

# Wealth Strategy

As of 2/29/2016



## Investment Approach

- The Wealth Index Strategy attempts to track the performance of the Horizon Kinetics ISE Wealth Index ("Index"), which consists of U.S.-listed companies managed by some of the wealthiest individuals in the United States.
- In most cases, the wealthy individual has invested a substantial portion of his or her net worth in the common equity of the constituent company.
- Since the Index constituents are primarily company founders and/or owner-operators, we believe these executives emphasize the creation of long-term shareholder value and, as a result, tend to outperform the broader markets.

## Index Methodology

- Index constituents must have a wealthy individual in a control position (e.g., Chief Executive Officer, Chairman of the Board). A wealthy individual is defined as a person whose personal assets generally exceed US \$500 million.
- Index constituents must be listed on a U.S. exchange and, in the case of initial public offerings, must have been publicly listed for at least two years.
- Index constituents are reviewed quarterly for eligibility and are weighted equally at the beginning of each quarter.

### Investment Time Horizon:

5+ Years

### Representative Benchmark:

S&P 500

### Assets Under Management:

Horizon Kinetics (\$bln) 6.0

Strategy (\$MM) 92

### Strategy Inception Date:

January 2012

### Back-Tested Data Since:

January 1991

### Portfolio Manager:

Murray Stahl  
38 yrs investment experience

Matthew Houk  
11 yrs investment experience

Please refer to Important Disclosures on the following page.

Performance Statistics	MTD	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	ITD
Total Return (gross)	1.5	-7.1	-7.1	-16.2	6.7	7.7	8.9	12.2
S&P 500 Return	-0.1	-5.1	-5.1	-6.2	10.8	10.1	6.4	9.5
Excess Return (gross)	1.7	-2.0	-2.0	-10.0	-4.0	-2.4	2.4	2.7
Standard Deviation (%)	—	—	—	14.5	13.6	14.9	20.4	20.5
Tracking Error (%)	—	—	—	6.5	5.8	5.7	8.8	10.0
Sharpe Ratio	—	—	—	-1.1	0.5	0.6	0.5	0.5
Information Ratio (arith)	—	—	—	-1.5	-0.7	-0.4	0.3	0.3
Beta	—	—	—	1.0	1.1	1.2	1.2	1.3
UpMkt Capture Ratio (%)	—	—	—	55	97	101	124	128
Down Capture Ratio (%)	—	—	—	129	127	120	118	128

### Top 10 Holdings <sup>(1)</sup>

Top 10 Holdings <sup>(1)</sup>	% Port
Columbia Sportswear Company	0.8%
Fossil Group, Inc.	0.8%
Dillard's, Inc. Class A	0.7%
Wynn Resorts, Limited	0.7%
MSC Industrial Direct Co., Inc.	0.7%
Freeport-McMoRan, Inc.	0.7%
EchoStar Corporation Class A	0.7%
Dick's Sporting Goods, Inc.	0.7%
Greenlight Capital Re, Ltd. Class A	0.7%
RPC, Inc.	0.7%

<sup>(1)</sup> Based on Model Portfolio

### Strategy Characteristics <sup>(1)</sup>

Number of Positions	181
Avg. Market Cap. (B)	19.8
P/E <sup>(2)</sup>	18.8
Price/Book <sup>(2)</sup>	1.8
Dividend Yield	1.6%
Active Share <sup>(3)</sup>	90.3%

<sup>(1)</sup> Based on Model Portfolio

<sup>(2)</sup> Weighted Harmonic Average

<sup>(3)</sup> Calculated using the iShares Core S&P 500 ETF as a benchmark.

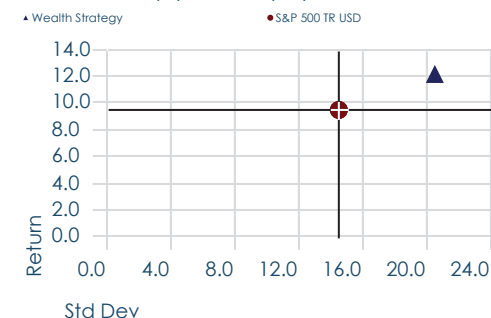
## Cumulative Growth of \$100 (gross)

Time Period: 1/1/1991 to 2/29/2016



## Risk-Reward

Time Period: 1/1/1991 to 2/29/2016



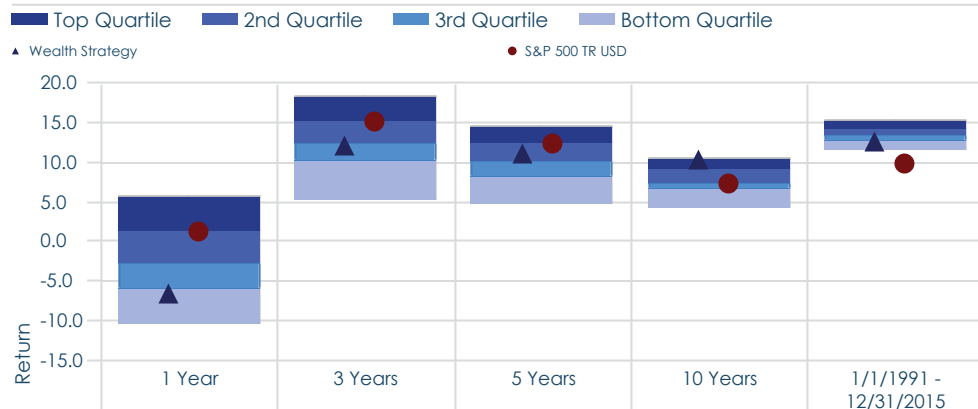
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As of 2/29/2016



## Performance Relative to Peer Group (gross)

As of Date: 12/31/2015 Peer Group (5-95%): Morningstar Institutional - All Cap



## Monthly Performance (gross)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Index
2016	-8.5	1.5											-7.1	-5.1
2015	-3.2	7.1	-0.4	-0.2	0.7	-0.3	-1.0	-6.5	-5.1	7.0	0.8	-4.5	-6.4	1.4
2014	-3.7	6.9	-1.4	-1.3	2.0	3.8	-3.5	4.5	-3.9	2.4	2.0	-0.2	7.1	13.7
2013	7.2	0.3	3.2	1.1	3.8	-1.1	6.5	-1.4	6.3	3.0	3.3	2.6	40.4	32.4
2012	6.8	4.3	1.3	-2.0	-8.0	2.4	0.8	3.5	2.4	-0.9	1.7	1.8	14.3	16.0
2011	3.0	5.4	-1.6	4.5	0.2	-0.3	-0.4	-6.8	-8.9	13.9	-1.5	-0.5	5.1	2.1
2010	-3.2	5.1	9.2	3.9	-7.2	-5.8	9.0	-4.1	11.7	5.8	1.0	4.6	31.5	15.1
2009	-5.8	-9.1	13.3	25.3	5.1	-0.4	10.7	6.9	10.1	-5.9	5.2	5.5	72.8	26.5
2008	-6.2	-2.4	-1.3	4.0	5.8	-7.7	-1.7	2.4	-10.1	-22.9	-14.1	2.3	-43.7	-37.0
2007	3.6	-1.1	0.5	3.1	1.4	-0.6	-4.3	1.5	4.2	3.1	-6.9	-2.2	1.7	5.5
2006	6.2	1.0	3.5	1.5	-3.7	0.3	-5.1	3.3	2.3	6.8	4.7	0.4	22.6	15.8
2005	-4.3	0.4	-1.4	-5.1	4.3	2.2	6.2	-2.7	2.0	-1.3	6.0	-2.1	3.3	4.9
2004	2.0	1.1	-0.3	-4.3	2.6	0.9	-5.4	1.2	5.2	4.9	4.8	4.6	18.0	10.9
2003	-1.9	-1.3	3.1	9.7	9.6	2.8	2.8	4.5	-1.8	7.5	0.7	3.3	45.4	28.7
2002	-0.7	-5.2	7.1	-4.2	-0.8	-8.9	-8.9	-1.2	-7.8	11.2	15.1	-8.8	-15.5	-22.1
2001	13.0	-19.2	-10.8	13.0	-1.8	0.0	-5.9	-10.9	-18.3	14.5	20.0	5.0	-10.8	-11.9
2000	-5.5	1.3	10.2	-7.8	-7.6	2.3	-1.8	10.1	-4.2	-4.3	-13.0	1.9	-19.2	-9.1
1999	6.0	-3.9	6.8	9.2	-1.7	6.6	-3.6	-2.4	-2.1	7.0	4.0	13.3	44.7	21.0
1998	-0.1	9.0	8.3	0.0	-2.8	5.3	-4.9	-17.9	8.3	6.7	6.5	7.7	24.9	28.6
1997	3.0	0.0	-3.3	-0.1	12.8	6.0	5.5	-2.3	6.5	-6.5	2.0	2.1	27.3	33.4
1996	0.1	0.5	2.0	3.7	2.4	-0.4	-6.6	6.3	8.0	-0.5	6.7	-0.5	23.1	23.0
1995	-1.1	3.9	4.5	1.9	2.0	3.1	4.3	1.5	4.1	-3.0	4.9	1.8	31.3	37.6
1994	3.9	1.1	-4.8	1.6	0.1	-2.7	3.6	3.1	-4.8	2.5	-4.5	1.9	0.3	1.3
1993	1.9	-3.0	3.5	-5.5	3.4	-3.3	0.1	5.9	-0.9	2.8	0.5	-1.5	3.4	10.1
1992	4.7	1.4	-2.3	-0.9	0.7	-4.0	4.5	-0.2	3.5	2.8	5.6	3.3	20.2	7.6
1991	12.1	10.8	4.3	0.9	5.1	-5.7	3.1	4.5	-2.1	-0.3	-3.7	10.0	44.2	30.5

Source: Morningstar Direct

## Definitions: Historical Statistics

- Excess Return is the measurement of a portfolio's return minus the return of the representative index.
- Standard Deviation is a statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution.
- Tracking Error is the standard deviation of a portfolio's return relative to a benchmark.
- Sharpe ratio is a statistical measure that uses standard deviation and excess return to determine reward per unit of risk. A higher Sharpe ratio implies a better historical risk-adjusted performance. Morningstar chooses a risk-free benchmark based on the portfolio's domicile, e.g. the 3-month Treasury bill for portfolios based in the United States.
- Information Ratio is a ratio of portfolio returns above the returns of a benchmark (usually an index) to the volatility of those returns.
- Beta is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole.
- Up-Market Ratio is the statistical measure of an investment manager's overall performance in up-markets. The ratio is calculated by dividing the manager's returns by the returns of the index during the up-market.
- Down-Market Ratio is the statistical measure of an investment manager's overall performance in down-markets. The ratio is calculated by dividing the average manager's returns by the average returns of the index during the down-market.
- Turnover is the lower of total buys or total sells divided by the average market value of the account. Turnover ratio is calculated by Fiserv APL.
- Active Share is a measure of the percentage of holdings in a portfolio that differ from a benchmark index. It is calculated by taking the sum of the differences of the weight of each holding in the portfolio and the weight of each holding in the benchmark index and dividing by two. Active share is measured against the strategy's primary benchmark.

## Important Disclosures

Past performance is not an indication of future results and the value of the investments and the income derived from them may increase or decrease. Returns are subject to change. Note that indices are unmanaged and the figures shown herein do not reflect any investment management fee or transaction costs. Investors cannot directly invest in an index. 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 strategy is a total return strategy and the benchmark is provided for illustrative purposes only. It is not our intention to state, indicate or imply in any manner that our future results will be profitable or equal past results. The S&P 500 Index is property of Standard & Poor's.

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 they do not include expenses and fees. Such results do not represent the impact that material economic and market factors might have on the 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 generally employs the same methodology in its back-test 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](mailto:info@horizonkinetics.com) or (646) 495-7333.

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, ETF, index, and FX products. 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.

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