Operator

Good afternoon everyone and welcome to the FRMO Corp. quarterly conference call. As a reminder, this call is being recorded. At this time, I would like to turn the conference over to Therese Byars. Please go ahead.

Thérèse Byars – Corporate Secretary of FRMO Corp.

Thank you, Danielle. Good afternoon, everyone. My name is Thérèse Byars, and I'm the Corporate Secretary of FRMO Corp. We appreciate all of you joining us for today's call.

The statements made on this call apply only as of today. The information on this call should not be construed to be a recommendation to purchase or sell any particular security or investment fund. The opinions referenced on this call today are not intended to be a forecast of future events, or a guarantee of future results. It should not be assumed that any of the security transactions referenced today have been or will prove to be profitable, or that future investment decisions will be profitable or will equal or exceed the past performance of the investments. For additional information, you may visit FRMO Corp.'s website at www.frmocorp.com.

Today's discussion will be led by Murray Stahl, Chairman and Chief Executive Officer of FRMO Corp., and Steven Bregman, President and Chief Financial Officer. They will review key points related to the second quarter's earnings. Once they complete their remarks, we will move to questions. A summary transcript of this call will be posted on the FRMO website. With that, I'll turn the discussion over to Steven.

Steven Bregman – President & Chief Financial Officer

Good afternoon. We posted on our website this afternoon a slide that we've been posting now for a couple of quarters that is an update of the Horizon Kinetics firm wide assets under management. I'll compare it with the first slide we posted for the period ended July 31st of last year. You will note that the assets under management moved from approximately $8.7 billion to $9.7 billion. It doesn't seem like a very meaningful increase, but one should note, as we have before, that the progress of management fees is not linear with assets under management. We'll see in the profitability of FRMO Corp in this and the coming quarter some variations that aren't linear with those AUM figures.

What we call the alternative investments portion of AUM is about $600 million, and in that set of assets are various investment products or strategies that contain incentive fee structures. There are a variety of partnerships or hedge funds within that which for the calendar year 2013 could have been up 40%, 50%, or more. Much of the incentive fees from those did not crystalize until December 31st. We're reviewing here the FRMO Corp results through November 30th, so you're aware of that timing difference.

On the balance sheet, just to make note of a few minor items. I'm not going to talk about anything strategic. We've talked about them before, but I think they might bear repeating. Our total liabilities are shown as $14.2 million as against $102 million of total assets. Of that $14 million, you should understand that there is about $7.8 million of deferred tax liability categorized as current and another $4.2 million deferred tax liabilities categorized as non-current. We don't pay those right now and I don't think we're likely to pay them for a while.

Those are presumed taxes on assets that have gains that are unrealized, but if we don't realize them we don't have to pay taxes on them, and we don't intend to realize them anytime soon. But if you make an adjustment for that in one's mind—we can't do it on the financial statements—exclusive of those allowances for deferred taxes, the liability figure instead of being $14 million would be about $2.1 million. But of that $2.1 million of liability is about $1.9 million that you can see, also under current liabilities, noted as 'securities sold not yet purchased.' For us, that is part of an investment asset, because it involves some short sales. On that line where it reads $1.95 million of liability securities sold not yet purchased, you'll see parenthetically there that proceeds related to that are $5.3 million. The difference between those two figures is $3.3 million of unrealized gain on those short-sale positions. That's for the November 30th figure. As of May 31st, the difference between those two figures of $2.3 million liability and $4.5 million of securities sold not yet purchased is $2.1 million. So the net gain over the course of those couple of quarters has gone from $2.1 million to $3.3 million.

If we abstracted that as well, in terms of our thinking on a business, not on a GAAP accounting basis, we don't consider that so much a liability as part of an investment position. If, then, we net that out, really our actual liabilities are $168,000 of accounts payable and accrued expenses. That's the way I look at it, which means our shareholders equity, thinking in those terms, is not $88 million, but more like $101 million or so.

On the income statement you'll see for the quarter consultancy and advisory fees were $928,000. Those come now exclusively from the 4.2% interest in the revenues of Horizon Kinetics, and again that's through November 30th.

I'll now turn it over to Murray.

Murray Stahl – Chairman & Chief Executive Officer

Thank you everyone for attending today. I'll make one small observation on the balance sheet, then I'll turn my attention to more strategic issues. It was a goal of ours to get to $100 million plus of assets. Why was that an important goal of ours? Because it gives us strategic flexibility to make investments other than just securities. It's those strategic investments that one day might prove to be important. One of those strategic investments is that we have a fairly large investment in the Minneapolis Grain Exchange. Nothing really happened in the last quarter other than we bought yet one more seat through an investment fund. So, I believe we're the largest holder of seats on the Minneapolis Grain Exchange, and I've been a board member of that exchange for a little less than half a year.

I can't tell you much about what's happening there strategically, but I can just tell you about the real estate part of it, because that's all in the public domain. The Minneapolis Grain Exchange owns the Minneapolis Grain Exchange Building, which is three blocks away from the Minnesota Vikings Stadium that is being demolished and will be completely rebuilt. The plan is to have the new stadium completed in 35 months. As a real estate investment by itself, the exchange's building might have some merit and then, more importantly, it includes the exchange itself. With all the consolidation of exchanges around the world, you have an absolutely clean exchange, and it has permission to engage in all sorts of interesting activities in that realm. It certainly has considerable value. I don't think it would be easy to get those licenses today, and time will tell how it develops.

Other strategic points. In quarters past we mentioned products as seedlings. For example, we mentioned the various index products created by Horizon Kinetics: the Virtus Wealth Masters fund, which is the Wealth Index and which we do in partnership with Virtus; the spin-off index; and the Japan Founders Index. It would be interesting for you to learn that we might have to think of a word other than seedling to describe it. For example, as of yesterday, the Virtus Wealth Masters Fund—I believe you can get this off the Virtus website, but in any event, for those who don't want to look there—it had assets under management of approximately $93 million. By way of reference, at the August 27, 2013 Annual Meeting, or just less than six months ago, I recall telling the attendees that the assets under management of the Virtus Wealth Masters Fund was $7-odd million, which is a lot of expansion in less than six months.

It's also worthy of note that there is another $5 million of assets you really can't see in the Virtus Wealth Masters Fund, because the Wealth Index is on a platform called Envestnet. Envestnet is a model platform. Essentially, you deliver your model, which is a list of securities and weights, and people are free to invest in that model or not, and if they choose to invest in that model Envestnet, automatically puts you in. We don't really engage in marketing in the sense of business development; people just have to find it, and about $5 million dollars' worth have found it. In prior meetings we didn't mention it because it was truly de minimis and maybe the $5 million here is de minimis as well, but it's important to note there are now two platforms. If you permit me to add the two together, we're not far from $99 million, or almost $100 million. That's already a successful index product.

It's also worthy of note that all of this money really came from very small platforms. The big platforms only very recently—I mean literally days or weeks ago—approved the Wealth Masters Fund. So, it's still early in the game.

This is important, not merely because it has X dollars in assets under management, but because in order to grow FRMO properly and diversify it properly, it has to evolve beyond a firm that just has investment products that Steve and I manage. As I said in prior meetings, there is a finite limit to how much money we can manage in our strategy. I believe we will be successful in what we're doing, and you can debate what that number is, but that number is not $1 trillion, for sure. In any event, it's strategically important for us that the seedlings take root, and this is a seedling that's taking root.

As for the other indices, nothing much happened with the Spin-Off Index in the last three months. You'll remember that the Spin-Off Index was previously available only on the swap market. It was another channel of distribution for us and very recently the Spin-Off Index became available on Envestnet. It's too early to talk about any meaningful assets under management, but that's another platform on which the index is available, and we are going to be developing that, hopefully.

There is the Japan Founders Index. This is one, I suppose you might say, where we got very lucky, because we launched it in June, and maybe that was a good time to launch a Japanese index. To summarize the idea, it is basically the Japanese version of the U.S. Wealth Index. It's the same premise, essentially. It has been around for a little over half a year. Of late the Japanese market has declined, like many other markets, so maybe there is not a lot of appetite for equities in Japan, except that there is a recent development in Japan that the media in America has not picked up on. I think you'll find it rather interesting. It so happens that the Japanese government is interested in using indexation as a policy mechanism. How do they propose to do this? Well, as the Japanese government sees it, and I'm not speaking on behalf of the Japanese government, you understand, this is my interpretation of what's happening. It appears to me that one of the problems in Japan is that companies are too conservative with their balance sheet assets, meaning they have too much cash, not enough new product development, new investment activity, or capital investment, at least not enough to make the economy grow as the policy makers feel it should.

As a policy device to possibly change that situation, the Japanese government suggested to the Tokyo Stock Exchange, which is really the Japan Exchange Group, and to Nikkei that they should alter the Nikkei Index. How should they alter the Nikkei Index? To remove companies that have either too low a return on equity or too much cash on the balance sheet as they define it. The idea would be to penalize companies for being too conservative by removing them from the index, if you call that a penalty. Accomplishing that objective is easier said than done. Apart from the subjective question of how low can a return on equity be before a company is to be considered not entrepreneurial, the second question would relate to the fact that some businesses have a low return on equity because they're regulated and there's very little they can do about it. Another question would be how much cash should a company have on its balance sheet and who can determine what is too much or too little? Those are really interesting questions.

Nevertheless, they reformulated the index and I believe it's called the JPX-Nikkei Index 400. As I said, it’s easier said than done because, if you go too far in modifying an index, you run the risk of having a very undiversified index. I'm not saying it is the case but, in theory, maybe the high return on equity businesses are only concentrated in certain few industries. Maybe there are good and sound reasons for some companies to have large cash amounts on the balance sheet, because the cash is necessary to the business. It's not easy.

In any event, as far as we can tell internally the JPX-Nikkei Index 400 has about 80% overlap with the Nikkei Index, so it's not really a new index. As you know, we have the Japan Founders Index and it's designed to be the entrepreneurial index. It's quite obvious that the challenge for us is to make the appropriate parties aware of what we have. It's an interesting opportunity.

As far as new products, in prior meetings I mentioned an emerging markets index idea. We're going to go ahead with that. It's basically, I think, a better way of investing in emerging markets. We intend to launch this in the next 60 days or so. The thrust of this idea is that if you look at the emerging markets indices around the world, you'll observe that they're not really emerging markets indices. For example, in the standard emerging markets index Samsung is a very big position and Taiwan Semiconductor is a very big position. I don't think anybody seriously would suggest that if Taiwan Semiconductor is a certain percent position in the index that really means that Taiwan Semiconductor faithfully represents an exposure to the Taiwanese economy. What actually happens in Taiwan to Taiwan Semiconductor is fairly marginal. The semiconductors are actually used everywhere other than Taiwan, meaning that the components might actually be assembled in Taiwan, but they are designed for export all over the world. The same could be said for Samsung. So in that sense, those companies do not really represent an emerging market phenomenon.

It seems to me that what you really want for an emerging markets index are companies that do their business, for good or ill, in those emerging market nations. That's not such an easy index to assemble since so many of the companies are export oriented. If you could even do that, you have the second problem that you're buying smaller companies and, aside from the liquidity issues, you have the larger issues of corporate governance. How do you presume to be able to understand whether the financial accounts are even accurate and how do you presume to reckon with the well-known principal/agent problem? How do you know that those who are running the company are actually working for the benefit of the shareholders, even if you reside in that nation, since the regulatory scrutiny is so much less than it is in the United States and Europe?

Anyway, I believe we have answered those problems. For starters I think it's so good we're not even going to start as an index. We're actually going to start with an actively managed product and it's going to be in the one and twenty price range, and if as the months progress the opportunity exists to take that research and make it into and index we certainly will do so. But I think it's worthy of more than that. We hope to continue developing that strategy and to have more products to talk about in the future.

Now that we have given you a summary of where we stand, I'd like to close by stressing again our strategic position. We really have a couple of objectives. One is to continue to build the balance sheet of FRMO to give us maximum strategic flexibility, and another is to make more strategic investments. We're not going to stop the security investments, but we would like to make some strategic investments of adequate size. On the Horizon Kinetics side, we hope to continue to have good performance and, as importantly, to continue our product development. There are many avenues to explore and we hope to have new developments to talk about in the future.

At this time, I think it would be best to open the lines for questions.

Questioner 1

Hello, gentlemen. I had a follow up question on your emerging markets product. I'm wondering if it is going to be an open-ended fund and, if so, is that something you'll do through Virtus or will it be in-house?

Murray Stahl – Chairman & Chief Executive Officer

It will start as a partnership that we will seed with our own money. As a partnership—some people would read that as hedge fund—only qualified investors will be able to participate. So it's not going to be anything like an open-ended mutual fund. It's not going to be open to the general public to start with. You're going to have to be a qualified investor. So we're not going to engage in the same kind of mass marketing that we would do with a Virtus-related product and, at least insofar as it stands today, Virtus is not involved in the emerging market partnership.

Questioner 1

My next question is a little outside of the realm of a conference call for FRMO, but I know that you commented pretty extensively on Sears Holdings in the Kinetics portfolio review. I'm wondering if you follow the little spinout they did that has just gotten crushed. That's Sears Hometown Outlet stores. Then for Mr. Stahl, if he could comment on Ascent Capital and he recommended it in an interview, it's kind of gotten crushed here a little bit, and that's all of my questions. I appreciate the call.

Murray Stahl – Chairman & Chief Executive Officer

All right, well I don't know in the context of an FRMO call how much I should say about either company. Suffice it to say this much: in the case of Sears Hometown I have some stock. I'm not selling mine. It's a big factor in appliances. There are 22 million shares outstanding and you know what appliances are tied to. Appliances are basically tied to two things—home sales and home renovations. So it's a nice balance sheet. It certainly doesn't have any major liabilities. If and when —maybe I should say when and not if—home sales and home renovation activity in this country return to normal, there's a lot of operating leverage for Sears Hometown. If they don't, well then the share price reflects it.

In the case of Ascent, again, it's really not the purpose of this call to talk about investments of that type, but just understand that the strategic thrust is to put together a string of acquisitions in burglar alarms, because the whole idea is that burglar alarms are very similar to the cable business, and you know who orchestrates the big mergers in the cable business. It really isn't that different, and with the rise of technology there are all sorts of services that are possible to provide over the conventional burglar alarm wire, and we're in the first inning of seeing those advances happen. And, of course, if you follow Ascent, you'll know it's a small cap company that doesn't have a lot of float, and it's a volatile stock, as is Sears Hometown. It goes up a lot, it goes down a lot and I guess that's the nature of the beast.

Questioner 1

Last question would be with regard to the Midwest Grain Exchange investment. Would sitting on the board preclude that being a platform for index or structured products that Horizon has?

Murray Stahl – Chairman & Chief Executive Officer

First of all, if I can take the liberty of slightly altering your question, I think the management of the board of the exchange wouldn't like it to be called the Midwest Grain Exchange. It is called the Minneapolis Grain Exchange. In any event, the answer to your question is that nothing precludes any of those possibilities you mentioned from happening. As far as I know, there's no regulatory impediment. In launching any product, whatever it is, you just need people who are willing to trade it. Before you get people willing to trade it you have to make them aware of it and you have to make them aware of the need for such a product. Right now the indexation business is dominated by the S&P 500 Index and certain other major indices. The first challenge would be to make people aware of the deficiencies, if any, of the leading indices. I could talk a lot about the deficiencies of the leading indices, and I will in a moment. The second challenge is that people have to understand is that if they accept the deficiencies of the index, what is a viable trading strategy? Do you short index A? Do you buy index B? Do you leverage it? They have to understand those things. Those are the preconditions.

The first objective is that we have to get an index known and let people understand what it is. We have, as I said before, $93 million in the Virtus Wealth Masters Fund, not counting the $5 million in Envestnet. It sounds like a great amount to us and we're very happy with it and hopefully we'll have more in the future, but in the world of indexation we're still a rounding error. $100 million in the world of indexation is really nothing. To do all those things you suggested, one would first have to accomplish the preconditions I mentioned.

With regard to the indices themselves, why do I think the current slate of indices are defective? Well, I could talk for hours on that subject. I'll only give you a couple of minutes, because we want people to go home and enjoy their evening. If you made a list of the leading companies in the indices you're going to observe a number of things. If, on the left hand side of a page, you list the companies, and on the right hand side of the page write what you believe are the new products, services and initiatives that those companies offer, you're not going to find a lot of stuff on the right. That's a problem, because in order for the index to produce its historical rate of return the constituent companies must have initiatives.

More importantly, is to ask the following questions. Why is it so? How has it evolved? To find the answers, you have to go back to the early 1970s. To my knowledge, the first paper on indexation itself was written in the early 1970s by Paul Samuelson, the well-known economist. The thrust of what he said is why does one even go about hiring these investment managers when they don't do as well as the index? Why not just buy the index? The problem is that in 1971 or 1972 the wherewithal didn't exist. I believe Vanguard launched its first index in 1975, and the rest is history.

That is really a historical accident, in the following sense. If you go to the statistical abstract of the United States and search for the time in history when the United States, the U.K., Canada, Europe, Japan and other developed nations of the world, and even some of the lesser developed nations, began to stimulate their economies by fairly aggressive fiscal measures, and then later on by monetary measures as well, you'll find that this occurred at about the same time. The almost 40 year history of indexation, is coterminous, with some very brief exceptions, with very aggressive worldwide expansionary fiscal policy and an equally aggressive, some would argue even a more aggressive, worldwide expansionary monetary policy. At least since 1981, interest rates have been coming down, with very few exceptions, coincident with the money printing, the quantitative easing, etc.

When you're a democratic society, as all these countries we're talking about are, the impact of such programs is designed to be spread out across the society so that many companies benefit. Therefore, indexation in that sense is a very viable strategy. You buy X number of companies, it could be 100, it could be 500, it could be 1,000, and while not every company is going to benefit from the expansionary government policies, most are going to. The rising tide is going to lift, not all boats, but most boats. The indexation phenomenon is viable. Apart from the earnings of the companies, you're benefiting from lower interest rates lifting all the valuations.

Let's work backwards. As far as interest rates go, we could have a lively debate about where they're going, but one thing everyone will agree on is that they're not going down, because there's no place for them to go. They can only go up. Maybe they won't go up, maybe they will go up, or maybe they'll go up faster or slower. We could debate that, but they're not going down. With that phenomenon understood, the increase in future earnings and the rate at which earnings, wherever they come from, are capitalized, that leg—the persistent, long-term decline in interest rates—is out of the equation. Indexation has to function without that leg. That's the first point.

The second point has to do with fiscal policy. Nations still run big budget deficits so, in that sense, it's still expansionary. But that's very different from the historical current. The historical current was not merely that the nations in question ran very big budget deficits, but that they were increasingly bigger budget deficits. Will the United States have a big budget deficit this year or next year? It probably will. But is it going to expand meaningfully in the context of a $16 or $17 trillion economy from what it was the year before? I don't think there is a single person who would answer that question affirmatively. Therefore, the indexation phenomenon, if it's going to be successful, has to do it without the high tide of lower interest rates and without the high tide of expansionary fiscal policies, and that's a very hard thing to do.

If we go back prior to the indexation era to, let's say, the period of say 1880 to 1939, we would see that whatever the leading company was in Dow Jones Industrial Index in a given era, not that many years later it wasn't the leading company, because some other company displaced it. Economic progress occurred in the world long before there was a fiscal policy, before people even knew what a fiscal policy was. Economic progress occurs as new products and services displace old products and services. To a degree, you can even see it in the recent decades in the S&P.

For example, in the 1960s the leading companies were General Motors, U.S. Steel, and other industrial giants. They're not the leading companies anymore. There was a time when Cisco was the biggest company in the S&P and, for a brief period of time, Apple was the biggest, and now it's Exxon, so the leadership changes. An index should be designed to capture the entrepreneurial companies, because that's the only way it's really going to get a decent return. If the index is not based on market capitalization, but on a float-adjusted market capitalization (to which the major indices moved several years ago), then it is not designed to capture entrepreneurial companies. The float-adjusted design means that a company must have a lot of liquidity—the index is designed for scalability. As a result, by accident—no one intends this of course, it's just that the index is designed for scalability—the old time equivalents of Hewlett Packard, Teledyne, or whichever great business successes gave investors the unusually high rates of return in the past, are not going to be captured in the index, because the formula doesn't allow for it.

For example, I know we've mentioned this before, but take Wal-Mart. When Wal-Mart was added to the S&P 500, it was at its market capitalization weight, not adjusted for float. If Sam Walton were alive today and he was starting Wal-Mart and it was just getting into the S&P 500 using today's index float-adjusted methodology, it would have a much lower weight than it did back then. Even if you could find a way to capture the entrepreneurs and the leading lights, they own a lot of stock, so their companies wouldn't be assigned the same weight. I believe that the whole idea of indexation really needs to be rethought or, phrased alternatively, you can't simply take X hundred companies just because they have a lot of liquidity, weight them on the basis of their liquidity, stick them in a fund and expect you're going to make 10% a year. But that's what the academics really believe. They believe it can work. We at FRMO and Horizon Kinetics believe that it can't be done successfully that way. We're going to find out who's right. I don't think they're going to be right at all, but we're going to see.

I hope that answers your question about the idea of indexation and, as I said, I could talk for a much longer time about this than I'm doing right now, but I'm giving everybody a break. I'd be happy to answer more questions.

Questioner 2

Hi guys. FRMO is kind of an interesting firm in the sense it's like an intellectual capital firm that owns part of an asset management company that actually itself owns shares of asset management firms like WisdomTree or Oaktree at times. WisdomTree has index products, Oaktree has carry fees, and I wonder whether maybe they inspired you to the direction you're taking Horizon Kinetics. I'm wondering if there are any other aspects of these businesses or other asset management businesses that we could maybe anticipate that FRMO may emulate or head in a certain direction. Some asset management firms are getting into insurance companies for example. I was wondering—it's sort of a big picture question, but whether you take inspiration from these other companies and whether we should look to them in some way to sort of glean where you guys are going to go.

Murray Stahl – Chairman & Chief Executive Officer

Okay. First I'll make a general remark and then I'll be a little more specific. Generally, everybody has to find their own way. I've taken note that various great companies have used the float from an insurance business and have done some very impressive things with it. Speaking for us, the insurance business never really attracted us, and I'll tell you why. Take catastrophe insurance as an example. Apart from the regulatory issues that are involved, sooner or later there's going to be a catastrophe, and I don't want to be an insurer of that. I understand that in the long run you're making money, but sooner or later there's going to be a big payout, whatever it is, and if I don't sell the insurance, I don't have to pay out, and it's really that simple. I guess it's unphilosophical to use the word never, but I wouldn't anticipate making any forays into insurance. It doesn't really grab us.

However, the general field of financial services, as a facilitator of activities, is interesting to us. There are two ways you can facilitate activity. One is to be a money manager yourself, and we're doing that. We're always looking for new ways to expand in different areas and hopefully we'll be successful in that regard. We'll continue with that. There are other things to do and you can glean some of it from the indexation business, because it doesn't really involve a lot of the capital. That raises another point, which is that we don't really want to be in capital intensive financial aspects of finance like insurance or conventional banking, or leasing to name a couple. We don't want to tie up capital like that.

The reason we don't want to tie up capital is because the return on total assets is actually pretty low. If you lever it up enough times—the banks lever up 10 or 12 times—the return on equity can be meaningful. But we don't want to lever up, because that's another type of risk. There are all kinds of risk you can take in the world. That's not a type of risk we want to take either, so we're not interested in doing that and we have no plans to do it. It would take a lot to change our mind, but maybe somebody can try to convince us.

The index business is alluring, because that industry can have enormous operating leverage with very little capital investment. All you have to do to see that is to look at the assets of the Wealth Index and multiply them by a certain coefficient of expansion to see what could actually happen. Would our costs go up? In some very minor way, yes they would, but it would be irrelevant relative to the expansion of earnings. Those are the kinds of products and services that we really want to be in. We want to have our capital available to either make strategic investments that might facilitate those kinds of products, or just invest our capital as we have over the years in assets that are going to make a rate of return. They will be securities, whether in the private market or in the public market.

In the world of finance, if you made a list of every company you could theoretically buy and you divided them into two columns, with one labeled 'capital intensive' and the other 'non-capital intensive,' I dare say the capital intensive column might have 50 or 100 times more names than the non-capital intensive in the way I've described them today. It's the non-capital intensive aspects that we're interested in and, to the extent other investors inspire us, that's what we're looking at. I hope that answers your question.

Steven Bregman – President & Chief Financial Officer

I would just like to bookend Therese's disclaimer from the beginning of this call in case this next item was not in it. I gather that probably most or all of the participants in this call would fall under the category of sophisticated and or professional investors, so they get it. But I would say, or reiterate it if it was said, that nothing we've said here is either an invitation, a solicitation or even a wish that anybody should take any action based on what we have said. It's a nice collegial conversation. We enjoy that and we like them to be interactive, but that should be said.

Questioner 3

In your new hedge fund that you're going to be bringing out, the fee structure on that, is that going to be run through FRMO or is it going to be run through Horizon Kinetics? A second question I had is how many basis points do you receive, I don't know if you disclosed this, in fee income off the various index products that exist today—the Wealth Index, the Spin-off, the Japan index?

Murray Stahl – Chairman & Chief Executive Officer

The new fund will be a Horizon Kinetics product, because all the investment products are going to be Horizon Kinetics products. We're not going to turn FRMO into an investment advisor. Everything is going to happen in Horizon Kinetics. FRMO benefits two ways. One is from the top line. We have our revenue interest, such as it is, and whatever revenue it brings in, we'll get our share of it. Second, we benefit from the bottom line because we're also investors in Horizon Kinetics, the LLC, and we'll get whatever share of profits we're entitled to. So, it comes in two ways.

As far as the revenue splits on individual index products we're not at liberty to disclose exactly what the revenue split is, although I appreciate the question.

Operator

At this time we have no further questions.

Murray Stahl – Chairman & Chief Executive Officer

Okay, with no further questions then it remains for me to thank you all for attending and thank you all for following our company. We will do our best to be worthy of the trust you've placed in us and we'll keep trying to do more of the same. Thank you again, and we'll reprise this in roughly 90 days. Thanks so much. Good afternoon.

Operator

This concludes today’s conference. Thank you for your participation.

DISCLAIMERS:

THE INFORMATION CONTAINED HERE IS INTENDED TO PROVIDE A SUMMARY OF THE COMPANY'S SECOND QUARTER 2014 EARNINGS CONFERENCE CALL, AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE PRESENTATIONS. AS SUCH, THE COMPANY DOES NOT ASSUME RESPONSIBILITY FOR ANY INVESTMENT DECISIONS MADE BASED UPON THE INFORMATION CONTAINED HEREIN. READERS ARE ENCOURAGED TO READ THE COMPANY'S FILINGS WITH OTC MARKETS AND THE SECURITIES AND EXCHANGE COMMISSION BEFORE MAKING INVESTMENT OR OTHER DECISIONS.

Past performance is not a guarantee for future results. The information and opinions contained herein should not be construed to be a recommendation to purchase or sell any particular security or investment fund. Furthermore, the views expressed herein may change at any time subsequent to the date of issue. It should not be assumed that any of the security transactions referenced herein have been or will prove to be profitable or that future investment decisions will be profitable or will equal or exceed the past performance of the investments referenced.

During the course of this transcript, certain investment products may have been mentioned, specifically investment companies. You should refer to each respective investment companies' applicable disclosure document for a complete set of risks, expenses and other pertinent details.

Horizon Kinetics LLC is a parent holding company to certain registered investment advisers, including Horizon Asset Management LLC and Kinetics Asset Management LLC. For additional information on these entities, you may refer to the website of the Securities and Exchange Commission, which contains Parts 1A and 2A of forms ADV, located here: www.adviserinfo.sec.gov. Horizon Kinetics, on behalf of its subsidiaries, may collect management fees for certain of the investment products referenced herein. Additionally, Horizon Kinetics, on behalf of its subsidiaries, may hold positions in certain of the securities referenced herein.