# Global Contrarian Research Report Compendium

## April 2010

## Part I

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

# ❖ The Global Contrarian Research Report Compendium ❖

# *Murray's Musings*

## *Mathematics & Statistics in Security Analysis*

The subject of this section is the role that statistics and mathematics play in security analysis and economic analysis. It's rather disturbing that most economic analysis and economic papers published in the academic journals are heavily quantitative and mathematical. Anyone who gives them even a cursory glance would agree. Some of the articles truthfully resemble mathematical treatises. Similarly, security analysis is heavily based on the careful study of financial statements in the belief that past trends, whether positive or negative, have some relevance in discussing what might be the futures of various companies.

Research in Motion, which makes the famous BlackBerry, is an interesting example of a company that perhaps should be studied in a completely different sense. Basic, accepted principles of economics include the law of supply and demand and the law of diminishing returns. Economists have a fairly thorough understanding of what happens when competition intensifies, especially when that competition is with well-capitalized companies that are relatively new entrants to a field. Usually the existing, dominant companies experience diminishing, and in some cases evaporating, returns on their own capital.

If one examines Research in Motion in the manner in which analysts approach it, one would see that the consensus earnings forecast for the company is $5.25 per share in the current fiscal year ending in February 2011, and an additional $5.85 in the fiscal year ending in February 2012. Those estimates are more or less, but not quite, an extrapolation of past trends. Given the increasing presence of products like the Android—a smart phone backed by Google and others—and the increasing efforts that Apple Computer has made to enter this field, it's hard to imagine that Research in Motion, the now dominant producer of handheld devices, wouldn't experience either some disruption to its business, or at least some meaningful loss of market share. In addition, there are other companies seeking to dominate this market, including Nokia and Sony Ericsson. These are companies with resources that dwarf those that Research in Motion could possibly mobilize. It's hard to imagine that there wouldn't be a disruption in the earnings of the company, yet the forecast is based on the quantitative trends as they've existed thus far. That, however, might be a very poor type of analysis.

If one reads *The Wealth of Nations* by Adam Smith, one will note that the book includes many practical and realistic examples of how economics functioned in the world of the 18$^{th}$ century. Smith's is one of the last economics books to discuss the topic in that sense. David Ricardo, one of Smith's successors, wrote books that are much more abstract. They discuss basic principles of economics including the iron law of wages. Those principles are more like axioms in geometry than economic analysis supported by true data, and economics has proceeded on that basis from the early 19th century to the current time. It's interesting that David Ricardo was the originator of that type of economic analysis because, early in his career, he was a stock jobber making his living trading in the stock markets. Though he was clearly a man of practical endeavors, he was also capable of interesting and very abstruse theoretical reasoning. Another example is Paul Samuelson's *Foundations of Economic Analysis*, a book written in the 20th century that looks like a mathematical treatise. Without studying it, one might not even be sure that it deals with economics.

There are some exceptions to these trends, but they are few. Therefore, it's worth illustrating how far the economics profession had to journey in order to state basic principles in non-quantitative and non-abstract terms. An example of an economist who has managed to write about economics in this manner is Gary Becker of the University of Chicago, who happens to be a Nobel Laureate. Becker applied economics to areas of thought traditionally outside the scope of the subject. These topics include crime, drug addiction and discrimination. For example, he examined the question of whether or not criminals actually respond to economic incentives. His conclusion was that they do and, therefore, policies should reflect that reality. Similarly, Judge Richard Posner, who is a jurist of the United States Court of Appeals Seventh Circuit in Chicago, wrote some very interesting books that marry law and economics. One of his books that I found particularly interesting is *Economic Analysis of the Law*, which is commended for one's edification.

There's another interesting exception that deserves unique mention, and that is the work of two economists writing under the pseudonym Marshall Jevons. These two economists are Professor William Breit of Trinity University, San Antonio, Texas and Professor Kenneth Elzinga of the University of Virginia. Together they used economic analysis as the basis of a series of mystery novels. In 1978, the two authors published a book called *Murder at the Margin* in which an amateur detective solves crime by pure economic reasoning. The main character in this book is a fictional economist known as Henry Spearman, an economics professor who bears an amazing resemblance to the late Milton Friedman. In *Murder at the Margin*, the fictional Spearman is able to deduce that a certain Mrs. Forte did not kill her husband, since she would be financially better off in divorce rather than receiving life insurance payments after his death. These books illustrate how far economists have had to go to simply have their work stated in terms that are comprehensible to the average human being.

There are two other works by the same authors that are worth reading. One is called *The Fatal Equilibrium* and the other is called *A Deadly Indifference.* In *The Fatal Equilibrium* a professor murders a colleague in order to hide the fact that certain statistics in a book on commodities authored by that professor violate the law of utility maximization. It's another way of learning the basic concepts of economics and, therefore, the books are commended to the attention of the reader.

# *Industry Thoughts*

## *Chinese Television*

It's interesting that the number of networks and television stations in China is not much greater than the number of networks and stations that exist on the Island of Taiwan, otherwise known as the Republic of China (as distinguished from the People's Republic of China). For example, in the Republic of China (Taiwan), there are five different television networks. Collectively, these five television networks have 17 channels. There are also 11 premium cable TV channels.

**Republic of China (Taiwan)**

| Television Networks (Free) | Premium Cable Networks |
|---|---|
| Taiwan Television | Sanlih E - Television |
| China Television | Ala Television |
| Chinese Television System | Era Television |
| Formosa TV | TVBS |
| Public Television Service (17 channels) | Chung T'ien Television |
| | Eastern Television |
| | Videoland Television Network |
| | Unique Satellite TV |
| | Star TV |
| | Taiwan Broadcasting System |
| | HBO ASIA |

To contrast that with the People's Republic of China (formerly known as Red China), which has a population of 1.3 billion people, there are six nationwide stations, which would be the equivalent of networks in the common parlance. Phoenix Satellite Television, which is one of the six nationwide stations, will be discussed further in the *Featured Companies* segment. There are sixteen local networks that are organized more or less along provincial lines. They include Guangdong Television, Fujian Television, Hebei Television, Hunan Satellite Television, Zhejiang Television and others as can be seen in the table below.

**People's Republic of China**

| Nationwide Stations | Local Networks |
|---|---|
| China Central Television | Beijing Television Station |
| MTV Mandarin | Chongqing Television |
| Phoenix Television | Fujian Television |
| Star TV | Xiamen Television |
| China Educational TV | Guangdong Television |
| China Entertainment TV | Guangxi Television |
| | Long Bei Jing |
| | Hebei Television |
| | Hunan Satellite Television |
| | Neimeng Television |
| | Nanjing Broadcasting Group |
| | Shanghai Media Group |
| | Sichuan Television |
| | Tianjin Television |
| | Xinjiang Television Station |
| | Zhejiang Star TV |

As one can easily imagine, television in China is heavily censored, not merely for political reasons, but also for other content. For example, one of the most popular shows in the People's Republic of China (formerly Red China) was a show called *Super Girl*, a talent show very similar to the U.K. *Pop Idol* or the U.S. *American Idol.* The object of each episode was to decide which contestant had the best singing talent. The show was criticized by the Communist Party as degrading to the morals of the youth of China; therefore, at the request of the ruling party, the show was redubbed *Happy Girls.*

An interesting aspect of the *Happy Girls* is that in shows of this type in China, viewers are able to enter their votes for the best talent via text message. In one season, *Happy Girls* received 800 million text message votes. That number is economically significant, because it is surely evidence of the fact that there's an enormous and relatively untapped advertising market in China. As a matter of fact, it will ultimately be the greatest advertising market of all time, and it doesn't require a lot of reflection to understand why.

At the moment, the greatest advertising market from a television point of view is the United States and Canada, because that forms one very large Anglophone block of some 330 million people. The Chinese speaking block in the People's Republic is 4 times the size of the U.S. and Canada block. Any show that is genuinely popular with a nationwide distribution in China will likely have an audience that would rival by a factor of several times what the American public might get during a Super Bowl Game. It's uniquely valuable. There are very few companies that exist that have even a slight possibility of exploiting that situation, because the Chinese choose to heavily control their television market in the same way that they choose to control their internet market. That control allowed the Chinese and Japanese search engine, Baidu, to achieve dominance over Google.

The Chinese government produces much of the television programming for the People's Republic but, even with its vast resources, the government simply doesn't have the wherewithal to come close to satisfying the demand for programming. Therefore, the Chinese government has allowed privately owned companies to provide programming, subject, of course, to the guidance of the government and the party. Phoenix TV (2008 HK) is one of those companies. It has a trailing P/E of 33.3x (more information is provided in the *Featured Companies* section). There is also a very small company called Sing Tao News (1105 HK), which obviously provides news programs. At the moment, it's marginally unprofitable and has a $100 million market capitalization. It's very small, so if it were to gain even a tiny segment of the Chinese viewing population, it could appreciate dramatically.

Another company is called TOM Group (2383 HK), which is more of a media company than a television company, though it has a very heavy television presence. It's marginally unprofitable, but TV advertising is growing at a rate of about 60% per annum. At that rate, it might soon be heavily profitable. Then, of course, there's the most mature Hong Kong company known as TVB, or Television Broadcasts (511 HK) as it's called in Hong Kong. It has a $2 billion market capitalization and is trading at a trailing P/E of 18x. It would appear that Television Broadcasts is the best capitalized and has the best balance sheet of any of the companies mentioned thus far. Nevertheless, its advertising revenue was down in 2009 for the obvious reasons that television advertising revenue is economically sensitive, and China was affected by the worldwide recession, as were other places in the world.

Television Broadcasts is one of the two large TV stations in Hong Kong, but it's also very popular with the Chinese ex-patriot community in the world. That popularity makes Television Broadcasts a larger company than might be possible by just serving the Hong Kong Chinese community. It competes with Asia Television, which is the other large privately owned television company in Hong Kong. Unique to the Chinese market, Television Broadcasts, owns a very large library of Chinese language entertainment programming. The company also operates the Miss Hong Kong and Miss China International beauty pageants.

Another interesting fact about Television Broadcasts is that it was formed years ago by Mr. Run Run Shaw of Hong Kong, an entrepreneur who's now a centenarian. In his own way, he is probably one of the greatest of the Hong Kong patriarchs. He doesn't get a lot of publicity in the West, but his life is fascinating.

# *Facts & Figures*

## *Tax Rates: Regular Income versus Capital Gains*

This section discusses the history of the top Federal income tax rate on regular income relative to capital gains from 1916 to the current date. It's interesting that historically, with three very rare exceptions, there has always been a very significant differential between the top tax rate on regular income and the top rate on capital gains. The exceptions occurred in the years from 1916 to 1918 and from 1919 to 1921 when the top rate on regular income was equal to the top rate in capital gains (please see table on next page). Of course, that was the World War I era experience. Interestingly enough, in 1942, which I'll use as the first year that the U.S. was truly in World War II, the top rate on regular income for married people earning over $200,000 was 88%, while the top rate on capital gains was only 25%.

In the 1916 to 1921 period, both the regular income tax rate and the capital gains rate ranged from 15% at a low to 73% at a high. That one period when there was not an enormous differential between capital gains and income tax rates is the salient exception in American history; therefore, there is an advantage to money managers who invest money with a view to earning long-term capital gains treatment. There's a further advantage, which cannot be illustrated merely by looking at a tax table, and that is the result of compounding without trading. This approach allows one to earn a rate of return, albeit temporarily, on the money that theoretically is owed to the government, but isn't yet paid. It basically creates an interest-free loan from the government. Assuming that the investment will be held for a long period of time, it can prove to be very valuable. It's astonishing that investment rates of return are rarely, if ever, calculated to adjust for that phenomenon, but it would be exceedingly interesting if they were.

Apart from the period during World War I that was mentioned above, the highest capital gains rate visualizable on this document is the 39.9% rate in the 1976-1977 period. That, of course, was during the Carter administration. In 1978, that rate was lowered to 39%, and in the 1979 to 1980 period, it was lowered to 28%. Both of those downward adjustments were made before the advent of the Reagan Administration. Even during that inflationary period of time and with the effects of the oil shock, the government, being led by a Democratic administration, felt compelled to lower the capital gains tax rate. Since income tax rates were first established in the U.S., one of the common denominators of all the administrations, whatever their orientation, has been to have a very substantial differential between the tax applied to ordinary income and the tax applied to capital gains, and I think it merits great study.

# Top Federal Income Tax Rates on Regular Income and Capital Gains since 1916

| Year | Top Rate on Regular Income | Top Rate Applies to Married Taxable Income Over: | Top Rate on Capital Gains | Notes on Capital Gains Treatment |
|---|---|---|---|---|
| **1916** | 15% | $ 2,000,000 | 15% | Capital gains taxed the same as regular income |
| **1917** | 67% | 2,000,000 | 67% | " |
| **1918** | 77% | 1,000,000 | 77% | " |
| **1919-21** | 73% | 1,000,000 | 73% | " |
| **1922** | 58% | 200,000 | 12.5% | Max rate of 12.5% |
| **1923** | 43.5% | 200,000 | 12.5% | " |
| **1924** | 46% | 500,000 | 12.5% | " |
| **1925-28** | 25% | 100,000 | 12.5% | " |
| **1929** | 24% | 100,000 | 12.5% | " |
| **1930-31** | 25% | 100,000 | 12.5% | " |
| **1932-33** | 63% | 1,000,000 | 12.5% | " |
| **1934-35** | 63% | 1,000,000 | 31.5% | Sliding exclusion of 70%>10 yrs; 0%<1 yr. |
| **1936-37** | 78% | 2,000,000 | 39% | " |
| **1938-40** | 78% | 2,000,000 | 30% | Excl. 50%>2yrs; 67% 18-24mo; 0%<18mo; 30%Max |
| **1941** | 80% | 2,000,000 | 30% | Excl. 50%>2yrs; 67% 18-24mo; 0%<18mo; 30%Max |
| **1942-43** | 88% | 200,000 | 25% | Exclusion 50% > 6 months; 25% maximum |
| **1944-45** | 94% | 200,000 | 25% | Exclusion 50% > 6 months; 25% maximum |
| **1946-47** | 86.5% | 200,000 | 25% | Exclusion 50% > 6 months; 25% maximum |
| **1948-49** | 82.1% | 200,000 | 25% | Exclusion 50% > 6 months; 25% maximum |
| **1950** | 84.4% | 200,000 | 25% | Exclusion 50% > 6 months; 25% maximum |
| **1951-64** | 91% | 200,000 | 25% | Exclusion 50% > 6 months; 25% maximum |
| **1965-67** | 70% | 200,000 | 25% | Exclusion 50% > 6 months; 25% maximum |
| **1968** | 75.3% | 200,000 | 26.9% | Vietnam War 10% surtax for part of year |
| **1969** | 77% | 200,000 | 27.5% | Vietnam War 10% surtax |
| **1970** | 73.5% | 200,000 | 32.3% | Transition on CG, Vietnam War 5% surtax; minimum tax effects |
| **1971** | 70%/60% | 200,000 | 34.3% | Transition on CG & 50% top rate on earnings; minimum tax effects |
| **1972-75** | 70%/50% | 200,000 | 36.5% | 50% exclusion, minimum tax effects |
| **1976-77** | 70%/50% | 203,200 | 39.9% | 50% exclusion, minimum tax effects |
| **1978** | 70%/50% | 203,200 | 39% | 50% exclusion, minimum tax effects; late year reduction |
| **1979-80** | 70%/50% | 215,400 | 28% | 60% exclusion |
| **1981** | 70%/50% | 215,400 | 23.7% | 50% or 60% exclusion, etc.,transition |
| **1982-86** | 50% | 215,400 | 20% | 60% exclusion |
| **1987** | 38.5% | 192,930 | 28% | 28% maximum rate |
| **1988-90** | 28%/33% | * see below | 28%/33% | Realized gains taxed same as other income |
| **1991-92**** | 31% (31.9%) | 84,300 | 28% (28.9%) | 28% (28.9%) maximum rate |
| **1993-96**** | 39.6% (40.8%) | 255,100 | 28% (29.2%) | 28% (29.2%) maximum rate |
| **1997-2000**** | 39.6% (40.8%) | 280,300 | 20% (21.2%) | 20% (21.2% maximum rate) |
| **2001**** | 39.1% (40.3%) | 297,350 | 20% (21.2%) | " |
| **2002**** | 38.6% (39.8%) | 307,050 | 20% (21.2%) | " |
| **2003-05**** | 35% (36.1%) | 319,100 | 15% (16.1%) | Capital gains rate also applies to dividends |
| **2006-07**** | 35% (35.7%) | 338,525 | 15% (15.7%) | " |
| **2008**** | 35% (35.4%) | 351,250 | 15% (15.4%) | " |
| **2009**** | 35% (35.4%) | 360,050 | 20% (20.4%) | Dividends return to regular tax rates |
| **2010** | 35% | 369,050 | 20% | Note: All Bush tax cuts expire after 2010 |
| **2011 on** | 39.6% (40.8%) | 378,250 | 20% (21.2%) | 20% (21.2% maximum rate) |
| *1988-90 | 28% | 31,050 | 28% | |
| detail | 33% | 75,050 | 33% | |
| | 28% | 155,780 | 28% | |

**Rates in parentheses include an additional tax on Adjusted Gross Income (phased out starting in 2006; repealed in 2010).

Notes: The definition of taxable income varied very substantially over the years. Taxable income is much less than actual income.

Starting points for the top rate (indexed) are averages when multiple years are shown after 1987.

Further Note: 1970-81 rates reflect a lower top rate on earned income (second figure listed).

**CITIZENS FOR TAX JUSTICE, MAY 2004**

# *How They Did It*

*Tales of the Greatest Investors of All Time*

Though this section is a new feature of the *Compendium Reports*, it is technically the continuation of a series begun a year ago that was intended to be entitled “The Darkest Moments of the Greatest Investors.” That original series of essays purported to explore the actions of great investors during enormous declines in equity markets. It featured the actions of John Maynard Keynes, Benjamin Graham, Roger Babson and what the annual letters to Berkshire-Hathaway shareholders had to say about the company’s stock action.[1] Those essays illustrate that these legendary investors maintained their investment philosophy during the most disturbing eras of American financial history. Yet, they didn’t tell the entire story, because the most interesting question to answer is how these investors had the equanimity to act in the manner in which they did during those challenging periods of time.

Therefore, in this continuing series, I will put forth a hypothesis and explore its validity. The hypothesis is that the great investors first solved what is known as the existential problem. By that I mean that they were able to secure their own livelihood even in the worst of economic circumstances. Since they had a stable source of income and cash flow, their existence was secure and it provided them with enough ongoing cash flow to make investments in the worst of times. In this issue, I’ll examine the actions of Benjamin Graham.

## ***Benjamin Graham***

*Part II*

The following analysis is purely hypothetical, but is nevertheless interesting with regard to Benjamin Graham. He began his investment career in 1914 and ended it in 1956. If Benjamin Graham had commenced his investment career with $1,000 and it had compounded at 20% per annum for 42 years, ignoring taxes and transaction costs, at the end of 1956 he would have accumulated $2,116,471. Of course, that’s nothing other than an abstraction, since he could not possibly have begun his career in 1914 with $1,000, because that was a fantastic sum of money in the New York City of that year. Similarly, as can be readily visualized from the tax tables on the preceding page, no one could possibly have compounded tax-free. In point of fact, Benjamin Graham did not earn a 20% rate of return per annum, though he certainly earned a very high rate of return.

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[1] Benjamin Graham: Investor and Person Part I, *Contrarian Research Report Compendium* November 2008; John Maynard Keynes as Investor, *Fixed Income Compendium* September 2009; Roger Babson Investor, *Fixed Income Compendium* December 2009; Berkshire Hathaway Comments, *Distressed Compendium* October 2008.

The reader will find in Part II of this *Global Contrarian Research Report Compendium* (delivered under separate cover) various of the Graham-Newman Corporation shareholder letters for the period from 1946 to 1956, the last year in which the company was in existence. It was in 1956 that the company voted its own liquidation. It is notable in these letters that Benjamin Graham derived a salary from the Graham-Newman Corporation. That firm was a regulated investment company under the then applicable laws, and it charged what are now called performance fees. As anyone can readily see by reading the footnotes of these reports, the performance fees embraced income and capital appreciation, both realized and unrealized. There was a very high concentration on preferred stocks that had fairly substantial yields. One can therefore calculate that Benjamin Graham earned a very considerable income, even in the absence of any capital appreciation.

Of course, during the years in question, the Graham-Newman Fund was usually appreciating, and it happened to be a fairly robust time for the securities markets as well. In 1946, the portfolio structure of the Graham-Newman Fund was 10.7% cash and government securities, 36.1% arbitrage, 12.2% liquidations, 20% hedges and convertible issues, 13% financial companies, and 8% what Graham describes in the report as "general portfolio." Most of those investments would have been taxable had they produced returns, and they did indeed earn returns that were taxed as income, not capital gains. To the extent that capital gains rates applied, they would have affected the returns as well. Therefore, there is a vast dichotomy between the rate of return Benjamin Graham earned on his own investment in Graham-Newman, combined with his performance participation, and the rate of return that the shareholders of Graham-Newman received.

None of these observations detract at all from the accomplishments of Benjamin Graham, who was clearly an outstanding intellect and an outstanding investor. *Security Analysis,* as written by Graham and Dodd in its various editions, must remain the foundation, indeed the touchstone, of anyone interested in value oriented investing. Nevertheless, if one loses sight of the tax ramifications of the investments, one can clearly see that one could have done well being a shareholder in the Graham-Newman Corporation. However, there's a very big difference between being a passive investor as a shareholder in such an enterprise and being the active investor. The common denominator between all of the great investment talents is that they weren't merely able to earn a very high rate of return on their own capital; they were also able to mobilize the capital of others and earn a rate of return on that as well. That is why the whole field of free enterprise is not necessarily referred to as entrepreneurialism, but more properly as capitalism, because it embraces the mobilization of capital. That's the lesson that I think will be learned as one progresses through this series of essays.

A very interesting point, though it's actually very minor, with regard to the Graham-Newman shareholder letters, is that if one reads them very carefully, they have little, if any, commentary about the investments. They're merely short, declarative statements about the rate of return, the unit value, and how much dividend distribution there was. Though there are some exceptions, they're very brief. As a generalization, the letters are nothing if not laconic. It's very difficult to have any insight into what the managers were thinking by reading the letters. In that sense, they read very differently than a Berkshire-Hathaway annual letter, and I think readers may find that surprising. Another interesting point is that the fiscal years, as reported in these documents, are not uniform, which makes it difficult to recast the numbers and compare them on a calendar year basis with relevant indices, as we would like to do. It is, however, fairly easy to reach a determination that the performance of these funds far outdistanced the relevant indices as they then existed.

Another minor point is turnover. Laying the various shareholder letters against one another and comparing the holdings year-by-year, allowing for the fact that the fiscal years aren't uniform, one can easily observe that the holding statements are different, and one can conclude that there was a fair quantity of turnover in these portfolios. Therefore, we can reasonably assert that the funds themselves were regularly exposed to taxation, and that's interesting to observe. One final point regarding turnover is that in 1947, the Graham-Newman Corporation bought 500 shares of Boeing Corporation, which appreciated enough so that it was sold no later than January 1949. We don't know if it was sold in January 1949 or at some previous time, because the report doesn't specify in what month it was sold. We only know that it was not present in the January 1949 statement. Boeing is one of the great stock investments of all time, possibly ranking with Philip Morris and, had that investment been held to the current day, the annualized total return would have been 15.33%.[2]

None of these comments are meant to be in any way disparaging about the Graham-Newman Corporation, or about Benjamin Graham. They merely serve to illustrate the powerful compounding effects of great long-term investments, and that they might be even greater than a truly outstanding rate of return on a portfolio that trades with some degree of regularity. I think that's a worthwhile comparison to make. In view of the permanence of the capital gains advantage from 1916 to the present, it is astonishing that more focus is not placed upon tax-adjusted, or after-tax, investment performance.

[2] Source: www.CRSP.com

# *Featured Companies*

## *Vivendi (VIV FP)*

A fitting subtitle for comments on Vivendi could be "The Tragedy of Vivendi," because for many years this company has conducted itself in a manner not very different from that employed for about a decade and a half by Time Warner. Time Warner thought it was a splendid idea to take capital intensive investments in entertainment, such as cable TV, and combine them with content intensive investments all in one company. The latter have the property of unbelievably high operating leverage, because the marginal cost of having an item from its film library viewed on some medium is, for all intents and purposes, zero. The marginal cost of acquiring more subscribers for cable television, however, is not small, since the technology is constantly changing and much of the cash flow generated by the otherwise very profitable businesses is absorbed by the capital-intensive businesses.

One might argue that in the last five years Vivendi has done a reasonably good job of growing its revenues from slightly over €19 billion in 2005 to €27 billion in 2009. It has done a less splendid job of growing its cash flow from operations, which went from €5.4 billion to €7.8 billion. During that time period, its cash flow margins were contracting. It accomplished its growth at the cost of nearly tripling its net debt. This is not its actual debt, but is the debt net of cash on the balance sheet, which went from €3.8 billion in 2005 to €9.6 billion in 2009.

**Vivendi**

| € (*euros) in billions* | Revenue | Cash Flow from Operations | Net Debt |
|---|---|---|---|
| 2009 | €27.1 | €7.8 | €9.6 |
| 2008 | 25.4 | 7.0 | 8.3 |
| 2007 | 21.6 | 6.5 | 5.2 |
| 2006 | 20.0 | 6.1 | 4.3 |
| 2005 | 19.5 | 5.4 | 3.8 |

The company has adopted a policy to pay out in the form of dividends two-thirds of its profits, as it calculates them. It calculates an item called Net Adjusted Profits, which is reinvestment of the cash flow itself. Management must have had the view that if it pays a high enough dividend, its shares will be in favor, and it might be able to use them as a form of access to the capital market. It was never able to do that and, therefore, it had to access the debt markets. The company's share has not performed very well in the last five years, but it's possible that the company is changing. In order to describe how Vivendi may be changing it is first necessary to understand what the company is right now.

Vivendi is a mélange of a variety of capital intensive businesses and a content business. For example, Vivendi owns 57% of a publicly traded company called Activision Blizzard, which is a videogame company. Videogames are nothing if not cyclical, because the public taste in videogames is variable. It also owns 56% of a company called SFR which, with 19.7 million subscribers, is the second largest French cellular company. That company is somewhat less capital intensive, but it is subject from time to time to competitive pressures; however, it is probably valuable. Another Vivendi holding is 53% of Maroc Telecom, one of the Moroccan telecommunication systems. That company is expanding into other areas of North Africa. Vivendi also owns 100% of Canal Plus, the content and cable businesses that owns, in turn, roughly half of the publicly traded Canal Plus. The publicly traded Canal Plus should not be confused with the Canal Plus that is owned by Vivendi. The Canal Plus that is publicly traded is merely one part of the actual Canal Plus of which Vivendi owns 100%.

All these various businesses are interesting, because they're worth a lot of money if the company were to be disassembled. At current market, Vivendi's stake in Activision alone is worth $8.5 billion USD. Universal Music, another Vivendi business, is not publicly traded, but can be compared to other music deals that have occurred. Warner Music is an example of a publicly traded music company. If Universal Music were valued on an enterprise value to EBITDA basis in the way that Warner Music is valued, Universal Music, which might be the better company, would probably be worth $7.5 billion.

There's also the Canal Plus library of 5,000 films, which may be worth much more than the MGM library, because the latter has many historical films that are currently reaching the end of their copyright period. Even for those whose copyright expirations are not imminent, the time to expiration is much shorter than for the Canal Plus library, which largely embraces films that were made long after the conclusion of the Second World War. Therefore, they have more intrinsic value because they have a longer copyright term to run. Time Warner reportedly bid $1.5 billion for the MGM library of films, which could provide some basis for valuing the Canal Plus film library.

If Vivendi began to disaggregate and reformulate itself to be more like a content company, it might be worth more in the same way that Time Warner has managed to increase its value. For example, the current incarnation of Vivendi has a €25 billion market capitalization and trades at 1.0x revenues. Time Warner, which has managed to recast itself via the spin-off of AOL and of Time Warner Cable, now trades at 1.4x revenue. That's a very significant differential.

There is some evidence that Vivendi is beginning to recast itself. For example, it recently sold its 20% stake in NBC Universal for $5.8 billion and it bought in the minority interest of its Brazilian Telecom, called GTV, which is one of the leading broadband companies in Brazil. Therefore, that's no longer a publicly traded stub. It's unclear what Vivendi wishes to do with its telecom assets, but clearly the company would be better off if they were traded separately and distinctly from its content assets. One of the only ways of facilitating that change would be for Vivendi to first get complete control of its telecom assets. The acquisition of the minority interest in GVT might be the prelude to such a transaction. On those bases, Vivendi is interesting and is therefore commended to the attention of readers.

### *Television Broadcasts, Ltd. (511 HK)*

Television Broadcasts is based in Hong Kong. It trades at 18x trailing earnings. Earnings and revenues declined in the year 2009 due to the recession and the concomitant decline in advertising expenditure. If the advertising market recovers, which it seems to be doing, the earnings could easily expand by 20% in 2010, and they could expand another 20% in 2011. Making the appropriate adjustments, if one were to hypothesize an earnings estimate for 2011 on that basis, then Television Broadcasts would be trading at 12.5x that estimate.

As mentioned previously in the *Industry Thoughts* section, this company was founded in 1967 by Mr. Run Run Shaw, who is now a centenarian, but was then in his late fifties. He built Television Broadcasts up from nothing. The company has an excellent balance sheet with 2 billion Hong Kong dollars of cash, and 300 million Hong Kong dollars of debt.

The two main channels it offers include Chinese Jade Television, which is in the Chinese language, and Pearl Channel, which is in the English language. In the Chinese market, these two channels have 85% and 75% market share, respectively. If they were offered on the same basis in the People's Republic of China, they could prove to be very popular. It's important to remember that the Chinese language programming made by Television Broadcasts is distributed worldwide to the Chinese expatriate community, so the Chinese viewer audience is not merely confined to the City of Hong Kong, but is truly worldwide with an audience of 30 million Chinese. Though that figure is very large, it is insignificant in relation to the 1.3 billion Chinese souls that exist in the People's Republic of China.

It's also worth mentioning that Television Broadcasts creates programming and has 22 studios, making it one of the largest production studios in Asia. As a matter of fact, programming licensing, which has the greatest operating leverage of any type of entertainment business, represents 30% of its current profits. The margin on licensing is 59%; therefore, even a small expansion in licensing could greatly increase the profitability of the company. At the moment, Television Broadcasts is just beginning to enter the mainland, subject of course to the control and supervision of the Chinese government and the Chinese Communist Party. At this time, Mainland China represents 4.59% of revenue.

Like many entertainment companies, Television Broadcasts is also making its content available online. To date, it has stored 3,000 hours of content online. Though it's very early in the process, half of all the visits to its websites are from Mainland China. The content business could prove to be very substantial, and on that basis the company is recommended for purchase.

## *Areva – CI (CEI FP)*

Areva is a very large French nuclear company that is involved in every aspect of nuclear power. It is likely the only company in the world with this type of profile. It basically has four main divisions and a small number of other interesting ventures. The main divisions include Areva NP, which builds nuclear reactors. Siemens, a German company, owns 34% of that division, as opposed to the parent company itself. The second division is Areva NC, which is involved in uranium enrichment, spent uranium fuel cell disposal, and uranium mining; in other words, it is involved in every aspect of the uranium business. The third division is Areva TA, which builds research reactors. The fourth is Areva T&D, which is the power transmission and distribution division of Areva. (T&D stands for transmission and distribution.) Once electricity is generated from nuclear power, it needs to be transmitted, and Areva is in that business. This company also owns 51% of a wind turbine manufacturer known as Multibird, which is clearly a venture business. It also owns nearly 100% of Ausra, a solar power company that has funding at some level from Kleiner Perkins.

Areva is present in 40 different countries around the world. In most places where there's a significant presence of nuclear power, Areva is present in that business. The company owns uranium mines in Niger and Canada, and it is the number one nuclear product supplier in the United States. If the United States were to embark upon a mission to increase its investment in nuclear power plants, it's fairly certain that Areva would get a significant amount of that business. This company also owns some publicly traded entities, including an 11% interest in the French company STMicroelectronics and 8.45% of a French defense company called Safran, whose activities include designing reactors for the French Barracuda Class nuclear submarine.

It's important to note that Areva is a cyclical company. There are very large expenditures in the years when nuclear projects commence but, since nuclear spending and nuclear reactors are very controversial, there are also years during which nuclear projects are not allowed to commence. Those prohibitions may be for political reasons, but they nevertheless affect Areva's earnings. To illustrate how cyclical these earnings are, in the year 2006 Areva earned 18 euros per share, while in 2008 it earned 6 euros per share. Areva has over 5 billion euros of debt and over 6 billion euros of equity; however, the equity is not tangible; it's mostly goodwill. It's fair to say that Areva has no practical tangible equity; nevertheless, as far as its balance sheet is concerned, it has 1.4 billion euros in cash.

Areva is not a company that can be recommended on its valuation metrics as they exist today. Making an estimate for Areva is a highly spurious endeavor. Depending on the estimate, it's either a high P/E stock or a low P/E stock. It could never be recommended as an undervalued stock because, based on the metrics, it isn't undervalued. Of course, the company can appear to be somewhat cheaper if one deducts the market value of STMicroelectronics and Safran; however, the opportunity is not in value. The opportunity is that this is a call option on the nuclear power business. As ironic as it may sound, since the world governments have become increasingly concerned about global warming over the last three decades, many governments, including that of the United States, have gone from being completely opposed to nuclear power in any form whatsoever to seriously contemplating laws to encourage the vast expansion of nuclear power plants. If that were to happen, Areva is one of only two companies through which one could invest in nuclear power. The Canadian company called Cameco is another vehicle for investment in nuclear power.

To distinguish Areva from Cameco, the latter is a company that is merely engaged in uranium mining, whereas Areva is involved in every aspect of the nuclear power business. If one believes that the nuclear power business is due to expand, possibly vastly, then Areva is quite possibly the only investment one could make in that area with confidence and, therefore, it is recommended.

It's also worth noting that for many years Areva was an arm of the French government before being privatized. The success of this company is near and dear to the French Foreign Ministry, which makes great efforts to ensure that Areva gets its share of business around the world. The French government is clearly committed to the success of this company. France is one of the few countries that has actually expanded its nuclear power network over the last two decades; therefore, the French have the lead over much of the world in nuclear plant construction and design, and Areva is in a position to exploit that situation.

### *Phoenix Satellite Television (2008 HK)*

Phoenix Satellite Television (Phoenix TV) was also mentioned in the discussion of Chinese television in the *Industry Thoughts* section of this report. Measured in U.S. dollars, this company has a $1.2 billion market capitalization. Phoenix TV operates a variety of television channels and most of them are recent creations, as can be seen in the table below. This company's reach is not limited to Hong Kong and Mainland China. Very much in the spirit of Television Broadcasts, Phoenix TV has made its programming, such as it is, available to the Chinese expatriate community around the world. Towards that end, in 1991 it started Phoenix Chinese News & Entertainment Television, which is based in London.

| | Inception |
|---|---|
| Phoenix Chinese Channel | |
| Phoenix Movies Channel | 1998 |
| Phoenix Info News | 2001 |
| Phoenix North America Chinese | 2001 |
| Phoenix Chinese News & Entertainment | 1999 |

Phoenix TV, however, is very different from Television Broadcasts in two respects. The first is that it has a higher P/E ratio, which is 30x trailing earnings. However, it has had a very different developmental thrust, and by that is meant the following. China Mobile, a publicly-traded state-owned company of the Chinese government, owns 19.9% of Phoenix TV. News Corporation, a worldwide entertainment conglomerate, owns 17.6%. Those facts are significant, because Phoenix TV is one of the few Chinese companies licensed by the government to broadcast news that is not entirely owned by the Chinese government. Therefore, it does not appear coincidental that Phoenix TV, unlike the other publicly traded Chinese companies, is the only Chinese media company that was able to grow its advertising revenue in 2009. It clearly was affected by the same dynamics that the other companies, including Television Broadcasts, experienced but, in 2009, its advertising revenue grew by 9% and its profits were up by 4.5%.

Phoenix TV also operates an outdoor advertising business, meaning billboards. This mode of advertising is very new to China, and it presents another venue in which Phoenix TV could expand its business. The company has been spending a great sum of money to develop a programming presence in Mainland China. Its studios are located in the city of Beijing, as opposed to Television Broadcasts studios whose studios are in Hong Kong. At the moment, Phoenix TV is spending 500 million Hong Kong dollars to build an international media center in Beijing and, despite that not inconsiderable expenditure, it has a fairly good balance sheet.

Phoenix TV has invested a great deal of money to develop a mainland presence and to operate within the ambit of Chinese government permission. As the programming expands in China, it doesn't take a great stretch of the imagination to see that Phoenix TV might expand its advertising base dramatically, given the huge untapped market. Therefore, Phoenix TV is recommended.

**Money Manager Index**

**From Jan 1983 to Jan 2010**

| 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 | 110.318 | 118.13 | | | | | | | | | | | 118.13 | 2.7% | 19.6% |

| Name | Amount Invested | Name | Amount Invested |
|---|---|---|---|
| Affiliated Manager | $ 22,947 | Pzena Investment Mgt | $ 122,426 |
| Alliance | $ 7,633 | | |
| BlackRock | $ 23,205 | | |
| Waddell & Reed | $ 27,513 | | |
| Eaton Vance | $ 2,641 | | |
| T. Rowe Price | $ 2,423 | | |
| Franklin resources | $ 908 | | |
| Legg Mason | $ 1,000 | | |
| Federated Inv | $ 26,381 | | |

| 31-Mar | 30-Apr | 31-May | 30-Jun | 31-Jul | 31-Aug | 30-Sep | 31-Oct | 30-Nov | 31-Dec | Yr. End | Index | Yearly return | Annualized return (since inception) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | 1.00 | 1.02 | 1986 | 1.02 | 10.0% | 10.0% |
| 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)% |
| 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)% |
| 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% |
| 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% |
| 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% |
| 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% |
| 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% |
| 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% |
| 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% |
| 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% |
| 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% |
| 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% |
| 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% |
| 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% |
| 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% |
| 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% |
| 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% |
| 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% |
| 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% |
| 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% |
| 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% |
| 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% |
| 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% |
| 29.90 | | | | | | | | | | | 29.90 | 0.2% | 15.6% |

| Amount Invested | Name | Amount Invested |
|---|---|---|
| $1,000 | HENDERSON GROUP PLC | $14,447 |
| $1,203 | RAB CAPITAL PLC | $24,603 |
| $1,357 | AZIMUT HOLDING SPA | $21,908 |
| $1,208 | EVEREST FINANCIAL GROUP LIMITED | $23,437 |
| $1,208 | CHARLEMAGNE CAPITAL LTD | $36,848 |
| $1,208 | PARTNERS GROUP-REG | $36,848 |
| $2,585 | INVISTA REAL ESTATE INV MNGT | $36,589 |
| $2,862 | ASHMORE GROUP PLC. | $36,688 |
| $3,343 | BLUEBAY ASSET MANAGEMENT/UNI | $37,469 |
| $11,762 | | |