



VIEW FROM VISTA

October 9, 2001

Dear Valued Client,

Enclosed is your quarterly report. The third quarter of the year 2001 was obviously an extremely difficult one, both in terms of human tragedy and the stock market. Our hearts, prayers and compassion go out to all of those affected by the previously unimaginable events of September 11th. It has lately seemed trivial to talk about our finances, but we will do so here in an attempt to move forward.

We often talk about Vista's "core beliefs" of diligent research, diversification, low costs, tax efficiency, and client communication. It is during times of uncertainty such as these - when fear, volatility, and confusion in the markets reach a fevered pitch - that we lean on these beliefs like never before. Strict adherence to these fundamental principles will reward us as investors in the long-run.

Many clients have called or written to ask, "What should we do"? Our answer is simply, "*stay the course*"! Staying the course can mean a number of things, including doing absolutely nothing. Assuming one has a long-term investment plan in place, doing nothing, while many times the hardest thing to do, is often the best course of action. It is also easy for us to tell you what we are NOT going to do. We will not sell out of stocks now with hope of getting back in at just the right time. We will not give up on our belief in the U.S. economy and its world-leading companies. We will not alter your asset allocation due to recent short-term events. We will not give up on our constant search for the very best companies and mutual funds in which to invest.

What we WILL do is look to take advantage of the public's tendency to dramatically overreact to short-term negative events and extrapolate the short-term into long-term predictions. This is the same tendency that led everyone to jump on the technology and growth stock bandwagon in the late 1990's.

We find it quite interesting that the average investor was breathlessly excited about investing their hard-earned money into an inflated NASDAQ trading at 5,100, yet hopelessly scared to invest in a 1,500 NASDAQ (a decline of more than 70%). We decided long ago that controlling these emotions and contradicting this perverse logic among investors is one of the most important things we can do for our clients. From a portfolio management perspective, this may mean taking advantage of the fall in stock prices to rebalance your portfolio out of bonds or cash and into stocks. We are also researching the best ways to invest in the industries that have been hardest hit, namely travel & leisure, financial, technology and telecommunications.

While today's headlines are filled with gloomy forecasts and missed earnings estimates, there are a number of factors which make us exceedingly confident about the future. Taken as a whole, these factors will eventually reinvigorate our economy:

- *Low interest rates* – now at a 40-year low, this makes the financing of purchases more attractive and makes stocks a more attractive investment relative to bonds.
- *Solid banking system* – this pillar of our economy is healthy and the strongest in the world.
- *Government spending* – the current budget surplus will be spent on items ranging from defense to tax cuts, helping to prop up the economy while consumer and business spending recovers.
- *Demographics* – baby boomers are reaching their peak earnings, investing and spending years.

Below you will see a table of year-to-date returns for various asset classes for which to compare your personal returns. As always, please call us at anytime with your questions or concerns. We wish each of you the best and would like to thank you for being a client.

Sincerely,

Douglas E. Johanson, CFA

Michael J. O'Reilly

Comparative Returns:

Index	2001 Return	Description
S&P 500	-21.2%	<i>Large Cap Stocks.</i> 500 of the largest U.S. companies in all sectors of the economy.
NASDAQ	-39.3%	<i>Large Cap Stocks.</i> Primarily growth-oriented U.S. companies. Dominated by tech stocks.
Dow Jones Industrial Average	-18.0%	<i>Large Cap Stocks.</i> 30 of the largest, most mature U.S. companies.
Russell 2000	-16.3%	<i>Small Cap Stocks.</i> A broadly diversified index consisting of about 2000 small companies.
MSCI EAFE	-27.6%	<i>International Stocks.</i> An aggregate of 21 major country indexes, excluding the U.S.
Lehman Bros. Aggregate Bond	7.4%	<i>Bonds.</i> Represents the performance of the entire US bond market.