



VIEW FROM VISTA

April 4, 2008

Dear Valued Client,

Enclosed is your Quarterly Report from Vista Capital Partners for the first quarter of 2008. Volatility proved to be the theme as markets drifted into what the press called a “perfect storm” of inflationary pressure, dollar weakness, credit crisis, and a potential recession looming on the horizon. We are encouraged that despite the turmoil, our clients demonstrated commendable discipline and long-term perspective. Staying the course is never more important (or more difficult) than during turbulent times, but doing so will allow you to reach your destination.

The Dow Jones Industrial Average finished the quarter down -7.0%, while U.S. small company stocks declined -9.9%. International and emerging stocks, after a strong five-year run, fell -9.5% and -11.3%, respectively. REITs (Real Estate Investment Trusts) stabilized after a tumultuous 2007, and finished the quarter up 2.1%. Investor unease and the continued flight to quality helped the bond market gain 2.2%.

Some of our observations on the financial markets:

- We count ourselves among the many Warren Buffet fans. Here are a couple of our favorite quotes from his most recent annual letter to shareholders: “Beware the glib helper who fills your head with fantasies while he fills his pocket with fees”, and “... Active investors will have their returns diminished by a far greater percentage than will their inactive brethren. That means that the passive group – the “know-nothings” – must win.” *We never thought we would say this out loud, but Vista is happy to be one of the “know-nothings” to whom Mr. Buffet is referring. We like our clients to win.*
- For the past nine years, The S&P 500 Index has fallen 0.37% a year. The Wall Street Journal has called this a “Lost Decade” for stocks. *Large company U.S. stocks have been the worst performing of nine different asset classes tracked by Morningstar over this period. Vista’s globally diversified investment strategy includes eight of those nine asset classes. Considering the S&P 500 has shown gains for 98.6% of all ten-year periods since 1925, it sure looks like a good time to buy large cap U.S. stocks!*
- One of Wall Street’s oldest, most respected firms, Bear Stearns, was recently rescued by J.P. Morgan and the Federal Reserve for \$10 per share after trading for over \$150 per share as recently as July 2007. *One can only wonder what the esteemed management of Bear Stearns was thinking as they leveraged the bank’s balance sheet by over a 30-to-1, debt-to-assets ratio. As so often occurs following prolonged periods of boom times, even the smartest folks frequently forget about risk.*

Investment Focus

Stocks have been extremely volatile and financial news remains overwhelmingly negative. In the face of such adversity, why doesn't it make sense to sell stocks and "wait out the storm" in the relative safety of bonds and/or cash? Because market timing strategies generate lower investment returns than those achieved by adhering to a well-thought-out investment plan.

Numerous studies have been conducted over the years which support this conclusion, but the following quote by John Bogle, founder of Vanguard Funds, seems to sum it up best: "The idea that a bell rings to signal when investors should get into or out of the stock market is simply not credible. After nearly 50 years in this business, I do not know of anybody who has done it [market timing] successfully and consistently. I don't even know anybody who knows anybody who has done it successfully and consistently."

Even if recent recession predictions prove true (something we won't know for sure for 6-9 months), it isn't clear that an investor would benefit from being temporarily out of stocks. During three of the past six U.S. recessions, the S&P 500 Index actually had positive returns (the stock market went up even as the economy contracted). And in the six months following each of those recessions, S&P 500 returns were positive in all but one period (and three of those were up about 20%). The opportunity costs of being out of the market can be huge.

Markets move too sporadically and trends are too unpredictable to be consistently exploited by market timers. Successful long-term investing is a function of discipline and patience, not timing. A well diversified portfolio withstands market cycles and delivers better returns without subjecting the investor to the risk and stress of choosing entry and exit points.

Private Wealth Management

One of the greatest risks a retiree faces is running out of money. This risk can be mitigated by owning an asset which a) provides regular income, b) is adjusted for inflation, c) entails no investment risk, and d) continues to pay as long as you live. Don't think you own such an asset? Think again. Social Security is one the most valuable sources of retirement income for guarding against longevity risk. Despite this, many people are unfamiliar with how Social Security benefits actually work.

If you have contributed to Social Security from working income and have compiled at least 40 work credits (equal to ten years of work), you are entitled to receive benefits. Confused by your Social Security statement of benefits? The projected benefit shown on your statement assumes your earnings stay at their current level until you retire, plus a small inflation adjustment. The benefit amount is shown in today's dollars, so you can compare it with today's living costs. It is based on your average earnings over your working lifetime and the age at which you begin taking benefits. And don't forget: based on your work history, your spouse is entitled to spousal benefits—up to 50% of your benefit—even if he or she never earned income.

While benefits may be collected as early as age 62, taking them before full retirement age (FRA) reduces the benefit amount by about 25%. If you can afford to wait, delaying taking benefits has its advantages. Benefits increase by roughly 8% each year delayed, up to age 70. The benefit at age 70 is approximately 125% of a retiree's FRA benefit. Beyond age 70, there is no increased benefit from waiting.

So what is the right age to start drawing benefits? In general, this depends on your life expectancy, employment and marital status. If you expect to live beyond age 77, for example, the higher benefit amount you will receive by waiting until age 66 more than makes up for the benefits foregone between age 62 to 66. If you believe you'll live past 80, it pays to delay taking benefits until age 70.

Whether or not you intend to work once you are eligible for benefits should also play a role in any decision. If you decide to take Social Security at 62 but are still working, your benefits will be temporarily reduced \$1 for every \$2 earned above \$13,650 (upon reaching FRA, benefits are increased to make up for this earlier penalty). This might tip the scale in favor of delaying collecting benefits, since there is no reduction in benefits for earned income once you reach full retirement age.

As much as you might like to think otherwise, it's not all about you. Since Social Security is effectively a joint annuity, delaying taking benefits—even if you don't think you will personally live beyond the breakeven age—might mean locking in a higher benefit for your younger or more well-preserved spouse. According to the Social Security Administration, there is an 80% probability one spouse will live beyond age 85.

Other

Thank you for your continued trust, confidence, and referrals. As always, we welcome your calls and e-mails and look forward to our next meeting or conversation. Below you will see a table of 2008 returns for most of the major asset classes.

Sincerely,

Vista Capital Partners

Comparative Returns:

Index	2008 Returns	Description
S&P 500	-9.4%	<i>Large Cap Stocks.</i> 500 of the largest U.S. companies in all sectors of the economy.
Russell 2000	-9.9%	<i>Small Cap Stocks.</i> A broadly diversified index consisting of about 2000 small companies.
MSCI EAFE	-9.5%	<i>International Stocks.</i> An aggregate of 21 major country indexes, excluding the U.S.
Wilshire REIT	+2.1%	<i>Real Estate.</i> Measures the performance of publicly traded real estate equity.
Lehman Bros. Aggregate Bond	+2.2%	<i>Bonds.</i> Represents the performance of the entire U.S. bond market.