



NHCO Week in Review December 29, 2014

NHCO Weekly Market Update

I was riding in my car and listening to Bloomberg radio this week when I heard an advertisement for a mutual fund that was investing only in growth companies in Africa, an *Africa Only Fund*. As investors we have options as to where to invest based on the growth opportunity and risk appetite we perceive. Like the majority of investors most of our assets are in safer, developed markets. Perhaps we allocate an amount to the "emerging markets" as we see growth opportunities, but for some investors emboldened for risk there are the "frontier markets". Sounds a bit like the wild, wild west and if you take the time to read the disclaimers of risks associated with those markets you will see that they are in fact very risky. The ad for the frontier Africa fund got me thinking about which firm will be announcing a new investment fund following the Obama Cuba announcement for a *Cuba Frontier Fund*.

In looking at the surface, Cuba might offer an incredible opportunity for our investment dollars. A country with 2,300 miles of coast line in the middle of paradise. Eleven million people eager at the chance for economic prosperity and only 90 miles from the US. Having flown over the country many times I have wondered what opportunities might exist as I peered down from 30,000 feet seeing the blue green water and white sandy beaches. One can just imagine the potential of real estate development in such a paradise. Raw undeveloped Gulf front beach property in the panhandle of Florida is selling for \$10,000 a front foot and higher, what could Cuban property fetch? With 2,300 miles of undeveloped coastline beckoning, visions of building cranes begin to dance in my head, but what do I know from my window seat at 30,000 feet? It is best to turn to folks that have been on the ground. I have two friends both of whom have a keen eye for opportunity who have recently visited the country. I naturally sought their advice and counsel following the Obama news. They both recently participated in the existing people to people cultural exchange program that has allowed about 98,000 Americans to legally travel to the country. Yes my friends raved about the beauty of the beaches, the fine cigars and designer rums, but they offered keen insight into the future of investing in Cuba.

Before American dollars begin to flow there must be new protection for foreign assets. There are claims that must be dealt with from owners of property that left the island 60 years ago. Mainly though, there must be a trust that capital put into the country will be allowed to "flourish", or in other words, a regime change within the country. The actions taken so far are decidedly one sided. The investment view for capital in Cuba may have only gone down from the 30,000 foot level to 20,000 feet with the US announcement. Any thoughts of investing in a Cuba Fund may be a bit premature at this point in time. As my friends noted, the Europeans and Russians could have poured billions into the country in the last 60 years, but there's a reason they didn't.

Carl Gambrell

12/26/2014 % Wk Chg % Yr Chg

DJIA	18,053.71	1.40%	8.91%
S & P 500	2,088.77	0.88%	13.01%
Nasdaq	4,806.86	0.87%	15.09%
EAFE	1,789.92	0.44%	-6.56%
Emerging Mkts	952.53	0.84%	-5.00%
Hang Seng	23,349.34	1.01%	0.18%
NIKKEI	17,818.96	1.12%	9.38%
FTSE	6,609.93	0.99%	-2.06%
CRB Index	234.65	-2.35%	-16.25%
Dow Jones Utility	635.54	3.59%	29.55%
TIPS Index	111.57	-0.69%	1.52%
VIX Index	14.50	-12.07%	5.69%
OIL	59.45	-3.14%	-46.34%
Gold	1,196.00	0.02%	-0.21%
Euro	1.22	-0.38%	-11.47%
Yen	120.31	0.68%	14.18%
Sterling	1.56	-0.44%	-5.90%
High Yield	6.42%	-10.46%	7.90%
Investment Grade	3.76%	0.80%	-2.84%
2 Year Gov't	0.74%	15.63%	94.74%
5 Year Gov't	1.76%	6.67%	1.15%
10 Year Gov't	2.35%	8.80%	-22.44%
30 year Gov't	2.82%	2.55%	-28.97%
2 Year Muni	0.56%	-1.75%	69.70%
5 Year Muni	1.36%	3.82%	18.26%
10 Year Muni	2.13%	0.95%	-23.10%
30 Year Muni	2.93%	0.69%	-30.73%
3m LIBOR	0.25%	4.17%	0.00%
Fed Funds	0.05%	-61.54%	25.00%
Prime	3.25%	0.00%	0.00%
Money Market	0.39%	0.00%	-2.50%
12m CD	0.70%	0.00%	4.48%
30 Year Mortgage	3.95%	-4.13%	-13.00%
15 Year Mortgage	3.10%	-1.27%	-12.68%

Important Disclosures

Data: Bloomberg