



Views From The Heartland

Investment Perspective of Buena Vista Investment Management

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A LOSS OF CONFIDENCE OR AN IMPENDING CRISIS? The Current Market Should Not Be Confused With 2008

A tumultuous third quarter has finally come to an end! Financial markets around the globe took a serious beating in the third quarter as investors focused on soaring government debt, Greece, the potential collapse of the European Union, ineffective leadership and partisan politics. It was a toxic brew causing US and international markets to tumble in unison. Even the highflying commodities, gold and silver, were not immune to the carnage as they both ended the quarter in free-fall.

It is at times like this that we, as investors, need to take a deep breath and a step back to look at the total picture objectively. Our current view is that we are cautious about the market in the short-term, which is why we have raised cash in client portfolios. However, our long-term view is much more positive. In this issue we discuss a few big picture economic issues and also our portfolio responses to the current market environment.

First, as it relates to the economic situation in this country; we believe that we will have slow economic growth for the foreseeable future, as this country deals with our federal deficit and the ongoing restructuring of the housing industry. There is no question that the after effects from the 2008 financial crisis will be with us for some time. Even though we have recapitalized our banking system it will take years to work through all the problems associated with the housing and mortgage markets. There are no quick fixes! But it is important to remember that slow economic growth does not necessarily mean no economic growth!



Source: Bureau of Economic Analysis; updated 09/29/11

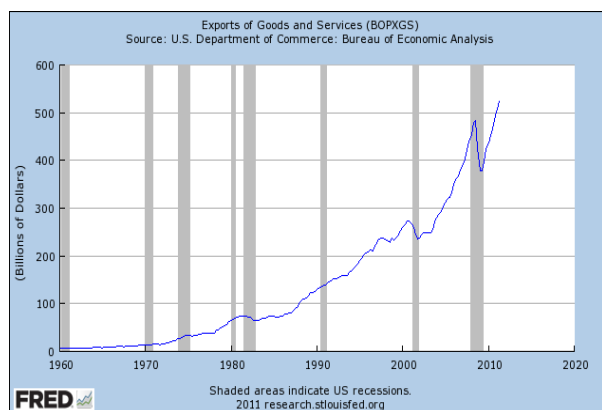
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We believe that the US economy is far more resilient than it is currently given credit for. According to the Bureau of Economic Analysis (BEA), the United States has fully recovered all the GDP that was lost in 2008's "Great Recession", with 2010 GDP topping \$14.5 trillion. Additionally, we have now had seven straight quarters of economic growth in this country. In September, the US Leading

Economic Index released by The Conference Board reached an all-time high. So while the housing and banking industries have suffered, there have been other components of our economy that may not receive as much press but are doing just fine.

Corporate America is extremely healthy, with profits for the S&P 500 expected to reach all-time highs in 2011. Corporate balance sheets are in excellent shape and companies are competing and winning in the global marketplace. And just in case you haven't heard, these are boom times in the agricultural, aircraft, mining and oil & gas industries in this country.

A LOSS OF CONFIDENCE OR AN IMPENDING CRISIS? (continued)



As the chart from the Federal Reserve's Economic Data (FRED) website indicates, exports for the United States hit an all-time high of \$500 billion in 2010 and 2011 is on pace to be another record year.

So why then are the markets behaving so badly? In our opinion this is more of a crisis of confidence than of impending economic doom. In this country, the trifecta of unemployment, federal debt and declining home prices are numbers that are currently drowning out any good economic or corporate statistics and that might not change for a while. Internationally we continue to be held

hostage by the Greek situation. This could mean that the US equity markets could be stuck in a trading range for the next year or until the election in 2012.

Some things that might get the market moving to the upside would be a resolution to the Greek situation or the passage of three long stalled free-trade agreements with South Korea, Colombia and Panama. It is estimated that the signing of these deals will boost US exports by \$13 billion annually.

Corporate profits should prove to be more resilient than the markets presently estimate. Bloomberg indicates that the consensus S&P 500 operating earnings estimate for 2012 is now at approximately \$110. This means that if the S&P 500 stock index was at 1300, 18% above current levels, the market would still trade at only 12 times earnings. This is below the long-term average of a 16 P/E multiple for the index.

Finally, what does this all mean for your investments? Most importantly, we have cash in our portfolios! Our mutual fund strategies all have in excess of 25% cash. Currently, "cash is king" and this cash will be deployed when our indicators present us with "buy" signals.

For our Custom Investment Services clients we will continue to focus on dividend paying investments to the portfolios, as we believe dividends and income production are the key to portfolio management over the next year. We are also expanding the number of Exchange Traded Funds (ETF) we use.

The issues facing this country are solvable and our current crisis of confidence will end. When the markets begin to move to the upside we want to have these portfolios properly positioned to fully take advantage of a rising market. So while we remain optimistic about the future, we remain cautious in the near-term and will wait for our indicators to turn positive before we put our cash balances back to work.

BUENA VISTA INVESTMENT MANAGEMENT LLC **INTERMEDIATE-TERM MARKET INDICATORS**

Buena Vista Conservative Buy/Sell Discipline:	Negative issued a "sell" signal in August 2011)
Leuthold Major Trend Index	Negative (issued a "sell" signal in August 2011)
InvesTech Negative Leadership Composite:	Negative (issued a "sell" signal in August 2011)

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 and are based on investments held in a composite of accounts with like investment strategy. 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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