
❖ Contrarian Research Report ❖

Compendium

December 2008

Featured Companies

Oshkosh Corp. (OSK)
CB Richard Ellis (CBG)
International Flavors & Fragrances (IFF)
Overseas Shipholding (OSG)

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Murray's Musings

Exchange Traded Funds

An Exchange Traded Fund (ETF) is just a fund with a certain decision rule, which is the rule for inclusion. All of the companies having the desired characteristics will be included, and they will be weighted in accordance with some other rule; for example, market capitalization. The weighting could be applied according to some other decisive factor such as a rule dictating equal weight for every company qualified for inclusion in the ETF, given the appearance of a certain characteristic.

In this section of the report, I'll discuss the following questions: 1) Does the mere existence of hundreds and hundreds of ETFs ultimately have an impact upon the valuation of securities? 2) Do ETFs ultimately impact the volatility of securities as we experience them, even if they don't have an impact on the valuation? 3) If the answers to those questions are yes, as I believe they are, why is it so? .

Returning to basics, the world of investments is composed of individual securities. In theory, each individual security has its own constituency. Its constituency is comprised of the people who choose to hold those securities, as well as the people who very closely follow those securities who might buy them or sell them. In other words, if certain criteria are met, they are potential transactors in those securities. That's the universe of people who are interested in a security; those are the so-called constituents.

ETFs alter that universe, because they introduce the quantum appearance, or disappearance, of what I call alien constituencies. What's an alien constituency? It is comprised of investors who will transact in a given security without any genuine understanding of the investment merits of the company. For example, one could create an ETF based on the premise that micro-cap companies are either overvalued or undervalued. Money would flow into that sector either because an ETF existed that would buy the broad expanse of micro-cap companies, or because an ETF existed that would sell short those companies.

All of a sudden an investor, or investors, would appear who would seek to buy or sell those companies even though they are not part of the natural constituency. Instead of micro-cap stocks, an ETF could be comprised of stocks of companies from a given nation, like China or India, companies in a given industry, or companies with a given characteristic such as having or not having a lot of debt on their balance sheets.

Those determinations about companies are made on a completely different level; yet, in the ETF, once in compliance with the decision rule that serves as a unifying thread, all

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companies are created equally in the sense that they'll either be included, or not included, irrespective of their investment merits.

There are nearly 850 ETFs in existence, and the number in registration is well over 500. How could that many ETFs not alter the natural constituency of companies? It's not merely that there are hundreds of ETFs, but that the amount of money in them is already in the trillions of dollars. That money gravitates from one ETF to another based on each fund's rules for inclusion. As the money moves between funds, the prices of the underlying securities will react in ways that have very little to do with their fundamentals as viewed by the natural constituencies of those companies.

The oddest ETF innovations of all are the many forms of leverage that certain funds employ. That leverage would be very difficult to undertake in a standard margin account. Not only are there the 2x leveraged series of ETFs, but one can now experience the 3x leveraged funds that were created not very many weeks ago by a company known as Direxion.

From a standing start, many of the Direxion triple-long and triple-short ETFs have achieved volume in the millions of shares per day. Oddly enough, for the entire series of shorts we'll find that the ultra-short 2x is far more popular than the 1x short. It's early to make this assertion but, based on the evidence that we have before us, it appears that the triple-short is rapidly becoming more popular than the double-short.

Anyone can see that the appetite for risk is clearly undiminished; it just changes its focus. I think that no reasonable person would assert that there isn't considerable risk associated with being 3x short an index, which almost definitionally will never go to zero. It would have a finite decline until it reaches a value from which it would resume appreciating. Why would it resume appreciating? In any index, most of the companies will remain profitable and will add to their shareholders' equity over time, and that increase will translate into higher stock prices for most of the companies in the index, even if it takes years.

If one accepts the initial premise of the words I've uttered so far, it seems that the natural constituency of companies are being altered in a valuation sense by this alien constituency via ETFs. The natural constituency will always be present for the company, but the alien constituency will come and go. At the moment, the alien constituency has arrived, and has made its presence felt. Logically, the next step would be that the alien constituency will depart. For value investors, this situation presents a huge opportunity for many, many artificially undervalued companies, of which some mention will be made in the *Featured Companies* section.

Industry Thoughts

Companies with Significant Bank Debt Maturing Before 2014-2015

For this section of the report, I've invented an industry comprised of companies with significant amounts of bank debt that matures before the 2014-2015 time frame. An example would be a company with bank debt that matures in 2013. I'll talk about specific companies of that type in the next section. It appears that there are many examples of these companies that are currently trading at low single-digit valuations. The premise upon which those valuations are based can only be the belief that the individual companies will not be able to refinance their debt upon maturity, and therefore will enter bankruptcy.

While there are cases of companies that are not profitable at the moment and are having difficulty making their debt service, there are many, many more cases of companies that have no difficulty whatsoever in making their debt service. Were they to become insolvent in the sense that they couldn't refinance their debt, it wouldn't be because they're not profitable companies; it will have been because no financial entity wished to lend them money. In most of these cases, the maturity of the bank debt is not near-term, meaning within the next year; it matures several years from now.

The market is discounting the permanence of the current closure of the credit markets, at least until 2013 and beyond. I believe that it's a classic illustration of what the equity yield curve is. The natural condition of the equity yield curve reflects the market's view that the current equilibrium, such as it is, is semi-permanent. What we know about equilibriums is that there's no such thing as an equilibrium; in fact, the capital markets are in constant disequilibrium. We also know that, whatever conditions exist today, they are unlikely to exist in some future time period; there will be different conditions.

The market is discounting an extraordinarily high failure rate. I believe that if one were to create an ETF composed of companies with bank debt that matures within the timeframe mentioned here, I believe that it would be a class of undervalued companies. That situation may not be the case five years from now, but I believe that it's true at the moment.

This possibility only exists because of the phenomenon discussed in the *Musings* in which new, or alien, constituencies disrupt the natural constituencies of companies. In essence, each company has a certain probability of being able to refinance its debt. The ETF makes it possible for investors to make global assertions about companies with bank debt. In point of fact, there are funds that have bank debt, and nothing but bank debt, in them. By judging where the bank debt trades, they make certain assertions about the equity. It's not uncommon to see bank debt that ranks first in the credit hierarchy, trading at 30 cents on the dollar.

Logically, if that were a fair price for bank debt, it would almost necessarily follow that the equity of the company in question would be nearly worthless. It would not be illogical for someone to merely observe where bank debt is currently trading, and make the assertion, on a valuation basis, that the equities associated with those loans are nearly worthless. Based on that assertion, one could design a computer program to sell short hundreds of companies with that characteristic.

If one were to do so on a, so to speak, global macro basis, why wouldn't it overwhelm the natural constituency of those equities? Ultimately, we're going to find out whether or not those companies default. I think statistics will tell us that the probability of a majority of them going into default is very low. As a matter of fact, statistics will tell us that a valuation of bank debt at 30 cents on the dollar, at least if history is any guide, is a very poor measure of what a company might be worth. I think there's enormous opportunity to make money on companies that have bank debt maturing within this timeframe.

Featured Companies

Oshkosh Corp. (OSK)

Oshkosh Corp. was recommended as a possible short sale in the June/July 2008 issue of the *Devil's Advocate Report Compendium*, but now I'm mentioning it as a possible long. The stock price has declined enormously. It currently trades at a market capitalization to sales ratio of 0.09x, and 4.4x the earnings that are likely to be realized in the year 2009¹.

Before making further comments on the company, let's define what I call "the coping mechanism of history." Some call it the "black swan problem." Arnold Toynbee, the historian, calls it "challenge and response." A statistician might call it "regression to the mean." These names all refer to phenomena and related events that have a large impact with consequences that are generally unintended, unexpected and unusual. Sometimes those consequences are positive, and other times they are negative. I'll explain how this applies to Oshkosh in a moment.

Let's examine Oshkosh as it stood last summer when it was recommended as a possible short sale. Oshkosh can be divided into two component parts. One part is a relatively stable business that makes firefighting vehicles, emergency vehicles for accidents in airports and other products of that type. These products are certainly needed, and the demand for them is relatively constant. Second, there's an element of the business that I would argue is necessarily cyclical, and that is the production of military vehicles, many of which are armored.

¹ This report was recorded on December 22, 2008.

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At the time of the *Devil's Advocate Report*, the danger to Oshkosh was a sudden American military withdrawal from Iraq because, without participation in that conflict, the wear and tear on the U.S. military stock of vehicles would be dramatically reduced. It would also reduce the wastage rate, either from combat or from general usage. As a result, the military would order fewer vehicles, which would obviously be a bad development for Oshkosh. At the time, the share price didn't appear to reflect the possibility of that negative development.

Going a step farther back, let's try to understand why one might argue that the United States military might withdraw from Iraq. One reason was that, at the time, the casualty rate was unacceptably high, because of the danger from land mines and what are known in military parlance as EFP attacks (attacks from Explosively Formed Projectiles, or shaped charges), which are very effective against armored vehicles. The public did not wish to experience such losses. Since the danger of ambush was ever present, it seemed that the solution would be for the military to withdraw. That was the threat to Oshkosh.

The military took that threat of attack very seriously, but took an approach entirely different from withdrawal. It was decided that, because the military vehicles might be deployed anywhere in the world, they should be completely redesigned to become mine and ambush resistant. Out of that decision, the MRAP Program was developed. MRAP stands for Mine Resistant Ambush Protected. Without going into the technology of how the vehicles were redesigned to be more resistant to land mines and EFPs, the increased armor made them slower and heavier, which are deficiencies. In fact, the vehicles became so heavy that 72% of the bridges of the world could not support the MRAP vehicles as they exist today.

These new vehicles were designed to replace the Humvee, and the armor on them is considered important enough to justify a price of \$750,000 each, which is a lot of money for any vehicle. The first awards for production of these vehicles were given to a competitor known as BAE Systems, which would've been a negative for Oshkosh.

Oshkosh rose to the challenge by forming a joint venture with Ceradyne, a company that's involved in ceramics. As a material, ceramics can be very strong and resistant to EFPs, but that material is much lighter than traditional armor made with metallurgy. Oshkosh developed a vehicle called "the Bull," which is a ceramic-plated vehicle that is mine and EFP resistant. It is also lighter and faster than the MRAP vehicles that are too heavy to cross most of the bridges in the world.

I follow this company, and was astonished to read that in November the company won a \$1.2 billion contract, which is large, from the Department of Finance, not for the Bull, but for heavy tactical vehicles that are supply trucks. Oshkosh also opened a factory in China to produce airport rescue vehicles for the Chinese market. Those were two major developments for the company.

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The third development was that Vice President-elect Biden feels that the military should be ordering the Bull. The Senate committee with which he was formerly associated has begun an investigation to discover why to date the military has not made any orders of the Bull, though it might place some orders in the not too distant future. I was astonished that the market wasn't discounting at least part of this information. One would think that the natural constituency of Oshkosh would have reasoned that the company's been awarded some fairly substantial contracts, and that the incoming administration appears to be very favorably inclined to new awards in these programs, whatever might be their posture regarding American deployment in Iraq. The Bull, for example, might be very useful for reducing the wastage and casualty rate in Afghanistan.

The incoming administration appears to be committed to this vehicle; therefore, I would've thought that the valuation of the company would expand to embrace the so-called exogenous possibility of contract awards. Those awards could be of a very large magnitude, because it appears that the military has to rebuild its entire fleet of military vehicles, especially armored personnel carriers. Fortunately or unfortunately, depending on your point of view, that information did not affect the valuation.

I noted that the company has \$2.7 billion of debt, most of which happens to be bank debt. Of this \$2.7 billion of bank debt, \$262.5 million matures in December 2011, and \$2.4 billion matures in December 2013. This debt has the standard debt covenants that require the company to maintain a certain quantity of cash flow and a certain degree of interest coverage relative to that debt. Due to the natural cyclicity that exists in the military contract in business, meaning that there are sometimes few contracts and other times a proliferation of contracts, it is quite possible that, at some point in the next four years, the company might not meet those criteria.

As to the credit agreements, the recourse of the banks is not to force the company into solvency, but merely to force the company to pay more money for its debt and to pay associated fees, some of which can be very high. It does not appear to me that there's any reasonable prospect of this company becoming insolvent. The company has \$1.4 billion of equity but that's an illusion in one sense, because the company has at least that quantity in goodwill that came from past acquisitions.

This is a company that has \$2.7 billion of debt that is almost entirely bank debt and matures prior to the 2014 - 2015 period. It has covenants that are restrictive, and it has no tangible equity. It appears to me that any company with those characteristics, irrespective of whatever its business characteristics are, will trade at a very low valuation. As far as I can tell, Oshkosh is trading at the lowest valuation that I've seen since I began following it two decades ago. I think it's a buy.

CB Richard Ellis (CBG)

About two and a half years ago, CB Richard Ellis was also recommended as a possible short sale². Let's review what the company was then and what it has become. One aspect of the company is its real estate brokerage, which has a large emphasis on office leasing. Obviously, that business is currently under duress, and before all is said and done, it could be under even more pressure. The earnings of that business are in decline and are likely to continue their descent. The second aspect of the business is that it is a real estate investment manager, meaning that the company formed a variety of partnerships to own real estate assets using client capital, and it charges its clients a fee for that service. Obviously, the market value of the assets is down, and it is not inconceivable that at least some of the clients will depart in due course.

CB Richard Ellis has the following valuation and balance sheet characteristics. The company trades right now³ at a 0.14x market capitalization to sales ratio, which is very low for any company, and certainly for a real estate broker. The stock has lost about 90% of its value in the last year and a half. On the current diminished earnings, the P/E ratio is 4x. In its balance sheet characteristics, the company technically has \$1 billion of equity and \$3 billion of debt. The company, however, is even more leveraged than those numbers indicate, because there's \$2.7 billion of goodwill; therefore, the company has no tangible equity whatsoever.

One of the reasons that there's no tangible equity is that the goodwill was acquired via acquisition of other real estate brokerage companies, so there are no assets, but a lot of goodwill. Another reason is that, until very recently, the company was repurchasing its own shares. In the last year, the company repurchased 30 million of its shares and then, recognizing that the market was very concerned about its balance sheet leverage, it suddenly reversed itself by issuing 50 million shares. Essentially, the company bought back 30 million shares at a higher price, and subsequently sold 50 million shares to the public at lower prices. CB Richard Ellis has debt maturity characteristics similar to those of the other companies with bank debt. Of its bank debt, \$600 million is due in December of 2011 and \$1.4 billion is due December 2013.

During the same time period in which CB Richard Ellis issued the 50 million shares on what was almost an emergency basis, and while the company was in such a leveraged condition, it was selected to manage and broker the real estate owned by the FDIC. The amount of real estate that the FDIC now owns has to be a record for that institution, and I think that most people would agree that it is merely a fraction of what it will soon own.

This development is an important business opportunity for CB Richard Ellis, and I was astonished that the market was completely unimpressed by it, even though it could be an

² July 7, 2006 *Devil's Advocate Report*

³ This report was recorded on December 22, 2008.

enormous counter-cyclical factor in the company's fortunes. It means that the company will have real estate deals to broker that otherwise would be nonexistent, or unavailable to it. At these prices, I think CB Richard Ellis is a buy.

International Flavors & Fragrances (IFF)

International Flavors & Fragrances (IFF) is an entirely different company than the others in this report. When I wrote a *Contrarian Research Report* on IFF about eight years ago, it traded at about 11x earnings with a dividend yield of about 8%. Today it trades at a P/E ratio of 9.9x, and has a dividend yield of 3.4%. The company's business is easy to understand; it makes flavors and fragrances. Of late, the flavors business has been growing faster than the fragrances business, though that's growing, too. The flavors business grew at a 9% rate, largely as a consequence of its growth in the emerging markets. The so-called affordable luxuries are consumer brands with a certain amount of consumer choice associated with them, like a difference in flavors. Those products are gradually making their appearance in emerging markets, which accounts for the company's growth rate. It could continue to grow in that way for many, many years.

The company's earnings are advancing, and it has little, if any, capital expenditure requirements. Of late, the company has been buying in its shares. Over the past year, it has repurchased 12% of the outstanding shares. This company is another example of one that has no tangible equity, which is due to past acquisitions and buying back shares at a premium to book value. As a result, the company has \$700 million of equity, but also \$700 million of goodwill and, therefore, no tangible equity.

After buying back 12% of its shares outstanding, the company raised its cash dividend by 10%. That increased dividend does not mean an extra expenditure of cash since, if the number of shares is reduced by at least 10%, the dividend can be raised by 10% without any increased expenditure for that purpose.

IFF has \$1.2 billion of debt. In a cash flow sense, the company doesn't appear to be in any danger of not being able to service that debt, and it probably could have more debt on its balance sheet if it cared to. The debt maturities range from 2011 to 2017.

To give an illustration of how stable the flavors and fragrances business is, IFF has four competitors worldwide, and the industry itself has not materially changed its competitive structure since the 19th Century. For example, one of its competitors is a private company called Firmenich that was founded in 1895. Another competitor, also a private company, is called Symrise, which many years ago was a subsidiary of Bayer, which itself had been a subsidiary of I.G. Farben. So, Symrise can also trace its origins to the 19th Century.

The third competitor is Givaudan, a Swiss company also founded in 1895. The fourth competitor is a Japanese company called Takasago (Tokyo: 4914). This company can trace its origins back to 1920 and, since that time, no major competitor has managed to

introduce itself into the market and change the competitive dynamics. Consumer demand for both flavors and fragrances appears to grow modestly each and every year. That growth is a function of consumer products companies looking to raise prices by increasing consumer choice.

It's worthy of note that all of these companies actually have highly proprietary technology. You might not think that the chemical composition of flavors or fragrances has tangible asset value, but it clearly does. There have been Nobel Prize winners in chemistry that worked for the various flavor companies. The most recent example is the winner of the 2001 Nobel Prize for Chemistry, who was an employee of Takasago.

At 9.9x earnings and a 3.4% dividend yield in today's interest rate climate, IFF is preposterously undervalued and is a buy.

Overseas Shipholding (OSG)

The stock price of Overseas Shipholding has declined markedly in the last six or eight months. The analysts are predicting earnings to decline in 2009 by 57% relative to where they are today, because of the decline in world scale rates (the pricing schedule for tankers). Using the 2009 earnings estimates, the stock trades at 7.5x earnings. It should be self-evident that the world scale rates are highly correlated with oil prices; therefore, to make an assertion about what the world scale rate will be is almost like making an assertion about what oil prices will be. Implicit in this forecast is the notion that oil prices will remain depressed for quite sometime.

Though no analyst has formulated a 2010 estimate, if the sense of the market was that oil prices were going to recover substantially in 2010, then the P/E ratio on Overseas Shipholding for 2009 would be arguably higher. The reason is that the market would be making a judgment that the 2009 earnings were merely a cyclical low. If one were to go back to periods in history when oil prices were depressed, especially the 1980's, one would see that Overseas Shipholding traded at much higher P/E ratios, and that was in higher interest rate environments. The market was able to realize that the depressed world scale rates were temporary.

Beyond that, the tanker business is radically changing. As an example, technology has been developed that would allow tanker companies to, believe it or not, become LNG processing companies. The processing of hydrocarbons into LNG will be done on the tanker while traveling to its destination. This development would clearly save time, and be a source of profitability that previously was technologically unfeasible. Teekay Shipping, in cooperation with Samsung, is building such a vessel right now. Shell and Mitsubishi are also building vessels of that type right now. This technological development marks an enormous change in the way the business is developing. It's entirely possible that the tankers of the future will not be mere carriers of product, but will offer more value added services.

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In addition, work is underway to increase the depth of the Suez Canal, which would permit the passage of fully loaded tankers with a draft of up to 72 feet. That project could increase the productivity of the now huge tankers that exist, since right now I think that the canal can only take a draft of 53 feet. Many vessels will have their steaming time cut enormously when this work is completed, which means that a vessel will be able to make more trips in a given year, making it more productive and more valuable. This undertaking could greatly increase the value in use, so to speak, of a tanker. The government of Oman clearly recognizes that potential, since it is buying \$4 billion worth of tankers. It's a logical product extension for that country as its oilfields approach exhaustion.

In the quarter ending September 30, 2008, Overseas Shipholding itself repurchased slightly in excess of 2 million shares for a price of \$70 each. The stock price is now \$39. Overseas apparently thought its stock was undervalued. Since June 2006, which is a little over two years, the company has repurchased 28.9% of its outstanding shares. It remains a buyer of its shares. Despite these massive share purchases and large capital expenditure programs to build vessels, the company only has \$1.4 billion of debt and \$2 billion of shareholders' equity.

The company is spending 3x the rate of depreciation on brand new vessels, which is a great deal of money. Its fleet is fairly young for vessels of this type as can be seen in Table 1.

Table 1

Crude Oil Tankers	Age in Years
VLCC Class	7.7
Aframax	9.3
Panamax	5.0
Handysize	6.1

There are many developments that could increase the value of tankers. The tanker day rates themselves are fairly depressed and may increase. In any event, this company certainly has excess cash flow with which to continue buying in its own shares. At its current valuation, I think the stock is undervalued and should be purchased.

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APPENDIX A

Money Manager Index

From Jan 1983 to Dec 2008														Annualized return		
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yr. End	Index	Yearly 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%

Name	Amount Invested
Affiliated Manager	\$ 22,947
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

Name	Amount Invested
Pzena Investment Mgt	\$ 122,426

◆ The Contrarian Research Report Compendium ◆

APPENDIX B

International Money Manager Index

From Jan 1983 to Dec 2008														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%

Name	Amount Invested	Name	Amount Invested	Name	Amount Invested
IGM FINANCIAL INC	\$1,000	HENDERSON GROUP PLC	\$14,447	BLUEBAY ASSET MANAGEMENT/UNI	\$37,469
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 BABCOCK & BROWN LTD	\$23,437		
ABERDEEN ASSET MGMT PLC	\$1,208	NEW STAR ASSET MANAGEMENT	\$27,700		
CI FINANCIAL INCOME FUND	\$2,585	CHARLEMAGNE CAPITAL LTD	\$36,848		
MAN GROUP PLC	\$2,862	PARTNERS GROUP-REG	\$36,848		
AGF MANAGEMENT LTD-CL B	\$3,343	INVISTA REAL ESTATE INV MNGT	\$36,589		
SPARX GROUP CO LTD	\$11,762	ASHMORE GROUP PLC.	\$36,688		