
SPIN-OFF REPORT COMPENDIUM

February 2020

Featured Companies

SEACOR Marine Holdings Inc. (SMHI)
Subsea 7 S.A. (SUBCY)
TechnipFMC plc (FTI)
Lee Enterprises, Inc. (LEE)



*Exclusive Marketers of
The Spin-Off Report*

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Murray's Musings

THE FOURTH TRILLION: THE INDEX IMPLICATIONS OF MEGA-CAPITALIZATION STOCKS

"The Fourth Trillion" refers to the fact that four firms have crossed the trillion-dollar mark in market capitalization. These are Apple, Microsoft, Alphabet and Amazon. Their combined market capitalization is \$4.64 trillion. Collectively, they account for 15.84% of the S&P 500. It should not be surprising that this has occurred.

Equity returns are normally distributed, as is the case with many natural phenomena. Consequently, at the extreme right side of the bell-shaped normal distribution, there is virtually certain to exist several extremely high return securities. In the market capitalization-weighted float-adjusted index system, these securities will ultimately come to have the highest weightings simply as a consequence of the magnitude of their compound annual returns operating over a sufficiently lengthy period of time.

It might be noted that this process is enhanced by the fact that at the extreme left-hand side of the normal distribution, the energy sector, has experienced negative returns, thereby shrinking the size of that previously significant sector and increasing the proportionate weight of the positive return sectors, since the whole must equal the sum of its parts. Energy, at the time of this writing, represents 3.91% of the S&P 500.

All indexes become concentrated. In the case of the QQQ Index, Apple, Alphabet, Amazon and Microsoft are a 38.77% aggregate weight. None of this disturbs QQQ investors. According to ETF.com, the QQQ ETF obtained \$3.252 billion of additional funds in 2019, and has \$89.6 billion of AUM. The fund also has contingent weighting mechanisms that prevent it from being dominated by a few companies. However, the weightings of the four technology giants are not yet sufficiently large for these mechanisms to be invoked.

If an index were to impose weighting limitations to maintain diversification—and the S&P 500 and QQQ have, in fact, done so—is it correct to consider it a passive index? An arbitrary decision is being made that, in principle, is no different from that of the arbitrary decision of an active manager to impose a weight limitation.

If one were to decide that the imposition of an arbitrary weighting limitation for any given security is nothing other than conventional risk control, one must still decide if the limitation should also be at the sector level. In other words, it may well be the case that no individual security is inordinately large. Nevertheless, a sector might be too large, even if composed entirely of low-weighted individual securities. A more intriguing question arises if one

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accepts the notion of limitation. If it is correct to impose an upward bound upon the weight, is it also correct to impose a downward bound?

For example, Newmont Goldcorp (NEM) is the only gold exposure in the S&P 500, and it has a 14-basis point weighting. Is it correct to declare that the S&P 500 is properly diversified if gold exposure is only 14 basis points? If one can arbitrarily decide that Apple, Amazon, Alphabet and Microsoft will never be allowed to exceed a given aggregate weight, then it surely is reasonable to insist upon a minimum gold weighting. Yet, such an arbitrary insistence negates the character of passive management, since a decision is being made. On the one hand, if no decision is made, the index must eventually un-diversify itself, in which case it will then have no value as an index, since a central purpose of an index is to be diversified to the extent that it provides an antidote to security- or industry-specific risk (or, in industry parlance, idiosyncratic risk).

The salient point is that the index might evolve to a level of concentration that could pose an unacceptable risk that, paradoxically, an active manager might easily avoid. Of course, despite the criticisms of arbitrariness, it might be decided by the orchestrators of the index to simply rebalance and eliminate the concentration risk. However, were that to be attempted, with indexation now being the dominant investment strategy and accounting for the majority of managed assets, there is a lack of buyers for that which must be sold. This is a serious problem.

Another self-evident problem is that it would be well known, if a rebalancing were announced, that massive amounts of equity must be sold in a rebalancing. If shares must be sold, the need for liquidity will be factored into the price that the buyers are willing to pay, assuming the buyers actually have the means to pay. If the buyers do not have the means, which in the contemporary world is increasingly likely since active managers are constantly being terminated and their funds invested in indexes, then the sellers will simply need to lower prices to a level commensurate with the buying capacity of buyers. In any case, one can easily see the makings of an enormous potential problem.

It is the large weightings that cause concentration issues in indexation. However, it is the minimalist weightings that cause the diversification problems. As previously noted, Newmont Goldcorp is the single gold exposure in the S&P 500, with a 14-basis point weight. Newmont, quite properly, has an insignificant weight in the S&P 500. This is because gold mining as an industry is insignificant in the context of the U.S. economy. Nevertheless, there may come a time when gold becomes important as a hedge against some political uncertainty, military conflict, or conventional inflationary pressure.

Most of the large publicly-traded gold companies are ineligible for inclusion in the S&P 500 Index: many are not U.S. companies; and among the U.S. firms, most are too small for S&P 500 inclusion. The market capitalization of Kinross Gold, for instance, is only \$6.3 billion,

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or one-sixth of Newmont Goldcorp's. If Kinross were included in the S&P 500, it would have a weight of about 2.3 basis points, which is immaterial in the context of the index.

Interestingly, only five ETFs are holders of Kinross Gold. Two of these are VanEck Vectors Gold Miners (GDX) and VanEck Vectors Junior Gold Miners (GDXJ). The weight of Kinross in GDX is 314 basis points and in GDXJ, 582 basis points. The next-largest exposure of the five ETFs holding Kinross is the 40-basis point weight in the iShares North American Natural Resources ETF (IGE).

The largest weight of Newmont Goldcorp in any ETF is the 20.10% weight in the iShares MSCI Global Gold Miners ETF (RING). It should be obvious that it is not arithmetically possible to create a larger-than-negligible gold exposure in the S&P 500 and still have fidelity to the market capitalization-weighted, float-adjusted position size approach.

Consequently, if it becomes desirable to create a meaningful gold exposure, the only alternative would be to sell some of one's S&P 500 Index and either purchase some goldmining companies or purchase shares of goldminer ETFs, such as GDX. If that becomes necessary, though, one is forced to behave as an active investor rather than as a passive investor, which ultimately negates the basic idea of passive investing. The only difference from the traditional trading approach is that one is trading the S&P 500 versus another index, such as the goldminers index. However, one is still making fundamental investment judgments, albeit with index securities instead of individual stock securities.

The irony is that the S&P 500 gold exposure is insignificant not because of the small size of the companies in question—Newmont Goldcorp has a \$36 billion market capitalization. The exposure is small because Newmont is scaled in the index with supremely large firms, such as the four technology giants with a collective market capitalization of over \$4 trillion.

Thus, the basic principle is that the mere existence of mega-market capitalization stocks in an index such as the S&P 500 will serve to effectively eliminate certain exposures. For instance, Exxon is now the 15th largest company within the S&P 500, with a 1% weight. If the four mega-capitalization technology companies grow at a 15% annual rate for a mere 24 months, their combined market capitalization will be \$6.14 trillion. They will have added another \$1.5 trillion in market value, which by itself is 6.35x the size of Exxon. The S&P 500 energy weight is now 3.91%. It could soon be much lower, even if the energy stocks do not decline further.

If the information technology sector represents 32% of the index and if communications are another 13%, would the index be properly diversified? It is quite conceivable that in such a circumstance, energy might well have a 2% weight within the S&P 500.

There is a worldwide movement to divest energy from indexes (and investments more generally). There already exists an S&P 500 ETF with an energy weight of zero: the

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ProShares S&P 500 Ex-Energy ETF (SPXE). This ETF has only \$12.7 million in AUM. The fund has outperformed the S&P 500 by 76 basis points per annum since its inception date of September 22, 2015.

The irony of such a structure is that potential outperformance relative to the S&P 500 is limited to the 391 basis points that energy currently represents in the S&P 500. If all the energy companies in the S&P 500 were to immediately suspend dividend payments and then declare bankruptcy five years from now, the loss to the S&P 500 would be 77 basis points per annum. If ten years were required for complete and total eradication of the energy sector from the index, the loss would be 38 basis points per annum.

Of course, from an S&P 500 perspective, the risk is quite asymmetrical. If one were to presume that a revolution or a civil war were to occur in a major oil-producing nation, over 96% of the S&P 500 would be at risk of lower profits due to higher fuel costs. Moreover, such a disruption would probably be inflationary and necessitate increases in interest rates, which would serve to lower P/E ratios on the stocks that populate the S&P 500. The robust, even extraordinary performance of the 3.91% energy weight in the S&P 500 in that circumstance would most likely be insufficient to equilibrate the declines in the bulk of the index.

Thus, the current success of the technology giants has had the consequence of shrinking other exposures, such as energy. The index is becoming undiversified. If current trends remain in place, an exposure such as energy will shrink more, thereby further undiversifying the index. If the orchestrators make an effort to rebalance the index to reduce the dominance of the technology giants, it would obviously interfere with purely passive management. It would signal, as a policy, an invalidation of indexation.

However, if nothing is done, there is, at least in principle, a level of concentration in the index that represents an unacceptable risk to the investors. In that case, if the index is not rebalanced, the idea of indexation is also invalidated, since indexation is intended to reduce security-specific risk via the modality of sufficient security diversification.

As a logical consequence of the normal distribution of stock returns, every index, given sufficient time, will concentrate itself. The pressures at such a time to address the concentration risks will become inexorable. Yet, in order to rediversify such a strategy, active non-index buyers will be required. Unfortunately, indexation is now the majority strategy and a sufficient number of active managers no longer exists to accommodate an index diversification effort. One might paraphrase Oscar Wilde by stating, “If this is the way that the investment world treats active managers, it doesn’t deserve to have any.”

Industry Thoughts

WHAT WOULD THE DEMISE OF THE ENERGY SECTOR LOOK LIKE?

Let us assume that all the energy companies in the world were to immediately cease new exploration efforts and only produce hydrocarbons from the existing operating projects for a period of ten years commencing in 2020. It would be understood that at the end of ten years, the planet would have completed the transition to a completely decarbonized energy system.

Any unutilized reserves at the end of ten years would only be produced in the contingency that some geographic areas might not entirely have completed the transition. Let us further presume, probably unrealistically, that the announcement of a simultaneous worldwide exploration cessation would not exert a positive impact on oil and natural gas prices.

A prime example of an energy company is ExxonMobil, which currently generates about \$30 billion of annual gross cash flow. Since none of this would be reinvested back into the company—that is, for additional exploration or development efforts—the cash flow would first be used to repay existing debt, which must take primacy in that circumstance, since the company would be liquidating itself. Any residual cash flow would be paid to shareholders in the form of liquidating dividends. Exxon's annual pretax cash flow is roughly \$38 billion. However, it would no longer need to engage its employees in exploration, research, obtaining environmental permits, and negotiating leases with various governments. Consequently, it should be able to produce in excess of \$40 billion of annual cash flow. It would obviously pay no taxes, given the tax loss carryforwards from the write-downs of various properties.

Exxon owes about \$46 billion of debt and has \$5 billion of balance sheet cash. Net of balance sheet cash, Exxon could probably pay the entirety of its debt within a year. In the next nine years, assuming \$40 billion of annual cash flow distributed to the shareholders, this would be a \$360 billion payment against the current market value of \$262 billion. The result is a 3.23% annual return in the worst-case scenario, without allowance for the liquidation value of other assets, such as real estate.

Exxon owns real estate all over the world. Moreover, it might be presumed that the chemical operations would still exist subsequent to the ten-year period. These manufacture ethylene, polyethylene, polypropylene and paraxylene. These facilities would be worth billions and would probably still earn money. Ethylene, though, the most used organic compound in the world and a precursor for a large range of final products, from plastics to detergents and for ripening fruit, is derived from oil. Additionally, there would still be a need to produce lubricating oils, asphalt and jet fuel, so it is difficult to see how all petroleum production could be halted.

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Nevertheless, even in this type of draconian scenario, an investor in Exxon at the current price would earn a modest 3.23% return at the very least, and most probably a higher return, given the other factors cited.

Exxon pays a quarterly dividend of 87 cents per share, or an annual rate of \$3.48. This gives the shares a 5.54% dividend yield as of this writing. At the current rate of earnings, Exxon has a 65% payout ratio. However, it must be noted that for the year 2019, Exxon earned \$3.36 and paid dividends of \$3.43 a share. In the current depressed energy environment, there is some doubt as to whether Exxon can continue to pay this level of dividend and still maintain current levels of expenditures.

Exxon's consensus earnings forecast for 2020 is \$3.86 per share. The forecast therefore presumes that the current environment of depressed energy markets will continue. In this environment, Exxon will pay out about 90% of profits in the form of dividends. At this level of earnings, Exxon has a P/E ratio of 16.2x, which is a reasonable figure if one believes that the energy business is temporarily, instead of permanently, depressed.

The Exxon dividend clearly supports the share price. Less-well-capitalized energy companies trade at far lower valuations. For example, Antero Resources Corp. (AR) has \$16 billion of assets and \$3.7 billion of debt. It is operating at breakeven on a cash flow basis, and trades at 5% of book value. It is likely that the company will need to write down assets. Moreover, the current level of cash flow does not give the company the ability to replace reserves. As a practical matter, it has no further access to meaningful debt or equity capital. Effectively, it is in liquidation mode, although it will probably survive without a bankruptcy. Antero is focused on the Marcellus and Utica Shale Basins for extracting natural gas. At a price of \$1.84 per Mcf, this might not even be economic.

Similarly, Range Resources Corp. (RRC) has \$8.9 billion of assets and \$3.1 billion of debt. The shares trade at 18% of book value. Range Resources is also focused on the Marcellus Shale in Pennsylvania and the Utica Shale in Appalachia. Much of the gas production is uneconomic at the current natural gas price.

There are many American firms in similar circumstances. None of these companies are in a position to replace production. Some may, in the short run, seek to maximize production to earn cash flow in order to service debt. Nevertheless, if current trends continue, one should expect U.S. energy production to decline. Much of that production comes from fracked wells that have a relatively short production life. Wells can be fracked multiple times, but without capital to repeat the process, there is no alternative to production declines. One can see this process already underway, reflected in the figures of the Baker Hughes rig count. The U.S. rig count is at 790, which is down 255 from the level one year ago.

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In principle, a decline in activity precedes a decline in supply, which thereafter leads to an increase in energy prices. Energy equities clearly reflect the expectation for further declines in pricing.

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Facts & Figures

THE EVOLVING OIL SERVICE COMPANY INDUSTRY

According to Rystad Energy, the global energy industry is replacing about 16% of the reserves it is depleting via the output it produces. According to the same source, if there were a total prohibition on fracking on federal land, as some have proposed, this would reduce U.S. oil production by one million barrels of oil per day. The U.S. currently produces 13 million barrels daily.

Were such a ban to happen, it would have a significant impact upon the Delaware Basin in New Mexico, where much gas is produced by fracking. Companies with significant exposure in these areas include Occidental Petroleum, Devon Energy, Concho Resources, Cimarex Energy, and Matador Resources.

According to an article in the *Houston Chronicle*, dated January 22, 2020, the U.S. is planning to install 20 gigawatts of offshore windmill capacity in the next decade. This is one of the ironies of the decarbonization movement. An offshore wind turbine either rests on the continental shelf on a tripod platform, or floats while anchored to the sea bottom. In either case, inspection of the structure must be continual to avoid the effects of corrosion.

Thus, many of the oil service companies that help maintain and inspect offshore oil rigs will receive business for maintaining and inspecting offshore wind platforms. The world's largest wind farm is the Walney Extension off the Western Coast of the U.K., in the Irish Sea. It has a capacity of 659 megawatts. One megawatt can, in principle, power 1,000 homes.

In practice, it really cannot fulfill that capacity rating because it is interruptible power, meaning that if the wind is not blowing or not blowing with sufficient velocity, the turbines will not generate adequate power. Therefore, there must be a reserve. It also can be problematic if the wind is blowing in the wrong direction.

Ironically, Oceaneering International, Inc. (OII), an oil service company, won a contract to service Van Oord Offshore Wind. Oceaneering International now has an offshore renewable resources division. Similarly, SEACOR Marine (SMHI) vessels currently service offshore windfarms. In addition, Subsea 7 (SUBCY) has established a renewables business and is working on several windfarm projects in the U.K. offshore. TechnipFMC (FTI) also has a renewables division.

Helix Energy Solutions (HLX) utilizes its i-Trencher robots to not only work on wind platform support cables, but also to trench the power cables extending from wind platforms to the shore. In December 2019, Helix was awarded a contract to perform such services for the EDF (Electricité de France) project off the coast of Scotland. Dril-Quip (DRQ) was

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recently awarded a \$110 million offshore cable system project for the Equinor Windfarm off the shore of Long Island.

One of the ironies for the oil service companies—all of which are trading below book value because of the dearth of offshore exploration activities—is that they are actually receiving not unsubstantial contracts from windfarms that are in the process of being developed. In principle, a windfarm contract is a better piece of business for an offshore oil service company than an actual offshore oil rig. The reason is that while the wind will always blow, oil prices might not be sufficiently high to merit production. Also, jack-up rigs and semisubmersible rigs get moved all the time, but the windfarm is designed to stay in place for many decades. The servicing of windfarms should be considerably less cyclical than their traditional business of servicing offshore oil rigs.

Moreover, in order to operate a wind farm there will be many more windmills than there usually are oil rigs in a given region. Each windmill must be either mounted on a tripod secured to the ocean bottom or anchored to the ocean floor, and all the electric cables maintained. A typical windfarm can have anywhere from 60 to 100 windmills. As far as transporting repair or inspection personnel, it is actually a much larger, more reliable and regular business than oil services. None of the remaining analysts that follow the oil service industry appear to have noticed this development.

Featured Companies

SEACOR MARINE HOLDINGS INC. (SMHI)

SEACOR Marine, with a \$230 million market capitalization, was a spin-off from SEACOR Holdings (CKH) in the spring of 2017. SEACOR Marine operates vessels that service offshore oil platforms. This business remains in what can only be described as a depression. Unless oil prices are significantly higher, there is very little prospect for improving operations. The total fleet size is 179 vessels, of which roughly two-thirds are owned by the company; the balance is leased.

Although the vessels are deployed worldwide, the largest geographical deployment is in the Gulf of Mexico. Since the spin-off, the company has consistently lost money on a GAAP basis. The problem is one of utilization. The vessels have fixed maintenance costs and, in order to be profitable, a rather high vessel utilization rate is required. The current utilization rate is below 60% of capacity.

In 2014, with an 81% utilization rate, the company was solidly profitable on a GAAP basis, earning \$48 million that year. Throughout 2019, the operating losses have been gradually reduced to a manageable level. The reason is that an entirely new business is developing, which entails servicing offshore wind platforms as opposed to offshore oil platforms. In principle, servicing a windfarm is a better business than servicing oil rigs. First, even if there are many oil rigs concentrated in one area, these belong to a variety of operators, so the service providers are forced to compete on price for relatively small contracts. A windfarm might deploy 60 to 80 turbines driven by offshore windmills, and it is likely that one service provider will win the entire project. Hence, if this happens, the service provider will maintain a high utilization rate.

Moreover, the service vessel provider is servicing turbines that have multi-decade contracts with a local utility to sell power. There probably will not be operational disruptions due to fluctuations in the price of oil and gas. Thus, the business should become far less cyclical.

The balance sheet is a concern, since SEACOR Marine has \$400 million in debt and \$471 million in shareholders' equity. No doubt, this is part of the reason that the shares trade for less than one-half book value. The operating losses are manageable, given the resources of the company at the current time. If the windfarm service business opportunities are sufficient to restore operational profitability, the shares will enjoy a re-rating as socially responsible investments, and trade at a premium to book value which, from the current valuation, would imply a very large rate of return.

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SUBSEA 7 S.A. (SUBCY)

Subsea 7, with a \$3.25 billion market capitalization, is a world leader in offshore energy construction projects. Once an installation is constructed, the company is retained for inspection, maintenance and repair of these projects. Over the course of the past 20 years, the company has worked on over 1,000 projects.

One of the more interesting aspects of Subsea 7 is that it has been able to remain profitable throughout the offshore oil service depression. The net profit margin is only 4.4%. However, in the current environment, this is a good result that has been accomplished with a very modest level of debt. There is \$250 million of debt on the balance sheet against \$5.442 billion of shareholders' equity. Given only \$768 million of goodwill, the so-called "hard" book value of the company is \$4.674 billion.

Hence, the shares now trade at 59.7% of book value and 69.5% of hard book value. Balance sheet cash, at \$367 million, exceeds total debt. Although the industry is surely experiencing a period of extreme stress, there is no serious existential risk to the Subsea 7 enterprise.

In terms of appreciation potential, one possible scenario is a recovery in the conventional offshore oil exploration business, although it is the case that the worldwide energy industry is not replacing reserves, and it is not really possible to do so without much greater investments in offshore projects. There are no objective signs that such a recovery, or even a modest recovery, is likely to take place within the foreseeable future. This is simply because the world oil price is too low to encourage offshore drilling. Prices would need to rise far higher in order to generate an adequate return for offshore projects.

Moreover, very few energy firms have adequate access to the capital necessary to finance such projects. It is too dilutive to issue equity, their shares trading below hard book value, even if a market for such equity could be found. The high-yield market is effectively closed to them, as is the bank loan market. In addition, there are well-organized political movements working to actively force institutions, such as government and private pension funds, to divest fossil fuel-based energy investments.

However, Subsea 7 has in common with SEACOR Marine a not-insubstantial windfarm construction and maintenance services business. In essence, it is utilizing the very same in-place expertise and specialized equipment that it employs in its legacy off-shore oil platform business. Therefore, one has in Subsea 7 a profitable company that is trading below book value with ten years of experience in offshore windfarm projects. If such projects become an operational reality, Subsea 7 will not only be far more profitable, but it will also be far less cyclical. If its valuation were re-rated as being both less cyclical and as a renewable energy firm rather than a fossil fuel-related investment, it is likely to trade above book value, with obvious implications for a share price that is far in excess of current levels. As well,

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Subsea 7 is a so-called “bits and pieces” investment, as it is controlled by the quasi-private company, Siem Industries Inc. (SEMUF), which owns 23.9% of Subsea 7 stock.

TECHNIPFMC PLC (FTI)

TechnipFMC, with a \$7.38 billion market capitalization is an oil service company that will soon divide itself into two parts. The parent will remain focused on more traditional inspection and vessel servicing of offshore oil platforms. The spin-off should be completed in the next six months and will focus on new green energy technologies, including but not limited to, offshore windfarms. The additional activities include biofuels, so-called green chemistry and cryogenics. The common features of new technologies with the more conventional energy services is that all require construction, engineering, and maintenance skills that are not very different from those needed to service conventional energy projects.

Presently, the entire company is marginally profitable, with a 65-basis point net profit margin. However, in the past year, its backlog increased to \$24.1 billion from \$15.2 billion, and now represents about two years’ worth of revenue at the current run rate. The balance sheet has only \$299 million of short-term debt and about \$3.6 billion of long-term debt, against \$4.5 billion of cash. The shares trade at 72% of book value. However, 85% of book value is comprised of intangibles. One way to view the company is to subtract debt from cash to arrive at a net cash balance. Effectively, on a net basis, the company is free of debt. Given the \$7.38 billion valuation placed upon the business, the question is how much profit can be earned in a more salubrious environment?

In 2015, at the time of the FMC/Technip merger, which was also a period of depressed profits, albeit not as depressed as the current operating environment, the combined firm earned \$1.3 billion of operating income on \$17.8 billion of revenue. The world will surely require energy. That energy might not come in the form of conventional fossil fuels generated via enormous offshore drilling platforms. It might come in the form of enormous offshore windfarms that require far more inspection and service than traditional offshore drilling rigs.

There will be many more turbines on windmills. Each structure, even if floating, must be securely anchored to the ocean floor. Moreover, beneath the platforms, there will be a massive network of electric cables that must be continually inspected and, if necessary, serviced. TechnipFMC is in the process of creating a spin-off that will concentrate on new clean technologies that is likely to cause the shares to trade at a premium to book as opposed to the current book value discount.

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LEE ENTERPRISES, INC. (LEE)

Lee Enterprises has a \$122 million market cap and is involved in the publication of newspapers. It experienced a bankruptcy restructuring in the 2011-2012 period. That is how it became a spinoff—coming out of bankruptcy. It publishes newspapers such as the *St. Louis Post-Dispatch*, the *Journal Times* (Racine, Wisconsin), the *Chippewa Herald* (Chippewa Falls, Wisconsin) and the *Sioux City Journal* (Iowa), among many others. In total, there are 50 such operations in 20 states.

On January 20, 2020, Lee Enterprises agreed to acquire the newspaper operations of Berkshire Hathaway for \$140 million. The purchase includes the *Buffalo News*. Berkshire Hathaway itself will provide the debt financing for the transaction and, in addition, will refinance all the existing Lee Enterprises debt, so that Berkshire will be the sole Lee Enterprises creditor. Lee Enterprises already had been managing the Berkshire newspapers.

One of the interesting aspects of Lee Enterprises is that, in contrast to other newspaper companies, it has been consistently profitable for the past five years despite declining revenue, due to extremely good expense control.

In fiscal 2019, the company earned \$15.9 million of net income on a GAAP basis. However, if one were to adjust for various restructuring costs, impairments, and other nonrecurring items, Lee would have produced about \$24 million in net profit. On a genuine cash earnings basis, Lee should produce over \$50 million of annual cash flow. Although revenue remains under pressure, the company has clearly demonstrated the ability to reduce expenses to a level commensurate with corporate revenue.

Hence, the company trades at 2.5x cash earnings. At the current rate of cash flow, about 8 to 10 years will be required to retire all the debt. Suppose that in ten years the company has \$30 million of cash earnings, as opposed to the current \$50 million—which is a big decline—and has repaid all of its debt. If it trades at 10x cash earnings without debt, the market capitalization would be \$300 million as compared to the current \$122 million, which would be a 9.4% compound annual rate of return. Consequently, the shares can earn a robust return even if the earnings shrink considerably.

Today, the company has a \$675 million enterprise value and trades at 13.5x EBITDA. It should be observed that the largest single expense is \$47 million of annual debt service. If debt repayment is more rapid than the revenue decline, cash profits will increase by virtue of the fact that the interest expense is eliminated.

Another important factor is the focus upon local news, for which local papers remain ideal sources. There has been a continual loss of local news over the years as local news sources have been consolidated by national-scale acquirers that immediately eliminate the local

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reporting staff and infrastructure. There is value in local news provision if the right solution can be developed. It merely needs to be provided in electronic form and the readers need to become accustomed to receiving that format. Advertisers also need to learn to reach consumers electronically. In any case, the current valuation assumes little, if any, possibility of a successful outcome, which usually marks an opportunity.

Post-Musings

THE PARADOX OF INDEXATION AND WINDFARMS

We have a situation where, rightly or wrongly, the world is placing emphasis upon the construction of windfarms and is trying to decarbonize the planet by reducing energy consumption and even energy exploration. Yet, that change is happening anyway, as evidenced by continued and substantial declines in exploration and development activity worldwide due to low oil prices. As a consequence, oil service companies are earning very little; in many cases, they are losing money.

However, there are many opportunities to service offshore windfarms in the same manner employed for offshore oil rigs. It is just not recognized by people who follow the industry, because of the rigidities of indexation. Indexation assumes fixed corporate attributes and classifications. Therefore, if a company is classified as being in the energy service business, it is assumed to mean oil service, even when energy service can obviously embrace many new technologies.

At some point, the companies will be reclassified into another index and they will all, at that moment, enjoy an enormous valuation re-rating. And before that happens, the companies might experience a meaningful restoration in profitability, even if energy prices do not increase. However, none of this return potential is likely to be realized via indexation, because indexation's classification system assumes permanent corporate attributes when, in point of fact, all corporate attributes are variable and constantly changing.

SPIN-OFF REPORT COMPENDIUM

WEALTH INDEX (Ticker: RCH Index)

As of September 30, 2019

<u>Annualized Total Return</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>7 Years</u>	<u>10 Years</u>	<u>15 Years</u>	<u>20 Years</u>	<u>Since Incep. 1991 - Sep '19</u>
Wealth Index	-5.04%	8.38%	6.41%	10.66%	12.48%	10.52%	8.53%	12.18%
S&P 500	4.25%	13.39%	10.84%	13.26%	13.24%	9.01%	6.33%	10.21%
S&P 500 Eq. Wgt.	3.40%	11.05%	9.46%	13.14%	13.41%	9.97%	9.24%	11.90%
Russell 3000	2.92%	12.83%	10.44%	13.00%	13.08%	9.10%	6.72%	10.35%
Russell 2000	-8.89%	8.23%	8.19%	10.43%	11.19%	8.19%	7.99%	10.39%
Excess Return vs. S&P 500	-9.29%	-5.02%	-4.42%	-2.60%	-0.76%	1.51%	2.19%	1.98%
Excess Return vs. S&P 500 Eq. Wgt.	-8.44%	-2.67%	-3.04%	-2.49%	-0.93%	0.54%	-0.72%	0.28%
Excess Return vs. Russell 3000	-7.95%	-4.46%	-4.03%	-2.35%	-0.60%	1.42%	1.60%	1.83%
Excess Return vs. Russell 2000	3.85%	0.15%	-1.77%	0.22%	1.29%	2.33%	0.53%	1.79%

*Note: Calculated Using Total Returns

<u>Risk Adjusted Return</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>7 Years</u>	<u>10 Years</u>	<u>15 Years</u>	<u>20 Years</u>	<u>Since Incep. 1991 - Sep '19</u>
Wealth Index	(0.21)	0.53	0.42	0.74	0.79	0.56	0.40	0.61
S&P 500	0.23	1.10	0.91	1.19	1.06	0.65	0.43	0.72
S&P 500 Eq. Wgt.	0.16	0.84	0.75	1.11	0.97	0.62	0.56	0.76
Russell 3000	0.15	1.02	0.86	1.14	1.01	0.64	0.45	0.72
Russell 2000	(0.36)	0.48	0.51	0.68	0.65	0.44	0.41	0.56

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

<u>Information Ratio</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>7 Years</u>	<u>10 Years</u>	<u>15 Years</u>	<u>20 Years</u>	<u>Since Incep. 1991 - Sep '19</u>
Wealth Index vs. S&P 500	(1.33)	(0.70)	(0.65)	(0.40)	(0.12)	0.18	0.21	0.20
Wealth Index vs. S&P 500 Eq. Wgt.	(1.89)	(0.54)	(0.61)	(0.53)	(0.20)	0.10	(0.08)	0.03
Wealth Index vs. Russell 3000	(1.30)	(0.71)	(0.67)	(0.42)	(0.11)	0.19	0.19	0.21
Wealth Index vs. Russell 2000	1.07	0.03	(0.32)	0.04	0.22	0.34	0.05	0.18

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

Wealth Index Batting Average

	<u>Roll 1 Year</u>	<u>Roll 3 Year</u>	<u>Roll 5 Year</u>
vs. S&P 500	53.89%	57.42%	60.14%
vs. S&P 500 Eq. Wgt.	53.89%	51.29%	51.05%
vs. Russell 3000	55.99%	57.42%	64.69%
vs. Russell 2000	56.59%	61.29%	68.53%

*Note: Calculated Using Total Returns

<u>Annualized Volatility</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>7 Years</u>	<u>10 Years</u>	<u>15 Years</u>	<u>20 Years</u>	<u>Since Incep. 1991 - Sep '19</u>
Wealth Index	24.29%	15.75%	15.18%	14.32%	15.86%	18.69%	21.39%	19.95%
S&P 500	18.75%	12.18%	11.93%	11.10%	12.55%	13.81%	14.59%	14.11%
S&P 500 Eq. Wgt.	20.90%	13.20%	12.59%	11.84%	13.76%	16.07%	16.56%	15.62%
Russell 3000	19.48%	12.54%	12.17%	11.38%	12.97%	14.30%	14.96%	14.37%
Russell 2000	24.87%	17.21%	16.16%	15.40%	17.29%	18.64%	19.54%	18.53%

*Note: Calculated Using Total Returns

<u>Annualized Tracking Error</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>7 Years</u>	<u>10 Years</u>	<u>15 Years</u>	<u>20 Years</u>	<u>Since Incep. 1991 - Sep '19</u>
vs. S&P 500	7.00%	7.13%	6.85%	6.51%	6.53%	8.29%	10.37%	9.76%
vs. S&P 500 Eq. Wgt.	4.47%	4.93%	4.96%	4.69%	4.68%	5.46%	9.46%	8.75%
vs. Russell 3000	6.10%	6.25%	6.00%	5.64%	5.67%	7.43%	9.58%	8.94%
vs. Russell 2000	3.60%	5.13%	5.55%	5.33%	5.80%	6.84%	10.70%	9.85%

*Note: Calculated Using Total Returns

<u>Wealth Index Beta</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>7 Years</u>	<u>10 Years</u>	<u>15 Years</u>	<u>20 Years</u>	<u>Since Incep. 1991 - Sep '19</u>
vs. S&P 500	1.27	1.16	1.15	1.16	1.16	1.24	1.32	1.26
vs. S&P 500 Eq. Wgt.	1.15	1.14	1.15	1.15	1.11	1.12	1.12	1.16
vs. Russell 3000	1.23	1.16	1.16	1.17	1.15	1.22	1.32	1.27
vs. Russell 2000	0.97	0.87	0.88	0.87	0.86	0.94	0.95	0.94

*Note: Calculated Using Total Returns

<u>Calendar Year Total Returns</u>	<u>Wealth Index</u>	<u>S&P 500</u>	<u>S&P 500 Eq. Wgt.</u>	<u>Russell 3000</u>	<u>Russell 2000</u>	<u>ER v. SP500</u>	<u>ER v. SP500 EW</u>	<u>ER v. R3000</u>	<u>ER v. R2000</u>
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%	29.58%	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%	9.44%	-7.46%	-3.02%	-10.06%	-28.80%	-11.70%	-16.14%
2001	-10.80%	-11.89%	-0.39%	-11.46%	2.49%	1.08%	-10.41%	0.65%	-13.29%
2002	-15.49%	-22.10%	-18.18%	-21.54%	-20.48%	6.61%	2.69%	6.05%	4.99%
2003	45.41%	28.68%	40.97%	31.06%	47.25%	16.72%	4.44%	14.35%	-1.85%
2004	17.97%	10.88%	16.95%	11.95%	18.33%	7.09%	1.02%	6.02%	-0.36%
2005	3.30%	4.91%	8.06%	6.12%	4.55%	-1.61%	-4.76%	-2.82%	-1.25%
2006	22.61%	15.79%	15.80%	15.71%	18.37%	6.81%	6.81%	6.89%	4.24%
2007	1.73%	5.49%	1.53%	5.14%	-1.57%	-3.76%	0.20%	-3.41%	3.30%
2008	-43.67%	-37.00%	-39.72%	-37.31%	-33.79%	-6.68%	-3.95%	-6.37%	-9.89%
2009	72.80%	26.46%	46.31%	28.34%	27.17%	46.33%	26.49%	44.46%	45.62%
2010	31.51%	15.06%	21.91%	16.93%	26.85%	16.45%	9.60%	14.58%	4.65%
2011	5.11%	2.11%	-0.11%	1.03%	-4.18%	3.00%	5.22%	4.09%	9.29%
2012	13.53%	16.00%	17.65%	16.42%	16.35%	-2.48%	-4.13%	-2.89%	-2.82%
2013	41.08%	32.39%	36.16%	33.55%	38.82%	8.69%	4.92%	7.53%	2.25%
2014	7.06%	13.69%	14.49%	12.54%	4.89%	-6.63%	-7.43%	-5.50%	2.17%
2015	-6.87%	1.38%	-2.20%	0.48%	-4.41%	-8.26%	-4.67%	-7.35%	-2.46%
2016	16.85%	11.96%	14.80%	12.74%	21.31%	4.89%	2.05%	4.12%	-4.45%
2017	19.44%	21.83%	18.90%	21.13%	14.65%	-2.39%	0.54%	-1.69%	4.80%
2018	-13.80%	-4.38%	-7.64%	-5.24%	-11.01%	-9.42%	-8.16%	-8.56%	-2.79%
2019 YTD	17.00%	20.55%	20.10%	20.09%	14.18%	-3.56%	-3.11%	-3.10%	2.82%

*Note: Calculated Using Total Returns

Source: Horizon Kinetics LLC, International Securities Exchange, Bloomberg

See important disclosures for additional information.

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SPIN-OFF REPORT COMPENDIUM

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. 3. Fortress Investment Group (FIG US) was delisted from US Security Exchange effective 12/27/2017 and has been removed from the index.

Money Manager Index

From Aug 1983 to January 2020

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yr. End	Index	Yearly return	Annualized return (since inception)
1983								1.00	0.81	0.76	0.87	0.75	1983	0.75	(60.5)%	(50.2)%
1984	0.75	0.71	0.70	0.66	0.67	0.67	0.61	0.83	0.79	0.76	0.67	0.65	1984	0.65	(13.5)%	(26.5)%
1985	0.92	0.93	0.99	0.95	1.20	1.30	1.32	1.38	1.28	1.50	1.86	2.02	1985	2.02	211.8%	33.7%
1986	2.46	2.78	2.47	2.31	2.36	2.33	2.03	2.23	1.98	2.37	2.34	2.34	1986	2.34	15.9%	28.2%
1987	3.21	3.27	3.16	2.55	2.37	2.30	2.39	2.47	2.22	1.56	1.44	1.52	1987	1.52	(35.0)%	9.9%
1988	1.80	1.87	1.78	1.79	1.69	1.94	1.92	1.96	2.01	1.97	1.95	2.07	1988	2.07	36.0%	14.3%
1989	2.42	2.37	2.54	2.63	2.64	2.64	2.93	3.12	3.07	3.05	3.23	3.26	1989	3.26	57.8%	20.2%
1990	3.12	3.15	3.53	3.06	3.47	3.45	3.30	2.70	2.68	2.40	2.52	3.02	1990	3.02	(7.3)%	16.1%
1991	3.08	3.49	3.70	3.68	3.71	3.61	3.86	4.05	4.07	4.69	4.47	5.72	1991	5.72	89.4%	23.0%
1992	5.76	5.61	5.30	5.12	4.98	4.99	5.93	6.06	6.19	6.56	7.25	7.36	1992	7.36	28.6%	23.6%
1993	8.06	8.04	8.20	7.94	8.15	8.57	9.05	10.00	9.99	9.31	8.97	8.90	1993	8.90	21.0%	23.4%
1994	9.52	8.73	8.05	7.85	7.81	7.53	7.66	8.31	8.15	8.52	7.88	7.95	1994	7.95	(10.6)%	19.9%
1995	7.74	8.38	8.72	8.77	9.20	9.35	9.93	10.78	11.22	10.53	10.89	10.40	1995	10.40	30.8%	20.8%
1996	11.12	11.50	11.33	11.62	11.86	12.53	11.91	12.36	13.32	14.03	14.42	15.02	1996	15.02	44.4%	22.4%
1997	16.04	16.81	15.32	17.27	18.42	20.29	22.28	21.39	25.31	24.95	24.95	25.50	1997	25.50	69.8%	25.2%
1998	25.67	29.00	29.89	30.60	28.90	30.44	27.67	21.33	21.74	25.16	27.27	25.41	1998	25.41	(0.4)%	23.3%
1999	26.00	23.71	23.92	26.77	28.94	29.74	28.78	26.74	25.89	27.73	28.54	30.55	1999	30.55	20.2%	23.2%
2000	31.07	31.19	36.01	35.60	35.20	40.32	43.58	45.75	45.62	48.69	44.05	49.84	2000	49.84	63.1%	25.2%
2001	50.23	46.41	44.27	46.96	48.90	49.98	50.67	49.70	46.47	44.81	48.04	51.91	2001	51.91	4.2%	23.9%
2002	53.62	53.74	55.11	52.52	52.83	50.48	42.58	44.92	41.54	42.66	45.78	43.17	2002	43.17	(16.8)%	21.4%
2003	42.72	41.18	42.36	45.98	49.02	50.71	53.47	53.97	53.46	56.12	55.83	58.49	2003	58.49	35.5%	22.1%
2004	64.38	65.08	64.63	61.68	60.86	62.30	58.71	64.08	65.73	68.86	73.53	78.16	2004	78.16	33.6%	22.6%
2005	76.46	77.94	74.06	72.83	77.02	80.25	83.59	83.07	86.03	89.19	96.58	97.35	2005	97.35	24.6%	22.7%
2006	107.62	111.44	110.75	111.88	101.89	100.61	100.62	104.98	114.61	116.64	113.78	118.05	2006	118.05	21.3%	22.6%
2007	125.73	123.77	122.62	127.58	133.57	134.68	126.61	124.07	133.57	148.09	135.13	135.56	2007	135.56	14.8%	22.3%
2008	127.53	115.76	115.94	121.58	130.51	115.68	119.94	120.55	109.69	72.70	62.95	67.91	2008	67.91	(49.9)%	18.1%
2009	57.51	51.76	65.63	79.49	85.67	90.79	99.97	101.69	107.32	107.36	110.94	115.01	2009	115.01	69.4%	19.7%
2010	106.84	110.32	118.13	114.91	100.18	88.17	97.65	89.64	103.59	108.29	108.64	119.58	2010	119.58	4.0%	19.1%
2011	122.80	128.28	127.94	127.97	126.06	121.03	115.49	104.25	91.32	102.44	103.79	103.98	2011	103.98	(13.1)%	17.8%
2012	109.46	120.12	125.37	121.64	108.44	114.12	113.56	118.33	123.18	127.91	131.76	135.00	2012	135.00	29.8%	18.1%
2013	151.20	155.13	165.52	166.55	174.89	164.20	179.01	168.47	176.12	192.14	197.16	208.44	2013	208.44	54.4%	19.2%
2014	194.17	196.87	203.88	196.24	195.40	206.41	194.00	207.06	201.07	205.28	212.28	215.25	2014	215.25	3.3%	18.6%
2015	203.96	217.70	215.97	218.17	217.01	211.12	203.85	184.77	175.53	195.50	198.54	181.68	2015	181.68	(15.6)%	17.4%
2016	165.64	164.85	183.47	190.06	194.22	177.37	187.78	190.19	185.87	173.66	194.88	199.52	2016	199.52	9.8%	17.2%
2017	196.14	209.63	205.70	207.52	210.37	221.66	230.87	225.39	239.74	245.52	261.47	264.79	2017	264.79	32.7%	17.6%
2018	278.34	266.70	266.44	253.48	256.42	243.56	250.69	238.98	234.72	209.04	213.62	194.43	2018	194.43	(26.6)%	16.0%
2019	203.57	219.59	213.65	234.81	206.43	229.48	229.27	210.59	223.22	225.90	239.32	240.01	2019	240.01	23.4%	16.2%
2020	248.58												2020	248.58	3.6%	16.3%

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	\$ 109,938
2	BLK US Equity	BlackRock	\$23,205	1,658	9/30/1999	\$ 874,090
3	WDR US Equity	Waddell & Reed	\$27,513	1,587	3/31/1998	\$ 25,762
4	EV US Equity	Eaton Vance	\$2,641	3,998	1/31/1986	\$ 184,426
5	TROW US Equity	T. Rowe Price	\$2,423	2,014	4/30/1986	\$ 268,909
6	BEN US Equity	Franklin resources	\$908	1,263	4/30/1985	\$ 95,872
7	LM US Equity	Legg Mason	\$1,000	462	8/31/1983	\$ 18,095
8	FII US Equity	Federated Inv	\$26,381	2,206	5/31/1998	\$ 79,926
9	PZN US Equity	Pzena Investment Management	\$122,426	6,317	10/31/2007	\$ 51,737

SPIN-OFF REPORT COMPENDIUM

Index Constituent Changes: 1. New Star Asset Management (NSAM LN) was delisted from the London Security Exchange effective 03/10/2009 and has been removed from the index. 2. Australia Wealth Management (AUW AU) was delisted from Australian Security Exchange effective 05/18/2009 and has been removed from the index. 3. Bluebay Asset Management/UNI (BBAY LN) was delisted from the London Security Exchange effective 12/20/2010 and has been removed from the index. 4. Everest Financial Group Limited (EFG AU) was delisted from the Australian Security Exchange effective 7/19/2011 and has been removed from the index. 5. RAB Capital Plc (RAB LN) was delisted from the London Security Exchange effective 9/2/2011 and has been removed from the index. 6. Invista Real Estate (INRE LN) was delisted effective 8/13/2012 and has been removed from the index. 7. F&C Asset Management Plc (FCAM LN) was delisted effective 5/8/2014 and has been removed from the index. 8. Charlemagne Capital Ltd (CCAP LN) was delisted effective 12/14/2016 and has been removed from the index. The divisor has been adjusted accordingly for each of these changes. 9. Henderson Group Plc (HGG LN) was delisted from London Security Exchange effective 5/30/2017 and has been removed from the Index. 10. Aberdeen Asset Management Plc (ADN LN) was delisted from London Stock Exchange effective 8/14/2017 and has been removed from the Index.

International Money Manager Index

From Nov 1986 to January 2020

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yr. End	Index	Yearly return	Annualized return (since inception)
1986													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	3.7%	15.4%
1996	3.76	3.85	3.70	3.79	3.96	3.90	3.75	3.96	4.16	4.47	4.90	4.86	1996	4.86	30.3%	16.8%
1997	5.11	5.37	4.99	4.96	5.43	5.94	6.57	6.32	7.45	7.24	6.80	7.19	1997	7.19	47.9%	19.3%
1998	7.12	8.05	8.78	9.25	8.95	8.74	8.91	6.67	6.08	7.01	7.51	7.71	1998	7.71	7.3%	18.3%
1999	7.99	8.21	8.68	9.07	8.71	8.61	8.63	8.43	8.47	8.79	9.80	10.79	1999	10.79	39.9%	19.8%
2000	11.23	12.27	13.95	13.50	13.73	15.39	15.85	16.82	17.07	16.31	14.43	16.76	2000	14.43	33.8%	20.7%
2001	17.42	15.88	13.46	15.14	15.84	15.15	14.21	13.61	10.77	11.43	13.90	14.12	2001	14.12	(2.2)%	19.1%
2002	14.74	13.78	15.09	15.11	16.38	14.14	12.92	12.10	11.23	11.06	11.33	10.50	2002	10.50	(25.6)%	15.7%
2003	10.18	9.52	9.69	10.62	12.17	13.04	13.98	15.38	16.67	17.88	18.16	18.07	2003	18.07	72.1%	18.4%
2004	20.00	22.41	29.98	35.46	26.68	30.80	25.37	25.20	23.67	23.34	27.56	31.48	2004	31.48	74.2%	20.9%
2005	32.19	32.57	31.88	27.79	27.36	29.05	30.38	31.49	33.39	32.24	32.95	37.18	2005	37.18	18.1%	20.8%
2006	41.01	40.97	43.69	46.45	42.39	41.58	40.60	43.32	43.55	43.70	44.58	49.38	2006	49.38	32.8%	21.3%
2007	50.95	51.18	53.59	56.09	58.16	56.37	53.90	48.65	50.96	57.03	48.21	45.75	2007	45.75	(7.3)%	19.8%
2008	38.71	39.71	38.59	40.18	39.25	35.10	34.59	33.33	26.09	18.72	14.50	15.79	2008	15.79	(65.5)%	13.3%
2009	14.62	13.24	14.96	19.63	22.82	23.73	26.14	27.05	28.41	28.53	28.69	29.83	2009	29.83	89.0%	15.8%
2010	28.50	27.58	29.90	29.58	25.53	24.72	27.82	26.74	30.36	33.68	31.85	34.52	2010	34.52	15.7%	15.8%
2011	34.91	36.17	36.51	39.63	37.86	35.31	35.83	32.76	29.28	32.04	31.23	30.59	2011	30.59	(11.4)%	14.56%
2012	32.12	34.36	35.67	35.08	31.03	32.92	32.66	34.17	36.33	37.28	38.11	40.73	2012	40.73	33.1%	15.22%
2013	43.61	42.58	44.42	49.29	50.40	47.75	50.58	49.32	52.49	55.65	55.41	58.88	2013	58.88	44.6%	16.19%
2014	55.35	58.98	61.86	59.92	59.05	59.89	57.84	58.64	55.47	54.37	55.77	54.31	2014	54.31	(7.8)%	15.24%
2015	52.77	58.87	58.99	62.11	62.25	60.43	60.71	56.91	55.46	60.65	60.93	59.48	2015	59.48	9.5%	15.04%
2016	55.01	53.65	59.90	61.89	61.45	55.81	58.56	58.48	60.83	60.64	58.86	59.91	2016	59.91	0.7%	14.53%
2017	63.15	64.71	65.79	71.50	74.59	75.64	80.02	78.81	81.32	81.68	83.28	84.08	2017	84.08	40.3%	15.28%
2018	94.34	87.65	87.29	86.78	83.38	82.63	84.75	85.31	85.67	76.31	72.64	66.46	2018	66.46	(20.9)%	13.94%
2019	74.78	79.39	81.00	86.52	82.17	91.43	91.77	89.72	89.03	91.00	99.15	104.96	2019	104.96	57.9%	15.06%
2020	106.00												2020	106.00	1.0%	15.06%

S.No.	Ticker	Name	Initial Amount Invested	Shares Purchased	Date of Investment	Current Index Value
1	IGM CN Equity	IGM Financial Inc	\$1,000	73	31/11/1986	\$ 2,125
2	IVZ US Equity	Invesco Plc (Previously Amvescap)	\$1,357	1,153	1/31/1991	\$ 9,969
3	SDR LN Equity	Schroders Plc	\$1,208	505	3/31/1991	\$ 21,385
4	RAT LN Equity	Rathbone Brothers Plc	\$1,208	736	3/31/1991	\$ 19,123
5	CIX CN Equity	CI Financial Corp.	\$2,585	3,224	6/30/1994	\$ 56,527
6	EMG LN Equity	Man Group Plc	\$2,862	6,344	10/31/1994	\$ 9,794
7	AGF/B CN Equity	AGF Management Ltd-CI B	\$3,343	1,346	1/31/1996	\$ 7,277
8	8739 JP Equity	Sparx Group Co Ltd	\$11,762	108	12/31/2001	\$ 26,586
9	AZM IM Equity	Azmut Holding Spa	\$21,908	4,977	7/31/2004	\$ 122,395
10	PGHN SW Equity	Partners Group-Reg	\$36,848	578	3/31/2006	\$ 530,551
11	ASHM LN Equity	Ashmore Group Plc.	\$36,688	9,873	10/31/2006	\$ 70,732

SPIN-OFF REPORT COMPENDIUM

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