

BUENA VISTA INVESTMENT MANAGEMENT

**THINKING
LONG-TERM
IN A
SHORT-TERM
WORLD**



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**401K legislation
enacted in 1978**

**Tax break for
deferred income**

**Ted Benna
Benefits Consultant**



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536,000 401K Plans

74 Million Workers

\$3.5 Trillion in Assets



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**BEING AN
INVESTMENT
OPTIMIST
IS HARD WORK**



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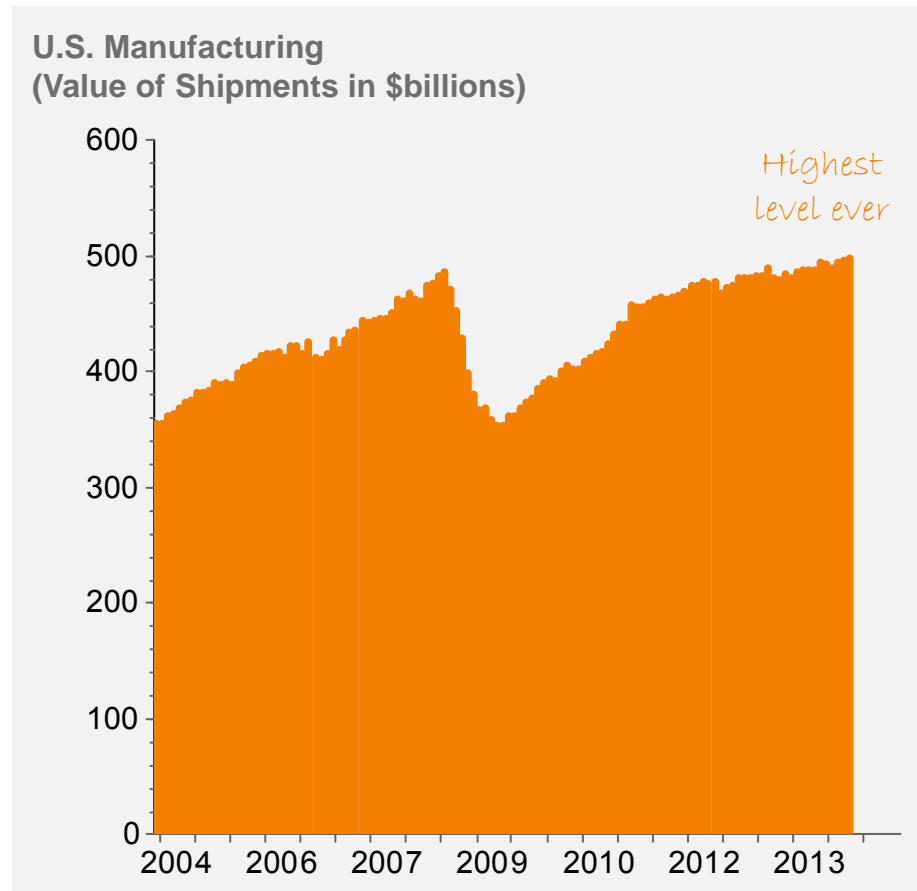
The United States Economy

**Economic Growth
&
Unemployment**

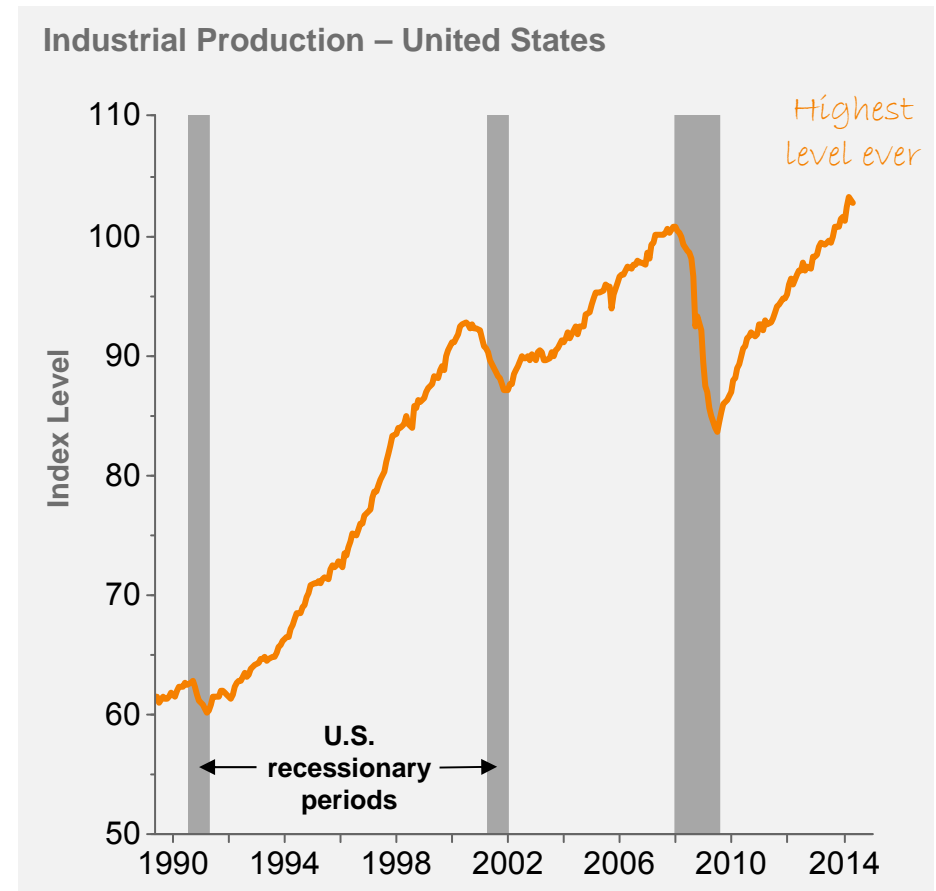


U.S. Manufacturing

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



Data as of 03/31/14.

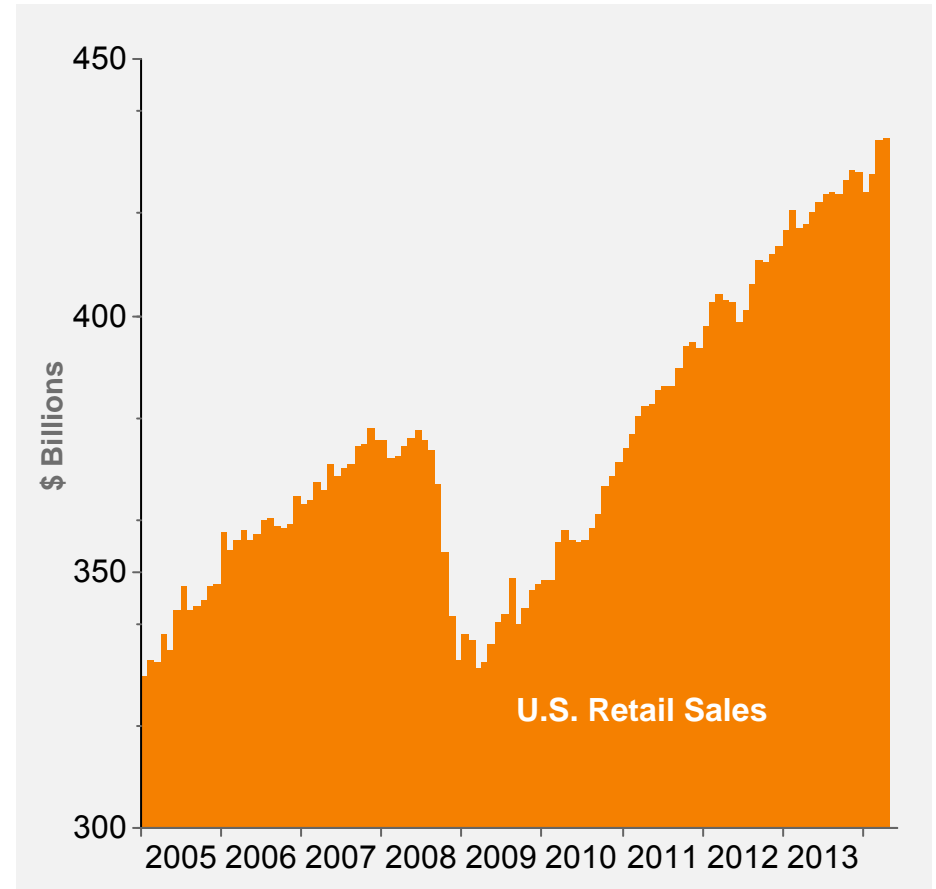
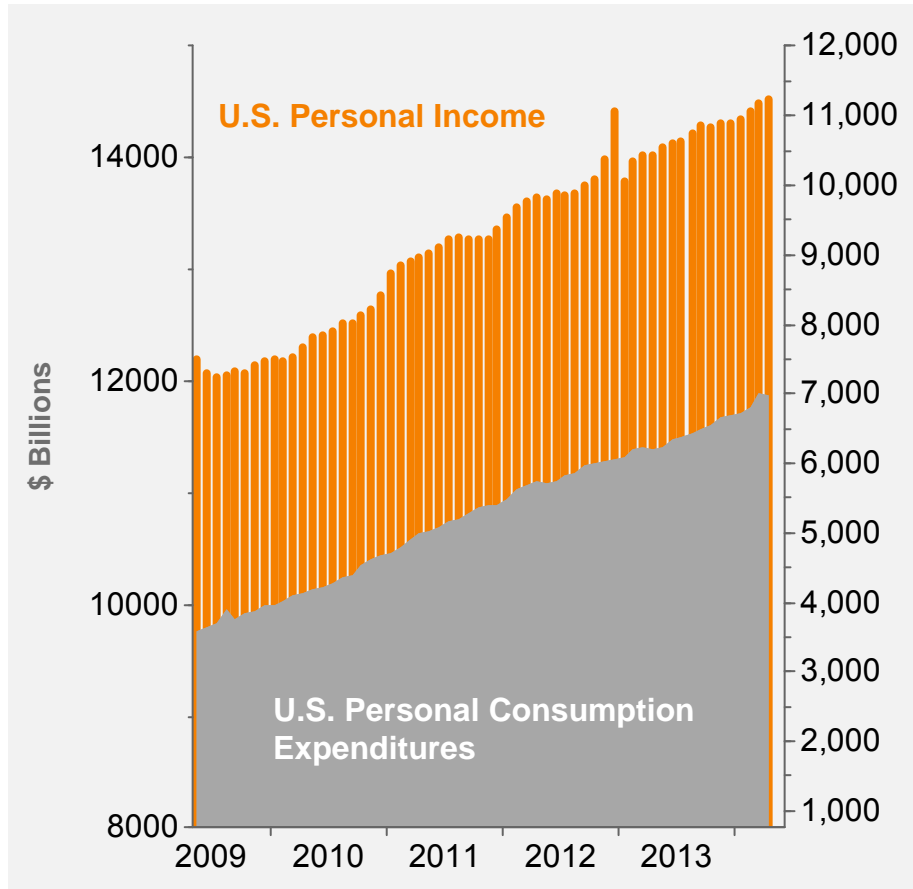


Data as of 04/30/14.

Source: FactSet

Consumer as Game Changer

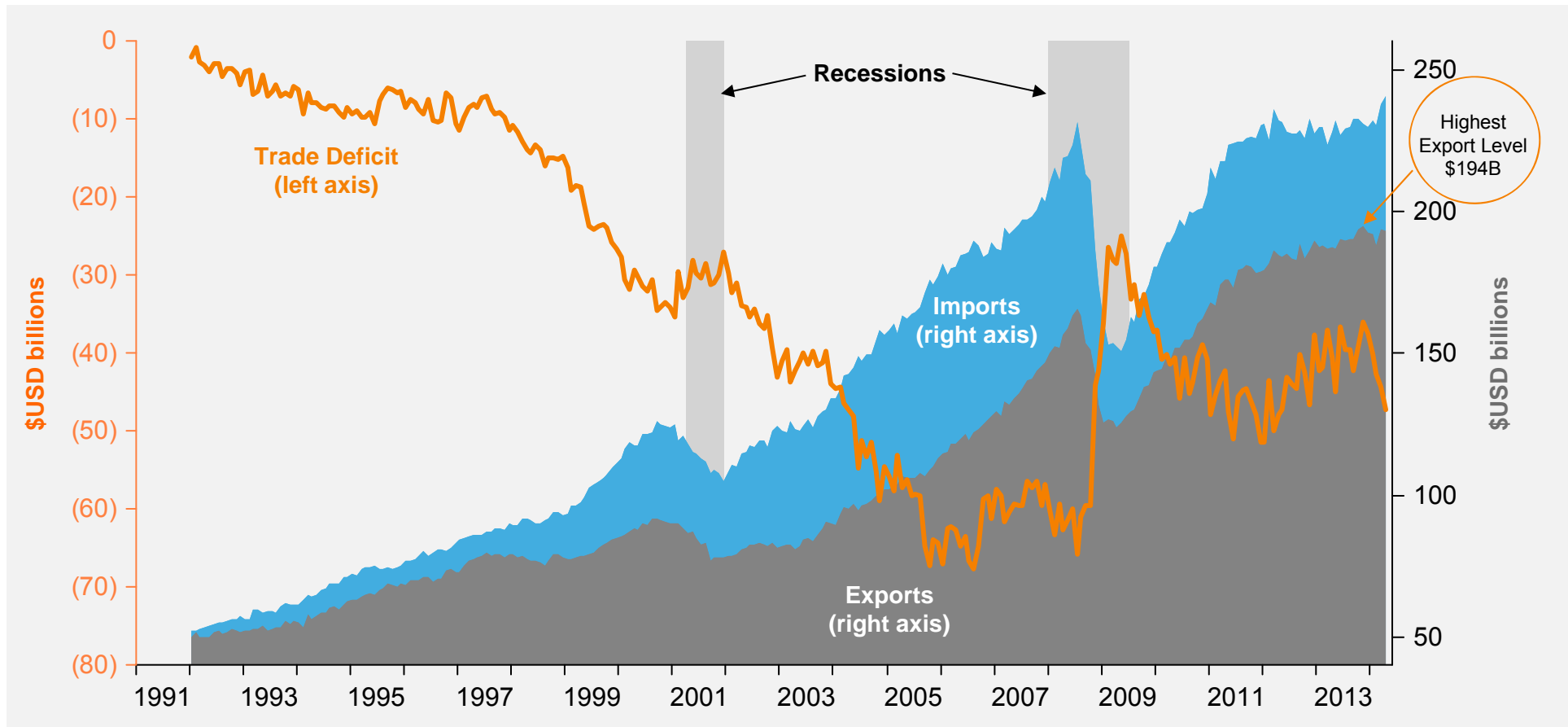
At about 70% of GDP, the U.S. consumer is the game changer in the economic recovery. Consumption, income and retail sales have achieved all-time highs.



Data as of 04/30/14.
Source: FactSet

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.

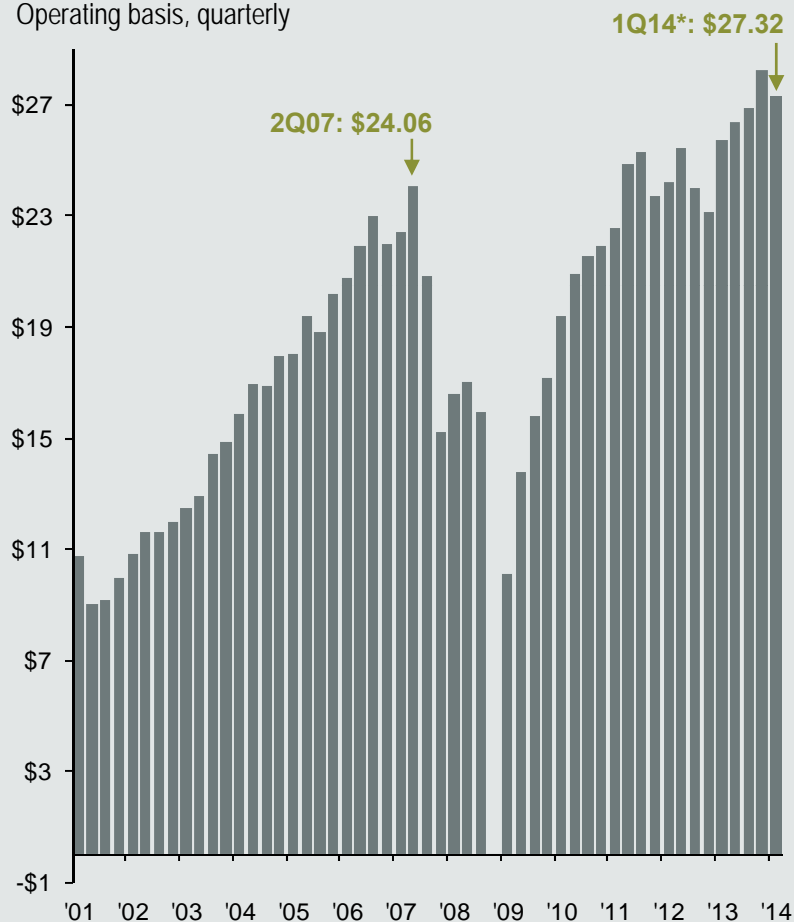


Data as of 04/30/14.
Source: FactSet

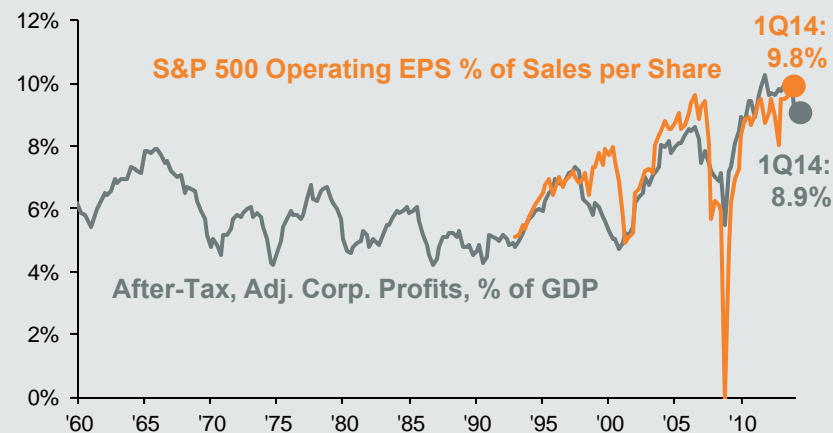
Corporate Profits and Leverage

S&P 500 Earnings Per Share

Operating basis, quarterly

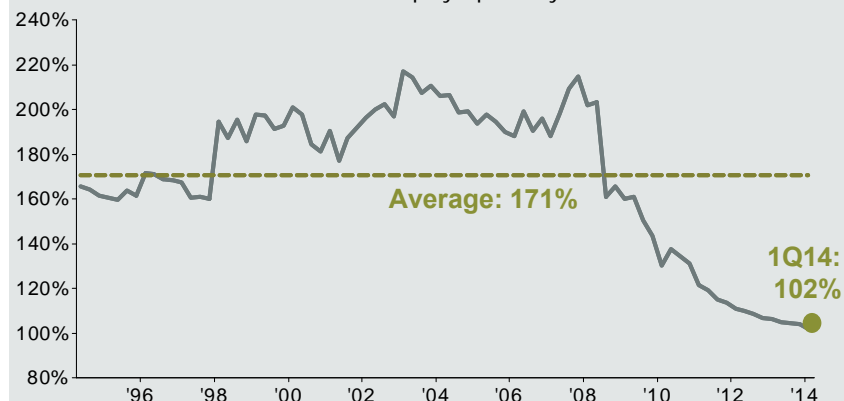


Profit Margins



Total Leverage

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



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

EPS levels are based on operating earnings per share. *Most recently available data is 4Q13 as 1Q14 are Standard & Poor's preliminary estimates.

Past performance is not indicative of future returns.

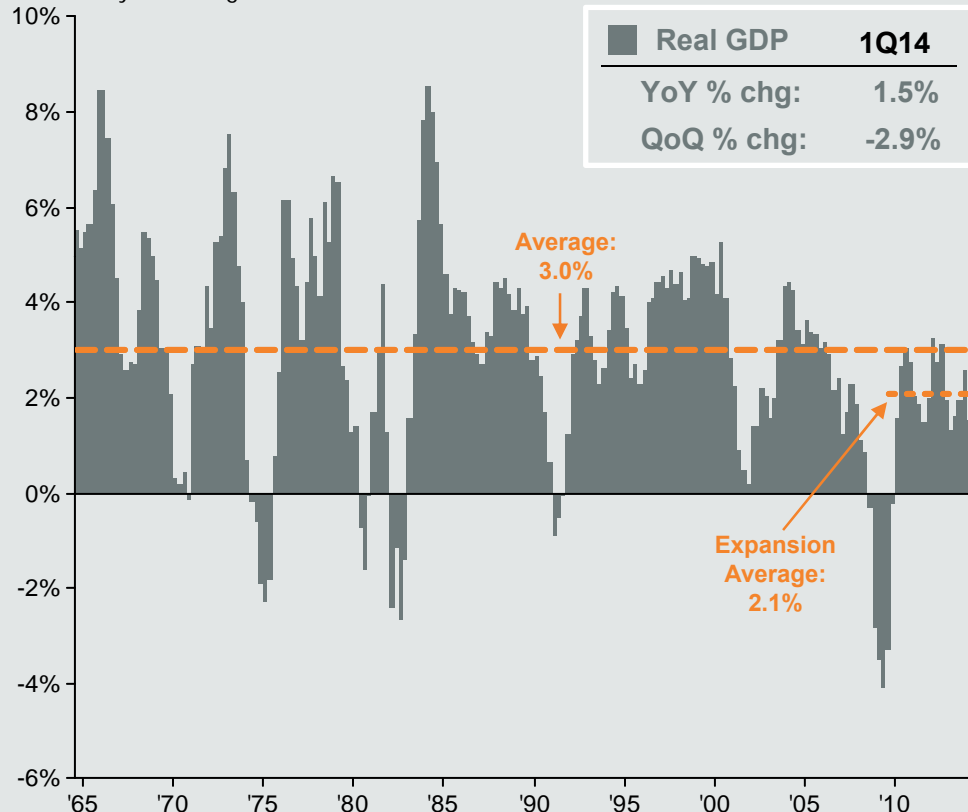
Guide to the Markets – U.S.

Data are as of 6/30/14.

Economic Growth and the Composition of GDP

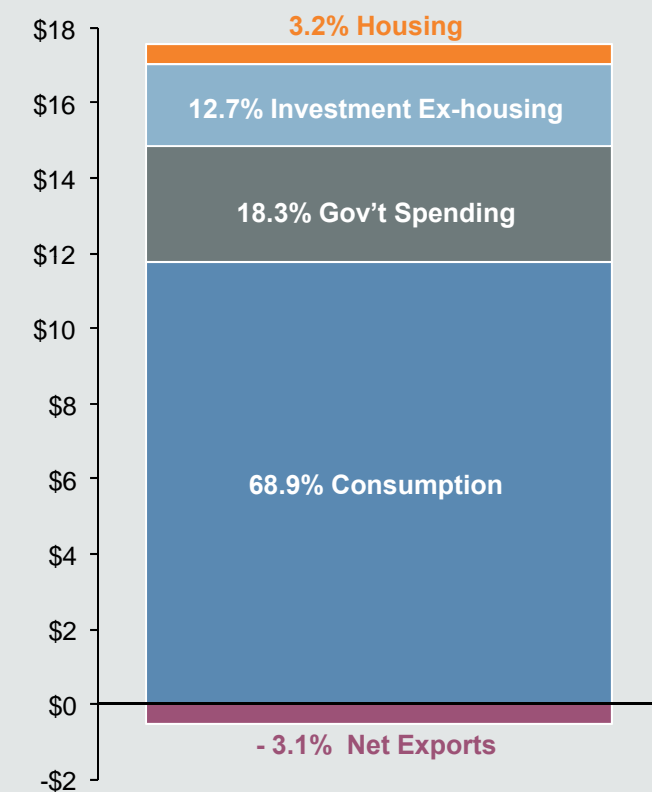
Real GDP

Year-over-year % chg



Components of GDP

1Q14 nominal GDP, trillions USD



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

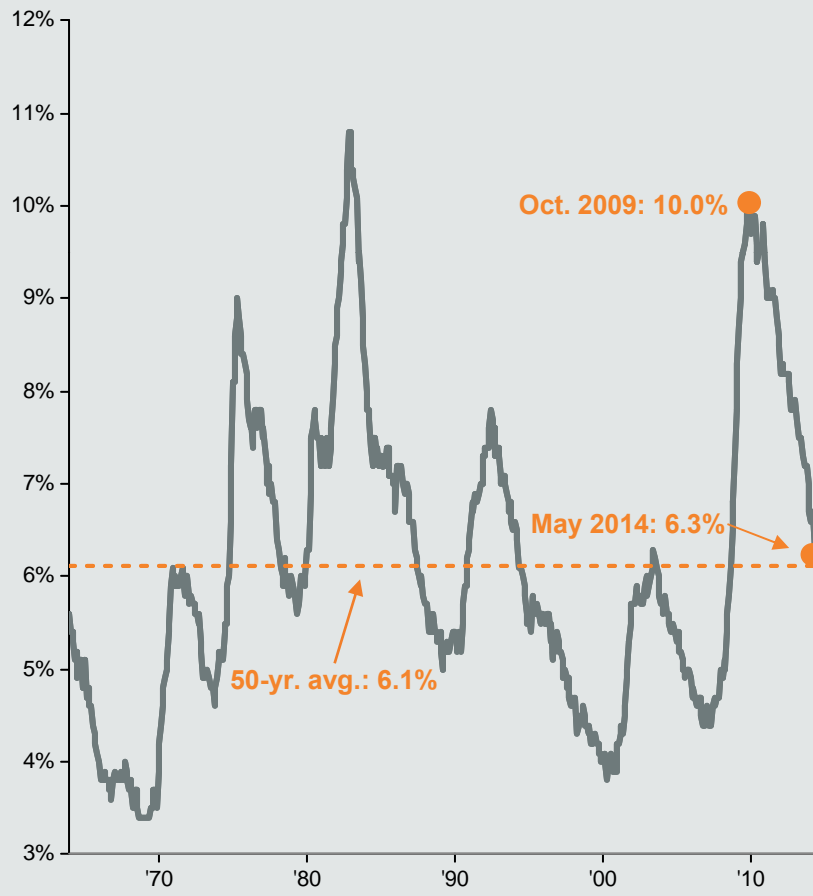
Values may not sum to 100% due to rounding. Quarter over quarter percent changes are at an annualized rate. Average represents the annualized growth rate for the full period and the period starting in the second quarter of 2009.

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Data are as of 6/30/14.

Civilian Unemployment Rate

Seasonally adjusted



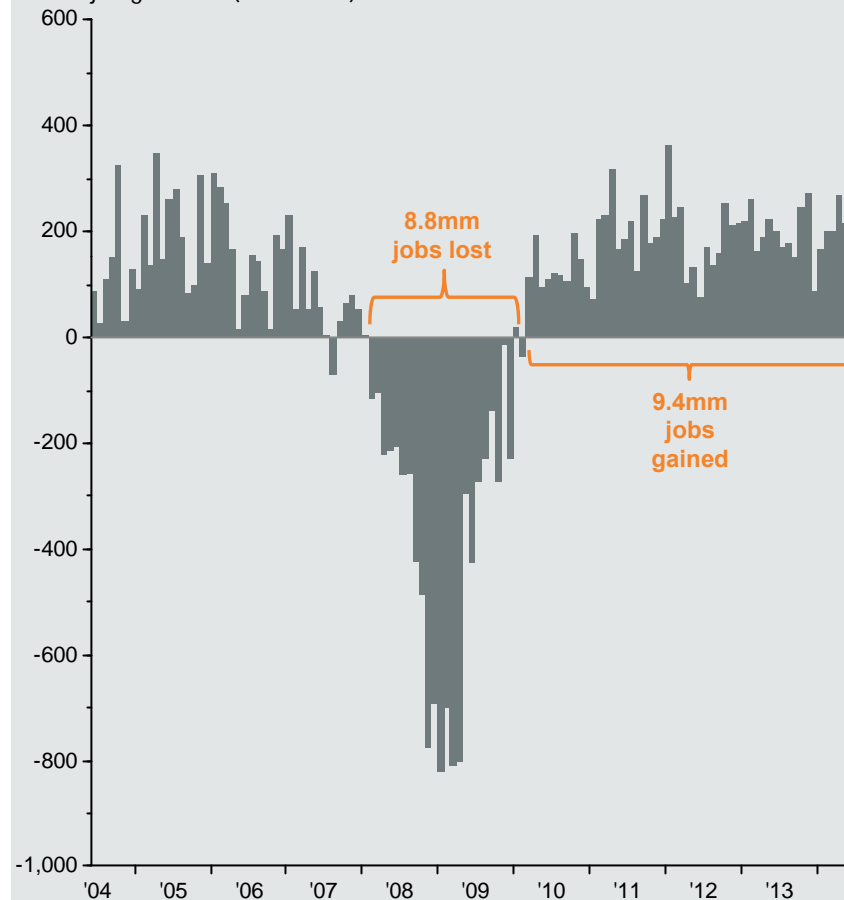
Source: BLS, FactSet, J.P. Morgan Asset Management.

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Data are as of 6/30/14.

Employment – Total Private Payroll

Total job gain/loss (thousands)



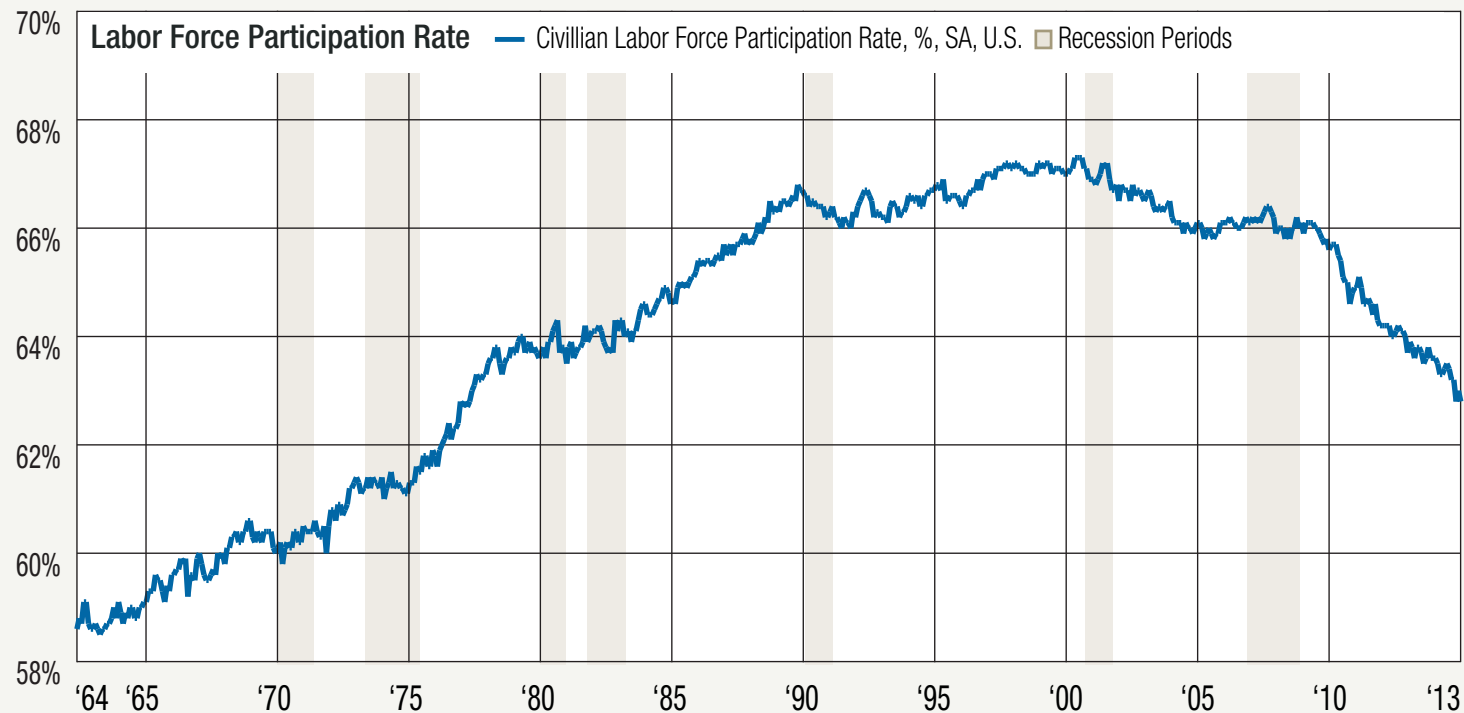
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Recent Job Growth

**The last 6 months strongest six
month period of payroll gains
since 2006**

**First time since 1997 that
employers added 200,000 or
more jobs in six consecutive
months.**





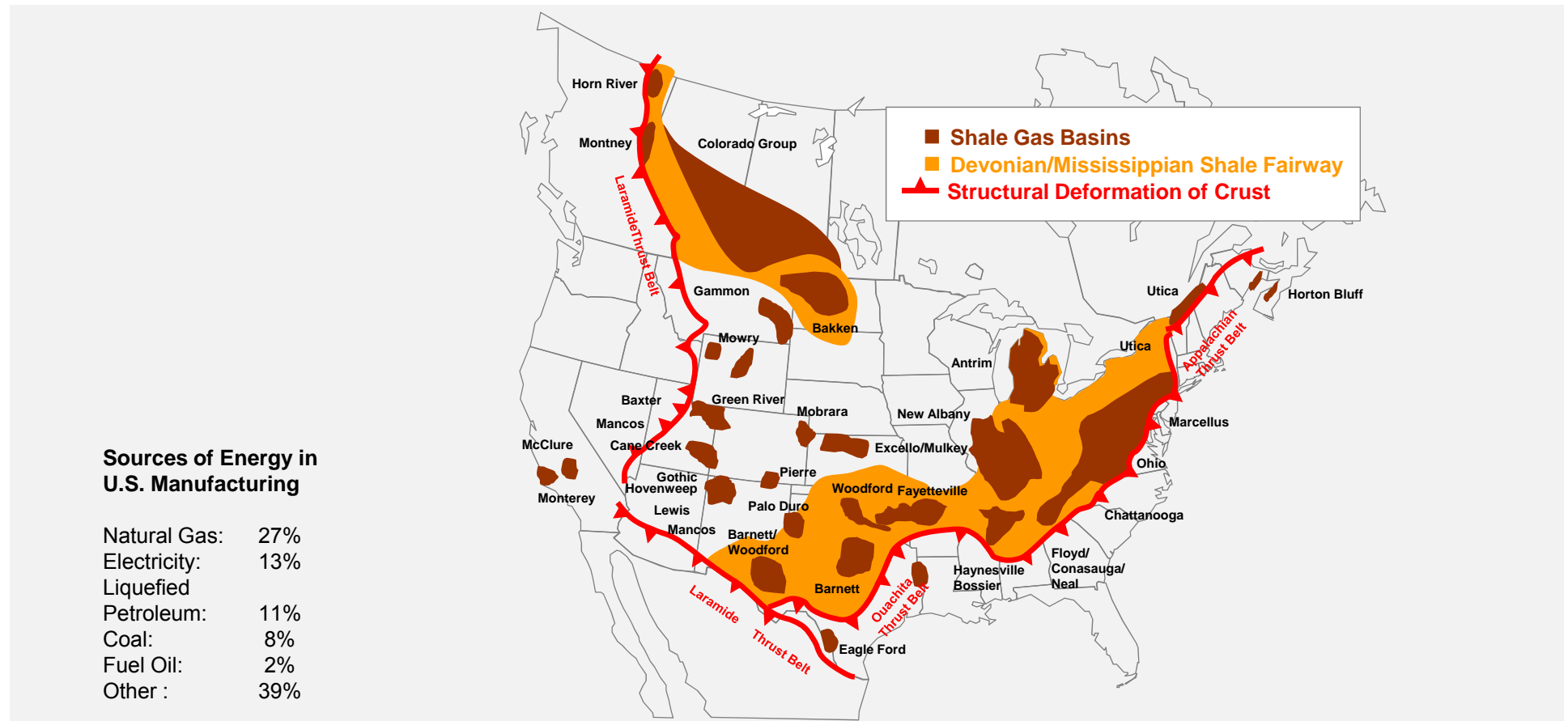
- The Labor Force Participation Rate, the ratio of the labor force divided by the total population, has declined to 62.8% since its peak in 2000 at 67%, reflecting a greater number of discouraged workers, retirees, and students. The decline in the unemployment rate may be augmented by this decline in the labor supply. Discouraged workers are individuals who are 16 years and older and are able to work, but for some reason, are discouraged and stopped looking for work.

- Emergency federal unemployment benefits in place since the financial crisis in 2008 will be cut-off for 1.3 million jobless Americans as a result of the budget deal passed by Congress in December. Unless Congress renews these benefits, the labor participation rate, already at a 37-year low, may sink further, and consumer spending may drop. Some proponents argue cutting-off these emergency unemployment benefits may motivate the long-term unemployed to find a job.

SOURCE: FactSet, Dept of Labor

Tectonic Shift: Energy

The abundance of natural gas in North America and the ability to extract oil from shale are changing the global energy landscape. The IEA recently forecast that the U.S. will be the world's largest oil producer by 2020.



Note: Oil Prices are West Texas Intermediate light crude spot price (NYMEX).

Source: Advanced Resources, SPE/Holditch Nov 2002 Hill 1999, Cain, 1994 Hart Publishing, 2008 modified from Ziff Energy Group

Source: U.S. Dept of Energy, FactSet

Source: Census Bureau, http://upload.wikimedia.org/wikipedia/commons/b/b4/Plate_tectonics_map.gif

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The Global Economy

**The Continuing
Story....**



World Economy — Gross Domestic Product (GDP)

Global economic growth has nearly doubled in the last decade and increased by nearly one third since the peak just before the Great Recession and credit crisis.



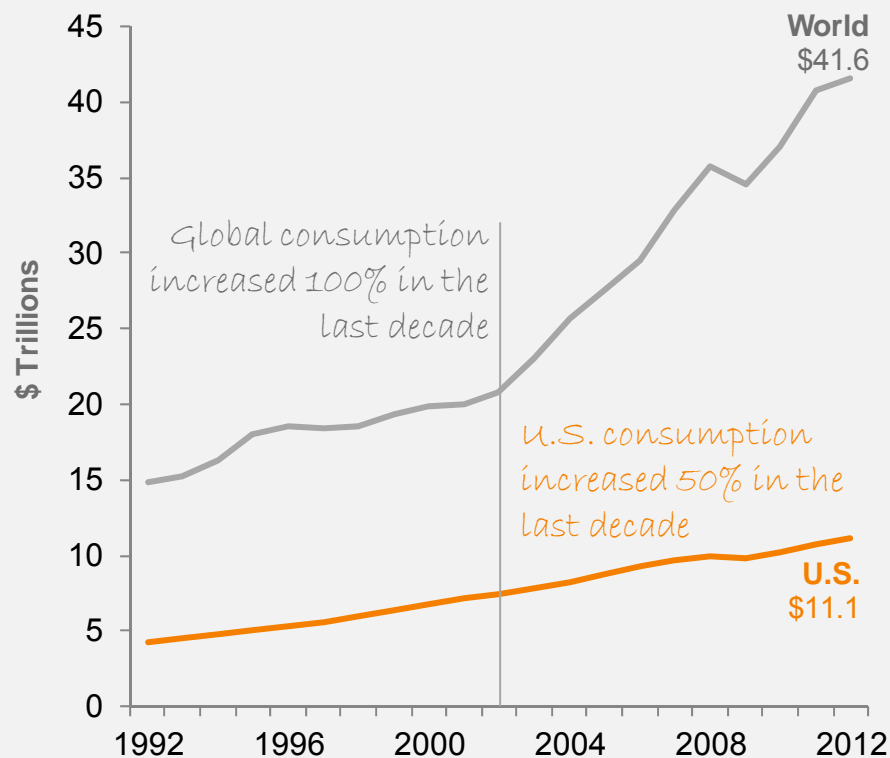
% of World GDP	2003 \$37.9 Trillion	2007 \$56.4 Trillion	2013 \$73.4 Trillion
United States	30	26	23
Emerging and Developing Economies	20	28	38

Source: International Monetary Fund (IMF) as of 2013

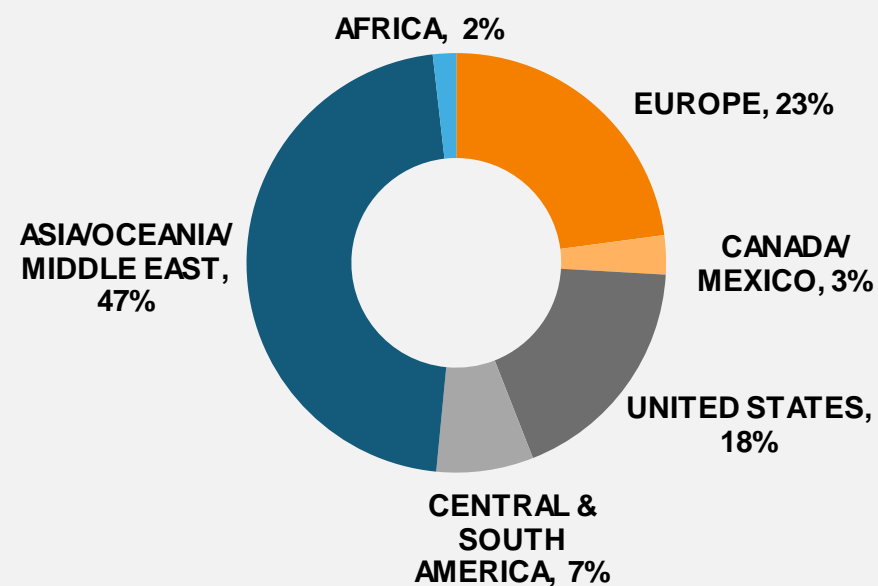
Global Consumer

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 and U.S. Consumption



Automobile Sales (84.7 million units 2012)



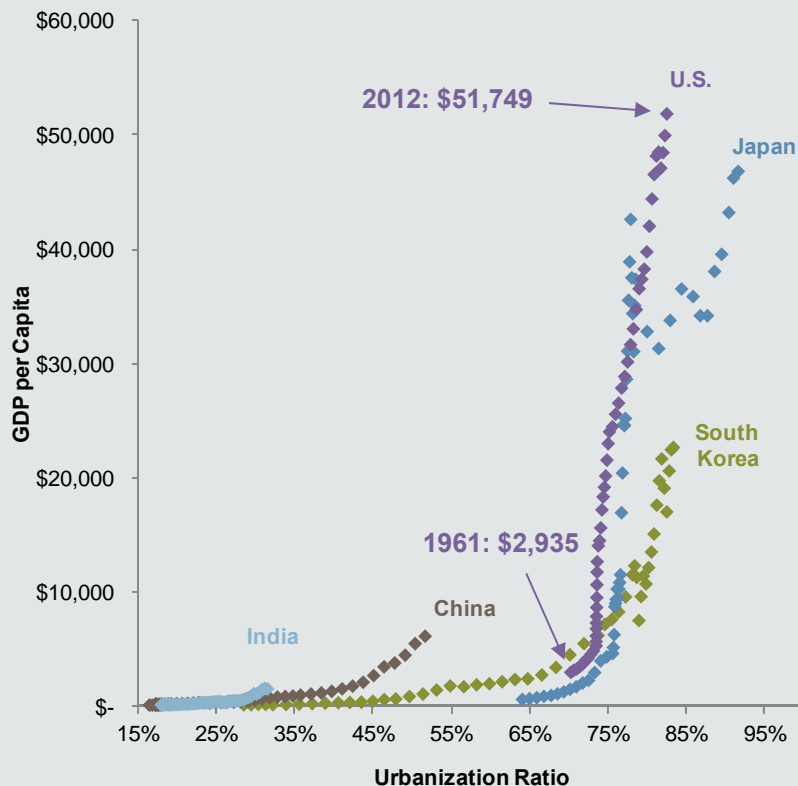
China is the number one auto market in the world and U.S. only accounts for 18% of global sales

Data as of 12/31/12.
Source: The World Bank, OICA

Demographics and Development

The Impact of Urbanization

Urbanization ratios and GDP per capita (current USD), 1961 – 2012



Demographic Snapshot

	GDP Per Capita	Population	% of Pop. under 20	Investment (% of GDP)
Developed				
U.S.	\$53,101	316 mm	26%	20%
Canada	51,990	35	22	24
U.K.	39,567	64	24	14
Germany	44,999	81	18	17
France	43,000	64	24	19
Japan	38,491	127	18	21
Italy	34,715	60	19	17
Emerging				
Korea	24,329	50	22	26
India	1,505	1,243	38	35
Brazil	11,311	198	33	18
Mexico	10,630	118	38	22
Russia	14,819	143	21	24
China	6,747	1,361	20	48

Source: FactSet, World Bank, United Nations, J.P. Morgan Global Economics Research, OECD, Bureau of Statistics of China, Ministry of Statistics & Programme Implementation of India, J.P. Morgan Asset Management.

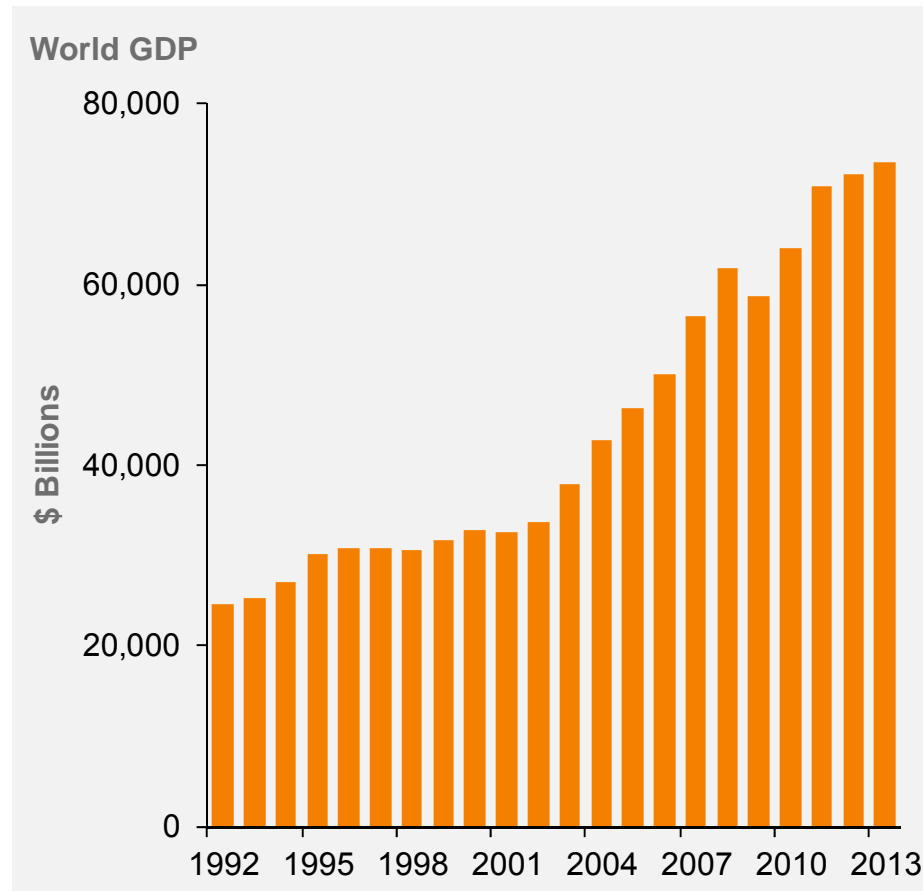
GDP per capita and Investment as % of GDP are IMF estimates for 2014.

Guide to the Markets – U.S.

Data are as of 6/30/14.

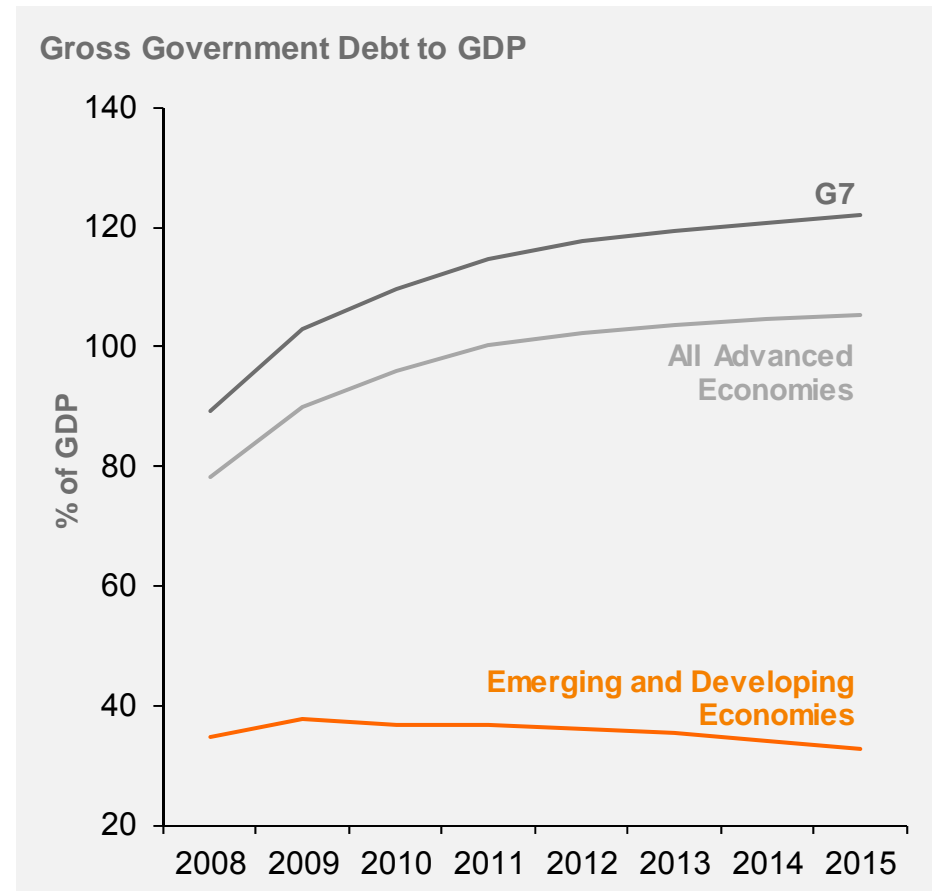
Developing Markets Drive Growth

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.



Data as of 12/31/13.

Source: IMF WEO database



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

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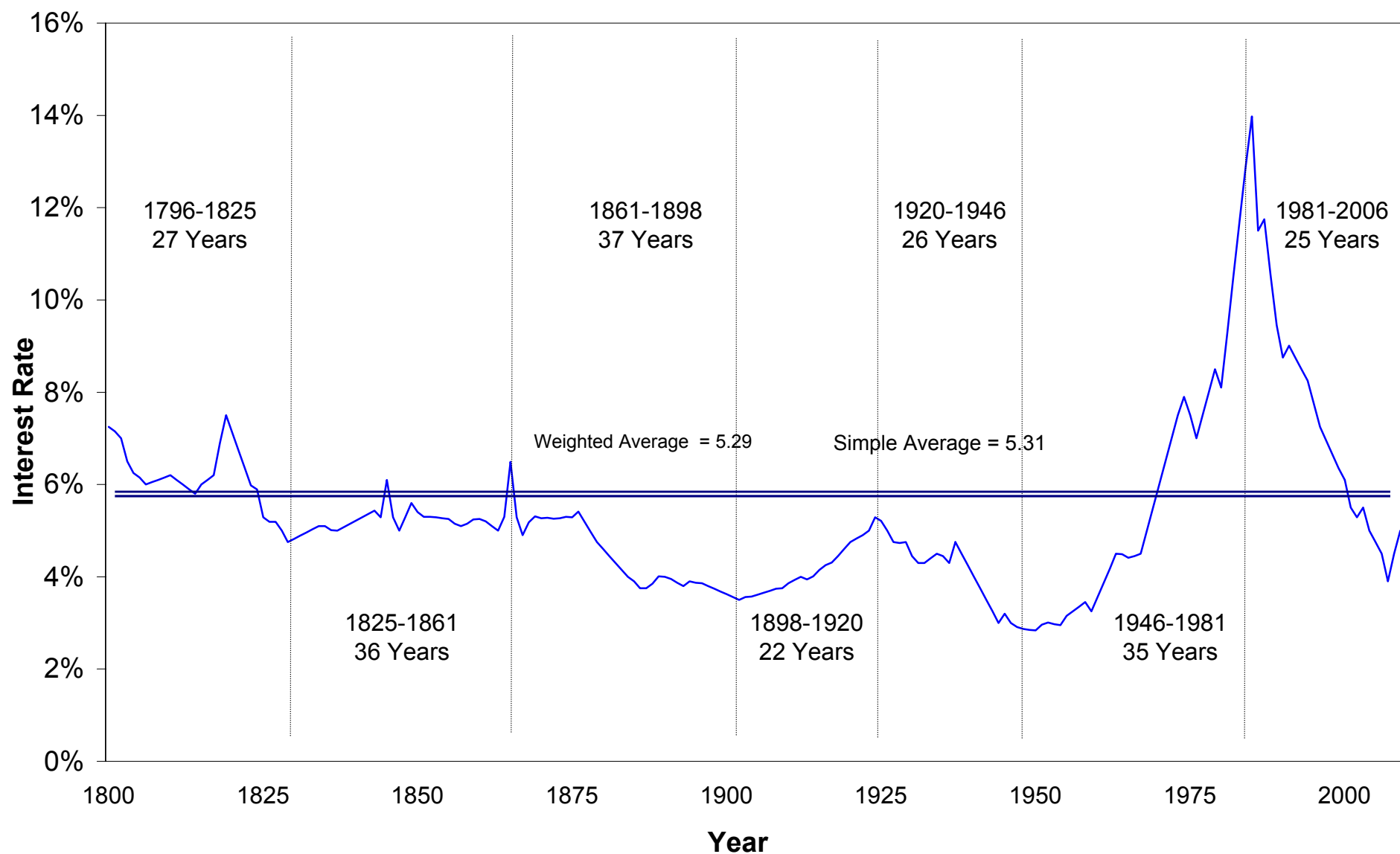
Interest Rates



**Nowhere to Go
But Up!**



200+ Years of United States Interest Rates



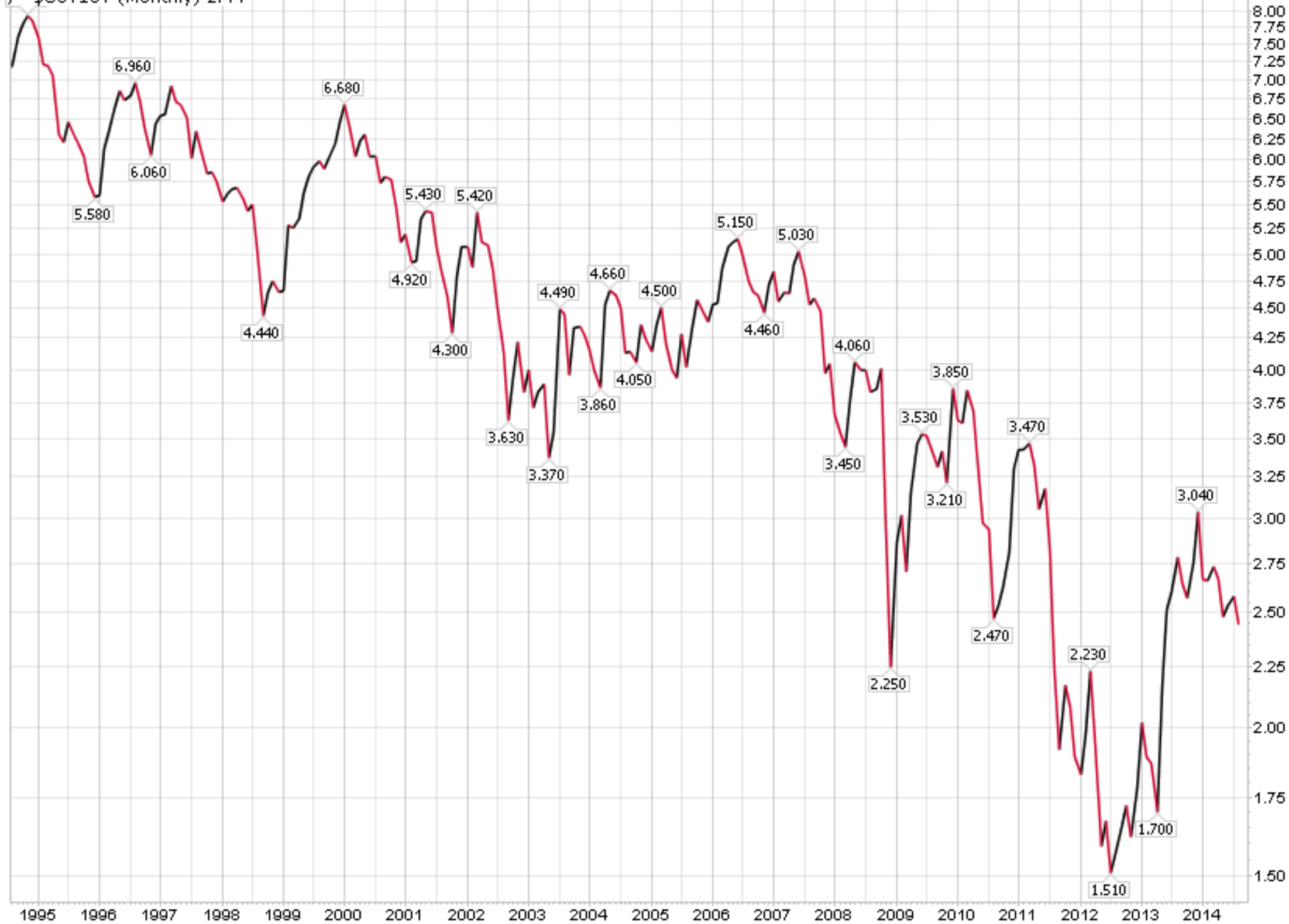
\$UST10Y 10-Year US Treasury Yield (EOD) INDEX

8-Aug-2014

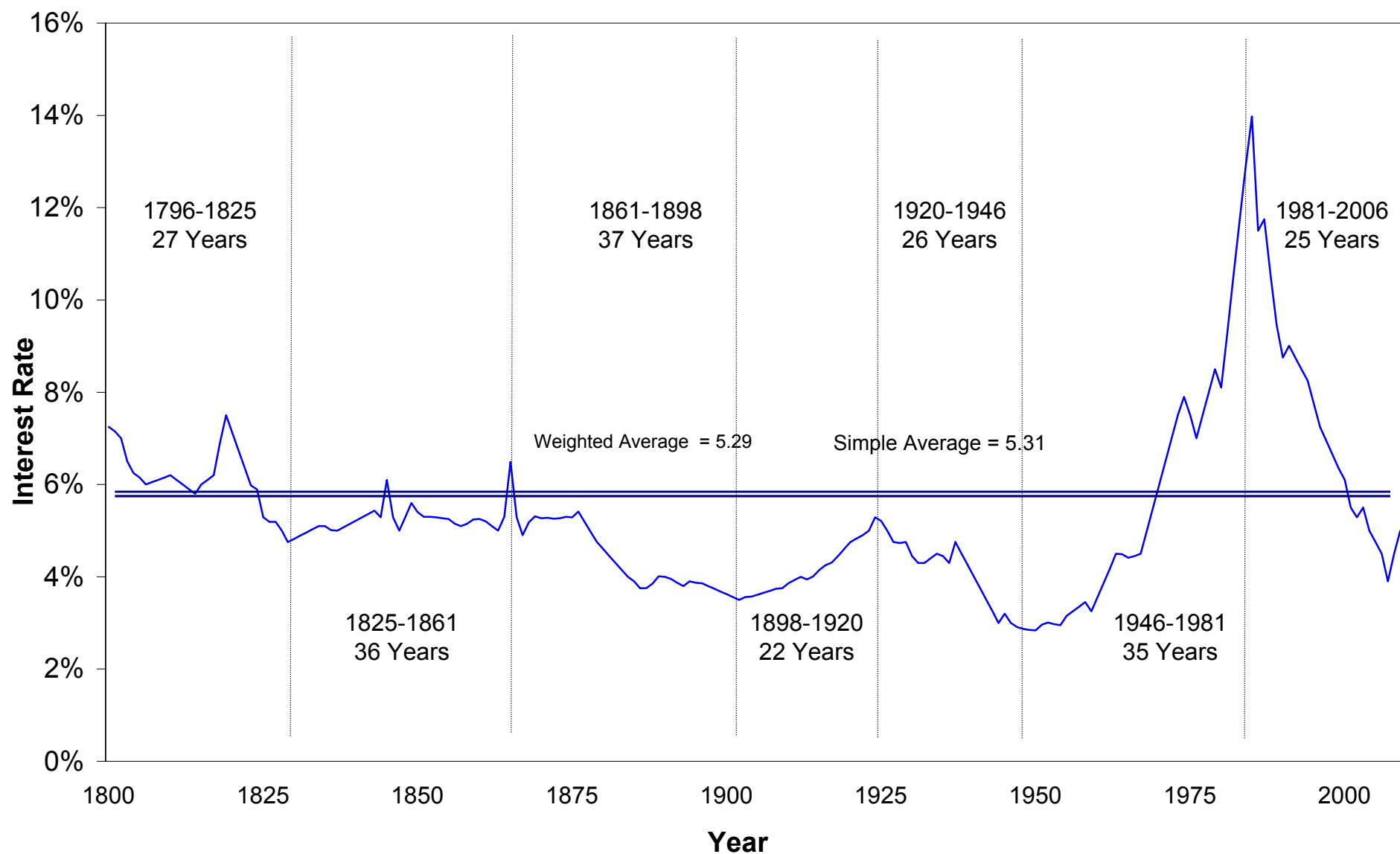
© StockCharts.com

Open 2.52 High 2.52 Low 2.43 Close 2.44 Chg -0.14 (-5.43%) ▼

\$UST10Y (Monthly) 2.44



200+ Years of United States Interest Rates



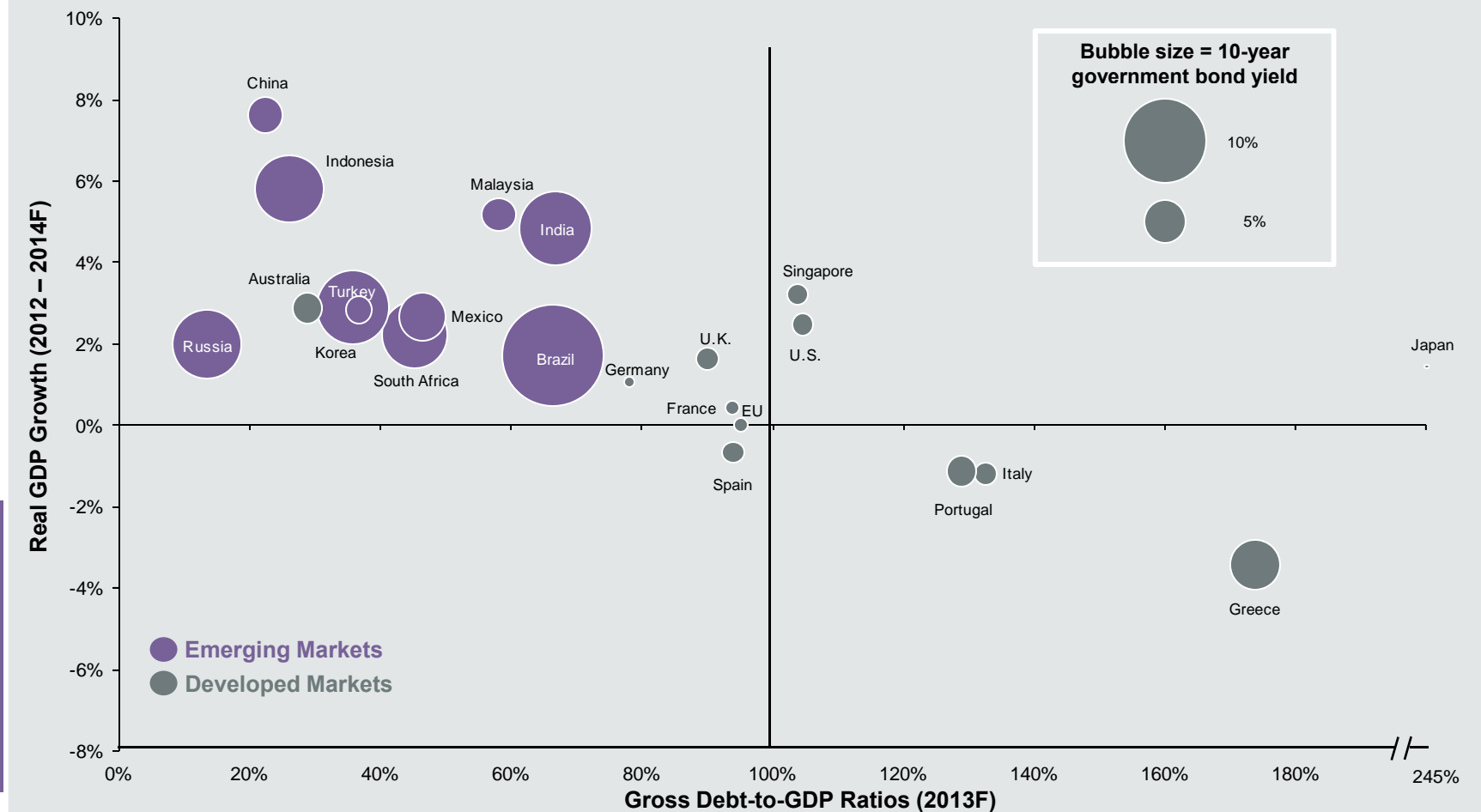
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Some Final Long-Term Thoughts



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 April 2014 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.

BUENA VISTA INVESTMENT MANAGEMENT

**Think About
Investing for a
Lifetime**

**Not a
Retirement
Date**



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



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**BEING AN
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