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NaturalShrimp, Inc. (SHMP – OTCQB)

Patent-Pending Technology Enables Chemical-Free Shrimp Farming in a Closed System, Producing "Always Fresh, Always Natural" Shrimp of Superior Size and Quality. Colossal Market and Strong Pricing Environment Bode Very Well for the Company's Equity Value and Financial Success.

**Strong
Speculative
Buy**

Company Data

Recent Price:	\$0.103
Market Capitalization (mln)	9.6
Enterprise Value (mln)	12.6
Fully Diluted Shares (000s)*	93,311
Institutional Ownership*	1.7%
Insider Ownership*	87.9%
Exchange	OTCQB

* Data Provided by the Company

Company Overview

NaturalShrimp operates a closed-system saltwater aquaculture facility that produces high-grade Pacific White shrimp without using the antibiotics and chemical additives today's shrimp farms require. The Company's patent-pending technology is potentially disruptive to the entire shrimp farming industry, which on a global basis produced \$39 billion worth of shrimp in 2017. Assuming a near-term capital infusion, the Company should begin scaling up production to serve the San Antonio, Las Vegas, and New York City markets during CY2018.

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- Domestic Market for Shrimp is Colossal and Growing, Strongly Favoring Supplier Pricing Power**
 U.S. Shrimp imports totaled 286,090 metric tons in the first half of 2017, the greatest import quantity on record. Anecdotal evidence suggests that Gulf of Mexico shrimp yields are down some 40% from their 2007 levels, pushing the need for imports higher, and going forward imports are expected to climb at approximately 5% per year at least through 2025. However, this additional volume will not push prices downwards, as the demand for imported shrimp will likely outstrip import growth by a significant margin. These forecasts strongly suggest higher future prices in this commodity. The Company's fixed costs and likely rising average selling prices should benefit the SNMP's trading fundamentals and, if and when relevant, its valuation in an acquisition.

- NaturalShrimp's Disruptive Water Technology Creates Sustainable Competitive Advantage**

For many years, outdoor shrimp farms have used "biofloc" technology to protect their shrimp from disease; biofloc essentially promotes the growth of "good" bacteria and other microorganisms that occupy niche ecosystems (such as the shrimps' digestive track), thus preventing disease-causing organisms from infecting the animals when they try to occupy that same niche ecosystem. However, biofloc does not work well in high-density grow-out environments such as those required by indoor shrimp aquaculture. The Company does not use biofloc, however, and instead uses a new, patent-pending technology based on electrical current to clean its tanks. This new system suppresses the populations of Vibrio and other disease-causing organisms to nearly zero, making biofloc or other such techniques simply unnecessary. Additionally, the Company's technology causes ammonia (NH³) to break down into harmless nitrogen and hydrogen gas, thus eliminating one of the historically most difficult problems in shrimp aquaculture. We believe that this superior system will allow the Company to finally begin producing on a commercial scale this year, and will provide it with a very significant technological competitive advantage for the foreseeable future.

- Modular Systems Allow Company to Create Production Near Centers of Consumer Demand**

One of the most pronounced competitive advantages that the Company has over ocean-caught shrimp is location: The Company can build near large consumer markets not bordering shrimp-producing waters (e.g. Las Vegas). This allows the Company to provide a gourmet-quality product that has never been frozen, which for these markets is something that current high-end ocean shrimp providers simply can't match. Because of this, we believe that the Company will regularly sell its entire stock at a price well above the "quoted" price for shrimp of the size they produce, greatly enhancing the Company's profitability.

- The Company's Growth and Concomitant Funding Plans are Sound and Doable**

NaturalShrimp plans to first serve the San Antonio market near its initial grow-out facility, and then almost immediately attack the Las Vegas and New York markets, where the wholesale price of the Company's shrimp is some 40% higher (\$14/pound instead of \$10/pound). Assuming that the Company can secure a large amount of debt financing to fund its buildout plan, which management believes it can, then its strategy should work very well. Timely and adequate funding is a risk, as NaturalShrimp will not be able to expand into commercial production volumes without the necessary capital. But that said, NaturalShrimp has the product, the market, the team, and the patent-pending technology to win. We therefore re-initiate coverage of NaturalShrimp, Inc. with a **Strong Speculative Buy and a 12 to 24-month price target of \$2.16 per share.**

**Profit and Loss Forecast Model
(000s)**

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Revenues	3,669	11,427	61,802
Gross Profit	2,123	6,394	34,133
Gross Margin	57.8%	55.9%	55.2%
Operating Income	(959)	(1,183)	16,017
Operating Margin	-26.1%	-10.4%	25.9%
Net Income	(2,290)	(6,029)	2,941
EBITDA	(302)	2,942	18,465
Fully Diluted EBITDA per Share	(0.003)	0.032	0.314
Fully Diluted Shares Outstanding	93,311	93,311	93,311

Please see analyst certification and required disclosures on page 15 of this report.

Industry Background – Shrimp Cultivation

Introduction

According to NOAA (National Oceanic and Atmospheric Administration), the average American eats approximately 4 pounds of shrimp each year, equating to approximately 1.7 billion pounds of yearly shrimp consumption for the nation. Somewhat surprisingly, NOAA states that the U.S. relies on overseas farms for almost 90% of its shrimp, which comprises 30% of all seafood imported in the U.S. (by value). Other estimates suggest that the overseas farmed shrimp comprise a much lower percentage of domestic supply, but still more than 50%. On a global basis our research suggests that approximately 55% to 65% of shrimp production comes from outdoor aquaculture¹, primarily in third-world countries in Asia, Africa, and South America, whereas ocean trawlers catch only 35% to 45% of global shrimp supply. Both outdoor shrimp aquaculture and open-ocean shrimp trawling have inherent shortcomings and limitations, and we believe that NaturalShrimp's production system addresses each of these and is clearly superior in all respects.

Shrimp Aquaculture's "Holy Grail" – Indoor, Closed-System Aquaculture

For many years now, companies around the country and the world have aspired to raise shrimp in an indoor, highly controlled environment. Unfortunately, at least so far, the technology to accomplish this has not yet become available. If this technology were to exist on a commercial scale, indoor shrimp farmers would be able to provide the mainstream consumer with the highest possible quality of fresh shrimp. Most consumers would be able to consume shrimp that had never been frozen, since the facility that produced it could easily be located within driving distance of the consumer, and the shrimp would truly be chemical-free, since there would be no need for antimicrobial chemicals such as antibiotics, nor for preservatives that help maintain shrimp quality during and after the freezing process. Shrimp produced this way would be of a large size (most likely), of a "super-gourmet" grade, and would be widely available. So why, after many years of trying, have companies large and small been unable to deliver such shrimp in commercial quantities?

The simple reason is this: consistently and reliably cultivating commercial quantities of shrimp in an indoor, closed-system facility is difficult. Very difficult. Insidious bacterial colonies can begin on a microscopic scale, and then literally bloom overnight into a bona fide epidemic, infecting all of the shrimp in a single tank or even in an entire farm in a matter of hours. Worse still, the industry standard biofloc technology, and its newer cousin tilapia green water technology, simply don't scale up to commercial production quantities at economically-required high densities very well. Furthermore, indoor, closed-system facilities face other difficult technical challenges, such as removing ammonia buildup without harming live shrimp in the process. **We believe, however, that NaturalShrimp may have finally solved these problems, largely due to its patent-pending *Vibrio Suppression Technology*, which simultaneously eliminates almost all water-borne bacteria and viruses while also keeping ammonia at safe concentrations.**

Vibrio and *Vibrio* Suppression in Pacific White Shrimp Aquaculture

Vibrio is the scientific name for a genus of comma-shaped bacteria that live in seawater (and other aquatic environments) that commonly infect salt water aquaculture systems. While every species within the *Vibrio* genus is not yet completely understood, it has generally been found that those species that create green or blue-green microbial structures are pathogenic to organisms such as Pacific White Shrimp (*P. Vannamei*)², whereas those species that form yellowish structures can actually be beneficial to shrimp culture. While effectively impossible to accomplish in traditional open-system shrimp farms, the total elimination or the near-total elimination of all species of *Vibrio* bacteria would be of extremely high value in maintaining the health of shrimp. In this scenario, as long as the Company's *Vibrio* suppression technology applies equally to all other forms of pathogenic organisms, there would be no need for "beneficial" *Vibrio* or any other microorganisms in the shrimps' water column.

Biofloc technology (BFT) and Tilapia green water (TGW) technology are two of the most common *Vibrio* suppression methods employed by shrimp cultivators around the world, in both free seawater exchange (open) and no seawater exchange (closed) cultivation systems. Both of these technologies offer significant *Vibrio* suppression in aquaculture systems (post day 40 after PL10 stocking), but both seem to fail as shrimp densities increase beyond those typical of outdoor farms (30 – 60 per cubic meter). Since the Company stocks its tanks with an initial PL10 density of 400 per cubic meter, neither biofloc nor tilapia green water technologies have proven to be very effective in terms of consistency, or in terms of population survival rates.

Historically, the Company employed biofloc technology in its attempts to cultivate shrimp on a commercial scale, and this is still the technology of choice for GambaNatural de España, S.L., the Spanish Company that NaturalShrimp helped launch in 2008. Some researchers believe that biofloc has been successful in low-density farming mainly because the addition of aqueous carbon

¹ Industry data vary widely depending on the source, making precise and accurate quantification of the global shrimp market all but impossible. All participants do agree however that the market is very, very large.

² Some species of *Vibrio* can cause severe illness and even death in humans, such as *Vibrio cholerae* that causes the human disease *cholera*. Human fatalities from *Vibrio*-related illness are common in small numbers in the U.S. each year, usually from the consumption of uncooked shellfish such as oysters.

(typically via molasses) that it entails introduces sucrose (i.e. table sugar) to the system, a carbohydrate that “yellow” *Vibrio* bacteria metabolize but “green” *Vibrio* bacteria do not. If this is in fact why biofloc has been successful to the degree that it has been, it may follow that it loses efficacy in high-density systems because the high levels of carbon loading required in these environments (approximately 15 parts carbon per 1 part ammonia) may begin to simply favor bacterial growth in general – of both beneficial and pathogenic species. Although the Company was able to tweak its biofloc systems through the application of technology to some extent, and did experience limited success in cultivating shrimp indoors, it has now become apparent that biofloc’s inherent limitations in high-density grow out environments make it unsuitable for commercial scale aquaculture operations.

Tilapia green water technology, which the Company has never employed, offers similar and in some cases better protection from *Vibrio* than biofloc, at least for shrimp being cultured in low-density environments. It is thought these benefits come from the Tilapia’s mucous, and/or from certain fungi found in the Tilapia’s gut, both of which dissolve in seawater and both of which have well documented antimicrobial properties. However, since preliminary data suggest that this technology also has problems in high density shrimp aquaculture environments and the Company has never used it, we include a brief discussion of it here only to provide a complete treatment of the *Vibrio* suppression subject for our readers.

Natural Shrimp’s *Vibrio* Suppression Technology

In partnership with F&T Water Solutions of Largo, FL, the Company has developed its patent-pending *Vibrio* suppression technology, which nearly eliminates all microorganisms from the water column during the entire life cycle of the shrimp therein. This includes not only members of the genus *Vibrio* but also all other bacteria and viruses, both pathogenic and “beneficial”³ alike. Furthermore, this electricity-based technology breaks down ammonia into its (harmless) nitrogen and hydrogen components, making ammonia buildup a non-issue⁴. We explain this technology in detail in the Company Analysis section of this report.

Current Shrimp Production Methods - Shrimp Trawling

Shrimp boats catch shrimp through the use of large, boat-towed nets. These nets are quite toxic to the undersea environment, as they disturb and destroy ocean-bottom ecosystems; these nets also catch a variety of non-shrimp sea life, which is typically killed and discarded as part of the shrimp harvesting process. Additionally, the world’s oceans can only supply a finite amount of shrimp each year, suggesting that over the long-term additional global demand will translate only into higher prices and higher farm output, since additional open-ocean production will eventually be impossible. The shrimping industry’s answer to this problem has been to deploy more (and bigger) boats that deploy ever-larger nets, which has in the short-term been successful at maintaining global shrimp yields. However, this benefit cannot continue forever, as eventually global demand will quite simply outstrip the oceans’ ability to maintain the natural ecosystem’s balance, resulting in a permanent decline in yields and a pronounced increase in global shrimp prices. When taken in light of global population growth and the ever-increasing demand for nutrient-rich foods such as shrimp, it is clear that the current shrimp production paradigm is unsustainable.

Shrimp Trawlers



3 The term “beneficial” in this context means “beneficial to shrimp in defending themselves from disease-causing microorganisms;” in a nearly sterile environment such bolstering of the shrimp’s immuno-defenses is simply unnecessary.

4 This technology also “breaks” the ionic bonds in salt (NaCl), causing the buildup of molecular chlorine (Cl₂). This does not constitute a problem for the Company, however, since de-chlorination filtration is both proven and inexpensive.

Densely Placed Small Shrimp Farms



Current Shrimp Production Methods – Outdoor Shrimp Farming

Outdoor shrimp farming, known in the industry simply as “aquaculture,” has ostensibly stepped in to fill in the gap between global shrimp demand and open-ocean shrimp supply. Shrimp farming is typically done in open-air lagoons and man-made shrimp ponds connected to the open ocean; because these ponds constantly exchange water with the adjacent ocean, the farmers are able to maintain water chemistry that allows shrimp to prosper. However, this method of cultivating shrimp also entails severe ecological peril. First of all, most shrimp farming is conducted in third-world countries, where economically-challenged shrimp farmers have little regard for the global ecosystem. Because of this, these farmers use large quantities of antibiotics and other chemicals that maximize each farm’s chance of producing a crop, and yet put the entire system at risk. For example, a viral infection that crops up in one farm can easily spread to all nearby farms, quite literally wiping out an entire region’s production. In 1999, the White Spot virus invaded shrimp farms in at least five Latin American countries: Honduras, Nicaragua, Guatemala, Panama and Ecuador, causing a sharp (albeit temporary) decline in the shrimp production of those countries. Secondly, there is also a finite amount of coastline that can be used for shrimp production – eventually shrimp farms that are dependent on the open ocean will have nowhere to expand into. Again, this is an ecologically damaging and ultimately unsustainable system for producing this valuable, staple food commodity.

Asian Shrimp Tending and Harvest



Current Shrimp Production Methods – Conclusion

In both the cases of shrimp trawling and shrimp aquaculture, the current method of shrimp production is ultimately unsustainable. As global populations rise and the demand for shrimp continues to grow, the current system will eventually fall short. Shrimp trawling cannot continue to increase production without severely depleting the oceans’ natural shrimp population, and trends in per-boat yield confirm that this industry has already crossed the overfishing threshold, putting the global open-ocean shrimp population in a long-term decline cycle. While open-air shrimp aquaculture may seem to address this problem, it is also an unsustainable system that destroys coastal ecological systems and produces shrimp with very high chemical contamination levels. *Closed-system shrimp farming is clearly a superior alternative, but its unique challenges have prevented it from becoming a widely-available alternative – until now.*

Industry Background – The Global Shrimp Market

The Domestic Shrimp Market

Of the 1.7 billion pounds of shrimp consumed annually in the United States, over 1.3 billion pounds are imported – much of this from overseas shrimp farms. These farms are typically located in third-world countries and use high levels of antibiotics and pesticides that are not permissible for domestic shrimp farm operations under USDA regulations. As a result, these foreign shrimp farms produce chemical-laden shrimp in an ecologically unsustainable way.

Unfortunately, most consumers here in the United States have no idea where the shrimp they're eating comes from. This is due to a USDA rule that states that only bulk-packaged shrimp must state the shrimp's country of origin – any "prepared" shrimp, which includes arrangements sold in grocery stores and seafood markets, as well as all shrimp served in restaurants – can simply be sold as is. Essentially, this means that most U.S. consumers regularly and unknowingly eat shrimp loaded with chemicals and antibiotics at levels that would be illegal under U.S. law. Furthermore, the large majority of U.S. and other first-world consumers of shrimp are simply ignorant regarding the shrimp cultivation practices of third-world producers, so simply knowing that a package of shrimp came from "Indonesia" for example probably means little or nothing to the average consumer. But regardless of the reason, the fact of the matter is that almost all shrimp consumers are regularly buying and eating shrimp that are likely to be highly contaminated with potentially-harmful preservatives and high levels of antibiotics, a situation that the Company's shrimp production will completely change for the better.

Market Analysis

The United States population has become far more health conscious in recent years, in large part due to the heavily marketed "green" food initiatives. We believe that this plays directly into the Company's strengths, and likely means that the Company will find its sales and marketing challenges to be relatively, well, unchallenging. Currently the United States alone consumes 1.7 billion pounds of shrimp on an annual basis, which amounts to approximately 5,300 times the annual production capacity of each one of the Company's planned 6,000 pound-per-week shrimp production facilities. For all practical purposes, this means that the market for the Company's product is limitless. While this statement is not strictly true, we do not expect the Company to encounter constraints related to market size for many, many years to come.

Conclusion

The global market for shrimp is quite literally colossal (no pun intended) and is continuing to expand in lock-step with global economic development, a trend that is likely to continue for the foreseeable future. However, for now the global supply of shrimp is almost solely dependent on trawling for naturally-occurring oceanic populations, and on coastline-dependent open-air shrimp farming. At production levels that would satisfy global demand for shrimp in say 10 years from now – at current prices of course - both of these systems would likely cause moderate to severe ecological damage and would possibly fail outright to supply the quantity of the commodity demanded, in turn causing a severe price spike. We believe this sets the stage for the emergence of a new, superior system: indoor, closed-system shrimp farming. **Closed-system shrimp farming, while technologically challenging historically, is inherently superior: it is sustainable, ecologically friendly, scalable, and cost-effective. We believe that NaturalShrimp is in an excellent position to capitalize on this, as its patent-pending technology seems to have finally solved the problems that have plagued participants in this nascent industry for so many years.**

Company Analysis

Corporate Overview

NaturalShrimp, Inc. is an agrotech shrimp farming company we believe to be on the cusp of transitioning to full-scale commercial production. The Company is headquartered in Dallas, TX with production facilities near San Antonio, TX. Additionally, NaturalShrimp owns a small interest in GambaNatural de España, S.L., a Spanish Company that is currently producing some shrimp for select commercial customers as well as post-larvae (PLs) in its indoor hatchery. Although NaturalShrimp owns just a small percentage of GambaNatural de España, S.L., it remains an important partner of NaturalShrimp's for both hatchery technology and (potentially) future European sales and marketing.

Unlike many less-developed indoor shrimp farming companies, NaturalShrimp has a key advantage: its patent-pending water cleaning technology very effectively solves the reliability issues that make other companies biofloc-based operations incapable of reaching commercial reliability requirements. In a nutshell, the Company's water treatment technology consists of a series of electrified plates that are submerged in salt water in a small unit connected to each tank system. Contrary to popular belief, pure water is not a good conductor of electricity at all, but salt water *is* an excellent conductor – and this means that electricity flows between these plates at levels that are lethal to bacteria and viruses, and very destructive to high levels of ammonia buildup that are toxic to shrimp. We believe this system is superior to the Company's older biofloc system in every respect.

NaturalShrimp's Vibrio Suppression Technology

For many years, the Company employed "BioFloc Technology" in its shrimp aquaculture system:

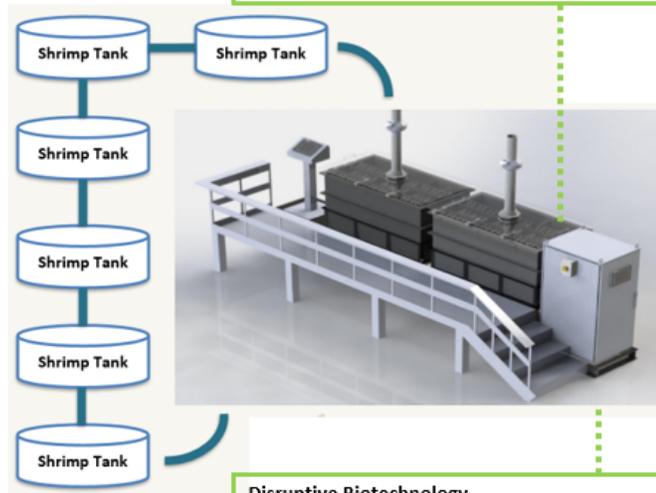
- It was a high-density, closed system approach that had significant promise, especially in small production units. Most competitors still use this antiquated system.
- Major problems for large-scale commercialization.

In 2014, SHMP started development of its "Vibrio Suppression Technology," a new and innovative system.

- Creates higher sustainable densities, consistent production, improved growth and survival rates and superior food conversion without the use of antibiotics, probiotics or toxic chemicals.
- Vibrio Suppression Technology works to exclude and suppress harmful organisms such as bacteria that can destroy shrimp crops using "BioFloc" and other enclosed technologies.

100% Closed Loop

NaturalShrimp's closed loop, re-circulating system has no ocean water exchange requirements, does not use chemicals or antibiotics and therefore is sustainable, eco-friendly, environmentally sound and produces a superior quality shrimp that is totally natural

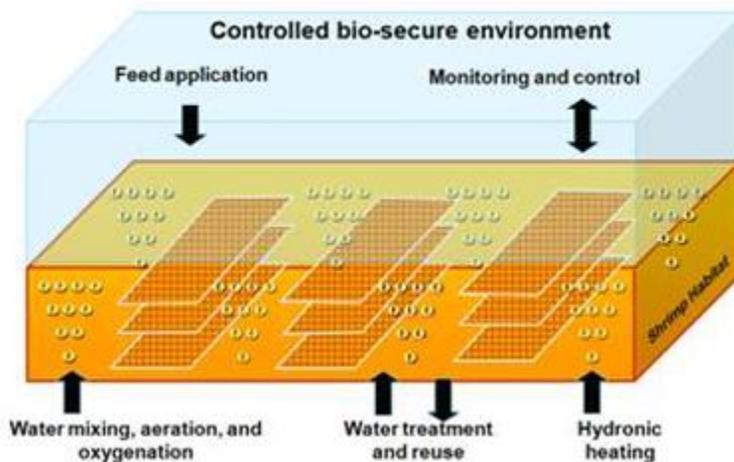


Disruptive Biotechnology

The NaturalShrimp system is environmentally "green," uses no chemicals or antibiotics and does not pollute because it is an enclosed system. The result, weekly fresh shrimp harvests in just 24 weeks, 52 weeks a year!

More specifically, as the water flows in between the submerged plates, relatively strong electrical current runs through the water, thereby killing all microorganisms and causing all virus particles to lose their ability to infect and replicate within a host. Essentially, the water that runs through the "sweet spot" of the current is completely sterilized, although its nutrient content is unaffected. In addition to essentially sterilizing the water it comes in close contact with, the Company's electro-cleansing system breaks down NH_3 (ammonia) into its constituent parts, when then form harmless molecular nitrogen (which already makes up about four-fifths of the earth's atmosphere), and hydrogen, which harmlessly reacts with the surrounding water.

NaturalShrimp's Vibrio Suppression Technology System



Key Technologies

While not the only determinant of the Company's likely future success, technology does constitute a very important part of it. The Company has not one but two key technologies upon which the future success of its shrimp farms is almost entirely built. The first of these, which we will discuss in more detail in this section, is its proprietary *Vibrio Suppression* technology, which it developed in partnership with F&T Water Solutions, and upon which it currently has a U.S. Patent application pending with the U.S. Patent and Trademark Office. The second of the Company's key technologies is its Automated Monitoring and Control system, which it has developed internally over a period of several years to help manage the systems' 24 grow-out tanks with a bare minimum of human input. Although the first of these technologies is perhaps the most important and will certainly be the most difficult for competitors to replicate, both of these technologies are absolutely mission-critical and are key to the Company's eventual success.

F&T Water Solutions

F&T Water Solutions, which is based about 90 minutes' drive south of Miami in Largo, Florida, specializes in electrocoagulation for industrial wastewater treatment and testing. In addition to its current core business, and in partnership with Natural Shrimp, it has developed and co-owns the rights to the NaturalShrimp's **Vibrio Suppression** Technology. Given that F&T Water Solutions' core business is the treatment and testing of industrial wastewater, this partnership is not as outside of F&T's core focus as it might at first appear. Under the terms of this partnership, NaturalShrimp will lease F&T's equipment for its shrimp grow-out tanks, and pay each lease down to \$0 over a period of 10 calendar years. Note that we and the Company believe that these systems will have a useful life of some 15+ years, likely giving these systems a healthy residual value at the end of each lease.

This strategic partnership also includes co-ownership of the relatively broad patent covering the use of F&T's technology in the aquaculture, which includes not only the aquaculture of shrimp but also of fish and shellfish. NaturalShrimp and F&T co-own this patent (when issued) on a 50/50 basis, and NaturalShrimp has 100% ownership of the global license to use this technology in aquaculture applications involving shrimp. Apart from the monopoly-like pricing power that this patent may confer to the Company in certain very high-end niche shrimp markets, it could also have a very large value based on a global licensing model. Note that we have not accounted for this model or value proposition in our valuation model of the Company.

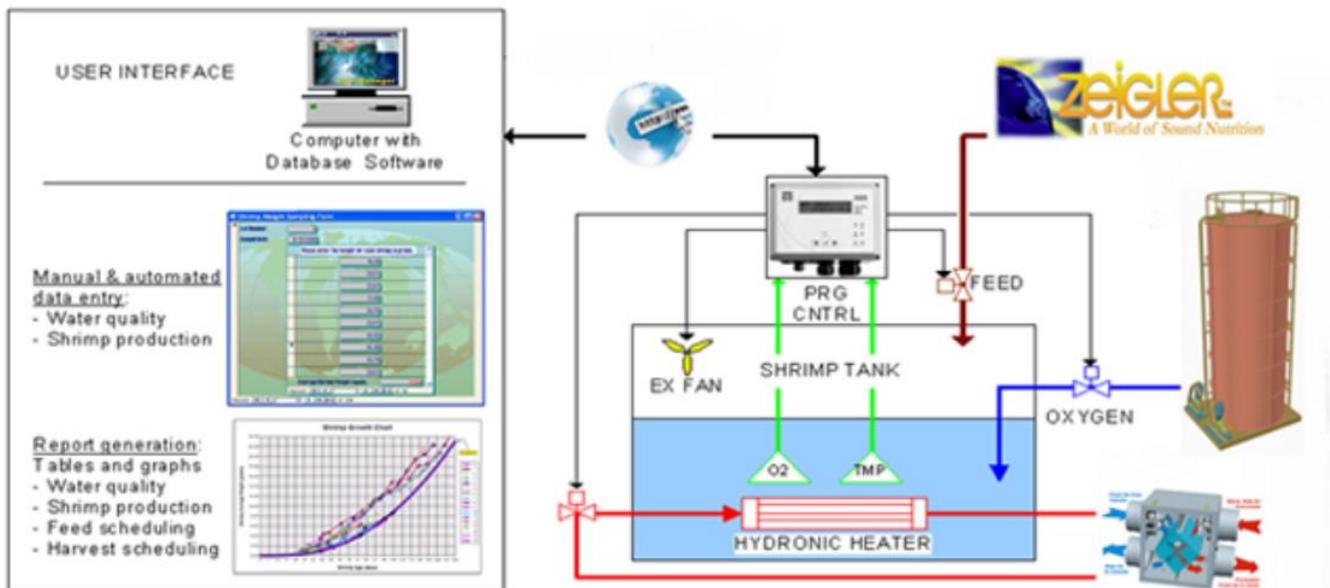
F&T Water Solutions Team



Automated Monitoring and Control System

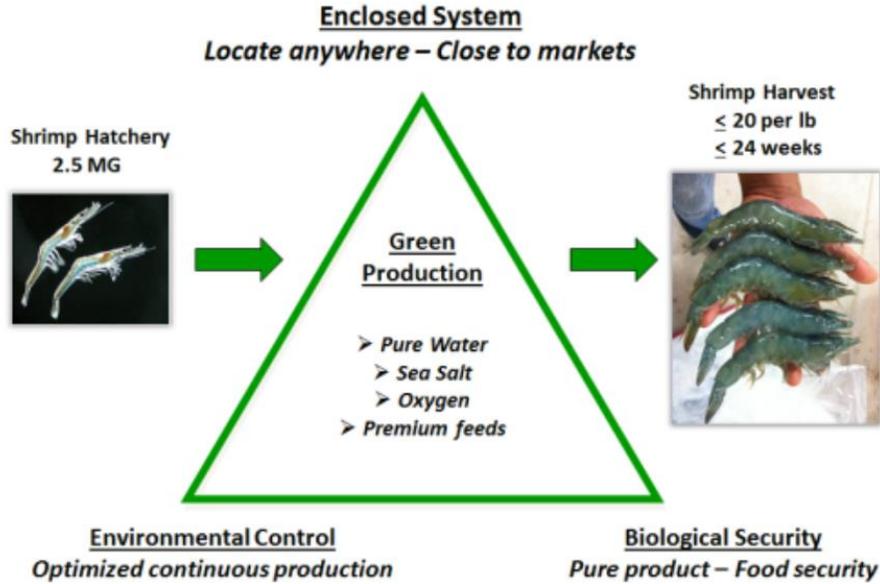
In terms of computing technology, the Company has developed a proprietary system that automates many of the routine tasks typically carried out by people; this helps reduce costs while also ensuring that all tank measurements are done and reviewed according to the proper schedule, thus maximizing the chance for optimal grow-up performance and reliability.

The NaturalShrimp Information Technology System



The Product

Each NaturalShrimp system is designed to produce crops of 6,000 pounds of shrimp (18-22 count, per pound) each week, using 10-day old post-larvae shrimp (PL10s) and requiring 24 weeks of cultivation time per "crop." The Company produces Pacific White Shrimp, which have been compared by local chefs to sushi-grade Japanese sweet shrimp in terms of quality. This high-grade product should command a significant premium vs. other commonly available frozen shrimp products.



The NaturalShrimp Product and Production Process

Target Markets and Go-To-Market Strategy

The total global market for shrimp in 2017 was forecast to be \$39 billion, equating to nine million metric tons (1 metric ton = 2,205 pounds), with approximately 55% of this to come from aquaculture. Of this market, the United States segment was expected to be \$7.0 billion, equating to 1.5 billion pounds (0.7 million metric tons), with the largest sources of imported shrimp being India and Indonesia. Because of the pervasive demand for shrimp around the world, the Company has many potentially lucrative markets that it could choose to attack, but due to its limited size and resources, it must begin with only one or two.

At this point in time, the Company intends to focus first and foremost on the San Antonio, TX market, as it is located in close proximity to the Company’s production facilities and is of adequate size to consume all of the shrimp this initial facility can produce. However, the Company ultimately plans to serve most major metropolitan markets in the United States, beginning with the New York City and Las Vegas, NV markets. These two markets in particular offer the Company a superior pricing environment (i.e. \$14/pound vs. the national average of \$10/pound), and have a very high level of demand for shrimp of the quality that the Company produces. Although we have no empirical evidence to support this, our intuition suggests that the Company may well experience even better pricing than \$14 per pound in these markets – due to the fact that there has never been Pacific White shrimp of this quality level available at the “standard” price point.

Ultimately, if it continues to operate as a successful independent entity over the medium-term to long-term, the Company plans to target many other larger U.S. markets, in addition to the major markets of Western Europe. Candidly, however, we doubt that this possibility is unlikely to become a reality, as we view an outright acquisition by a large food company to be much more likely once the Company is actually in the scale-up mode.

Domestic Target Markets



Financing

NaturalShrimp management believes that the Company will be able to use lease financing to cover its equipment leasing costs at a coverage ratio of nearly 100%. If this proves to be true, the Company should have the ability to scale up to several facilities very quickly, which would certainly contribute to the Company's ultimate growth rate and concomitant valuation multiples. If true, this should allow the Company to very closely match payments on its equipment with its cash inflows, thus enabling it to maximize its rollout on as little capital as possible. However, at this point we believe there is some risk that they will not be able to cover 100% of their lease costs with debt financing, requiring them to finance the remaining percentages in another way, probably through sales of equity and/or equity-linked debt.

Key Management

Bill G. Williams – Chairman of the Board and Chief Executive Officer

Bill is Chairman of the Board and CEO of NaturalShrimp Holdings, Inc. From 1997 to 2003, he was Chairman and CEO of Direct Wireless Communications, Inc. and its successor Health Discovery Corporation, a public company listed on the OTCBB exchange. He was previously Chairman and CEO of Café Quick Enterprises, which uses a unique, patented air impingement technology to cook fresh and frozen food in vending machines. The Café Quick technology was successfully licensed to KRh Corporation, which is now distributing machines and products through Kraft Foods and Kosher Vending. From 1985 to 1990, he was Chairman and CEO of Ameritron Corporation, a multi-business holding company. In his capacity as Chairman and CEO, Ameritron Corporation acquired thirty-seven businesses over a period of five years. Prior to his employment with Ameritron Corporation, he was involved in real estate projects and land development.

Gerald Easterling – President and Director

Gerald has been President and Director of NaturalShrimp Holdings, Inc. since its inception. Gerald has extensive experience in many aspects of the food business and related industries. For almost thirty years he has held various operational, marketing/sales, and executive management positions in the development of food product lines, packaging, and the distribution of fast food equipment. In the five years prior to the formation of NaturalShrimp Holdings, Inc., he was Chairman of the Board of Excel Vending Companies. Gerald also was President and Director of Café Quick Enterprises and has been a member of the board since 1988. At Café Quick, Gerald was instrumental in developing unique technologies and was co-inventor of the Café Quick Automated food system. Gerald also has specialized and valuable experience in the licensing of technologies worldwide, specifically through IIW Continental LTD (European Licensees) and KRh Thermal Systems, Inc. (for all other world-wide rights), which is now distributing machines and products under the Kraft Foods and Kosher Vending brands.

Thomas Untermeyer – Chief Technology Officer

Mr. Untermeyer is a co-founder of NaturalShrimp, has served as an engineering consultant to NaturalShrimp since 2001, and is the Company’s CTO. Mr. Untermeyer is the inventor of the initial technology behind the computer-controlled shrimp-raising system used by the Company.

Bachelor of Science in Electrical Engineering from St. Mary’s University.

William Delgado – Chief Financial Officer and Treasurer

Mr. Delgado has served as a consultant to numerous public and private companies in a management capacity and as a board member. He is currently restructuring Global Digital Solutions, Inc. (“GDSI”), a security and technology company, where he serves as the CEO and CFO. Formerly, he held the position of Chief Budget Analyst for the Northern California region for Pacific Bell. Mr. Delgado holds a Bachelor of Science with Honors in Applied Economics from the University of San Francisco, and Graduate studies in Telecommunications Management at Southern Methodist University.

Eventus Advisory Group, LLC, Neil Reithinger – Advisor

Eventus Advisory Group, LLC provides capitalization planning, consultation on initial public filings, as well as finance department creation, organization, implementation and maintenance (CFO Services) to small and medium sized companies, both public and private. Eventus Advisory Group, LLC offers a wide variety of services that enable its clients to grow and to achieve their financial objectives.

Competition

The Company acknowledges that there are many companies in the United States and abroad trying to develop systems that rival the Company’s, and it is basically impossible to know how successful they are or have been. However, we do know that none has been so successful as to make a major market impact, and based on our industry data, we believe the market for high-quality shrimp to be so large as to make competitive concerns almost irrelevant at this time.

That said, here is a partial list of past and present competitors that are worthy of mention:

Former and Current NaturalShrimp Competitors

Blue Oasis



Blue Ridge Aquaculture



No Ocean No Problem



PIERZ Shrimp Farm



In addition, investors should be aware that the real competitors facing NaturalShrimp at this time are the current shrimp producers, namely open-ocean trawlers and free exchange outdoor shrimp farms. However, these current producers cannot really compete with the Company in terms of proximity to consumers and quality of shrimp in most markets.

Other Risks

Operating Risk. Although this risk should be highly mitigated by the Company's new technology, we have yet to see this technology up and running in a commercial-scale production environment for multiple weeks and months, which will be absolutely necessary if it is to fulfill its promise as an industry-disruptive technology. While we agree that the Company's technology should work in a full-scale environment just as it did in a testing environment, if this is not the case the result could be catastrophic for the Company, depending on the reason and to what extent it can be corrected going forward. So in summary, we believe that the likelihood of a significant failure due to the Company's technology is very small, but if it does occur, then the risk event could be of a very large magnitude, even outright failure of the enterprise.

Financing Risk. Although the Company is quite sanguine about its current funding prospects, and about the size of a likely funding from these prospects, there can be no assurance that the Company will in fact be able to fund its business as it plans. The magnitude of the Company not matching its current financing expectations in all ways could vary greatly, from a small issue to a business-crippling one. While we do in fact agree with the Company that, given their long experience and new proprietary technology, they should be able to complete a large fundraising in the relatively near term, there can be no assurance that this is the case. Given the state of the Company's balance sheet, which is quite heavy on debt and light on assets, a failure to raise significant new capital sometime during the next few months would be very serious.

Dilution Risk. Although we consider it to be less significant than either operating or financing risk, the dilution risk inherent in NaturalShrimp is still relatively high. Management's current plan calls for the issuance of little or no additional equity capital as part of financing its growth, but relies almost solely on Lease financing instead. In our view, this could be a little too optimistic, requiring instead perhaps 10% - 20% of each new facility's financing to be done via new equity issuance. But even if management proves to be correct in its facility-financing assumptions, there is significant risk in the convertible financings listed in the Company's September 10-Q filing with the SEC. These instruments are complex convertible debentures (debt) that include a variety of derivative securities and various formulas for "resetting" the conversion prices of both the convertible debenture itself as well as the (in some cases) warrants issued at a 1.4:1 ratio on dollars disbursed to the Company. While the details of these instruments in all their complexity is beyond the scope of this document, we will say that it could be *very* dilutive to existing equity owners should the Company's common stock trade at very low levels during certain periods of time. In theory, because the conversion features of these securities is based on the "low trade" price of the shares during the 20 to 25 trading days preceding conversion, less 40% to 50%, an extremely low trading price could allow the owner of these instruments to dilute existing shareholders in the extreme. We do not, however, see this is a likely eventuality – especially not in light of the strong fundamental developments at NaturalShrimp.

Risks, Conclusion. In closing, we would like to say that even though an investment in NaturalShrimp is certainly not without risks, we believe that for the right investor, an investment in the Company could still be a very good decision. If the Company's new technology fulfills its promise of efficacy and reliability (which we believe it will) and if the company can close a real financing and then execute on its business plan over the next six to twelve months (which we believe it can and likely will) then NaturalShrimp will have become a very rapidly growing enterprise serving a truly colossal market. Given that its success will have been in no small part due to its proprietary Vibrio Suppression Technology, which other Companies will have great difficulty in replicating without violating a likely broad patent, the business at this point will have become highly defensible with near-monopoly control of a small but high-value segment of the shrimp market. For all of these reasons, by this point we believe the Company will have become very attractive as an acquisition candidate, both to certain large retailers such as Whole Foods (being purchased by Amazon.com (NasdaqCM: AMZN), and to large meat-centric food companies like Tyson Foods, Inc. (NYSE: TSN). In such an acquisition scenario, it is more than possible that NaturalShrimp would command an extremely attractive multiple of forward sales and earnings, and hence could end up being an excellent investment for risk-tolerant investors.

Financial Summary (Based on Data from last 10-Q filing dated September 30, 2017)

Like many early-stage companies, NaturalShrimp has negative tangible assets and a significant short-term liability on its balance sheet. However, we believe that the Company will be able to continue to negotiate terms on its liabilities so that it can continue operations and the near-term build-out of its facilities. That said, there are a significant number of equity securities already outstanding (93,311,339 shares), and the Company's balance sheet does carry accumulated deficit in the amount of some \$30,070,965. It also lists current assets of just \$93,386 compared with current liabilities of \$4,063,036. While these figures may appear alarming, we reiterate that they are not atypical of companies at an early stage in their growth, and will be much less relevant should the trajectory of NaturalShrimp unfold as we believe it could.

Valuation Analysis – Price to Earnings (P/E) Multiple Analysis

In considering the appropriate present value (PV) of NaturalShrimp, we must consider several factors. Because the Company has not yet secured the major financing we believe its progress warrants, and because it is impossible for us to forecast exactly when such a funding event would occur, we have built our model slightly differently than our more traditional earnings forecast models. In this case, we have used the convention Year 1 or Quarter 1 in lieu of an actual calendar date, with the understanding that Quarter 1, Year 1 (Y1, Q1) will begin approximately six (6) months after the funding event the Company is working towards.

So for example, if the Company receives its funding in February or March of 2018, our model would link Y1, Q1 to the beginning of CY'18, Q4 (Calendar Year 2018, Quarter 4) which begins six months after the end of the CY'18, Q1, the quarter in which the Company completes its major funding in this hypothetical example. We have not selected this methodology randomly, however: we chose two (2) calendar quarters post-financing because it will take the Company six or seven months from the closing of major financing until it will have commercial quantities of its shrimp to sell. However, it should not take much more than a single year from this funding event until it will have far large quantities of shrimp from new production facilities located near very large, high priced markets like that of metro New York City.

Although this is a workable method for handling the uncertainty of future funding and its timing, we are still required to make a “guesstimate” as to when it funding will occur, with some reasonable margin of acceptable error. To account for this in our model, we have assumed that funding will occur towards the end of Q2 2018, or by June 30 of this year. We actually think it will likely occur before then – possibly several months before then – but we wanted to keep this aspect of our forecast more conservative without being overly pessimistic. Based on this guesstimate of a major funding event by the end of Q2 2018, we have setup our valuation and financial forecast models assuming that Y1, Q1 equates to CY2019, Q1.

In estimating a current fair value for the Company, we look to our earnings model for the Company’s likely Year 3 earnings, and we must also account for the risks inherent in earlier stage companies in general as well as the various company-specific risks germane to NaturalShrimp. Lastly, we must consider the Company’s likely short-term and medium-term growth rates, as the market usually rewards high growth and ultra-high growth companies with a premium earnings multiple (i.e. valuation).

In the case of NaturalShrimp, our analysis shows relatively high risks for the next few quarters, and truly astounding growth potential in CY2019 and CY2020, during which time the Company should be maturing beyond one or two pilot farms to full-scale, high volume commercial production. To account for the risks, we have chosen a relatively high discount rate of 40%, and commensurate with the Company’s extreme growth potential, we have estimated its future (Jan 2020) P/E ratio at 30. When we complete calculations with these parameters, we arrive at our per-share value estimate of \$2.16 per share, and our market capitalization estimate of \$201.9 million.

Discount Rate / EBITDA Multiple Matrix

Per-share Value Estimates with Varying Parameters

Disc. Rate	2018 EBITDA Multiple Equivalent, Based on EBITDA, 3 Years Post-Funding				
50%	5.93	7.41	8.89	10.37	11.85
40%	7.29	9.11	10.93	12.76	14.58
35%	8.13	10.16	12.19	14.23	16.26
30%	9.10	11.38	13.65	15.93	18.21
25%	10.24	12.80	15.36	17.92	20.48
2020 Multiple	20.00	25.00	30.00	35.00	40.00

Disc. Rate	Present Value (PV) Based on forward Multiple of EBITDA 1 Year Post-Funding				
50%	1.17	1.47	1.76	2.05	2.35
40%	1.44	1.80	2.16	2.52	2.88
35%	1.61	2.01	2.41	2.82	3.22
30%	1.80	2.25	2.70	3.15	3.60
25%	2.03	2.53	3.04	3.55	4.05
2020 Multiple	20.00	25.00	30.00	35.00	40.00

In the tables above, we have included not only our primary price target for SHMP shares, but also many other possible share price scenarios based on varying discount rate and growth rate parameters.

Conclusion

We believe that NaturalShrimp is at an important inflection point in its development. It has always operated in a near-limitless target market with what has always promised to be a superior product in terms of freshness, taste, and health. Now, however, the Company also possesses patent-pending technology that promises for the first time to do what the Company’s previous bio-floc based technology could never do: reliably and consistently produce shrimp each week on a commercial scale. Assuming that this new technology works as well as we believe it will, it will soon enable the Company to rapidly scale up production for the Greater New York City and Las Vegas markets, and soon thereafter many other U.S. and select overseas markets. In all truth, we expect that the Company will be entertaining multiple buyout offers just a short time after its systems begin producing regularly, and thus its large domestic and international expansion plans may never become relevant to investors. What will be relevant to all is that NaturalShrimp is likely to command a very high valuation in both the stock market and in any potential acquisition. While there is of course no guarantee that this will be rewarding to investors in the Company, it is commonplace for companies that own such potentially disruptive technologies in markets as large as those addressed by the Company to command very large prices when being taken over. Therefore, we recommend purchase of NaturalShrimp shares by risk-tolerant investors and rate the Company’s shares a *Strong Speculative Buy with a 12 to 24 month price target of \$2.16 per share.*

NaturalShrimp, Inc. Profit and Loss Model															
(In \$000, except per-share data)	Y1, Q1	Y1, Q2	Y1, Q3	Y1, Q4	Year 1	Y2, Q1	Y2, Q2	Y2, Q3	Y2, Q4	Year 2	Y3, Q1	Y3, Q2	Y3, Q3	Y3, Q4	Year 3
Revenues															
Total revenues net	189	189	971	971	3,669	1,091	1,271	1,934	2,834	11,427	4,764	7,464	11,087	15,174	61,802
Gross costs	70	70	422	422	1,547	476	557	854	1,259	5,033	2,126	3,339	4,967	6,804	27,669
Gross profit	119	119	549	549	2,123	616	715	1,079	1,575	6,394	2,638	4,124	6,119	8,370	34,133
<i>Gross margin</i>	62.8%	62.8%	56.6%	56.6%	57.8%	56.4%	56.2%	55.8%	55.6%	56.0%	55.4%	55.3%	55.2%	55.2%	55.2%
Operating costs															
Per-facility general and administrative	141	141	141	141	985	222	222	303	303	1,796	384	384	465	465	2,932
Corporate general and administrative	206	206	206	206	1,439	236	236	236	236	1,655	272	272	272	272	1,904
Depreciation and amortization	70	70	125	125	657	349	349	852	1,024	4,125	1,474	1,704	2,212	2,500	13,281
Total operating costs	417	417	472	472	3,082	808	808	1,392	1,563	7,577	2,130	2,360	2,950	3,237	18,116
Operating profit	(298)	(298)	78	78	(959)	(192)	(93)	(312)	12	(1,183)	508	1,765	3,170	5,133	16,017
<i>Operating margin</i>	-157.8%	-157.8%	8.0%	8.0%	-26.1%	-17.6%	-7.3%	-16.1%	0.4%	-10.4%	10.7%	23.6%	28.6%	33.8%	25.9%
Earnings before interest, taxes, depreciation & amortization (EBITDA)	(228)	(228)	203	203	(302)	157	256	540	1,036	2,942	1,982	3,468	5,382	7,633	29,298
<i>EBITDA margin</i>	-120.6%	-120.6%	20.9%	20.9%	-8.2%	14.4%	20.2%	27.9%	36.5%	25.8%	41.6%	46.5%	48.5%	50.3%	47.4%
Interest income (expense)	(115)	(181)	(233)	(257)	(785)	(404)	(498)	(830)	(1,122)	(2,854)	(1,479)	(1,752)	(2,027)	(2,136)	(7,394)
Other income (expense)	0	0	(9)	0	(9)	(36)	0	(81)	(27)	(144)	(72)	(36)	(81)	(45)	(234)
Pre-tax income	(413)	(479)	(164)	(179)	(2,290)	(632)	(591)	(1,223)	(1,137)	(6,029)	(1,044)	(23)	1,061	2,952	2,941
Provision for income taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Marginal tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income	(413)	(479)	(164)	(179)	(2,290)	(632)	(591)	(1,223)	(1,137)	(6,029)	(1,044)	(23)	1,061	2,952	2,941
<i>Net margin</i>	-218.5%	-253.5%	-16.9%	-18.4%	-62.4%	-57.9%	-46.5%	-63.3%	-40.1%	-52.8%	-21.9%	-0.3%	9.6%	19.5%	4.8%
Earnings per Share	(0.004)	(0.005)	(0.002)	(0.002)	(0.025)	(0.007)	(0.006)	(0.013)	(0.012)	(0.065)	(0.011)	(0.000)	0.011	0.032	0.032
EBITDA per Share	(0.002)	(0.002)	0.002	0.002	(0.003)	0.002	0.003	0.006	0.011	0.032	0.021	0.037	0.058	0.082	0.314
Total shares outstanding	93,311	93,311	93,311	93,311	93,311	93,311	93,311	93,311	93,311	93,311	93,311	93,311	93,311	93,311	93,311

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Our Rating System

We rate enrolled companies based on the appreciation potential we believe their shares represent. The performance of those companies rated “Speculative Buy” or “Strong Speculative Buy” are often highly dependent on some future event, such as FDA drug approval or the development of a new key technology.

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Analyst Highlight

Brian R. Connell, CFA

Senior Research Analyst

Mr. Connell has over 15 years’ experience in the securities industry, as an equity analyst and portfolio manager, and as the founder and CEO of StreetFusion (acquired by CCBN/StreetEvents), a software company serving the institutional investment community. On the sell-side, Mr. Connell served as the technology analyst for Neovest, an Atlanta-based boutique, and as a Senior Analyst - Internet for Preferred Capital Markets, an investment bank based in San Francisco. Mr. Connell has also held the position of Executive Director of Marquis Capital Management, a technology-focused investment management organization.

Mr. Connell holds degrees in Economics and Psychology from Duke University, and is a CFA Charterholder.