



# Views From The Heartland

*Investment Perspective of Buena Vista Investment Management*

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## Reviewing Our Current Investment Strategy Stock Market Indicators Are Mixed

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Gut wrenching, tumultuous, uncertain, scary.....from an investment perspective, there is no end to the adjectives that the news media is using to portray the current environment in the stock market. We understand that there is anxiety created by this market decline but our readers must understand that market downturns are a normal part of investing. From our perspective, we started the year with the belief that we were in the middle of a healthy and normal correction. **We were riding a four-year string of positive returns and felt that a correction in equity prices would be both healthy and normal.** That correction has now turned into a bear market (defined as -20% from peak to trough), as the price of oil has skyrocketed and consumer confidence plunged. So with this as background we thought it advantageous to share with you our current investment strategy and discuss our views for the balance of 2008.

Using the lessons learned in the 2000-2002 bear market, in 2003 we put in place three market indicators to help guide our investment processes. These three indicators are based on widely differing market data and all three either have a long-term track record or have been back tested over an extended period of time. Put together these three indicators give us a good read on overall market activity. Because of these indicators **we raised a substantial amount of cash in our portfolios last fall**, allowing us to outperform the market during the first half of 2008. Understand that these indicators are not perfect, but all have shown to be very reliable over time. Currently, one of our indicators is bullish, one bearish and one very close to issuing a buy signal.

The Leuthold Major Trend Index was created back in the 60's to generate buy and sell points in the stock market. It is a quantitative tool utilizing approximately 190 individual statistical components. The buy and sell calls issued by this indicator are usually early in market cycles. In this highly bearish environment **the Leuthold Major Trend Index went bullish in the latter half of May.** On that news we decreased our allocation to money market fund investments and increased our equity exposure.

**The Buena Vista Conservative Buy/Sell Discipline** is a slow moving indicator that will normally be the last of our indicators to turn positive, meaning we are at a very low risk entry point. On the sell side, **this is the indicator that kept us in the market during most of 2007**, while the Major Trend Index bounced back and forth between neutral and sell. In very volatile years like 2007, the Conservative Buy/Sell Discipline is a good tool for us, as intermediate-term investors, to allow us to keep our portfolio allocations relatively stable.

The final indicator utilized by Buena Vista Investment Management is the little known **Coppock Guide**. This indicator was developed by Edwin Coppock almost 50 years ago. The indicator **has a remarkable 88 year track record when it comes to signaling the start of new bull markets.** Like our other indicators it is not perfect but its real value to us comes in signaling the best low risk buying opportunities. Currently, the Coppock Guide is close to issuing a buy signal.

# BUENA VISTA INVESTMENT MANAGEMENT LLC

With that as background, we increased our allocation stock investments at the end of May and beginning of June in all of our portfolios. We will continue to maintain higher than normal allocation to money market fund investments until either the Buena Vista Conservative Buy/Sell Discipline or the Coppock Guide goes positive. Upon that occurrence we will bring cash down to more normal levels (between 3% and 5%) in all portfolio strategies. On the other side of the equation, if the S&P 500 would break the old lows of 1260, which occurred back in March, we will raise cash back up to the 30 to 40% of portfolio assets or hedge away more of our equity exposure.

## LONG-TERM MARKET INDICATORS

Buena Vista Conservative Buy/Sell Discipline:	Negative
Leuthold Major Trend Index:	Buy (issued a buy signal in May 2008)
Coppock Guide:	Negative (close to issuing a buy)
S&P 500 Stock Index:	1280.00 (-12.83% thru 06-30-08)
Wilshire 5000:	13,073.54 (-11.78% thru 06-30-08)

## DIVERSIFIED MUTUAL FUND PROGRAM

Total Return Strategy– **YTD 2008 Performance was -8.13%** (Benchmark - S&P 500 -12.83%)

The strategy's international investments have proven to be the most volatile and worst performing investments in the portfolio, with three of the four funds posting double digit declines. Janus Mid Cap, Delafield Small Cap and Ivy Global Natural Resources have substantially outperformed the general market. **Current money market allocation is 15%.**

Conservative Equity Strategy – **YTD 2008 Performance was -5.78%.** (Benchmark - Wilshire 5000 -11.78%)

The strategy continues to meet its objective of minimizing volatility in down markets. The portfolio was down approximately half as much as it's benchmark for the first 6 months of 2008. In the second quarter we added to the strategy's international exposure, by adding a 5% allocation to UMB Scout Worldwide Fund. This is a long time 5 star Morningstar rated fund. It fits our risk/return profile with lower than average volatility and a 5 year annual rate of return of 21.76%. **Current money market allocation is 20%.**

Income and Growth Strategy – **YTD 2008 performance was -7.75%** (Benchmark - Vanguard Balanced -7.45%)

Income and Growth Strategy has had a difficult first half. One of our holdings, Schwab Yield Plus, was overly exposed to the mortgage market and suffered losses. This fund was sold in March. Oakmark International, a fund with a great long-term track record posted rather large declines in the first half of 2008. We have retained this investment as we believe this is a well run fund that is well positioned for our global economy. When a fund's performance is down, it is our responsibility to decide if we should keep it or get rid of it. We evaluate each fund on its specific circumstances. In this case we decided to sell one fund, but hold on to the other. **Current money market allocation is 25%.**

Absolute Return Strategy – **YTD 2008 Performance was -2.87%.** This strategy strives to generate positive returns in all market environments and was positive until the final month of this quarter. The strategy is fully invested with a 25% allocation to high yield bonds and **less than 10% in money market.**

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, are based on a composite of accounts using the strategy and investments that were in place on 1-1-08. 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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