THE GLOBAL CONTRARIAN REPORT COMPENDIUM

June 2015

Featured Companies

IG Group Holdings Plc. (IGG LN)
Dominion Diamond Corporation (DDC)
Amaya Inc. (AYA CN)

Updates on Past Ideas

bwin.party digital entertainment (BPTY LN)

Exclusive Marketers of
The Global Contrarian Report

PCS Research Services
14 Wall Street, 3rd Floor
New York, NY 10005
research@pcsresearchservices.com
(212) 233-0100
www.pcsresearchservices.com

Research Team

Murray Stahl **Steven Bregman**

Thérèse Byars, Ryan Casey, James Davolos, Derek Devens
Peter Doyle, Rory Ewing, Matthew Houk, Utako Kojima
Eric Sites, Salvator Tiano, Fredrik Tjernstrom, Steven Tuen, Eric Zhou

Horizon Kinetics LLC ("Horizon Kinetics") is the parent holding company to several SEC-registered investment advisors including Horizon Asset Management LLC and Kinetics Asset Management LLC. PCS Research Services ("PCS") is the exclusive marketer and an authorized distributor of this and other research reports created by Horizon Kinetics. This report is based on information available to the public; no representation is made with regard to its accuracy or completeness. This document is neither an offer nor a solicitation to buy or sell securities. All expressions of opinion reflect judgment as of the date set forth above and are subject to change. Horizon Kinetics, PCS and each of their respective employees and affiliates may have positions in securities of companies mentioned herein. All views expressed in this research report accurately reflect the research analysts' personal views about any and all of the subject matter, securities or issuers. No part of the research analysts' compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the research analysts in the research report. Reproduction of this report is strictly prohibited. © Horizon Kinetics LLC® 2015.

Murray's Musings

In Defense of Carl Icahn 3

Industry Thoughts

The Defense Industry 8

Facts & Figures

"Profits Without Prosperity" 10
Comparing Price-to-Book Value Ratios 11

Featured Companies

IG Group Holdings PLC. (IGG LN) 12
Dominion Diamond Corporation (DDC) 14
Amaya Inc. (AYA CN) 15

Post-Musings

When Companies Stop Investing in Themselves 16

Updates on Past Ideas

bwin.party Digital Entertainment (BPTY LN) 19

Appendices

The Wealth Index (RCH) 21
Money Manager Index 22
International Money Manager Index 23

HORIZON KINETICS
© Horizon Kinetics LLC® 2015

Murray's Musings

IN DEFENSE OF CARL ICAHN

Recently, in an open letter to the management of Apple, Carl Icahn urged Apple to use substantial amounts of its unproductive corporate cash to repurchase shares. The thrust of the argument was that Apple, trading at roughly $130 a share, is worth $240. In other words, said Mr. Icahn, the earnings multiple applied to Apple is "irrationally discounted." (The entire letter can be found at www.shareholderssquaretable.com.)

The response of the media and much of the learned financial public to Mr. Icahn's assertion may perhaps be aptly summarized as: "Carl Icahn thinks he knows more about Apple than everyone else." This is a polite paraphrase. The actual headline in the respected *Business Insider* publication on May 18, 2015 was "Carl Icahn thinks everybody else is too stupid to understand what Apple is really worth."

Of course, Carl Icahn needs no defense. His argument was disarmingly uncomplicated and his methodology simple: subtract from the current Apple share price the balance sheet cash, to arrive at a net enterprise value per share ($104.33 at the time the Icahn letter was written). This figure was then divided by his estimate of Apple earnings for fiscal year 2015 ($9.60), and the result was a P/E of 10.9x, compared with an S&P 500 P/E of 17.4x. One might disagree with the Icahn estimate of Apple earnings, but even using the consensus analyst 2015 fiscal year estimate of $8.96 produces an Apple P/E of only 11.64x.

If one reflects upon this matter, one will see that Mr. Icahn has posed an exceedingly profound question to all investors, and especially academics. Apple is the largest company in the world. It is arguably the most ubiquitous company in the world. Billions of people use Apple products daily and are very familiar with those products. If there is any equity in the world that should be priced efficiently, it should be Apple.

Yet, Apple has a lower P/E than companies such as Exxon, Coca-Cola, and even Phillip Morris International. One might debate the future prospects for Apple, but surely these are more robust than those of Phillip Morris International. Does anyone assert that demand for cigarettes will increase?

Of the roughly $80 billion that Phillip Morris International collects in annual revenue, over $50 billion goes to excise taxes paid to various governments. Phillip Morris International has over $30 billion of debt, over $12 billion of negative equity, and over $700 million of negative working capital. Are the future prospects of Apple so bleak that it merits a dramatically lower P/E than that of Phillip Morris International? Phillip Morris International currently changes hands at a P/E of 17.4x, which is equivalent to that of the S&P 500. It is,

HORIZON KINETICS
© Horizon Kinetics LLC® 2015

of course, needless to add that Apple products enhance human life whereas Phillip Morris products prematurely terminate human life.

Viewed from this perspective, one might see that the valuation placed upon Apple is indeed irrational in the dictionary sense of the term, which means not logical or reasonable. Yet even irrational human actions have causes. First and foremost, it is important to recognize that the modern money manager is not a free agent. The money management industry is not populated by Homo Economicus, carefully and rationally evaluating different investment opportunities. The money manager can only survive by attracting assets to manage for a fee.

As such, the money manager cannot be indifferent to the predilections of clients and prospective clients. Given the near universal acceptance of the Efficient Markets Hypothesis by institutions such as pension funds that engage and dismiss managers, a statement from a money manager that an inefficiency has been uncovered in the price of Apple, which has the largest weight in the S&P 500, would be met with derision at best and dismissal at worst.

In any case, the system of risk control is so structured as to prevent a concentration in any security. For instance, consider the case of CalSTRS, the California State Teachers' Retirement System. According to the CalSTRS website (CalSTRS.com) the fund held $193.1 billion of assets as of April 30, 2015. Global equity accounted for 57.7%, or $111.4 billion. The target equity weight is 55%. The individual security holdings, though, are only available as of June 30, 2014.

With this obvious limitation in mind, however, note that CalSTRS held about $1.664 billion of Apple shares on April 30, or 1.6% of total equities and less than 1% of total assets. A 5% weight in Apple within the global equity allocation would require a $5.57 billion position. However, Apple is viewed as a U.S. company. The allocation to U.S. equity is much less than $111.4 billion, so the Apple investment, even if overweighted at 5% of U.S. equity, would be much less than $5.57 billion.

Suppose that of the $55 billion of CalSTRS equity allocation, roughly 50% were allocated to U.S. equity. A 5% weight in U.S. equity would be $2.7 billion. However, Apple is a U.S. large-capitalization stock. Suppose that 50% of the U.S. allocation is applied to large-capitalization stocks, with the balance allocated to mid-capitalization, small-capitalization, and micro-capitalization. At a 5% large-cap weight, Apple would only have a $1.37 billion allocation, which is meaningfully less than the current amount.

Moreover, the current equity weight of CalSTRS is 2.7% higher than the target weight, so shares of Apple would probably be sold to accommodate a move to a target weighting. Apple is not overweighted in portfolios because the system is designed to prevent any sort of concentration, because concentration has become a synonym for risk.

HORIZON KINETICS
© Horizon Kinetics LLC® 2015

Similarly, in the case of CalPERS, the California Public Employees' Retirement System, the plan assets amount to $300 billion, according to its website, CalPERS.ca.gov. Public equity amounts to 54.2%, or $162.6 billion. Holdings of Apple amount to $1.769 billion, or 1.09% of the total. This could hardly be otherwise, given allocations to various forms of international investing, as well as to mid-capitalization, small-capitalization, or micro-capitalization stocks. Of course, it is forbidden to purchase any Apple in these latter segments of the fund, since Apple is a large-capitalization company, and the purity of the allocation is strictly monitored.

Nevertheless, it is possible for an active manager within the large-capitalization allocation to overweight Apple. Yet, this action is not without considerable risk. If Apple should underperform or even market perform versus the S&P 500, the manager obviously would be seen as having ignored decades of academic research establishing the validity of the proposition that shares are efficiently priced at all times and that no manager has any advantage in this regard over any other. Thus, at best, the manager would be unfamiliar with the seminal financial theories of the past four or five decades. At worst, the manager would be a charlatan or a Luddite.[1]

Even if the manager were successful, and even if Apple were to dramatically outperform the S&P 500, great danger exists. If Apple is controversial in any regard, its upward progression in share price might not be exponentially smooth. This is known as volatility and is measured in terms of standard deviation. If the standard deviation increases more than the share price, in modern portfolio theory terms this means the manager assumed disproportionate risk to achieve the return in question. This in itself is a proof of lack of risk control and a form of reckless behavior. Such managers are generally dismissed. Thus, the impediments against overweighting Apple are quite considerable.

Of course, large institutional investors do not comprise the entire market. There is a mutual fund industry with active managers. Unfortunately, the domestic mutual fund universe has been in redemption mode (or outflow mode) since 2007. The figures in Table 1 below, from the Investment Company Institute, reveal this pattern.

[1] The Luddites were 19th-century British textile workers who protested against textile-producing machinery by destroying factory equipment. The movement existed between 1811 and 1816, and during most of that time the Frame-Breaking Act of 1812 made such activity punishable by death. So, in the modern investment context, the "Luddite" is also punishable by death, because the manager simply would be fired.

HORIZON KINETICS
© Horizon Kinetics LLC® 2015

Table 1: Net Flows From Domestic Equity Mutual Funds

	($ in billions)
2007	($68.46)
2008	(149.02)
2009	25.68
2010	(81.15)
2011	(133.40)
2012	(159.28)
2013	18.06
2014	(60.22)
2015 YTD through 5/13/2015	(29.00)

Source: Investment Company Institute

As you can see, domestic equity mutual funds had net outflow in 2007 of $68.4 billion and $149 billion in 2008. In 2011, that outflow reached $133 billion, almost as much as in 2008. In 2012, a positive year for equities, the outflow was $159 billion, even more than in 2008. After a modest inflow in 2013, the outflows then continued.

It is readily apparent that even if domestic equity mutual fund managers were to overweight Apple, they would still be net sellers of Apple shares, since the outflow must be funded. It must be observed that an overweight of Apple in a mutual fund is an even greater risk than such an overweight in an institutional portfolio. The mutual fund rating companies, such as Morningstar, rate funds on risk as well as return. A risk rating of “High” is more or less the equivalent of having to wear a scarlet letter. Robo-advisors make use of algorithms that automatically redeem money from funds with such ratings, as this implies risk without commensurate reward. Since the decision is made by a computer, it is a court with no appeal.

It might be thought that the predilection of robo-advisors for indexes might generate more buying interest in the shares of Apple. This is a quite reasonable point of view, but it is unfortunately incorrect. There is a pronounced movement towards indexation but not necessarily an investment in the S&P 500. The fees on standard indexes are so low that even the index providers cannot make an adequate profit by encouraging clients to invest in indexes like the S&P 500. There currently is outflow from the standard indexes. For instance, from December 31, 2014 to May 21, 2015, the S&P 500 ETFs have experienced the following fund flows: the S&P SPDR had a $43.9 billion outflow, and iShares Core S&P 500 had a $1 billion outflow. The Vanguard S&P 500 had an inflow of $3.9 billion. Clearly, there has been some movement into the lower-cost Vanguard S&P 500, but in the aggregate, the movement has been from the S&P 500 towards more exotic and higher-fee, so-called “smart beta” products. Consequently, due to fund flows, even the S&P 500 Index ETFs are sellers of Apple. While it is true that the iShares Morningstar Large-Cap Growth ETF (JKE)

HORIZON KINETICS
© Horizon Kinetics LLC® 2015

has a position exceeding 12% in Apple, year to date through May 22, 2015, this fund attracted only $53.4 million.

Table 2: Fund Flows in S&P 500 ETFs, 12/31/2014-5/21/2015

		($ in billions)
SPY	SPDR S&P 500	($43.96)
IVV	iShares Core S&P 500	(1.01)
VOO	Vanguard S&P 500	3.93

Source: Investment Company Institute

Similarly, the Powershares NASDAQ 100 ETF, with a 14.79% position in Apple, has experienced $3.8 billion of outflow year to date through May 22, 2015. Thus, this fund, by definition, was required to sell 14.79% of $3.799 billion of outflow, or $562 million of Apple shares in the first five months of 2015. Therefore, even the index fund structure is compelled to be a seller of Apple, despite the fact that Apple is the largest holding in the index.

Although it may not be germane to the thrust of this argument, it is worthy of note that of the roughly 1,700 ETFs that trade in the United States of America only one holds shares of Icahn Enterprises. This is the Guggenheim Defensive Equity ETF (DEF). Icahn Enterprises is roughly a 1% position in this $226 million fund, which means that the fund holds approximately $2.2 million worth of Icahn Enterprises. The ETF industry in the U.S. easily exceeds $2 trillion.

Thus, the company headed by Mr. Icahn, unquestionably one of the greatest investors of all time, and quite possibly *the* greatest investor of all time, has almost no exposure in indexation. This simply illustrates that any company, however brilliantly managed, can find no place in a quantitatively-based investment approach if its corporate practices or corporate structure is sufficiently heterodox.

Carl Icahn has raised a very profound question with his views about Apple. If Mr. Icahn is correct and Apple is irrationally valued, this is really a statement about the Efficient Market Hypothesis. How efficient can the equity market be if the largest and most visible company is significantly undervalued? If there really are structural impediments to holding Apple in an overweight position, then questions must be raised about capital allocation policies as practiced by the leading pension funds and endowments.

Mr. Icahn's position, therefore, has implications for tens of millions of people who are beneficiaries of retirement plans, as well as countless potential beneficiaries of charitable endowments. Indeed, there are implications for the free enterprise system itself, since, in order for the system to be successful, capital must flow towards the firms that are most productive. Financial professionals in general, and academics in particular, should pay close attention to Mr. Icahn.

HORIZON KINETICS
© Horizon Kinetics LLC® 2015

Industry Thoughts

THE DEFENSE INDUSTRY

In the past year, the shares of Northrop Grumman have appreciated by 33%. In the past five years, from May 2010 to May 2015, the shares have appreciated by 161%. Since 2010, however, as Table 3 shows, the revenues have been in decline.

The 2011 decline is primarily due to the spin-off of Huntington Ingalls, but in 2012, 2013, and 2014, the revenues clearly declined as well. The revenues are declining for the simple reason that defense budgets around the world are no longer oriented towards the big platform systems to fight a conventional war. Instead, they are oriented to fight the wars that currently are being fought, which are more akin to brush wars or guerrilla wars.

Table 3: Northrop Grumman

	Revenue *($ in billions)*	Earnings Per Share
2010	$34.8	$5.80
2011	26.4*	7.41
2012	25.2	7.81
2013	24.7	8.35
2014	23.9	9.75

*Includes impact of Huntington Ingalls spin-off

Source: Company reports

Nevertheless, during this time period, the earnings per share have advanced, as Table 3 shows, rising from $5.80 in 2010 to $9.75 in 2014. That means the earnings grew at a 13.87% rate. That increase has been driven by the repurchase of 94 million shares and, more importantly, by margin expansion from 5% to 8.6%. Margin expansion is unsustainable in the long run for defense contractors, however, since the United States Department of Defense does not allow uniquely high margins.

In the first quarter of 2015, the revenue increased by 1.8% while the operating income was down 7.7%, and net income was down 16.4%. Even as net income was declining, the company purchased $825 million of stock in the first quarter. It earned $484 million after tax and paid $156 million of dividends. In other words, the sum of its stock purchases and its dividend payments were much greater than its earnings. In the long run, that pace of share repurchases is not sustainable. The company has $6.4 billion of debt, $6.7 billion of equity, and $2.6 billion of cash. The shares trade at 16.6x current year earnings estimates, and defense budgets around the world generally are not growing.

HORIZON KINETICS
© Horizon Kinetics LLC® 2015

In comparison, consider Orbital ATK, which makes the Pegasus Rocket, the Minotaur Ballistic Missile, and the Antares Expendable Satellite Launch Rocket. It also makes tactical missiles, defense electronics, medium- and large-caliber ammunition, which is the kind of ammunition being used in the wars being fought today. Orbital has a satellite business and the Cygnus Automated Cargo Spacecraft for the International Space Station.

Orbital's revenues have been rising, as of late, at about 3% a year. The balance sheet has $2 billion of equity, $1.9 billion of long-term debt, $159 million of short-term debt, and $111 million of cash. Its debt to equity ratio is similar to Northrop Grumman's.

While it is true that an Antares Rocket exploded on a mission in October 2014, that does not seem to have impacted business prospects nor did it even impact the multiple. The stock trades at 16.4x consensus 2015 estimates, comparable to Northrop Grumman. It yields 1.37% while Northrop Grumman yields 2%. Northrop Grumman, however, has a massive share buyback in place and is returning more money to shareholders than it is taking in. In other words, it is depleting assets while Orbital has no share repurchase program in place and is actually increasing assets.

Between 2015 and 2017 Orbital expects to generate $1 billion of cumulative free cash flow. It is trading at 13.5x estimated annual free cash flow. Northrop Grumman generates about $2 billion of free cash flow per annum. It trades at about 15.6x free cash flow. Northrop Grumman, however, defines free cash flow as equal to net profit prior to dividends. So if one deducts dividends from free cash flow, Northrop Grumman has about $1.4 billion of annual free cash flow and trades at 22x free cash flow.

The Orbital estimate of free cash flow is based on the realization of certain synergies from the merger of Orbital Sciences and Alliant Tech Systems. Northrop Grumman earnings are based upon certain return assumptions in the pension fund that may or may not prove to be correct. Northrop Grumman has a very high valuation for a company that is not growing, and it is not without major project funding risk from Congress. Nevertheless, its valuation is significantly higher than that of Apple. How can that be?

Although Northrop Grumman and Orbital have comparable P/Es, Northrop Grumman is paying out to shareholders more than 100% of profits in the form of share repurchases and dividends. By contrast, Orbital reinvests 95% of its cash into the company.

This raises questions: Is this policy of Northrop Grumman sustainable? How will the stock market react when and if Northrop Grumman alters this policy? Given that Northrop Grumman trades at 4.66x a shrinking book value, and Orbital ATK trades at 2.15x a growing book value, assuming constant ROE, how is one to avoid the conclusion that eventually Orbital ATK will outperform Northrop Grumman by a substantial margin? The S&P 500 is replete with instances like this.

© Horizon Kinetics LLC® 2015

Facts & Figures

"PROFITS WITHOUT PROSPERITY"

This *Facts & Figures* section will shed a more intriguing light on the defense industry just discussed. Between 2002 and 2012, the S&P 500 companies collectively used 54% of their earnings to repurchase stock and paid out dividends amounting to another 37%, for a total of 91%. Those statistics come from Professor William Lazonick of the University of Massachusetts in a *Harvard Business Review* article of September 2014 entitled "Profits Without Prosperity."

The study considers 449 companies in the S&P 500 that were public throughout the period in question. (Some companies in the S&P 500, after all, were not public for the entire time period.) According to the article, CEO compensation came 41% from stock awards and 42% from stock options, for a total of 83%. It seems that this has an impact on capital allocation policy.

In April 2015, Lawrence Fink, Blackrock's chief executive officer wrote an open letter to all of the S&P 500 chief executive officers noting that dividends and buybacks in 2014 totaled more than $900 billion, the highest figure ever. A *New York Times* article on this subject, published on April 13, 2015, carried this headline: "Blackrock's Chief Lawrence Fink Urges Other CEOs to Stop Being So Nice to Investors." So, with the total return to shareholders, in stock buybacks and dividends at almost $1 trillion, how will the S&P 500 companies grow their earnings if they do not reinvest in their own businesses?

HORIZON KINETICS
© Horizon Kinetics LLC® 2015

COMPARING PRICE-TO-BOOK VALUE RATIOS

Table 4 shows some interesting price-to-book value ratios for various iShares indexes.

Table 4: Price to Book Value Ratios

IVV	iShares Core S&P 500 ETF	2.94x
IWM	iShares Russell 2000 ETF	2.20x
EFA	iShares MSCI EAFE ETF	1.88x
SCZ	iShares MSCI EAFE Small-Cap ETF	1.72x
AAXJ	iShares MSCI All Country Asia ex-Japan ETF	3.27x
AXJS	iShares MSCI All Country Asia ex-Japan Small Cap	2.96x
EWJ	iShares MSCI Japan ETF	1.66x
SCJ	iShares MSCI Japan Small-Cap ETF	1.31x

Source: iShares

The iShares S&P 500 index trades at 2.94x book and the iShares Russell 2000 trades at 2.2x book. The other indexes listed above reveal a comparable pattern.

The smaller companies are retaining more of their earnings and the S&P 500 companies, or large cap companies in general, are retaining very little, or almost none, of their earnings. How can one conclude other than that large-capitalization companies will fail to grow their earnings?

In another comparison, about the cheapest market in the world, in terms of price-to-book value ratio, is the iShares Canada Small-Cap Index (EWCS). It has no real universe of buyers and it trades at 1.38x book value. By contrast, the iShares Frontier Markets ETF (FM) trades at 3.08x book value.

To give a sense of the allocations, FM has a 23.69% weight in Kuwait, a 14% weight in Argentina, a 13.25% weight in Nigeria─home of Boko Haram─and a 10.18% weight in Pakistan. Nevertheless, since its inception date of September 12, 2012, FM has accumulated $590.8 million in assets under management. Since its inception on December 10, 2007, five years earlier, the iShares Canada Small-Cap ETF has accumulated $4.7 million in assets under management.

The question arises: Is price-to-book value a measure of risk, or is it a measure of popularity? The iShares Frontier Markets is now the 326th largest ETF in the United States of America. In late May, the Russell 2000 ETF (IWM) was no longer in the top 10 ETF list of assets under management.

HORIZON KINETICS
© Horizon Kinetics LLC® 2015

Featured Companies

IG GROUP HOLDINGS PLC (IGG LN)

IG Group (IGG LN), with a £2.9 billion market capitalization, is a financial spread betting company. Basically, it sells "contracts for differences" on various financial products, like the difference between two indexes.

In 2007, it purchased a small U.S. company called Hedge Street for $6 million. In 2010, this became the North American Derivatives Exchange, known as NADEX, which now offers binary options. Binary options offer payoffs in two possible forms: zero or 100. NADEX has no clearinghouse arrangements, which means it is possible for binary options to be sold fraudulently.

In any event, the first quarter volume on NADEX has increased by 38%. The trading policy is that it is open 24 hours a day. The most heavily traded binary options happen to be on the E-mini S&P 500. Someone asked me if this is equivalent to gambling on the S&P 500. The answer was yes.

The second most popular is the spread between the euro and the U.S. dollar. There are even Bitcoin options. For those who have a taste for this sort of thing, China Index options are available as well, as are many others.

Since the 2008-2009 crash, the company has advanced steadily but slowly in the light of investor reluctance to undertake any action that might be viewed as exotic. You can see in Table 5 that revenue since 2009 has gone from £298 million to £370 million, and after tax profit has advanced about 40%, from £101 million to £147 million.

Table 5 IG Group Revenue and After-Tax Profit 2009-2014

(£ in millions)	Revenue	After Tax Profit
2013-14	£370.4	£147.0
2012-13	361.9	141.7
2011-12	366.8	136.8
2010-11	312.7	125.3
2009-10	298.6	101.5

Source: Company reports

The company was founded in 1974 as an index to trade on the price of gold rather than on the commodity itself. Now, IG Group, inclusive of NADEX, gets about 5 million trades a month, and 99% of those trades are online. One-third come from mobile devices and those

HORIZON KINETICS
© Horizon Kinetics LLC® 2015

5 million trades per month are generated from an active user universe of only 126,000. It is worthwhile noting that its client base is almost all retail, and the thrust of what the company is doing is to prepare binary options and spread betting for the institutional era, which might actually arrive.

It is also worth noting that spread betting in the United Kingdom and Ireland is tax-free. The company controls 41% of the UK spread market. In the UK, spread betting is not considered to be a security or a commodities transaction. It is regulated by the FCA (Financial Conduct Authority) not by the FSA (Financial Services Authority).

Some 53% of its revenue comes from the UK, 14.5 % from Australia, 20% from Europe, and 12% from the rest of the world. The company has yet to make a big impression in the United States. It has a good balance sheet: £569 million of equity and no debt.

The problem in entering the United States is that IG Group has no clearinghouse. Without a clearinghouse, one cannot count on collecting all the money owed to it, given sudden movements like that of the Swiss franc some number of weeks ago. In point of fact, this was actually a problem for IG recently when the company could not collect all of its money. It could either expose its clients to counterparty risk, which would damage its business, or it could absorb it. Thus far, IG has chosen to absorb it.

The company is working on getting access to a clearinghouse. If it were to succeed, this would become an institutionally acceptable product, because counterparty risk would be eliminated.

At the same time, the company is expanding its business in different areas of Europe. Even conservative Switzerland is on the verge of granting the company a license to operate.

NADEX, for its part, has experienced a tenfold increase in volume in the past five years. The number of members trading is up 100-fold. If this company were to combine with a bigger financial services firm with access to a clearinghouse, or even a smaller financial services firm with access to a clearinghouse, spread betting, or binary options, would be an institutional product, and this could benefit the company mightily.

Another possibility is to spin off NADEX and seek the merger of NADEX with some other financial institution. So NADEX itself is potentially a very valuable property, even though it does not contribute a lot to earnings.

HORIZON KINETICS
© Horizon Kinetics LLC® 2015

DOMINION DIAMOND CORPORATION (DDC)

Dominion Diamond, a $1.5 billion market cap company, owns 88.9% of the Core Zone Ekati Diamond Mine in Canada and 65.4% of the nearby Buffer Zone Ekati Diamond Mine. It also owns, in partnership with Rio Tinto, 40% of the Diavik Diamond Mine in Canada.

The company purchased Ekati in April 2013 for $553 million, but net of working capital, which it acquired in the process, it really purchased the mine for $172 million. In the third quarter of fiscal year 2015, the Ekati mine produced an operating profit of $47 million.

The mine has 19 million carats of reserves, and another 127 million carats probable or indicated. A carat, in the current market environment, might generate $105 each. So, there is probably $15 billion of potential revenue just in Ekati. Diavik generates $175 million of free cash flow per year. It has 46 million carats proved and probable. It will probably produce until 2023. Eight years times $175 million is $1.4 billion, which is more or less the market capitalization of Dominion Diamond.

Ekati is free. Plus, the company has $400 million of cash on the balance sheet, which is also free. Against that, one must deduct $46 million of debt. But there is also $350 million worth of extracted diamond inventory on the books. So there is $700 million in liquid assets, which you get for free, plus Ekati. The Polished Diamond Index is off about 25% to 30% from the peak prices achieved in 2011.

It is important to note that Canadian diamonds are known as Canada Mark diamonds, and they are not so-called blood diamonds. This is a very controversial issue in the world of diamonds. In a better diamond environment, Canada Mark diamonds might even trade at a premium. Another attribute: Canada Mark diamonds are outside of the DeBeers cartel.

The Ekati mine is located 190 miles northeast of Yellowknife in the Canadian Northwest Territories and 120 miles south of the Arctic Circle. Dominion owns the Ekati Mine in partnership with two owner-operators, even though it owns the majority interest. One is a very successful mining engineer, Stewart Blusson, who has a net worth of at least $600 million. The other, with slightly less net worth, is Chuck Fipke, affectionately or not so affectionately called “Stumpy” by people in the mining industry.

The Diavik Diamond Mine is located 190 miles north of Yellowknife and, as mentioned, it is owned in partnership with Rio Tinto. Ekati is trading for free. The cash and diamond inventory is for free.

It turns out that there are only three ETFs that collectively own $1.3 million worth of Dominion Diamond. Most is owned by the SPDR S&P Small-Cap ETF, with $780 million of assets under management; it has $1.1 million of Dominion Diamond.

HORIZON KINETICS
© Horizon Kinetics LLC® 2015

This is another example of a company that, not making it into the indexes, it is systemically undervalued.

AMAYA INC. (AYA CN)

Yet another company excluded from the indexes is the Canadian company called Amaya. It has a $4.5 billion market capitalization, and it just so happens to be the biggest online gaming company in the world. That means online gambling. It became the biggest because, in June 2014, its owner-operator, David Baazov, bought Poker Stars and Full Tilt Poker for $4.9 billion. He was able to do so for two reasons: first, because there were some legal questions surrounding the former proprietors of those properties; second, because he was able to get funding from Blackstone.

The company also owns some other businesses. It owns Cadillac Jack, which supplies gaming equipment, such as slot machines and online lottery terminals. It also owns various online gambling content titles, including the Millionaire Club. It owns the European Poker Tour, the Latin American Poker Tour, and the Asia-Pacific Poker Tour.

All of these assets make Amaya the biggest online poker business in the world. It is now earning money at the rate of $100 million (Canadian) per year, but it is burdened with $3.4 billion of debt. There are analysts who believe the earnings for the current year are going to be much above that, but that is not necessarily germane.

Part of the allure of Amaya is that this company is trying to get approval to operate in various states in the U.S. Only a few states, including New Jersey, have legalized online gaming. Just because New Jersey has legalized online gaming, however, does not mean Amaya has a license to do business in New Jersey. That has yet to be obtained.

David Baazov, the company's chief executive, is 34 years old. Not only did Blackstone provide debt financing, it also provided equity financing, and it did so because Poker Stars has a worldwide market share exceeding 70%.

Only three states in the United States allow online gaming: Delaware, Nevada, and New Jersey. It is only legal for residents of those states, however, which means one cannot just come into one of those states and legally engage in online gaming.

The analysts believe this company is going to earn $230 million this year, even though the current rate is much below that number, because online gaming is growing so rapidly. Amaya is a very ambitious company and might actually achieve the projected earnings. Amaya is teaming up with a small British company known as GVC Online, and Amaya is trying to purchase—and it might possibly obtain—bwin.party digital entertainment (see update at the end of this report), which is the next-biggest online gaming company and based in Gibraltar. A bidding war is emerging, and if Amaya is successful, it will continue to be

HORIZON KINETICS
© Horizon Kinetics LLC® 2015

the dominant company in the world of online gaming, and the company is poised to enter the United States market.

Post-Musings

WHEN COMPANIES STOP INVESTING IN THEMSELVES

We need to understand the consequences of a 95% effective payout in the S&P 500, some by dividend, some by stock repurchase. The most important point is that the historical time series data on the S&P 500 embraced no time period when anything of this sort ever happened. Historically, the S&P 500 companies collectively invested more than half of their cash flow and earnings back into their businesses. There is no historical precedent for companies failing to reinvest.

If these companies are returning over 90% to shareholders, it is worthwhile noting that there are a handful of companies that return nothing to shareholders. For example, Berkshire Hathaway is in the S&P 500, and it does not pay a dividend. Apple, at least for most of the period studied by Professor Lazonick of UMass (mentioned in the *Musings* section), did not repurchase stock or pay a dividend; it did so only relatively recently.

What we do know—and this has been demonstrated in prior Compendium Reports—is that the revenues are not growing at most of the S&P 500 companies. So it is understandable that they do not want to invest in their businesses, and that might even be defensible. That makes it incumbent upon investors to rethink the kinds of returns achievable from the S&P 500 companies, because there will not be very much organic growth. The organic growth that does occur will occur on a company-specific basis rather than an index basis.

So what do we have? We have governments not able to stimulate their economies in a fiscal sense that serves the revenue growth of the largest companies. We have central banks unable to stimulate economies in a monetary sense, because interest rates are already zero; that is also a factor in limiting growth. Furthermore, the companies are not stimulating themselves. They are not reinvesting in their own businesses, and they are so huge, dominating their respective industries, that major acquisitions would be deemed to be monopolistic. That means they cannot grow by acquisition, a principal pathway to growth historically.

Clearly, the return prospects of the index need to be rethought. The one item that does not need to be rethought is the volatility; that remains. The question arises: Is the prospect of a reduced return consistent with the volatility that we experience today? In other words, would people invest in the S&P 500 if they knew not to expect the historical rate of return but something much less? Would it be considered a prudent or adequate investment? How would

HORIZON KINETICS
© Horizon Kinetics LLC® 2015

the investment world change? No one has been thinking about these questions and now Carl Icahn is essentially raising them and people should give them a great deal of thought.

Q. *Regarding the stock repurchases you discuss in this section, are the CEOs themselves, by the fact that they and their employees are being issued stock, diluting the shareholders and then using the corporate cash to buy back stock?*

A. There's no question that the number of shares is shrinking. The issue is not so much dilution, but rather the depletion of corporate assets.

For example, if it is correct—and we presume it is correct—to take the net cash and subtract it from the Apple share price to arrive at a net enterprise value then, in the case of Phillip Morris, why should one not add to the share price the net debt? So, however one calculates the valuation or the P/E of Apple Computer, whatever methodology is chosen has to be consistent across all the companies. But the indexes, because they are machine-driven, are not held to any level of valuation consistency the way an analyst would be. It is merely a question of supply and demand.

If the investors of the world are going to make a certain adjustment in the valuation accorded to Apple, eventually investors are going to make the same methodological adjustment, for good or ill, for all of the other companies. That might not be so wonderful for certain companies.

Q. *How does this all end?*

A. There is going to be a revaluation of everything. The depletion of corporate assets gathered momentum during the crisis in 2008, but it is really a post-2008 phenomenon. That means the index numbers post-2008 are meaningless; they have no consistent valuation validity, as anybody can see at a glance.

The index cannot be used as a basic performance benchmark. If that were accepted as a legitimate conclusion, it would revolutionize the world of indexation. After all, indexation is based on the concept of freeriding, the idea that the active manager is going to appropriately value the shares and the index can just invest alongside; however, that assumes the indexes are passive. Indexes now are so huge, and drawing in so much money, that they are no longer passive. They are not active in the sense that they are making decisions about which stocks to prefer in a fundamental sense, but they are making those decisions by gearing themselves towards smart beta. In other words, they are moving away from the standard index weights and, in fact, are moving away from the standard indexes in general. That movement has just started, but it has enormous implications. The supply of shares for

HORIZON KINETICS
© Horizon Kinetics LLC® 2015

smart beta is less than the supply of shares for standard indexation. It may take a decade or two to realize.

There is essentially a monster in the room, and the monster is creating valuations that, upon analysis, are not reasonable. It is simply not reasonable that Apple should have an inferior P/E to the likes of Northrop Grumman, Coca-Cola, Phillip Morris International, even Intel, because its prospects are not inferior. Viewed upon a net enterprise value basis, Apple arguably has the lowest P/E of just about any company in the S&P 500. Apple has a far lower P/E than Exxon.

One could argue that Exxon's earnings are cyclically depressed, and maybe the price of oil will rise, but no one knows that for sure. Irrespective of that, over the long run, it is hard to imagine that Exxon's earnings growth will be as robust as Apple's. In any event, if Apple's earnings are not going to be robust, or if Apple's earnings could perhaps decline, why should that be valued in the same way as Exxon is valued when Exxon's earnings *are* in decline?

The most important point is that the companies mentioned in the last several paragraphs are basically among the largest and the most ubiquitous companies in the world. If any companies are to be priced efficiently, it should be those companies. The valuation has to be rational among the companies relative to one another, and arguably they are not. Furthermore, if the valuations of the biggest companies are not rational, then one has to look for a cause. And what other cause is available, other than supply and demand currents put forward by the raw material requirements of the indexes?

In summary, the valuations accorded to companies are not reasonable. They are artificially impacted by the indexation movement. That means the indexes are not valid for use as a benchmark, and they have to be rejected. Ultimately, that is going to happen, and it is going to happen even if the academics do not agree to it, because the business aspect of the indexation movement cannot thrive and prosper on a single-digit-basis-point fee, even if trillions of dollars are under management.

That movement is inexorable. It may well be that investors, positioned as they will be in the most liquid equities─knowing they can exit at any point─might be very poorly positioned for the future because the real worthwhile equities are the idiosyncratic equities. Those are the ones for which you can charge a reasonable fee, and I believe that is how it is going to end.

HORIZON KINETICS
© Horizon Kinetics LLC® 2015

Updates on Past Ideas

BWIN.PARTY DIGITAL ENTERTAINMENT (BPTY LN)

Original Recommendation: 11/20/2013 at £1.33 per share
Current Price: £0.98
Market Cap: £805.5 million

bwin.party Digital Entertainment (BPTY LN) was first recommended in November 2013 at a price of £1.33 per share. The investment thesis was predicated upon the fact the company's shares were being valued on par with other online gaming peers, but that bwin.party Digital Entertainment had a higher degree of upside optionality as it was uniquely positioned to succeed in a US market that was slowly legalizing online gaming. In the absence of an increased market presence in the US, existing operations in Europe were believed to support the company's valuation at the time the report was written.

Over the last year and a half, the company's share price declined to a low of £0.70 per share as its operations in Europe experienced some setbacks. For example, access to bwin's websites were blocked in Greece, countries continued to enact legislation that made online gaming more restricted and/or less profitable, and revenues from the company's poker business declined as it lost market share to competitors. In addition, the competitive landscape of the U.S. market may have changed significantly going forward, as the world's largest poker site, PokerStars, was acquired by Amaya Inc. (AYA CN). PokerStars has had problems reentering the U.S. market given its historical legal issues in this country. However, some believe this change of ownership could pave the way for a U.S. launch.

On May 19, 2015, Amaya Inc. issued a press release stating that it was joining GVC Holdings (GVC LN), a multinational sports betting and gaming group, to submit a proposal to acquire bwin.party digital entertainment. The announcement came one day after 888 Holdings (888 LN) issued a press release stating that it had submitted a proposal to acquire bwin.party digital entertainment. Shares of bwin.party increased from £0.89 on May 14, 2015, to £1.08 on May 18, 2015.

bwin.party is clearly attracting interest from strategic buyers, with the press reporting that offers have been in the range of £1.1 to £1.2 billion. Interestingly, even though shares of bwin.party appreciated approximately 20% when these statements of interest were announced, a bid of this size would represent a premium of approximately 35% relative to the current share price.

These offers, if true, represent a reasonable valuation for bwin.party. The company has a current market capitalization of £805 million and a strong balance sheet with over £80 million of net cash as of year-end 2014. Cash from operations during 2014 totaled €92.8

HORIZON KINETICS
© Horizon Kinetics LLC® 2015

million (~£67.5 million), implying that the company's current enterprise value equates to less than 12x operating cash flow. An equity valuation of £1.1 to £1.2 billion would amount to approximately 15x to 16x operating cash flow, which certainly seems reasonable (if not inexpensive) when considering that Amaya would gain immediate access to the states in the U.S. that have legalized online gaming, thus establishing a foothold in a potentially lucrative market.

bwin.party was repurchasing shares in the £0.90 - £1.00 range as recently as late-2014, in line with current share price. Because of this, it is reasonable to assume that management would not sell the company unless a buyer offered an appropriate premium to the current share price. Considering the interest from multiple parties, shareholders appear poised to capture any such premium in the near term. At the same time, should these proposals fall through, downside risk is mitigated by the fact that bwin.party's current operations continue to generate significant free cash flow and its valuation relative to these cash flows is modest. In light of this risk/reward profile, shares of bwin.party are recommended for purchase.

HORIZON KINETICS
© Horizon Kinetics LLC® 2015

WEALTH INDEX (Ticker: RCH Index)

As of March 31, 2015

Annualized Total Return	1 Year	3 Years	5 Years	7 Years	10 Years	15 Years	20 Years	Since Incep. 1991 - Mar '15
Wealth Index	8.68%	16.17%	17.08%	14.84%	12.47%	7.69%	12.79%	13.47%
S&P 500	12.73%	16.11%	14.47%	8.95%	8.01%	4.15%	9.39%	10.12%
S&P 500 Eq. Wgt.	13.22%	18.36%	16.04%	11.88%	10.05%	9.25%	11.44%	12.51%
Russell 3000	12.37%	16.43%	14.71%	9.37%	8.38%	4.63%	9.58%	10.42%
Russell 2000	8.21%	16.27%	14.57%	10.47%	8.82%	7.19%	9.62%	11.24%
Excess Return vs. S&P 500	-4.05%	0.06%	2.61%	5.89%	4.46%	3.54%	3.40%	3.35%
Excess Return vs. S&P 500 Eq. Wgt.	-4.54%	-2.19%	1.04%	2.95%	2.42%	-1.57%	1.35%	0.96%
Excess Return vs. Russell 3000	-3.69%	-0.26%	2.37%	5.47%	4.09%	3.06%	3.21%	3.05%
Excess Return vs. Russell 2000	0.47%	-0.10%	2.51%	4.37%	3.65%	0.50%	3.17%	2.23%

**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 '15
Wealth Index	0.72	1.32	1.09	0.65	0.62	0.34	0.59	0.65
S&P 500	1.41	1.68	1.12	0.53	0.54	0.28	0.62	0.70
S&P 500 Eq. Wgt.	1.35	1.78	1.11	0.59	0.57	0.53	0.68	0.78
Russell 3000	1.32	1.68	1.09	0.54	0.55	0.30	0.62	0.71
Russell 2000	0.51	1.21	0.82	0.48	0.45	0.36	0.48	0.59

**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 '15
Wealth Index vs. S&P 500	(0.84)	0.01	0.48	0.62	0.51	0.32	0.32	0.33
Wealth Index vs. S&P 500 Eq. Wgt.	(1.41)	(0.60)	0.25	0.52	0.44	(0.16)	0.14	0.10
Wealth Index vs. Russell 3000	(1.03)	(0.06)	0.51	0.64	0.52	0.30	0.33	0.33
Wealth Index vs. Russell 2000	0.06	(0.02)	0.39	0.53	0.49	0.05	0.29	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	60.00%	67.58%	71.98%
vs. S&P 500 Eq. Wgt.	57.14%	61.72%	61.21%
vs. Russell 3000	62.50%	67.58%	77.59%
vs. Russell 2000	62.14%	67.58%	75.00%

**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 '15
Wealth Index	12.02%	12.27%	15.73%	22.68%	20.21%	22.74%	21.86%	20.67%
S&P 500	9.05%	9.59%	12.97%	16.74%	14.76%	15.09%	15.19%	14.47%
S&P 500 Eq. Wgt.	9.76%	10.32%	14.43%	20.08%	17.59%	17.47%	16.92%	16.10%
Russell 3000	9.37%	9.77%	13.46%	17.36%	15.32%	15.59%	15.49%	14.73%
Russell 2000	16.02%	13.41%	17.76%	21.87%	19.76%	19.99%	19.84%	18.90%

**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 '15
vs. S&P 500	4.85%	5.10%	5.39%	9.43%	8.73%	11.07%	10.52%	10.13%
vs. S&P 500 Eq. Wgt.	3.22%	3.67%	4.15%	5.66%	5.56%	10.10%	9.76%	9.26%
vs. Russell 3000	3.57%	4.25%	4.66%	8.52%	7.87%	10.30%	9.66%	9.32%
vs. Russell 2000	7.97%	5.66%	6.44%	8.18%	7.43%	10.32%	11.08%	10.50%

**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 '15
vs. S&P 500	1.24	1.18	1.15	1.26	1.26	1.37	1.30	1.27
vs. S&P 500 Eq. Wgt.	1.20	1.14	1.05	1.10	1.11	1.18	1.17	1.16
vs. Russell 3000	1.25	1.19	1.12	1.23	1.24	1.34	1.30	1.28
vs. Russell 2000	0.66	0.83	0.83	0.97	0.95	1.01	0.95	0.94

**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	7.06%	13.69%	14.49%	12.56%	4.89%	-6.63%	-7.43%	-5.50%	2.17%
2015 YTD	3.12%	0.95%	1.81%	1.80%	4.32%	2.17%	1.31%	1.32%	-1.19%

**Note: Calculated Using Total Returns*

Source: Horizon Kinetics LLC, International Securities Exchange, Bloomberg

See important disclosures for additional information.

© Horizon Kinetics LLC® 2015

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 2015

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yr. End	Index	Yearly return	Annualized return (since inception)
1983								1.00	0.81	0.76	0.87	0.75	1983	0.75	(60.5)%	(50.2)%
1984	0.75	0.71	0.70	0.66	0.67	0.67	0.61	0.83	0.79	0.76	0.67	0.65	1984	0.65	(13.5)%	(26.5)%
1985	0.92	0.93	0.99	0.95	1.20	1.30	1.32	1.38	1.28	1.50	1.86	2.02	1985	2.02	211.8%	33.7%
1986	2.46	2.78	2.47	2.31	2.36	2.33	2.03	2.23	1.98	2.37	2.34	2.34	1986	2.34	15.9%	28.2%
1987	3.21	3.27	3.16	2.55	2.37	2.30	2.39	2.47	2.22	1.56	1.44	1.52	1987	1.52	(35.0)%	9.9%
1988	1.80	1.87	1.78	1.79	1.69	1.94	1.92	1.96	2.01	1.97	1.95	2.07	1988	2.07	36.0%	14.3%
1989	2.42	2.37	2.54	2.63	2.64	2.64	2.93	3.12	3.07	3.05	3.23	3.26	1989	3.26	57.8%	20.2%
1990	3.12	3.15	3.53	3.06	3.47	3.45	3.30	2.70	2.68	2.40	2.52	3.02	1990	3.02	(7.3)%	16.1%
1991	3.08	3.49	3.70	3.68	3.71	3.61	3.86	4.05	4.07	4.69	4.47	5.72	1991	5.72	89.4%	23.0%
1992	5.76	5.61	5.30	5.12	4.98	4.99	5.93	6.06	6.19	6.56	7.25	7.36	1992	7.36	28.6%	23.6%
1993	8.06	8.04	8.20	7.94	8.15	8.57	9.05	10.00	9.99	9.31	8.97	8.90	1993	8.90	21.0%	23.4%
1994	9.52	8.73	8.05	7.85	7.81	7.53	7.66	8.31	8.15	8.52	7.88	7.95	1994	7.95	(10.6)%	19.9%
1995	7.74	8.38	8.72	8.77	9.20	9.35	9.93	10.78	11.22	10.53	10.89	10.40	1995	10.40	30.8%	20.8%
1996	11.12	11.50	11.33	11.62	11.86	12.53	11.91	12.36	13.32	14.03	14.42	15.02	1996	15.02	44.4%	22.4%
1997	16.04	16.81	15.32	17.27	18.42	20.29	22.28	21.39	25.31	24.95	24.95	25.50	1997	25.50	69.8%	25.2%
1998	25.67	29.00	29.89	30.60	28.90	30.44	27.67	21.33	21.74	25.16	27.27	25.41	1998	25.41	(0.4)%	23.3%
1999	26.00	23.71	23.92	26.77	28.94	29.74	28.78	26.74	25.89	27.73	28.54	30.55	1999	30.55	20.2%	23.2%
2000	31.07	31.19	36.01	35.60	35.20	40.32	43.58	45.75	45.62	48.69	44.05	49.84	2000	49.84	63.1%	25.2%
2001	50.23	46.41	44.27	46.96	48.90	49.98	50.67	49.70	46.47	44.81	48.04	51.91	2001	51.91	4.2%	23.9%
2002	53.62	53.74	55.11	52.52	52.83	50.48	42.58	44.92	41.54	42.66	45.78	43.17	2002	43.17	(16.8)%	21.4%
2003	42.72	41.18	42.36	45.98	49.02	50.71	53.47	53.97	53.46	56.12	55.83	58.49	2003	58.49	35.5%	22.1%
2004	64.38	65.08	64.63	61.68	60.86	62.30	58.71	64.08	65.73	68.86	73.53	78.16	2004	78.16	33.6%	22.6%
2005	76.46	77.94	74.06	72.83	77.02	80.25	83.59	83.07	86.03	89.19	96.58	97.35	2005	97.35	24.6%	22.7%
2006	107.62	111.44	110.75	111.88	101.89	100.61	100.62	104.98	114.61	116.64	113.78	118.05	2006	118.05	21.3%	22.6%
2007	125.73	123.77	122.62	127.58	133.57	134.68	126.61	124.07	133.57	148.09	135.13	135.56	2007	135.56	14.8%	22.3%
2008	127.53	115.76	115.94	121.58	130.51	115.68	119.94	120.55	109.69	72.70	62.95	67.91	2008	67.91	(49.9)%	18.1%
2009	57.51	51.76	65.63	79.49	85.67	90.79	99.97	101.69	107.32	107.36	110.94	115.01	2009	115.01	69.4%	19.7%
2010	106.84	110.32	118.13	114.91	100.18	88.17	97.65	89.64	103.59	108.29	108.64	119.58	2010	119.58	4.0%	19.1%
2011	122.80	128.28	127.94	127.97	126.06	121.03	115.49	104.25	91.32	102.44	103.79	103.98	2011	103.98	(13.1)%	17.8%
2012	109.46	120.12	125.37	121.64	108.44	114.12	113.56	118.33	123.18	127.91	131.76	135.00	2012	135.00	29.8%	18.1%
2013	151.20	155.13	165.52	166.55	174.89	164.20	179.01	168.47	176.12	192.14	197.16	208.44	2013	208.44	54.4%	19.2%
2014	194.17	196.87	203.88	196.24	195.40	206.41	194.00	207.06	201.07	205.28	212.28	215.25	2014	215.25	3.3%	18.6%
2015	203.96	217.70	215.97	218.17	217.01								2015	217.01	0.8%	18.4%

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	$307,937
2	BLK US Equity	BlackRock	$23,205	1,658	9/30/1999	$606,285
3	WDR US Equity	Waddell & Reed	$27,513	1,587	3/31/1998	$75,841
4	EV US Equity	Eaton Vance	$2,641	3,998	1/31/1986	$162,335
5	TROW US Equity	T. Rowe Price	$2,423	2,014	4/30/1986	$162,497
6	BEN US Equity	Franklin resources	$908	1,263	4/30/1985	$192,918
7	LM US Equity	Legg Mason	$1,000	462	8/31/1983	$24,663
8	FII US Equity	Federated Inv	$26,381	2,206	5/31/1998	$77,323
9	FIG US Equity	Fortress Investment Group	$102,249	3,389	2/28/2007	$26,808
10	PZN US Equity	Pzena Investment Management	$122,426	6,317	10/31/2007	$56,159

HORIZON KINETICS
© Horizon Kinetics LLC® 2015

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

International Money Manager Index

From Nov 1986 to May 2015

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	59.89	57.84	58.64	55.47	54.37	55.77	54.31	2014	54.31	(7.8)%	15.24%
2015	52.77	58.87	58.99	62.11	62.25								2015	62.25	14.6%	15.55%

S.No.	Ticker	Name	Initial Amount Invested	Shares Purchased	Date of Investment	Current Index Value
1	IGM CN Equity	IGM Financial Inc	$1,000	73	31/11/1986	$2,481
2	IVZ US Equity	Invesco Plc (Previously Amvescap)	$1,357	1,153	1/31/1991	$23,108
3	SDR LN Equity	Schroders Plc	$1,208	505	3/31/1991	$26,015
4	RAT LN Equity	Rathbone Brothers Plc	$1,208	736	3/31/1991	$25,018
5	ADN LN Equity	Aberdeen Asset Mgmt Plc	$1,208	1,827	3/31/1991	$12,703
6	CIX CN Equity	CI Financial Corp.	$2,585	3,224	6/30/1994	$90,707
7	EMG LN Equity	Man Group Plc	$2,862	6,344	10/31/1994	$13,145
8	AGF/B CN Equity	AGF Management Ltd-Cl B	$3,343	1,346	1/31/1996	$7,526
9	8739 JP Equity	Sparx Group Co Ltd	$11,762	108	12/31/2001	$21,733
10	HGG LN Equity	Henderson Group Plc	$14,447	8,666	12/31/2003	$30,880
11	AZM IM Equity	Azimut Holding Spa	$21,908	4,977	7/31/2004	$145,532
12	CCAP LN Equity	Charlemagne Capital Ltd	$36,848	22,300	3/31/2006	$4,597
13	PGHN SW Equity	Partners Group-Reg	$36,848	578	3/31/2006	$186,184
14	ASHM LN Equity	Ashmore Group Plc.	$36,688	9,873	10/31/2006	$49,949

HORIZON KINETICS
© Horizon Kinetics LLC® 2015