



VIEW FROM VISTA

January 15, 2002

Dear Valued Client,

Enclosed is your Quarterly Report from Vista Capital Partners for the fourth quarter of 2001. As you will see, we were rewarded during the quarter for staying the course, as the market rebounded sharply from its lows set in the face of the September 11th tragedy and our country's first recession in a decade. That being said, last year was another down year for the stock market and a good year for bonds. The New Year brings with it many questions as to what 2002 will have in store for the financial markets. Consider:

- Although stocks staged a rally in the fourth quarter, 2000 and 2001 marked the worst two-year period for the Dow industrials since 1977-1978 and the worst for the S&P 500 since 1973-1974.....*yet P/E's remain at historically high levels.*
- It has been 60 years (1939-1941) since the major stock indexes fell for three consecutive years.....*and that's when fascism was sweeping Europe and the Depression was still on everyone's minds.*
- After peaking above 5000 two years ago, the NASDAQ fell 39.3% in 2000 and 21.1% in 2001 and now stands below 2000.....*hard to believe.*
- The four-business day suspension in stock trading after September 11th was the longest since March 1933 when the Depression-era banking collapse caused a nine day closure.....*but it was reassuring to see how relatively smooth things went when the markets opened.*
- As of now, the official bear market lasted 20 months, from January 14, 2000 until September 21, 2001, making it the third-longest bear market since World War II.....*let's hope September 21st remains the low point.*
- Of the ten S&P 500 sectors in 2001, Technology was the worst performer at -31.7% and Consumer Non-Cyclicals (i.e. food, soft drinks, household products) the best at -4.2%.....*a good sign it's time to add to tech stocks.*
- 83% of U.S. stock funds posted negative returns, with the average stock fund falling 10.9%.....*much worse than the average 1.7% drop in 2000.*
- The average stock fund gained 14.8% in the fourth quarter.....*a very nice rebound.*
- The NASDAQ Stock Market lost 690 listed companies in 2001, meaning the remaining 4,044 stocks make up its leanest roster since 1983.....*must mean it's time to start buying the NASDAQ.*
- Only 92 companies went public with an IPO in 2001 vs. 396 in 2001.....*a sign of the times.*
- Greenspan and the Federal Reserve cut interest rates an unprecedented 11 times in 2001, in the process lowering the federal-funds interest rate from 6.5% to 1.75%.....*a good time to be borrowing money or refinancing your mortgage.*
- Of the 18 occasions since the 1920's that the Fed has cut interest rates twice or more in succession,

only twice, until now, have stocks not moved higher - on average by 11% after six months and 23% one year later.....*the tech bubble made this time different.*

- In a surprise announcement last year, the Treasury Department suspended sales of the benchmark 30-year Treasury bond.....*seems strange to have the 10-year bond as the Treasury's longest.*
- An investor holding a basket of U.S. Treasury bonds would have seen a return of 21% over the last 2 years, compared with a loss of 10% for the Dow and 20% for the S&P 500.....*and, this is a shocker, now investors want to add bonds to their portfolio.*
- The maximum annual contribution for an IRA (traditional and Roth) rises to \$3000 from \$2000 for those under age 50. For those 50 or older by the end of 2002, the limit rises to \$3500...*good news.*
- The maximum annual contribution into a 401(k) or similar plan rises to \$11,000 for those under 50, and \$12,000 for those 50 and over.....*more good news.*
- The yearly gift-tax exclusion is rising to \$11,000 in 2002 from last year's \$10,000.....*some of your children will be happy to hear this.*
- Withdrawals from our favorite college-savings vehicle, the 529 plan, will now be federally tax-free if used for higher education expenses.....*an extremely powerful incentive which makes this decision even easier.*
- The estate tax exemption amount increases to \$1 million.....*it's about time.*

In our last letter we urged you to “stay the course” in the midst of a very difficult time for both our country and the financial markets. Thank you for heeding that advice, you have been, and will be, rewarded with superior long-term investment returns.

As always, we welcome your calls and e-mails. Thank you for being a client.

Sincerely,

Douglas E. Johanson, CFA Michael J. O'Reilly

Comparative Returns:

Index	2001 Returns	Description
S&P 500	-13.0%	<i>Large Cap Stocks.</i> 500 of the largest U.S. companies in all sectors of the economy.
NASDAQ	-21.1%	<i>Large Cap Stocks.</i> Primarily growth-oriented U.S. companies. Dominated by tech stocks.
Dow Jones Industrial Average	-7.1%	<i>Large Cap Stocks.</i> 30 of the largest, most mature U.S. companies.
Russell 2000	+1.0%	<i>Small Cap Stocks.</i> A broadly diversified index consisting of about 2000 small companies.
MSCI EAFE	-22.6%	<i>International Stocks.</i> An aggregate of 21 major country indexes, excluding the U.S.
Lehman Bros. Aggregate Bond	+8.4%	<i>Bonds.</i> Represents the performance of the entire US bond market.