



Views From The Heartland

Investment Perspective of Buena Vista Investment Management

SOME ADDITIONAL THOUGHTS ON OIL AND YOUR INVESTMENTS

I, like all of you, watch in awe as the price of oil rises relentlessly day after day. In January 2004 the price of a barrel of oil was \$34. In April 2006, the price of oil set a record high at \$72 per barrel and today we are at \$140.

The reasons behind this dramatic increase are extremely complex. Quite honestly, you could have a number of very intelligent people debate the subject and you find that there is no single reason behind these price increases. We can blame it on China, we can blame it on speculators, who we can blame it on big SUVs, we can blame it on poor energy policies from Washington and to some degree all of these answers are correct.

Looking at it purely from an investment standpoint.... our clients pay us to have an opinion so here is mine.

The long-term trend is pretty simple; the growth in Brazil, China and India will continue and those economies will add to the global demand for oil. But... the rise of global capitalism & the emerging economies is a long-term trend that we can profit from.

In the short term, it is our position that the recent run-up in oil prices has more to do with speculation than supply and demand factors. The analyst community has continually been raising their projections for the price of barrel of oil. First it was \$100, then it was \$150, then \$200 and this morning I heard one "talking head" pontificate about \$500 for a barrel of oil! Commodity markets normally vacillate between boom and bust and with expectations rising so fast can a change in direction to be that far off?

So what does this mean for the future of your investments?

The relentless increase in oil prices is spurring new technologies. These new technologies will not emerge in the next six months or even the next year but they are coming! Battery technologies, fuel cells, hydrogen cars, solar power and wind power are all moving forward very rapidly. We are working hard today to better understand how we can profit from those technologies in the future.

So in the short run, it is important to remember that every market cycle has its own set of challenges and investment opportunities. This cycle is no different. I can promise you we are working very hard to ensure that your investment portfolios prosper, in the long run, no matter what the price oil.