



Views From The Heartland

Investment Perspective of Buena Vista Investment Management

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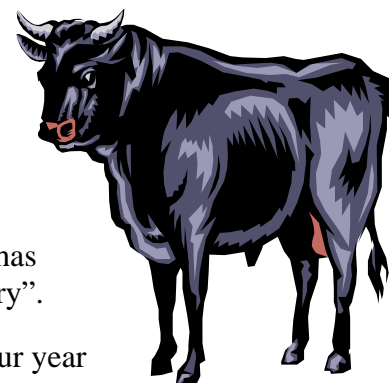
Global Equity Markets Recover Solid Recovery Since March Lows - Markets Poised To Move Higher

By John Moffat and Joel Sullivan, Partners

“Attractive Valuations, High Dividend Yields, Low Interest Rates and a Big Stimulus Package Create a Bullish Environment” was the title of our year-end newsletter. In that issue we described the reasons why we were patiently bullish. We wrote that our target for the S&P 500 stock index was 1100.

Six months later, the fixed income markets have dramatically improved. The housing market has stabilized in most regional markets and the stock market has been acting in an orderly manner, while climbing the proverbial “wall of worry”.

Today, we remain bullish and fully invested but we have slightly decreased our year end target for the S&P 500 stock index to a range of 1050 to 1100. If we are correct, this means a good second half of the year for equity investors with equities providing an additional gain in the 15% to 20% range. Healthy returns for investors willing to be patient and focused on the trend of economic numbers and not the daily “noise” of each and every economic statistic.



Confirming our bullishness, the Coppock Guide, one of our three major market indicators, turned positive at the end of May. This is the second of our indicators to turn positive following the Leuthold Major Trend Index. It also has one of the better track records at predicting the start of new bull markets. Since 1920 the Coppock Guide has issued 22 “buy” signals, with only 3 of them proving to be false signals.

One of the major reasons why we turned bullish at the end of last year was that stock investments were cheap by most historical standards. The chart on this page, provided to us by JP Morgan Asset Management reviews six common valuation measures for the S&P 500 stock index. It compares current valuations to six historic time periods. In the case of the first four measures, a lower number is indicative of an inexpensive market. The inverse is true for the last two measures on the chart; earnings yield and dividend yield. Here, the higher the number the better the starting point for investors.

OVER

Stock Market Valuation Measures: S&P 500 Index

Description	Current	1-Year Ago	3-Year Average	5-Year Average	10-Year Average	15-Year Average	20-Year Average
Price to Earnings	16.9x	21.4	18.9	19.0	24.8	23.6	22.5
Price to Book	1.5x	2.5	2.6	2.7	3.3	3.3	3.1
Price to Free Cash Flow	12.0x	16.5	14.5	14.7	16.6	14.6	12.3
Price to Sales	0.7x	1.3	1.3	1.4	1.5	1.5	1.5
Earnings Yield	5.9%	4.7	5.4	5.3	4.3	4.5	4.8
Dividend Yield	3.6%	2.1	2.2	2.0	1.7	1.9	2.2

*Table provided by JP Morgan Asset Management

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Global Equity Markets Recover (continued)

As the table indicates, the stock market when compared to either short or long term time periods is by historical norms, inexpensive. This means one of two things; the stock market is poised for another leg up, which will take the market back to historical valuation norms or the economy is poised for another leg down. We consider option number #1 the more likely outcome.

So as intermediate-term investors, we remain of the opinion that the 2008 financial crisis is slowly fading into history, economic numbers will continue to improve and the stock market will build on the gains achieved in the second quarter.

One of the most basic rules in investing is to “buy” when stocks are cheap. This is one of the primary reasons we are now fully invested!

LONG-TERM MARKET INDICATORS

Buena Vista Conservative Buy/Sell Discipline:	Negative
Leuthold Major Trend Index:	Buy (issued a “buy” signal in 2008)
Coppock Guide:	Buy (issued a “buy” signal in May 2009)
S&P 500 Stock Index:	919.32 (1.78% thru 06-30-09)
Wilshire 5000:	9428.19 (2.81% thru 06-30-09)

DIVERSIFIED MUTUAL FUND PROGRAM

Absolute Return Strategy – **YTD 2009 Performance: 13.86%** The strategy is currently fully invested with investment positions in mutual funds that invest in natural resources, Swiss Francs, real estate and precious metals. The strategy has a 50% allocation to high yield bonds and a leveraged S&P 500 index position.

Conservative Equity Strategy – **YTD 2009 Performance: -3.07%** (Benchmark - Wilshire 5000 2.81%)
The strategy had one fund change during the second quarter of 2009 with the addition of the Gabelli Small Cap Growth fund, which has replaced the James Small Cap Fund. The portfolio strategy is now fully invested in a highly diversified manner, with 7% allocation to municipal bonds, 17% in international mutual funds and 35% in specialty mutual funds.

Income and Growth Strategy – **YTD 2009 performance: 0.98%** (Benchmark - Vanguard Balanced 2.65%)
The portfolio strategy currently has 67% allocated to common stock mutual funds and 33% allocated to fixed income mutual funds or money market funds. This is a normal allocation for this conservative portfolio.

Total Return Strategy– **YTD 2009 Performance: 8.76%** (Benchmark - S&P 500 1.78%)
There have been no changes to investment positions during 2009. The strategy is fully invested with a 35% allocation to international investments. The allocation to specialty mutual fund investments is currently at 27%, including a 5% position in a leveraged S&P 500 index fund.

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.

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