



Views From The Heartland

Investment Perspective of Buena Vista Investment Management

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The Upcoming Elections and Your Investments

Politics Adds Uncertainty To Our Market Outlook

By John Moffat and Joel Sullivan, Partners

The roller coaster ride that was 2007 has finally come to an end. **2007 goes out as the most volatile year so far this decade, with one 6%, one 8% and one 10% correction.** The chart below details Wall Street's 2007 mood swings. Investors had to grapple with the repercussions of soaring oil and commodity prices, a falling dollar and a mortgage meltdown in the US. But in spite of all this volatility and uncertainty, all major market indices ended the year in positive territory.



Now as we enter 2008, the markets have to deal with a slowing US economy, global uncertainties and the upcoming 2008 Congressional and Presidential elections. These elections will place into power, individuals who will vote on extremely important tax issues for investors. Beginning in 2010, a number of income and estate tax laws are scheduled to expire or sunset.

From a stock investor's perspective, the most important of the sunset issues would be the

treatment of capitals gains. Currently, most investors are paying a 15% tax on long-term capital gains, but a number of the Democratic Presidential hopefuls have indicated that they would support an increase in the capital gains tax rate, when the current laws expire in 2010. **An increase in the capital gains rate has the potential to cause a large but short-term negative downdraft in stock prices.**

On a more positive note, some Republican candidates are advocating a lower tax rate for corporations. Surprisingly, **the tax rates for US corporations are some of the highest in the developed countries**, although getting an apples to apples comparison is very difficult for a host of reasons. A decrease in corporate tax rates should have a positive long-term impact on the equity markets.

These are just two easily identifiable investor issues that the candidates are addressing but there are a myriad of issues which will affect the markets in 2008, not the least of which could be the potential for higher marginal tax rates. While it is impossible to handicap the outcome of the fall elections, in our estimation the **changing political landscape will cause the markets to continue to be volatile in 2008.**

As investors, we fully understand that **in the intermediate and long-term the markets will move higher in spite of the politicians. However, in the short-term, politics will dominate the discussion and create market swings.** In response to this uncertainty we continue to maintain higher than normal allocations to money market fund investments and we will be moving additional funds into international investments, an asset class we will be discussing again in upcoming issues of this newsletter. **We believe a buying opportunity is ahead of us..... but prepare for market volatility while we wait.**

BUENA VISTA INVESTMENT MANAGEMENT LLC

LONG-TERM MARKET INDICATORS

Buena Vista Conservative Buy/Sell Discipline:	Buy (but very close to another sell signal)
Leuthold Major Trend Index:	Negative (moved to negative in October 2007)
Coppock Guide:	Buy (a good buy signal but less reliable on the sell side)
S&P 500 Stock Index:	1,468.36 (+3.53% thru 12-31-07)
Wilshire 5000:	14,819.58 (+3.94% thru 12-31-07)

Buena Vista Current Investment Strategy – We enter the New Year with higher than normal allocations to no risk money market investments, as our outlook remains cautious. Current allocations to money funds and/or fixed income are between 15% and 30%, which is substantially higher than normal. These allocations will remain in place until our indicators become more positive. But, as we indicated on Page 1 of this newsletter, we are now of the opinion that there is a buying opportunity on the horizon.

DIVERSIFIED MUTUAL FUND PROGRAM

Total Return Strategy – It was an excellent year for the total return strategy with international and natural resources generating substantial returns. These investments allowed this strategy to generate a return of approximately 9% above its benchmark. At the end of 2007 we added a small allocation to international real estate. We anticipate a substantial increase in our overall international allocation in 2008.

2007 Performance for the Total Return Strategy was 12.32%. (Benchmark S&P 500 Index 3.53%)

Conservative Equity Strategy – Our Conservative Equity strategy also beat its benchmark in 2007, even with a portfolio that is specifically designed to have a risk profile that is less volatile than the overall market. This excellent performance is primarily due to proper allocations and excellent fund managers. In the 4th quarter of 2007 we added a 7% allocation to the Rydex 500 2x Inverse fund. This fund actually moves in the opposite direction of the S&P 500. If the S&P 500 should go lower, this fund moves higher, thus protecting even more of your principle.

2007 Performance for the Conservative Equity Strategy was 5.51%. (Benchmark Wilshire 5000 Index 3.94%)

Income and Growth Strategy – The strategy once again outperformed its benchmark for the year by over 2%. Oakmark Income and Growth continues to be a prime contributor to this out performance with a total return of 12%. This fund has now had positive returns in 9 of the last 10 years. As with our other strategies we increased our money market allocation from 5% to 17% in early 2007.

2007 performance for the Income & Growth Strategy was 5.19%. (Benchmark Vanguard Balanced Index 3.03%)

Absolute Return Strategy – This strategy generated a total return of over 5%, which was greater than the S&P 500, but this was accomplished with only 50% invested in equity investments. This was accomplished by having a large allocation to Asia and two unique mutual funds, Oakmark Income and Growth and the Permanent Portfolio. Due to its unique portfolio approach this strategy should due well in a volatile market environment.

2007 Performance for the Absolute Return Strategy was 5.30%.

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 net of Buena Vista management fees and are based on investments that were in place on 1-1-07. Contact Buena Vista Investment Management LLC for more specific information concerning performance and market data. Do not rely on this information to make investments.

BUENA VISTA INVESTMENT MANAGEMENT LLC
320 WEST GRAND AVENUE WISCONSIN RAPIDS, WI 54495
715-422-0700 buenavista@buenavistainv.com