THE SPIN-OFF REPORT COMPENDIUM

July 2014

Featured Companies

Alliant Techsystems Inc. (ATK)
Automatic Data Processing, Inc. (ADP)
Energizer Holdings Inc. (ENR)
Harbinger Group Inc. (HRG)

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HORIZON KINETICS

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Murray's Musings

INCOME INVESTING

Robert C. Merton, winner of the Nobel Prize in Economics, has written what will probably become a seminal article for the July-August 2014 issue of *Harvard Business Review*. The basic thrust of the article, entitled *The Crisis in Retirement Planning*, is that planning for retirement should be based upon income needs, not considerations of volatility or even asset levels. Long-time readers of the *Compendium Reports* might recognize some of these ideas.

Merton poses the problem in the following way. Suppose someone retires at age 65 and buys a 30-year Treasury with a coupon of 5% with a $1 million principal sum. Assuming that the retiree in question lives to be 95 years old and assuming that $50,000 per year is sufficient income, that individual has made a relatively low risk investment even though the market value of the bond will probably fluctuate enormously.

In contrast, one might construct a low volatility portfolio, as one does in the modern era, with an average annual 5% total rate of return, but there might be years of zero return or even negative returns regardless of how low a level of portfolio volatility is attained. During those time periods, there would be little alternative to the consumption of principal. In other words, if there were even a modestly negative rate of return for some number of years and the person in question needs X dollars of income upon which to live, there would be little alternative to withdrawing capital. The consequences eventually would be the reduction of principal value during retirement and necessarily a loss of the portfolio's capacity to generate $50,000 a year during retirement, assuming a $1 million original principal sum.

According to Merton, income needs can be divided into three categories. The first category is the minimum guaranteed income—in other words, a base level income to provide for existential requirements. The second category is a flexible level of income to provide for additional income requirements due to inflation. The third category is desired additional income. This refers not necessarily to income, but to choices investors make either prior to or during retirement about how much money to set aside that will generate income in retirement or how much money to spend on a discretionary basis during the retirement.

The significant problem in retirement planning is that it treats the problem as merely mathematical. The problem is proposed thusly: How much money does a person need for retirement, assuming a life expectancy at birth of 77 years, which is to say a 12-year retirement? It is implicit in the calculation that the retirement sum is gradually exhausted during retirement. In reality, no one wishes to contemplate his or her own demise and it is therefore difficult to watch one's wealth gradually deplete during retirement. If one is very

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fortunate and is in very good health during retirement, the prospect is gradual pauperization. If one is not very fortunate and is in very poor health, at least there is the solace that death will occur long before pauperization.

Obviously, retirees wish to have income generated by their portfolio indefinitely for the purposes of existence with the principle balance being untouched. It is not necessarily a realistic expectation, but it is the belief held by most people. The unstated assumption is immortality, which itself is unrealistic, but it is even more unrealistic to expect the average human being to soberly contemplate death as merely an aspect of the central limit theorem. Of course, in the low interest rate environment, income investing is rather challenging. Consequently, the search for bond substitutes has engendered a rise of dividend focused ETFs as investors seek income from stocks in addition to bonds.

For example, as of May 31, 2014, the 3-year-old iShares Core High Dividend ETF (HDV) with $4 billion of assets has a 12-month trailing P/E of 19.44x, a 12-month trailing price-to-book value of 3.97x, or almost 4x, and an SEC yield of 3.17%. The average daily trading volume of the fund is $24 million, which is actually low volume for a $4 billion ETF. Investors are buying this fund and they are buying it to hold. For the first five months of 2014, this fund has taken in about $3.1 million a day.

In fact, after withdrawing $54 billion from municipal bond funds in 2013 because of various fears, year-to-date through May, investors have deposited $8 billion back into municipal bond funds. For the first five months of 2014, the iShares Core US Aggregate Bond ETF (AGG) had $1.4 billion of contributions. Recently, it had $17.5 billion in assets under management, a weighted average maturity of 6.8 years, and a weighted average yield to maturity of 1.97%.

Pension funds, individuals and foundations, not to mention insurance companies, all have the same problem, which is to generate income. All are gradually looking at the equity market in an entirely different way. Institutions look at it in terms of private equity. Individuals look at certain equities as bond substitutes. They even look to international equities where yields are higher. In theory, they are all fleeing volatility, but in reality are they merely fleeing volatility or, said another way, is volatility merely wherever they are going to be?

Industry Thoughts

EMERGING MARKETS AS AN ASSET CLASS

Emerging markets is an asset class that is relatively inefficient, unexplored, and poorly understood. To illustrate, let us use the 10 largest ETFs in the United States as a sample. As of May 31, 2014, these ETFs had $520.7 billion in assets under management.

Table 1: Ten Largest ETFs, Assets Under Management, May 31, 2014

		($ in billions)
SPY	SPDR S&P 500	$160.2
IVV	iShares Core S&P 500	56.8
EFA	iShares MSCI EAFE	55.8
VWO	Vanguard FTSE Emerging Markets Stock idx ETF	45.0
QQQ	Powershares QQQ	43.4
VTI	Vanguard Total Stock Market ETF	43.3
EEM	iShare MSCI Emerging Markets	38.0
GLD	SPDR Gold Shares	31.6
IWF	iShares Russell 1000 Growth	23.4
IWM	iShares Russell 2000	23.2
	TOTAL	$520.7

Source: Fund sponsor websites

The two emerging markets ETFs, the Vanguard FTSE Emerging Markets Stock idx ETF (VWO) and iShares MSCI Emerging Markets (EEM), represent 15.9% of the total $520 billion, and that $520 billion represents 28.9% of the $1.8 trillion in U.S. ETFs so it is a pretty good sample. It is a reasonable assumption that this 28% or 29% of the ETFs mirror current asset allocation preferences in some way.

To look in detail at some of the leading ETFs, iShares products will be used, because the P/Es are all calculated by a comparable methodology.

One large ETF, the iShares Core S&P 500 (IVV), has $56.8 billion of assets under management and, as of May 31, 2014, its trailing 12-month price-to-earnings ratio was 22.2x and its trailing 12-months price-to-book value ratio was 4.5x.

Let us compare and contrast that with iShares MSCI EAFE (EFA). EAFE stands for Europe, Australia and Far East. The EAFE ETF has a nearly identical sum of assets under management, $55.8 billion. Its trailing 12-month price-to-earnings ratio was 20.8x, which is more or less equivalent to the S&P ETF, and its price-to-book-value ratio was lower. It was 2.8x as opposed to 4.5x for the S&P 500 ETF. The difference between EFA and IVV can easily be accounted for by the absence in EFA of a handful of large-capitalization stocks that have extraordinarily high price-to-book ratios, like Amazon.com and Facebook.

Let us compare and contrast these with the iShares MSCI Emerging Markets (EEM), which has $38 billion in assets under management. Its trailing 12-month price-to-earnings ratio is 19.2x and its trailing 12-month price-to-book ratio is 3.04x. These valuations are more or less consistent with those of the other two ETFs. If one really wanted to understand in depth why the price-to-earnings ratio of MSCI Emerging Markets is slightly lower than the iShares Core S&P 500, all one need do is take note of the low valuation elements in the EEM index—the Chinese banks and stocks like Gazprom—that trade at very low price-to-earnings ratios and are not present in the IVV index.

Turning our attention to the iShares Russell 2000 Index (IWM), one of my favorite index examples, had assets under management of $23.2 billion as of May 31, 2014. Its valuation statistics were as follows: a trailing 12-month P/E of 29.2x and a trailing 12-month price-to-book value ratio of 3.89x.

How can we state that the Emerging Markets Index is the least understood and most inefficient part of the marketplace when the valuations are more or less consistent with the valuations in other indexes and, to the extent that there are valuation differences, they are explainable by discrete pockets of controversial equities? How can we make that statement when the assets under management of the two emerging market funds, Vanguard FTSE Emerging Markets and the iShares MSCI Emerging Markets, comprise 15.9% of the total $520 billion sample size? It does not appear that investors in general are avoiding these so-called asset classes, which would make them inefficient and at least poorly understood in the first place. Of course, the fact that people own those shares and trade them does not mean that they understand them well.

To the degree that the valuation of the Emerging Markets Index is slightly below the developed market indexes and to the degree that one believes it will ultimately trade in equilibrium, if that were the purpose of the trade, it is essentially a valuation bet on Russia. Russia is the low valuation part in Emerging Markets and it is 5.5% of EEM. Why put 15% of a portfolio in Emerging Markets? Why not just put 50 to 75 basis points, which would be the equivalent allocation, directly in Russia and ignore the rest of it?

To illustrate the point, we can look at these valuation statistics from the Van Eck website. The Market Vectors Russia ETF (RSX) trailing price-to-earnings ratio on May 31, 2014 was 6.3x and the price-to-book-value ratio was 0.84x. Gazprom is 8.3% of the Russian market, as Market Vectors calculates it. Gazprom has a $104 billion market capitalization, so that means buying everything on the entire Russian market would be $1.4 trillion. That is more or less equal to the market capitalization of South Korea. It is 55% of the market capitalization of Canada. It is more or less equal to the market capitalization of Spain.

Interestingly enough, the theme of investing in Russia is about more than mere Russia. There also are the Eastern European countries that are not even included in the Emerging

Markets Index. For a sense of the valuation proposition, the Ukraine has an aggregate market capitalization of $21 billion; in other words, one could buy every stock in the Ukraine for $21 billion. To put it another way, Apple can take about 13% of its $150 billion cash balance and buy every share of every publicly traded company in the Ukraine, for better or worse.

When emerging markets indexes were created, the outsized returns were similar to those of what might be called the frontier markets today. Perhaps a solution is that the frontier markets are really what were historically the emerging markets. In simplistic form, let us test that hypothesis. We are just beginning to examine the hypothesis, so our test will not prove the theory yet.

Here are the valuation statistics of the iShares MSCI Frontier 100 ETF (FM): the trailing 12-month P/E ratio is 20.56x and the trailing 12-month price-to-book-value ratio is 3.29x. If one is looking for valuation differences, one will not find them in the basic ETF categories: once the securities have been sorted and are eligible for inclusion into indexes, their valuation is really a function of supply and demand, because under the rules-based selection criteria, a security is nothing other than raw material.

If one wants to have unique performances, one has to look either outside the indexes or, alternatively, at elements within the indexes that are controversial and poorly represented.

Facts & Figures

UTILITIES THEN AND NOW

Below are the yields of selected publicly traded utilities in 1972, compiled after I looked up every publicly traded utility for that year.

Table 2: 1972 Average Yield for Selected Utilities

American Electric Power	6.1%	Montana Power	5.2%
Arizona Public Service	5.3%	New England Electric	6.3%
Atlanta Gaslight	5.9%	New England Gas & Electric	6.8%
Atlantic City Electric	6.3%	NY State Electric & Gas	6.7%
Baltimore Gas & Electric	6.2%	Niagara Mohawk Power	6.7%
Boston Edison	6.6%	Northeast Utilities	6.3%
Brooklyn Union Gas	6.9%	Northern Indiana Public Service.	5.1%
Carolina Power & Light	5.2%	Northern States Power	6.2%
Central Hudson Gas & Electric	6.3%	Ohio Edison	6.7%
Central Illinois Public Service.	6.6%	Oklahoma Gas & Electric	5.0%
Central Louisiana Energy	4.5%	Pacific Gas & Electric	5.7%
Central & Southwest	4.5%	Pacific Lighting	6.8%
Cincinnati Gas & Electric	6.4%	Pacific Power & Light	6.1%
Cleveland Electric Illuminating	6.5%	Pennsylvania Power & Light	6.4%
Columbus & Southern Ohio Electric	6.6%	Philadelphia Electric	7.1%
Con Edison (Commonwealth)	6.1%	Portland General Electric	6.6%
Con Edison	7.0%	Potomac Electric	6.5%
Consumers Power	6.7%	Public Service of Colorado	5.3%
Dayton Power & Light	6.8%	Public Service of Indiana	5.5%
Delmarva Power & Light	6.4%	Public Service. Electric & Gas NJ	6.7%
Detroit Edison	6.7%	Puget Sound Power & Light	6.1%
Duke Power	6.1%	Rochester Gas & Electric	5.2%
Duquesne Light	6.8%	San Diego Gas & Electric	5.6%
Florida Power Corp.	3.8%	South Carolina Electric & Gas	5.9%
Florida Power & Light	3.0%	Southern California Edison	5.7%
General Public Utilities	7.2%	Southern Company	6.3%
Gulf State Utilities	5.0%	Southwestern Public Service	6.0%
Hawaiian Electric	5.0%	Tampa Electric	3.8%
Houston Industries	2.7%	Texas Utilities	3.2%
Illinois Power	6.6%	Toledo Edison	6.3%
Iowa Illinois Gas & Electric	7.0%	Tucson Electric Power	5.2%
Kansas City Power & Light	6.5%	Union Electric	7.0%
Kansas Power & Light	5.3%	Utah Power & Light	5.8%
Kentucky Utilities	6.5%	Virginia Electric & Power	5.5%
Long Island Lighting	6.2%	Wisconsin Electric	6.5%
Louisville Gas & Electric	5.1%	Wisconsin Public Service	6.8%
Middle South Utilities	4.4%		

Source: Moody's

As an aside, the 10-year Treasury yielded 6.21% on average in 1972 and a 20-year Treasury yielded 6.01%. The latter figure was actually lower; the yield curve was actually inverted.

Note the following yields from Table 2: Boston Edison yielded 6.6%; Dayton Power & Light yielded 6.8%; Duquesne Light yielded 6.8%; Delmarva Power & Light yielded 6.4%; Long Island Lighting yielded 6.2%; Ohio Edison yielded 6.7%; Union Electric yielded 7%; and Utah Power & Light yielded 5.8%. These utilities are now part of larger utilities.

The first observation to make as one goes through this list is the number of unrecognizable names. That can be quantified and it is a measure of the industry consolidation that has taken place. To the extent takeover premiums were paid in order to accomplish the consolidations, that is reflected in the historical return of the utility sector.

However, it is obvious by looking at the list that such a degree of consolidation is essentially non-replicable, if for no other reason than if the same degree of consolidation were ever to take place, the historical rate of return of the utility such as it was can never be repeated. One cannot include utilities as an income generating class and use the historical rate of return to draw reasonable conclusions.

The next point to consider is that in 1972 there were growth utilities on the list, such as Florida Power, Florida Power & Light, Houston Industries, Tampa Electric, Texas Utilities, and Texas Utilities in the form of energy futures. Today Texas Utilities is bankrupt, but in 1972, it was a growth company. To illustrate, Tampa Electric in 1972 yielded an average 3.8% and Texas Utilities yielded 3.2%. To the extent that those utilities were growing at a fairly respectable rate by utility standards, that is also reflected in the historical rate of return of the utility segment. However, there are no more growth utilities and, therefore, the return assumptions of the utility sector cannot be based on a historical sense that presumes the returns are merely replicable. They cannot be repeated.

The third point is that utilities are the quintessential long-term assets. The yields are closely interrelated with long-term bonds rates and when those rates rise, as they sometimes do, the utilities behave very much like long-term bonds.

Fourth, one of the most popular dividend yield ETFs—maybe the most popular—is the iShares Select Dividend (DVY), which has $14.2 billion in assets under management and a 35.33% weighting in the utility segment.

Utility stock investors believe they are buying a low volatility asset based on its history, but actually they are de facto making a large investment in long duration paper. One really cannot use historical statistics beyond certain facile observations.

That was utilities then. Now we will turn to net margins of select brand name companies, both then and now.

Table 3: Brand Companies, Net Margins After Taxes

		1972	2013
BUD	Anheuser-Busch InBev SA/NV	7.82%	33.10%
CLX	The Clorox Company	7.00%	10.18%
KO	The Coca-Cola Company	10.13%	18.31%
CL	Colgate-Palmolive Co.	3.74%	12.86%
CAG	ConAgra Foods, Inc.	1.24%	5.00%
HSY	The Hershey Co. (Hershey Foods)	4.96%	11.48%
K	Kellogg Co.	8.65%	12.24%
KMB	Kimberly-Clark Corp.	5.50%	10.12%
MKC	McCormick & Co., Inc.	3.64%	9.42%
MCD	McDonald’s Corp.	9.40%	19.89%
PEP	Pepsico, Inc.	5.12%	10.15%
	Philip Morris	5.84%	
MO	Altria Group Inc.		25.71%
PM	Philip Morris International		27.48%
PG	Procter & Gamble Co. (PG)	7.86%	13.43%
TR	Tootsie Roll Industries Inc.	5.93%	11.12%
UL	Unilever plc	3.74%	9.72%
WU	The Western Union Co.	1.56%	14.40%

Source: Moody’s

These companies comprise such a large proportion of the brand name companies that exist that they are representative of that class. We will go through a few of them. In 1972 the Anheuser-Busch net profit margin after taxes was 7.8%, and today it is 33.1%. The Clorox margin was 7.0% in 1972 and today it is 10.2%. Coca-Cola was 10.1% in 1972 and today it is 18.3%. Colgate-Palmolive was 3.7% and now it is 12.9%. ConAgra, which is part commodity company, part consumer products, was 1.2% in 1972 and now it is 5.0%.

Philip Morris is especially interesting. In 1972, its net margin was 5.8%. Now Philip Morris is Altria in the United States and Philip Morris International. The Altria margin today is 25.7% and Philip Morris International’s is 27.5%. Allowing for rounding, Philip Morris' margins have almost, but not quite, quintupled. Its margins cannot possibly quintuple from this point forward because then the company’s profits would be greater than its revenues.

Between 1972 and today, an enormous margin expansion took place all across the world and that is simply not replicable. Margins wax and wane. For the last four decades, they have been increasing; that does not mean they cannot continue to increase, but they cannot increase indefinitely. That expansion is part of a historical rate of return that is not likely to continue. In the long run it is not replicable.

Western Union, which still exists, is a good example of why historical returns cannot be repeated. In 1972, Western Union was in the telegram business. It was clearly a challenged company and its net profit margin was 1.56%. Today, it is in the money wiring business. Yet, because of PayPal, Amazon Prime, and many other technological and competitive developments, including Wal-Mart entering the arena, that business is also under pressure. Today, Western Union's net profit margin is 14.4%. Even with the challenges that Western Union has faced, its profit margin from 1972 to today has increased more than nine times. Its profitability at this point is not going to increase nine fold. To the degree that Western Union is represented in some indexes, it affects the historical rates of return, and investors would do well to contemplate that.

Featured Companies

ALLIANT TECHSYSTEMS INC. (ATK)

Alliant Techsystems is spinning off its so-called outdoor sports business. "Outdoor sports business" is a euphemism for the company's individual firearms business. Alliant Techsystems makes ammunition and weapons systems for the United States government and for other governments. Those are military systems, but it also sells firearms and related products to individuals.

The outdoor sports business is not only firearms. It includes laser rangefinders, used by hunters in their hunting needs. Some people find sport in that; others might not. There are trail cameras for hunters to familiarize themselves with the habits of game in their vicinity, protective eyewear, mounts for weapons to improve aim, reloading equipment, binoculars, and telescopic sites for various rifles. The company also makes ammunition and, interestingly, there are ammunition brands that gun users prefer. For example, Alliant's Federal Premium is a preferred brand, as is its Speer ammunition which, incidentally, is not named after the Nazi war criminal by the same name.

It is significant that the individual firearms business and its associated paraphernalia and impedimenta, believe it or not, is a growth business. We know this because it can be quantified. The purchase of firearms in the United States requires National Instant Criminal Background Checks (NICS). They are conducted by the FBI, which publishes NICS statistics.

Table 4: NICS Requests

2006	10,036,933
2007	11,177,335
2008	12,709,023
2009	14,033,824
2010	14,409,616
2011	16,454,951
2012	19,592,303
2013	21,093,273

Source: United States FBI

It is intriguing that between 1998 and 2013, the FBI processed 181,567,975 NICS—a number that is equal to more than half the U.S. population.

An interesting statistic unrelated to firearms or the Alliant Techsystems spin-off is that NICS processed 98,688 requests for explosives in 2013. Out of that number of requests for explosives, 2,403 were denied; the others were approved.

Returning to Table 4, it is important to observe that the annual NICS figure, which we can get year by year, has been growing. In 2006, the number of NICS requests was 10,036,933. In 2013, the figure increased to 21,093,273. It doubled. Another notable statistic is that 27% of all criminal background checks for firearms are for women. Women were not a significant part of the firearms market years ago, but now they comprise a meaningful part of it.

When the spin-off occurs, it will be laden with the usual level of debt. In this case, it will be $300 to $350 million of debt. It is easily manageable by the new company because, according to company calculations, the spin-off will have $361 million of earnings before interest, taxes, depreciation, amortization, or EBITDA, on $2.2 billion of revenue.

I prefer to look at transactions on a net income basis. Allowing for some depreciation expense, and taxes and interest expense on the debt, the net profit margin is likely to be $180 million or a little over 8%. Sturm, Ruger, a much smaller company and one of its competitors, has a net profit margin of 16.16%, and Smith & Wesson has a profit margin of 14.25%. This is a classic spin-off in that the industry leader has the lowest margins. Generally speaking, the industry leader with the most volume eventually has the highest margins so, there is much room for margin improvement. It probably will be a good spin-off.

AUTOMATIC DATA PROCESSING, INC. (ADP)

Automatic Data Processing, Inc. proposes to spin off its dealer services business, which is basically software for the automotive parts industry. It is a low margin business, much lower than the traditional ADP payroll business. However, that does not mean it is a small business.

The spin-off represents about 16% of ADP revenue. We do not have the margin statistics yet from the company, but we know that the two main competitors have net profit margins as follows: Dealertrack Technologies has a profit margin of 1.22% and Solera Holdings has a net profit margin of 11.20%. It is also worthwhile observing that the automotive parts software business can probably be called market saturated and the margins are very variable; the profit margins of both Dealertrack and Solera fluctuate enormously. That variability is just a function of the fact that the business is very competitive. While the exact financials of the spin-off have yet to be published, it seems almost self-evident that its profitability will be much lower than the ADP base business. Ergo, it logically follows that the parent company, ADP, will exhibit higher profit margins post spin-off.

Right now, the ADP net profit margins are about 12.5%. The parent company has been a consistent repurchaser of its shares, but, as matters now stand, the parent company shares include the dealer services business, so the company is effectively repurchasing shares of the dealer services business as well.

When ADP essentially divests the dealer services business, by definition the ADP share itself will trade at a lower price. Therefore, the purchasing power of the remaining cash flow will be enhanced and it will be more meaningful. The company will therefore have a more robust stock repurchase program, and it will probably get a higher valuation of its shares as well. In this case, it looks like the parent is the more interesting company.

ENERGIZER HOLDINGS INC. (ENR)

Energizer is going to separate its battery business from its consumer products business. Energizer itself was a spin-off once. It has been expanding its consumer business, primarily by acquisition, and the main reason is that the battery business is not growing.

The company's consumer brands are well-known and include Schick shaving equipment, Edge shaving cream, Playtex products, and Hawaiian Tropic sunscreen. The consumer business itself has not been growing organically; its current size is due to acquisitions. For example, in 2013, Energizer bought Stayfree pads and Carefree liners. If it had a higher P/E ratio, that would help the company in the sense that it might use equity to finance some of these acquisitions.

Interestingly enough, even with the acquisitions, the battery business, which has not been expanding, has a higher operating margin than the personal care business. The battery business has a 21.8% operating margin, while the personal care business has only a 19.4% operating margin.

It is not feasible to grow the battery business by acquisition, because the only firm of scale to buy is Duracell; the alternative is to purchase something that is not a brand or is a poor brand, like Rayovac. It is feasible to increase the size of the consumer business by acquisition, but in its current structure even that is difficult, because the company now has $2.1 billion of debt and an equity base of $2.4 billion, all intangible. Making acquisitions that are of sufficient scale to change the business dynamics of the company without using equity would involve leaving this company excessively leveraged, at least in the modern way of looking at these situations.

A reasonable conjecture is that in the spin-off a disproportionate amount of the $2.1 billion of debt will find its way onto the balance sheet of the battery business, and if that assumption is correct, in effect that will make it a publicly traded leveraged recapitalization. That might prove to be a very interesting business in that it might have a very low market capitalization. We do not know that yet. That is an assumption, but it is worthwhile focusing upon it.

HARBINGER GROUP INC. (HRG)

The Harbinger Group is not a spin-off; it is a Bits and Pieces. The Harbinger Group is a very controversial company because 22% of it is owned by Phillip Falcone, who had various difficulties with the Securities and Exchange Commission and has been directed to liquidate his hedge fund. Harbinger Group, with a $1.9 billion market capitalization, trades at an obvious 50% discount to net asset value and perhaps an even greater discount to net asset value if one considers the non-quoted parts of the business. The quoted parts of the businesses include a 59% stake in Spectrum Brands, a publicly-traded, consumer products company; an 80% stake in Fidelity and Guarantee Life Insurance; and a 20% stake in North American Energy. In the last 9 to 12 months, Leucadia National has purchased 20% of Harbinger, and Joe Steinberg, former head of Leucadia, is now on the board of Harbinger. It is an obvious workout and yet it does not appear to be an obvious catalyst to make anything happen.

However, in recent weeks the media has yet to comment upon the minor development that Mr. Falcone controlled a shell company that was traded in pink sheets, a company he renamed HC2 Holdings. It only has a $62 million market capitalization, but it is a reasonable conjecture that the HC2 to which its name was recently changed stands for Harbinger Capital 2. The only reasonable purpose for having such a company is to acquire assets from either the liquidating hedge fund or possibly Harbinger Group, but more likely the hedge fund itself. HC2 Holdings does not have the money to do that. Where will that money come from? It can only come from the sale of the Harbinger Group.

As noted above, Mr. Falcone owns approximately 22.9% of the Harbinger Group. One of the problems of that company is that its structure is rather opaque. True, there are the positions in publicly traded companies, but there are also businesses about which we know very little. Examples are Salas, which provides secure asset loans; Front Street, which is in the long-term reinsurance business; HGI Energy, which is in the oil business; and another shell company, Zap, that is 97.9% owned by Harbinger Group. What is the purpose of that?

It makes very little sense for the owner to sell shares of Harbinger Group, because it is so remarkably undervalued. It is reasonable to anticipate some effort to bring a transparent structure to Harbinger to give it something more akin to its full value. That would enable or facilitate the liquidation of the hedge fund and probably the transfer of assets to HC2.

Post-Musings

FURTHER COMMENT ON THE MARGIN EXPANSION PROCESS

As we saw in the *Facts & Figures* section, in the last 40 odd years there has been an enormous increase in corporate profit margins. One can naïvely ignore that and simply say the 40-year rates of return of various segments of the market and the market as a whole occurred in a vacuum and the return, such as it was, is merely an intrinsic property of equities. A return happens for a reason and one of the reasons is margin expansion, but, the margin expansion itself is due to two factors.

One factor is a huge drop in the corporate tax rate worldwide and that is cannot be replicated. One cannot look at the returns for the last four decades and draw any conclusions based on the knowledge that part of the return was due to a huge decline in tax rates. The second factor is the efficiencies that were created when governments around the world relaxed their antitrust provisions and allowed takeovers to an extent they were never permitted before.

Look at a company like Procter & Gamble in a historical context versus Procter & Gamble today. Today it is a very profitable company; it is a giant. In the past, the regulatory authorities were loath to allow companies like Procter & Gamble to dominate a business as much as they did. Now, that is possible, but it is cannot be repeated, because Procter & Gamble will not be allowed to dominate its business much more than it already does. The same can be said of other industries. For example, in banking, Citigroup, Bank of America, or J.P. Morgan all control about 10% of the deposits in the United States and it is not likely they are going to control 20% of the deposits.

For the huge companies that comprise the lion's share of the market value of the indexes, the issue is really margin expansion or how replicable it is. For how much of the historical return did that variable account? Without acquisitions and without consolidation, what is the obvious outlet for the cash? It is not obvious that there is a probable outlet for it. It is very likely that going forward for decades, the returns are going to be very unlike the historical rates of return.

From the Readers

EQUITY RATIOS OVER THE LAST 40 YEARS

Q: What has happened with equity ratios in 40 odd years?

A: In the early 1970s, the preference was to finance with equity rather than with debt. In the balance sheet sense, most companies were very conservative and the high yield market as we know it today did not exist. There was no middle market lending market such as we know today. Therefore, balance sheets generally were conservative. Over the ensuing 40 years, they became less conservative and now they are back to what they were. That might be a norm that lasts for a generation or more. That is not going to change.

INTEREST RATE SCENARIO

Q: Can you elaborate on the interest rate scenario?

A: I am one of the minority that believes interest rates are not going to go up materially. I base that on this analysis. Every month, I look at all of the publicly traded debt in America, a statistic tabulated and reported by the Securities Industry Financial Markets Association (SIFMA). That number now exceeds $40 trillion. It only includes the publicly traded debt. That is aside from credit card debt, auto loans, or bank loans that are not publicly traded. It does not include the federal agency securities that are not necessarily traded, such as Ginnie Mae (as opposed to Fannie Mae and Freddie Mac); those number in the trillions of dollars, and so on and so forth.

I estimate the bank loans, the credit card debt, and other such at $60+ trillion. Let us say interest rates were to rise by one percentage point. There might well be a $17 trillion United States economy, but if my estimate is correct, then 1% on $60 trillion is $600 billion of expense. It is not that a $17 trillion economy has to carry that debt; it is only the half of the economy that owes the money that has to carry it. Therefore, maybe it is an $8 trillion economy that has to carry an extra $600 billion of interest expense. I do not see how that can be done.

If interest rates rise two percentage points, as some believe they will, that is not $600 billion of interest expense; that is $1.2 trillion and the servicing base is more like $8 trillion. I do not see how it is possible.

Therefore, I do not think interest rates will go up. Of course, that is the minority view.

SEARS

Q: Sears has been said to be making yet another rearrangement of its assets, moving more assets into the reinsurance company. Does that change your notion of Sears?

A: If anything, it makes me more positive. Sears always had the dichotomy between the ring fenced assets and the non-ring fenced assets. Even now, there is very little that the bondholders at the holding company level could really get, most of the debt being at the subsidiary, guarantor level. Assuming that further such asset movement is true, it will even be less.

The bondholders only have claim to the guarantor assets. The non-guarantor assets belong to the equity holders. Of course, if the bond owners were really worried about it, one cannot just transfer assets without consideration. They could theoretically sue on the basis of fraudulent conveyance. However, I do not think Sears plans to default on its obligations. The credit card receivables are a pretty good asset. I do not believe the bondholders are going to be any the worse for wear.

Sears is clearly the most controversial stock there is, maybe even including Harbinger Group. In the most recent Barron's poll, portfolio managers were asked which companies they liked least, and I believe either 92% or 93% mentioned Sears. That leaves 7%, but it is not as if the other 7% like Sears. It was just that they have a stock they hate even more than Sears.

However, Sears is an owner operator company and is not without precedent as an almost universally disliked company, even in the annals of our own reports. One might recall some years ago we recommended Dillard Department Stores. The idea was that Dillard was sitting on real estate. The department stores were not keeping pace with the retailing trends of the time and were falling behind. The company was not profitable, but it did have the real estate. The company was run by the Dillard family and it traded at an exceedingly low valuation. This went on for years until finally the company decided to do something about it. It ended up being a great investment.

Sears actually has more assets than Dillard in the sense that it has real brand name assets, which Dillard did not have. Time will tell, as it does for all things.

Q: The company's owner operator, Edward Lampert bought back around 14,000 shares just the other day.

A: That is not a large number of shares, but it is a statement.

WEALTH INDEX (Ticker: RCH Index)

As of June 30, 2014

Annualized Total Return	1 Year	3 Years	5 Years	7 Years	10 Years	15 Years	20 Years	Since Incep. 1991 - Jun '14
Wealth Index	29.80%	17.09%	26.17%	11.75%	13.08%	8.88%	13.05%	13.74%
S&P 500	24.61%	16.58%	18.83%	6.16%	7.78%	4.35%	9.79%	10.13%
S&P 500 Eq. Wgt.	27.35%	17.17%	22.37%	8.26%	10.08%	8.52%	11.79%	12.59%
Russell 3000	25.22%	16.46%	19.33%	6.47%	8.23%	5.03%	9.93%	10.44%
Russell 2000	23.64%	14.57%	20.21%	6.73%	8.70%	8.01%	9.81%	11.35%
Excess Return vs. S&P 500	5.19%	0.50%	7.34%	5.59%	5.29%	4.53%	3.26%	3.61%
Excess Return vs. S&P 500 Eq. Wgt.	2.44%	-0.08%	3.81%	3.48%	2.99%	0.36%	1.26%	1.15%
Excess Return vs. Russell 3000	4.58%	0.63%	6.84%	5.27%	4.85%	3.84%	3.11%	3.30%
Excess Return vs. Russell 2000	6.16%	2.52%	5.96%	5.02%	4.37%	0.87%	3.24%	2.40%

**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 - Jun '14
Wealth Index	2.44	1.11	1.53	0.51	0.65	0.38	0.60	0.66
S&P 500	2.60	1.35	1.41	0.36	0.53	0.28	0.64	0.69
S&P 500 Eq. Wgt.	2.81	1.21	1.47	0.41	0.57	0.48	0.70	0.78
Russell 3000	2.63	1.28	1.39	0.37	0.54	0.32	0.64	0.70
Russell 2000	1.79	0.86	1.11	0.31	0.44	0.39	0.50	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 - Jun '14
Wealth Index vs. S&P 500	0.85	0.09	1.10	0.59	0.60	0.40	0.31	0.35
Wealth Index vs. S&P 500 Eq. Wgt.	0.50	(0.02)	0.80	0.61	0.53	0.03	0.13	0.12
Wealth Index vs. Russell 3000	0.90	0.13	1.17	0.62	0.61	0.37	0.32	0.35
Wealth Index vs. Russell 2000	1.35	0.50	0.94	0.63	0.60	0.07	0.29	0.23

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

Wealth Index Batting Average	Roll. 1 Year	Roll. 3 Year	Roll. 5 Year
vs. S&P 500	61.62%	69.64%	70.85%
vs. S&P 500 Eq. Wgt.	59.04%	63.97%	59.64%
vs. Russell 3000	64.21%	70.04%	76.68%
vs. Russell 2000	60.89%	66.80%	73.99%

**Note: Calculated Using Total Returns*

Annualized Volatility	1 Year	3 Years	5 Years	7 Years	10 Years	15 Years	20 Years	Since Incep. 1991 - Jun '14
Wealth Index	12.20%	15.45%	17.10%	22.93%	20.25%	23.10%	21.84%	20.87%
S&P 500	9.47%	12.26%	13.40%	16.92%	14.70%	15.39%	15.18%	14.60%
S&P 500 Eq. Wgt.	9.73%	14.18%	15.20%	20.24%	17.61%	17.75%	16.92%	16.25%
Russell 3000	9.59%	12.85%	13.94%	17.54%	15.29%	15.80%	15.47%	14.85%
Russell 2000	13.18%	16.98%	18.23%	21.93%	19.73%	20.46%	19.68%	18.99%

**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 - Jun '14
vs. S&P 500	6.13%	5.58%	6.66%	9.44%	8.85%	11.21%	10.54%	10.25%
vs. S&P 500 Eq. Wgt.	4.90%	4.03%	4.76%	5.76%	5.67%	10.53%	9.80%	9.39%
vs. Russell 3000	5.07%	4.71%	5.87%	8.56%	8.00%	10.43%	9.71%	9.44%
vs. Russell 2000	4.57%	5.01%	6.34%	7.92%	7.32%	11.93%	11.08%	10.57%

**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 - Jun '14
vs. S&P 500	1.12	1.19	1.19	1.26	1.27	1.36	1.29	1.28
vs. S&P 500 Eq. Wgt.	1.16	1.05	1.08	1.10	1.11	1.17	1.17	1.16
vs. Russell 3000	1.17	1.16	1.16	1.23	1.24	1.35	1.30	1.29
vs. Russell 2000	0.87	0.87	0.88	0.98	0.96	0.97	0.96	0.95

**Note: Calculated Using Total Returns*

Calendar Year Total Returns	Wealth Index	S&P 500	S&P 500 Eq. Wgt.	Russell 3000	Russell 2000	ER v. SP500	ER v. SP500 EW	ER v. R3000	ER v. R2000
1991	44.25%	30.47%	35.51%	33.68%	46.04%	13.78%	8.73%	10.57%	-1.80%
1992	20.20%	7.62%	15.63%	9.59%	18.41%	12.58%	4.56%	10.61%	1.79%
1993	3.38%	10.08%	15.12%	10.88%	18.88%	-6.70%	-11.75%	-7.50%	-15.50%
1994	0.33%	1.32%	0.95%	0.19%	-1.82%	-0.99%	-0.62%	0.14%	2.15%
1995	31.31%	37.58%	32.03%	36.80%	28.45%	-6.27%	-0.72%	-5.49%	2.86%
1996	23.09%	22.96%	19.02%	21.82%	16.49%	0.13%	4.06%	1.27%	6.59%
1997	27.31%	33.36%	29.05%	31.78%	22.36%	-6.06%	-1.74%	-4.48%	4.94%
1998	24.95%	28.58%	12.19%	24.14%	-2.55%	-3.63%	12.76%	0.81%	27.49%
1999	44.68%	21.04%	12.03%	20.90%	21.26%	23.64%	32.66%	23.78%	23.43%
2000	-19.16%	-9.10%	9.64%	-7.46%	-3.02%	-10.06%	-28.80%	-11.70%	-16.14%
2001	-10.80%	-11.89%	-0.39%	-11.46%	2.49%	1.08%	-10.41%	0.65%	-13.29%
2002	-15.49%	-22.10%	-18.18%	-21.54%	-20.48%	6.61%	2.69%	6.05%	4.99%
2003	45.41%	28.68%	40.97%	31.06%	47.25%	16.72%	4.44%	14.35%	-1.85%
2004	17.97%	10.88%	16.95%	11.95%	18.33%	7.09%	1.02%	6.02%	-0.36%
2005	3.30%	4.91%	8.06%	6.12%	4.55%	-1.61%	-4.76%	-2.82%	-1.25%
2006	22.61%	15.79%	15.80%	15.71%	18.37%	6.81%	6.81%	6.89%	4.24%
2007	1.73%	5.49%	1.53%	5.14%	-1.57%	-3.76%	0.20%	-3.41%	3.30%
2008	-43.67%	-37.00%	-39.72%	-37.31%	-33.79%	-6.68%	-3.95%	-6.37%	-9.89%
2009	72.80%	26.46%	46.31%	28.34%	27.17%	46.33%	26.49%	44.46%	45.62%
2010	31.51%	15.06%	21.91%	16.93%	26.85%	16.45%	9.60%	14.58%	4.65%
2011	5.11%	2.11%	-0.11%	1.03%	-4.18%	3.00%	5.22%	4.09%	9.29%
2012	13.53%	16.00%	17.65%	16.42%	16.35%	-2.48%	-4.13%	-2.89%	-2.82%
2013	41.08%	32.39%	36.16%	33.55%	38.82%	8.69%	4.92%	7.53%	2.25%
2014 YTD	6.21%	7.14%	8.66%	6.94%	3.19%	-0.93%	-2.45%	-0.74%	3.02%

**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 June 2014

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yr. End	Index	Yearly return	Annualized return (since inception)
1983								1.00	0.81	0.76	0.87	0.75	1983	0.75	(60.5)%	(50.2)%
1984	0.75	0.71	0.70	0.66	0.67	0.67	0.61	0.83	0.79	0.76	0.67	0.65	1984	0.65	(13.5)%	(26.5)%
1985	0.92	0.93	0.99	0.95	1.20	1.30	1.32	1.38	1.28	1.50	1.86	2.02	1985	2.02	211.8%	33.7%
1986	2.46	2.78	2.47	2.31	2.36	2.33	2.03	2.23	1.98	2.37	2.34	2.34	1986	2.34	15.9%	28.2%
1987	3.21	3.27	3.16	2.55	2.37	2.30	2.39	2.47	2.22	1.56	1.44	1.52	1987	1.52	(35.0)%	9.9%
1988	1.80	1.87	1.78	1.79	1.69	1.94	1.92	1.96	2.01	1.97	1.95	2.07	1988	2.07	36.0%	14.3%
1989	2.42	2.37	2.54	2.63	2.64	2.64	2.93	3.12	3.07	3.05	3.23	3.26	1989	3.26	57.8%	20.2%
1990	3.12	3.15	3.53	3.06	3.47	3.45	3.30	2.70	2.68	2.40	2.52	3.02	1990	3.02	(7.3)%	16.1%
1991	3.08	3.49	3.70	3.68	3.71	3.61	3.86	4.05	4.07	4.69	4.47	5.72	1991	5.72	89.4%	23.0%
1992	5.76	5.61	5.30	5.12	4.98	4.99	5.93	6.06	6.19	6.56	7.25	7.36	1992	7.36	28.6%	23.6%
1993	8.06	8.04	8.20	7.94	8.15	8.57	9.05	10.00	9.99	9.31	8.97	8.90	1993	8.90	21.0%	23.4%
1994	9.52	8.73	8.05	7.85	7.81	7.53	7.66	8.31	8.15	8.52	7.88	7.95	1994	7.95	(10.6)%	19.9%
1995	7.74	8.38	8.72	8.77	9.20	9.35	9.93	10.78	11.22	10.53	10.89	10.40	1995	10.40	30.8%	20.8%
1996	11.12	11.50	11.33	11.62	11.86	12.53	11.91	12.36	13.32	14.03	14.42	15.02	1996	15.02	44.4%	22.4%
1997	16.04	16.81	15.32	17.27	18.42	20.29	22.28	21.39	25.31	24.95	24.95	25.50	1997	25.50	69.8%	25.2%
1998	25.67	29.00	29.89	30.60	28.90	30.44	27.67	21.33	21.74	25.16	27.27	25.41	1998	25.41	(0.4)%	23.3%
1999	26.00	23.71	23.92	26.77	28.94	29.74	28.78	26.74	25.89	27.73	28.54	30.55	1999	30.55	20.2%	23.2%
2000	31.07	31.19	36.01	35.60	35.20	40.32	43.58	45.75	45.62	48.69	44.05	49.84	2000	49.84	63.1%	25.2%
2001	50.23	46.41	44.27	46.96	48.90	49.98	50.67	49.70	46.47	44.81	48.04	51.91	2001	51.91	4.2%	23.9%
2002	53.62	53.74	55.11	52.52	52.83	50.48	42.58	44.92	41.54	42.66	45.78	43.17	2002	43.17	(16.8)%	21.4%
2003	42.72	41.18	42.36	45.98	49.02	50.71	53.47	53.97	53.46	56.12	55.83	58.49	2003	58.49	35.5%	22.1%
2004	64.38	65.08	64.63	61.68	60.86	62.30	58.71	64.08	65.73	68.86	73.53	78.16	2004	78.16	33.6%	22.6%
2005	76.46	77.94	74.06	72.83	77.02	80.25	83.59	83.07	86.03	89.19	96.58	97.35	2005	97.35	24.6%	22.7%
2006	107.62	111.44	110.75	111.88	101.89	100.61	100.62	104.98	114.61	116.64	113.78	118.05	2006	118.05	21.3%	22.6%
2007	125.73	123.77	122.62	127.58	133.57	134.68	126.61	124.07	133.57	148.09	135.13	135.56	2007	135.56	14.8%	22.3%
2008	127.53	115.76	115.94	121.58	130.51	115.68	119.94	120.55	109.69	72.70	62.95	67.91	2008	67.91	(49.9)%	18.1%
2009	57.51	51.76	65.63	79.49	85.67	90.79	99.97	101.69	107.32	107.36	110.94	115.01	2009	115.01	69.4%	19.7%
2010	106.84	110.32	118.13	114.91	100.18	88.17	97.65	89.64	103.59	108.29	108.64	119.58	2010	119.58	4.0%	19.1%
2011	122.80	128.28	127.94	127.97	126.06	121.03	115.49	104.25	91.32	102.44	103.79	103.98	2011	103.98	(13.1)%	17.8%
2012	109.46	120.12	125.37	121.64	108.44	114.12	113.56	118.33	123.18	127.91	131.76	135.00	2012	135.00	29.8%	18.1%
2013	151.20	155.13	165.52	166.55	174.89	164.20	179.01	168.47	176.12	192.14	197.16	208.44	2013	208.44	54.4%	19.2%
2014	194.17	196.87	203.88	196.24	195.40	206.41							2014	206.41	(1.0)%	18.8%

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	$282,796
2	BLK US Equity	BlackRock	$23,205	1,658	9/30/1999	$532,940
3	WDR US Equity	Waddell & Reed	$27,513	1,587	3/31/1998	$99,349
4	EV US Equity	Eaton Vance	$2,641	3,998	1/31/1986	$151,099
5	TROW US Equity	T. Rowe Price	$2,423	2,014	4/30/1986	$170,875
6	BEN US Equity	Franklin resources	$908	1,263	4/30/1985	$219,634
7	LM US Equity	Legg Mason	$1,000	462	8/31/1983	$23,789
8	FII US Equity	Federated Inv	$26,381	2,206	5/31/1998	$68,212
9	FIG US Equity	Fortress Investment Group	$102,249	3,389	2/28/2007	$25,215
10	PZN US Equity	Pzena Investment Management	$122,426	6,317	10/31/2007	$70,499

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

International Money Manager Index

From Nov 1986 to June 2014

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yr. End	Index	Yearly return	Annualized return (since inception)
1986											1.00	1.02	1986	1.02	10.0%	10.0%
1987	1.25	1.37	1.48	1.48	1.37	1.33	1.39	1.40	1.33	0.81	0.76	0.73	1987	0.73	(27.7)%	(23.3)%
1988	0.75	0.92	1.02	0.95	0.80	0.89	0.88	0.82	0.86	0.88	0.89	0.93	1988	0.93	26.4%	(3.4)%
1989	1.03	1.02	1.06	1.17	1.19	1.18	1.25	1.16	1.17	1.20	1.21	1.28	1989	1.28	37.8%	8.1%
1990	1.24	1.24	1.18	1.19	1.22	1.24	1.26	1.26	1.23	1.24	1.25	1.33	1990	1.33	3.7%	7.0%
1991	1.34	1.52	1.56	1.58	1.57	1.47	1.52	1.64	1.81	1.89	1.94	1.92	1991	1.92	44.8%	13.5%
1992	2.01	1.93	1.88	2.14	2.19	2.13	2.08	1.99	1.95	1.77	1.76	1.96	1992	1.96	1.9%	11.5%
1993	1.98	2.03	2.20	2.39	2.42	2.45	2.54	3.05	3.01	3.07	3.01	3.30	1993	3.30	68.7%	18.1%
1994	3.72	3.39	3.17	3.04	2.99	2.89	3.01	3.14	3.13	3.19	3.15	3.15	1994	3.15	(4.7)%	15.1%
1995	3.07	3.12	3.28	3.41	3.56	3.59	3.87	3.76	3.76	3.77	3.70	3.73	1995	3.73	18.6%	15.4%
1996	3.76	3.85	3.70	3.79	3.96	3.90	3.75	3.96	4.16	4.47	4.90	4.86	1996	4.86	30.3%	16.8%
1997	5.11	5.37	4.99	4.96	5.43	5.94	6.57	6.32	7.45	7.24	6.80	7.19	1997	7.19	47.9%	19.3%
1998	7.12	8.05	8.78	9.25	8.95	8.74	8.91	6.67	6.08	7.01	7.51	7.71	1998	7.71	7.3%	18.3%
1999	7.99	8.21	8.68	9.07	8.71	8.61	8.63	8.43	8.47	8.79	9.80	10.79	1999	10.79	39.9%	19.8%
2000	11.23	12.27	13.95	13.50	13.73	15.39	15.85	16.82	17.07	16.31	14.43	16.76	2000	14.43	33.8%	20.7%
2001	17.42	15.88	13.46	15.14	15.84	15.15	14.21	13.61	10.77	11.43	13.90	14.12	2001	14.12	(2.2)%	19.1%
2002	14.74	13.78	15.09	15.11	16.38	14.14	12.92	12.10	11.23	11.06	11.33	10.50	2002	10.50	(25.6)%	15.7%
2003	10.18	9.52	9.69	10.62	12.17	13.04	13.98	15.38	16.67	17.88	18.16	18.07	2003	18.07	72.1%	18.4%
2004	20.00	22.41	29.98	35.46	26.68	30.80	25.37	25.20	23.67	23.34	27.56	31.48	2004	31.48	74.2%	20.9%
2005	32.19	32.57	31.88	27.79	27.36	29.05	30.38	31.49	33.39	32.24	32.95	37.18	2005	37.18	18.1%	20.8%
2006	41.01	40.97	43.69	46.45	42.39	41.58	40.60	43.32	43.55	43.70	44.58	49.38	2006	49.38	32.8%	21.3%
2007	50.95	51.18	53.59	56.09	58.16	56.37	53.90	48.65	50.96	57.03	48.21	45.75	2007	45.75	(7.3)%	19.8%
2008	38.71	39.71	38.59	40.18	39.25	35.10	34.59	33.33	26.09	18.72	14.50	15.79	2008	15.79	(65.5)%	13.3%
2009	14.62	13.24	14.96	19.63	22.82	23.73	26.14	27.05	28.41	28.53	28.69	29.83	2009	29.83	89.0%	15.8%
2010	28.50	27.58	29.90	29.58	25.53	24.72	27.82	26.74	30.36	33.68	31.85	34.52	2010	34.52	15.7%	15.8%
2011	34.91	36.17	36.51	39.63	37.86	35.31	35.83	32.76	29.28	32.04	31.23	30.59	2011	30.59	(11.4)%	14.56%
2012	32.12	34.36	35.67	35.08	31.03	32.92	32.66	34.17	36.33	37.28	38.11	40.73	2012	40.73	33.1%	15.22%
2013	43.61	42.58	44.42	49.29	50.40	47.75	50.58	49.32	52.49	55.65	55.41	58.88	2013	58.88	44.6%	16.19%
2014	55.35	58.98	61.86	59.92	59.05	59.89							2014	59.89	1.7%	15.94%

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	$3,554
2	IVZ US Equity	Invesco Plc (Previously Amvescap)	$1,357	1,153	1/31/1991	$21,754
3	SDR LN Equity	Schroders Plc	$1,208	505	3/31/1991	$21,639
4	RAT LN Equity	Rathbone Brothers Plc	$1,208	736	3/31/1991	$24,910
5	ADN LN Equity	Aberdeen Asset Mgmt Plc	$1,208	1,827	3/31/1991	$14,186
6	CIX CN Equity	CI Financial Corp.	$2,585	3,224	6/30/1994	$106,228
7	EMG LN Equity	Man Group Plc	$2,862	6,344	10/31/1994	$8,676
8	AGF/B CN Equity	AGF Management Ltd-Cl B	$3,343	1,346	1/31/1996	$15,746
9	8739 JP Equity	Sparx Group Co Ltd	$11,762	108	12/31/2001	$25,132
10	HGG LN Equity	Henderson Group Plc	$14,447	8,666	12/31/2003	$28,574
11	AZM IM Equity	Azimut Holding Spa	$21,908	4,977	7/31/2004	$128,236
12	CCAP LN Equity	Charlemagne Capital Ltd	$36,848	22,300	3/31/2006	$7,341
13	PGHN SW Equity	Partners Group-Reg	$36,848	578	3/31/2006	$158,024
14	ASHM LN Equity	Ashmore Group Plc.	$36,688	9,873	10/31/2006	$62,472