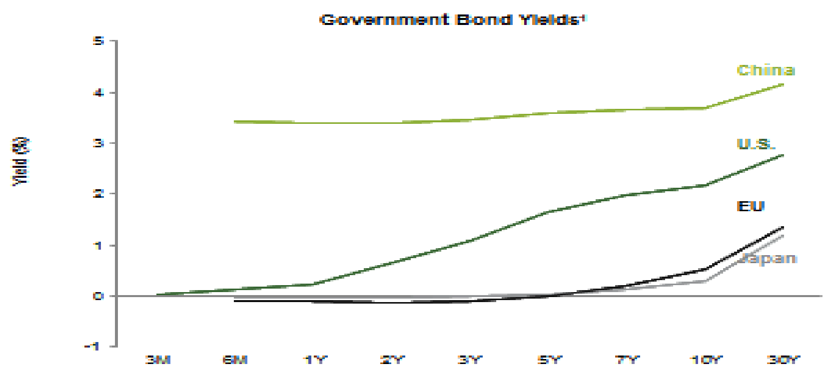
STARBOARD ASSET MANAGEMENT

Risk Management for nagivating your future.

Starboard Weekly Report Ending January 30, 2015

Chart of the Week



[1] As of December 31, 2014. Source: Bloomberg
This chart is for illustrative purposes only. Historical information is not indicative of future results. Past performance is no guarantee of future results. An index's yield is not illustrative of the Fund's performance. Indices are not securities in which investments can be made. Not intended to be a forecast of future events, a guarantee of future results or investment advice.
Current market conditions may not continue.

Sovereign Rates	**5 Year**	**10Year**
<u>Developed Countries</u>		
United States	1.31%	1.84%
Canada	1.11%	1.56%
England	0.99%	1.51%
France	0.07%	0.65%
Germany	-0.02%	0.42%
Italy	0.85%	1.72%
Spain	0.84%	1.53%
Netherlands	0.00%	0.48%
Switzerland	-0.22%	0.15%
Greece	9.21%	8.68%
Japan	-0.01%	0.23%
Hong Kong	1.00%	1.45%
Emerging Rates		
China		3.51%
Brazil		11.85%
India		7.71%
Russia		14.35%

This week's chart gives us a comparison of world interest rates. The table below the chart lists the 5 and the 10 year yields of the Developed Countries versus the Emerging Countries 10 year yields.

TECHNICAL

The charts of interest sensitive investments have shot straight up over the past year in a similar way that the Pimco Zero Coupon ETF (ZROC) that we own has behaved. As rates decline, the price of bond investments move up. The longer the maturity, the steeper the upward price change while rates are falling. When the Emerging World bond yields start to decline, a good deal of money will be made from advancing prices on sovereign debt bonds. Yield plus capital appreciation make these bonds attractive, especially when compared with the yield differential between the Developed and Emerging World. This is an area that I will be monitoring. When BRIC countries get their inflation under control, bonds and not stocks could offer the best opportunity to take advantage of investing in these growing markets.

FUNDAMENTAL

Last year, in the US, long-term government bonds well outperformed stocks. The same is very much the case for this year. Our ZROC investment is up 14.4% since the beginning of the year versus -2.5% for the S&P. The outstanding debt as a total market is larger than the equity market in the United States. Debt represents 60% versus equities 40%, yet equities get all the press. What happens in the debt markets is more important than the fluctuations in equities. We still have some upside in bond prices as longer term yields in the US decline closer to European and Japanese interest levels. But when returns are approaching zero, it puts a guaranteed cap on your appreciation. When the race to zero ends, that will be when the Emerging Market bonds really become a buying opportunity.

ASIDE

"*Be cautious and content with low positive returns in 2015. The time for risk taking has passed*". These words from Bond Manager Bill Gross are right in line with today's yields as displayed in this week's table above. Being short equities, long gold and bonds and having a large cash position will be very rewarding if Gross's advice is accurate.