BIAS Global Navigator

INVESTMENT MANAGERS SECURITIES ANALYSTS MARCH 2014

Natural and Organic Food
A Growing Investable Theme

The organic food movement has now gone "mainstream".

Growth in organic food purchases have steadily increased in the past decade. The growing usage of pesticides, genetically modified organisms (GMOs) and antibiotics in food products are raising health concerns. Centers for Disease Control and Prevention estimates 1.1 billion pounds of pesticide's active ingredients are used annually with adverse health impacts to people and the environment. The Organic Trade Association estimates that 81 percent of families are purchasing organic food at least some of the time. Forecasts are for a compound annual growth rate of 14 percent in the United States during 2014 – 2018.

Industry analysts estimate US organic food sales were $28 billion in 2012 (over four percent of total food sales) and had increased 11 percent from 2011. United States Department of Agriculture (USDA) has begun organic regulation of non-food agricultural products, such as laundry detergent with organic coconut oil and aloe vera.

Produce (fruit and vegetables) and dairy are the top two organic categories, accounting for 43 percent and 15 percent of total organic sales in 2012. Packaged foods, beverages, breads/grains have 9 – 11 percent share. Meats, fish, and poultry gained the most in the past decade but is still only three percent of total organic sales. Non-food agricultural products account for an additional $2.2 billion in organic sales.

Growth in organic agricultural production is occurring in both developed and developing countries worldwide. US producers have been challenged to keep pace with growing consumer demand for over a decade. New statistics from the US Department of Commerce show that organic imports, such as bananas and coffee, play a key role in meeting US demand. The organic food movement has now gone "mainstream".

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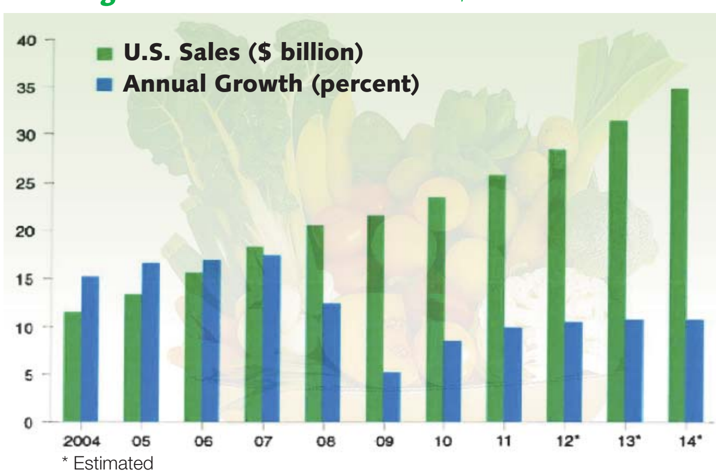
Natural versus Organic

Another equally important "sub trend" is a growing interest in "Natural" versus "Organic" food. The term "Natural Food" is widely used in food labeling and marketing. There are no rules in the United States for "Natural Food" labeling. Natural food is broadly defined as "foods that are minimally processed and do not contain manufactured ingredients or additives; such as hormones, antibiotics, sweeteners, food colouring, or flavors that were not in the food originally." Many consumers are unwilling to pay more for organic products, wondering if they are really better. A 2012 survey said 30 percent were not willing to pay more for organic products while at the same time natural products are rising in preference. More and more consumers are looking at content labels.

The global organic food market is expected to grow from $57.5 billion in 2010 to $104.7 billion in 2015.

U.S. Organic Food Sales Reached $28 Billion in 2012



* Estimated

Source: USDA, Economic Research Service using data from Nutrition Business Journal, 2013.

Organic foods are produced using methods of organic farming – with limited modern synthetic inputs such as pesticides and chemical fertilizers. Organic foods are also not processed using irradiation, industrial solvents or chemical food additives. Organic food production is a heavily regulated industry with standards that have been set in the European Union, United States, Canada, Mexico, Japan and many other countries. Only during the 20th century was a large supply of new chemicals introduced into the food supply. The organic farming movement arose in the 1940s in response to the industrialization of agriculture and was known as the Green Revolution.

Natural and Organic Food Market – Trends and Forecasts to 2018.

Opportunities for an expanding organic food market are significant in the United States and globally. Major factors leading to growth are increased concerns regarding health issues, environmental protection, food safety, animal welfare, and increasing acceptance and use of natural and organic products.

Both demand and government funding and oversight are expected to fuel growth in the sector. Organic food production emphasizes conservation of water and soil, environment concerns, reusable resources, limited use of pesticides, and chemicals.

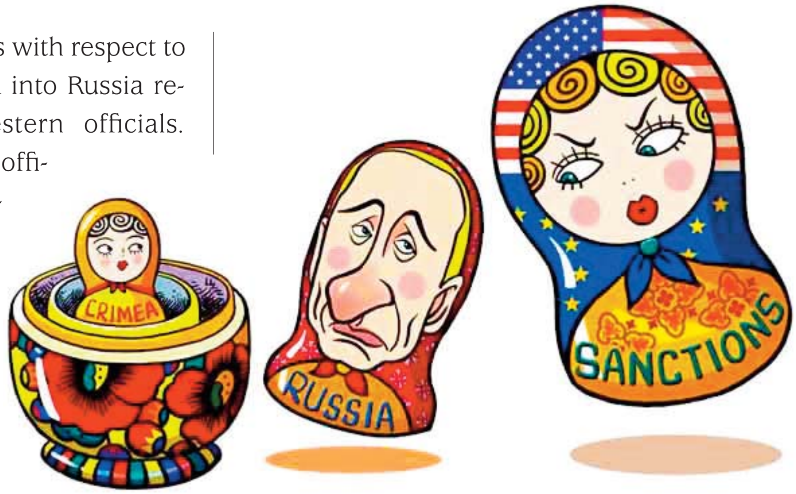
The global organic food market is expected to grow from $57.5 billion in 2010 to $104.7 billion in 2015. North America has a compound annual growth rate of 14 percent while Europe has the largest market share with revenues of $28 billion. Rest of the world – Latin America, Australia and others are expected to grow at the highest rate of 16.5 percent.

Drivers for the organic and natural food producers are product innovation, focus on product quality and packaging and increasing earnings capacity. The growth in natural and organic grocery trends also has led to the increase of specialty sections within traditional grocers. Whole Foods Market is the dominant player in the United States, although competition from new "pure play" entrants is compressing their margins while they focus on volume growth. Increased competition is good for consumers interested in healthy eating.

Key companies: Earth's Best, Amy's Kitchen, Green & Black's, 365 Everyday Value (Whole Foods), Organic Valley, Hain Celestial, White Wave, United Natural Foods, Dean Foods, Kroger Companies, Clif Bar & Co, Dole Foods, EVOL Foods, Newman's Own, Stonyfield Farm and others.

BIAS portfolios hold a diversified group of companies that are taking advantage of Healthy Living Trends: Whole Foods Market, Hain Celestial, and Chipotle Mexican Grill.

CRIMEA and Punishment



Putin's actions and motives with respect to the absorption of Crimea into Russia remain disturbing to Western officials. Current and former intelligence officers say the keys to understanding Putin's decision-making lie in Russian history and in his mission to create a Eurasian Union. "After several rounds of NATO expansions and after the US developed extensive relations with some other countries in the Soviet Union, Russia feels it has every reason to push back and expand its sphere of privileged interests, primarily in the territory of the Soviet Union," said Rumer, a former US national intelligence officer for Russia and Eurasia who's now at the Carnegie Endowment, a Washington policy group. Russians derive a sense of security from distance, Rumer said.

As the US and Allies imposed sanctions on a number of Russian officials, some Russia scholars pointed to a dangerous dynamic in which Western moves intended to deter Moscow may be seen instead as aggression, such as NATO's decision to move fighter jets to Baltic States and announce increased military cooperation with Ukraine. Indeed, the esteemed and respected Henry Kissinger argues persuasively that the only real solution is for

> ***"Putin to realize that, whatever his grievances, a policy of military impositions would produce another Cold War. For its part, the United States needs to avoid treating Russia as an aberrant to be patiently taught rules of conduct established by Washington."***

What Putin is Risking

Putin took huge risks. He violated UN Security Council law and damaged his hard earned credibility in the process. (Recall that he was instrumental in negotiating Syria's surrender of chemical weapons.) Additionally, the Russian military is in decline; thus, Russia's only real power is its seat on the UN Security Council and the veto that position brings. Fundamentally, the economic risk of sanctions could be profound as the Russian economy grew only 1.8 percent in 2013 and is expected to grow only 1.3 percent in 2014.

In the end, Putin sees any attempt to impose non-Russian values, especially the "universal values" argued by the West in general and the US in particular, as a threat. For him, Russia is more than just a nation, a people, a state. It is also a separate civilization.

Investment Implications

Putin has very little margin for negotiations. For investors, prudence argues for avoiding Russian markets while preparing for some economic fallout in the eurozone. Broad sanctions are sure to dampen economic momentum in Germany in the near term owing to the substantial trade between the two nations. Consequently, despite our optimism about eurozone economic prospects, we reduced our European exposure to neutral given the current Crimea situation.

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BIAS Global Portfolios SPC

BIAS ASSET MANAGEMENT LTD

Performance (as at 31st March 2014)

Short Duration Income Fund

Risk: low ■ □ □ □ □ high

Benchmark: *Citigroup 1-3yr Treas Index*

Inception Date: *December 29, 2006*

Performance	Q1/14	1-Year	2-Year (Annualized)	3-Year (Annualized)	Since Incept. (Annualized)
Short Duration Fund	0.33%	-0.41%	-0.23%	-0.07%	1.53%
Benchmark	0.13%	0.38%	0.51%	0.79%	2.62%

Global Balanced Fund

Risk: low □ ■ □ □ □ high

*Benchmark:** *Blended Composite†*

Inception Date: *December 29, 2006*

Performance	Q1/14	1-Year	2-Year (Annualized)	3-Year (Annualized)	Since Incept. (Annualized)
Balanced Fund	-0.79%	7.19%	4.36%	2.36%	2.24%
Benchmark	0.97%	11.29%	9.60%	7.07%	4.29%

Global Dividend Income Fund

Risk: low □ □ ■ □ □ high

Benchmark: *S&P Global 1200 Index*

Inception Date: *September 28, 2012*

Performance	Q1/14	1-Year	2-Year (Annualized)	3-Year (Annualized)	Since Incept. (Annualized)
Dividend Fund	1.47%	2.45%	—	—	4.49%
GDI Total Return	1.47%	4.81%	—	—	7.23%
Benchmark	1.34%	19.12%	—	—	19.94%

Global Equities Fund

Risk: low □ □ □ ■ □ high

*Benchmark:** *S&P Global 1200 Index*

Inception Date: *December 29, 2006*

Performance	Q1/14	1-Year	2-Year (Annualized)	3-Year (Annualized)	Since Incept. (Annualized)
Equities Fund	-1.33%	10.77%	5.38%	2.08%	0.27%
Benchmark	1.34%	19.12%	15.58%	10.53%	4.60%

*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 Q1 2014

Global equity markets advanced marginally as volatility took hold. Nevertheless, economic growth was evident across Developed Markets while Emerging Markets slowed. Standouts overseas included Australia, Ireland, Italy, and Spain, while laggards in the quarter included China, and Japan. On a sector basis, leaders included Utilities and Health Care while Consumer Discretionary, Telecom and Industrials lagged, all in US dollar terms.

Currencies Q1 2014

The dollar weakened against most major currencies despite the Fed tapering asset purchases and investor expectations that Fed Funds rate hikes would come sooner than previously thought. The Australian dollar and the yen advanced against the dollar on improved economic conditions after sharp sell-offs in 2013. The Canadian dollar weakened against the greenback on poor economic data and a dovish central bank.

Fixed Income Q1 2014

With the exception of shorter dated interest rates in the US and the UK, yields fell in developed nations around the globe on tepid inflation and a safe haven bid following the Russia-Crimea crisis. Expectations of the Fed raising the Fed Funds rate earlier and quicker than expected pushed yields on Treasuries maturing within five years higher. Corporate bonds outperformed Treasuries in the quarter on their relatively better yields and solid corporate balance sheets amid a recovering economy.

Listed on the Cayman Islands Stock Exchange and the Bermuda Stock Exchange.

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