

Batting 400

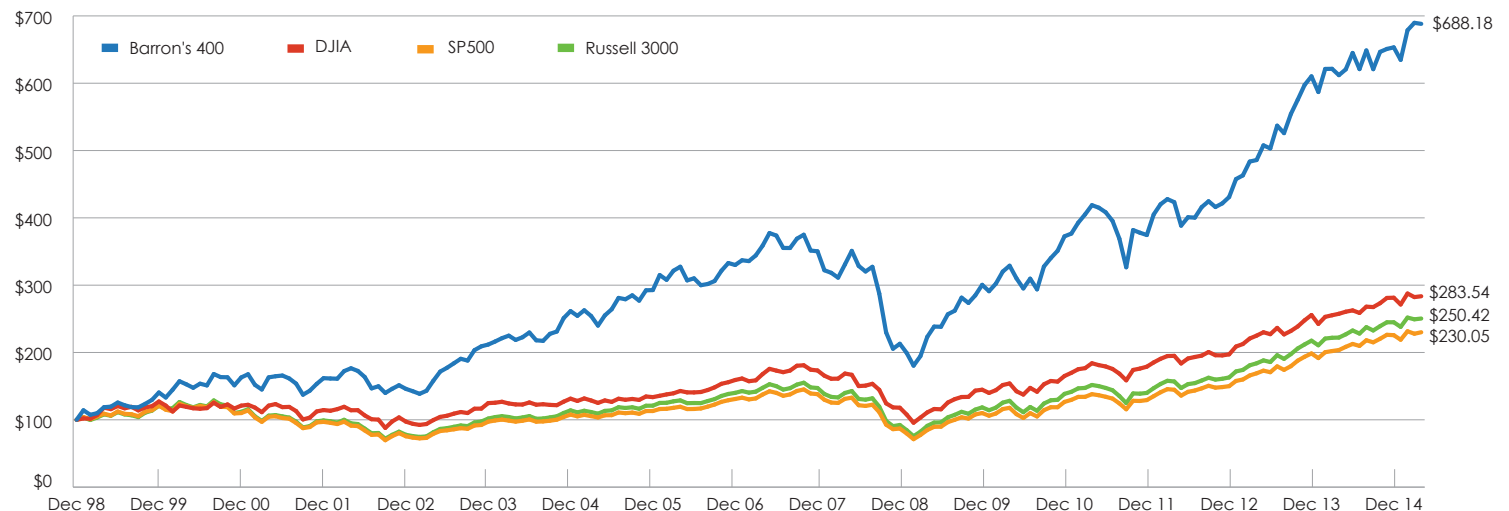
A Measure of Capital Appreciation For U.S. Equity Markets

Capital Appreciation

The Barron's 400 Index is a U.S. equity index that tracks the performance of the market's heaviest hitters. The objective of the Index is to provide a benchmark to investors seeking capital appreciation in their portfolios through exposure to the U.S. equity asset class. The Index uses fundamental analysis and a "growth at a reasonable price" (GARP) methodology developed by MarketGrader to rank a universe of over 5,000 U.S. companies, selecting the top 400 constituents after filtering for liquidity and sector diversification.¹ To ensure that the Index closely tracks its stated objective of generating capital appreciation, the Index is reconstituted and rebalanced every six months using the most recent rankings. The Index was launched in September 2007 with a base-date going back to December 31, 1998.

Figure 1. Barron's 400 Index Performance

Growth of \$100 - December 31, 1998 - April 30, 2015



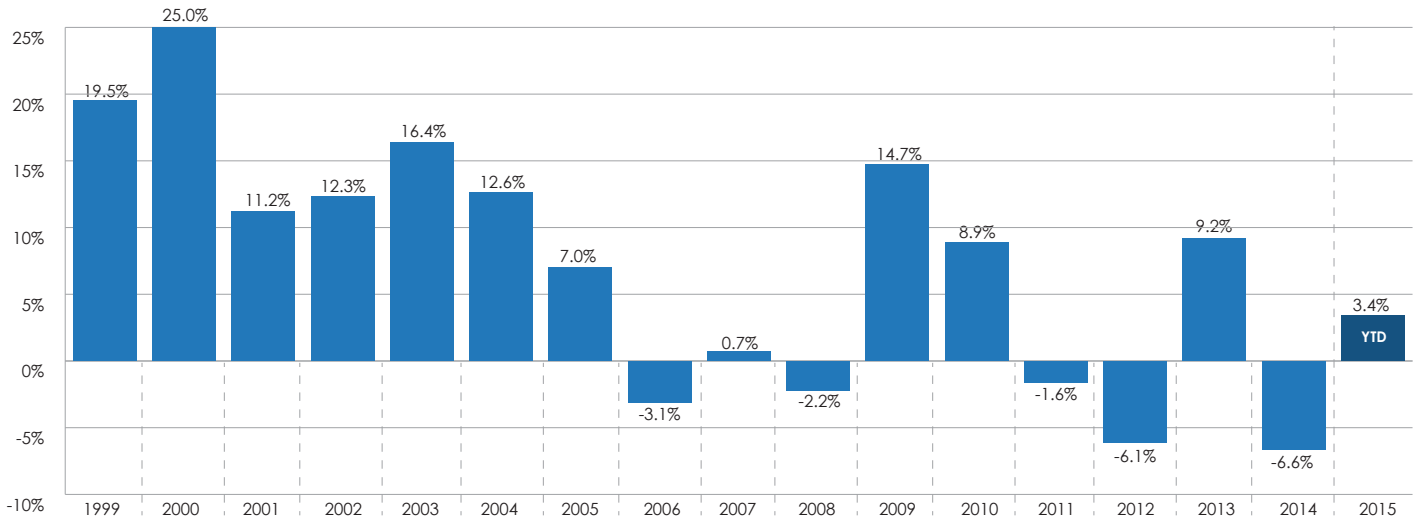
Source: MarketGrader.com.

Figure 1 presents the cumulative performance of the Barron's 400 Index as compared to the Dow Jones Industrial Average (DJIA), the S&P 500, and a broad U.S. equity measure, the Russell 3000 Index. In terms of the long-run growth of the respective indexes, the figure speaks for itself. Since 1999 the Barron's 400 Index has grown nearly six-fold while the other three benchmarks have grown about half as much. This difference can partly be attributed to the objectives of the indexes: while the Barron's 400 Index seeks capital appreciation, the DJIA, S&P 500 and Russell 3000 Index provide measures of the broad equity market.

¹ Please visit www.marketgrader.com for more on the Index methodology and the fundamental methodology used to grade companies for stock selection.

Figure 2. Barron's 400 Index: Annual Excess Returns

Calendar Year Return Differences: Barron's 400 Index - S&P 500 Through April for 2015



Source: MarketGrader.com. For calendar year performance of the Barron's 400 Index and the broad equity benchmarks, see Appendix.

Consistency in Performance

The key to the outstanding capital appreciation of the Barron's 400 Index is the stock selection methodology based on MarketGrader's ratings. This stock selection methodology, together with the equal weighting methodology of the Index, translates into superior performance relative to the traditional market capitalization weighted U.S. equity benchmarks.

To get a feel for this outperformance, **Figure 2** presents the annual excess returns of the Barron's 400 Index relative to the S&P 500.

Over the 16 and 1/3 distinct calendar years (from 1999 through April 2015), the Barron's 400 Index has outperformed the S&P 500 in 11 and 1/3 calendar years, and underperformed in five calendar years periods. The average annual outperformance over the entire time period is a significant 7.43% with a maximum of 25% and a minimum of -6.6%

In the 11 and 1/3 calendar years that the Barron's 400 Index did better than the S&P 500, the average outperformance is 12.44%. While in the five calendar years that the S&P 500 did better than the Barron's 400 Index, the average underperformance is only -3.93%. This asymmetry in the number of years outperformed versus the number of years underperformed, together with the asymmetry in the magnitude of the average outperformance relative to the average underperformance, are the two reasons for the significant dichotomy in the growth of the Barron's 400 Index relative to the other U.S. equity indexes as presented in **Figure 1**.

Appendix

	Barron's 400	DJIA	S&P 500	Russell 3000
Returns - Calendar Year				
2015 YTD	5.34%	0.78%	1.92%	2.26%
2014	7.05%	10.04%	13.69%	12.56%
2013	41.60%	29.65%	32.39%	33.55%
2012	10.24%	16.00%	16.38%	15.26%
2011	0.52%	8.38%	2.11%	1.03%
2010	23.97%	14.06%	15.06%	16.93%
2009	41.12%	22.68%	26.46%	28.34%
2008	-39.21%	-31.93%	-37.00%	-37.31%
2007	6.15%	8.88%	5.49%	5.14%
2006	12.73%	19.05%	15.79%	15.72%
2005	11.96%	1.72%	4.91%	6.12%
2004	23.46%	5.31%	10.88%	11.95%
2003	45.10%	28.28%	28.68%	31.06%
2002	-9.83%	-15.01%	-22.10%	-21.54%
2001	-0.64%	-5.44%	-11.89%	-11.46%
2000	15.89%	-4.85%	-9.10%	-7.46%
1999	40.57%	27.21%	21.04%	20.90%
Returns - Annualized				
1-Year	12.45%	10.11%	12.98%	12.74%
3-Years	17.58%	13.29%	16.73%	16.86%
5 -Years	15.91%	12.99%	14.33%	14.33%
10 -Years	11.11%	8.53%	8.32%	8.66%
Since Dec 31, 1998	12.54%	6.59%	5.23%	5.78%

Source: MarketGrader.com.

The Barron's 400 Index was first calculated on June 25, 2007, at the market close. All information presented prior to this date is back-tested. Back-tested performance is not actual performance, but is hypothetical. The back-test calculations are based on the same methodology that was in effect when the index was officially launched.

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