

Trade Write-Up

| Corn 5 - Short Corn via Vanilla Put ¹ | | | | Commodities |
|---|---------------|--------------|--|---------------|
| <p>Fundamental Rationale: The world is without a growth engine and even the big driver of demand specifically for food (YoY urban population growth in China) no longer is (see graph). If demand had been the primary driver for the shift higher in food prices, then the return to pre-1997 levels in urban growth compounded by a halving of overall population growth should have the reverse effect. Then add on the fact that food production has increased to keep pace with the increase in demand and you have the potential for a real collapse in prices. For the moment though, the world makes the assumption that the base level at which food is trading is the "right" level and so a supply side shock has an impact relative to that. The thing about this drought, which some compare to the famous Dustbowl, is that it is happening to a much larger crop planting than last year, so even with the decimation of a massive proportion of the potential crop, the actual corn crop that is likely to be delivered is still more than last year. This trade is an expression of the view that demand growth peaked years ago and is likely to remain below trend for some time, even if prices don't yet reflect that. I "levered" this view by using ags rather than energy commodities, corn instead of sugar (see ratio graph), and using July rather than Sept (see graph). If demand is the driver for downward price pressure, all three should work in my favor as a high beta. Some rain in the region would be a potentially huge bonus.</p> | | | | |
| <p>Technical Rationale: Front contract trading 43% above its low of 1 month ago. July contract trading near its widest of 50 years over the Sept. Corn to sugar ratio trading at second widest in 50 years.</p> | | | | |
| <p>Risk Factors: The drought could be even worse than currently anticipated. Fed induced spike in asset prices.</p> | | | | |
| Trade Details | | | | |
| Trade Date | Expiration | Window Start | Commodity | Option Type |
| July 24, 2012 | June 21, 2013 | N/A | Corn | Vanilla |
| C/P | Strike | | Lower Barrier | Upper Barrier |
| Put | 760 | | N/A | N/A |
| Spot | Forward | Implied Vol | Price | CaR as % AuM |
| 789.50 | 760 | 31.02 | 0.90 | 0.56% |
| Reassessment Triggers | | | Expectations | |
| <ol style="list-style-type: none"> July vs Sept at -25 (currently -100) C 1 at 600 Fed induced move higher in ags, look to double the position Corn vs Sugar +400, add outright or as a spread Corn vs Sugar at 0 | | | Spot - Lower Curve - Flatter Corn vs Sugar - Lower Implied Vol - Higher | |
| Options 101 | | | | |
| <p>What is a Vanilla option? Plain vanilla options are used to express a straightforward directional view in the underlying, where the trigger for a move is specific and identifiable. We do not sell plain vanilla options except as part of a structure such as a butterfly, seagull, etc. whereby the downside for the entire structure is pre-defined and limited.</p> | | | | |

Post Mortem Analysis

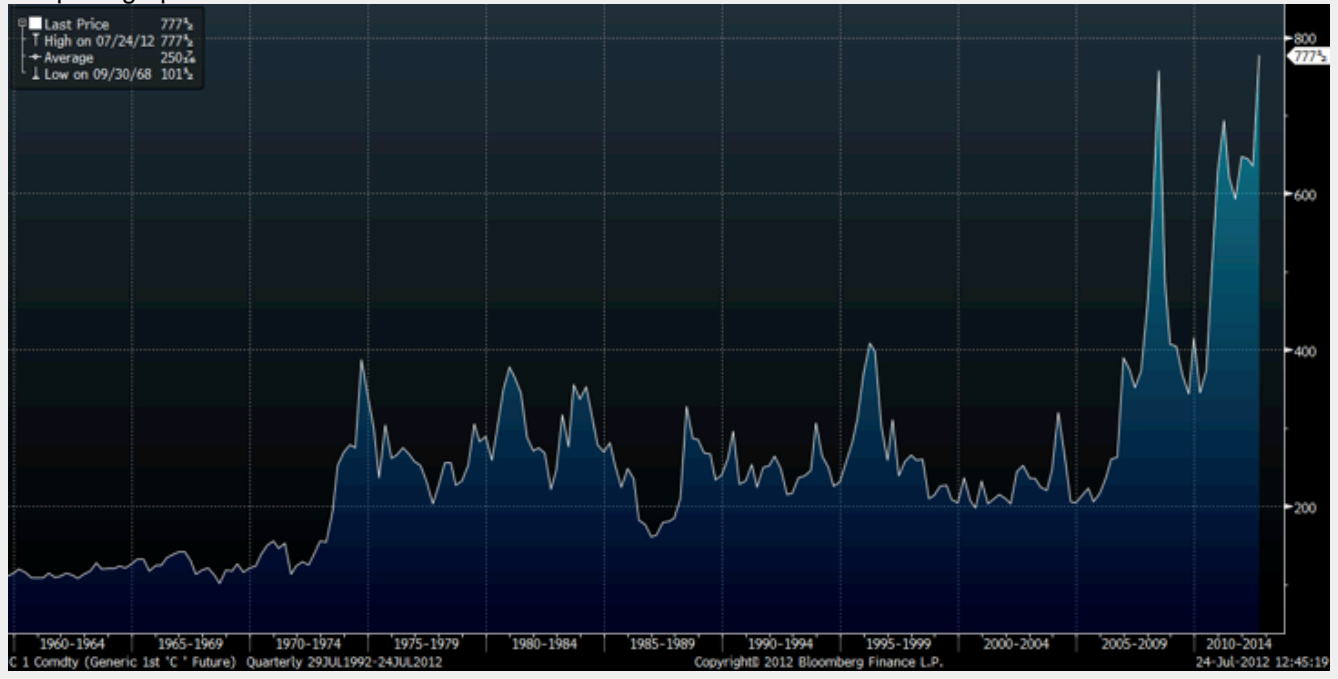
Reason for Position Adjustment

August 10, 2012: Fed induced spike triggered Reassessment #2, leading to a doubling of position.

| Spot | Points | Forward | Implied Vol | Price |
|--------|--------|---------|-------------|-------|
| 806.50 | -7 | 799.50 | 28.05 | 0.625 |

Supporting Charts

C 1 price graph:

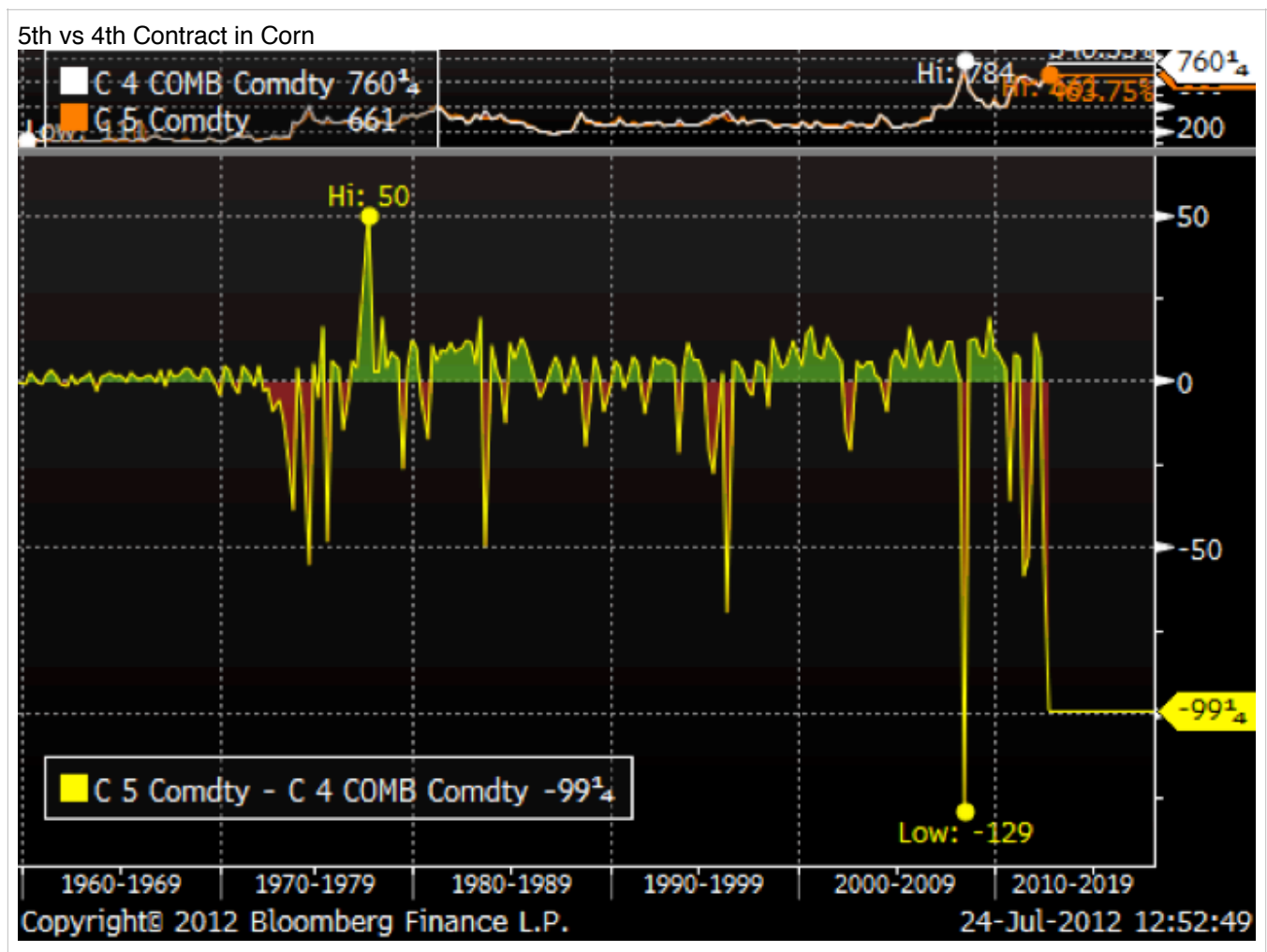


C 1 price graph:

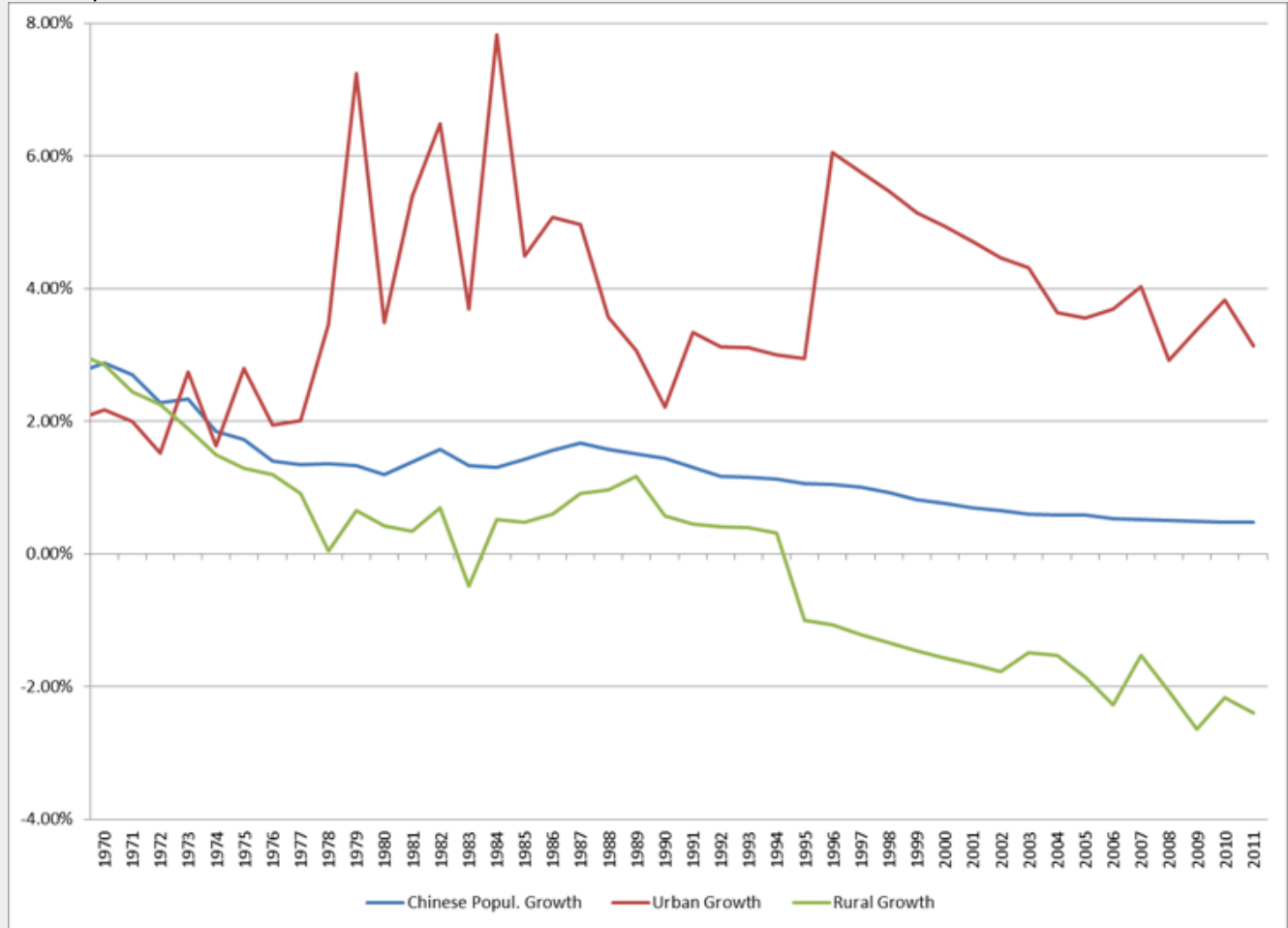


Corn vs Sugar Ratio:

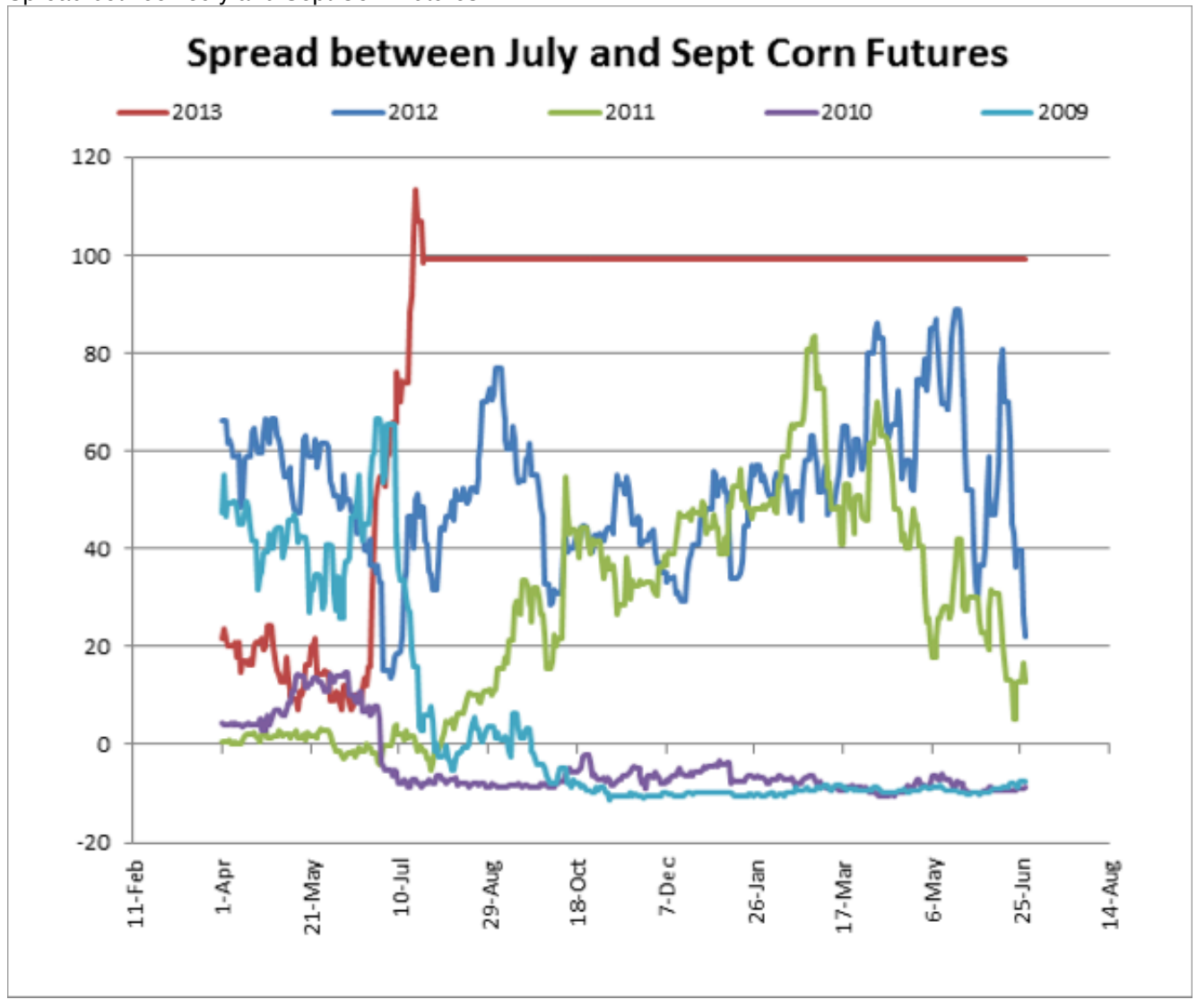




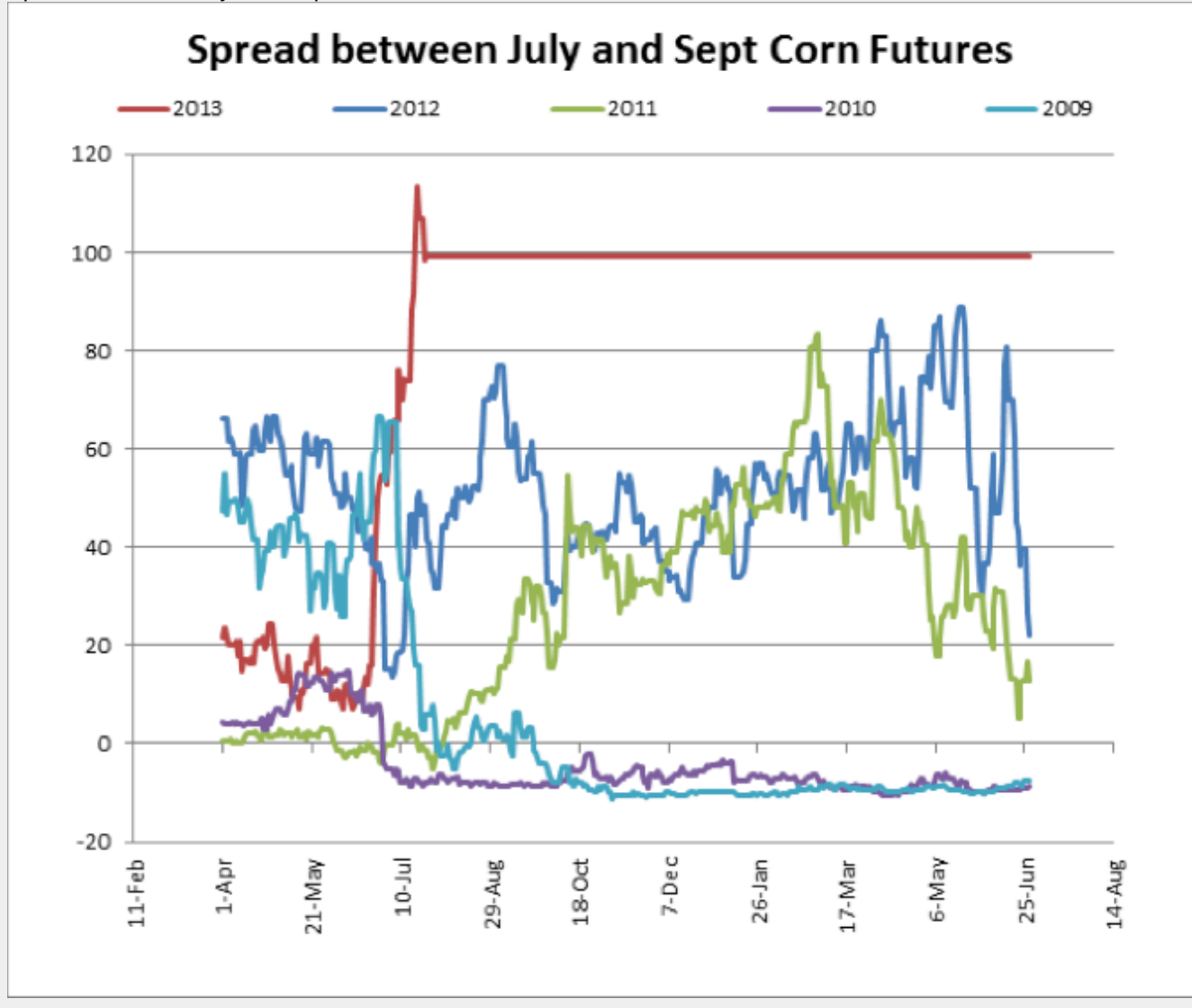
YoY Population Growth Rates in China:



Spread between July and Sept Corn Futures



Spread between July and Sept Corn Futures



Bija Advisors LLC

Web: BijaAdvisorsLLC.com

Email: info@bijaadvisorsllc.com

Twitter: [@BijaSeeds](https://twitter.com/BijaSeeds)

Phone: 805 452 9429

In publishing research, Bija Advisors LLC is not soliciting any action based upon it. Bija Advisors LLC's publications contain material based upon publicly available information, obtained from sources that we consider reliable. However, Bija Advisors LLC does not represent that it is accurate and it should not be relied on as such. Opinions expressed are current opinions as of the date appearing on Bija Advisors LLC's publications only. All forecasts and statements about the future, even if presented as fact, should be treated as judgments, and neither Bija Advisors LLC nor its partners can be held responsible for any failure of those judgments to prove accurate. It should be assumed that, from time to time, Bija Advisors LLC and its partners will hold investments in securities and other positions, in equity, bond, currency and commodities markets, from which they will benefit if the forecasts and judgments about the future presented in this document do prove to be accurate. Bija Advisors LLC is not liable for any loss or damage resulting from the use of its product.