The Fixed Income Contrarian Compendium

September 2013

Featured Companies

Nuveen Short Duration Credit Opportunities Fund (JSD)
Nuveen Michigan Quality Income Municipal Fund (NUM)
Millicom International Cellular S.A. (MIICF)
Lamar Media Corporation (LAMR)

Exclusive Marketers of
The Fixed Income Contrarian Report

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Murray's Musings

RISK AND INTEREST RATES

"I can resist anything but temptation," Oscar Wilde once remarked. His comment may be apt in relation to the portfolio posture one should adopt in anticipation of rising interest rates. After all, one is not really sure to what degree interest rates will rise—or even if they will rise. Clearly, there is a risk in buying longer-dated securities with higher yields if rates were to rise. There is also a risk in buying shorter-dated securities if rates do not rise.

For discussion purposes, let us assume that the 10-year Treasury rate is 2.56% and that it will be 4.56% in 24 months—this is not a prediction, but merely a hypothetical example. If it were to yield 4.56%, however, the 10-year Treasury 24 months hence would be an 8-year Treasury. If rates increase to that magnitude, the then-8-year Treasury would be trading for a price of 86.72 in relation to par. Inclusive of income, this would result in a negative 4.17% compound annual rate of return.

Alternatively, let us assume, should interest rates rise, that one purchased the Western Asset Mortgage Defined Opportunity Fund (DMO), a closed-end fund currently trading at a 6.9% discount to NAV. This fund has an average maturity of 6.9 years and a current yield of 8.03%. It is 10.78% leveraged. Even though this is comprised of mortgage paper and its maturity is shorter than the 10-year Treasury, we will nevertheless presume that the price of this fund will decline by the amount of the 10-year Treasury multiplied by the leverage factor. When you multiply the negative rate of return of a 10-year Treasury of roughly 14% by 1.1078 (the leverage factor is 10.78%) and ignore any return due to mortgage principal amortization and the accretion of those securities towards par (because, theoretically, 24 months from now they will be 5-year mortgages) there is no mitigation of the negative rate of return. However, one would collect the current yield of over 8%.

Including income collected over the course of 24 months—given probably an aggressively high assumption for principal decline in a rising-rate environment—the fund would provide a positive annualized rate of return of 74 basis points per annum, or 4.91% per annum more than the purchase of a 10-year Treasury. This assumes, of course, that the discount to NAV of the closed-end fund does not widen, and certainly it may widen.

Rates are so low for most fixed income instruments that the problem of return in the fixed-income dimension cannot be solved by the avoidance of maturity or yield curve risk—which is to say, by buying fixed-income securities of sufficiently short duration so there will be no meaningful depreciation whatever the rate increase, if any. There also will be no meaningful rate of return.

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It is worth noting that the avoidance of maturity or duration risk is also a risk. It is not entirely clear that rates will rise. As a matter of fact, a plausible scenario that most people seem to dismiss is that rates will not rise and yet there will be 2-3% nominal inflation. Therefore, a nearly zero return risk avoidance strategy might result in a negative 2-3% real compound annual rate of return. Rates have increased recently and it is amazing how rapidly the economy began adjusting to higher rates.

According to the National Association of Home Builders, June housing starts were at a seasonally adjusted annual rate of 836,000; in July, the figure rose 5.9% to 883,000, and in August, it rose about 1% to 891,000. According to the Census Bureau, June building permits were issued at an annual rate of 911,000. Those numbers by themselves are not meaningful. They are weaker than the March numbers, but that is not as important as considering them in the context of comparable numbers from over a decade ago. In June 2002, the period at the end of a recession as opposed to the current period in which the economy presumably has been recovering for years, the number of building permits was 1,706,000. In that historical context, the 911,000 figure for June 2013 is amazingly weak, as are the figures for July and August 2013.

Table 1

(in '000s)	Housing Starts	Building Permits
June 2013	836	911
July 2013	883	943
Aug. 2013	891	918
June 2002	1,695	1,706
July 2002	1,645	1,712
Aug. 2002	1,609	1,669

Source: http://www.nahb.org, http://www.census.gov/

According to the National Association of Realtors, the existing home sales figure for June 2013 was 5.08 million, at a seasonally adjusted annual rate. By contrast, the June 2010 number was 4.45 million. So, existing home sales are almost back to the June 2010 level. A slight rise in rates could further weaken the housing market. One can only wonder what a more significant rise in interest rates might bring for housing. The case could be made that the economy is sufficiently fragile that it cannot tolerate meaningful interest rate increases, a case that has been made previously in these pages.

Therefore, risk avoidance by buying the short-maturity low-coupon fixed-income instrumentality might actually be the highest-risk strategy. As a general rule, the strategy adopted by the majority of investors is usually the highest-risk strategy.

Another interesting set of statistics is for those people who blend short maturity with higher coupon securities and therefore traffic in high-yield expense. It is worth noting the

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following statistics: The iShares High Yield Corporate Bond Index ETF (HYG) has an average yield to maturity of 5.49%. The weighted average maturity of securities in that fund is 4.74 years. The weighted average coupon is 7.10%. Bonds with high coupons and long maturities are rapidly disappearing. Investors might come to regret that, even though the issuers merely are responding to the marketplace.

Industry Thoughts

CLOSED-END MUNICIPAL HIGH-YIELD FUNDS

Let us consider four examples of closed-end municipal high-yield funds, which happen to be at discounts to net asset value. Table 2 lists three MFS funds and one Nuveen fund.

Table 2: Closed-End Municipal High-Yield Funds

Ticker	Fund	Yield	Prem/Disc to NAV	Duration	Avg. Maturity
CXE	MFS High Income Municipal	7.04%	(6.88%)	13.31 yrs	19.16
CMU	MFS High Yield Municipal	7.08%	(8.54%)	11.30 yrs	18.87
MFM	MFS Municipal Income	6.98%	(4.65%)	12.00 yrs	20.02
NMZ	Nuveen Muni High Income Opp	7.55%	(5.07%)	7.15 yrs	N/A

Source: Fund websites

Their yields are largely tax-exempt and range from 7.04% to 7.55%. Those yields are interesting in comparison to that of the High Yield Index (HYG) which, as mentioned above, has an average yield to maturity of 5.53% and is fully taxable. All these funds trade at discounts to net asset value ranging from a 4.65% discount to NAV to 8.54%. The duration of three of these funds is more than double the HYG duration, which is 4.16 years. The duration for the three MFS funds range from 11.3 years to 13.3 years, and for the Nuveen fund it is 7.15 years. One can get a 7.55% yield in a fund trading at a 5% discount to NAV, largely tax exempt, with a 7.15 year duration. However, it appears that very few people are interested.

I am interested in these observations because, in 2008, the drawdown experience of these funds was massive. In that year, the credit market had ceased to function. The hardest-hit of the lot was Nuveen Municipal High Income Opportunity Fund, for which the NAV rate of return was negative 42.23% for 2008. By comparison, the NAV drawdown of HYG was 23.80% in 2008.

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Table 3: 2008 Drawdown Experience

Ticker	Fund	NAV Returns
HYG	iShares High Yield Corporate ETF	(23.80%)
CXE	MFS High Income Municipal	(37.73%)
CMU	MFS High Yield Municipal	(37.41%)
MFM	MFS Municipal Income	(30.00%)
NMZ	Nuveen Muni High Income Opp	(42.23%)

Source: Fund websites

All these funds are leveraged about 35-40%. Let us say that one wished to forego the leverage-factor risk of these funds. If you take the roughly 30% drawdown experience of these funds and divide by their approximate leverage ratios of, say, 1.35 to 1.4, you will achieve a better rate of return from the MFS funds than from HYG. In theory, one could make up a portfolio of these names and be only 65% or so invested, have a comparable drawdown experience as HYG had in 2008, get a tax advantage, and buy the funds at a discount to NAV.

Table 4: Leverage Factors

Ticker	Fund	Factor
HYG	iShares High Yield Corporate ETF	0.00%
CXE	MFS High Income Municipal	35.61%
CMU	MFS High Yield Municipal	34.50%
MFM	MFS Municipal Income	29.62%
NMZ	Nuveen Muni High Income Opp	34.35%

Source: Fund websites

It is worth noting that there are very few defaults in the high-yield municipal space. The recovery rates of return in 2009, as the next table shows, ranged from 52.84% to 60.50%.

Table 5: Recovery Experience, 2009

Ticker	Fund	NAV Returns
CXE	MFS High Income Municipal	52.84%
CMU	MFS High Yield Municipal	53.96%
MFM	MFS Municipal Income	47.92%
NMZ	Nuveen Muni High Income Opp	60.50%

Source: Fund websites

Of course, someone could have created the same volatility by taking the HYG Index and leveraging it 35%. If someone wants to get a 7% rate of return out of HYG, it could be 00

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leveraged 34%. Assuming a 100 basis-point cost of funding, one would pick up 154 basis points of additional yield, plus the 5.53% yield from HYG, to get 7.07%—but there would be no tax advantage and no discount to NAV.

In the world of high yield investments, the yield is still declining. In contrast, because of the Detroit bankruptcy, there is little refinancing activity in the municipal high-yield space, and there is an enormous tax advantage for investing in that arena. Given the discount to NAV, if you apply the leverage only to the discounted portions—for example, if the fund has 30% leverage and trades at a 10% discount to NAV—you are buying the leveraged portion of the fund at 67 cents on a dollar. Investors looking for risk avoidance might consider that a municipal bond crisis impacting the lesser credits would most likely result from a decline in tax revenue which, in turn, would result from a decline in the economy and, in all likelihood, would impact the weaker or less robust corporate credits.

Facts & Figures

MUNI BONDS VS. A MIXED FIXED-INCOME PORTFOLIO

In this section, we examine the iShares National AMT-Free Municipal Bond ETF (MUB) and compare it to the iShares Core Total U.S. Bond Market ETF (AGG). In terms of assets under management, AGG has $14.7 billion while MUB has $3.3 billion, slightly over a fifth of AGG's.

Table 6: MUB and AGG

	MUB	AGG
AUM	$3.1 billion	$14.4 billion
Avg YTM	3.03%	2.22%
Wtd Avg Maturity	6.77 yrs	6.72 yrs
Duration	7.26 yrs	5.04 yrs
% A and above (Moody's)	86.61%	85.91%

Source: Fund websites

The average yield to maturity of MUB is 3.03% versus 2.22% for AGG. Clearly, the municipal bonds are yielding more in absolute terms than a diversified portfolio of fixed-income securities, not merely Treasury securities. The duration of AGG is 5.04 years; MUB's is 7.26 years. I do not believe the duration differential can explain the yield differential, however, and I do not believe creditworthiness explains it either; the proportion of bonds in AGG rated at least A by Moody's is 85.9% and the proportion of bonds in MUB rated at least A by Moody's is an essentially comparable 86.6%.

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The reason for the yield differential is rather unusual. We will explore what is behind the higher yield at MUB by studying a market with a history of budget and tax controversy. What could be a better subject than the State of California?

By way of comparison with the other two funds, we will look at the iShares California AMT-Free Municipal Bond ETF (CMF). This fund has only $253 million of assets because, who would like to buy a California bond, even though most of the bonds in the fund are not issued by the State of California, but by municipalities or projects?

Table 7: iShares California AMT-Free Muni Bond ETF

	CMF
AUM	$253 m
Avg YTM	2.99%
Wtd Avg Mat	6.48 yrs
Duration	7.46 yrs
% A and above (Moody's)	91.66%

Source: Fund websites

The average yield to maturity is 2.99 percent, roughly consistent with MUB, and the percentage of bonds rated at least A by Moody's 91.66%—a far higher proportion of A-rated bonds than either AGG or MUB. It has a higher absolute yield than AGG, and it confers various tax advantages, but it is essentially eschewed by bond market investors. The reason? Bond decisions and asset allocation decisions are made on the basis of vast macroeconomic generalizations that have no relation to real world experience whatsoever.

In our search for the causes of this phenomenon, perhaps we should look not to a state with improving credit, like California, but rather to the State of Michigan. In mid-July, Detroit filed for bankruptcy. It is notable that Detroit has lost 60% of its population since the 1950s and the population is still declining.

Before looking at the figures for the Michigan Municipal Bond market, let us study the Metro Detroit Case-Shiller Home Price Index in Table 8. The Metro Detroit Case-Shiller Home Price Index for December 2011 was 70.46. By contrast, the most recent number, from July 2013, is 90.8. It takes Case-Shiller a few months to come up with its numbers so there is always a lag of a couple of months. That July 2013 number includes data from after the Detroit bankruptcy filed on July 18, 2013. Many surmised that Detroit's financial circumstances were not robust.

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Table 8: Case-Shiller Home Price Index,
Metro Detroit

	MI-Detroit
December 2011	70.46
January 2012	70.28
February 2012	69.95
March 2012	68.13
April 2012	67.87
May 2012	71.20
June 2012	75.08
July 2012	77.65
August 2012	79.48
September 2012	80.11
October 2012	80.82
November 2012	80.75
December 2012	81.14
January 2013	81.26
February 2013	80.89
March 2013	81.23
April 2013	82.66
May 2013	85.75
June 2013	88.42
July 2013	90.80

Source: http://us.spindices.com/index-family/real-estate/sp-case-shiller

The definition of Metro Detroit is the City of Detroit and the metropolitan area, which includes Detroit, Ann Arbor, Flint, Detroit County, Warren County, Livonia County, Genesee County, Monroe County, Washtenaw County, etc. Note that the area surrounding Detroit, the Metropolitan Statistical Area, ranks as one of the more prosperous in the United States. Detroit itself is a disaster, because its population has declined over the years, and the tax base moved away, but the surrounding area is reasonably affluent. In fact, in the Detroit metro area, home prices are increasing at a rate somewhat more rapidly than for the entire country. One lesson here is that when someone offers a statistic, the first step is to find out how the terms are defined.

Now we will proceed to Michigan municipal bonds by looking at five Michigan municipal bond closed-end funds whose yields range from 6.17% to 7.14% and the discounts to NAV range from 8.48% to 10.94%.

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Table 9: Michigan Muni Bond Closed-end Funds

Ticker	Fund	Yield	Discount	% A and Above
MYM	BlackRock Muniyield Michigan II	7.03%	(10.43%)	96.3%
MIY	BlackRock Muniyield Michigan	7.14%	(8.48%)	96.7%
MIW	EatonVance Michigan Municipal	6.17%	(10.18%)	90.2%
EMI	EatonVance Michigan Municiapl Income	6.58%	(10.94%)	93.7%
NUM	Nuveen Michigan Quality Income Municipal	6.85%	(10.19%)	91.1%

Source: Fund websites

Table 9 lists the percentage of issuers in the fund that are A-rated or better. Also remember that the U.S. bond market percent rated A or better was roughly 86%. With numbers ranging from 90.2% to 96.7%, these Michigan funds have better ratings, believe it or not, than either the National AMT-Free Municipal Bond ETF (MUB) or the Core Total U.S. Bond Market (AGG).

The year to date NAV returns of these funds were anywhere from negative 7.64% to negative 10.19%. That statistic is important. These funds are leveraged, and the reason that is important is the 2008 NAV returns are not much worse than the year-to-date returns, surprisingly. Clearly, 2008 was not only a credit crisis but that year was not kind to the auto industry in the State of Michigan, nor was it kind to much else in the Michigan economy. The NAV returns for the entire calendar year 2008 range from negative 8.39% (Nuveen Michigan Quality Municipal) to negative 22.7% (Eaton Vance Michigan Municipal Income Fund).

Table 10: NAV Returns YTD and 2008

Ticker	Fund	NAV Returns YTD	NAV Returns, 2008
MYM	BlackRock Muniyield Michigan II	(9.63%)	(11.72%)
MIY	BlackRock Muniyield Michigan	(9.28%)	(10.26%)
MIW	Eaton Vance Michigan Municipal	(8.51%)	(18.65%)
EMI	Eaton Vance Michigan Municipal Income	(10.19%)	(22.70%)
NUM	Nuveen Michigan Quality Income Municipal	(7.64%)	(8.39%)

Source: Fund websites

The reason the two sets of NAV returns are not so different is that there is a relatively small Michigan municipal bond market and it is, generally speaking, highly rated. In fact, it performed better than the U.S. high-yield market. There's a lesson to be learned here. Volatility is caused not necessarily by the fundamentals but by the risk predilections of the participants in those markets. The marketplace in Michigan is dominated by people who understand it and are interested in being long-term investors. They can even survive a year

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like 2008. Therefore, Michigan is not a bad high-yield alternative to conventional high-yield bonds.

Featured Companies

NUVEEN SHORT DURATION CREDIT OPPORTUNITIES FUND (JSD)

I'm recommending Nuveen Short Duration Credit Opportunities Fund (JSD), a $200 million fund, with 10,095,286 common shares outstanding and a yield of 7.72%. It trades at a 4.29% discount to NAV. The fund is 30% leveraged, has a four-plus year maturity on average, and it specializes largely in senior bank loans.

It is interesting that most of the senior bank loans are made to companies that are usually issuers in the high-yield market. I have a whole series of examples, and most of these names will be recognizable to buyers of high-yield bonds. They include Sequa Corporation, Aramark, Harland Clarke, Alcatel-Lucent, SunGard Data, HD Supply, Ocwen Financial, Dole Food, Heinz, SUPERVALU, Bausch and Lomb, DaVita, MGM Resorts, Bombardier, Clear Channel, Freescale Semiconductor, and Realogy. Most of those names are in high-yield indexes. The difference is that, because they are bank loans, these issues are the senior ranking within the credit hierarchy rather than subordinated debentures. Such issues comprise 86% of the gross exposure. The balance is held in traditional high-yield bonds, with issuers that include Ceridian, Harrah's, Spectrum Brands, AMC Networks, and Clear Channel.

This fund has an inception date of May 25, 2011, so it is a relatively new fund. It is not materially different from another Nuveen closed-end fund, the Nuveen Senior Income Fund (NSL), except that the NSL discount to net asset value at negative 3.51% is less that of JSD so the NSL yield at 6.55% is also lower. NSL also has a slightly lower exposure to conventional high yield and this affects its yield slightly as well. In essence, if a fund contains paper that is largely superior in credit quality to the conventional names in the index, it should trade at a lower yield. One other point is that the bank loans are all floating rate so they are protected against prospective rate increases.

During the 2008 credit crisis there was absolutely no demand for senior bank loans for the simple reason that the banks were constantly marking them down. To put it in perspective, the 2008 performance of the iShares High Yield Corporate Bond ETF (HYG), on an NAV basis, was negative 23.88%. The NAV performance of Nuveen Senior Income Fund (NSL) during 2008 was negative 52.65%. (JSD didn't exist in 2008.)

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In a fundamental sense, it is an entirely illogical result that investors preferred the lower-grade securities over the higher-grade securities of the same issuers. It is really preposterous. It was all a question of marginability, however, because various prime brokers would not lend on a bank loan and might well have lent something on a high-yield bond. It was a liquidity crisis over and above anything else.

The situation reversed itself in 2009. For example, the iShares High Yield Corporate Bond ETF (HYG) had a NAV return in 2009 that was positive 40.68%; the Nuveen Senior Income (NSL) had a NAV return for 2009 of 112.63%. For the entire 24-month time period, because of the operation of Siegel's Paradox[1], HYG actually outperformed NSL by 6.3%. However, in the ensuing three years, NSL experienced a 2% annual rate of return advantage. So, over a five-year time period, the two funds had largely different rates of return, and it now it appears that there is an advantage to buying the senior loan fund, JSD, unless one thinks we are about to enter a credit crisis, in which case, that is certainly not a good investment.

NUVEEN MICHIGAN QUALITY INCOME MUNI FUND (NUM)

Nuveen Michigan Quality Income Muni Fund (NUM) yields 6.85%. It has total assets of $300 million, 20,850,587 shares outstanding, and an average duration of 6.51 years. It has 198 holdings and 11.99% of those are pre-refunded, which means that the amounts required to pay them off are escrowed by United States Treasuries. For all intents and purposes, they are U.S. Government bonds. The fund's distribution of ratings are listed in Table 11.

Table 11: NUM Credit Quality

21.4%	AAA
52.0%	AA
17.7%	A
1.70%	BBB
5.2%	BB
1.5%	B
0.7%	No Rating

Source: Fund website

[1] Named after the Wharton School professor Jeremy Siegel, and also known as the Volatility Paradox, it is a formula that demonstrates that equivalent magnitudes of negative and positive returns are actually not equivalent, such that, for instance, a disproportionately greater gain is required to recover from a given level of loss.

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Let us compare and contrast these ratings with the iShares High Yield Corporate Bond ETF (HYG). It has $15.37 billion in assets under management, a consequence of the democratization of high yield, which has not yet happened in the State of Michigan. There are no A-rated bonds in HYG; the highest rating category is BBB by the S&P and Baa2 by Moody's.

Table 12: HYG S&P and Moody's Ratings

S&P	% Holdings	Moody's	% Holdings
BBB	6.9%	Baa	1.1%
BB	41.9%	Ba	39.1%
B	36.9%	B	44.7%
CCC	11.3%	Caa	11.3%
CC	0.1%	Ca	0.2%

Source: Fund website

Why in the world would anyone buy the high yield bond fund when one can buy a fund with a comparable yield, superior credit quality and a comparable duration? If an investor does not like the leverage, one need only create an exposure that is divided by one plus the leverage factor. For example, if the leverage factor is 35%, the exposure would be 100% divided by 1.35. Essentially you will have recreated HYG, with a much higher credit quality, but at a discount to NAV. The weighted average maturity, incidentally, for HYG is 4.74 years and the duration is 4.16 years.

The primary problem with the high yield market is that it is not high yield. Most high-yield issuers can obtain financing for between 5% and 6%. Not a few of the issuers represented in HYG yield less than 5%. For example, the HCA bonds in the high yield index yield 4.67%. Sprint/Nextel now yields 4.74%. Certain bonds of Ally Financial yield 2.73%. Dish Network yields 3.10%. CIT Group yields 3.36%.

One of the changes affecting HYG is the gradual infiltration of bonds yielding less than 5%, and the only reason the actual yield is 5.53% is because of the existence of bonds like Texas Competitive Electric or First Data, which are in danger of defaulting in the not too distant future. Either they are going to default, in which case, they will be out of the high yield index, or they will not default, in which case, they will get those bonds refinanced and they will not be available to the index anymore. There won't be any appreciation on those bonds, however. Clearly, all this represents is the liquidity preference of investors, not any sober reflection on the fundamentals of the companies.

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MILLICOM INTERNATIONAL CELLULAR S.A. (MIICF)

Let us turn to a more conventional high-yield name: Millicom International Cellular. Its 4.75% Senior Notes due May 22, 2020 trade at a yield to maturity of 5.66%. It is rated Ba2 by Moody's and BB+ by S&P. It is worth noting that the stock underlying this company has a $9.1 billion market capitalization in U.S. dollars. One would not think that a company with a $9.1 billion market cap would be high yield; however, Millicom is in the iShares High Yield Corporate Bond ETF (HYG). It is also worthwhile noting—and this is an anomaly for high-yield securities—that 37.23% of the shares of Millicom are owned by its parent company, Kinnevik.

Amazingly, Millicom has $4.8 billion of revenue, it earns $655 million a year in U.S. dollars, and it is invested in cellular, cable, and digital media. It is present in various emerging markets, including Guatemala, Honduras, Senegal, Chad, El Salvador, Costa Rica, Rwanda, Bolivia, Paraguay, Colombia, Ghana, Democratic Republic of the Congo, Mauritius, and Tanzania. It has $3.3 billion in debt and $1 billion of cash on the balance sheet. It has $489 million of debt due within a year.

Table 13: Millicom Debt Duration

Amount *(USD in millions)*	Due Within
$489	1 yr
384	1-2 yrs
302	2-3 yrs
216	3-4 yrs
852	4-5 yrs
52	5-6 yrs
37	6-7 yrs
493	7-8 yrs
0	8-9 yrs
298	9-10 yrs

Source: Company Reports

The company derives 82% of its revenue from cellular telephony, and cellular franchises are usually highly marketable. It is diversified across various emerging markets. It is well-capitalized. It has copious cash flow. It has a strong, well-capitalized parent with an even more copious cash flow. This is an example of a company that does not belong in the high-yield index, yet is included in that index due to the paucity of traditional high-yield securities eligible for inclusion. Sooner or later, people will figure out that this is a good credit, not a high-yield credit, and these bonds will trade up.

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LAMAR MEDIA CORPORATION (LAMR)

The Lamar Media 5% Senior Subordinated Note is due May 1, 2023, with a price to yield 5.97%. It is rated B1 by Moody's and BB- by S&P. This bond is a more conventional, so to speak, high-yield security. However, its publicly traded parent, Lamar Media, has a $4.4 billion equity market capitalization. It is involved in outdoor advertising and billboards, operating 144,000 billboards in 44 states and 115,000 logo displays. (Logo displays will say, "Drink Coca-Cola," for example, or a similar phrase.) Lamar also has 34,000 transit advertising displays, and 1,700 digital billboards.

The only real problem with the business is that there is essentially no revenue growth, mainly because various regions of this country are reluctant to allow more billboards. In addition, every now and then—albeit very rarely—a municipality interferes with the billboards, demanding they be removed.

Lamar is a mature business, with a relatively small GAAP profit, but it has considerable cash flow and has been using its cash flow to repay its debt. In the past five years, it has repaid one-quarter of its debt and it will probably keep doing the same. It is currently trying to convert itself into a real estate investment trust ("REIT"). The company states its objective to be that it would like to convert to an REIT to minimize payment of taxes. However, it does not pay a lot of taxes, so the unstated objective is probably different. If Lamar were an REIT, it would be likely to trade at the same exorbitant multiple of cash flow at which the typical REIT trades, because certainly it would be eligible for inclusion in REIT indexes.

It is questionable whether the Internal Revenue Service will allow Lamar to be an REIT. There is a task force at the I.R.S. trying to define with some degree of precision what types of real assets would qualify for classification as an REIT. The government, ever desirous of raising money, is likely to apply a strict definition. Of course, if it were to allow Lamar to become an REIT, that would have no impact on the U.S. budget and, as far as taxes go, minimal impact on Lamar. The company has no tangible equity; it is all goodwill. It has $880 million of book equity, $2.1 billion of long-term debt, and $75 million in cash.

The 5% subordinated notes, a $535 million issue, have an interesting feature. The company can redeem these notes until November 1, 2015 at 105% of par value. If the REIT conversion is approved and the company uses this as an opportunity to raise equity, as would probably happen in that scenario, Lamar would likely use that funding to retire the bonds. The company can retire up to 35% of the notes in question, so 35% of the bonds would be redeemed at 105 versus their current trading price of 93. Therefore, on 35% of its holdings, one would make an additional 8% over some time period, which we will presume to be two years although it might be a year. If it were two years, one would earn 0.35 times 8%, and that is 2.8%; if this were to occur in two years, that would be 1.4% a

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year bonus, plus 5.97%. That would be the realized return. If this occurs over a 12-month time period, that would be 2.8% plus 5.97%, and you'd have an 8.77% rate of return. So it is possible to achieve, in a high-yield sense, a reasonable rate of return for not very much risk.

Post-Musings

THE BASIC PROBLEM OF MONETARY POLICY

The basic idea of monetary policy is to lower interest rates as a mechanism to stimulate the economy, under the theory that at lower rates people will borrow more money and engage in productive economic activities. A precondition for all of that, of course, is a good bond market, and during the last three decades the bond market has done very well, because lowering rates is inherently a positive event for the bond market.

If someone who understands economic policy decided that a natural precondition of monetary stimulus is a good bond market, why would that person want to invest in real-world goods and services? Why not simply borrow money that is made available by banks and invest in the bond market—especially the Treasury market?

There are only two circumstances that will arise: Either the bond market will do very well, in which case one would make a very substantial rate of return for not very much risk, or the bond market will not do well. However, in the latter case, since there is likely to be an upward sloping yield curve, the cost of funding would be lower than the yield available on bonds and one could hold the bonds to maturity; after all, they are Treasuries. One would have to tolerate the mark-to-market fluctuations, but could increase one's income. One has to wonder if that sort of activity is not taking place as we speak.

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Updates on Past Ideas

JAKKS PACIFIC, INC.

4.5% Convertible Senior Notes due 2014
Recommended on May 8, 2013 at 99.6
Current Price: 93.25 (indicated)
Outstanding Par Amount: $100 million

On May 8, 2013, the JAKKS Pacific 4.5% convertible notes were recommended for purchase. JAKKS Pacific is a multi-line toy company that designs and market toys, electronics, kids indoor and outdoor furniture, and other related products.

The underlying investment rationale in the report was that while the company was experiencing an erosion of its business, it was not in severe distress. With a conversion premium of only 43% and a yield to maturity of 4.8%, the convertible notes represented a short-term fixed income investment with a relatively high yield and a call option on the common stock that was modestly out-of-the-money (the stock price was $10.25 at the time of recommendation).

Approximately two months later, the company reported earnings that were woefully below expectations. For the second quarter of 2013, JAKKS Pacific earned $106.2 million of revenues versus $145.4 million in the prior year period, representing a drop of $26.9% year-over-year. As a result, it reported a net loss of $(46.9) million, or $(2.14) per share, compared to net income of $0.2 million, or $0.01 per share in the comparable 2012 period. In addition, to conserve cash, the company announced that its dividend would be suspended.

JAKKS Pacific's common stock reacted swiftly; the shares, which had closed at $11.48 the prior day, sank 39% in one day. It has since drifted lower, and now trades at around $5.00 per share. However, the convertible notes have fared much better. At an indicated price of 93.25, it is only down 6.4% since the recommendation.

Given the change in the common share price, the convertible notes currently have a conversion premium of over 170%. Considering that the notes will mature in a little over a year, there is little prospect of an equity-induced gain. However, the convertible notes now offer a yield of 11%, which is virtually impossible to find in the high yield universe.

While a concern for the business is warranted, evidence suggests that the convertible notes are still money-good. For example, immediately after the earnings announcement, JAKKS

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Pacific disclosed that it had sold $100 million of new convertible debt (4.25% coupon maturing in 2018). The proceeds will be earmarked to repay the currently-outstanding convertible notes (which constitute the entirety of the company's indebtedness). In other words, it has effectively pre-funded the 4.5% notes a year before repayment is due.

Additionally, it should be noted that Dr. Patrick Soon-Shiong has been aggressively accumulating shares of JAKKS Pacific. Dr. Soon-Shiong is an American surgeon and businessman who is also founder and operator of NantWorks LLC, the technology company that has a joint venture with JAKKS Pacific to develop interactive toys using NantWorks' image recognition technology. At the time of recommendation, Dr. Soon-Shiong owned 13.9% of the company. On the day of the earnings announcement, Dr. Soon-Shiong purchased an additional 1.3 million shares, and now owns roughly 20% of the shares. Considering Dr. Soon-Shiong's significant net worth (estimated at $8 billion, care of founding and selling two separate medical companies), one could presume that he could easily fund the impending maturity as a means to protect his investment. Considering these factors, the JAKKS Pacific 4.5% Convertible Notes due 2014 are still recommended for purchase.

ICONIX BRAND GROUP INC.

2.5% Convertible Notes due 2016
Recommended on 10/17/12 at 100
Current Price: 124.375
Outstanding Par Amount: $300 million

The Iconix Brand convertible notes were recommended on October 17, 2012. At the time, the notes were priced at 100 and the stock was trading at $18.75 per share, for a conversion premium of 64.6%. Since then, the shares have appreciated to a recent price of $33. The convertible notes have also appreciated, to a price of around 124; at this level the conversion premium is roughly 15%, with a negative yield to maturity of (5.7)%.

The original recommendation was predicated on the thesis that the Iconix Brand common stock was undervalued, based on its record of free cash flow margins and growth. To date, the convertible notes have provided a total return of approximately 26.5% over a period of slightly less than one year. Considering that the notes as currently priced are, in effect, a proxy for the common shares, the risk/return tradeoff has changed significantly. For this reason, a reasonable course of action would be to sell the notes and book the profits. 0Consequently, the Iconix Brand Group 2.5% Convertible Notes due 2016 is no longer recommended.

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WEALTH INDEX (Ticker: RCH Index)

As of June 30, 2013

Annualized Total Return	1 Year	3 Years	5 Years	7 Years	10 Years	15 Years	20 Years	Since Incep. 1991 - Jun '13
Wealth Index	26.18%	21.54%	13.96%	10.57%	12.20%	8.83%	11.90%	13.08%
S&P 500	20.60%	18.45%	7.01%	5.66%	7.30%	4.24%	8.66%	9.53%
S&P 500 Eq. Wgt.	26.46%	19.90%	10.49%	7.50%	10.20%	7.83%	10.63%	11.98%
Russell 3000	21.46%	18.63%	7.25%	5.84%	7.81%	4.74%	8.76%	9.83%
Russell 2000	24.21%	18.67%	8.77%	5.82%	9.53%	6.60%	8.88%	10.83%
Excess Return vs. S&P 500	5.58%	3.09%	6.94%	4.91%	4.90%	4.59%	3.24%	3.55%
Excess Return vs. S&P 500 Eq. Wgt.	-0.28%	1.64%	3.46%	3.07%	2.00%	1.00%	1.26%	1.10%
Excess Return vs. Russell 3000	4.71%	2.91%	6.71%	4.73%	4.39%	4.08%	3.14%	3.25%
Excess Return vs. Russell 2000	1.97%	2.87%	5.19%	4.75%	2.67%	2.23%	3.01%	2.25%

**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 '13
Wealth Index	3.20	1.29	0.55	0.46	0.61	0.37	0.55	0.62
S&P 500	3.06	1.36	0.38	0.34	0.50	0.26	0.57	0.64
S&P 500 Eq. Wgt.	3.59	1.28	0.47	0.37	0.58	0.42	0.63	0.73
Russell 3000	3.11	1.31	0.38	0.34	0.51	0.29	0.57	0.65
Russell 2000	2.62	1.00	0.36	0.27	0.48	0.31	0.45	0.56

**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 '13
Wealth Index vs. S&P 500	1.46	0.57	0.66	0.51	0.56	0.40	0.31	0.34
Wealth Index vs. S&P 500 Eq. Wgt.	(0.12)	0.38	0.58	0.52	0.35	0.09	0.13	0.12
Wealth Index vs. Russell 3000	1.44	0.59	0.70	0.54	0.55	0.39	0.32	0.34
Wealth Index vs. Russell 2000	0.49	0.43	0.58	0.60	0.36	0.18	0.27	0.21

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

Wealth Index Batting Average	Roll. 1 Year	Roll. 3 Year	Roll. 5 Year
vs. S&P 500	59.85%	68.09%	69.19%
vs. S&P 500 Eq. Wgt.	57.14%	62.55%	57.35%
vs. Russell 3000	62.55%	68.51%	75.36%
vs. Russell 2000	60.23%	65.11%	72.51%

**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 '13
Wealth Index	8.18%	16.67%	25.44%	22.79%	20.13%	23.94%	21.78%	21.18%
S&P 500	6.74%	13.57%	18.42%	16.71%	14.58%	16.15%	15.15%	14.78%
S&P 500 Eq. Wgt.	7.36%	15.59%	22.42%	20.05%	17.61%	18.44%	16.87%	16.47%
Russell 3000	6.90%	14.20%	19.18%	17.32%	15.17%	16.58%	15.43%	15.04%
Russell 2000	9.24%	18.60%	24.07%	21.59%	19.74%	21.40%	19.61%	19.21%

**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 '13
vs. S&P 500	3.81%	5.44%	10.49%	9.71%	8.81%	11.33%	10.53%	10.41%
vs. S&P 500 Eq. Wgt.	2.33%	4.30%	5.98%	5.95%	5.65%	10.78%	9.83%	9.55%
vs. Russell 3000	3.27%	4.91%	9.58%	8.83%	7.97%	10.54%	9.74%	9.59%
vs. Russell 2000	4.04%	6.63%	8.93%	7.97%	7.52%	12.15%	11.17%	10.76%

**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 '13
vs. S&P 500	1.08	1.17	1.29	1.26	1.27	1.35	1.29	1.28
vs. S&P 500 Eq. Wgt.	1.07	1.03	1.11	1.10	1.10	1.17	1.16	1.16
vs. Russell 3000	1.09	1.13	1.26	1.24	1.24	1.34	1.30	1.29
vs. Russell 2000	0.80	0.84	0.99	0.99	0.95	0.96	0.95	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%
YTD 2013	15.43%	13.82%	16.17%	14.06%	15.86%	1.61%	-0.73%	1.38%	-0.42%

**Note: Calculated Using Total Returns*

Source: Horizon Kinetics LLC, International Securities Exchange, Bloomberg

See important disclosures for additional information.

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Important Disclosures

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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 Aug 2013

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					2013	168.47	24.8%	18.6%

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	240,005
2	BLK us equity	BlackRock	$23,205	1,658	9/30/1999	434,269
3	WDR us equity	Waddell & Reed	$27,513	1,587	3/31/1998	75,587
4	EV us equity	Eaton Vance	$2,641	3,998	1/31/1986	154,138
5	TROW us equity	T. Rowe Price	$2,423	2,014	4/30/1986	141,251
6	Ben us equity	Franklin resources	$908	1,263	4/30/1985	174,919
7	LM us equity	Legg Mason	$1,000	462	8/31/1983	15,031
8	FII us equity	Federated Inv	$26,381	2,206	5/31/1998	60,469
9	FIG us equity	Fortress Investment Group	$102,249	3,389	2/28/2007	24,639
10	PZN us equity	Pzena Investment Management	$122,426	6,317	10/31/2007	41,314

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

International Money Manager Index

From Nov 1986 to Aug 2013

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					2013	49.32	21.1%	15.64%

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	3,297
2	FCAM LN Equity	F&C Asset Management Plc	$1,203	485	5/31/1989	728
3	IVZ US Equity	Invesco Plc (Previously Amvescap)	$1,357	1,153	1/31/1991	17,625
4	SDR LN Equity	Schroders Plc	$1,208	505	3/31/1991	18,214
5	RAT LN Equity	Rathbone Brothers Plc	$1,208	736	3/31/1991	17,716
6	ADN LN Equity	Aberdeen Asset Mgmt Plc	$1,208	1,827	3/31/1991	9,961
7	CIX CN Equity	CI Financial Corp.	$2,585	3,224	6/30/1994	98,417
8	EMG LN Equity	Man Group Plc	$2,862	6,344	10/31/1994	6,222
9	AGF/B CN Equity	AGF Management Ltd-Cl B	$3,343	1,346	1/31/1996	16,362
10	8739 JP Equity	Sparx Group Co Ltd	$11,762	108	12/31/2001	17,758
11	HGG LN Equity	Henderson Group Plc	$14,447	8,666	12/31/2003	17,936
12	AZM IM Equity	Azimut Holding Spa	$21,908	4,977	7/31/2004	106,794
13	CCAP LN Equity	Charlemagne Capital Ltd	$36,848	22,300	3/31/2006	4,099
14	PGHN SW Equity	Partners Group-Reg	$36,848	578	3/31/2006	148,134
15	ASHM LN Equity	Ashmore Group Plc.	$36,688	9,873	10/31/2006	50,989

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