May 2014

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	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	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)%	14.56%
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								2014	59.05	0.3%	15.93%

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	$3,471
2	FCAM LN Equity	F&C Asset Management Plc	$1,203	485	5/31/1989	$985
3	IVZ US Equity	Invesco Plc (Previously Amvescap)	$1,357	1,153	1/31/1991	$21,293
4	SDR LN Equity	Schroders Plc	$1,208	505	3/31/1991	$21,895
5	RAT LN Equity	Rathbone Brothers Plc	$1,208	736	3/31/1991	$25,424
6	ADN LN Equity	Aberdeen Asset Mgmt Plc	$1,208	1,827	3/31/1991	$13,870
7	CIX CN Equity	CI Financial Corp.	$2,585	3,224	6/30/1994	$103,566
8	EMG LN Equity	Man Group Plc	$2,862	6,344	10/31/1994	$8,111
9	AGF/B CN Equity	AGF Management Ltd-Cl B	$3,343	1,346	1/31/1996	$15,949
10	8739 JP Equity	Sparx Group Co Ltd	$11,762	108	12/31/2001	$20,116
11	HGG LN Equity	Henderson Group Plc	$14,447	8,666	12/31/2003	$29,694
12	AZM IM Equity	Azimut Holding Spa	$21,908	4,977	7/31/2004	$141,108
13	CCAP LN Equity	Charlemagne Capital Ltd	$36,848	22,300	3/31/2006	$7,105
14	PGHN SW Equity	Partners Group-Reg	$36,848	578	3/31/2006	$158,348
15	ASHM LN Equity	Ashmore Group Plc.	$36,688	9,873	10/31/2006	$58,491