B400 Hall of Fame

Introducing the Barron's 400 Index Hall of Fame

February 2016

The Barron's 400 Index, or B400, was jointly developed by Barron's, MarketGrader and Dow Jones Indexes and introduced on the cover of the September 3, 2007 issue of Barron's magazine. In its introduction Barron's wrote, the index "collects the most fundamentally sound and attractively priced stocks from all corners of the market, using a proven and disciplined stock-selection process." The B400 is designed to be a benchmark for investors seeking capital appreciation from the U.S. equity market.

Most of our readers who are familiar with the B400 know that the inception date of the index was December 31, 1997. This means that at the end of 2015, the B400 had a performance record of 18 complete calendar years. Of these 18 years, more than eight years are live (recall the index was introduced in September, 2007). Given such extensive history, we, at MarketGrader, thought that now would be a good time to take 'stock' of the B400's track record and to highlight the companies that have served as its backbone all of these years.

Our readers also know that the B400 is reconstituted and rebalanced twice a year, every March and September. The index methodology states that stocks are selected to be components of the B400 based on MarketGrader's proprietary stock rankings that are constructed using company fundamentals. The biannual reconstitution means that to date, the index has gone through 37 stock selections (the initial constitution on December 31, 1997 and the 36 biannual reconstitutions thereafter over the 18-year period). It goes without saying that the 400 companies selected at each of the 37 reconstitutions over its lifetime thus far encapsulate the B400's underlying methodology and the index's growth at a reasonable price (GARP) philosophy, which is based on the stock selection used by MarketGrader to satisfy the index's key objective of capital appreciation.

Of course, performing an in-depth analysis of each of the 37 stock selections and the numerous companies that have been members of the index, though possible, is not practical. Besides being time consuming, it is very likely that the magnitude of the data involved could result in losing sight of the forest while focusing on the trees. To keep the exercise tractable, yet insightful, we concluded that we had to focus on a subset of the companies that were components of the B400. This was the genesis of the B400 Hall of Fame.

We reasoned that the B400 Hall of Fame should be comprised of the companies that have been selected the most number of times in the 37 reconstitutions during the past 18 years. To avoid companies that may have been selected frequently, but only during a specific time period of the index, we posited that the first selection should have occurred before August 1999 (namely, in the first four reconstitutions of the index's existence) and the most recent selection after September 2014 (namely, in the last three reconstitutions). In addition, the company should currently still be in existence. This would ensure that the companies selected would be most representative of the index's make up, and therefore its performance, for the entire history since inception.

The result of this screening is presented in Table 1. As it turned out, no company has been a member of the index throughout its entire existence, i.e., been selected at each and every one of the 37 reconstitution. In fact, no company was selected 36, 35, or even 34 times. However, two companies were selected 33 times. Can you guess these two companies? Hint: Check out the [B400 fact sheet](). Keeping in mind that each reconstitution spans a period of six months (except for the very first constitution) being selected 33 times means that these two companies have been members of the index for around 90% of the index's existence.

> " The B400 Hall of Fame companies are not only a representation of the index's growth at a reasonable price (GARP) philosophy and selection methodology but they also serve as a gauge of how well the stock selection satisfies the index's primary objective of capital appreciation. "

Table 1. Barron's 400: Company Count by Number of Reconstitutions As of the February 2016 (Using the September 2015 Reconstitution)

Number of Reconstitutions Selected	Company Count	Cumulative Company Count
37, 36, 35 or 34	0	0
33	2	2
32	1	3
31	4	7
30	0	7
29	1	8
28	0	8
27	1	9
26	2	11
25	6	17
24	6	23
23	2	25
22	4	29
21	3	32

Source: MarketGrader Research.

Since one of the goals was to keep the analysis tractable, we decided to limit ourselves to 30 of the most frequently selected companies. Table 1 reveals that the 30th most frequently selected company tied with two other companies in terms of the number of times selected. The three companies were selected in 21 reconstitutions. Of the three, we simply selected the company with the higher average MarketGrader score as the 30th company. For the 2016 calendar year, these 30 companies were selected to make up the B400 Hall of Fame.

Before revealing the list of companies selected into B400 Hall of Fame, it might be worthwhile to quickly review the motivation for introducing the B400 Hall of Fame. So, here are some basic ground rules, presented as frequently asked questions, regarding the Barron's 400 Hall of Fame:

1. **What is the Barron's 400 Hall of Fame?**
   The B400 Hall of Fame is the composition of the 30 companies that have been selected the most number of times across the B400's history, since inception. These companies are a concise representation of the index's philosophy, selection methodology and history.

2. How often were the companies in the Barron's 400 Hall selected into the Barron's 400 Index?

As of the end of 2015, the maximum number of times a company could have been selected into the index is 37 times. No company in the B400 universe was selected more than 33 times. Two companies in the B400 Hall of Fame were selected 33 times into the B400 index. On the lower side, there is one company in the B400 Hall of Fame that was selected 21 times. The remaining companies in the B400 Hall of Fame were selected between 22 and 32 times. The average number of selections for the B400 Hall of Fame is 26 times. In aggregate, the 30 companies were selected into the index a total of 779 times out of a possible 1,110 times (= 30 X 37). Thus, the B400 Hall of Fame components have a representation score of about 70% over the index's life (779/1,110).

3. Why introduce the Barron's 400 Hall of Fame?

As the name suggests, the Barron's 400 is an index of 400 companies. Keeping in mind that the index is reconstituted twice a year means that, since the inception of the index more than 18 years ago, 2,730 companies have been members of the index and contributed to its performance. Even starting at the index's publication date, this number is 1,801 companies. Since an ex poste analysis of such a large number of companies would not only be impractical, but might also not be very insightful, the primary motivation for introducing the B400 Hall of Fame was to generate a concise snapshot into the index's historical composition. This snapshot serves as a solid testament to the index's methodology and allows us to look back and take stock of the constituent selection that is the key driver of the index. The B400 Hall of Fame companies are not only a representation of the index's growth at a reasonable price (GARP) philosophy and selection methodology but they also serve as a gauge of how well the stock selection satisfies the index's primary objective of capital appreciation. In addition, during the year, we plan on taking a deep dive into the fundamentals of the companies in the B400 Hall of Fame. This company-level analysis will assist followers of the B400 to gain access and insight into MarketGrader's proprietary stock ratings – the engine under the hood of the B400 index.

4. What is the current sector composition of the Barron's 400 Hall of Fame?

The B400 Hall of Fame is comprised of 30 companies. Currently, the largest contributor, with 13 companies, is Consumer Discretionary. Only one company is included from Consumer Staples. Financials contributed two companies. Health Care with five companies, Industrials with four companies and Technology with five companies, round up the 30.

5. What are the companies included in the Barron's 400 Hall of Fame?

Please refer to Appendix A for the complete list of B400 Hall of Fame companies.

6. What is the performance of the Barron's 400 Hall of Fame 2016?

The figure below presents the total return performance of the B400 Hall of Fame 2016 since the turn of the century. In the figure each of the 30 components of the B400 Hall of Fame portfolio start with 1 point at the end of December 31, 1999 for a total of 30 points. Assuming the B400 Hall of Fame portfolio is rebalanced to equal weights at the end of each year, the portfolio would have ended 2015 with 255.54 points (an appreciation multiple of 8.5 times). This translates into a cumulative total return of 751.5%, or an annualized return of 14.3% over the 16-year period for the B400 Hall of Fame portfolio.

Over the same period, the B400 grew from 30 to 135.09 (an appreciation multiple of 4.5 times). Lastly, the S&P 500 grew from 30 to 56.72 which translates into an appreciation multiple that is less than 2 times.

BARRON'S 400
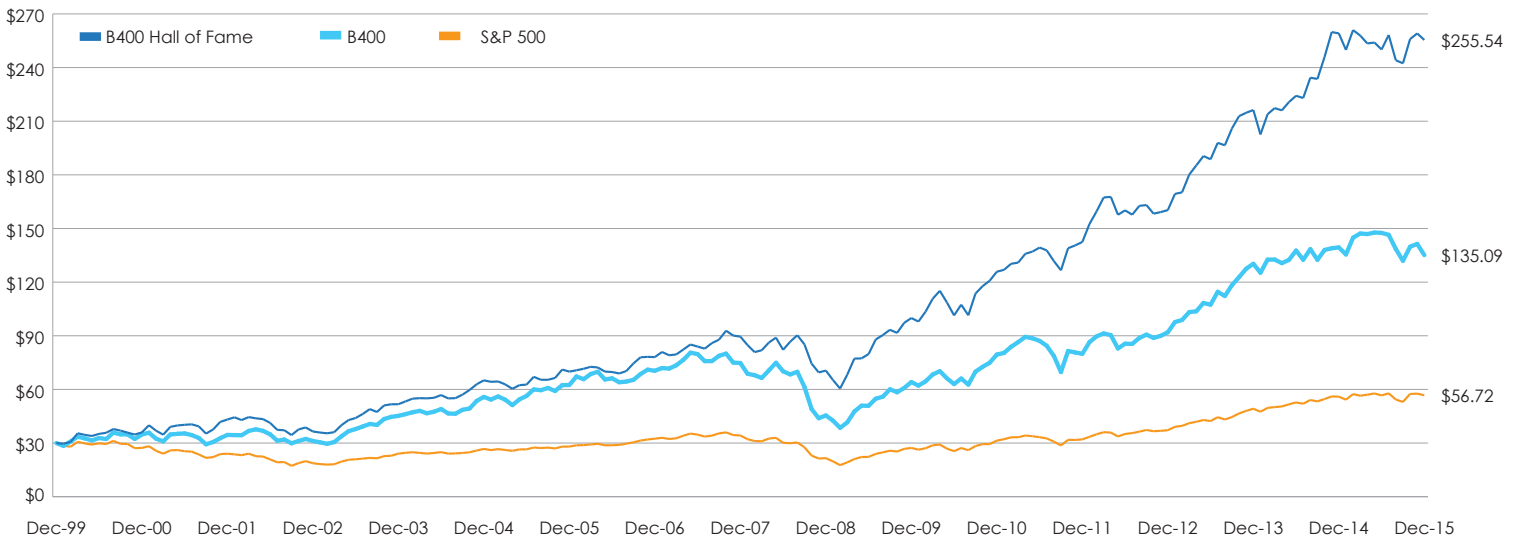
2000 Through 2015	Annualized Total Return	Cumulative Total Return
B400 Hall of Fame	14.3%	751.5%
B400	9.9%	350.3%
S&P 500	4.1%	89.1%

Source: MarketGrader Research. The B400 Hall of Fame portfolio is rebalanced to equal weights annually. Monthly total returns of the B400 Hall of Fame components are from Factset.

7. **How about the performance of the individual companies? Is there a summary of the returns of the companies in the B400 Hall of Fame?**
Please refer to Appendix B for the price and total return performance of the individual companies that make up the B400 Hall of Fame companies.

8. **How often will the Barron's 400 Hall of Fame be updated?**
The Barron's 400 Index undergoes two reconstitutions every year. This means that, depending on their MarketGrader scores, the companies currently selected in the B400 Hall of Fame may, or may not,

be selected into the B400 during the 2016 reconstitutions. Consequently, at the end of 2016, their frequency counts (as presented in Table 1) will need to be updated. Also, new companies with high frequencies of being selected into the index might be added to the mix. Therefore, to ensure that (i) the B400 Hall of Fame incorporates the companies with the most selections, and (ii) that the B400 Hall of Fame is representative of the entire history of the index, the B400 Hall of Fame will be updated annually in the first quarter of every calendar year.

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Appendix A: Barron's 400 Hall of Fame Companies 2016

	Ticker	Company Name	Sector	Number of Times Selected	Date		MarketGrader Grade™		
					First Added	Last Added	First Added	Last Added	Avg.
1	MSFT	MICROSOFT CORP	Technology	33	31-Dec-97	23-Mar-15	80	68	75
2	WMT	WALMART STORES INC	Consumer Discretionary	33	31-Dec-97	23-Mar-15	68	64	68
3	AMGN	AMGEN INC	Health Care	32	31-Dec-97	21-Sep-15	81	69	69
4	BBBY	BED BATH & BEYOND INC	Consumer Discretionary	31	31-Dec-97	21-Sep-15	77	66	70
5	HD	HOME DEPOT INC	Consumer Discretionary	31	31-Dec-97	21-Sep-15	69	76	68
6	PEP	PEPSICO INC	Consumer Staples	31	31-Dec-97	21-Sep-15	54	66	70
7	NKE	NIKE INC	Consumer Discretionary	31	31-Dec-97	21-Sep-15	68	77	72
8	IBM	INTERNATIONAL BUSINESS MACHINES	Technology	29	31-Dec-97	22-Sep-14	71	69	65
9	ROST	ROSS STORES INC	Consumer Discretionary	27	31-Dec-97	21-Sep-15	70	69	68
10	JNJ	JOHNSON & JOHNSON	Health Care	26	31-Dec-97	21-Sep-15	58	64	64
11	EMR	EMERSON ELECTRIC CO	Industrials	26	31-Dec-97	21-Sep-15	72	63	66
12	HOG	HARLEY DAVIDSON INC	Consumer Discretionary	25	31-Dec-97	21-Sep-15	69	63	65
13	WAT	WATERS CORP	Health Care	25	12-Feb-99	21-Sep-15	68	66	66
14	UNH	UNITEDHEALTH GROUP INC	Health Care	25	31-Dec-97	21-Sep-15	65	72	69
15	BBY	BEST BUY CO INC	Consumer Discretionary	25	31-Dec-97	21-Sep-15	56	68	64
16	TJX	TJX COS INC	Consumer Discretionary	25	31-Dec-97	21-Sep-15	74	71	67
17	DLTR	DOLLAR TREE INC	Consumer Discretionary	25	31-Dec-97	23-Mar-15	74	68	64
18	INTC	INTEL CORP	Technology	24	31-Dec-97	21-Sep-15	83	72	71
19	AAPL	APPLE INC	Technology	24	12-Feb-99	21-Sep-15	55	88	75
20	TROW	T ROWE PRICE GROUP INC	Financials	24	31-Dec-97	21-Sep-15	81	75	67
21	FAST	FASTENAL CO	Industrials	24	31-Dec-97	21-Sep-15	70	67	62
22	RMD	RESMED INC	Health Care	24	12-Feb-99	21-Sep-15	71	65	64
23	GPC	GENUINE PARTS CO	Industrials	24	31-Dec-97	23-Mar-15	67	65	63
24	STRA	STRAYER EDUCATION INC	Consumer Discretionary	23	13-Aug-99	21-Sep-15	57	62	66
25	MCD	MCDONALDS CORP	Consumer Discretionary	23	31-Dec-97	22-Sep-14	67	69	66
26	SBUX	STARBUCKS CORP	Consumer Discretionary	22	31-Dec-97	21-Sep-15	70	68	61
27	RHI	HALF ROBERT INTERNATIONAL INC	Industrials	22	31-Dec-97	21-Sep-15	69	73	58
28	EMC	EMC CORP	Technology	22	31-Dec-97	23-Mar-15	77	65	62
29	WFC	WELLS FARGO & CO	Financials	22	31-Dec-97	22-Sep-14	60	66	61
30	FOSL	FOSSIL GROUP INC	Consumer Discretionary	21	13-Aug-99	21-Sep-15	72	78	69
		Average		26			69	69	66
		Minimum		21			54	62	58
		Maximum		33			83	88	75
		Total		779					

Source: MarketGrader Research. These companies represent the components that were the most frequently selected into the B400 over the life of the index since its inception through 2015. See, "Introduction to the Barron's 400 Hall of Fame," published by MarketGrader in February, 2016 for more on the B400 Hall of Fame.

Appendix B: Barron's 400 Hall of Fame Companies 2016 Performance 2000 Through 2015

Name	Ticker	Annualized				Rank*	Cumulative	
		Price Return	Total Return	Std Dev	Total Return / Std Dev		Price Return	Total Return
UNITEDHEALTH GROUP INC	UNH	19.7%	20.4%	25.5%	0.80	1	1672%	1845%
TJX COS INC	TJX	17.9%	19.1%	25.6%	0.74	2	1288%	1537%
ROSS STORES INC	ROST	22.0%	23.1%	33.2%	0.69	3	2300%	2675%
STARBUCKS CORP	SBUX	20.5%	21.2%	32.1%	0.66	4	1880%	2055%
NIKE INC	NKE	15.5%	17.1%	27.6%	0.62	5	909%	1145%
GENUINE PARTS CO	GPC	8.1%	11.9%	20.4%	0.58	6	246%	501%
PEPSICO INC	PEP	6.7%	9.2%	15.9%	0.58	7	183%	307%
APPLE INC	AAPL	23.3%	23.9%	43.0%	0.56	8	2767%	2979%
B400		**8.6%**	**9.9%**	**18.1%**	**0.55**		**277%**	**350%**
FASTENAL CO	FAST	13.2%	14.8%	28.1%	0.53	9	627%	813%
MCDONALDS CORP	MCD	7.0%	9.6%	20.5%	0.47	10	193%	332%
JOHNSON & JOHNSON	JNJ	5.1%	7.7%	16.6%	0.46	11	120%	229%
RESMED INC	RMD	15.7%	16.2%	36.3%	0.45	12	929%	1000%
DOLLAR TREE INC	DLTR	13.1%	13.1%	33.9%	0.39	13	617%	617%
T ROWE PRICE GROUP INC	TROW	8.8%	11.2%	29.2%	0.38	14	287%	448%
WELLS FARGO & CO	WFC	6.4%	9.3%	28.0%	0.33	15	169%	312%
WATERS CORP	WAT	10.7%	10.7%	36.0%	0.30	16	408%	408%
S&P 500		**2.1%**	**4.1%**	**15.1%**	**0.27**		**39%**	**89%**
AMGEN INC	AMGN	6.4%	7.0%	26.2%	0.27	17	170%	195%
EMERSON ELECTRIC CO	EMR	3.2%	6.2%	23.5%	0.26	18	67%	160%
HALF ROBERT INTERNATIONAL INC	RHI	7.7%	9.0%	34.6%	0.26	19	230%	299%
HOME DEPOT INC	HD	4.2%	6.1%	26.4%	0.23	20	92%	160%
STRAYER EDUCATION INC	STRA	7.2%	8.6%	37.4%	0.23	21	204%	272%
BED BATH & BEYOND INC	BBBY	6.6%	6.6%	31.8%	0.21	22	178%	178%
FOSSIL GROUP INC	FOSL	8.3%	8.3%	42.8%	0.19	23	256%	256%
INTERNATIONAL BUSINESS MACHINES	IBM	1.5%	3.0%	25.3%	0.12	24	28%	61%
HARLEY DAVIDSON INC	HOG	2.2%	3.7%	38.1%	0.10	25	42%	78%
BEST BUY CO INC	BBY	2.0%	3.4%	51.9%	0.07	26	36%	72%
MICROSOFT CORP	MSFT	-0.3%	1.9%	31.2%	0.06	27	-5%	36%
WALMART STORES INC	WMT	-0.7%	0.9%	19.4%	0.05	28	-11%	16%
INTEL CORP	INTC	-1.1%	1.0%	35.9%	0.03	29	-16%	16%
EMC CORP	EMC	-4.5%	-4.2%	42.0%	-0.10	30	-52%	-50%

Source: MarketGrader Research. Monthly price and total returns from Factset. These companies represent the components that were the most frequently selected into the B400 over the life of the index since its inception through 2015. See, "Introduction to the Barron's 400 Hall of Fame," published by MarketGrader in February, 2016 for more on the B400 Hall of Fame. Note. The B400 and S&P 500 are positioned by their return/risk rank in the list.
*Ranked by Annualized Total Return / Standard Deviation Ratio

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