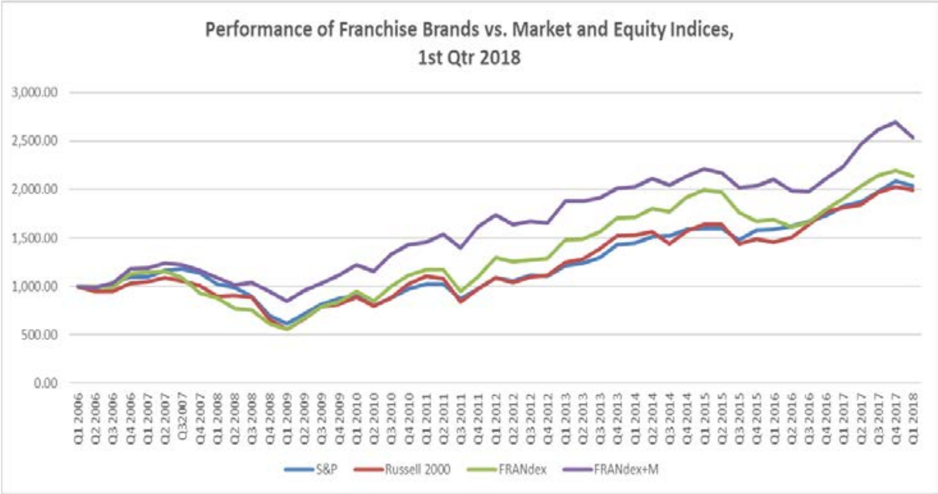
FRANdex

Index of Publicly-Traded Franchise Companies

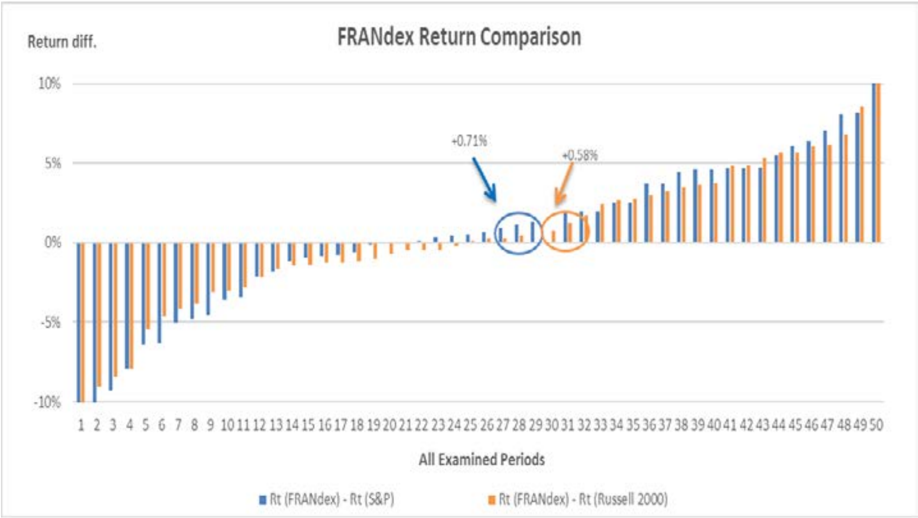
1st Quarter 2018

Declines in Small-Caps Underscores Decreases in Franchise Stocks' Returns in Q1-2018

After a rough stretch of market volatility, the FRANdex just snapped its quarterly win streak that stretches back to 2016. FRANdex registered lower Q-o-Q returns (-2.99%) as compared to both the broader indices. S&P 500's returns were down -1.64%, while Russell 2000's by -2.43%.



Food franchises enjoyed better returns as compared to their non-food counterparts, with a 0.33% Q-o-Q gain. This was in the face of declines experienced by major players such as Dunkin' Brands, Papa Murphy's, and The Habit Restaurants. The performances for non-food franchises was tempered by lower declines for lodging companies. Overall returns for non-food franchises were down -3.64%, lodging companies' returns were down -1.98%. Franchises seem to be greatly impacted by issues such as litigation related "no-poaching" agreements and its joint-employer repercussions.



Small-cap stocks seem to benefit less from tax cuts and deregulation measures than anticipated. Rising volatility and a flattening yield curve are two headwinds facing small-cap stocks. With the present administration in full on tariff mode, it's the small-cap U.S. focused companies that could feel the sharpest impact of a trade war with China.

FRANdex tracks the performance, based on market capitalization, of 63 U.S.-based publicly-traded companies operating under and generating income through the franchise business model. All index levels are normalized to 1,000 at Q1 2006 for comparison purposes, and all remaining periods are adjusted accordingly. As McDonald's represents over 25% of the overall market capitalization of publicly-traded franchise companies, it is excluded from the base FRANdex, but shown above as FRANdex+M.