❖ The Spin-Off Research Report ❖ Compendium

May 2009

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Murray's Musings

Economists, Productivity & Unemployment

I'll use another quote from Alben Barkley, one of my favorite politicians. For those who don't read every *Compendium*, Alben Barkley was Vice President of the United States during the Truman administration, and for many years prior to that he was a United States Senator for Kentucky. When asked for his definition of an economist, Barkley responded, "It's a financier with no money." There's a lot of truth in that witticism, but why?

Economists have models, which are preconceived notions of how the world works. The world, however, is incredibly complex and highly unpredictable, which makes it unlikely that any model will exactly mirror reality. The models themselves are usually constructed to replicate the experience of the recent past. To further emphasize that statement, it's not merely the recent past; it's the recent *experienced* past. An economist from the Western world would build a model that replicates the experience in the Western world; though it may well be that other parts of the globe have completely different economic circumstances, a fact that's never really appreciated.

Let's look at an example. One area of concern in recent economics is the decline of goods-producing workers in the United States, and in some other nations. In the United States, believe it or not, there are now fewer than 20 million goods-producing workers as defined by the United States Department of Labor. The number is roughly 19.5 million from a total labor force, both employed and unemployed, that comfortably exceeds 150 million.

The ratio of goods-producing workers compared to the total labor force declines in an exponentially smooth manner literally every month. While there's no dispute about what the statistic is, there are different interpretations of it. Many declare this situation to be a crisis. They ask how a nation can properly provide for its citizens without having a sufficient number of people who produce goods. I have a completely different interpretation of this statistic.

My interpretation is that, after a century and a half of industrialization during which many goods were produced, there need to be workers who operate those goods. The number of workers who operate or use those goods is going to increase compared to the number of people who make them. I see nothing unusual about that progression. Since the productivity of the goods-producing workers is constantly increasing, they're able to make more goods with fewer units of labor output. As a consequence, the number of the goods-producing workers is going to fall in relation to the whole. I don't regard that as a crisis; I regard it as the absence of a crisis, or a condition of normalcy.

There are a number of reasons why this statistic might be viewed in crisis proportions, but I'll only cover one. Historically, if the productivity of a given nation were to rise by one or two percent a year then, in principle, one or two percent of the workers would be made redundant. If productivity increases by two percentage points, in principle, 98% of the workers would be able to manufacture the same amount that 100% of the workers manufactured in the previous year. Most economists appear to believe that consumption must increase by an amount greater than the increase in productivity to prevent a gradual, inexorable, and perhaps even permanent, rise in unemployment.

To that end, national economic policies are forever inventing ways to increase consumption. It doesn't seem to matter very much what exactly is being consumed, as long as consumption rises sufficiently to absorb that proportion of workers who are presumably made redundant by increased productivity. While that effect may well be the historical experience, I would say that it will not be applicable to the economies of the future. The existing infrastructures of many nations will be able to provide basic living requirements for the bulk of its population, and any needs beyond the basics, of which there are probably many, are more subjective.

Perhaps we will have societies in which people have, in their own estimation, an adequate standard of living, which causes them to enjoy greater leisure time rather than producing more goods and services. That preference would not be without historical precedent, though not in the history of the globe in the last 150 years. There is no lack of examples in which people have turned their attention to matters other than those relating to production of ever-greater quantities of goods and services. In that regard, a view of recent history offers a perspective that is quite different from that gained by looking at a broader sweep of time.

Similarly, if one were looking at asset allocation, the study of asset allocation in its historical dimension is really a story of how equities, as such, are the best-performing asset class. Since there are a number of studies that confirm this assertion, it has almost come to be viewed as a law of capital markets. In light of the events in the last year or two, I think that view will ultimately come to change. For example, I believe that the best-performing asset class in the next 20 years is likely to be high yield. That does not necessarily imply that I believe that equities will give an unsatisfactory rate of return; however, the current credit spread is so wide, and the range of debt-related instruments is so broad, that it might take many years to absorb that supply and lead to a tremendous contraction of credit spreads.

The supply of debt-related instruments numbers in the tens of trillions of dollars, and includes high yield bonds, collateralized loan obligations, commercial and residential mortgages (particularly of the lower-grade variety) and many more. The quantity of debt dwarfs the amount of equity that exists. Much more debt is being created, not only by governments, but by individuals who need to borrow to invest in real estate. The supply of debt-related instruments is likely to outstrip the supply of equity-related instruments for many years, which could keep the credit spreads unusually wide for a very long period of time.

In that situation, all of the income-producing instruments at the lower ends of the credit spectrum become interesting. I would include preferred stock within that group. It's an asset class that hasn't been studied at all. Some might consider preferred stock to be part of the equity asset class, but I think it belongs with high yield.

As a generic asset class, preferred stock was much used in the late 19^{th} and early 20^{th} century when equity buyers wished to participate in the prosperity of the company, but wanted a level of protection not afforded the common shareholder. That desire led to the creation of the participating preferred, a type of equity security we now have only in unusual instances. I believe that this whole issue of credit spread is going to lead to a revival of preferred financing as a generalization.

In its rescue, so to speak, of the banks, the government has made copious use of preferred stock, much of which will ultimately be converted into common shares. Nevertheless, there remains an unusually large supply of preferred stock in existence, some of it cumulative, some of it not cumulative. I'm not aware of any academicians who have undertaken a rigorous study of that asset class, in spite of the fact that the features that distinguish it from conventional fixed-income, and also from conventional equity, make it very interesting.

Industry Thoughts

A New Industry Category: The Shrewd Investor

I'm creating yet another industry, because I find that the industry categories, as formulated, are not sufficiently descriptive for my taste. These categories are formulated on the basis of a commonality of production of a good or service. If we take the banking industry as an example, obviously it provides financial services, and there's a certain commonality of purpose among all banks. Similarly, companies that are utilities, or companies that are railroads, each have a commonality of purpose. Nevertheless, the industry group as defined by commonality of purpose doesn't necessarily mean that all of its members have similar characteristics.

Within industry groups, we have companies that are highly leveraged, and those that are not very leveraged. We have companies that have, as a customer base, entities that are themselves very cyclical; that cyclicality is transmitted thereby into the industry group, or at least those members. We have other members of the industry group whose customer base is not cyclical at all, and enjoy a lack of cyclicality, which is outside of the bounds of the industry group.

The pharmaceutical industry, for example, has a commonality of purpose inasmuch as it seeks to produce chemicals that are therapeutic in regard to disease. To that extent, they all have a commonality of purpose and a commonality of characteristic in that various of their products have a finite patent life. There are only so many diseases for which a drug treatment can be developed that will ultimately prove to be a blockbuster drug. There's also a fair amount of competition in those treatment categories.

At the end of the day, a drug company is merely producing a chemical, whatever purpose that chemical has, and there's an inherent cyclicality that's not necessarily predictable. For example, it could arise because of the unexpected appearance of a competitor, or it could arise from the predictable expiration of a patent.

I'll compare the so-called chemical company Sigma Aldrich to a pharmaceutical company. Sigma Aldrich produces hundreds of thousands of chemicals, trace amounts of which are used in pharmaceutical research for which the demand is not cyclical in the aggregate. Therefore, by definition, this company is constantly involved in pharmaceutical research. In that sense, Sigma Aldrich has a commonality of purpose with all the drug companies, but it differs in that it has nothing like the cyclicality of the drug industry. Yet, it is classified in that industry category.

With that explanation of why I create my own industry categories, I'll discuss the industry category that I call the Shrewd Investor. This industry group is characterized by what one might call a commonality of purpose that includes management's reputation for astute investing. Of course, astute investing can take any one of an infinite variety of forms, but I think that we learn something when we study the valuation characteristics of those companies in the current environment. I will mention 11 companies, though I could have mentioned more. I only limit myself to 11 in the interest of being concise. What follows is the name of the company, who runs it, and a remark about its valuation.

1. There is a Pink Sheet company called WebFinancial (WEFN) that has been controversial of late, because it's being sued by Carl Icahn. WebFinancial is the transformation of the Steel Partners hedge fund into a publicly traded company. It's run by Warren Lichtenstein, a person who's had some reasonable degree of success in the world of investing. At the moment, his company, such as it is, trades at somewhat less than half of book value. A majority of the participants in the funds appear to oppose this action, and perhaps that has something to do with the valuation.

2. Similarly, Hallmark Financial, which is run by a gentleman by the name of Mark Schwarz, trades at 80% of book value. This company is another instance of an investor creating a financial vehicle with permanent capital to make investments.

3. The third example is Greenlight Capital, which trades at 1.14x book value. David Einhorn, of Greenlight Capital fame, runs that investment portfolio.

4. Fairfax Financial (FFH), an insurance company, is run by the ever-controversial Prem Watsa. This is a Canadian company that trades on the New York Stock Exchange. This company made, one might say, an elegant move by being short the ABX Index during most of the subprime credit crisis. After some years of controversial investing in Crum & Forster and Travelers Insurance, Fairfax Financial finally appreciated in value and traded at a premium to book value. Then it made what some would argue was the controversial move of purchasing a large investment in Wells Fargo at the end of 2008. At the moment, Fairfax Financial trades at 92% of book value.

5. Sears Holdings (SHLD) is run by the sometimes-popular Eddie Lampert, of ESL Investing fame. It trades at 80% of book value. In more ebullient markets, the real estate holdings of Sears appear more alluring to investors than they currently do. Sears Holdings now trades at 80% of book value.

6. There is the relatively unknown Jarden Corporation (JAH), run by Martin Franklin. Jarden Corporation is a consumer products company that does something very akin to a leveraged buyout, but in a public company format. Basically, it employs a lot of balance sheet leverage buying consumer products companies that intrinsically are not very volatile. Jarden trades at approximately book value.

7. Berkshire Hathaway, run by Warren Buffett, which requires no explanation or further commentary, trades at 1.24x book value.

8. Power Corporation of Canada is managed by members of the Desmarais family. The Desmarais family has been successful in a variety of financial undertakings. Power Corporation, which has been a successful company for decades, trades at 93% of book value.

9. The management of Brookfield Asset Management owns its equity participation in that company via a not very liquid holding company called BAM Investments (BNB CN). All BAM Investments does is hold shares of Brookfield Asset Management. It does so with some degree of leverage accomplished through a preferred share. That company trades at book value.

10. Loews Corporation is owned by the Tisch family, and has manifested many decades of successful investment. At the moment, it trades at 82% of book value.

11. Last, there is the Franco-Nevada Corporation (FNV CN), whose CEO is Pierre Lassonde. This company is probably the least -known of all the companies listed thus far. The best way to describe Franco-Nevada Mining is that it is now in its second public incarnation. It's one of the few companies that could rival Berkshire Hathaway in stock price performance historically, and it does so by essentially being a merchant bank to the natural resource industry, particularly gold. Pierre Lassonde is the author of the very highly rated book on gold investing called *The Gold Book: The Complete Investment Guide to Precious Metals*.

It appears that, if valuation is any indication of reality, the market does not have high hopes for the prospects of any of these companies, at the moment. These eleven shrewd investors all follow their own lights and undertake different types of investments. Some have more success than others, but all of the individuals have been successful in their own way over the many years.

When viewing their enterprises in relation to a basic metric like price-to-book value, the average of these companies trade at a price-to-book value discount to the S&P 500. That's an odd circumstance, inasmuch as all of these individuals have a history of besting the S&P 500. Whether it's a comment upon the companies, investor psychology or hopes for the future is difficult to say. It is a very alluring industry group that I would say is unified by a commonality of purpose, which is engaging in interesting investments. A portfolio comprised of all those companies would probably be an interesting and diversified fund.

Featured Companies

American Railcar Industries (ARII)

Since in the prior section I undertook to create my own industry category (without permission), here I'm going to take the further liberty of redefining *Bits and Pieces* by creating a completely new category called *Future Bits and Pieces*. This category would be for companies that do not yet qualify for *Bits and Pieces*, but that could well qualify in the future.

American Railcar is a manufacturer of railroad equipment. The company produces covered hopper cars and tank cars. It also engages in railroad fleet management to the extent that railroads need that service. It repairs railcars, and also manufactures various and sundry spare parts, like adapters, shims, cover bolts, brake pins, clamps, wear plates, washers, springs, and so on.

What makes this company a *Future Bits and Pieces* is that it is controlled by none other than Carl Icahn, who has a history of being an activist investor. He has owned this company for many years. Though this company is profitable at the moment, because of the weakness of the economy, it is not tremendously profitable.

American Railcar has a $190 million market capitalization. It has $294 million of cash on the balance sheet, and $275 million of long-term debt. The cash arguably negates the debt. The tangible shareholders' equity of the company is $307 million. Essentially, $190 million is the valuation that the investment community accords the plant and equipment that is responsible for making railcars.

In a more robust economic environment, this company would probably earn somewhere between $1.70 and $1.80 a share. It's arguable that it would trade at a P/E ratio of 12x. If that were to occur, the resultant share price would be $21 as opposed to the current $8.95 share price[1]. If it required two years for that to happen, the compound annual rate of return would be 53% per annum.

There are other examples of when Carl Icahn has taken an asset that he owned into his holding company, Icahn Enterprises (formerly known as American Real Estate Partners), because he found it to be undervalued. There is precedent for such an action, of which the next company discussed in this *Compendium* is an illustration. There is some evidence that leads us to conclude that, when Carl Icahn undertakes these actions, absent anything else, that in itself is a value-enhancing undertaking insofar as it calls attention to the company.

[1] This report was recorded on April 27, 2009.

Now may or may not be the right time to do it, but it would not be surprising if American Railcar found its way into another one of the Icahn Enterprises group of companies. It's something to consider. Though not properly a spin-off, this company is obviously undervalued, and I believe it merits scrutiny at current levels.

Federal-Mogul Corp. (FDML)

As mentioned above, Federal-Mogul is an example of Carl Icahn undertaking the action to create the *Future Bits and Pieces*, though this company is already a *Bits and Pieces*. Federal Mogul is an auto parts manufacturer that's 75% owned by Icahn Enterprises. It has a $1.1 billion market capitalization.

The automobile industry, and the auto parts industry, are manifestly experiencing severe stress, probably as much as is conceivable. Federal Mogul was actually in bankruptcy, and then emerged from it recently. The company listed its shares on April 23, 2009. Early in 2008 Icahn Enterprises acquired its large ownership of Federal Mogul via an Icahn-owned entity called Thornwood Associates.

To understand how this company operates at break-even, it's worthwhile reviewing the events in the fourth quarter because, on paper, the company reported a $529.6 million loss. Given that it already emerged from bankruptcy, the company took (probably due to the economic environment) $118.1 million of various restructuring expenses, plus another $1.9 million of so-called reorganization expenses, primarily legal, and those expenses should be deducted from the accounting loss to understand how we arrive at the economic profit.

There is also a small amount, $3.1 million to be exact, in earnings in the equity of consolidated affiliates, which needs to be subtracted from the $529 million. There are also $19 million of various amortization expenses and $451.3 million of write-downs. After all of the appropriate arithmetic is done, the profit is $57.6 million. However, it isn't an economic profit because, given the losses in an accounting sense, there was a $53 million tax benefit for the company in the fourth quarter. The true economic profit of this company in the fourth quarter was $4.6 million.

This company, with a $1.1 billion market cap, operates at more or less break-even. At the moment, quarterly revenue exceeds $1.3 billion; in a better environment it would be greater than that amount. There is $888 million of cash on the balance sheet. Net current assets (the difference between current assets and current liabilities) is $1.545 billion. One should avoid being unduly impressed by that sum, because the company is leveraged and has over $2.7 billion in debt. Partially due to write-downs, and partially due to accumulated losses over many years, this company has negative tangible equity.

As noted, the auto industry and the auto parts industry are undergoing severe stress, part of which leads to severe contraction in the operating assets of all the businesses involved. Federal Mogul is likely to be one of the surviving entities. When all the restructuring is over, as it one day will be, there will be only a handful of parts manufacturers left. There also will be a relatively small number of automobile producers that will have no alternative but to purchase parts from the small number of surviving automobile parts manufacturers. As a result, the parts manufacturers will make a reasonable profit; not a huge profit, but a reasonable profit. I regard that figure to be a 3.5% net margin, and that probably greatly errs on the side of caution.

I undertake 3.5% only because that margin is far below what the auto parts companies earned in better economic environments for automobile production. I'm not assuming a return to so-called historical normalcy, although that might happen one day. In any event, if one engages in the appropriate calculations, the resultant earnings would be $2 a share, which, in relation to the current $11 share price[2], makes it a very cheap stock in the world of *Bits and Pieces*.

Q: *Carl Icahn has made other investments in the auto parts industry, and he has attempted some that were not successful. Are there any possibilities for him to consolidate the industry?*

A: Yes, I think there are. Carl Icahn has a position in Dana and he tried to acquire Lear Corporation about two years ago, which is the highest-margin auto parts manufacturer. He clearly has aspirations in that arena.

In line with the auto industry, the auto parts industry is consolidating itself as we speak. In the past, the biggest problem for the auto parts industry was the dominance of a small number of very large automobile producers that would dictate terms of trade to the parts manufacturers. Since there were more parts manufacturers than there were automobile suppliers, the terms of trade, as bad as they were, nevertheless fell in favor of the automobile manufacturers.

Since the auto parts industry is much closer to completing its restructuring than are the automobile manufacturers, I believe that the terms of trade are going to shift in favor of the automobile parts manufacturers. In other words, they will not produce parts at a loss. That in itself is a major change that could well be accelerated by some move that Carl Icahn is contemplating in the parts industry.

I can well understand how he might have been reluctant to initiate any major movement at the current time without waiting to see what happens with the restructuring of the major automobile manufacturers. It is arguable that the outcome could affect what actions might be appropriate in terms of consolidation. It's impossible to say into whose hands an

[2] This report was recorded on April 27, 2009.

automobile manufacturer might fall, or how it might be reoriented in a post-bankruptcy or other restructuring.

HSN Inc. (HSNI)

Home Shopping Network, otherwise known as HSN, is a recent spin-off from IAC Interactive. Home Shopping Network has not been immune from recessionary pressures, and neither have its associated companies, such as Cornerstone, which sells kitchen accessories, home items, apparel, and other such items. As a matter of fact, the profit margins of Cornerstone have fallen dramatically, though they were never high to begin with. The profit margins have fallen less at Home Shopping Network, but they have fallen there as well.

There is not a great amount of expense associated with the programming of the Home Shopping or any shopping channel. As a matter of fact, programming expense at the Home Shopping Network is only 3% of revenue. The real costs are the costs of the items sold, and paying the cable TV entities to carry the signal. Having stated its detriments, one of the virtues of Home Shopping Network is that it, fortunately or unfortunately, depending on your cultural point of view, reaches 90 million households in America. Since the total number of households in the United States is more or less 110 million, it appears to be documentable that over 80% of American households watch, on occasion, the Home Shopping Channel, something of which they should not be very proud.

Another statistic that is perhaps even easier to document is that the Home Shopping Network website is one of the 10 most trafficked e-commerce sites in the United States. Perhaps it isn't used to its best extent, but it is used.

At the moment, the Home Shopping Network has a depressed profitability. Ultimately, the selling price of an item is related to the cost of the item, and the cost of having a cable TV station carry the signal. If customers are reluctant to buy these items, all it means is that the price point is too high; therefore, the selling price will come down as will the cost of the item to be sold. Eventually, a new equilibrium will be established, perhaps a year or two from now. I am assuming that a high-volume business like this will be a low-margin business, and will earn somewhere between 2% and 3% net after tax margins.

Applying the metrics as stated above to the current depressed revenue to calculate an earnings figure would result in a P/E ratio of 4.9x earnings based on a current stock price slightly in excess of $6[3]. We don't have enough experience of the Home Shopping Network as an entity separate from IAC Interactive in a good economic environment to allow an investor to see what the earnings power is.

In terms of the characteristics of this company, it has some good and bad features. One of the good features is that the company has $177 million in cash, which is not really needed

[3] This report was recorded on April 27, 2009.

to run the business. One of the bad features is the company has $408 million of debt, which needs to be serviced, but the company certainly has adequate liquidity to service all of its debt. It has a market capitalization of $375 million, and net current assets of $306 million. If this is a valid metric, the stock trades at a slight premium to its net current assets. The company has no tangible net equity, but that does not imply that the equity, such as it is, is valueless. This sort of business doesn't require anything in the way of tangible assets, though perhaps it hasn't been as well-managed as it could have been.

This company had one incarnation in the Liberty Media family of companies for many years. It had another incarnation in the Barry Diller IAC Interactive family of companies. Now it's going to have an independent incarnation. In my estimation, it will probably be acquired eventually by some larger company that wishes to access the traffic. Its most interesting asset is the traffic that it currently has, assuming someone bright enough could utilize it for something more interesting than the low-margin business it's currently being used for.

Clearwater Paper Corp. (CLW)

Clearwater, a spin-off from Potlatch, is a leading producer of private-label tissue paper, and bleached paperboard, which is used in higher-end packaging. In principle, those are the better aspects of the paper industry. The company's documents suggest (and I have no reason to doubt this), that Clearwater produces 56% of the private-label tissue paper that is produced in the United States, which is something of an accomplishment.

It's not a very competitive business, and the company's valuation metrics are very alluring. Current assets are more or less equivalent to the current liabilities. Nevertheless, the company has a $135 million market capitalization; $307 million in shareholders' equity, which is the book value, $150 million of debt, and only $14 million of cash.

Clearly, the company trades at a low valuation, but I don't believe that it has anything to do with the business itself. I think the reason it trades at a low valuation is twofold. One reason is that the company carries $150 million of debt, and any small capitalization company carrying debt is placed under scrutiny. The main reason for the low valuation, however, is that Clearwater has an under-funded pension plan. It's under-funded at the moment by $91 million, though a year ago it was not under-funded at all. Therefore, it has $159 million in fair-value plan assets, and it's $91 million under-funded. It clearly needs to make a rate of return in the next year that's positive just to prevent being under-funded further, given the actuarial assumptions of the pension fund construction itself.

The character of the pension fund is 56% equity, 34% debt, with the balance being cash. To make up a $91 million under-funding, with $159 million of fair-value assets at the moment, one can clearly see why the market would be concerned. On the other hand, equities, as a class, are fairly undervalued. Therefore, one should not dismiss the notion that in a number of years this company could achieve reasonably high returns on its equity portfolio, and maybe on part of its debt portfolio, which would bring it to a properly funded position.

The great paradox of this company is that it is likely to choose managers that have some correlation to the S&P. Therefore, the performance of the S&P actually has some bearing on the performance of this company. If one were to posit negative returns for the S&P in the next several years, then it would be very difficult for this company to achieve a properly funded status in its pension fund, even if it uses its cash earnings to the extent that they exist.

On the other hand, should the S&P appreciate reasonably well over the next several years, this stock will appreciate more. I'm favorably inclined towards this company, and I would argue that it has a de facto leverage, if that's the proper word, relative to the S&P. In an environment in which the S&P does well, this company will do better. However, in an environment in which the S&P does not do well, it's not entirely clear to me that the S&P will perform sufficiently poorly to make the under-funding materially increase.

This company has unique risk-reward attributes relative to the S&P. As a matter of fact, if I may be permitted an abstraction that departs somewhat from the Clearwater analysis, if one were to buy an index fund itself and add Clearwater as the 501st company, i.e. one would have the S&P 500 plus Clearwater, I believe that one would have a very high likelihood of outperforming the S&P. One should tilt the S&P by the addition of Clearwater, and that in itself could be a very interesting investment strategy.

There are a couple of other factors that could have a positive effect on Clearwater's performance. Since the company produces some wood products, a more robust construction industry would almost by definition lead to higher earnings for the company, absent anything else. If the earnings increase were sufficiently high it might, in effect, solve some of the pension problem; not all of it, but at least some of it.

In addition, Clearwater is eligible for some substantial tax credits from alternative fuel mixture tax credits related to energy production at some of its pulp and paperboard mills. The company hasn't received payments for those credits yet, but to give an idea of their size, it expects approximately $16.7 million for the period from late January through February 2009. As of now, the alternative fuel mixture tax credit expires at the end of 2009.

Clearwater has interesting merits. It is present in the higher margin end of the paper business and, as the paper business continues to undertake its own restructuring to focus upon the higher-end parts of the business, Clearwater might be a good fit with another paper company that has excess cash. That might solve the pension fund problem. It's not implausible that this company could merge with another entity giving rise to some interesting economies. I like Clearwater.

APPENDIX A

Money Manager Index

From Jan 1983 to April 2009

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									2009	79.49	17.1%	18.5%

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

APPENDIX B

International Money Manager Index

From Jan 1983 to Apr 2009

																Annualized return
Year	**31-Jan**	**28-Feb**	**31-Mar**	**30-Apr**	**31-May**	**30-Jun**	**31-Jul**	**31-Aug**	**30-Sep**	**31-Oct**	**30-Nov**	**31-Dec**	**Yr. End**	**Index**	**Yearly return**	**(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									2009	19.63	24.3%	14.1%

Name	**Amount Invested**	**Name**	**Amount Invested**
IGM FINANCIAL INC	$1,000	HENDERSON GROUP PLC	$14,447
F&C ASSET MANAGEMENT PLC	$1,203	RAB CAPITAL PLC	$24,603
INVESCO PLC (PREVIOUSLY AMVESC	$1,357	AZIMUT HOLDING SPA	$21,908
SCHRODERS PLC	$1,208	AUSTRALIAN WEALTH MANAGEMENT	$27,789
RATHBONE BROTHERS PLC	$1,208	EVEREST FINANCIAL GROUP LIMITED	$23,437
ABERDEEN ASSET MGMT PLC	$1,208	CHARLEMAGNE CAPITAL LTD	$36,848
CI FINANCIAL INCOME FUND	$2,585	PARTNERS GROUP-REG	$36,848
MAN GROUP PLC	$2,862	INVISTA REAL ESTATE INV MNGT	$36,589
AGF MANAGEMENT LTD-CL B	$3,343	ASHMORE GROUP PLC.	$36,688
SPARX GROUP CO LTD	$11,762	BLUEBAY ASSET MANAGEMENT/UNI	$37,469