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Quarterly Update

First Quarter 2011

## Dear Hawk100 Member.

In a constant pursuit of improving our investment processes and practices, I recently read several books of topical interest to investment professionals and probable appeal to you. Before discussing your Wealth Alignment Report, I'd like to take a moment to review a few key points from *The Investment Answer* by Daniel Goldie, CFA CFP, and Gordon Murray; *The Essays of Warren Buffett: Lessons for Corporate America*, selected and arranged by Lawrence Cunningham; and Benjamin Graham's definitive, *The Intelligent Investor*.

In *The Investment Answer*, Goldie and Murray succinctly describe five key decisions in the investment process. They outline an approach that aligns well with the Hawk100 wealth alignment philosophy and process. Namely, they explain the risks of doing-it-yourself and point to the wisdom of seeking professional help. They further illustrate advantages of fee-only independent advisors, like Hawk100, who tend to better align interests with clients than do brokers. Goldie and Murray also instruct how to make decisions for asset allocation, diversification, choosing whether to actively manage investments, and when and how to rebalance. Hawk100 attempts to formulate each key decision in your Wealth Alignment Plan.

This month, I saw Warren Buffett at CFA Institute's global investment research challenge, for which I judged a competition among university teams from around the world. Buffett's and my mutual friend, Bob Johnson, CFA conducted a dialogue interview of Buffett and asked Buffett to name one person with whom he would most like to spend one minute. Buffett quickly answered, "My father." With access to a vast array of political and business leaders, celebrities, and notable people, his response speaks volumes about life's true importance. Even a man possessing vast wealth and ample opportunity tells has a lesson. Your most valuable investment is your family.

For judging, I received Cunningham's arranged *Essays of Warren Buffett*. The "Oracle of Omaha" shares his proven investment process that routinely places him on *Forbes'* list of wealthiest Americans. His sage advice often refers to principles from his mentor Benjamin Graham. Hawk100 abides by those same principles of value investing.

Buffett's inspiring interview and *Essays* led me to revisit Benjamin Graham's definitive book on value investing, *The Intelligent Investor*. Buffett attributes his own success to reading Graham's book at an early age. Graham uses his second chapter to discuss inflation concerns for

investing. That chapter seems timely given that today we face rising food and energy prices, and inflation is again creeping into investors' minds.

Another recent text, *Investment Course*, is co-published by Forbes and CFA Institute. Compared with Goldie and Murray, *Investment Course* offers a more extensive, yet simple, education for novice investors seeking to understand basic financial techniques. Their primary recommendation is to write your investment strategy within which you state your objectives.

Adapting to practices prescribed in those texts, Hawk100 pursues your purpose while providing you with principled wealth advice. We continue to develop our competence, care, and charity and to align our interests with yours.

I am delighted to report that Hawk100 has expanded its professional capabilities. Amanda Bigler joined the Hawk100 professional team as member coordinator and office administrator. In her role as member coordinator, Amanda supports Hawk100 members and provides services that enhance your Hawk100 membership experience. Amanda commits to our standards of competence, care and charity. Her prior experience supporting law and financial service firms and her pursuit of the investment advisor license further our capabilities. Her commitment to the CFA Institute Code of Ethics and Standards of Professional Conduct support our standard of fiduciary care. Her contributions to several charities supporting breast cancer awareness and research and volunteering for Pets without Parents broaden our philanthropic impact.

Events of the first quarter of 2011 marked a distinctive time in history, and the outcome may be much better or much worse than the status quo. I doubt that words can clarify the gravity and potential of events reshaping the world. The uprising in the Middle East and North Africa (MENA) potentially brings democracy to billions of oppressed people or at worst incites a world war. The earthquake and tsunami that shook Japan could rekindle growth under the decades-dormant rising sun or it could cascade Japan into economic collapse. Fiscal constraints and political shifts in America have led several states (including Ohio) to rewrite rules for public employees and nearly forced closure of the federal government. Those acts could instill greater fiscal prudence or could give rise to domestic unrest resembling Europe and MENA. Only

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Your wealth.  
Your life.  
Aligned.

wise analysis could have predicted the extent of the sovereign debt crisis facing nations today. Hawk100 has opined that fiscally excessive policies helped the onset of the 2008 crisis and that excess has certainly increased in the subsequent period. While a sharp financial crisis cutting like 2008 is unlikely, it remains prudent to exercise disciplined caution when making portfolio decisions.

Simply put, the world is vastly different as of March 31, 2011 than it was on December 31, 2010. Hawk100 has sought to align your wealth in a way that reduces your risk exposure, particularly in the U.S., and that takes advantage of opportunities as we perceive them in emerging economies and select sectors of the U.S. economy.

	Preference	Index Level
<b>Purpose   Preserve and Provide</b>		
<b>Index   Barclays Aggregate Bond Index</b>		
Duration	Lower	4.6
Income Yield	Higher	3.5
<b>Purpose   Promote and Protect</b>		
<b>Index   S&amp;P 500 Index</b>		
Price : Cash Flow	Lower	7.1
Price : Earnings	Lower	16.2
Price : Book	Lower	2.2
Dividend Yield	Higher	1.4
Growth Rate	Higher	9.8

SOURCE: Morningstar

Before describing investment portfolio strategies, it is helpful to benchmark index valuation measures as of March 31 as presented in the preceding table.

Hawk100 aligns wealth with life for individuals, families, and organizations. As a Hawk100 member you have your own Wealth Alignment Plan that strategically aligns your wealth to support your purpose, values, aspirations, and goals. The following describes the range of how portfolios are aligned with your investment purpose, given the vast array of Hawk100 strategies employed for our members, and what Hawk100 recommends as of March 31.

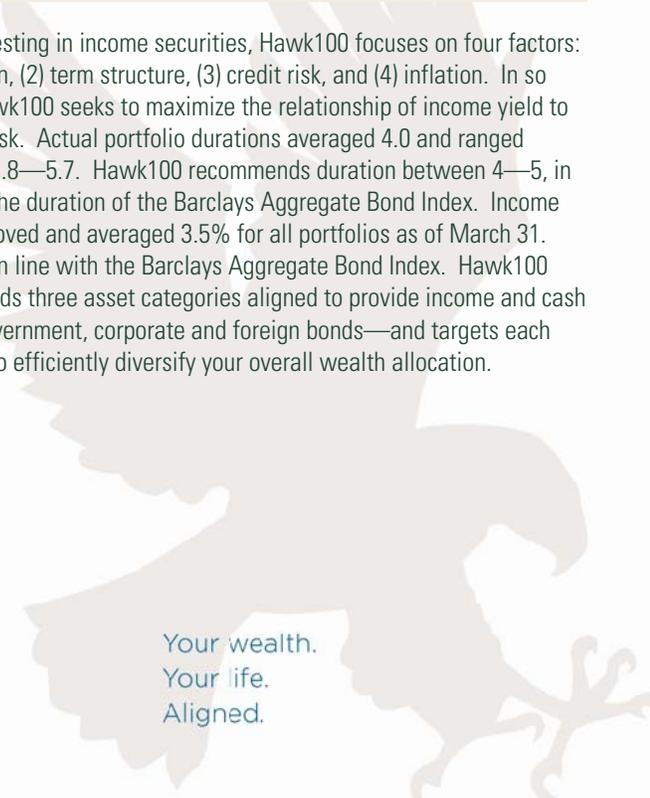
The following data, information, and recommendations are not specific to any member or situation. Rather the information presents a general setting around the investment process employed for members by Hawk100.

To <b>preserve</b> portfolio principal value:	Recommendation Range
Maximum allocation percentage	18%
Average allocation percentage	7%
Minimum allocation percentage	1%

Hawk100 holds cash equivalents, such as money market funds, the share price of which is intended to remain constant and the yield of which is comparable with the current risk-free rate of return. Hawk100 recommends holding cash equivalents under prevailing conditions.

To <b>provide</b> income and cash flow:	Recommendation Range
Maximum allocation percentage	87%
Average allocation percentage	39%
Minimum allocation percentage	12%

When investing in income securities, Hawk100 focuses on four factors: (1) duration, (2) term structure, (3) credit risk, and (4) inflation. In so doing, Hawk100 seeks to maximize the relationship of income yield to duration risk. Actual portfolio durations averaged 4.0 and ranged between 1.8—5.7. Hawk100 recommends duration between 4—5, in line with the duration of the Barclays Aggregate Bond Index. Income yield improved and averaged 3.5% for all portfolios as of March 31. This was in line with the Barclays Aggregate Bond Index. Hawk100 recommends three asset categories aligned to provide income and cash flow—government, corporate and foreign bonds—and targets each category to efficiently diversify your overall wealth allocation.



Your wealth.  
Your life.  
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To <b>promote</b> and grow investment principal:	Recommendation Range
Maximum allocation percentage	83%
Average allocation percentage	51%
Minimum allocation percentage	10%

When investing in equity securities, Hawk100 uses an enhanced index strategy focused on diversification. Applying fundamental valuation techniques, Hawk100 seeks to maximize the expected investment return relative to expected volatility of investment returns, suitably aligned with your objectives and constraints. A metric to evaluate this relationship is comparing the price:earnings ratio to long-run growth expected for each security and for your portfolio. At March 31, this ratio for Hawk100 portfolios averaged 1.5, below (as we prefer) the comparative ratio for the S&P 500 Index. Hawk100 recommends three asset categories aligned to promote investment principal—large US, small US and international stocks—and targets each category to efficiently diversify your overall wealth allocation.

To <b>protect</b> portfolio against adverse conditions:	Recommendation Range
Maximum allocation percentage	14%
Average allocation percentage	4%
Minimum allocation percentage	0%

Hawk100 may seek investments that further enhance portfolio diversification. Securities that align with the protect purpose include commodities, private equity, and real estate.

On average during the quarter, the portion of Hawk100 portfolios allocated to preserve portfolios and provide income and cash flow decreased during the quarter. Correspondingly, the amount allocated to promote and protect portfolios increased. In consideration of each member's Wealth Alignment Plan, Hawk100 intends to target 55% on average to promote and protect, net of option hedges that may be deployed in your portfolio.

Hawk100 investment portfolio performance is individually unique to each portfolio and we refrain from commenting on past performance when making general comments about portfolios under our discretion. Among individual holdings in portfolios, some securities add value while others reduce value simultaneously because Hawk100 recommends a set of securities that exhibit reduced correlation as effective tools to diversify portfolio risk. Generally, we seek to add investments when market values appear cheap relative to intrinsic values and to reduce investments when market values appear expensive or when risks elevate beyond suitable levels. We regularly review accounts in light of financial market opportunities and risks according to your Wealth Alignment Plan.

I genuinely appreciate your Hawk100 membership.

Warmest regards,

Hawk100  
Richard Clemens, CFA  
President

Your wealth.  
Your life.  
Aligned.