BIAS Global Navigator

PORTFOLIO MANAGERS SECURITIES ANALYSTS JANUARY 2014

Healthcare to Suit

Biotechnology uses living systems and organisms to create new drugs. The term has expanded to include new and diverse sciences such as genomics, gene therapies and the development of diagnostic tests and new treatments. It is the biotech companies that develop more new medicines these days than large drug companies.

By way of example, some newly emerging products focus on "targeted" regimens that follow a pathway important in signaling specific cells in the immune system. These new approaches are poised to reshape treatment for one of the most common forms of leukemia, Chronic Lymphocytic Leukemia in adults, potentially eliminating chemotherapy and extending patients' lives.

New presentations at the American Society of Hematology meeting in New Orleans in early December suggest combination regimens may remove the need for chemotherapy and the related toxic side effects while also driving better results. This becomes extremely important to older people, some of whom cannot tolerate the toxic chemotherapies that are a part of current treatment. Collectively, the new treatments for this disease alone are expected to generate as much as $9 billion in annual revenues by 2020.

It was five years ago that the combined approvals at the FDA (Federal Drug Agency) from biotech companies first surpassed approvals from big pharmaceutical companies. And the list is growing. Rather than try to pick individual biotech names, we have chosen to gain exposure to this ground breaking sector through a biotechnology ETF that offers diversified exposure as it holds both large and small biotech companies.

The Life Science Tools segment of the market is another investable area which critically supports the development of new, innovative treatments. First, some definitions:

- Life Sciences are the study of living organisms – plant, animal and human
- Life Science Tools are the instruments and disposables used in research and diagnosis

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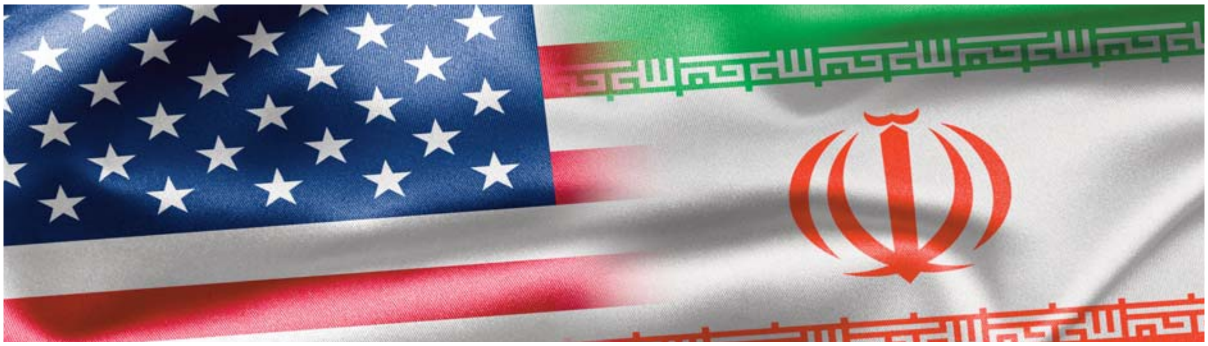
JOIN US AT OUR NEXT QUARTERLY MARKET BRIEFING:

BERMUDA
Second Quarter 2014
Date and location to be announced

CAYMAN
Second Quarter 2014
Date and location to be announced

IRAN:

Implications of the Interim Agreement



On November 24, the five members of the UN Security Council plus Germany (the so-called P5 + 1) reached an interim agreement with Iran over the nation's nuclear program and economic sanctions. The P5 + 1 held several meetings earlier in the year but things only moved ahead after Hassan Rouhani succeeded Mahmoud Ahmadinejad in the presidential elections held in June 2013.

Urgency of the deal

Rouhani emphasized moderation in his election campaign and promised constructive engagement with the international community over the nuclear program and US sanctions. Barclays' senior strategist, Helima Croft, cites the charismatic leadership and his very qualified and eloquent foreign policy team as one of the key ingredients that made the deal successful. Croft also highlighted the urgency of the deal stating that Iran had enough 20 percent enriched stockpiles to create weapons grade uranium in a few weeks. Forcing Iran to dispose of those stockpiles and allowing daily supervision has therefore stretched the process to several months. This has bought the West crucial time and enabled Iran to bargain on the '3 red lines' it said it would not cross. These were 1) no halting of the enrichment program, 2) no export of stock piles, and 3) no shutting down of facilities.

The P5 + 1 has to keep all stakeholders in the region acquiescent while working out a long term deal with the Iranians.

Balancing the fine line

While there was optimism after the deal, the US and its allies have to walk a fine line for long term success in the region. Israel and Saudi Arabia, who demanded a complete halt on Iran's nuclear program and further sanctions, are not happy with the agreement. Analysts expect that Israel will now use diplomatic pressure on the US Congress to not only continue sanctions but also push for further tightening. Saudi Arabia, on the other hand, remains cautious of Iran's continued uranium enrichment and may pursue the acquisition of its own nuclear assets or allow Pakistan to place nuclear assets in the Kingdom as a deterrent to the threat from Iran. The P5 + 1 has to keep all stakeholders in the region acquiescent while working out a long term deal with the Iranians.

Impact on oil prices

The agreement does not directly help Iran on the oil exports ban. It does, however, allow insurance companies to cover cargo. Until now, Iran had to offer steep discounts to importing countries to compensate for the absence of cargo insurance and in most cases that led to underutilized exports. As a result, analysts expect some supply additions to come online but not significant enough to move international oil prices. Analysts further added that the 'military premium' to crude oil has been removed with investors feeling more confident that conflicts in the Middle East may now be resolvable by diplomatic means alone.

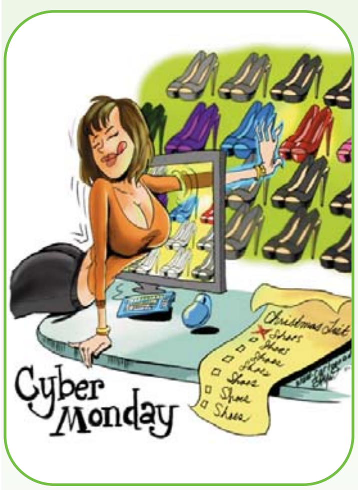
E-Commerce – Cyber Monday

The recent US Thanksgiving spending results reinforced two of our favoured investment themes: mobile computing and consumer discretionary spending, in particular e-commerce.

Tech journals report that e-commerce is set to grow by 30% this year to become a $1.3 trillion industry by the end of 2013 with the US leading largely as a result of their dominance of the means of conducting e-commerce: the laptop, tablet and smartphone. As emerging markets catch up in that respect so will the metrics of e-commerce. The facts speak for themselves:

- US online sales will grow from $365 billion in 2012 to $409 billion in 2013 (or +12%)
- Pan-Asia's will grow from $332 billion in 2012 to $433 billion in 2013 (or + 30%) – one-third of all internet commerce!

According to Adobe, online sales for Thanksgiving 2013 came in over $1 billion for the first time ever. The company analyzed 180 million visits to more than 1,000 US retail websites. Importantly, much of the activity was initiated from mobile devices.



Interestingly, while buyers were satisfied to search for items on their Smartphones, they found buying via Tablet more efficient. As the use of mobile devices becomes ever more dominant we expect sales growth to expand. Anecdotally, the author purchased all of his presents online via tablet this season!

Healthcare
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You may remember that in 2001 the Human Genome Project provided the initial draft of the human DNA sequence. This significant advance was produced by 23 collaborating labs, taking 13 years of work and costing $23 billion. Today, one lab using Next Generation Sequencing (NGS) can sequence the entire human genome within a few days of work for a cost of a few thousand dollars. This is important as today laboratories can:

- test probable responses to new treatments based on genetics
- develop new treatments for human and animal diseases
- identify susceptibility to inherited diseases before onset of symptoms
- diagnose abnormal cells such as cancers
- identify unaffected people who both carry a copy of a gene for certain diseases, such as Huntington's disease
- perform forensic testing used both before and after convictions
- determine the paternity of a child
- determine genealogical ancestry based on DNA testing
- develop industrial and environmental applications
- develop new seeds and plants

The Life Science Tools market is currently valued at $40 billion but expected to double by 2016. Furthermore, cash rich big pharma is actively seeking exposure to life sciences in general but in particular the genetic sequencing sub-sector so M&A activity is likely.

Our exposure to this overlooked (by investors at large, not by other healthcare predators) sector is through Thermo Fisher Scientific (TMO), a company that is diversified in the Life Science Tools category. TMO is in the process of buying a company called LIFE which brings genetic sequencing expertise, one of the fastest growing segments of Life Science Tools. The deal is due to close in May 2014.

The Life Science Tools segment of the market is another investable area which critically supports the development of new, innovative treatments.

BIAS GLOBAL PORTFOLIOS SPC
BIAS ASSET MANAGEMENT LTD

Performance (as at 31st December 2013)

Short Duration Income Fund

Risk: low ■ □ □ □ □ high

Benchmark: *Citigroup 1-3yr Treas Index*
Inception Date: *December 29, 2006*

Performance	Q4/13	1-Year	2-Year (Annualized)	3-Year (Annualized)	Since Incept. (Annualized)
Short Duration Fund	-0.21%	-0.74%	-0.24%	-0.08%	1.54%
Benchmark	0.06%	0.37%	0.40%	0.75%	2.69%

Global Balanced Fund

Risk: low □ ■ □ □ □ high

*Benchmark:** *Blended Composite†*
Inception Date: *December 29, 2006*

Performance	Q4/13	1-Year	2-Year (Annualized)	3-Year (Annualized)	Since Incept. (Annualized)
Balanced Fund	5.45%	11.42%	8.20%	3.73%	2.43%
Benchmark	4.69%	15.33%	13.33%	7.71%	4.28%

Global Dividend Income Fund

Risk: low □ □ ■ □ □ high

Benchmark: *S&P Global 1200 Index*
Inception Date: *September 28, 2012*

Performance	Q4/13	1-Year	2-Year (Annualized)	3-Year (Annualized)	Since Incept. (Annualized)
Dividend Fund	2.76%	7.17%	—	—	4.18%
GDI Total Return	3.55%	10.15%	—	—	9.19%
Benchmark	8.01%	26.01%	—	—	29.70%

Global Equities Fund

Risk: low □ □ □ ■ □ high

*Benchmark:** *S&P Global 1200 Index*
Inception Date: *December 29, 2006*

Performance	Q4/13	1-Year	2-Year (Annualized)	3-Year (Annualized)	Since Incept. (Annualized)
Equities Fund	7.71%	17.81%	11.04%	4.07%	0.48%
Benchmark	8.01%	26.01%	21.29%	11.70%	4.53%

*Prior to April 1, 2012 benchmark was FTSE World Equity Index. † 60% S&P Global 1200 Index/ 20% Citigroup 1-3Yr Treas. Index/ 20% Citigroup 3-7 Yr Treas. Index

Past Performance is not indicative of future results. Please note that the investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost; and that current performance may be lower or higher than the performance data quoted.

Management Commentary

Equities Q4 2013

Global equity markets advanced into year end as investors exulted in economic data showing growth in the US and the eurozone was gaining momentum. Broadly, US and eurozone markets moved higher in tandem with returns roughly equal in US dollar terms. Standouts included Germany, Italy, and Spain, while laggards included Asia, emerging markets, and Australia. Sector results were led by Technology, Health Care, Industrial and Consumer Discretionary. For the year, US equity markets led performance globally with Germany and Japan close behind while Australia and China lagged, all in US dollar terms.

Currencies Q4 2013

The US dollar weakened against both the euro and Sterling in the Fourth Quarter backed by improving economic performance. In fact, both currencies reached two-year highs against the dollar at the end of December. All commodity currencies weakened against the dollar in the quarter as raw-materials prices fell. Additionally, slowing growth and dovish central banks in both Canada and Australia weighed on their respective currencies. 'Abenomics', i.e. policy measures to resolve Japan's macroeconomic problems, continued to weigh on the Japanese yen.

Fixed Income Q4 2013

All but the very shortest Treasury yields rose in the Fourth Quarter on improving economic data and the Fed's announcement that it would start reducing bond purchases (i.e. reduce monetary stimulus) in January 2014. While yields on longer-maturity bonds rose, yields on the very shortest bonds were firmly anchored by the Fed's commitment to keep interest rates low. Corporate bonds in general did better than Treasuries in the quarter as improving economic growth boosted prospects for companies and their better relative yields. However, low liquidity in the corporate bond market caused volatile prices throughout the quarter.

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