



Views From The Heartland

Investment Perspective of Buena Vista Investment Management

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STOCK “IN FOCUS”

WP Carey - An Excellent Long-Term Investment

By Joel Sullivan, Partner

Last month I made a due diligence trip to New York and met with John Park, CFO of WP Carey & Co. This trip was in ***keeping with our commitment to closely monitor and thoroughly understand the investments we make for our clients.*** My goal was to discuss WP Carey’s current business strategy and to better understand the company’s prospects.

Founded in 1973, ***W. P. Carey & Co. LLC is a real estate investment firm*** headquartered in New York City. As the world’s largest publicly traded limited liability company, W. P. Carey currently owns more than 700 commercial properties with 95 million square feet of commercial real estate located in the U.S. and Europe.

If you haven’t heard of WP Carey (WPC), you are not alone. The firm is followed by only one major Wall Street firm, a fact we consider a positive. Flying under the radar of Wall Street has allowed us to continue to purchase WP Carey’s stock for our clients at what we consider to be excellent valuations. Consider this, the stock currently trades at \$34 per share and the company is expected to earn \$3.11 in 2005. ***This is a price/earnings multiple of 11, a reasonable valuation for a company that has grown assets under management and funds from operations at over 20% per year, since going public in 1998.***

Currently, WP Carey is a core holding in our Custom Investment Services program and one of Buena Vista’s largest equity holdings. Our investment in WP Carey was made for a number of reasons. First, the company has a healthy and growing dividend (currently 5.21% & increased nine times in the last six years). Secondly, we value the stock’s consistent performance and it’s low correlation to the overall stock market. But most appealing to us is their commitment to shareholders. An example of that is Mr. Park’s willingness to discuss with me, in detail, the company’s operations. Finally, we derive a certain degree of comfort knowing that ***the management team at WP Carey owns approximately 40% of the company’s outstanding stock.*** Their own money is at stake, right along with ours.

Mr. Park indicated that one of the company’s goals is to achieve growth for its shareholders without undue risk. One way they limit risk is by limiting debt. Their debt is currently only 18% of their market capitalization, versus the peer group average of 39%. Additionally, in a time when other real estate investment firms seem willing to pay ever increasing prices for properties, WP Carey has remained disciplined. Mr. Park assured me that they will continue to adhere to their strict selection process and if a property doesn’t meet their financial tests, they won’t purchase it. Even with this conservative business strategy the company’s stock has provided total returns to shareholders in excess of 20% annually for the last five years.

Based on our analysis, we see WP Carey & Co. as an excellent long term holding for our clients. It is an investment that can provide an excellent stream of income and consistent capital appreciation, which we believe to be a winning strategy.

BUENA VISTA INVESTMENT MANAGEMENT LLC

LONG-TERM MARKET INDICATORS

Buena Vista Conservative Buy/Sell Discipline:	Buy (moved away from a sell signal after election in November)
Leuthold Major Trend Index:	Neutral (very close to issuing a sell signal)
Coppock Guide:	Buy (a good buy signal but less reliable on the sell side)
S&P 500 Stock Index:	1211 (+8.99% thru 12-13-04)
Wilshire 5000:	11,971 (+10.85% thru 12-31-04)

Buena Vista Current Investment Strategy – As noted above, one of our long-term market indicators remains close to issuing a “sell” signal, while the other has moved away from the “sell” signal it almost issued in August. For now, **our market indicators tell us to remain cautious in the short-term**; we have our trigger finger on the “sell” button if the markets do not respond positively. With that said, the economy is doing well, interest rates are stable, inflation is tolerable and the price of oil is declining which should be positive news for investors. So we remain fully invested until our long-term indicators dictate otherwise.

DIVERSIFIED MUTUAL FUND PROGRAM

Income and Growth Strategy – As we finished 2004, we made one change to the Income & Growth investment strategy. Based on our view that the economy continues to improve and that interest rates will remain fairly stable we have sold Pimco Low Duration (PTLAX) and have added Neuberger Berman High Income (NBHIX). Neuberger Berman High Income is a conservative high yield bond fund. This change will allow us to increase the income generated by this strategy. **2004 Performance for the Income & Growth strategy was 8.33%.**

Total Return Strategy – The strategy remains 100% invested in equity mutual funds. As we begin 2005, there are no major changes being made to the investments in this strategy. In the September 2004 issue of this newsletter we detailed our increased exposure to the Janus Mid Cap, Oakmark Equity Income and the Matthews Income & Growth funds. The strategy also added a 5% China position to the portfolio. **2004 Performance for the Total Return strategy was 10.84%.**

Conservative Equity Strategy – As we begin 2005 we are not making any major changes to the asset allocation percentages or the strategy’s current investments. The strategy remains fully invested in 10 highly diversified equity mutual funds as we end 2004. The strategy also utilizes a conservative asset allocation approach, equally weighting all funds in the strategy. 2004 is the strategy’s first full year in existence. It generated six month performance of approximately 14% in 2003 and the **2004 performance of the Conservative Equity strategy was 10.86%.**

Hedged Strategy – The hedged investment strategy has met its short-term portfolio objective for the second year in a row, as it has generated a positive return for 2004. As we begin a new calendar year, the strategy will remain fully invested, with 90% invested in long equities and the balance in money market funds. **2004 Performance for the Hedged strategy was 6.30%**

Important Disclosure – The performance numbers contained on this page are provided for informational purposes only. Returns may vary depending on personal objectives and timing of invested dollars. The performance numbers contained on this page are based on investments that have been in place since 1-1-04. Contact Buena Vista Investment Management LLC for more specific information concerning performance and market data. Do not rely on this information to make investments.

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