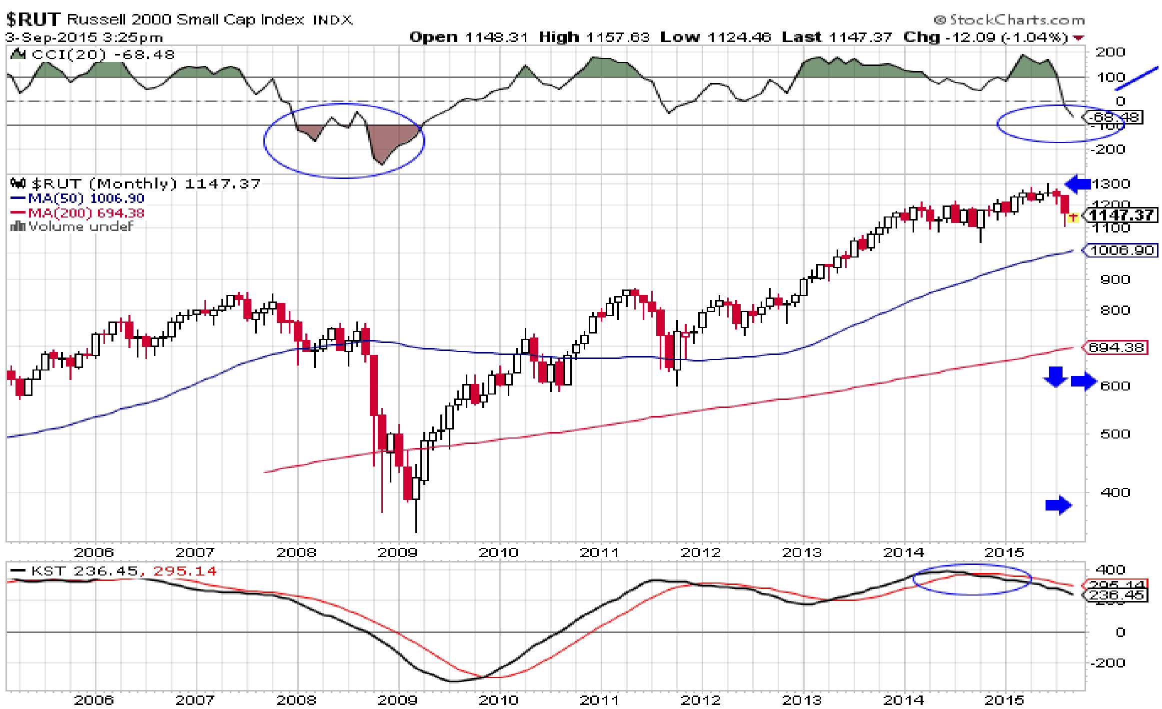
STARBOARD
ASSET MANAGEMENT

Risk Management for nagivating your future.

Starboard Weekly Report Ending September 4, 2015
Charts of the Week



The top chart is the *daily* StockChart.com visual of the Russell 2000 Small Cap Index. The bottom chart is the *monthly* StockChart.com visual of the Russell 2000 Small Cap Index. (RUT)

TECHNICAL

In the top chart, please note how we recently had a golden cross of the 50 day below the 200 day average. The Commodity Channel is clearly below the 0 line, where it has been since June 2015. The KST moving average is showing no signs of reversal, indicating a continued downside for small cap equities. The bottom monthly chart shows the tremendous upside long term move that small caps have had and how they also have reversed on an extended period. The circles show the trend beginning for a monthly period retreat and the blue arrows illustrate the levels that the index has risen from. From the 2009 bottom of 360 to the recent high of 1296, the RUT has climbed to over a 300% level. From the 2011 market dip, the average is up 112%. That is huge and since we own the Pro Shares Short Russell 2000 (RWM), which is an inverse of the RUT average, we should then profit handsomely as the economic laws of gravity set in and the downtrend continues.

FUNDAMENTAL

The small cap index is represented by four sectors. They are primarily: Financial Services (Banks), Health Care (Bio Tech), Consumer Discretionary (Retail) and Technology. Other than Banks, the last three areas have enormous downside. The real reason for the big move of the Russell is the colossal upward move of the bio tech companies. The XBI SPDR Bio Tech index is up 480% from its 2009 bottom. Seven of the top performing issues in the RUT are Bio Tech/Pharmaceuticals that are selling at an average price earnings of 81 times*. These Bio Tech members of the RUT make it the poster child for the massive risk in today's market. Bio Tech has created a bubble inside of the RUT and if it is adjusting down to the 2011 level, then it would represent a 53% downside. However, should it return to 2009 level, then we are looking at a 76% risk problem.

* 81 times average earnings were arrived at by assigning 100 times earnings to 3 of the 7 companies that had no earnings.

ASIDE

"*When you're one step ahead of the crowd you're a genius. When you're two steps ahead, you're a crackpot*". Shlomo Riskin Said another way, in this profession, you are either a champ or a chump. Is our premature inverse investment in RWM is about to transfer me from a crackpot to a genius… time will tell.