



# Views From The Heartland

*Investment Perspective of Buena Vista Investment Management*

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## Financial Markets in Turmoil

### 35-45% in Money Market Investments Provide Protection and Opportunity

By John Moffat and Joel Sullivan, Partners

The last six months in the financial markets, more specifically the credit markets, have been nothing but amazing. We have watched in amazement as one financial institution after another has gone by the wayside, brought to their knees by exotic financial instruments, highly leveraged balance sheets and the unrelenting pressure brought to bear on the common stock of these institutions by equity traders.

Let us be perfectly clear.... we are dealing with a credit market problem, a market that is far larger and more complex than the equity market. These markets require a high level of confidence and trust to function properly. The fixed income markets are global in nature, providing billions of dollars of credit on a daily basis, allowing our financial system to work efficiently. These markets are now in distress and this distress is causing ripples throughout the world's equity markets and in turn causing an economic recession.

It is our position that there is plenty of blame to pass around; regulators, lenders, speculators, investors, investment banks, politicians and consumers all were involved in the creation of our current financial mess. Needless to say, this is a very complex problem and it is important to understand that this situation will take time to work itself out. Patience and in turn discipline will be required of investors as markets will remain very volatile in the upcoming months.

So where does that leave us as investors. In times like these, it can be hard to get past the short term "noise" when you are witnessing extreme moves in the equity markets (3 moves of 350+ points in a week). However, like past bear markets, when all is said and done there will be plenty of investment opportunities which will avail themselves to those investors with funds to invest. Second, it is important to remember that markets will turn up before our credit problems go away and our economy rebounds.

In July of 2007 we began increasing our allocation to money market funds as documented in previous issues of this newsletter. Now, our managed account portfolios have a large and important allocation to no risk money market funds. **This is the largest allocation to no risk investments in our firm's history.** This allocation serves two important purposes; first, it helps to **protect your principal** if the markets continue to deteriorate, and second, it allows us to **take advantage of a wide variety of investment opportunities** as things improve. While we are frustrated in the short-term by the decline in portfolio values, we are looking forward to the opportunities that lay before us.

Sometimes it can be helpful to look at things from a historical perspective. There have been eight bear markets from 1950 through 2007. While the details of each vary, it's always about the cyclical nature of our economy and our financial markets. And in every case our resilient economy has rebounded and the market has moved higher. In addition, the first 12 months after a bear market have been extremely profitable. The average return during these periods is 26%. That's why we believe it is critical that we be prepared to take advantage of that opportunity when it appears.

# BUENA VISTA INVESTMENT MANAGEMENT LLC

## Financial Markets in Turmoil (continued)

Bear Markets 1950-2007	12 Month Return Following The End of Bear Market
July 1956 to Nov. 1957	27.2%
Dec 1961 to July 1962	26.2%
Jan 1966 to Nov 1966	16.3%
Dec 1968 to May 1970	27.5%
Feb 1973 to Oct 1974	31.4%
Sept 1976 to Feb 1978	12.0%
Nov 1980 to June 1982	45.0%
March 2000 to Oct 2002	22.2%

Strategically, for those in our Custom Investment Services Program we have begun purchasing attractive dividend paying stocks. We have also begun repurchasing stocks of companies which we had sold earlier this year at higher prices.

In our diversified mutual fund program, we will be making strategic changes, as we have been evaluating our investments on a fund by fund basis. This is consistent with our goal to maximize returns during the next upswing in the equity markets. In our Total Return portfolio we are now looking to increase our investment in China, as those markets have declined by a substantial percentage. In our Income and Growth portfolio we will be adding a new bond fund. In Conservative Equity we will be changing one of our long-time funds and will be reinvesting our large cash positions once we get a buy signal from either the Buena Vista conservative buy sell discipline or the Coppock Guide.

We understand that the anxiety levels of investors are high at this time. We are concerned as well, and that's why we have historically high levels of cash. But remember, our system is resilient. Furthermore, we believe we are closer to the end than the beginning of this bear market. Now more than ever, we are continuing to monitor and adjust your investments, with the goal of earning positive, above average returns over time.

### **LONG-TERM MARKET INDICATORS**

Buena Vista Conservative Buy/Sell Discipline:	Negative (went negative on 12-31-07)
Leuthold Major Trend Index:	Positive (since September 2008)
Coppock Guide:	Negative (close to issuing a buy signal)
S&P 500 Stock Index:	1,166.36 (-20.57% thru 09-30-08)
Wilshire 5000:	11,875.41 (-19.87% thru 09-30-08)

### **DIVERSIFIED MUTUAL FUND PROGRAM**

Absolute Return Strategy – 2008 YTD Performance -14.82%.

Conservative Equity Strategy – 2008 YTD Performance -13.66%.

Income and Growth Strategy –2008 YTD performance -14.44%.

Total Return Strategy –2008 YTD Performance -18.53%.

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, are based on a composite of accounts using the strategy and investments that were in place on 1-1-08. 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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