



WF NewsLetter

Historical **Government Defaults** Since 1930

Governments defaults (partial or total) are not such a rare occurrence as the table below shows (**countries that are in the EU today in bold**). As the table shows, there are regions of the world that are more used to governments defaults than other, Latin America and Africa. Notably, South-East Asia is quite immune. UK, France, the USA have never defaulted and that may explain why they still keep their AAA rating. One should note that neither Spain, Italy or Belgium, recently downgraded have never defaulted.

| Years | Country |
|---------|---|
| 1930-34 | Brazil, Peru, El Salvador, Chile, Bolivia, Hungary , Bulgaria, Austria , Germany , Columbia, Nicaragua, Panama, Paraguay, Romania , Serbia, Cuba, Guatemala, Uruguay |
| 1935-39 | Poland |
| 1940-44 | Turkey, Italy |
| 1970-79 | Peru, Turkey |
| 1980-84 | Poland , Romania , Honduras, Madagascar, Senegal, Uganda, Pakistan, Venezuela, Panama, Mexico, Ecuador, Cuba, Argentina, Serbia, Brazil, Chile, Peru, Morocco, Nigeria, Philippines, Egypt, Ivory Coast |
| 1985-89 | South Africa, Vietnam, Congo, Paraguay, Angola, Cameroon |
| 1995-99 | Serbia, Ukraine, Ecuador, Gabon, Indonesia, Pakistan |
| 2000-04 | Gabon, Ivory Coast, Uruguay, Paraguay, Argentina, Ukraine, Moldova |
| 2005-11 | Greece |

Summary

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Awful year for the markets. While US markets ended 2011 on a flat performance, Europe and Japan declined heavily. The Euro, finally gave back some of its strength. Kim is dead. The latest addition to the Kim collection is now available. Iran us threatening to close the Strait of Hormuz, bad for business, bad for peace, bad for oil prices. Let's hope 2012 will a better year

MF Global **Jon Corzine**

Jon Corzine, a former CEO of Goldman Sachs and former US Governor is now famous for having led to bankruptcy MF Global one of the world's largest commodity trader. This is the US eighth largest bankruptcy. In doing so, it appears that MF Global is now investigated by regulators for missing money from clients' accounts. A shortfall estimated not less than \$1.2 Billion. Press reports that two weeks prior to the events, Corzine was on the look to buy a dollar multimillion French Château. As it is mandatory at brokerage firms to hold employees fund within the firm, questions arise as to where Corzine's own money lies. Corzine left Goldman with about \$400 millions.

Hungary **New Dictatorship?**

Since January 1, Viktor Orbán, Hungary's Prime Minister is criticized by most western government for sizing control of every national major institution. He is said to threaten Hungary's democracy. Journalists are going on hunger strike against the closure of non-friendly media. On the financial side, IMF and the EU have stopped discussions with Orbán casting doubts on Hungary's request for support for its ailing economy. Lawmakers have passed laws that threaten to leave the country isolated, including a law on religion that exclude Buddhist, Hindu and Islamic congregations. Not less. Hungary seems to be turning back, let's see what will happen...

Kim is Dead, **Long Live Kim!**

There is only one Communist Monarchy in the world (Ceausescu had attempted one in Romania but was shot down before implementation), and this is North Korea. In that remote place, people die of hunger in the streets and no one is allowed to contact the rest of the world (Internet, ...). North Koreans, however, cry publicly at the death of their "Dear Leader". Interesting. The new dictator, third of the line is a young man said to be knowledgeable about the US NBA and as cruel as his predecessors. No luck being North Korean

Euro is Dead, **Long Live Euro!**

Former presidential adviser Jacques Attali, had announced it: "the euro has a 50-50 chance to survive 2011". Well, he was wise to express caution, the Euro survived. Attali was not the only one to talk about the Euro demise. Many economists, UK bankers, have started spreading the word. The Euro on December 31, 2011 was worth \$1.2952 or up +44.70% since its public launch on January 1, 2002. By comparison, the S&P500's performance was up +11.37%. Which was the best investment? Obviously the Euro outperformed the S&P by +30%. Not so bad.

Crisis? **What Crisis?**

Iran threatening to shut **Strait of Hormuz**

That would be the big blow to oil distribution. The Strait of Hormuz being the exit path for Saudi + Kuwait + Qatar + UAE oil and gas productions. No doubt the US will monitor developments closely.

AMR announces **Bankruptcy**

American Airlines' parent company filed for Chapter 11, having never recovered after two of its aircraft were highjacked and destroyed on September 11, 2001. The company is the world's 4th largest.

walnutfinance *Investments*

| Fund | Last | Month | YTD | 2010 | 2009 |
|-------------------------------------|------------|--------|---------|---------|----------|
| Man Directional Series 2 USD Income | \$0.8582 | -0.10% | -9.70% | n.a. | n.a. |
| Man AP Enhanced Series 2 USD | \$ 1.2022 | +1.10% | +9.10% | +11.10% | -7.80% |
| Man-IP 220 EUR | € 1.2609 | +2.00% | -11.00% | +18.10% | -10.50% |
| Man AHL Diversified (Guernsey USD) | € 1.1530 | -2.00% | -6.40% | +7.90% | -1.20% |
| Man Directional USD Income | \$ 0.8014 | -0.10% | -9.70% | +4.90% | n.a. |
| Man IP 220 Series 5 USD | \$ 1.0264 | +1.90% | +2.00% | +21.20% | -17.30% |
| Man AP Stratum Series 2 USD | \$ 0.9800 | +1.40% | +8.20% | +14.20% | -11.90% |
| Man IP 220 Series 6 USD | \$ 1.0084 | +1.80% | -4.30% | +15.40% | -8.70% |
| Man IP 200 Series 7 USD | \$ 1.0594 | +1.10% | -7.40% | +14.40% | n.a. |
| FIM Brazil | € 24.88 | +7.01% | -23.63% | +19.30% | +135.60% |
| FIM India | € 31.33 | -3.42% | -34.44% | +27.60% | +71.00% |
| FIM Russia | € 71.77 | -3.91% | -35.01% | +45.40% | +152.30% |
| FIM Emerging Europe | € 11.44 | -5.22% | -29.99% | +13.10% | +44.20% |
| FIM China | € 9.28 | +5.94% | -30.59% | +16.70% | +40.60% |
| FIM Sahara | € 9.73 | +3.18% | -19.12% | +27.00% | +31.70% |
| FIM Ukraine | € 1.72 | -1.71% | -39.65% | +30.10% | +15.20% |
| FIM Brands | € 12.88 | +0.78% | -6.19% | +21.90% | +40.93% |
| Superfund Blue SPC (Class A) Gold | € 1,533.63 | -6.30% | +12.30% | +49.00% | +22.90% |

People of the *Month*



Viktor Orbán
Hungarian PM



Kim Jung-un
New North Korean Dictator



Mitt Romney
First winner in Republican race



Lionel Messi
Player of the year, decade?

Talk of the *Month*

Kim Yong Nam, leader of North Korea's Parliament
"The great heart of comrade Kim Jong-Il has ceased"

Sara Seager, Planetary physicist
"We're getting closer and closer to finding a habitable world"

Aung San Suu Kyi, Burmese Opposition Leader
"If we move forward together, I am confident there will be no turning back on the road to democracy"

Mahmoud Shammam, Libyan Information Minister
"It is only fair for the Libyan people that Saif al-Islam Gaddafi is tried here"

Nicolas Sarkozy, French President
"I cannot bear Netanyahu, he's a liar"

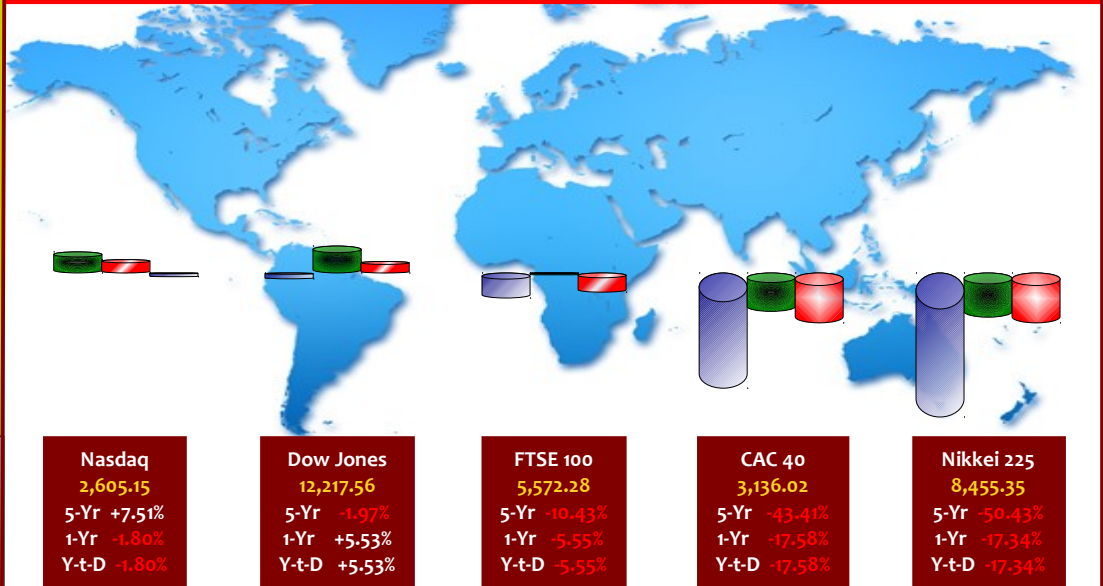
walnutfinance Panel

Financial News

- Euro lost -3.62% in December, its largest one-month loss in years.
- Nicolas Sarkozy announced that France will implement a **Tax on Financial Transactions** before the May 2012 Presidential Election
- France did not lose its AAA rating, surprise, surprise, ...
- Hedge Funds and large investors **increased their overall exposure** by 20 percent to 888,000 contracts of futures and options

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December 2011 closings
 EUR/USD 1.2952 USD/JPY 76.9150 GBP/USD 1.5546 USD/CHF 0.9392



walnutfinance \$100K Portfolio vs. Markets

| Index | December 2011 | Year-to-date | Since January '09* |
|-------------------|--------------------|---------------------|----------------------|
| wf 100K Portfolio | -1.72% | Best +41.45% | Best +341.42% |
| S&P500 | +0.85% | -0.00% | +34.96% |
| CAC40 | +0.16% | -16.95% | -5.67% |
| FTSE100 | Best +1.22% | -5.55% | +22.15% |

*Inception of wf 100K Portfolio

walnutfinance \$100,000 Portfolio

| Company | Symbol | Shares | Paid | Last | Value | P/L |
|--|------------|--------------|----------------|----------------|---------------------|---------------------|
| Yahoo! | YHOO | 4,000 | \$15.50 | \$16.13 | \$64,520.00 | \$2,520.00 |
| Cisco | CSCO | 3,000 | \$18.00 | \$18.08 | \$54,240.00 | \$240.00 |
| Glu Mobile | GLUU | 25,000 | \$2.80 | \$3.14 | \$78,500.00 | \$8,500.00 |
| Hewlett-Pack. | HPQ | 2,000 | \$27.25 | \$25.76 | \$51,520.00 | (\$2,980.00) |
| Citigroup | C | 900 | \$40.17 | \$26.31 | \$23,679.00 | (\$12,474.00) |
| Total | TOT | 1,000 | \$54.00 | \$51.11 | \$51,110.00 | (\$2,890.00) |
| Advanced Mic. | AMD | 10,000 | \$5.75 | \$5.40 | \$54,000.00 | (\$3,500.00) |
| Marvell Tech. | MRVL | 4,000 | \$13.80 | \$13.85 | \$55,400.00 | \$200.00 |
| Cash + Net Dividends Earned | | | | | \$8,449.67 | |
| Portfolio Net Value as of December 31, 2011 | | | | | \$441,418.67 | \$341,418.67 |

(\$100,000 invested on January 1, 2009 evenly split over five securities)

Extreme volatility in December, with moves of the Dow Jones of plus or minus 400/day. Delicate balance between risk and reward.

Sold
 ALSK \$7.50 - MT \$20.50 - CDE \$29.50
 INTC \$25.40 - ARG \$73.50 - PWAVD \$2.75
 AMR \$1.60

Bot
 CSCO \$18.00 - YHOO \$15.50 - PWAVD \$2.00
 GLUU \$2.80 - AMR \$1.70 - HPQ \$27.25
 MRVL \$13.80

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Annualized Return
 Since Inception:
+64.04%

2009 >>> **+98.97%**

2010 >>> **+56.84%**

On January 1, 2009, **walnut** finance invested \$100,000 split evenly over five different US-listed securities. The table on the right gives the result of that investment as of December 31, 2011. Dividends are net and not re-invested. Total return is +341.42%.

Current Value:

\$441,418.67

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