VIEW FROM VISTA

January 13, 2003

Dear Valued Client,

The good news is the stock market rebounded nicely from its lows set in early-October, with the Dow Jones Industrial Average and the NASDAQ Composite Index up 10.6% and 14.0%, respectively, for the quarter. The bad news is that this wasn't even close to being enough to offset the damage done during the third quarter. The year ended with the Dow industrials (-15%), S&P 500 Index (-22%) and NASDAQ (-32%) all posting losses for the third year in a row, something that hasn't happened for the Dow & S&P 500 since 1939-1941. The NASDAQ was introduced in 1971 and has never been down three years in a row. The bond market continued its unprecedented hot streak, with the Lehman Aggregate Bond Index up another 1.6% for the quarter and 10.3% for the year.

Now that the last three years are in the history books, we begin 2003 with a sense of cautious optimism. With third quarter GDP growth of 4.1% and a 10-year Treasury hovering near 4.0%, we have an economy that is showing signs of strength combined with historically low interest rates and stock valuations, while not low, at reasonable levels. Consider:

- Over the last 36 years (as of 12/31/01), bear markets have lasted an average of 15 months and lost 34% on average. Bull markets have lasted an average of almost 58 months and gained almost 180% on average. *Remember, bull markets always follow bear markets.*
- The Dow Jones experienced seven straight weeks of gains during October and November – its longest such streak since 1998. *A welcome relief.*
- Over the 10-year period from 12/31/91-12/31/01, the S&P 500 had 12.9% annualized returns. During the same period, if you subtract the 10 best days, annualized returns were just 8.1% and just 4.7% if you subtract the 20 best days. *One of the reasons why we never attempt to time the stock market.*
- Over the 10 years ended June 30, 2002, taxes had eaten up 2.6% of the 10.4% average annual return for U.S. diversified equity fund investors. *Exactly why we favor index funds, tax-efficient mutual funds and individual stocks.*
- Bond fever, as the Wall Street Journal called it, continues to grip the nation. Through the end of November, bond funds attracted a record $134 billion in new money while stock funds had nearly $20 billion in net redemptions. *Compare this to the market's peak year in 2000, when bond outflows hit $81 billion while stock funds raked in $309 billion,. Once again, investors' are showing their knack for impeccable timing.*
- Since 1970, the average amount of time an investor has held on to a mutual fund has shortened from 11 years to just over 2 years. *A reflection of just how obsessed investors are with market fluctuations and short-term thinking.*

- During the 30 calendar years between 1972 and 2001 the MSCI EAFE index (international stocks) and the Wilshire 5000 Index (U.S. stocks) each outperformed the other 15 times. *This is why international stocks deserve a place in most portfolios.*
- The 20 hottest-performing stock funds returned more than 250%, on average, in 1999. These same 20 funds have since lost more than 33% a year, on average, over the past three years compared to a 12% annual decline for the S&P 500 Index. *Don't chase the hot stuff.*
- The S&P 500 index has provided a 9.3% annual return during the past 10 years. The Lehman Aggregate Bond Index has returned an average of 7.5% during the past 10 years. *It has sure been nice to own bonds the last three years, but even after the recent bear market, stocks still beat bonds and we would argue that bonds may be riskier than stocks at current valuations.*

While there has been considerable press in the media lately regarding the corrupt practices of Wall Street's research analysts, this is not news to us. We have never thought of Wall Street's recommendations as anything other than suspect due to their tendency to follow the herd and to be influenced by their firm's investment banking activities. We have always favored research produced by independent firms with no investment banking conflicts.

Finally, we would like to thank you for being a client during 2002. Your trust and confidence in us is immensely appreciated. We would also like to thank all of you who referred us business last year. Your referrals were our largest source of new business and a big reason why we were able to grow our assets under management by 20% in the face of very difficult conditions. Please continue to keep us in mind when you come across a friend, family member or associate who you feel would be a good fit for Vista's investment philosophy and client service.

Sincerely,

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

Comparative Returns:

Index	**2002 Returns**	**Description**
S&P 500	-22.1%	*Large Cap Stocks*. 500 of the largest U.S. companies in all sectors of the economy.
NASDAQ	-31.5%	*Large Cap Stocks*. Primarily growth-oriented U.S. companies. Dominated by tech stocks.
Dow Jones Industrial Average	-15.0%	*Large Cap Stocks.* 30 of the largest, most mature U.S. companies.
Russell 2000	-25.8%	*Small Cap Stocks.* A broadly diversified index consisting of about 2000 small companies.
MSCI EAFE	-15.9%	*International Stocks.* An aggregate of 21 major country indexes, excluding the U.S.
Lehman Bros. Aggregate Bond	+10.3%	*Bonds.* Represents the performance of the entire US bond market.