

# FRANdex

## Index of Publicly-Traded Franchise Companies

4th Quarter 2017

### Hotel Franchises Led the Way as FRANdex Blazed Ahead of Broad Indices Over the Last Year

FRANdex outperformed both the Russell 2000 and the S&P 500 with a return of 8.41% in Q4 2017. The gains were driven especially by the hotel companies, which saw a strong return of 12%. Food brands ended the quarter with a 4.13% gain. In Q4, hotel companies majorly outperformed other categories. The S&P 500 and Russell 2000 ended with fourth quarter returns of 5.86% and 3.13%, respectively.

Over the full year, FRANdex grew by 28.44%, outperforming the S&P 500 and the Russell 2000, which registered gains of 20.90% and 14.57%, respectively. Non-food brands gained 38.20% for the year, while food brands posted a modest rise of 11.66%. The lodging industry responded particularly positively to the overall economy. Marriott (MAR), Wyndham (WYN) and Hilton (HLT) were among the biggest gainers, after adjusting for component weights. Papa Johns (PZZA) took the largest loss for this year.

Stocks got a boost last year from strong growth in corporate earnings, solid economic data and expectations of lower corporate taxes in 2018. Over 2017, hotel stocks rose in anticipation of more business and leisure travel in 2018. Expectations for small caps for 2018 are mixed with the benefit of lower tax rates weighed against expensive valuations and tighter credit conditions.

FRANdex tracks the performance, based on market capitalization, of 62 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.

