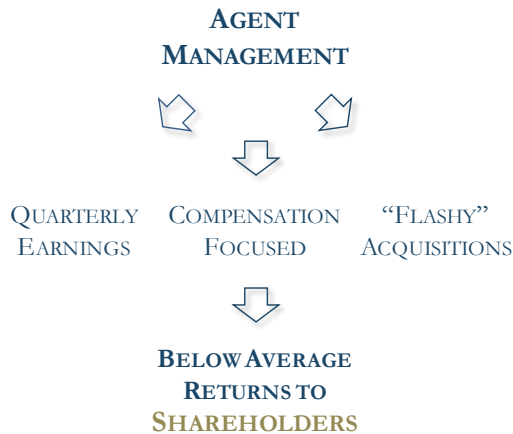


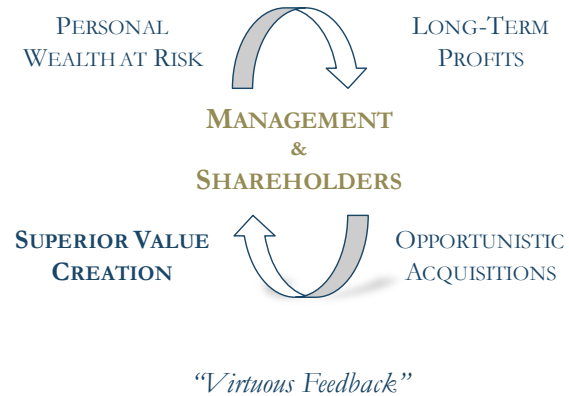
The Horizon Kinetics ISE Wealth Index (RCH)

Let the Wealthy Work for You

A TYPICAL PUBLIC COMPANY



A WEALTH INDEX COMPANY



What is the Horizon Kinetics ISE Wealth Index?

The Horizon Kinetics ISE Wealth Index is a **unique, passive index that tracks the investment performance of public companies managed by many of the wealthiest people in the United States**. Ordinarily, access to professional investors and successful entrepreneurs of this pedigree is not readily available to the average person; however, by investing in a compilation of publicly-traded companies that are managed and/or controlled by the wealthiest individuals in the United States, exposure to the superior investment capabilities of these entrepreneurs may be obtained. Importantly, inherent in this strategy is a unique form of risk management: one can easily monitor the manner in which these investors have positioned their own capital at almost any point in time. By following their investment posture, one of the greatest uncertainties involved in stock investing (i.e. when to buy and sell) can be partially alleviated – *if the Warren Buffetts aren’t selling, neither need you*.

SAMPLE WEALTH INDEX CONSTITUENTS

NIKE INC.	PHILIP KNIGHT
THE BLACKSTONE GROUP	STEPHEN SCHWARZMAN
ORACLE	LARRY ELLISON
LAS VEGAS SANDS	SHELDON ADELSON
WAL-MART STORES	SAMUEL WALTON
AMAZON.COM	JEFFREY BEZOS
BERKSHIRE HATHAWAY	WARREN BUFFETT
DISH NETWORKS	CHARLES ERGEN
FEDEx CORP.	FREDERICK SMITH

AS OF 3/31/2012

Do These Companies Outperform the Market Over Time?

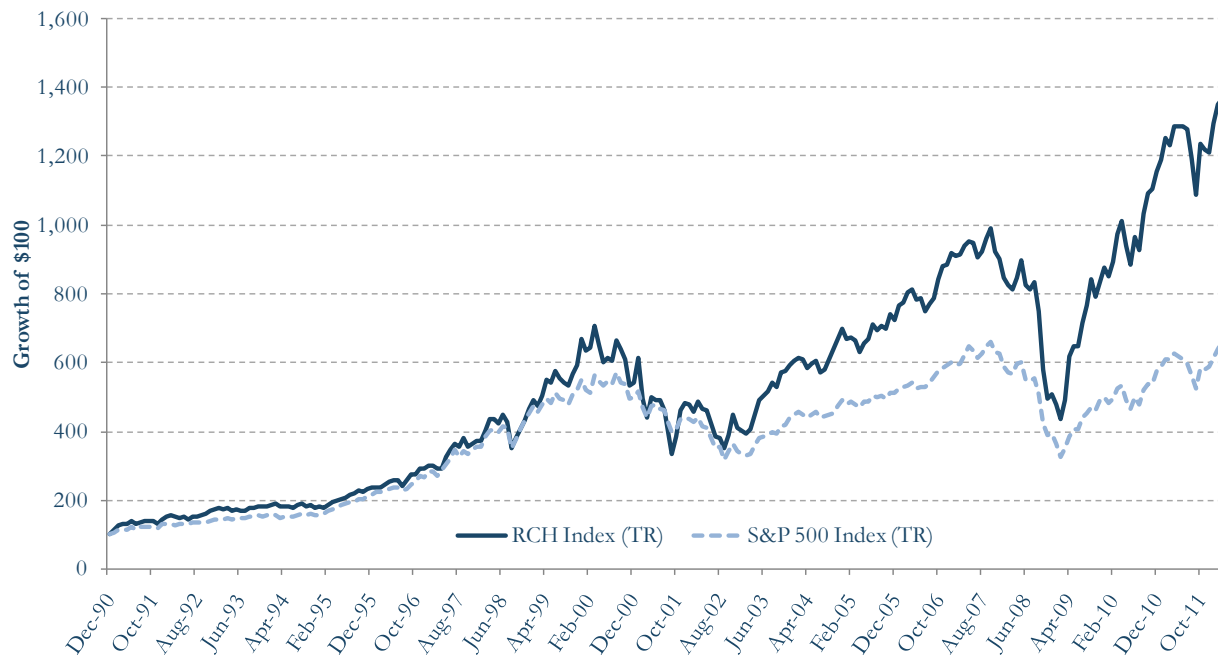
The historic outperformance of such companies has been an area of enduring interest for Horizon Kinetics. Through years of research report generation and the implementation of an owner-operator strategy in various client accounts, we have found that CEOs with a significant vested interest (i.e., personal capital at risk) in their companies generally produce above average returns for their shareholders.

The Horizon Kinetics ISE Wealth Index is formal validation of this concept. During the 1990-2011 time period, as shown in the graph below, our index has demonstrated that companies that remain managed by their founders or by the wealthiest individuals in the United States outperform the market by a wide margin.

There is also a large body of academic research that validates the Wealth Index concept. In one such study, Shulman and Noyes (2012)¹ examined the historical stock price performance of companies managed by the world's billionaires. The results were more than impressive – ***the index of billionaire-led companies outperformed the S&P 500 Index by over 700 basis points annually during the period of study.*** This is substantially similar to the result produced by the Horizon Kinetics ISE Wealth Index.

HORIZON KINETICS ISE WEALTH INDEX VS. S&P 500 INDEX

(DEC. 1990 – MAR. 2012)



¹ Shulman, J.M. and Noyes, E. "The Rich Get Richer and So Can You: Investing in a Billionaires' Index" *The Journal of Index Investing*, Spring 2012, pp. 12-32

Why Do These Companies Generate Superior Returns for Shareholders?

Founders who remain with their companies in the capacity of CEO or other controlling position such as Board Chairman often tend to be the largest shareholders. Their wealth is generally not created through extravagant compensation packages, which can lead to managing for the short-term. Rather, their wealth is generated and, importantly, sustained through an expanding share price over a long-term time horizon. This is an intuitive concept, yet it is seemingly not well appreciated by many investment managers. Although short-term price appreciation can result from any number of unsustainable tactics, long-term appreciation must ultimately be supported by a commensurate level of non-dilutive return on capital (i.e., including the Wealth Index member's own capital), as might be measured by book value per share growth.

Observance of the corporate behavior of these companies will reveal that activities such as acquisitions and general reinvestment in the growth of the firm differ markedly from those of the average company. As merely one example, acquisitions are often made opportunistically during periods of market stress – periods when most companies are building cash balances to maintain acceptable credit ratings or to preserve liquidity. An abundance of academic literature confirms this unconventional behavior.

For instance, Fahlenbrach (2009)² concluded that ***founder-led CEOs often invested more in R&D and capital expenditures than the agent-operated company.*** Additionally, mergers and acquisitions tended to be focused on expanding intrinsic and shareholder value rather than on a sometimes common feature of non-founder led companies: empire building through unnecessary and potentially value-destroying acquisitions.

Similarly, McVey and Draho (2005)³ found that **companies controlled by families are “long-term investors with substantial wealth at risk.”** Since wealthy families that control publicly-traded companies usually focus on growing and managing their wealth – which typically is passed on to future generations – these CEOs have been found to avoid quarterly earnings guidance and, rather, emphasize long-term value creation. Specifically, family-owned companies were shown to possess above-average managerial talent and access to strategic business relationships. Unsurprisingly, these companies outperformed non-family-controlled companies in this particular study.

For additional information regarding the Horizon Kinetics ISE Wealth Index visit www.horizonkinetics.com or www.ise.com

² Fahlenbrach, R. “Founder-CEOs, Investment Decisions, and Stock Market Performance.” *Journal of Financial & Quantitative Analysis*, Vol. 44, No. 2 (2009), pp. 439-466

³ McVey, H. and J. Draho. “U.S. Family-Run Companies-They May Be Better Than You Think.” *Journal of Applied Corporate Finance*, Vol. 17, No. 4 (2005), pp. 134-143

Important Disclosures:

Back-tested performance is hypothetical (it does not reflect trading in actual accounts) and is provided for informational purposes to indicate historical performance had the index been available over the relevant period. Actual performance may be materially lower than that of the index, as it does not include expenses or fees. Such results do not represent the impact that material economic and market factors might have on an investment adviser's decision making process if the adviser were actually managing client money. Back-tested performance also differs from actual performance because it is achieved through the retroactive application of portfolios designed with the benefit of hindsight.

Horizon Kinetics ISE Wealth Index (the "Index") was created in conjunction with the International Securities Exchange, LLC ("ISE"), which operates a leading U.S. options exchange and offers option trading on over 2,000 underlying equity, EFT, index, and FX products. The Index was launched in August 2011. Any returns or performance provided in this presentation is provided for illustrative purposes only and does not demonstrate actual performance. Past performance is not a guarantee of future investment results. It is not possible to invest directly in the Index. Exposure to the Index is only available through investable instruments. Horizon Kinetics, its subsidiaries and ISE may receive compensation in connection with licensing the Index to third parties. Horizon Kinetics or its subsidiaries may sponsor, endorse, sell, promote or manage investment funds or other vehicles that seek to provide an investment return based on the returns of the Index. There is no assurance that investment products based on the Index will accurately track Index performance or provide positive investment returns.

References to market or composite indices, benchmarks or other measures of relative market performance (a "Benchmark") over a specific period are provided for your information only. Reference to a Benchmark may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, correlation, concentrations, volatility, or tracking error targets, all of which are subject to change over time. The S&P 500 Index is property of Standard & Poor's. Horizon Kinetics generally employs the same methodology in its backtest calculations as it does when the actual Index was officially launched. Anyone interested in better understanding the methodology for the Index, including details on the manner in which the Index is rebalanced, the timing of such rebalancing, the criteria used in determining additions and deletions to the Index as well as other Index calculations may contact Horizon Kinetics at info@horizonkinetics.com or (646) 495-7333.

Horizon Kinetics LLC is parent company to several registered investment advisors. Horizon Asset Management LLC ("Horizon") is the investment manager to certain strategies that are designed to track the Index. These strategies may not perform identical to the Index for a variety of reasons including the fact that the Index does not have management fees or transaction fees. Horizon reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. The strategies that track the Index may invest in both equity and fixed income securities without regard to market capitalizations or issue size. Horizon does not necessarily fully invest portfolios immediately after an account is funded. There can be no assurance we will ever fully invest an account. There is no assurance that any securities discussed herein will remain in an account. The securities discussed might not represent an entire account and in the aggregate may represent only a small percentage of an account's holdings.

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