



Views From The Heartland

Investment Perspective of Buena Vista Investment Management

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ECONOMY WILL CONTINUE TO IMPROVE IN 2010

Maintaining Bullish Outlook for the Economy and the Equity Markets

By John Moffat and Joel Sullivan, Partners

Our “Bull” remains in place as we look for 2010 to be a good year for the US economy and global equity markets.

As we enter 2010, economic surveys are predicting US economic growth ranging between 2% and 4%. This might not seem like a big difference but, it is a substantial range when you are discussing a \$14 trillion economy. Varied economic predictions are a fairly typical occurrence when economies are at an inflection point, such as we are now, transitioning from contraction to growth.



Dean Maki, chief economist at Barclays Capital and former Federal Reserve economist, was named the most accurate forecaster in 2009 in a Bloomberg News survey. His prediction for 2010 is for GDP to grow by 3.5%. We would tend to agree with economists at the higher end of the GDP range. One simple reason would be historical precedent. No where in recent economic history do you find a severe downturn followed by a mild recovery. In fact, a more typical number following a severe downturn would be 6% to 8% GDP growth. We are certainly not expecting that but, we also are not expecting anemic growth of 1% to 2% as some economists are talking about.

Some of the signs pointing to healthy economic growth in 2010 are big productivity gains, improving factory orders, a stabilizing housing market and rebounding retail sales. The Labor Department reported that 3rd quarter productivity rose at an 8.1% annual rate, the best in 6 years. Existing home sales were up 7.4% in November compared to October. Both factory and durable goods orders are exhibiting improving trends and the preliminary numbers for the Christmas season have been above most expectations.

A policy of low interest rates from the Federal Reserve and yet to be deployed government stimulus funds will also act as an encouraging tailwind in 2010. According to government data, only about one third of the economic stimulus money has been paid out. This leaves about \$500 billion remaining to be injected into the economy.

At this point the Federal Reserve is doing everything within its power to move this economy forward by keeping interest rates low and we see no signs of this changing over the next 6 months. The potential for higher interest rates and higher inflation is a valid discussion topic but not at this time.

So as we begin a new decade.... we have low interest rates, reasonable inflation expectations, an improving housing market, \$500 billion of government stimulus and improving retail and manufacturing sectors. In addition, Corporate America is healthy, with most balance sheets being strong and flush with cash. All this should lead to an improved economic environment in 2010.

BUENA VISTA INVESTMENT MANAGEMENT LLC

LONG-TERM MARKET INDICATORS

Buena Vista Conservative Buy/Sell Discipline:	Positive (issued a “buy” signal in April 2009)
Leuthold Major Trend Index:	Positive (moved to “bullish” in September 2008)
Coppock Guide:	Positive (issued a “buy” signal in May 2009)
S&P 500 Stock Index:	1,115.10 (23.45% thru 12-31-09)
Wilshire 5000:	11,385.11 (25.29% thru 12-31-09)

Buena Vista Current Investment Strategy – We enter the New Year maintaining our bullish viewpoint. Our allocation to no risk money market investments remains at the low end of our normal range, with allocations currently between 3% and 5% for portfolio strategies. While we would expect to see a correction in equity prices during 2010, we remain of the opinion that improved corporate profitability and improving economic numbers will allow stock prices to move higher in 2010. We remain “patiently bullish”.

DIVERSIFIED MUTUAL FUND PROGRAM

Total Return Strategy – 2009 was a great year for the Total Return Strategy posting its best return year since inception. The strategy is currently fully invested and has over 30% of portfolio investments positioned in international investments. The portfolio also has allocated 15% of its assets in what we would classify as an inflation hedge; commodities and international real estate.

2009 Performance Total Return Strategy was 35.12%. (Benchmark S&P 500 Index 23.45%)

Conservative Equity Strategy – In order to protect principle, we managed this portfolio with a defensive viewpoint through the first 5 months of the year. We had 25% in cash and bonds until the Coppock Guide turned positive on May 28. At that time we increased our investments in stock funds. This cautious approach caused us to lag behind our benchmark in 2009. Even with the under performance in 2009, the strategy has still out performed its benchmark over the last 6 years.

2009 Performance Conservative Equity Strategy was 16.48%. (Benchmark Wilshire 5000 Index 25.29%)

Income and Growth Strategy – This portfolio rebounded very well in 2009, beating its benchmark again. The biggest contributor to this out performance was the Ariel fund. Their strategy of investing in companies with strong balance sheets, and holding those investments throughout 2009 paid off huge for Ariel in the second half of 2009. Additionally, this portfolio benefited greatly from our commitment to a 30% allocation to fixed income investments.

2009 performance Income & Growth Strategy was 20.73%. (Benchmark Vanguard Balanced Index 16.64%)

Absolute Return Strategy – 2009’s performance for the Absolute Return was enhanced due to a rebound in prices for its fixed income securities. We used this rebound in pricing to reduce our allocation to fixed income securities. The proceeds were then reinvested into energy, transportation, commodities and non traditional investments such as Swiss Francs thru our use of the Permanent Portfolio mutual fund. The strategy’s largest allocation is to an S&P 500 index investment at 30% of portfolio investments.

2009 Performance Absolute Return Strategy was 34.33%.

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 held in a composite of accounts with like investment strategy. 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