Regional
Specialists
Review

July 2011

HAMILTON
CAPITAL MANAGEMENT

WorldView

Overview: *The reports below illustrate the buffeting of a global recovery that is fighting the headwinds of excessive debt accumulated when times were good and seemingly going to last forever. Political timidity or inconclusive policies in Europe and the U.S. have bred uncertainty, anathema to markets.*

But Japan is bouncing back, albeit tenuously, from its natural and nuclear disasters, and rapidly fixing the supply chain problems it experienced. Commodity prices have reversed some of their excessive increases and interest rates remain stimulative through a large swath of the global economy.

North America

Tony Caxide, CFA®
Chief Investment Officer

Markets have suffered with the confrontation around the U.S. debt limit and debt/deficit reduction debate. However, the "correction" of this spring is less than half of what we saw last spring under similar circumstances, and the S&P is up roughly 5% so far this year – a remarkable result given the plethora of woes.

Auto firms have announced strong production plans for the second half of the year. Profits grew strongly in the first quarter and, so far, second-quarter company results are robust for both earnings and revenues. This bodes well for future investment, employment and growth, even if we see moderating pressures from several secular factors.

Asia

Jeff Wilkins, MBA
Director, Portfolio Mgmt.

Many economic fundamentals in Japan have recovered since the March earthquake and tsunami, and supply chain concerns appear to be abating. Industrial production, machine orders, retail sales and employment have all improved moderately. Exports remain stubbornly low, but did grow 4.7% in real terms in May.

Corporate Goods prices, which may be a leading indicator of inflation, did, in fact, forecast growth in core CPI – a good thing for a nation mired in deflation. Core prices have posted two months of gains – the first time this has happened in more than two and a half years. Political infighting continues to frustrate the people of Japan and is contributing to a slow rebuilding effort.

WorldView

Europe

Eric Shisler, CFA®
VP, Portfolio Management

Greece finally adopted further austerity measures, opening the way for the second round of the financial bailout from other European nations and the International Monetary Fund. Unfortunately, the concern of default has spread beyond the usual suspects of Portugal and Ireland onto Spain, Italy and Belgium, which are largely viewed as too big to save.

The negative impact of the sovereign debt situation is compounded by the global slowdown, which has led to a slower growth rate in manufacturing and lower purchasing managers' reports. Persistent unemployment, a weak real estate market and anemic consumer demand are pointing to possible lower GDP growth in coming quarters.

UK

Chris O'Daniel, CTP, CFA®
Director, Portfolio Mgmt.

Modest GDP growth (under 2%) is likely in the UK in the months ahead. Manufacturing has had six consecutive quarters with output above that of the overall economy. Recently, however, it has slowed, and data provided by Markit PMI suggest subdued gains in the current quarter.

The services sector, which accounts for nearly three-quarters of the economy, is showing strength. Thus, the likelihood of an outright economic contraction is low. In addition, monetary accommodation remains in place, in spite of rising inflation. Real wage gains have been muted, hurting consumer incomes. Recent stability in home prices bears monitoring as it could serve as a precursor to changes in household consumption patterns.

Emerging Nations

Tony Caxide, CFA®
Chief Investment Officer

These economies continue to vacillate between an underlying strong secular story – including low-cost producers, strong labor force growth and stronger institutions, including more independent central banks – and the cyclical pressures of overheating economies, sharply rising inflation and interest rates.

In some cases, this has driven their currencies quite high and raised salaries and residential and commercial real estate prices to unsustainable levels. A recent report puts one of the highest prime residential costs, typically sought by expatriates, in Luanda, Angola, in the range of $7,000 a month. Although the price of oil may sustain such examples here and there, the risk is that emerging markets will price themselves out of global trade and the competition to attract global capital.

THE HCM ADVANTAGE

The largest investors often have the benefit of sophisticated internal investment departments led by a qualified Chief Investment Officer to design and manage their investment portfolios.

Unfortunately, most investors can't maintain an internal team of that caliber. But if having an external investment team of that sophistication is something you could gain from, then we're here to serve.

We function in a fiduciary capacity as an external Chief Investment Officer for our clients. Our structure is similar to the investment departments of large, sophisticated institutional investors, and our team has extensive global investment experience. In fact, several of our team members have received national recognition for their abilities and accomplishments.

Each day, we diligently apply our disciplined investment process to the design and continuous, forward-looking supervision of your portfolio. Our goal: To build a complete investment solution for you.

Hamilton Capital Management, Inc.
5025 Arlington Centre Blvd., Suite 300
Columbus, Ohio 43220
614/273-1000 • 614/273-1001 (fax)
888/833-5951 (toll free)
www.hamiltoncapital.com