



Who follows Mubarak?

Populist uprisings in northern Africa and middle east are raising geopolitical risks.

First, Tunisians toppled Zine el-Abidine Ben Ali. Then, Egyptians forced turnover of its government and then President Hosni Mubarak announced he will forego campaigning for re-election. Now, Yemeni and Jordanian governments are moving to restructure and stem protests and demonstrations on their own soil.

Hawk100 supports democratic desires of oppressed citizens. Each nation's people have been subject to dictatorial regimes, shortest reign among these is 24 years.

We hope government pillars erected in their place work for to good of the people.

Who knows what country may be next?

Lebanon has received speculation. In Hawk100's view, Libya is a likely suspect.

As a predominantly Muslim country set between Tunisia and Egypt, under the rule of Muammar Gaddafi for 42 years, Libya fits the established trend. Brunei, though Islamic and run by Sultan Bolkiah for 44 years, is probably safe for now as it is located in the Indonesian archipelago and so is well removed from the uprising.

Egypt presents great geopolitical risk to world markets. The Suez canal is vital to trade routes for an interconnected world.

We pray for a peaceful resolution.

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Buenos dineros persiguiendo mal.

While visiting Uruguay and Argentina, with a stop in Chile in transit, my observation is that Latin America earns its reputation as a place that attracts then squanders foreign capital investment. Various barrio neighborhoods of modern day Buenos Aires display wealth like the tides. Rising on foreign investment; falling on government expropriation.

After declaring independence in 1816, Argentina rose to among the world's richest nations by the early 20th century. Neoclassical architecture and wide avenues—Avenida 9 de Julio is the world's widest—testify the era's prosperity borne largely from foreign capital investment. Trade collapsed during the Depression, and successive military regimes brought inflation and stole prosperity. Expropriation of foreign assets became a core fiscal policy. Political stability now rests on president Cristina Fernández de Kirchner, recent widow of former president Néstor Kirchner. His own election to the presidency seemed to calm another era of Argentine turmoil when his three consecutive predecessors resigned from their posts.

Argentinean wealth originates from beef and wheat. Exporting the fruits of fertile plains that produce while the northern hemisphere is dormant brings extreme wealth to this region. Comparing markets for agriculture in the past to those for energy today, you could see in Buenos Aires a vision of the future Abu Dhabi. Among today's richest, Abu Dhabi may be on a path to plunder its own wealth on enormously speculative ventures, as I wrote in February 2009.

Buenos Aires is a major port with access to Rio de La Plata (Silver River) so named for the precious metals Spaniards believed they would find in the region. Rio de La Plata is extremely wide—220 kilometers at its mouth—and shallow. Near-constant dredging needed to maintain the channel elevates shipping costs. Plus, the shifting shoreline and muddy waters limit waterfront development and visual appeal. Shipping channels are vital for exports, and pristine waterfront attracts tourism. Rio de La Plata puts Argentina—concentrated in Buenos Aires—at a disadvantage.

Uruguay ("oo-roo-why"), Argentina's north east neighbor, has a surprisingly strong though relatively small economy. GDP of \$48 billion in purchase power parity terms, provides nearly \$15,000 to each of the nation's 3.4 million citizens. President José Mujica leads a leftist party, but he has shown centrist pragmatism by pushing market-friendly reforms. Like Argentina, Uruguay's economy grew from agriculture with concentrated population in its capital city, Montevideo. This port location, settled at the northern tip of Rio de La Plata, is comparatively advantageous to Argentina.

Globalism emerges unexpectedly. Uruguayans and Porteños are gracious and welcoming even as I lack command of Español. A remote artisan store in Uruguay accepts payment in U.S. dollars. Outside Buenos Aires, a Eukanuba store is immediately recognized by my colleagues from Johannesburg as the preferred diet for their dog. This premium pet food brand—founded by a middle-class Dayton, Ohio family and now owned by Procter and Gamble—with a physical presence in Argentina and with a preferred market position in South Africa is an emblem of globalism.

Facing a globally contagious fiscal crisis, Latin economies need to turn from the temptation to expropriate. Investment capital can then continue to flow along Rio de La Plata into Argentina and Uruguay, and good money will chase good.

By Richard Clemens, CFA, President

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Rio de La Plata, muddy muy grande.
Photo source: PROLADES