

Buena Vista Investment Management

Investing For Retirement

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**The US Economy
&
The Stock Market**

**Demographics
An
Underappreciated
Concept**



Global Demographics and Investment

Economic and Demographic Snapshot

	GDP USD (Bns)	GDP Per Capita	Population	Dependency Ratio*		Investment	Private Eq. Investment (% of GDP)	Public Equity Mkt.
				Young	Old			
Developed								
U.S.	\$16,724	\$52,839	317 mm	29%	20%	19%	1.0%	141%
Canada	1,825	51,871	35	24	22	24	-	98%
U.K.	2,490	39,049	64	27	26	14	0.9	155%
Germany	3,593	43,952	82	20	32	18	-	55%
France	2,739	42,991	64	28	27	20	-	80%
Japan	5,007	39,321	127	21	39	21	0.0	75%
Italy	2,068	33,909	61	22	32	17	-	33%
Emerging								
Korea	1,198	23,838	50	32	13	27	0.3	77%
India	1,758	1,414	1,243	45	8	35	0.2	61%
Brazil	2,190	10,958	200	36	11	19	0.1	42%
Mexico	1,327	11,224	118	45	10	24	-	35%
Russia	2,118	14,973	141	22	18	25	0.0	29%
China	8,939	6,569	1,361	25	12	49	0.1	22%

Source: IMF, J.P. Morgan Global Economics Research, World Bank, FactSet, EMPEA (Emerging Markets Private Equity Association), J.P. Morgan Asset Management.

GDP, GDP per capita, population, and investment are IMF estimates for 2014. Number of listed companies excludes secondary listings, non-equity securities, and companies with market capitalization of less than \$1 billion. *Young and old categories are expressed by dependency ratios. Dependency ratios are calculated as the young population (<15 years old) and old population (>64 years old) as % of the working age population (15-64 years old). Guide to the Markets – U.S. Data are as of 3/31/14.

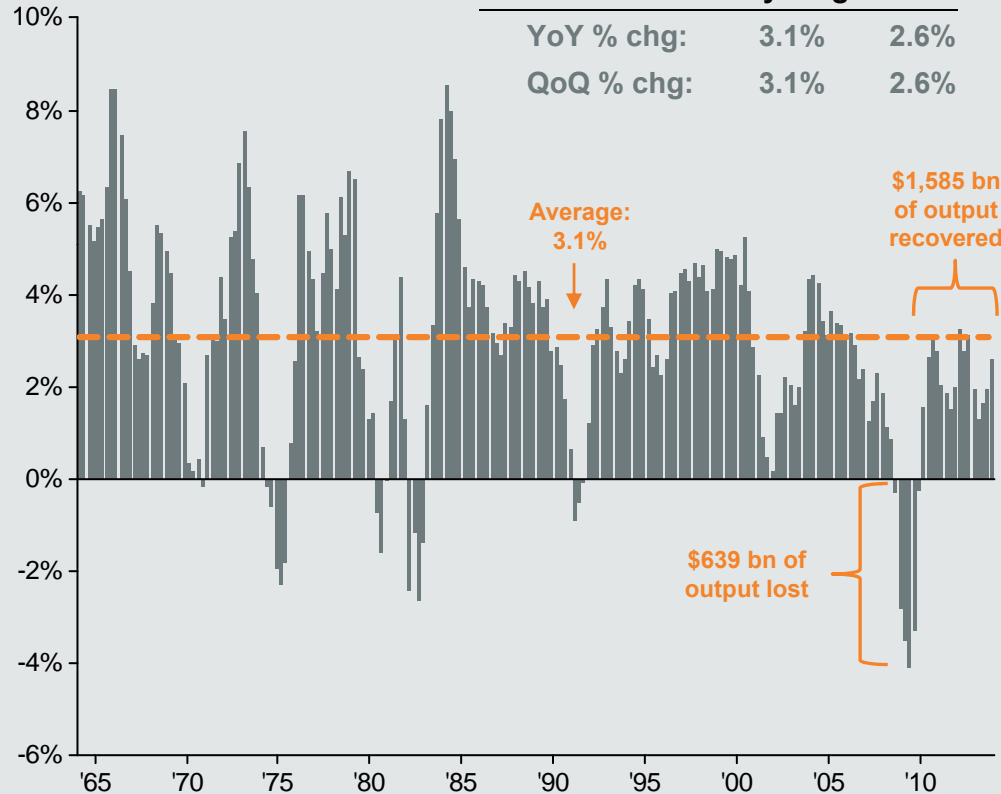
**Is The
United States
Economy
Growing Fast
Enough?**



Economic Growth and the Composition of GDP

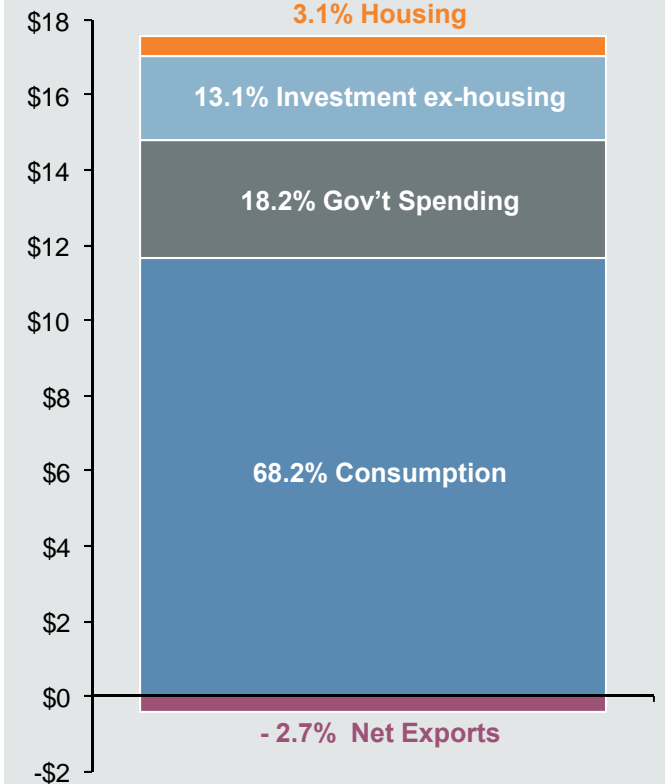
Real GDP

Year over year % chg



Components of GDP

4Q13 nominal GDP, trillions USD



Source: BEA, FactSet, J.P. Morgan Asset Management.

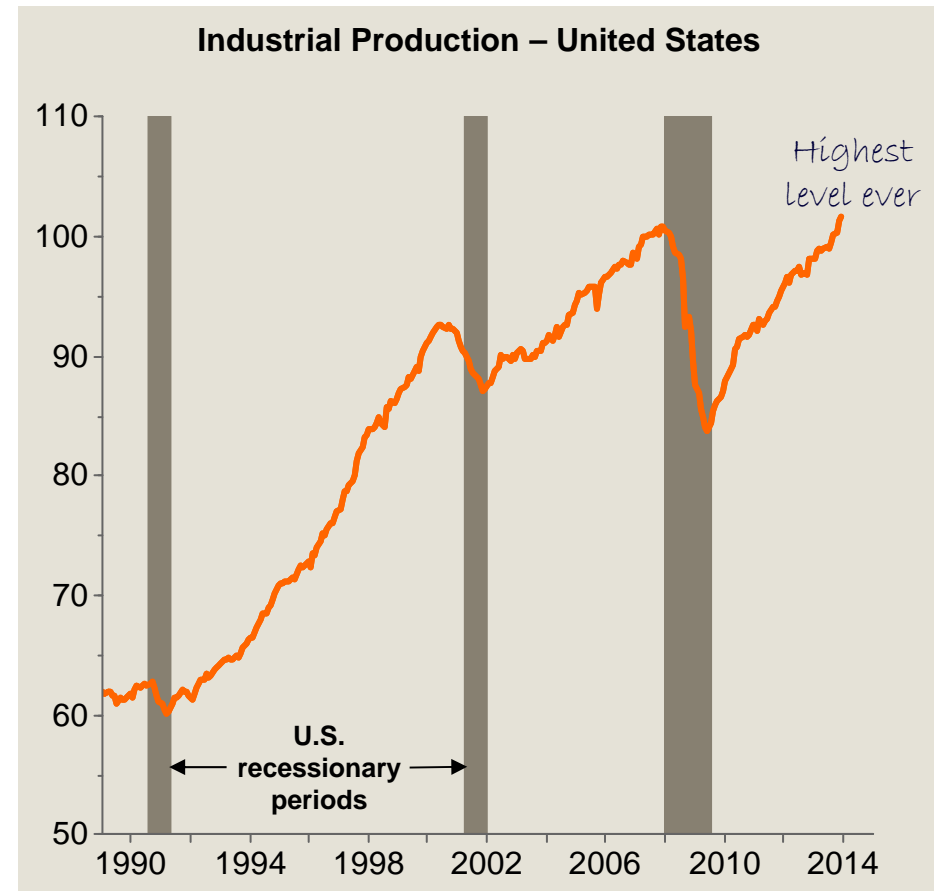
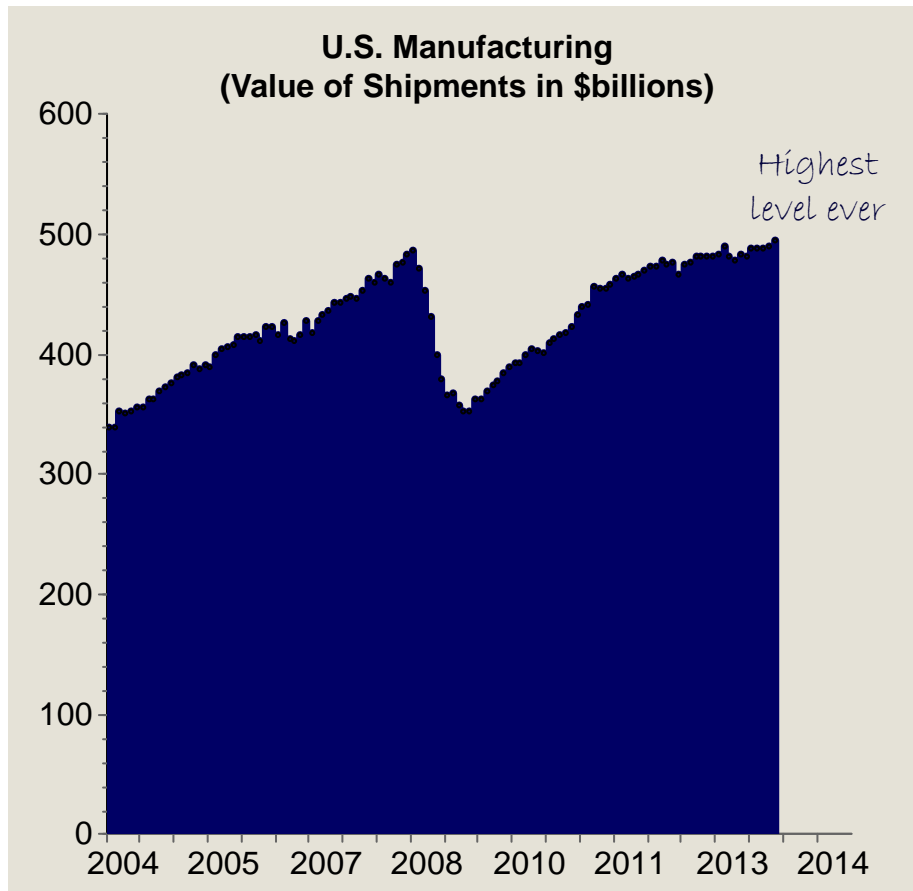
Values may not sum to 100% due to rounding. Quarter over quarter percent changes are at an annualized rate.

Guide to the Markets – U.S.

Data are as of 3/31/14.

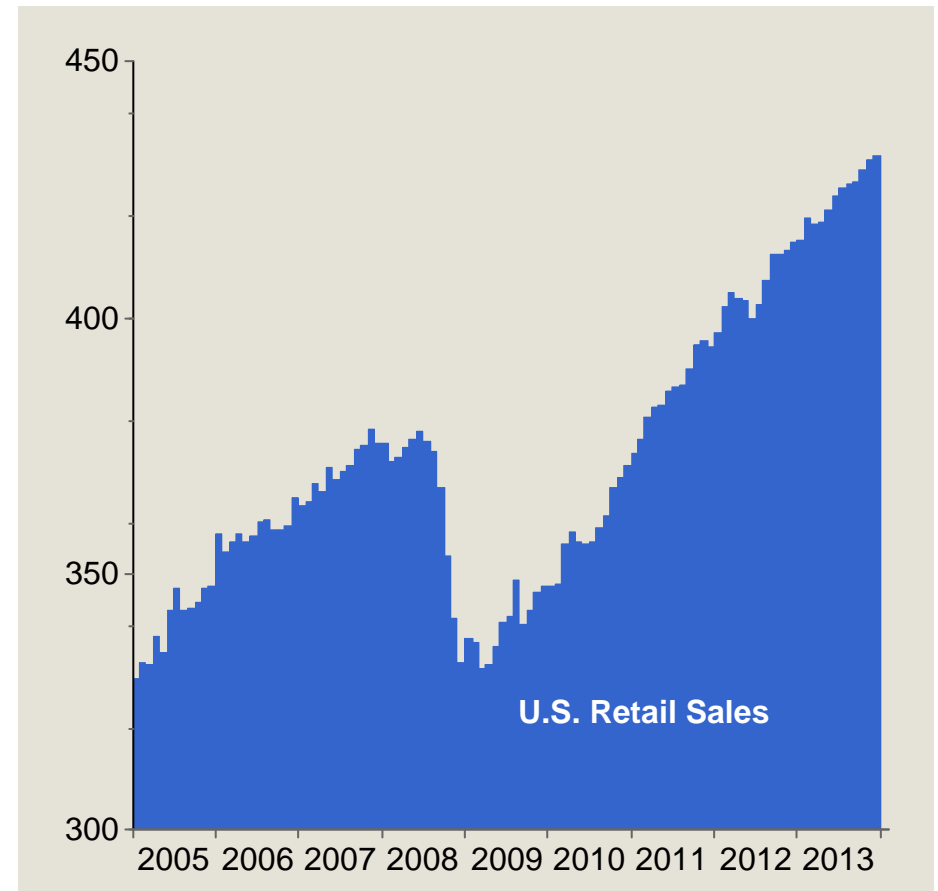
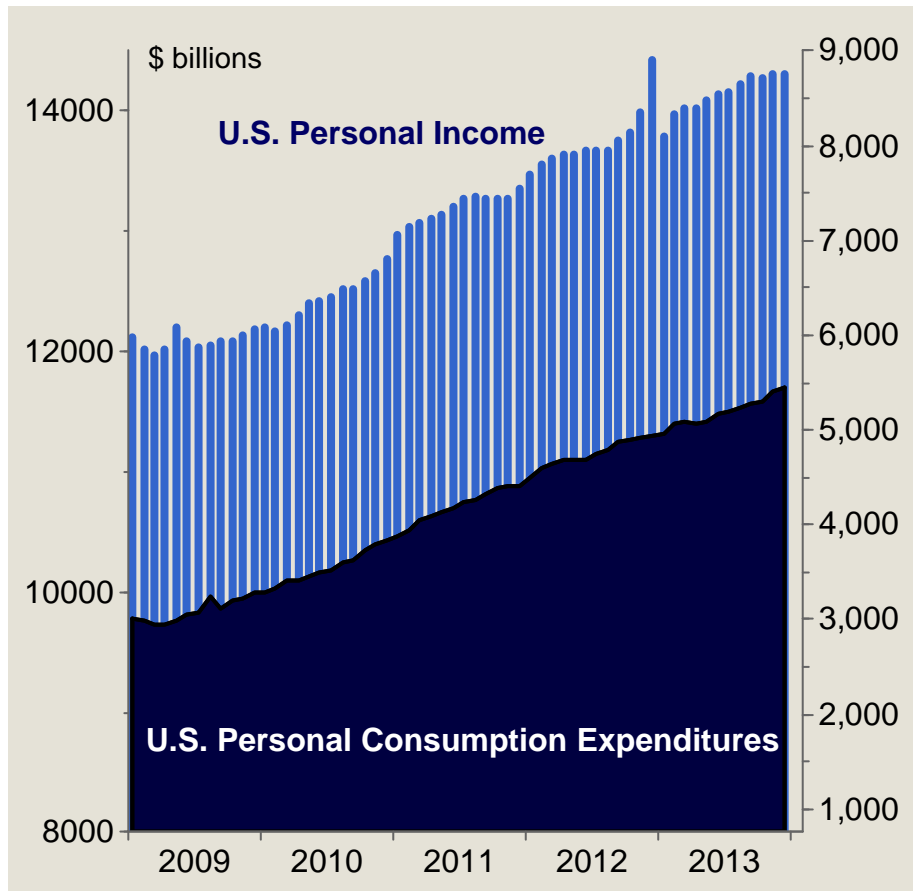
Broadening Manufacturing

The latest U.S. manufacturing report shows the highest level of manufacturing shipments and industrial production ever.



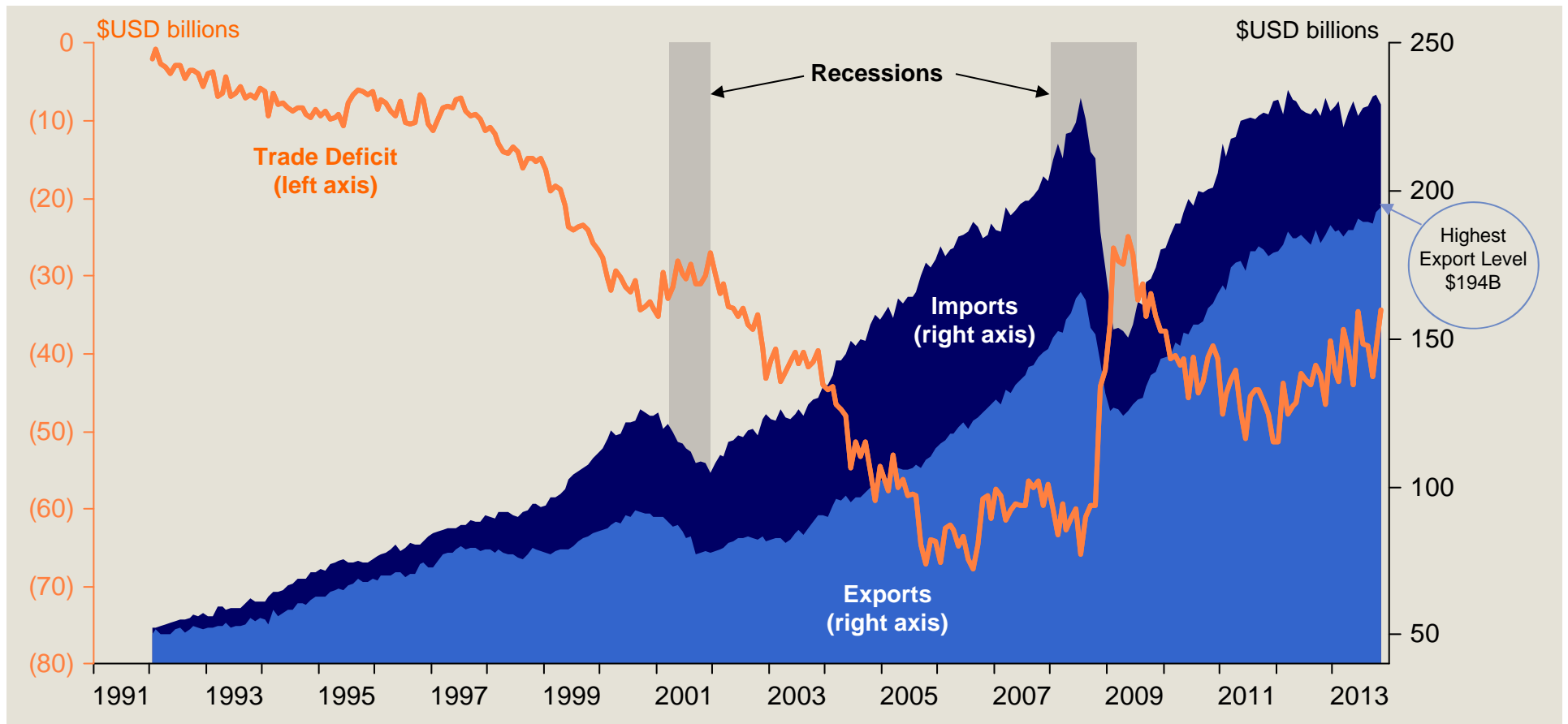
Consumer as Game Changer

At about 70% of GDP, the U.S. consumer is the game changer in the economic recovery. Consumption, income and retail sales have achieved all-time highs.



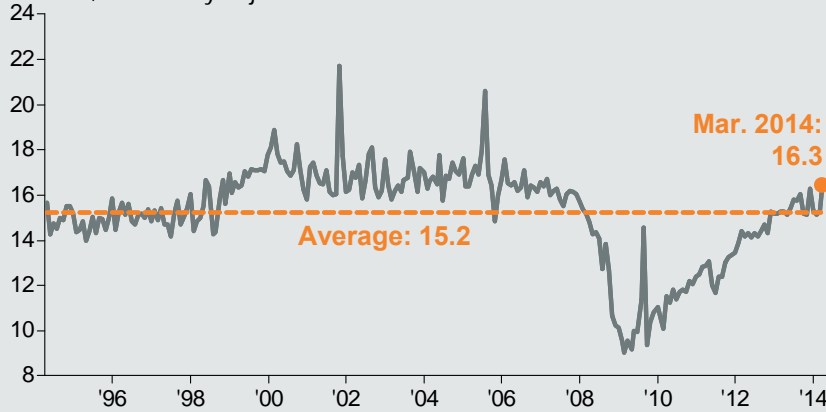
Tectonic Shift: Trade

Economic growth fuels demand for imports, aggravating the trade deficit, which hit a 10-year low in the great recession as demand dwindled. Exports have since expanded, reaching their highest level ever.



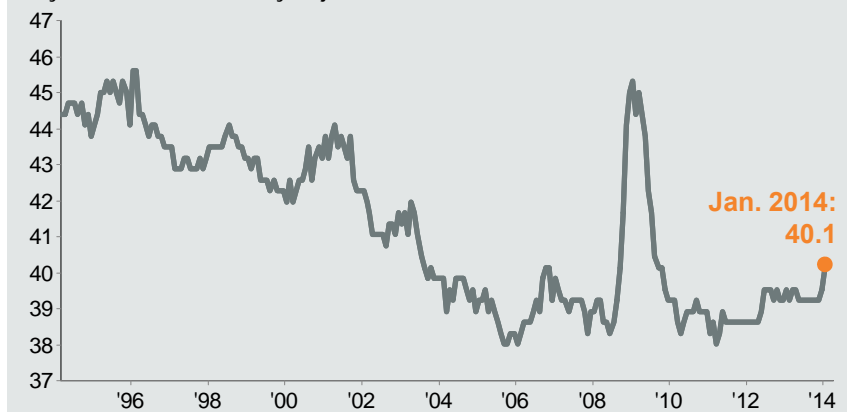
Light Vehicle Sales

Millions, seasonally adjusted annual rate



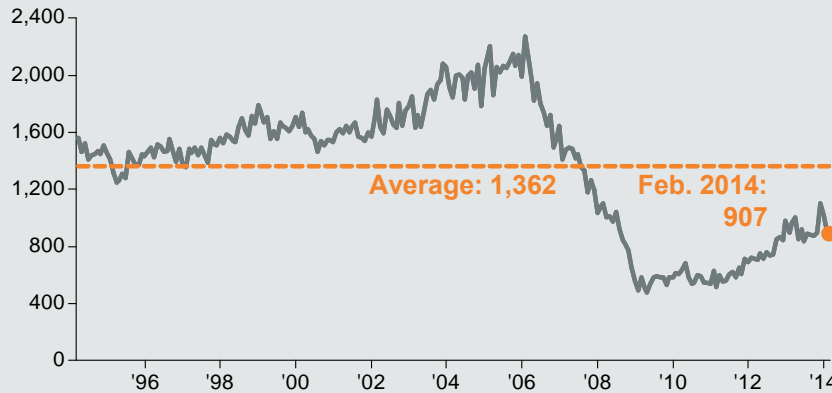
Manufacturing and Trade Inventories

Days of sales, seasonally adjusted



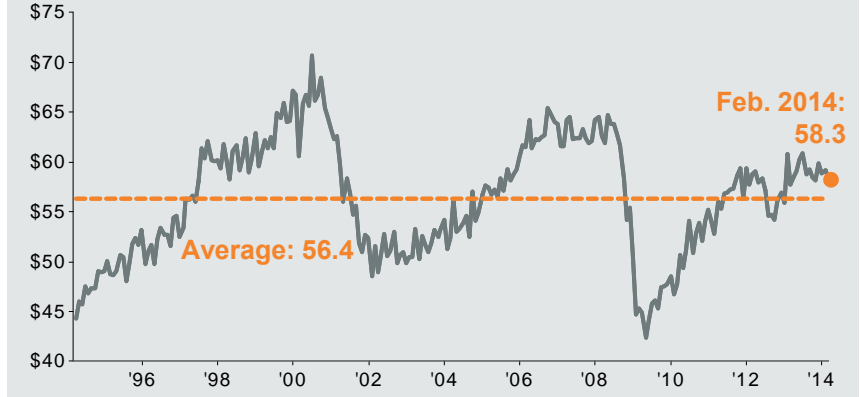
Housing Starts

Thousands, seasonally adjusted annual rate



Real Capital Goods Orders

Non-defense capital goods orders ex. aircraft, \$ bn, seasonally adjusted

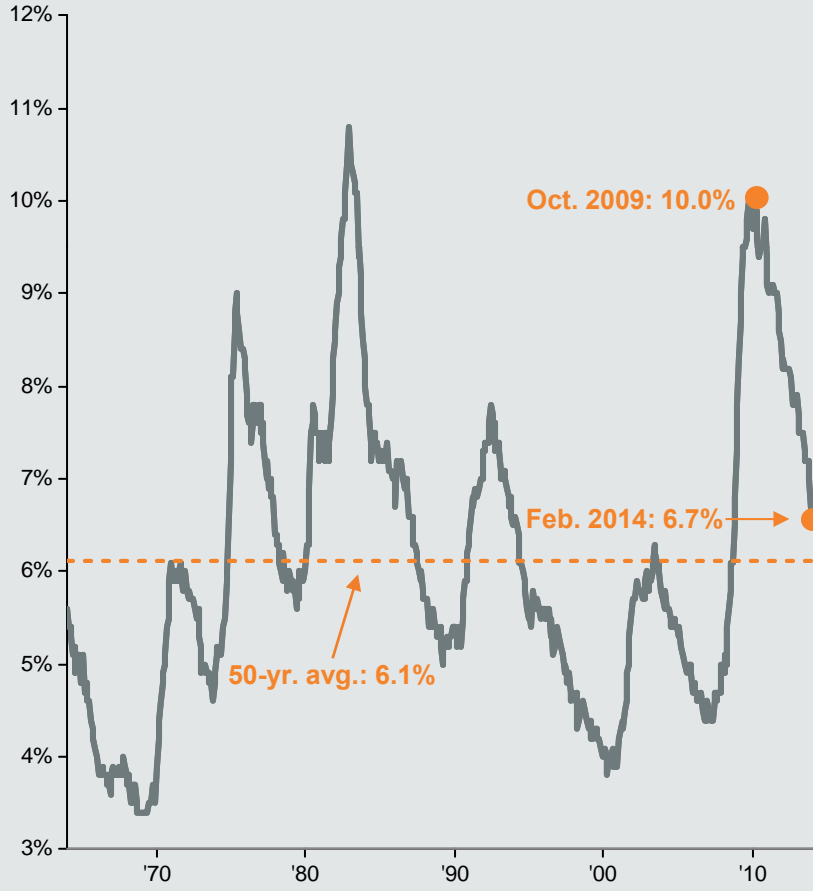


Source: (Top left) BEA, FactSet, J.P. Morgan Asset Management. (Top right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom left) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management. Capital goods orders deflated using the producer price index for capital goods with a base year of 2004. Guide to the Markets – U.S.

Data are as of 3/31/14.

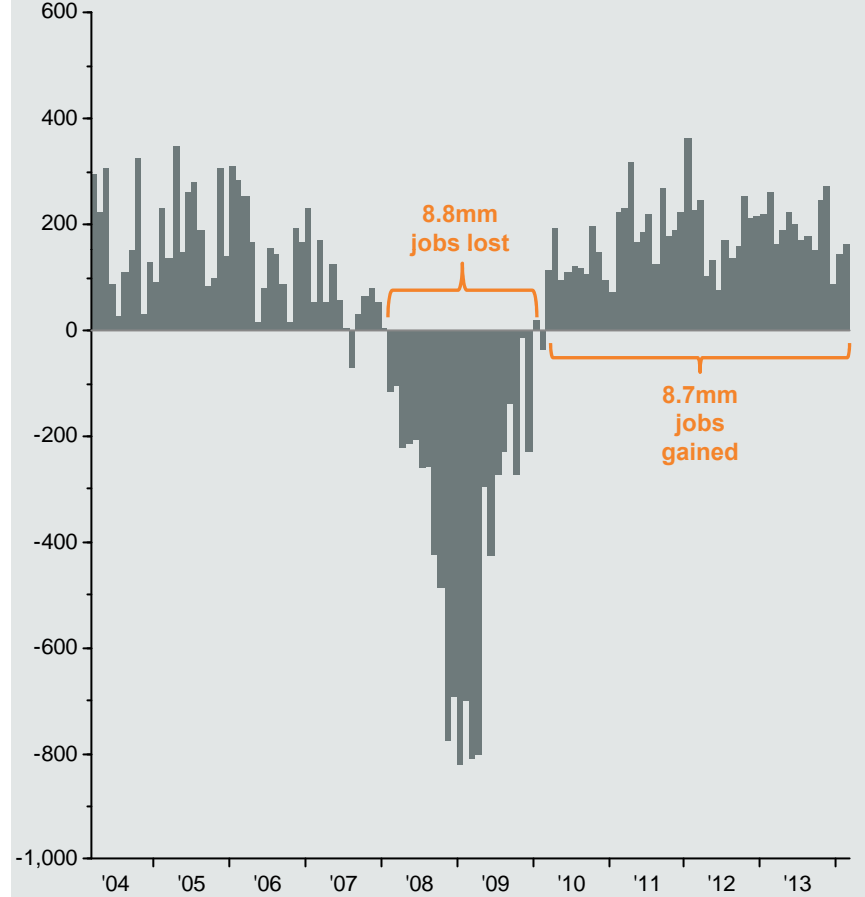
Civilian Unemployment Rate

Seasonally adjusted



Employment – Total Private Payroll

Total job gain/loss (thousands)



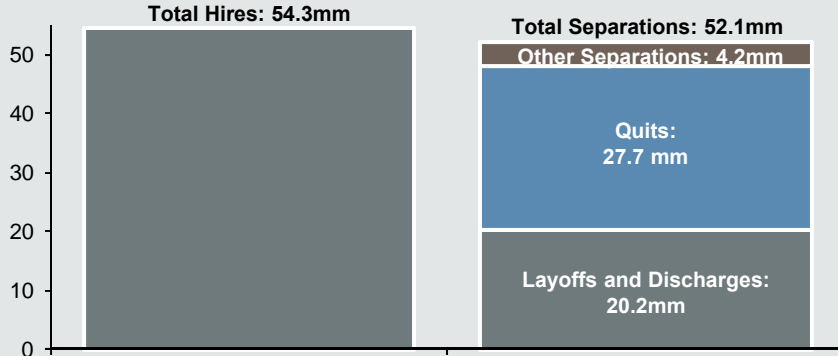
Source: BLS, FactSet, J.P. Morgan Asset Management.

Guide to the Markets – U.S.

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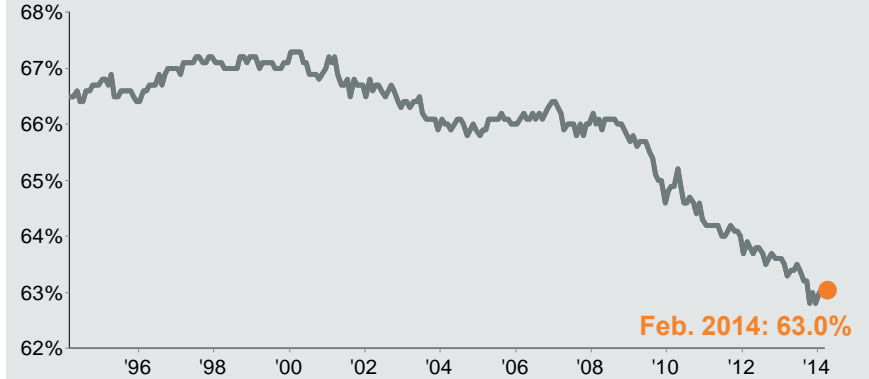
Job Gains and Losses – Feb. 2013 to Jan. 2014

Millions of jobs

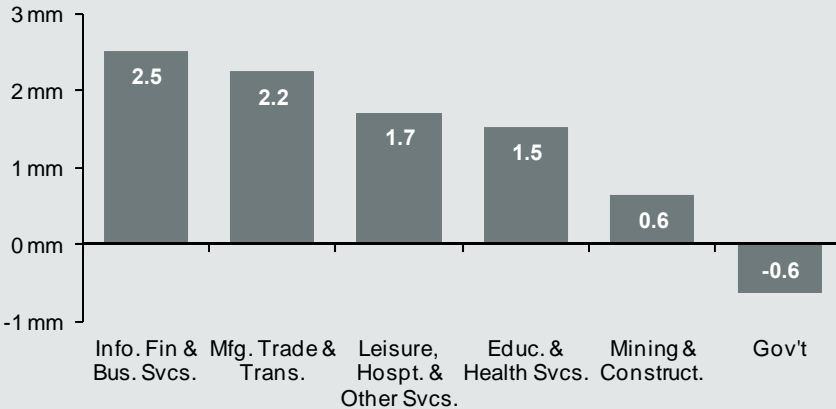


Labor Force Participation Rate

% of population aged 16+ working or looking for work



Net Job Creation Since Feb. 2010 – Millions of jobs



Average Hourly Earnings Growth

Year over year % chg. for production and nonsupervisory workers



Source: BLS, FactSet, J.P. Morgan Asset Management.

Guide to the Markets – U.S.

Data are as of 3/31/14.

**Are The US
Equity Markets
A Bubble
Waiting To
Burst?**

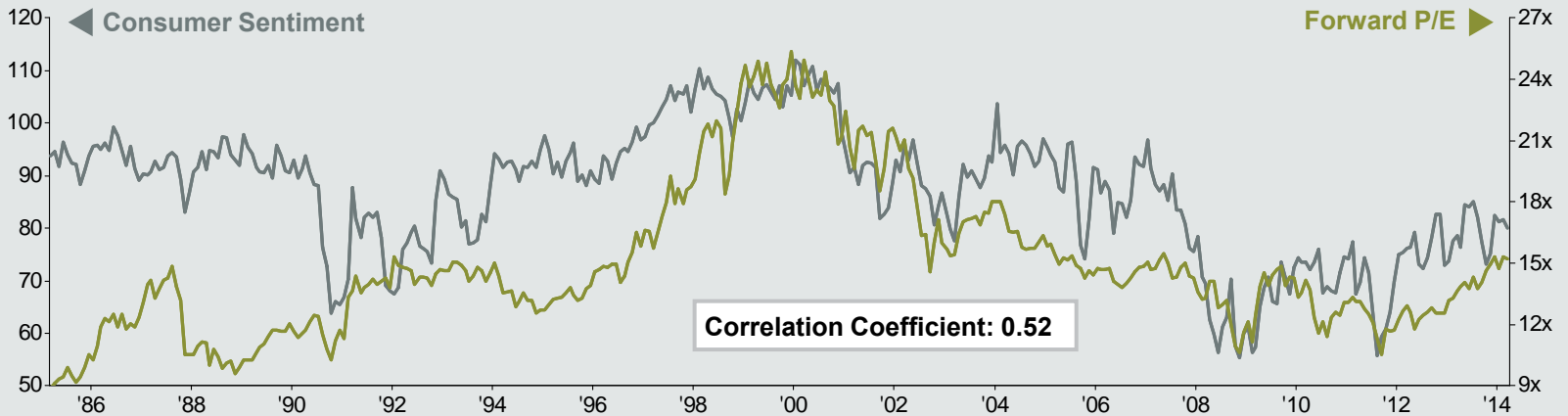


Confidence, Earnings and Multiples

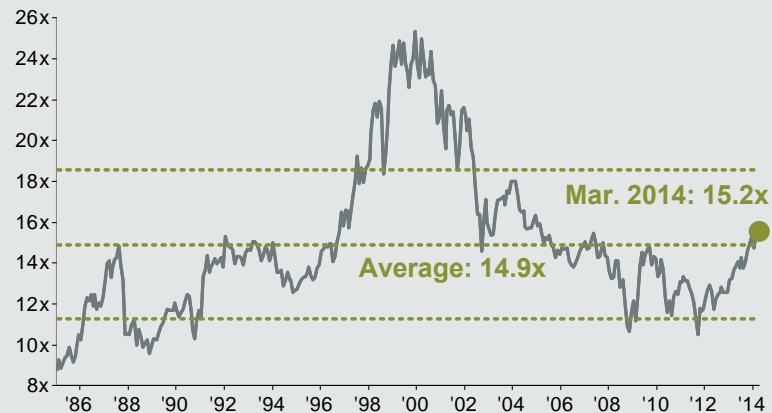
Multiple Expansion and Contraction

S&P 500 forward P/E based on consensus EPS estimates

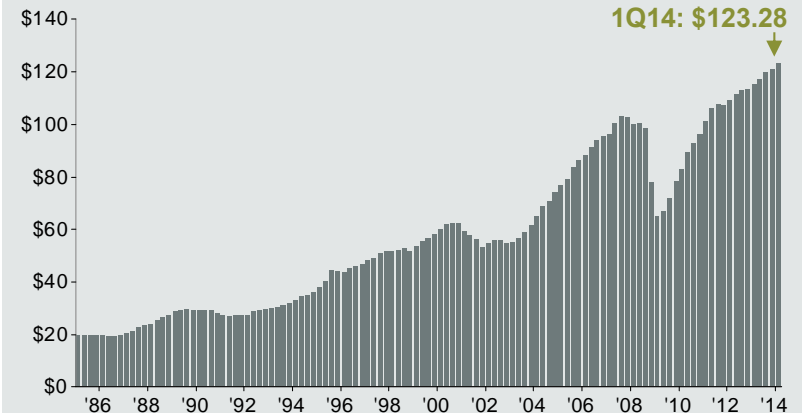
Est. impact of a 10pt. rise in sentiment: +2.0 multiple points*



S&P 500 Index: Forward P/E Ratio



S&P 500 Operating Earnings Estimates



Source: (Top) Standard & Poor's, FactSet, J.P. Morgan Asset Management. (Bottom) Standard & Poor's, IBES, J.P. Morgan Asset Management. Price to Earnings is price divided by consensus analyst estimates of earnings per share for the next twelve months. *Estimated impact based on coefficients from regression analysis. Guide to the Markets – U.S. Data are as of 3/31/14.

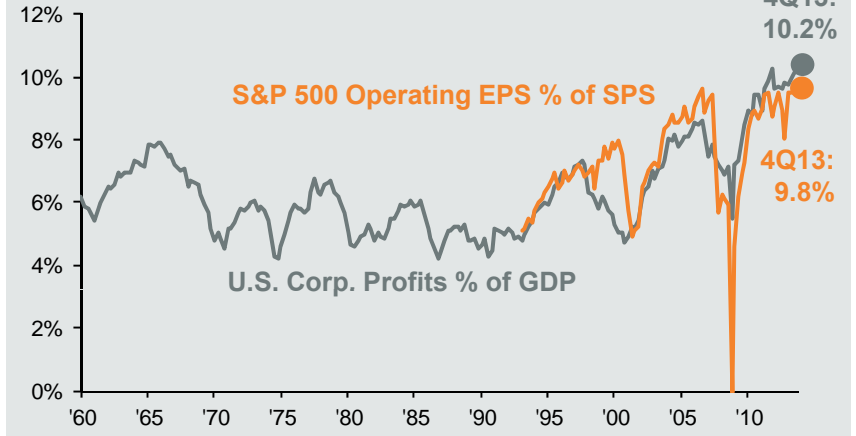
Corporate Profits and Leverage

S&P 500 Earnings Per Share

Operating basis, quarterly

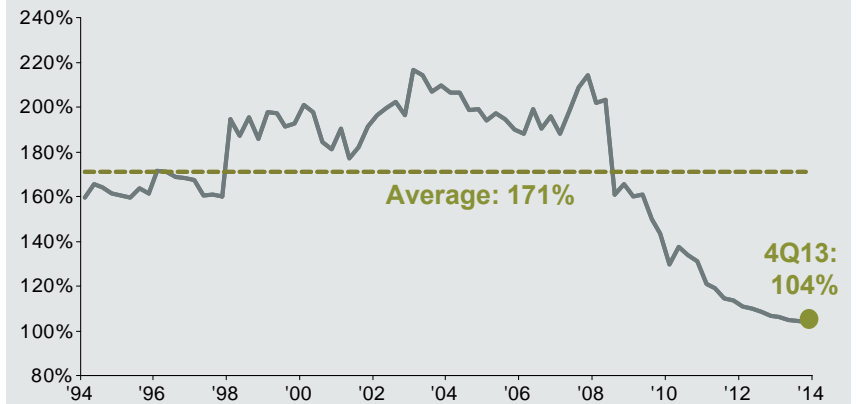


Profit Margins



Total Leverage

S&P 500, ratio of total debt to total equity, quarterly



Source: Standard & Poor's, Compustat, J.P. Morgan Asset Management.

EPS levels are based on operating earnings per share. *Most recently available data is 3Q13 as 4Q13 are Standard & Poor's preliminary estimates.

Past performance is not indicative of future returns.

Guide to the Markets – U.S.

Data are as of 3/31/14.

Stock Valuation Measures: S&P 500 Index

S&P 500 Index: Valuation Measures

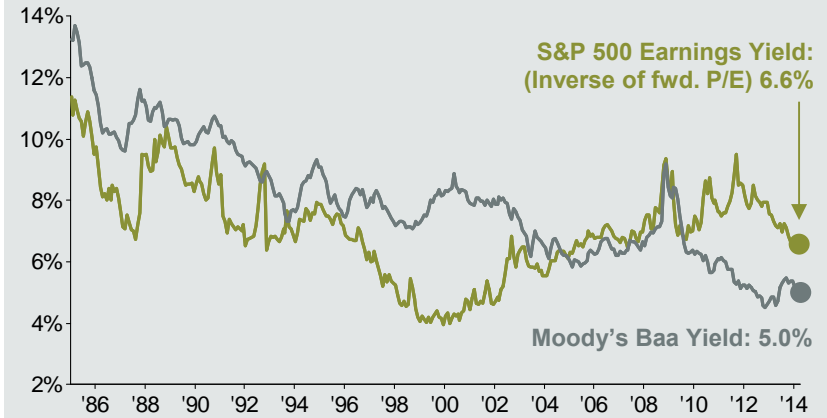
Valuation Measure	Description	Historical Averages					
		Latest*	1-year ago	3-year avg.	5-year avg.	10-year avg.	15-year avg.
P/E	Price to Earnings	15.2x	13.7x	13.1x	13.2x	13.8x	16.0x
P/B	Price to Book	2.8	2.3	2.3	2.2	2.4	2.9
P/CF	Price to Cash Flow	10.6	9.4	9.0	8.8	9.5	10.7
P/S	Price to Sales	1.6	1.4	1.3	1.2	1.3	1.5
PEG	Price/Earnings to Growth	1.7	1.5	1.3	1.3	1.7	1.6
Div. Yield	Dividend Yield	2.1%	2.2%	2.2%	2.2%	2.1%	1.9%

S&P 500 Shiller Cyclically Adjusted P/E

Adjusted using trailing 10-yr. avg. inflation adjusted earnings



S&P 500 Earnings Yield vs. Baa Bond Yield



Source: (Top) Standard & Poor's, FactSet, Robert Shiller Data, J.P. Morgan Asset Management.

Price to Earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months. Price to Book is price divided by book value per share. Data post-1992 include intangibles and are provided by Standard & Poor's. Price to Cash Flow is price divided by consensus analyst estimates of cash flow per share for the next 12 months. Price to Sales is calculated as price divided by consensus analyst estimates of sales per share for the next 12 months. PEG Ratio is calculated as NTM P/E divided by NTM earnings growth. Dividend Yield is calculated as consensus analyst estimates of dividends for the next 12 months divided by price. All consensus analyst estimates are provided by FactSet. (Bottom left) Cyclically adjusted P/E uses as reported earnings throughout. *Latest reflects data as of 3/31/2014.

(Bottom right) Standard & Poor's, IBES, Moody's, FactSet, J.P. Morgan Asset Management.

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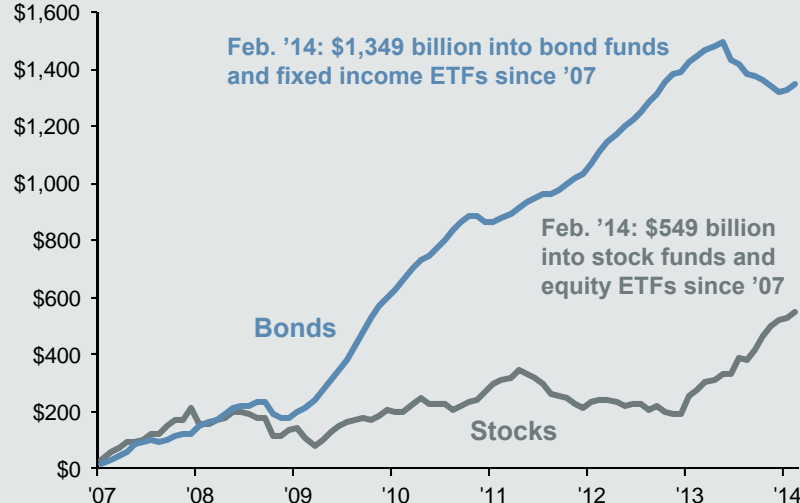
Data are as of 3/31/14.

Mutual Fund Flows

Billions, USD	AUM	Fund Flows															
		YTD 2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Domestic Equity	5,860	17	18	(159)	(133)	(81)	(28)	(149)	(69)	(3)	17	100	120	(25)	57	258	176
World Equity	2,074	27	142	6	4	57	26	(80)	142	151	107	72	24	(4)	(23)	58	11
Taxable Bond	2,820	7	(22)	252	127	219	301	22	100	45	21	0	39	125	76	(36)	8
Tax-exempt Bond	514	2	(58)	50	(12)	11	70	8	11	15	5	(15)	(7)	17	12	(14)	(12)
Hybrid	1,301	8	73	47	40	35	20	(26)	40	20	43	53	39	8	7	(37)	(14)
Money Market	2,661	(56)	15	(0)	(124)	(525)	(539)	637	654	245	62	(157)	(263)	(46)	375	159	194

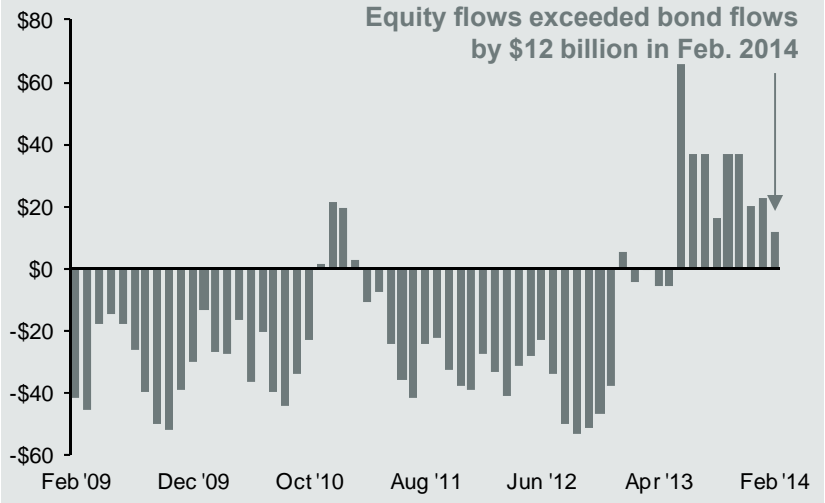
Cumulative Flows Into Stock & Bond Funds

Billions, USD, includes both mutual funds and ETFs



Difference In Flows Into Stock and Bond Funds

Billions, USD, U.S. and international funds, monthly

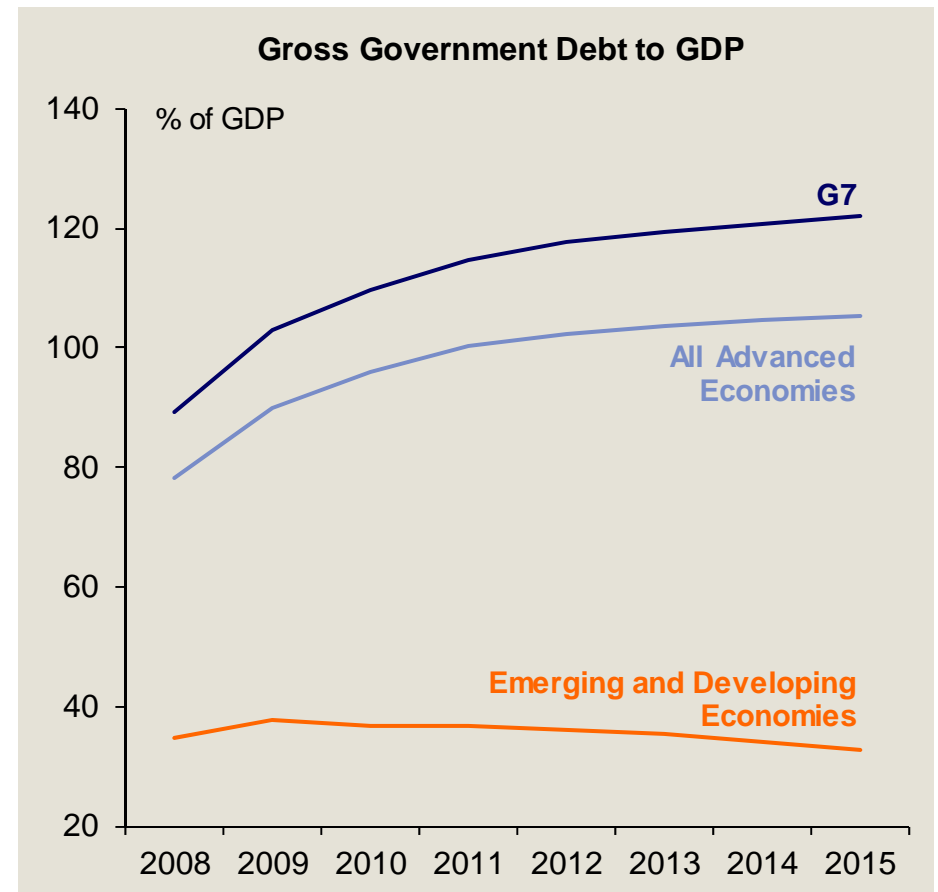
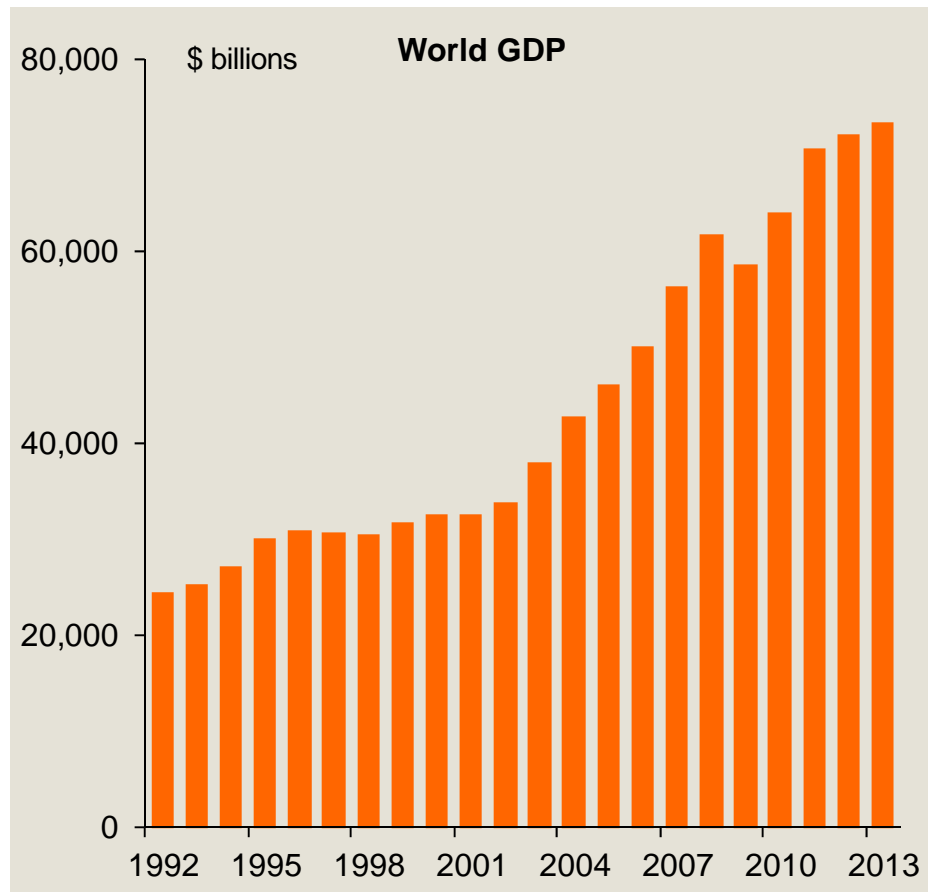


Source: Investment Company Institute, J.P. Morgan Asset Management.

Data include flows through February 2014 and exclude ETFs except for the bottom left chart. ICI data are subject to periodic revisions. World equity flows are inclusive of emerging market, global equity and regional equity flows. Hybrid flows include asset allocation, balanced fund, flexible portfolio and mixed income flows.
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Data are as of 3/31/14.

Developing Markets Drive Growth

World GDP accelerated in the last decade, supported by the largest emerging markets, which now out-produce the largest developed economies, where generally higher debt levels hinder economic growth.

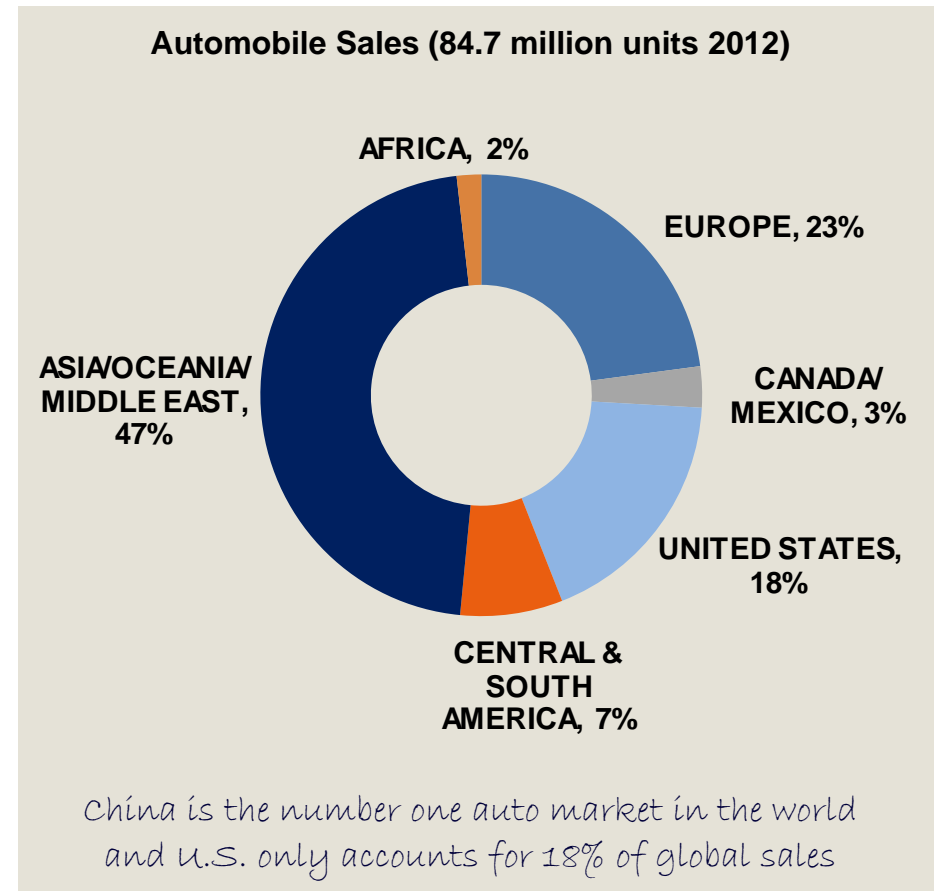
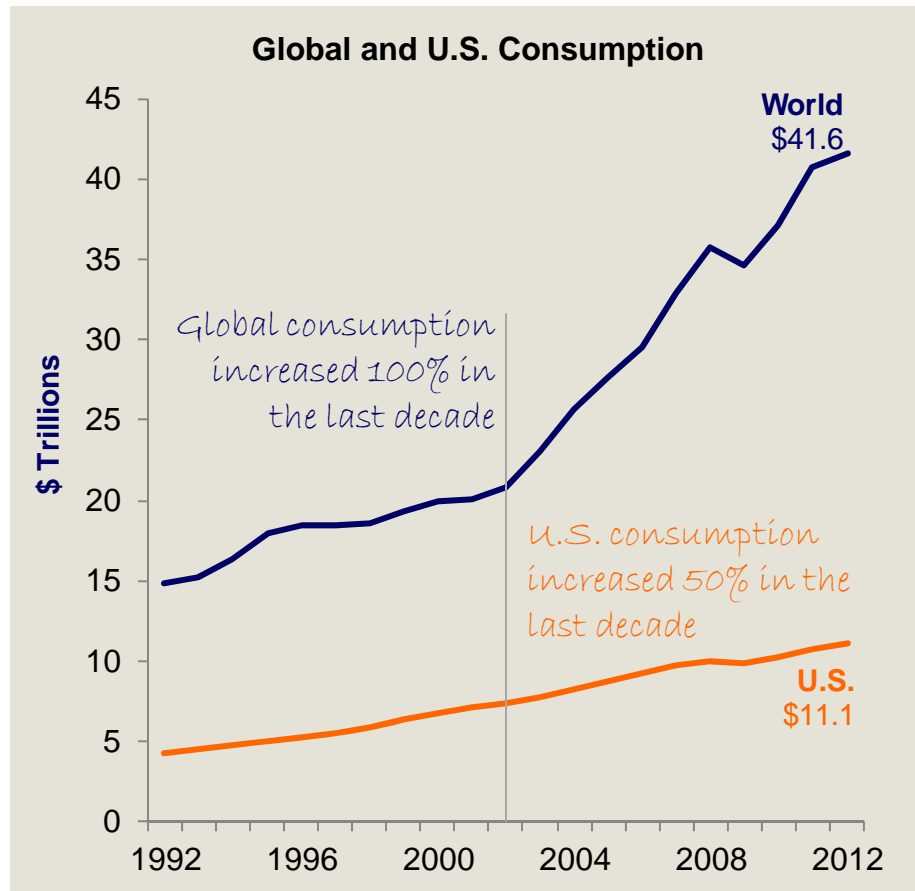


Note: The G7 countries are comprised of the U.S., U.K., France, Germany, Italy, Canada and Japan

Source: IMF WEO database
Data as of 10/2013

Global Consumer

Global household consumption of goods and services has increased 100% in the last decade. The consumer contribution to global expansion is prodigious. Emerging markets now account for more than 50% of auto sales.

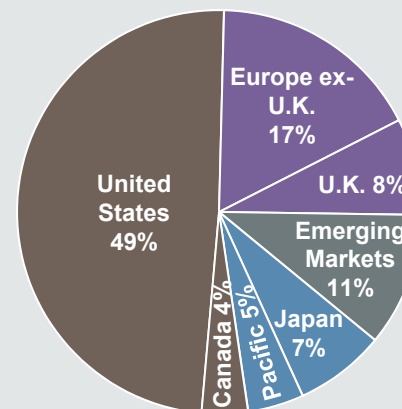


Global Equity Markets

Country / Region	1Q14		2013	
	Local	USD	Local	USD
Regions / Broad Indexes				
U.S. (S&P 500)	-	1.8	-	32.4
EAFE	-0.2	0.8	27.5	23.3
Europe ex-U.K.	3.5	3.7	24.2	28.7
Pacific ex-Japan	0.6	3.0	16.5	5.6
Emerging Markets	-0.5	-0.4	3.8	-2.3

MSCI: Selected Countries				
United Kingdom	-1.5	-0.8	18.5	20.7
France	2.9	3.0	22.1	27.7
Germany	-0.3	-0.3	26.7	32.4
Japan	-7.4	-5.5	54.8	27.3
China	-5.8	-5.9	4.0	4.0
India	4.4	8.2	8.6	-3.8
Brazil	-1.6	2.9	-3.0	-15.8
Russia	-9.7	-14.4	7.5	1.4

Weights in MSCI All Country World Index
% global market capitalization, float adjusted



Global Equity Market Correlations

Rolling 1-year correlations, 30 countries

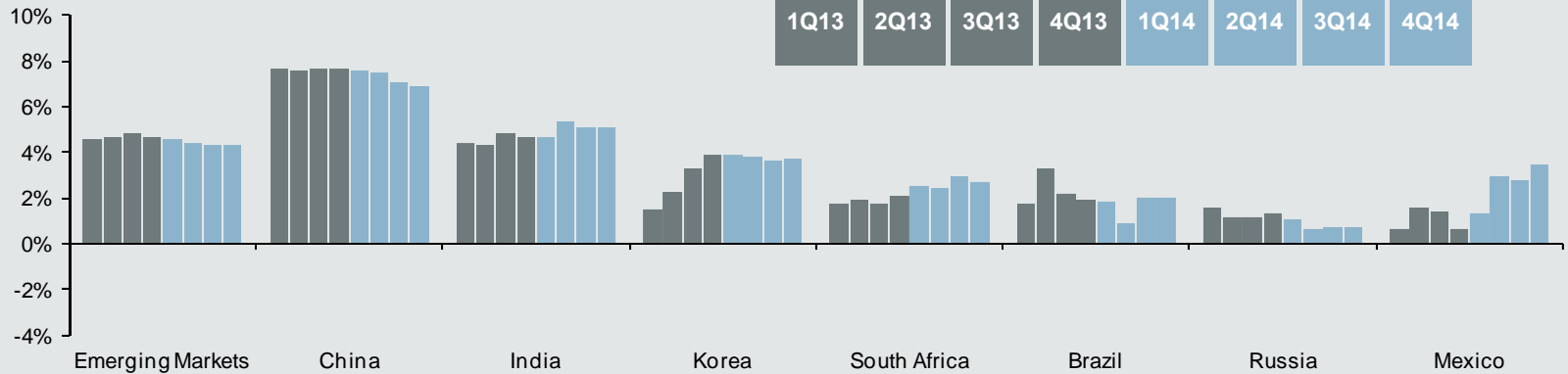


Source: Standard & Poor's, MSCI, FactSet, J.P. Morgan Asset Management.

All return values are MSCI Gross Index (official) data. Chart is for illustrative purposes only. Past performance is not indicative of future results. Please see disclosure page for index definitions. Countries included in global correlations include Argentina, South Africa, Japan, UK, Canada, France, Germany, Italy, Australia, Austria, Brazil, China, Colombia, Denmark, Finland, Hong Kong, India, Malaysia, Mexico, Netherlands, New Zealand, Peru, Philippines, Portugal, Korea, Spain, Taiwan, Thailand, Turkey, United States. Guide to the Markets – U.S. Data as of 3/31/14.

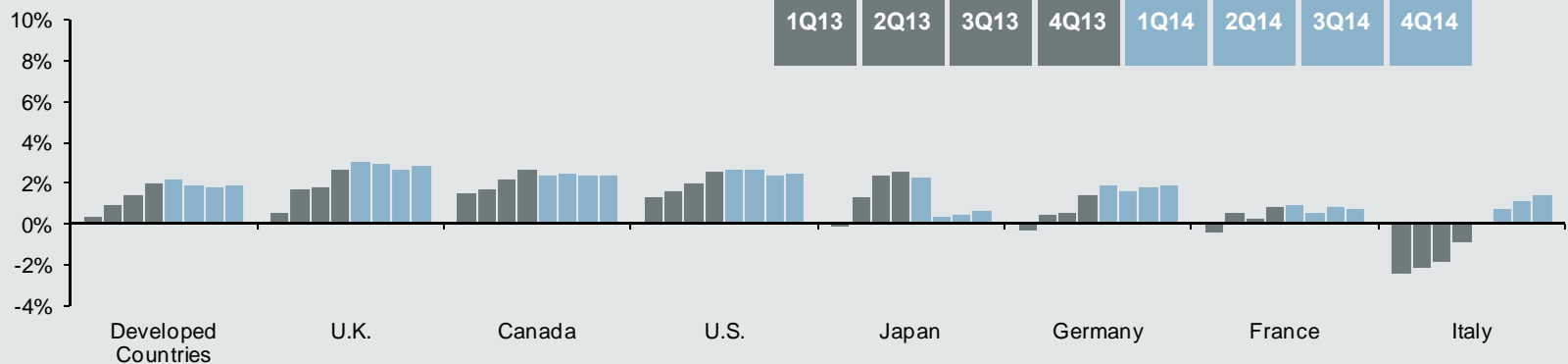
Emerging Market Country Real GDP Growth

Year-over-year % chg. – forecasts from JPMSI



Developed Market Country Real GDP Growth

Year-over-year % chg. – forecasts from JPMSI



Source: J.P. Morgan Global Economic Research, J.P. Morgan Asset Management.

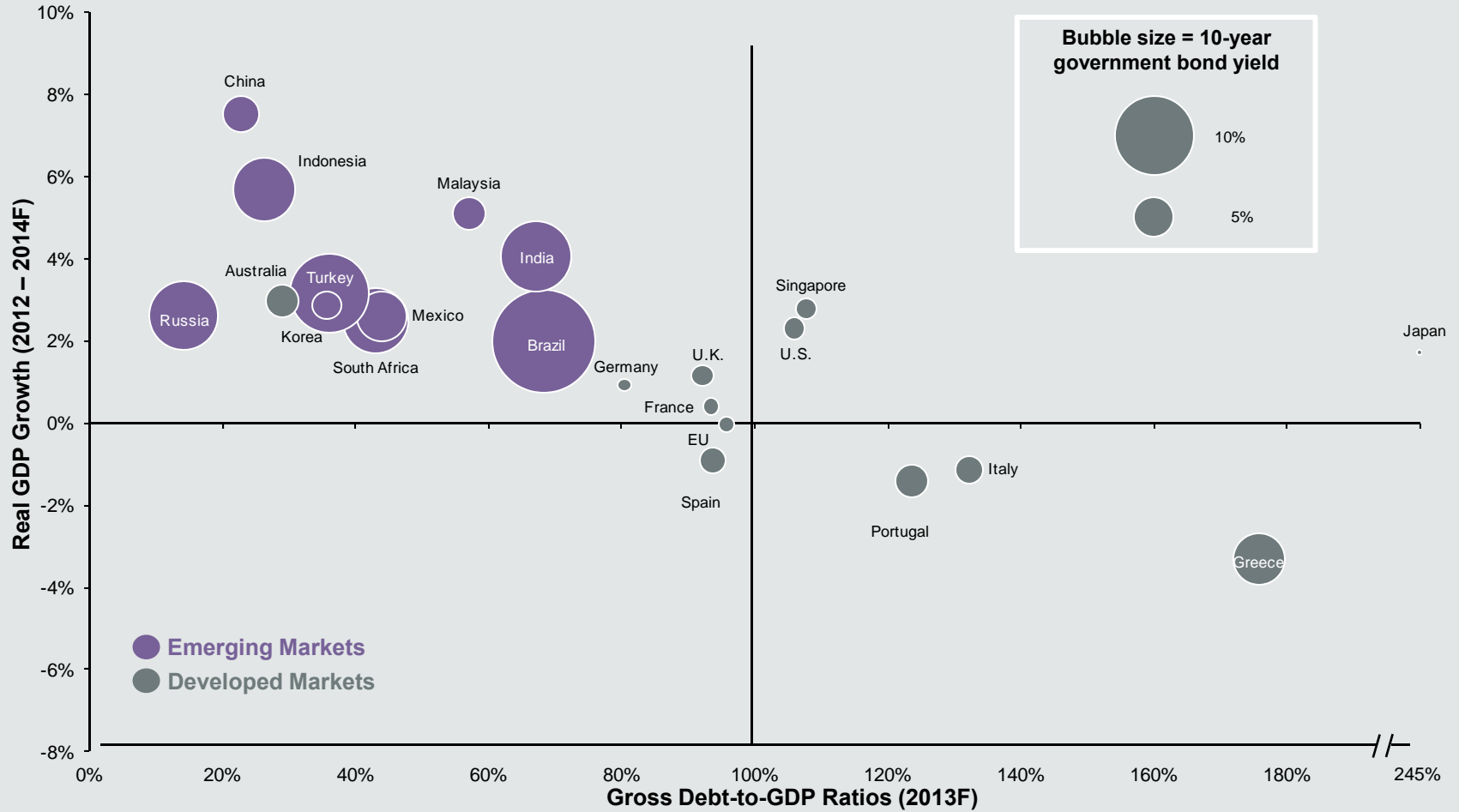
Forecast and aggregate data come from J.P. Morgan Global Economic Research. Historical growth data collected from FactSet Economics.

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Data are as of 3/31/14.

Sovereign Debt Stresses

GDP Growth, Gross Debt to GDP and Borrowing Costs



Source: IMF, FactSet, Bloomberg, J.P. Morgan Economics, Barclays, J.P. Morgan Asset Management.

Growth and debt data are based on the October 2013 World Economic Outlook.

Borrowing costs based on local currency debt. EU overall borrowing cost based on Barclays Capital Euro-Aggregate 7-10 year treasury. South Africa's borrowing cost is based on 7-year government bond yield due to data availability. Guide to the Markets – U.S.

Investing for Retirement



**Think About
Investing for
Your Lifetime**

**Not A
Retirement Date**

The 6% Rule



**Being An
Investment
Optimist
Is Hard Work**



**Politics And
Investing Don't
Always Mix**



**When Everyone Is
“Yelling”
You Should Be Selling**

**When Everyone is
“Crying”
You Should Be Buying**

