



VIEW FROM VISTA

July 7, 2009

Dear Valued Client,

This feels good to say: The second quarter of 2009 was a strong one for investors. Thanks to a worldwide market rebound that began in March, our clients' portfolios now have positive year-to-date returns.

Investors' relief, however, is tempered by the fear of what may result from the Government's unprecedented stimulus efforts: Inflation.

Without question, inflation is one of the biggest risks long-term investors face. Inflation is the silent killer—it erodes money's purchasing power, requiring you to spend more and more to maintain the same standard of living.

Rest assured your portfolio has been constructed to combat the threat of inflation. A diversified mix of the following asset classes is the best defense against the constant headwind of inflation:

Stocks – Historically, stocks have offered the best long-term protection against inflation (as shown in the table). Companies pass their higher costs to consumers via price increases, revenues and profits rise, and so do the prices of their stock.

Market Risk vs. Inflation Risk 1926-2008	Before Inflation			After Inflation		
	Avg. annual return	% of yrs with negative returns	Highest annual loss	Avg annual return	% of yrs with negative returns	Highest annual loss
Cash	3.7%	0%	0.0%	0.6%	35%	-17.8%
Bonds	5.3%	8%	-2.3%	2.3%	37%	-17.2%
Stocks	9.4%	27%	-43.5%	6.2%	33%	-39.2%

Source: Dimensional Fund Advisors, Stocks: CRSP 1-10, 1926-1970; Bonds: 5-yr Treasury Notes 1926-1972, Barclays Intermediate Treasury Index thereafter. Cash: 1-mo Treasury Bill Index.

Additionally, we invest in international stocks using funds that do not hedge their currency exposure. If inflation in the U.S. rises more than in other countries, the dollar is likely to weaken. Your portfolio receives a boost when returns from holdings based in stronger currencies are converted back to U.S. dollars.

Real Estate (REITs) – Landlords have the ability to adjust their rental rates for inflation as they renew leases which have expired. Furthermore, the market value of a property is largely dependent on replacement costs—which also rise with inflation.

TIPS – The principal value of Treasury Inflation Protected Securities (TIPS) adjusts according to inflation as measured by the Consumer Price Index (CPI).

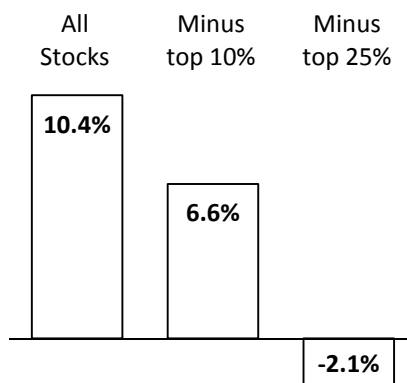
As you know, we are skeptical of anyone’s ability to predict the future, which is why we build portfolios to weather a variety of storms, inflation included.

Investment Focus

On the heels of one of the worst decades in stock market history, many investors may be wondering if investing in stocks is a loser’s game. Well, guess what? Most stocks do lose money over time. According to research from Dimensional Fund Advisors (DFA), over the past three decades, the top-performing 25% of stocks accounted for all the gains in the stock market, while the bottom 75% lost an average of approximately 2% per year.

If such a small number of stocks generate all the return, why not just remove the chaff and build a portfolio of superstocks? If only it were that easy. The top-performing stocks change from year-to-year, so there’s no way to know in advance if your portfolio contains any superstocks. Even missing out on a few winners can significantly impair your retirement goals. Consider this: a \$100,000 investment in all stocks would have grown to \$1.8 million between 1980 and 2008. That same investment, had you missed out on just the top 10% of stocks, would have grown to only \$640,000.

Annual Returns 1980-2008



Source: Dimensional Fund Advisors, CRSP 1-10 Index

So don’t give up on stocks just yet. By owning all of today’s stocks you’re ensured of owning all of tomorrow’s winners. Vista clients already own all stocks—more than 12,000 of them—via low cost, tax efficient index funds!

Wealth Management

A long-anticipated rule change takes effect next year, making anyone with a traditional IRA or an old 401(k) eligible to convert to a Roth IRA. The \$100,000 income limit which currently prevents many people from making the switch will be eliminated in 2010. Whether this expanded opportunity to convert to a tax-free Roth IRA makes sense for you depends on a number of factors. Here are some of the key considerations:

- Do you expect your future tax rate to be higher than it is now? Income taxes must be paid on all pretax contributions and earnings included in the amount you convert. You will save on taxes in the long run by converting to a Roth and paying taxes now rather than later, if your tax rate rises.

- Can you pay the taxes from a source other than your IRA? If you tap your IRA for the tax money, you are undermining the purpose of the conversion—to maximize the long-term value of the tax-free Roth.
- Do you have enough time before withdrawals will be needed to make converting worthwhile? You want to give the Roth time to recoup the cost of conversion. The longer you can wait to begin withdrawals, the more you will benefit from tax-free compounding. A Roth IRA must be held for at least 5 years before earnings can be withdrawn tax-free.
- If you don't think you will need income from your IRA, converting to a Roth can be an effective estate planning strategy. You won't be subject to Required Minimum Distributions (RMDs) and your beneficiaries will be allowed to stretch their tax-free distributions over their lifetimes. This enables you to ultimately pass a greater amount to your heirs.
- For conversions completed in 2010, the taxes can be spread over the subsequent two years, 2011 and 2012. If the markets' decline has lowered the value of your traditional IRA, this further reduces the tax burden and adds to the appeal of converting sooner rather than later.

Other

We thought you would appreciate knowing Vista Capital Partners has received a few impressive accolades of late:

- In June, The Portland Business Journal named Vista as one of the Top 100 Fastest-Growing Private Companies in Oregon. This is the 4th consecutive year Vista has ranked among this impressive group of businesses.
- In May, Vista ranked #3 among Registered Investment Advisors on the Portland Business Journal's list of "Top Portland Money Managers," (based on assets managed for Portland-area clients).
- Last fall, Schwab Institutional selected Vista as the winner of its 2008 Pacesetter IMPACT Award. Vista was chosen for this honor because of our unique investment philosophy, work environment that attracts (and keeps) top talent and client loyalty.

While these accomplishments are celebrated quietly here in the office, we are proud to share them with you for one primary reason: Vista does virtually no marketing or advertising. This means our growth is the direct result of the positive experiences of you, our clients. Satisfied clients tell their family, friends and colleagues and Vista grows based on your referrals.

Thank you for your role in our success and thank you for being a client. We welcome your calls and e-mails and look forward to our next meeting or conversation.

Sincerely,

Vista Capital Partners