Views From The Heartland

Investment Perspective of Buena Vista Investment Management

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OUR ENERGY STRATEGY

A Diversified Approach To An Important And Volatile Sector

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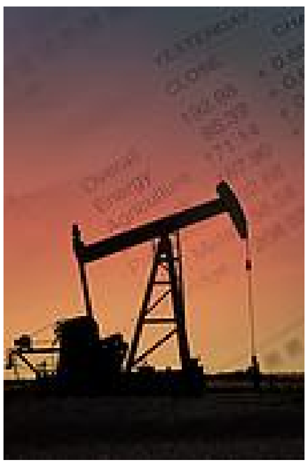

Since the oil shock of 1973-1974, the price of a barrel of oil has remained fairly stable, averaging in the mid $20’s. That stability began to erode in 2003 as increasing demand from emerging markets began to push the price of oil higher. At the beginning of 2003 the price of a barrel of oil was about $25, in less than 2 years the price of crude has risen to the mid $60’s. **The question for investors, after this spike in prices, are energy investments still a good buy?**

Earlier this year Goldman Sachs, a respected Wall Street firm, put out a research report detailing their view that oil could move to $100 per barrel due to increasing global demand. They did not lay out a specific timetable for this price increase; rather, they felt that over the longer-term, increasing worldwide demand for the commodity creates an environment for increasing energy costs. **The potential for higher oil prices is a concept we believe has merit. As we strongly believe that the emerging markets of Brazil, Russia, China and India will fuel future global economic growth and will require increasing amounts of energy to build their economies.**

So what does all this mean to us as investors? **First and foremost we believe that the energy sector offers the potential for above average returns.** Please note that we said energy sector and not just oil stocks. It is our position that in order to generate quality returns, portfolio investments must be highly diversified, as we also believe that price volatility in the sector will be high. This means investing not only in oil but also natural gas, pipelines, refiners and alternative energy sources, specifically fuel cells.

Our position on the energy sector is straightforward…..
In the short-term (less than 1 year) we believe *there is a potential for pullback in the price of oil* as the most recent run-up in prices is due to supply constraints caused by the recent hurricanes rather than demand.

In the intermediate-term (1 to 7 years) *global energy demand will continue to grow* as the developing economies of the world increase their use of fossil fuels. Energy costs will remain substantially above the levels we saw at the beginning of this decade offering investment opportunity.

In the longer-term (7 years plus) *alternative energy investments, such as fuel cells, will become cost competitive with fossil fuels* and become an integral part of our energy supply.

With growing demand and limited supply, investing in the energy sector looks like a slam dunk but investing is never that simple or easy. Investors in the energy sector must be highly diversified, must be prepared for lots of price volatility and must be prepared for changing industry dynamics. **For us the key is to build portfolios that will generate quality returns whether oil is at $40 a barrel or $100 a barrel.**

BLACK GOLD NORTH OF THE BORDER

US Energy Department Estimates That Canada Has Largest Oil Reserves Outside Saudi Arabia

According to the US Department of Energy, Canada's oil sands, located mainly in the province of Alberta contain more than 174 billion barrels of recoverable oil resources. This number is second only to resources estimated to be in Saudi Arabia. The Wall Street Journal estimates that there are now over $80 billion of projects under way or in planning stages which will allow production of approximately 2.7 million barrels of synthetic light crude per day. To put this into perspective, the 2.7 million barrels of potential new supply is equivalent to approximately 12% of our current daily use, which has been estimated to be around 21 million barrels of oil each and every day.

Now for a dose of current reality; if all of the $80 billion in projects found funding and became reality, the new production wouldn't be fully finished until 2015. So this is not a short-term solution to high oil and gas prices, rather we believe this to be a longer-term investment opportunity. We are currently researching options and companies involved in the oil sands region, specifically pipeline companies which we believe to be the most conservative approach to investing in this area.

It is our position that the Canadian oil sands offer the potential for above average longer-term rates of return and is an area that would add additional diversification to our investments in the energy sector.

A DIVERSIFIED APPROACH TO THE ENERGY SECTOR

Chevron Texaco (CVX) – An integrated global oil and natural gas production company with a 2.8% yield
Enerplus Resources (ERF) – A Canadian oil and gas production company structured as an income trust yielding over 7% and making monthly payouts
Plain All American Pipeline (PAA) – A oil pipeline company which transports and stores oil through it's 15,000 miles of pipeline in both the US and Canada. Current yield on the stock is over 6%.
El Paso Corporation (EP) – A global natural gas production and pipeline company with key pipelines between the US and Mexico and a 1.3% yield.
Fuel Cell Energy (FCEL) – A leading alternative energy company focusing on carbonate fuel cells.

BUENA VISTA LONG-TERM MARKET INDICATORS

Buena Vista Conservative Buy/Sell Discipline:	Buy (In bullish territory but weaker in September)
Leuthold Major Trend Index:	Negative (moved to negative on 9-27-05)
Coppock Guide:	Buy (a good buy signal but less reliable on the sell side)
S&P 500 Stock Index:	1,228.81 (1.30% thru 09-30-05)
Wilshire 5000:	12,289.26 (2.66% thru 09-30-05)

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