THE SPIN-OFF REPORT COMPENDIUM

February 2014

Featured Companies

Kimberly-Clark Corp. (KMB)
Exelis Inc. (XLS)
Simon Property Group Inc. (SPG)
Starwood Property Trust Inc. (STWD)

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The Spin-Off Report

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Murray's Musings

CORPORATE RISK REDUCTION

Just as the investment community is developing ever more sophisticated methods of reducing and controlling the risk in a portfolio, it is often forgotten that the companies in the portfolios also are actively reducing their risk.

One way of measuring that trend is to use the basic corporate liquidity measure, which is cash as a percent of assets. As you can see in the following table, I looked at that measure in the 12 largest nonfinancial companies in the S&P (and considered only nonfinancial companies because cash as a percentage of assets for Bank of America, for example, does not mean anything). Note, too, that the top 12 nonfinancial companies in the S&P 500 happen to be 18.83% of the market cap of the whole index, and that is not a small number.

Table 1: Cash as % of Assets for S&P 500's 12 Largest Nonfinancial Companies

Company		% of S&P 500		% of assets in cash/equiv.
Apple		2.94%		70.9%
Exxon		2.65%		1.6%
Google		1.93%		51.3%
Microsoft		1.64%		56.6%
Johnson & Johnson		1.63%		19.9%
Chevron		1.44%		7.4%
Procter & Gamble		1.33%		5.5%
Pfizer		1.22%		19.1%
IBM		1.16%		8.5%
AT&T		1.07%		0.5%
Coca-Cola		0.92%		19.2%
Amazon		0.90%		24.1%
	Total	*18.83%*	*Avg.*	*22.7%*

Source: State Street, Bloomberg

Of course, the 12 companies—Apple, Exxon, Google, Microsoft, Johnson & Johnson, Chevron, Procter & Gamble, Pfizer, IBM, AT&T, Coca-Cola, and Amazon—are all different. On average, however, cash as a percent of total corporate assets is 22.7% for the group, and some companies, as you can see, are holding considerably more than that.

The 22.7% average is an interesting statistic. If portfolio managers were active and holding 22% cash in their portfolios, they would be considered reckless, at minimum, and much worse than reckless at maximum. These companies, however, are holding cash at those levels. What is the difference, one might ask, if the companies hold small cash balances and the managers hold a 22% cash balance? Is it not all the same? Actually, it is not, because the more cash on the balance sheet, the less volatile the equity is going to be. It is clear that the companies themselves are interested in reducing their volatility.

Another way to look at this question of liquidity is the current ratio, which is simply current assets divided by current liabilities. There are some interesting findings here for the same 12 companies:

Table 2: Current Ratio

Apple	1.7x
Exxon	0.8x
Google	4.2x
Microsoft	2.9x
Johnson & Johnson	2.0x
Chevron	1.6x
Procter & Gamble	0.8x
Pfizer	2.9x
IBM	1.2x
AT&T	0.5x
Coca-Cola	1.0x
Amazon	1.1x

Source: Company reports, Bloomberg

Note that a well-capitalized company normally has a current ratio above 1.0. Of these companies, nine have a current ratio above 1. The three with a current ratio below 1 are AT&T, Exxon and Procter & Gamble. Does this mean that those three companies are poorly capitalized? No. They simply collect from their customers faster than they pay their vendors and, as a matter of fact, that is the secret—or one of the secrets—of a consistently high return on equity. For example, Procter & Gamble now pays vendors in 75 days, extended from the previous 45 days. *Supply Chain Digest*, an industry newspaper, wrote about that shift when it took place, because it was considered to be so surprising. A reduction in current assets simply makes it possible to employ less equity, and the same earnings on a smaller equity base implies a higher return on equity.

An even more elementary measure of risk and liquidity is the so-called quick ratio, which is current assets minus inventories, divided by current liabilities. This ratio is designed to envisage a circumstance in which either the inventory cannot be liquidated readily or, if it can be liquidated, that will be done only at a loss.

Table 3: Quick Ratio

Apple	1.6x
Exxon	0.6x
Google	4.2x
Microsoft	2.8x
Johnson & Johnson	1.7x
Chevron	1.4x
Procter & Gamble	0.6x
Pfizer	2.6x
IBM	1.1x
AT&T	0.5x
Coca-Cola	0.9x
Amazon	1.1x

Source: Company Reports, Bloomberg

Of these 12 companies, four have a quick ratio below 1.0: Coca-Cola as well as the three cited above with current ratios below 1 (Exxon, Procter & Gamble, and AT&T). It is interesting to observe that AT&T's quick ratio is the same as its current ratio, because it has no inventory, which is, in itself, astonishing. Coca-Cola, when you remove its inventory, goes from a current ratio of 1.0 to a quick ratio of 0.9. Coca-Cola does not have a lot of inventory either.

Interestingly, all the companies have current ratios that are close to their quick ratios. Amazon has a quick ratio identical to its current ratio for the simple reason that Amazon, a retailer, has no inventory whatsoever. It is incredible that a retailer can actually have no inventory but Amazon has none. Apple carries virtually no inventory, which is also astonishing for a company of its size. Out of $73.2 billion in current assets, only $1.8 billion is in inventory, and most of that is finished product.

Companies like these have come to dominate the S&P 500 in recent years. With such liquid balance sheets, their stocks are necessarily much less volatile than the stocks of market leaders of the previous generation. For example, companies in a prior era, like Ford, U.S. Steel and General Motors, did not maintain anything like this liquidity. Second, their earnings were much more volatile than the companies that lead the S&P today. What we might be looking at is an equity market that is less volatile than the historical average. Even the financial companies, which we did not include in these tables, have much less balance sheet risk than was the case prior to 2008.

If someone wants to understand how important the current ratio is to volatility, consider the position of Sears, where cash as a percent of total assets is 3%. The current ratio of Sears is 1.08 and the quick ratio is 0.16, which is exceedingly low. That is one of the reasons investment analysts are worried about Sears. Under ordinary circumstances, Sears would contribute to the volatility of the S&P 500, since it happens to be a very volatile stock, but it does not contribute to the volatility of that index because the company was removed from it. Indeed, the index is less volatile with the exclusion of Sears, which is interesting.

In sum, portfolio managers are making portfolios less volatile, managements of the companies are making the companies less volatile, and orchestrators of the indexes are making the indexes less volatile because they throw out the most volatile members. These three currents are all happening simultaneously.

Industry Thoughts

LEVERAGED COMPANIES

As my objective was to deliberately find a company with a lot of leverage and a weaker balance sheet than the leaders of the S&P 500, a logical place to search was in the high yield bond index. I was looking for companies that have, in most cases, publicly traded equities, although I did not confine myself to publicly traded companies. I was seeking companies that are leveraged, that are in the high yield index and, generally speaking, do not have a lot of cash on their balance sheets, even though, for comparison purposes, one or two of the selections do have a lot of cash.

The list includes Sprint, Dish Network, Tenet Healthcare, Community Health, Biomet, Chesapeake, HCA, CommScope, Crown Castle, Del Monte, Continental Resources, Post Holdings, DaVita, and Hologic.

Of these 14 companies, two are private. All of them are issuers of high yield bonds and, on average, their cash as a percent of total assets is 7.55%, which is less than the leading S&P companies. Note that this number is misleading because I deliberately included Dish Network, which happens to have cash and marketable securities equal to 50% of total assets. If Dish Network were excluded, clearly this number would be lower. Some of the companies, like Continental Resources and Del Monte, have less than 0.1% cash as a percent of total assets.

Table 4: Assorted High-Yield Credits

Company	% of Total Assets	Market Cap.
		($ in billions)
Sprint	11.8%	$37.2
Dish Network	50.2%	$26.2
Tenet Healthcare	0.1%	$4.6
Community Health	0.1%	$3.9
Biomet	3.6%	*Private—possible IPO*
Chesapeake Energy	2.5%	$17.1
HCA	1.7%	$23.0
CommScope	6.5%	$3.5
Crown Castle	2.4%	$24.0
Del Monte	0.1%	*Private*
Continental Resources	0.1%	$19.9
Post Holdings	11.6%	$1.7
DaVita	5.8%	$13.8
Hologic	9.2%	$6.0
Avg.	*7.6%*	*$15.0*

Source: Company reports, Bloomberg

Also listed in the table above are the market capitalizations of these companies. For example, Sprint has a $37 billion market capitalization. Dish Network has a $26 billion capitalization. Tenet Healthcare has a $4 billion market capitalization. Crown Castle, which has 2.4% in cash, has a $24 billion market capitalization. Continental Resources, with 0.1% in cash, has a $20 billion market capitalization.

The importance of these market capitalization figures is that all these companies clearly have access to the equity market and there is a lot of equity standing between the bondholders and default; under a default first the equity has to be exhausted. Clearly, the bulk of the credits in the high yield universe have easy access to equity capital and to debt capital. They also have taken other actions to reduce their risk, not the least of which is to avoid having very many, if any, short-term debt maturities. Their debt, at least for the next eight or 10 years, is part of their permanent capital base so, until such time as the need arises to roll over that debt, very few, if any, of these companies have major financing needs.

If a company has ready access to the equity market, and equity investors see no immediate threat of insolvency, the question can be posed: What is the modern-day meaning of high yield? Is it really consistent with the historical terminology of junk bond? The modern-day high yield seems merely to be a quantitative term for those companies that have a rating below BB for Standard & Poor’s and BA for Moody’s.

Historically, the junk bond market was composed of relatively obscure companies that did not have immediate access to the equity market, that were poorly understood, and that did not have such ready access to the bond market, either. That is why they paid such high rates for debt capital. A study by the National Bureau of Economic Research, published by the University of Chicago Press in 1987, looked at the junk bond market in relation to corporate debt market. The researchers tried to define historically how much of the corporate debt market was so-called "junk bonds." This is going back to when there first was a junk market that people would invest in

Table 5: Junk Debt as % of Outstanding Debt of U.S. Corporations

($ in billions)	Junk Debt	Total Corp. Debt	% Junk
1985	$59.1	$653.7	9.0%
1984	41.7	568.9	7.3%
1983	28.2	518.0	5.4%
1982	18.5	487.4	3.8%
1981	17.4	458.6	3.8%
1980	15.1	431.7	3.5%
1979	9.4	370.8	2.5%
1978	9.4	370.8	2.5%

Source: National Bureau of Economic Research, "Mergers and Acquisitions" Volume ISBN 0-226-03209-4, University of Chicago Press, 1987, 9.

In 1978, as you can see from the data above, the junk bond market was 2.5% of the U.S. corporate debt market. The firms were relatively obscure. Today, the high yield market, if it is anything, is not comprised of obscure firms. These are not companies that cause anyone to be concerned about default (although there are some exceptions) and therefore, they do not pay a high coupon. They might pay a higher coupon than the top-line credit—higher, say, than Apple would pay if it wanted to borrow money.

The majority of companies in the high yield index are solidly profitable, if nevertheless cyclical, firms. They are not "junk bonds." The most astonishing feature is that many of the companies in the high yield index are actually growing, such as Dish Network, Community Health, Chesapeake, Crown Castle, Continental Resources, DaVita, and Hologic. It is extraordinary. In other words, the high yield index does not have the kind of risk that it used to have, not even remotely close. It is important to keep that in mind.

Facts & Figures

DEBT OUTSTANDING

Let us consider the following tables, which show types of debt outstanding. The first covers corporate debt.

Table 6: Corporate Debt Outstanding 1980 to 3Q2013 ($ *in billions)*

1980	$458.6	1997	$2,359.0
1981	489.2	1998	2,708.5
1982	534.7	1999	3,046.5
1983	575.3	2000	3,358.4
1984	651.9	2001	3,836.4
1985	776.6	2002	4,132.8
1986	959.3	2003	4,486.5
1987	1,074.9	2004	4,801.6
1988	1,195.8	2005	5,089.7
1989	1,292.5	2006	5,461.9
1990	1,350.3	2007	6,118.5
1991	1,454.6	2008	6,390.7
1992	1,557.0	2009	7,089.2
1993	1,674.6	2010	8,015.8
1994	1,755.6	2011	8,324.7
1995	1,950.6	2012	9,096.6
1996	2,126.5	2013 Q3	9,561.7

Source: SIFMA

From 1980 to the third quarter of 2013, the latest period for which there is data, the compound annual growth rate of corporate debt outstanding in the United States was 9.72%. That is an important number because, in principle, debt of corporations cannot increase faster than their ability to service that debt. If nominal GDP is not rising at 9.7%, which historically it did not, then at some point the corporations will not be able to finance the debt, at least en masse, even though there will be plenty of corporations that will have no problem. That number eventually will exhibit a lower rate of increase.

Next, consider securitized mortgage-related debt. As can be seen in the next table, between 2007 and the third quarter of 2013, the cumulative growth rate of mortgage debt outstanding in the United States was negative 7.5%, which works out to negative 1.34% annualized. In other words, between 2007 to the third quarter of 2013, mortgage debt was shrinking.

Table 7: Mortgage-Related Debt Outstanding 1980 to 3Q2013 ($ *in billions)*

1980	$111.4	1997	$2,871.8
1981	127.0	1998	3,243.4
1982	177.1	1999	3,832.2
1983	248.3	2000	4,119.3
1984	302.9	2001	4,711.0
1985	399.9	2002	5,286.3
1986	614.7	2003	5,708.0
1987	816.0	2004	6,289.1
1988	973.6	2005	7,206.4
1989	1,192.7	2006	8,376.0
1990	1,340.1	2007	9,372.6
1991	1,577.1	2008	9,110.0
1992	1,774.3	2009	9,048.5
1993	2,209.0	2010	8,976.5
1994	2,352.9	2011	9,043.9
1995	2,432.1	2012	8,816.6
1996	2,606.4	2013 Q3	8,671.6

Source: SIFMA

By contrast, the growth rate between 1980 and 2007 was 17.84%. Mortgage securitizations in 1986 increased by 53.7%. In 1987, the increase was 32.7%. In 1993, the increase was 24.5%. This was happening for decades and ultimately it created a problem. There were 27 years of unsustainable increases—and policies that encouraged those increases. In the future, that will not happen, but the economy benefited from it, at least as far as the GDP measure is concerned. It benefited from it, until it did not.

Next we will look at U.S. Treasury debt outstanding during the same period. This is not all the U.S. debt outstanding, but rather publicly traded U.S. Treasury bonds. (The United States government owes more money to the Social Security Trust Fund and other programs that are excluded from this list.)

Table 8: U.S. Treasury Debt Outstanding 1980 to 3Q2013 ($ *in billions)*

1980	623.2	1997	3,456.8
1981	720.3	1998	3,355.5
1982	881.5	1999	3,266.0
1983	1,050.9	2000	2,951.9
1984	1,247.4	2001	2,967.5
1985	1,437.7	2002	3,204.9
1986	1,619.0	2003	3,574.9
1987	1,724.7	2004	3,943.6
1988	1,821.3	2005	4,165.9
1989	1,945.4	2006	4,322.9
1990	2,195.8	2007	4,516.7
1991	2,471.6	2008	5,774.2
1992	2,754.1	2009	7,249.8
1993	2,989.5	2010	8,853.0
1994	3,126.0	2011	9,928.4
1995	3,307.2	2012	11,046.1
1996	3,459.7	2013 Q3	11,590.5

Data excludes amounts owed to Social Security; only the publicly traded debt is included.
Source: SIFMA

The compound annual growth rate of this debt from 1980 to the third quarter 2013 was 8.95%. From 2007 to the third quarter of 2013, by contrast, it increased cumulatively by 156.6%, or 17.8% per year. Clearly that rate is not sustainable and, obviously, it will cease. Another point to note is that one could find parallels of that increase for nearly three decades in virtually every industrialized country in the world. Nearly every country in Europe, as well as Brazil and Japan, showed such increases, although there were different periods when some countries might have increased more rapidly than others. Essentially, however, those are the figures.

The reason those statistics are important is because, when one looks at index fund results, it does not seem like we are looking at government debt outstanding for the U.S. and other democratic nations, but we are. These are all basically democratic nations, where governments want everyone to share in the wealth. Thus, the money was spent over a very broad base and positively impacted a great many companies. If that stops, however, the world is going to be very, very different.

Some other fine points, as you can see in the following table:

Table 9: Other Debt

	Period	CAGR
Municipal Debt	1980-3Q 2013	7.0%
Federal Agency Securities	1980-3Q 2013	8.0%
	2007-3Q 2013	(5.9)%
	1980-2007	9.2%

Source: SIFMA

Municipal debt, in same time period, 1980 to the third quarter of 2013, increased at 7.0% per year. Federal agency debt, that is Fannie Mae and Freddie Mac, in the same period increased 8% annually—also unsustainable—while cumulatively, from 2007 to the third quarter of 2013, the decline was 29.5%. In other words, almost a third of all the agency debt was eliminated during the past several years. Even so, the entire period saw an 8% annualized rate of expansion, and from 1980 to 2007, it was growing at 9.2% per year.

Imagine how much disruption in the world was caused by the decrease in agency debt by $857 billion over the 5.75 years between the end of 2007 and the end of the third quarter 2013. The foundation of indexation as an investment strategy is merely expansionary government monetary and fiscal policies over a very broad base. Remove the expansionary fiscal policies permanently, which is eventually what is going to happen, and the world of finance will return to what it was prior to World War II, what is known as the Pareto optimal world. What that means is 80% of success will be enjoyed by 20% of the companies. This is something that anyone involved in indexation needs to bear in mind.

Featured Companies

KIMBERLY-CLARK CORP. (KMB)

Kimberly-Clark plans to spin off its healthcare business known as K-C Health Care from Kimberly-Clark, a company known to everyone. It makes products that are in constant demand, including Huggies, Pull-Ups **(**diapers), Kleenex tissues, Viva paper towels, Scott paper, Depend adult diapers, Kotex, and lesser-known brands such as for electronic towel dispensers. Consequently, because of the stability of the earnings, the company has earned a 17.9x P/E on what analysts would estimate to be the 2014 earnings.

Much more importantly, the company has a reputation for earnings stability. That does not necessarily mean consistent earnings growth. For example, earnings plateaued for a while in 2009, and the recession did Kimberly-Clark in some way impact, albeit modestly. It is only in 2013 and, as projected, 2014 that Kimberly-Clark's earnings were able to reach new records. That brings us to the health care business, which differs from the other units of Kimberly-Clark. The health care business, to a very large extent, is comprised of products related to surgery and infection prevention. As a generalization, these products are commodities to some degree. That end of the health care spectrum does not have branded products, because they are bought in bulk by huge hospital companies. Furthermore, as a group, those products unquestionably will face pricing pressures, if they are not doing so already.

The next point we need to highlight is the intense effort by the government to reduce hospital stays to control costs. It is almost certain that eventually this effort will negatively affect this unit. One could argue that it has already begun to affect it. Even though the international unit of K-C Health managed to achieve 10% revenue growth in the third quarter, K-C Health only grew by 2.6% overall. That suggests the pressures already are becoming apparent.

As far as what ultimately will become the parent company, there is already some very rapid growth. For example, the diaper business recently grew 45% in China, 25% in Russia, 20% in Brazil. That is because diapers are new products, to some degree, in those countries.

This spin-off is designed to further the prospects of the parent company. The parent company is removing a business that represents approximately 40% of the revenue of Kimberly-Clark as a whole, thereby—perhaps, if all is done right—surfacing the higher growth rate of some areas within Kimberly-Clark to a lower revenue base, and thereby exposing this improvement to the view of the shareholders. It is clearly a move designed to further the prospects of the parent company. As such, it has a pretty good chance of being successful. A good investment in the Kimberly-Clark spin-off is to hold onto the parent company, which probably will have a higher growth rate than has been the case in recent years.

EXELIS INC. (XLS)

Exelis has a $3.8 billion market capitalization. It was part of ITT until it became a standalone company via a spin-off in 2011. Essentially, the company was the defense division of ITT, which no longer exists, having distributed its various component parts via spin-offs.

Exelis is now spinning off its Mission Systems unit, which can best be described by the term "Beltway bandit." It is one of the civilian contractors for software and services to the military. It is not infrequently compared to CACI, although it is very different from that company in the following sense: CACI has a very heavy intelligence component in its revenue base, while Mission Systems is largely devoted to logistics and base operations. The Exelis intelligence agency business, the work that Exelis does for the U.S. intelligence community, will stay with the parent company.

After the spin-off,5% to 6% of Exelis the parent will be commercial, and 30% to 35% of the work will be non-defense projects for the National Aeronautics and Space Administration, Federal Aviation Administration, and United States Department of Energy. These are agencies that at least have a possibility of budgetary increase. Less than 50% of the work of Exelis the parent will be with the Army, Navy, and Air Force, which means less exposure to agencies that will be clearly subject to lower budgetary authority.

After the spin-off, the parent will have $3.4 billion of revenue and margins in the low teens. About one-third of the current revenue, which is largely the logistics business and the base operations business, is going to go to the spin-off. One might suspect, although one cannot confirm at this point, that much of the corporate debt will end up in the spin-off as well. Therefore, it is possible that the growth that occurs will happen in Exelis the parent. It will be very difficult for the spin-off to show any growth. That does not mean that it will be a bad investment. It will have relatively stable cash flow, but it might have a lot of debt to pay down. It might be an interesting investment; however, we will not know that until we see the pro-forma balance sheets.

This spin-off clearly is an effort to promote the parent. Exelis unintentionally may create the equivalent of a publicly traded leveraged buyout in the spin-off of Mission Systems, in which case it might be very interesting. That is yet to be determined, however.

SIMON PROPERTY GROUP INC. (SPG)

Simon Property Group is a huge company with a $49.5 billion market cap that is spinning off its strip malls. It is important to observe that the parent is the dominant luxury high-end mall company in the United States. During at least the last five or six years, essentially everything that can go right for a company has gone right for Simon Property.

One might say that the company is almost a quasi-monopoly in luxury or high-end malls in that it competes only with General Growth Properties. One might add that it does not even really compete with General Growth, which happens to have luxury malls but in different locations. Both sets of malls seem to prosper. As a consequence of Simon Property's excellent finances and excellent competitive position, its valuation is reflected in a price-to-book multiple over 8x. It trades at about 37x earnings and about 20x funds from operations.

The spin-off properties represent perhaps 12% of cash flow, and these are not luxury properties. Viewing the situation from the perspective of the parent, there really are no meaningful opportunities to acquire A-level malls. It might happen occasionally, but it will be a rarity and, even if it were to happen, it certainly would not impact the large Simon Property revenue base in any meaningful way.

Furthermore, there are very few, albeit not zero, opportunities to build an A-level mall. Should that be achievable and successful, ultimately it will make very little difference to the parent's earnings and cash flow. There are, however, many opportunities to acquire B-level malls, strip malls, and other such properties with low occupancy, and then either to wait for an improvement in the property or cash flow, or possibly to repurpose the property, which happens occasionally, and make it into something better than what it is.

If Simon Property tried to follow a B-level strategy within the strip mall division on a scale sufficiently large to impact the parent, in the short run the move might well be inimical to profit growth and would likely cause a degradation of the valuation multiple, because Simon Property would be less of an A-level company. Consequently, if this strategy is to be employed, it needs to be done in a separate company, which is the logic for spinning it off.

A reasonable expectation for the spin-off will be for it to consolidate lesser-quality properties. Brookfield Asset Management might be embarking upon a similar venture via Rouse.

It remains to be seen if Simon Property, the parent company, will derive any revenue and profit from managing the spin-off, because the management of Simon Property apparently intends to be active in managing the spin-off. It would not be an unlikely development, then, that Simon Property receives some type of compensation for its role in the spin-off. The effort to achieve growth is likely to occur in the spin-off, and it may be reflected in the parent as well if the structure lends itself to such. In any event, as with Kimberly-Clark and Exelis, the spin-off is clearly an effort to positively impact the position of the parent.

STARWOOD PROPERTY TRUST INC. (STWD)

Starwood Property Trust proposes to spin off its Starwood Waypoint Residential Trust. The focus of the spin-off is single-family home rentals and the acquisition of more single-family homes via the purchase of mortgages in foreclosure.

Starwood Property Trust, the parent, happens to be the largest commercial mortgage REIT in the United States. Since the launch of this company as a commercial mortgage REIT, it has been able to acquire increasingly more mortgages while maintaining a very conservative debt-to-equity ratio of 0.55x and interest coverage of 4.2x. It was able to accomplish this via the issuance of equity. In other words, the commercial mortgages yielded more than the equity that was issued to pay for that paper, so every transaction essentially was antidilutive.

In the case of the Starwood Waypoint Residential Trust proposal for spin-off, the situation is very different. A property today, if it could be acquired through foreclosure or within a portfolio of homes, would probably yield, on an unleveraged basis, somewhere between 6% and 6.5%, which is more or less what the shares of Starwood Property, the parent, yield, so there is no possibility of issuing equity on an undiluted basis.

Another point to bear in mind is that the single-family residential segment of Starwood has yet to contribute in any meaningful way to profitability. If one were to increase that business significantly, it might dilute the earnings progress of the parent company.

On the other hand, there is an opportunity in single-family homes because the banks are interested in disposing of their mortgages in foreclosure. They finally have the capital position to do so. This will happen on a large scale over the next three or four years, and at that time, this opportunity might no longer exist.

There is also a not insignificant amount of competition in this business. For example, William Erbey, of Ocwen Financial fame, created American Residential to do the very same thing. Blackstone is doing the very same thing. There are many other companies doing the very same thing. In other words, this business is not without competitive risks, so the logical thing to do is to spin the company off.

Because the investments have an unleveraged yield of 6% to 6.5%, the Starwood Property Waypoint Residential Trust will probably employ a lot more leverage. It will issue debt much more aggressively than will Starwood, the parent company. Clearly, Waypoint is going to pursue the investment opportunity, but pursue it outside the context of the parent company.

It is worth noting that the spin-off will be managed externally by Starwood Capital, a private entity controlled by Starwood Property's Chairman and CEO Barry Sternlicht, so Starwood Property will not get the benefit of whatever earnings are produced nor receive any advisory fee. Therefore, it behooves the spin-off to buy as many homes as possible. It might, or might not, be too late in the game to acquire homes on a considerable scale, given that this transaction will take a number of months to orchestrate. Furthermore, the company is going to be loath to issue a lot of debt requisitions until the spin-off occurs.

Clearly, again, this is probably a value-enhancing transaction from the point of view of the parent, not necessarily the spin-off. Although, having said that, William Erbey was very successful in American Residential. Maybe the same thing will happen here.

Post-Musings

THE SHIFTING FACE OF RISK

It is worth noting that all the spin-offs mentioned in this Compendium are efforts at risk reduction, in one way or another, for the parent companies. This is something that one sees increasingly across the spectrum of larger companies: There is much less effort to take a risk to expand the business than there is to try to minimize or mitigate the risk that the company is taking, even in the context of growth initiatives.

There are very few companies that will undertake a transaction such as Liberty Media is with the acquisition of Sirius, and the attempted merger of Charter Communications and Time Warner Cable.[1]One would have thought, in a world of low interest rates, there would be many companies interested in taking risks like that, but unfortunately there are very few. In fact, corporate finance is moving in the exact opposite direction. That shift in risk preference will have interesting consequences for the development and returns of the conventional indexes where investors are accustomed to putting their money.

[1] On February 13, 2014, Comcast Corp. entered into a definite agreement to acquire Time Warner Cable Inc. for about $44.8 billion in stock.

WEALTH INDEX (Ticker: RCH Index)

As of December 31, 2013

Annualized Total Return	**1 Year**	**3 Years**	**5 Years**	**7 Years**	**10 Years**	**15 Years**	**20 Years**	**Since Incep. 1991 - Dec '13**
Wealth Index	41.08%	18.96%	30.78%	11.86%	12.60%	10.04%	12.65%	13.76%
S&P 500	32.39%	16.18%	17.94%	6.13%	7.41%	4.68%	9.22%	10.03%
S&P 500 Eq. Wgt.	36.16%	16.97%	23.34%	8.29%	9.84%	8.93%	11.15%	12.48%
Russell 3000	33.55%	16.24%	18.71%	6.50%	7.88%	5.32%	9.32%	10.36%
Russell 2000	38.82%	15.67%	20.08%	7.20%	9.07%	8.42%	9.27%	11.45%
Excess Return vs. S&P 500	8.69%	2.78%	12.84%	5.73%	5.19%	5.36%	3.43%	3.73%
Excess Return vs. S&P 500 Eq. Wgt.	4.92%	1.99%	7.44%	3.57%	2.76%	1.11%	1.50%	1.29%
Excess Return vs. Russell 3000	7.53%	2.72%	12.07%	5.37%	4.71%	4.72%	3.33%	3.40%
Excess Return vs. Russell 2000	2.25%	3.29%	10.70%	4.66%	3.52%	1.62%	3.38%	2.31%

**Note: Calculated Using Total Returns*

Risk Adjusted Return	**1 Year**	**3 Years**	**5 Years**	**7 Years**	**10 Years**	**15 Years**	**20 Years**	**Since Incep. 1991 - Dec '13**
Wealth Index	4.12	1.26	1.45	0.52	0.63	0.43	0.58	0.65
S&P 500	3.82	1.34	1.13	0.36	0.51	0.30	0.61	0.68
S&P 500 Eq. Wgt.	3.94	1.21	1.24	0.41	0.56	0.50	0.66	0.76
Russell 3000	3.86	1.28	1.15	0.37	0.52	0.33	0.60	0.69
Russell 2000	3.56	0.94	0.96	0.33	0.46	0.41	0.47	0.60

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

Information Ratio	**1 Year**	**3 Years**	**5 Years**	**7 Years**	**10 Years**	**15 Years**	**20 Years**	**Since Incep. 1991 - Dec '13**
Wealth Index vs. S&P 500	1.72	0.52	1.36	0.61	0.59	0.48	0.33	0.36
Wealth Index vs. S&P 500 Eq. Wgt.	1.23	0.49	1.35	0.62	0.49	0.10	0.15	0.14
Wealth Index vs. Russell 3000	1.75	0.58	1.39	0.63	0.59	0.45	0.34	0.36
Wealth Index vs. Russell 2000	0.67	0.57	1.33	0.59	0.48	0.13	0.31	0.22

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

Wealth Index Batting Average	**Roll. 1 Year**	**Roll. 3 Year**	**Roll. 5 Year**
vs. S&P 500	60.75%	68.88%	70.05%
vs. S&P 500 Eq. Wgt.	58.11%	63.49%	58.53%
vs. Russell 3000	63.40%	69.29%	76.04%
vs. Russell 2000	60.38%	65.98%	73.27%

**Note: Calculated Using Total Returns*

Annualized Volatility	**1 Year**	**3 Years**	**5 Years**	**7 Years**	**10 Years**	**15 Years**	**20 Years**	**Since Incep. 1991 - Dec '13**
Wealth Index	9.97%	15.03%	21.22%	22.74%	20.14%	23.26%	21.82%	21.02%
S&P 500	8.48%	12.11%	15.81%	16.91%	14.62%	15.49%	15.22%	14.70%
S&P 500 Eq. Wgt.	9.18%	14.01%	18.87%	20.19%	17.55%	17.86%	16.94%	16.37%
Russell 3000	8.68%	12.71%	16.32%	17.53%	15.22%	15.88%	15.50%	14.96%
Russell 2000	10.90%	16.68%	20.93%	21.76%	19.70%	20.60%	19.68%	19.11%

**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 - Dec '13**
vs. S&P 500	5.05%	5.36%	9.47%	9.39%	8.81%	11.25%	10.54%	10.33%
vs. S&P 500 Eq. Wgt.	4.00%	4.07%	5.53%	5.73%	5.67%	10.67%	9.80%	9.47%
vs. Russell 3000	4.30%	4.71%	8.70%	8.54%	7.97%	10.49%	9.71%	9.51%
vs. Russell 2000	3.36%	5.73%	8.06%	7.92%	7.37%	12.11%	11.05%	10.65%

**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 - Dec '13**
vs. S&P 500	1.01	1.17	1.22	1.25	1.27	1.36	1.29	1.28
vs. S&P 500 Eq. Wgt.	0.99	1.03	1.09	1.09	1.11	1.17	1.16	1.16
vs. Russell 3000	1.04	1.13	1.20	1.22	1.24	1.36	1.29	1.28
vs. Russell 2000	0.87	0.85	0.94	0.98	0.95	0.96	0.96	0.95

**Note: Calculated Using Total Returns*

Calendar Year Total Returns	**Wealth Index**	**S&P 500**	**S&P 500 Eq. Wgt.**	**Russell 3000**	**Russell 2000**	**ER v. SP500**	**ER v. SP500 EW**	**ER v. R3000**	**ER v. R2000**
1991	44.25%	30.47%	35.51%	33.68%	46.04%	13.78%	8.73%	10.57%	-1.80%
1992	20.20%	7.62%	15.63%	9.59%	18.41%	12.58%	4.56%	10.61%	1.79%
1993	3.38%	10.08%	15.12%	10.88%	18.88%	-6.70%	-11.75%	-7.50%	-15.50%
1994	0.33%	1.32%	0.95%	0.19%	-1.82%	-0.99%	-0.62%	0.14%	2.15%
1995	31.31%	37.58%	32.03%	36.80%	28.45%	-6.27%	-0.72%	-5.49%	2.86%
1996	23.09%	22.96%	19.02%	21.82%	16.49%	0.13%	4.06%	1.27%	6.59%
1997	27.31%	33.36%	29.05%	31.78%	22.36%	-6.06%	-1.74%	-4.48%	4.94%
1998	24.95%	28.58%	12.19%	24.14%	-2.55%	-3.63%	12.76%	0.81%	27.49%
1999	44.68%	21.04%	12.03%	20.90%	21.26%	23.64%	32.66%	23.78%	23.43%
2000	-19.16%	-9.10%	9.64%	-7.46%	-3.02%	-10.06%	-28.80%	-11.70%	-16.14%
2001	-10.80%	-11.89%	-0.39%	-11.46%	2.49%	1.08%	-10.41%	0.65%	-13.29%
2002	-15.49%	-22.10%	-18.18%	-21.54%	-20.48%	6.61%	2.69%	6.05%	4.99%
2003	45.41%	28.68%	40.97%	31.06%	47.25%	16.72%	4.44%	14.35%	-1.85%
2004	17.97%	10.88%	16.95%	11.95%	18.33%	7.09%	1.02%	6.02%	-0.36%
2005	3.30%	4.91%	8.06%	6.12%	4.55%	-1.61%	-4.76%	-2.82%	-1.25%
2006	22.61%	15.79%	15.80%	15.71%	18.37%	6.81%	6.81%	6.89%	4.24%
2007	1.73%	5.49%	1.53%	5.14%	-1.57%	-3.76%	0.20%	-3.41%	3.30%
2008	-43.67%	-37.00%	-39.72%	-37.31%	-33.79%	-6.68%	-3.95%	-6.37%	-9.89%
2009	72.80%	26.46%	46.31%	28.34%	27.17%	46.33%	26.49%	44.46%	45.62%
2010	31.51%	15.06%	21.91%	16.93%	26.85%	16.45%	9.60%	14.58%	4.65%
2011	5.11%	2.11%	-0.11%	1.03%	-4.18%	3.00%	5.22%	4.09%	9.29%
2012	13.53%	16.00%	17.65%	16.42%	16.35%	-2.48%	-4.13%	-2.89%	-2.82%
2013	41.08%	32.39%	36.16%	33.55%	38.82%	8.69%	4.92%	7.53%	2.25%

**Note: Calculated Using Total Returns*

Source: Horizon Kinetics LLC, International Securities Exchange, Bloomberg

See important disclosures for additional information.

Index Constituent Changes: 1. Nuveen Investments Inc (JNC US) was delisted from the US Security Exchange effective 11/14/2007 and has been removed from the index. 2. Alliance Financial Corp (ALNC US) was delisted from US Security Exchange effective 03/11/2013 and has been removed from the index. The divisor has been adjusted accordingly for each of these changes.

Money Manager Index

From Aug 1983 to Jan 2014

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yr. End	Index	Yearly return	Annualized return (since inception)
1983								1.00	0.81	0.76	0.87	0.75	1983	0.75	(60.5)%	(50.2)%
1984	0.75	0.71	0.70	0.66	0.67	0.67	0.61	0.83	0.79	0.76	0.67	0.65	1984	0.65	(13.5)%	(26.5)%
1985	0.92	0.93	0.99	0.95	1.20	1.30	1.32	1.38	1.28	1.50	1.86	2.02	1985	2.02	211.8%	33.7%
1986	2.46	2.78	2.47	2.31	2.36	2.33	2.03	2.23	1.98	2.37	2.34	2.34	1986	2.34	15.9%	28.2%
1987	3.21	3.27	3.16	2.55	2.37	2.30	2.39	2.47	2.22	1.56	1.44	1.52	1987	1.52	(35.0)%	9.9%
1988	1.80	1.87	1.78	1.79	1.69	1.94	1.92	1.96	2.01	1.97	1.95	2.07	1988	2.07	36.0%	14.3%
1989	2.42	2.37	2.54	2.63	2.64	2.64	2.93	3.12	3.07	3.05	3.23	3.26	1989	3.26	57.8%	20.2%
1990	3.12	3.15	3.53	3.06	3.47	3.45	3.30	2.70	2.68	2.40	2.52	3.02	1990	3.02	(7.3)%	16.1%
1991	3.08	3.49	3.70	3.68	3.71	3.61	3.86	4.05	4.07	4.69	4.47	5.72	1991	5.72	89.4%	23.0%
1992	5.76	5.61	5.30	5.12	4.98	4.99	5.93	6.06	6.19	6.56	7.25	7.36	1992	7.36	28.6%	23.6%
1993	8.06	8.04	8.20	7.94	8.15	8.57	9.05	10.00	9.99	9.31	8.97	8.90	1993	8.90	21.0%	23.4%
1994	9.52	8.73	8.05	7.85	7.81	7.53	7.66	8.31	8.15	8.52	7.88	7.95	1994	7.95	(10.6)%	19.9%
1995	7.74	8.38	8.72	8.77	9.20	9.35	9.93	10.78	11.22	10.53	10.89	10.40	1995	10.40	30.8%	20.8%
1996	11.12	11.50	11.33	11.62	11.86	12.53	11.91	12.36	13.32	14.03	14.42	15.02	1996	15.02	44.4%	22.4%
1997	16.04	16.81	15.32	17.27	18.42	20.29	22.28	21.39	25.31	24.95	24.95	25.50	1997	25.50	69.8%	25.2%
1998	25.67	29.00	29.89	30.60	28.90	30.44	27.67	21.33	21.74	25.16	27.27	25.41	1998	25.41	(0.4)%	23.3%
1999	26.00	23.71	23.92	26.77	28.94	29.74	28.78	26.74	25.89	27.73	28.54	30.55	1999	30.55	20.2%	23.2%
2000	31.07	31.19	36.01	35.60	35.20	40.32	43.58	45.75	45.62	48.69	44.05	49.84	2000	49.84	63.1%	25.2%
2001	50.23	46.41	44.27	46.96	48.90	49.98	50.67	49.70	46.47	44.81	48.04	51.91	2001	51.91	4.2%	23.9%
2002	53.62	53.74	55.11	52.52	52.83	50.48	42.58	44.92	41.54	42.66	45.78	43.17	2002	43.17	(16.8)%	21.4%
2003	42.72	41.18	42.36	45.98	49.02	50.71	53.47	53.97	53.46	56.12	55.83	58.49	2003	58.49	35.5%	22.1%
2004	64.38	65.08	64.63	61.68	60.86	62.30	58.71	64.08	65.73	68.86	73.53	78.16	2004	78.16	33.6%	22.6%
2005	76.46	77.94	74.06	72.83	77.02	80.25	83.59	83.07	86.03	89.19	96.58	97.35	2005	97.35	24.6%	22.7%
2006	107.62	111.44	110.75	111.88	101.89	100.61	100.62	104.98	114.61	116.64	113.78	118.05	2006	118.05	21.3%	22.6%
2007	125.73	123.77	122.62	127.58	133.57	134.68	126.61	124.07	133.57	148.09	135.13	135.56	2007	135.56	14.8%	22.3%
2008	127.53	115.76	115.94	121.58	130.51	115.68	119.94	120.55	109.69	72.70	62.95	67.91	2008	67.91	(49.9)%	18.1%
2009	57.51	51.76	65.63	79.49	85.67	90.79	99.97	101.69	107.32	107.36	110.94	115.01	2009	115.01	69.4%	19.7%
2010	106.84	110.32	118.13	114.91	100.18	88.17	97.65	89.64	103.59	108.29	108.64	119.58	2010	119.58	4.0%	19.1%
2011	122.80	128.28	127.94	127.97	126.06	121.03	115.49	104.25	91.32	102.44	103.79	103.98	2011	103.98	(13.1)%	17.8%
2012	109.46	120.12	125.37	121.64	108.44	114.12	113.56	118.33	123.18	127.91	131.76	135.00	2012	135.00	29.8%	18.1%
2013	151.20	155.13	165.52	166.55	174.89	164.20	179.01	168.47	176.12	192.14	197.16	208.44	2013	208.44	54.4%	19.2%
2014	194.17												2014	194.17	(6.8)%	18.9%

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	$274,315
2	BLK US Equity	BlackRock	$23,205	1,658	9/30/1999	$498,033
3	WDR US Equity	Waddell & Reed	$27,513	1,587	3/31/1998	$103,428
4	EV US Equity	Eaton Vance	$2,641	3,998	1/31/1986	$153,098
5	TROW US Equity	T. Rowe Price	$2,423	2,014	4/30/1986	$157,966
6	BEN US Equity	Franklin resources	$908	1,263	4/30/1985	$197,087
7	LM US Equity	Legg Mason	$1,000	462	8/31/1983	$19,574
8	FII US Equity	Federated Inv	$26,381	2,206	5/31/1998	$59,321
9	FIG US Equity	Fortress Investment Group	$102,249	3,389	2/28/2007	$28,028
10	PZN US Equity	Pzena Investment Management	$122,426	6,317	10/31/2007	$66,709

HORIZON KINETICS

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

International Money Manager Index

From Nov 1986 to Jan 2014

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yr. End	Index	Yearly return	Annualized return (since inception)
1986											1.00	1.02	1986	1.02	10.0%	10.0%
1987	1.25	1.37	1.48	1.48	1.37	1.33	1.39	1.40	1.33	0.81	0.76	0.73	1987	0.73	(27.7)%	(23.3)%
1988	0.75	0.92	1.02	0.95	0.80	0.89	0.88	0.82	0.86	0.88	0.89	0.93	1988	0.93	26.4%	(3.4)%
1989	1.03	1.02	1.06	1.17	1.19	1.18	1.25	1.16	1.17	1.20	1.21	1.28	1989	1.28	37.8%	8.1%
1990	1.24	1.24	1.18	1.19	1.22	1.24	1.26	1.26	1.23	1.24	1.25	1.33	1990	1.33	3.7%	7.0%
1991	1.34	1.52	1.56	1.58	1.57	1.47	1.52	1.64	1.81	1.89	1.94	1.92	1991	1.92	44.8%	13.5%
1992	2.01	1.93	1.88	2.14	2.19	2.13	2.08	1.99	1.95	1.77	1.76	1.96	1992	1.96	1.9%	11.5%
1993	1.98	2.03	2.20	2.39	2.42	2.45	2.54	3.05	3.01	3.07	3.01	3.30	1993	3.30	68.7%	18.1%
1994	3.72	3.39	3.17	3.04	2.99	2.89	3.01	3.14	3.13	3.19	3.15	3.15	1994	3.15	(4.7)%	15.1%
1995	3.07	3.12	3.28	3.41	3.56	3.59	3.87	3.76	3.76	3.77	3.70	3.73	1995	3.73	18.6%	15.4%
1996	3.76	3.85	3.70	3.79	3.96	3.90	3.75	3.96	4.16	4.47	4.90	4.86	1996	4.86	30.3%	16.8%
1997	5.11	5.37	4.99	4.96	5.43	5.94	6.57	6.32	7.45	7.24	6.80	7.19	1997	7.19	47.9%	19.3%
1998	7.12	8.05	8.78	9.25	8.95	8.74	8.91	6.67	6.08	7.01	7.51	7.71	1998	7.71	7.3%	18.3%
1999	7.99	8.21	8.68	9.07	8.71	8.61	8.63	8.43	8.47	8.79	9.80	10.79	1999	10.79	39.9%	19.8%
2000	11.23	12.27	13.95	13.50	13.73	15.39	15.85	16.82	17.07	16.31	14.43	16.76	2000	14.43	33.8%	20.7%
2001	17.42	15.88	13.46	15.14	15.84	15.15	14.21	13.61	10.77	11.43	13.90	14.12	2001	14.12	(2.2)%	19.1%
2002	14.74	13.78	15.09	15.11	16.38	14.14	12.92	12.10	11.23	11.06	11.33	10.50	2002	10.50	(25.6)%	15.7%
2003	10.18	9.52	9.69	10.62	12.17	13.04	13.98	15.38	16.67	17.88	18.16	18.07	2003	18.07	72.1%	18.4%
2004	20.00	22.41	29.98	35.46	26.68	30.80	25.37	25.20	23.67	23.34	27.56	31.48	2004	31.48	74.2%	20.9%
2005	32.19	32.57	31.88	27.79	27.36	29.05	30.38	31.49	33.39	32.24	32.95	37.18	2005	37.18	18.1%	20.8%
2006	41.01	40.97	43.69	46.45	42.39	41.58	40.60	43.32	43.55	43.70	44.58	49.38	2006	49.38	32.8%	21.3%
2007	50.95	51.18	53.59	56.09	58.16	56.37	53.90	48.65	50.96	57.03	48.21	45.75	2007	45.75	(7.3)%	19.8%
2008	38.71	39.71	38.59	40.18	39.25	35.10	34.59	33.33	26.09	18.72	14.50	15.79	2008	15.79	(65.5)%	13.3%
2009	14.62	13.24	14.96	19.63	22.82	23.73	26.14	27.05	28.41	28.53	28.69	29.83	2009	29.83	89.0%	15.8%
2010	28.50	27.58	29.90	29.58	25.53	24.72	27.82	26.74	30.36	33.68	31.85	34.52	2010	34.52	15.7%	15.8%
2011	34.91	36.17	36.51	39.63	37.86	35.31	35.83	32.76	29.28	32.04	31.23	30.59	2011	30.59	(11.4)%	14.56%
2012	32.12	34.36	35.67	35.08	31.03	32.92	32.66	34.17	36.33	37.28	38.11	40.73	2012	40.73	33.1%	15.22%
2013	43.61	42.58	44.42	49.29	50.40	47.75	50.58	49.32	52.49	55.65	55.41	58.88	2013	58.88	44.6%	16.19%
2014	55.35												2014	55.35	(6.0)%	15.87%

S.No.	Ticker	Name	Initial Amount Invested	Shares Purchased	Date of Investment	Current Index Value
1	IGM CN Equity	IGM Financial Inc	$1,000	73	31/11/1986	$3,569
2	FCAM LN Equity	F&C Asset Management Plc	$1,203	485	5/31/1989	$992
3	IVZ US Equity	Invesco Plc (Previously Amvescap)	$1,357	1,153	1/31/1991	$19,161
4	SDR LN Equity	Schroders Plc	$1,208	505	3/31/1991	$20,502
5	RAT LN Equity	Rathbone Brothers Plc	$1,208	736	3/31/1991	$20,196
6	ADN LN Equity	Aberdeen Asset Mgmt Plc	$1,208	1,827	3/31/1991	$11,754
7	CIX CN Equity	CI Financial Corp.	$2,585	3,224	6/30/1994	$101,195
8	EMG LN Equity	Man Group Plc	$2,862	6,344	10/31/1994	$6,485
9	AGF/B CN Equity	AGF Management Ltd-Cl B	$3,343	1,346	1/31/1996	$14,151
10	8739 JP Equity	Sparx Group Co Ltd	$11,762	108	12/31/2001	$30,623
11	HGG LN Equity	Henderson Group Plc	$14,447	8,666	12/31/2003	$25,104
12	AZM IM Equity	Azimut Holding Spa	$21,908	4,977	7/31/2004	$144,383
13	CCAP LN Equity	Charlemagne Capital Ltd	$36,848	22,300	3/31/2006	$5,689
14	PGHN SW Equity	Partners Group-Reg	$36,848	578	3/31/2006	$137,340
15	ASHM LN Equity	Ashmore Group Plc.	$36,688	9,873	10/31/2006	$52,876