



VIEW FROM VISTA

January 10, 2006

Dear Valued Client,

Enclosed is your Quarterly Report from Vista Capital Partners for the fourth quarter of 2005. The markets managed only modest gains in the quarter leaving most major indexes with below-average returns for the year. International stocks made the strongest showing with the MSCI EAFE index +4.1% for the quarter and +13.5% for the year. Large cap stocks outperformed small caps in the quarter (S&P 500 +2.1%, Russell 2000 +1.1%) giving them a slight advantage for the year (+4.9% vs. +4.6%). Bonds also increased their 2005 total return slightly, with the Lehman Aggregate finishing the year +2.4%. While some may regard 2005 as a disappointing year for the market, we know weathering a below-average year is a necessary part of being a successful long-term investor. We are pleased with how our client's portfolios fared in a difficult market last year and we are confident our diversified and disciplined approach will continue to serve us well in the year ahead.

Some of our observations on the financial markets:

- Mounting concern about the near-term potential of U.S. stocks and strong returns from overseas markets has many Wall Street "experts" recommending more international exposure. The average international stock fund outperformed the S&P 500 by 10% annually the last 3 years. Investment flows to international and global stock funds were more than 2 times higher than flows to domestic stock funds in 2005. *We think shifting emphasis among assets classes based on short-term forecasts is always dangerous, but particularly when the asset class has already had a long run and recent returns seem unsustainable.*
- A recent report from the National Association of Realtors said its index of pending home sales was down 3.3% from a year ago. For the past few months, the U.S. housing market has been showing signs of slowing from the frantic pace of the last several years. *We view this as a healthy sign that reason may be returning to the real estate market.*
- The U.S. economy is estimated to have grown at a rate of 3.5% to 4% in 2005 and added nearly 200,000 jobs a month. *The U.S. economy has exhibited remarkable strength in the face of high oil prices, rising interest rates, and devastating natural disasters.*
- Companies in the S&P 500 paid approximately \$500 billion to shareholders in dividends and share repurchases in 2005, a 30% increase from last year. Of these 500 companies, 275 raised their dividends and only 8 cut them. *Companies have been under pressure to make good use of their growing cash hordes. These payouts could help boost share prices and fuel consumer spending.*

Investment Focus

Dig your well before you're thirsty, the saying goes. Well, that's what we'd like to accomplish with this quarter's investment focus. The last thirty years have been good to equity investors, probably a little too good. A diversified, all-equity portfolio has experienced only a few negative years since the beginning of 1975. The end result is a stock

market with a higher than average valuation and possibly a little too much complacency and optimism on the part of most investors.

Additionally, low interest rates have created a flood of capital seeking higher returns. This has encouraged risk taking. One needs to look no further than the dizzying ascent of real estate prices, the stock market's P/E ratio and the shrinking spread between corporate and U.S. Treasury bonds for evidence of this trend. Investors are not being compensated to take risk to the same extent they have been in the past. Alan Greenspan recently was quoted as saying, "long periods of economic stability have encouraged investors to accept increasingly lower levels of compensation for risk." He warned that history, "has not dealt kindly with the aftermath of protracted periods of low risk premiums."

Keep in mind we are making no attempt to forecast the future. We have no illusions as to our ability, or anyone else's, in that regard. The next five years could well turn out to be very good ones. Corporate profit growth is high, inflation is low and consumers continue to spend. We simply want to prepare you for a worst-case type of scenario while times are good. Now is the time to dust off the story of 1973-1974, when a diversified, all-equity portfolio was down a painful 40%. Keep in mind, however, that an investor who rode out that 40% loss ended up averaging +7.5% a year over the five years 1973-1977. Preparing for a difficult, bear market now will help keep you disciplined, calm and confident when it inevitably occurs.

What could go wrong? Almost anything. It could be resurgent inflation, a recession or a sudden, unexpected crisis. Whatever it is, Vista promises to remain unemotional, patient, diversified and vigilant towards the minimization of expenses and taxes. Investing is, by definition, a long-term proposition. It is important to always remember that.

Private Wealth Management

For the millions of retired Americans not yet on Medicare, securing adequate health insurance is a major undertaking. As health insurance costs have soared, it has become increasingly difficult - particularly for those individuals with pre-existing conditions - to obtain affordable coverage. The following guidelines may prove helpful in evaluating your health insurance options:

1. If you are considering early retirement, apply for an individual "guaranteed renewable" policy as soon as possible. If accepted, stop participating in your employers' group plan. This policy usually cannot be cancelled based on a change in your health status, allowing you to lock in coverage while you are relatively young and healthy.
2. If you are denied individual coverage due to a pre-existing condition, you may qualify for a policy from a state assigned high-risk pool. Thirty-three states have risk pools; the cost of those states' policies is 10%-30% higher than a typical "individual" renewable policy.
3. If retirement is still a ways off, consider a Health Savings Account (HSA) coupled with a high-deductible policy. Similar to IRAs, HSAs enable you to save for future medical costs by stashing tax-deductible money into an account that grows tax-free.
4. If you have already retired and age 65 is near, shop for a nonrenewable short-term health insurance policy until Medicare kicks in. While short-term policies are less expensive, they will not cover serious pre-existing conditions.
5. If you have quit or been laid off, you are entitled by law to participate in your former employer's group plan under the COBRA law for 18 months (for employers with more than 25 employees) or a CONTINUATION plan under Oregon state law for up to six months. Although short-term and on your

dime, it helps while you look for a long-term solution.

6. When you initially turn 65, you have six months to purchase a Medicare Supplement with no medical underwriting. After the six-month period, you will need to complete a medical questionnaire and, depending on your pre-existing conditions, you may or may not qualify.

Health insurance is expensive, but you can't afford not to have it. Last year, medical problems instigated more than half of all personal bankruptcies in the U.S. By planning in advance, you'll go a long way towards ensuring personal and financial health in your golden years.

Other

We have included your 2005 Realized Gain/Loss report with this packet. You can also expect to receive your 1099 forms from your custodian by early February. These two reports will provide you with most or all of the 2005 tax-related information you will need regarding your portfolio. A copy of Vista's privacy policy is also included for your review. You will also notice a new performance-related page in your quarterly report. We hope you will enjoy the year-by-year breakdown, graph and cumulative performance information.

As we reflect on 2005 and Vista's recent five-year anniversary, we would like to thank you once again for being a client and for your support and referrals along the way. We welcome your calls and e-mails and look forward to our next meeting or conversation.

Sincerely yours,

Vista Capital Partners

Comparative Returns:

Index	2005 Returns	Description
S&P 500	+4.9%	<i>Large Cap Stocks. 500 of the largest U.S. companies in all sectors of the economy.</i>
Russell 2000	+4.6%	<i>Small Cap Stocks. A broadly diversified index consisting of about 2000 small companies.</i>
MSCI EAFE	+13.5%	<i>International Stocks. An aggregate of 21 major country indexes, excluding the U.S.</i>
Wilshire REIT	+12.3%	<i>Real Estate. Measures the performance of publicly traded real estate equity.</i>
Lehman Bros. Aggregate Bond	+2.4%	<i>Bonds. Represents the performance of the entire US bond market.</i>