ELGAEIAN BRADFORD
2012 LETTER TO SHAREHOLDERS

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Founder and President

1 Performance Comparison

Date	Elgaeian Bradford Portfolio Return	S&P 500 ETF Fund Return
1/3/2011	(0.35)	0.02
2/1/2011	0.24	0.03
3/1/2011	(0.02)	(0.00)
4/1/2011	0.10	0.03
5/2/2011	0.06	(0.01)
6/1/2011	(0.04)	(0.02)
7/1/2011	(0.04)	(0.02)
8/1/2011	0.05	(0.05)
9/1/2011	0.05	(0.07)
10/3/2011	0.06	0.11
11/1/2011	0.49	(0.00)
12/1/2011	(0.27)	0.00
1/3/2012	0.10	0.05
2/1/2012	0.09	0.04
3/1/2012	0.10	0.03
4/2/2012	(0.03)	(0.01)
5/1/2012	(0.01)	(0.06)
6/1/2012	0.54	0.04
7/2/2012	0.06	0.01
8/1/2012	(0.12)	0.03
9/4/2012	(0.07)	0.02
10/1/2012	0.90	(0.02)
11/1/2012	0.04	0.01
12/3/2012	(0.01)	0.00
1/2/2013	0.02	0.05

Dear Shareholders of Elgaeian Bradford Inc.,

Elgaeian Bradford started from the concept of cycle, re-use, and invest retained earnings. This idea originated from Security Analysis, which was written by Benjamin Graham. We believe that in business world, it is always people that we are investing in rather than which business activities we are looking at. The first fiscal year, we had our main part of portfolio in Berkshire Hathaway, and we made a 5.95% profit from this investment. Nobody is perfect, and we recognize losses as well. Unlike other companies, Elgaeian Bradford had high cash liquidity. We are able to make up for our loss in a very short amount of time. For example, in current year annual report, we will recognize a 22.36% loss from sales of securities after the second quarter of 2012; however, only within one month, we will clarify in our repot that we recognize another 23.20% profit. This action guaranteed us a positive earning rate for this fiscal year.

2 Our Advantage

With the assistance of a marketing professor from Simon Graduate School of Business and math professor graduated from Cornell College, I successfully concluded a model that only takes three steps but works for all kinds of companies. This model is a combination of financial analysis, technical analysis, and marketing analysis. I employed graduate associates to assist me in financial analysis and technical analysis. Besides that, I am working with professors on discovering the rationality and irrationality in financial market. In simple words, I will describe us as a family of mathematical psychologists in financial market. We make our decisions heavily based on detailed observations on Mr. Market (a term described in Security Analysis) and also with the mathematical background. Our philosophy comes from two famous people, Bruce Lee, and Warren Buffett. I always mention this to my associates and co-workers that we do not need to create anything brand new, all we need to do is to choose a path that someone walked successfully before and walk again but walk further and better.

3 Current Strategies and Future Strategies

I always believe that the huge profit is hidden somewhere in huge amount of risks. To make that potential profit, one can never ignore facing any risks. Like Warren Buffett said, "put everything in one basket, and watch out"! As simple as linear graphics, if a function is given, it is generally believed that its derivative is always more stable than the function itself. Imagine two times x is defined as a function, its first order derivative will just be two; and it is obvious that two is a lot more stable situation than two times x since the latter one is affected by variable x. However, everyone rationally ignored a secret hidden in this situation. Image a function is defined to be the second power of x, the derivative will just be two times x. Notice that within the period zero to two, two times x is a lot higher than the second power of x, and this is the part where most financial engineers do not pay attention to. In real world, I believe that Mr. Market will irrationally react to any tiny changes in among us. We will probably never reach anywhere that is over that range I mentioned above, in other words, we are always dealing with when the derivative is a lot more variable than the function. In this case, options are the fun choices we are interested in.

As definition described, I understand options as a second derivative that we need to think of. Suppose the change of stock based on time is the function defined as premise, the trade of the change of stock will be the first derivative, than the trade of the trade of the change of the stock will be the second derivative, and that is the definition of this concept. When you hold options, you are holding the right of buy or sell a security. In other words, you are controlling the chance of the trade of the change of the stock. Thus when an investor is building strategized investment structure; he is actually dealing with a higher risk activity and at the same time a higher possible return.

I believe that we can be able to take care that basket of ours with the understanding financials, techniques, and markets.

Best Regards,
Yiqiao Yin
Founder and President
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