Investment Philosophy & Process

HORIZON KINETICS

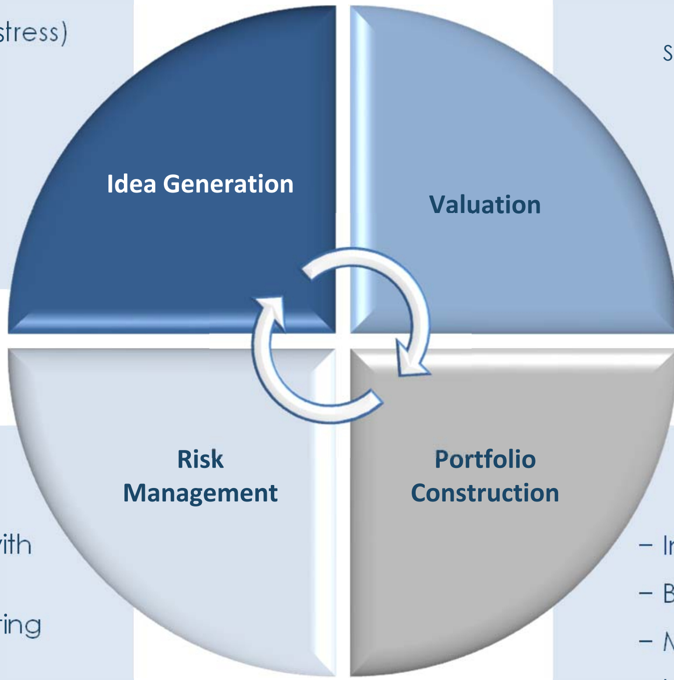
Investment Process

Successful idea generation requires a diverse set of discovery methods.

- Contrarian
- Structural changes (spin-offs, re-orgs, distress)
- Thematic developments
- Company & industry research
- Historical research
- Traditional data screens

Long-term investing requires the integration of qualitative and quantitative analysis.

Qualitative	Quantitative
Owner-Operator	Normalized Earnings
Sustainable Advantage	Book Value Discount
Long Product Cycle	Operating Leverage
Scalability	Return on Capital
Dormant Assets	Mkt. Cap to Sales
Terms of Trade	Sum-of-the-Parts
Spin-Off	



Our primary focus is avoiding long-term permanent capital loss.

- Volatility in stock prices has little to do with business risk
- Bottom-up investors focused on evaluating long-term, idiosyncratic risks
- Traditional security classifications are becoming increasingly less relevant
- Identify co-dependency amongst businesses

Our approach to portfolio construction seeks to maximize overall return while managing risks.

- Initial positions sizes generally 2 to 5%[1]
- Build positions over time
- Multi-security positions when appropriate
- Limit trading to maximize returns, reduce trading costs and minimize taxes
- Cash allocation is a function opportunity

[(1)] The max position size is typically 10% but may be larger.