



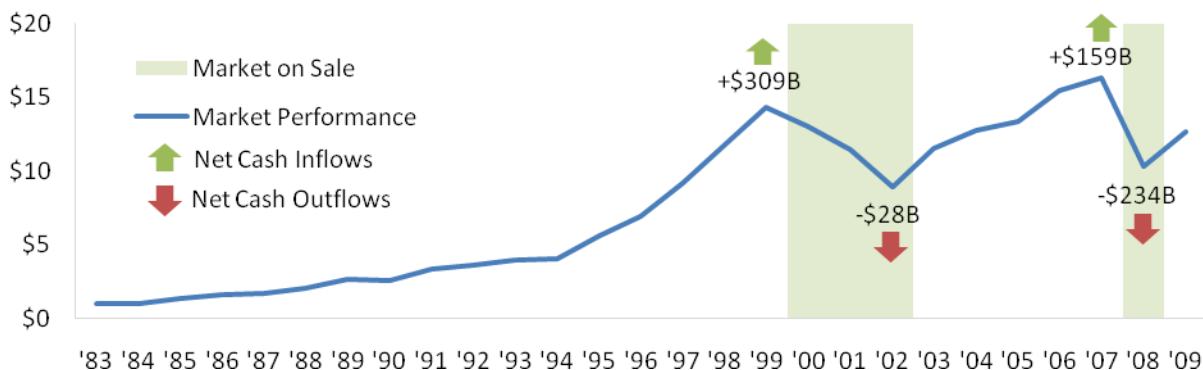
VIEW FROM VISTA

January 6, 2010

Dear Valued Client,

Recent experience demonstrates how dangerous it can be for investors to confuse short-term market predictions with sound investment advice. In March of last year, *Kiplinger's Personal Finance* identified the “experts” who had been most accurate in their 2008 predictions and asked them what they thought was going to happen in 2009. Not one of their predictions proved correct. We hope you'll remember this as all the major financial magazines come out with their yearly “Where to Invest in 2010” cover stories.

Following the advice of the market prognosticators and self-proclaimed gurus, investors rushed for the doors, and by the end of 2008 had removed a staggering \$234 billion from the equity markets—eight times more than the previous record set in 2002. Once again, investors got it wrong. Shortly following this mass exodus, stocks staged one of their most dramatic recoveries in history.



Sources: The Investment Company Institute and Standard & Poor's.

The lesson? The key to successful investing isn't predicting the future; it's resisting the natural urge to sell when the market is depressed, or to buy when the market is euphoric.

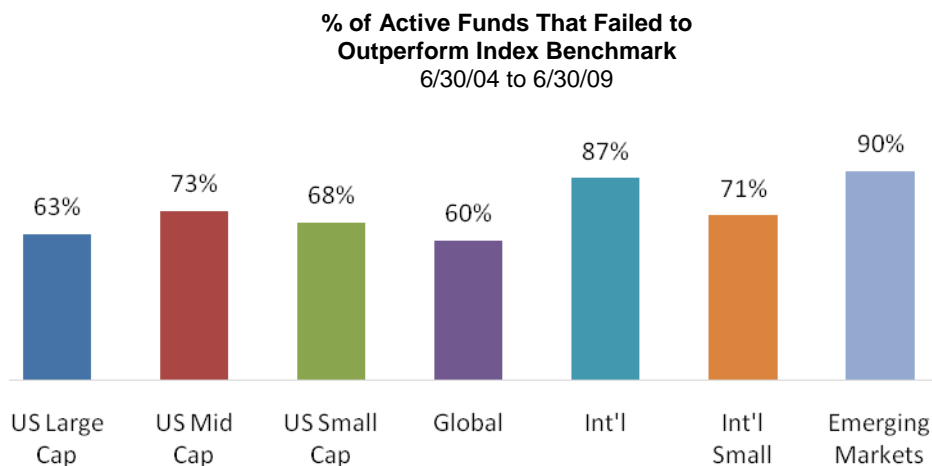
Investment Focus

The past two years vividly illustrate the unpredictable nature of markets and investing. The year 2008 was the worst for stocks since 1931; 2009 was one of the best. While unsettling, these periods highlight the critical importance of having a disciplined, rational investment approach.

No one can control how markets will perform tomorrow, next month or next year. However, by focusing on what they can control—asset allocation, expenses, and taxes—investors are guaranteed their fair share of returns.

The best way to tap into these returns is by investing in asset classes via index funds. The returns delivered by index funds are far superior to the returns earned by those who fret over which stocks/funds to buy and when to buy them. Most investors, even the pros, fail to match the market’s return.

In its most recent “Index Versus Active Fund Scorecard (SPIVA)”, Standard & Poor’s confirms just how difficult it is for investors to beat the market. Over the most recent 5-year period studied, the majority of active fund managers across all major U.S. and international stock categories underperformed their index benchmark:



Source: Standard & Poor’s.

As unwelcome as these results may be to those who believe a professional stock-picker should be able to beat the market, actual results are likely even worse. The figures shown above are tabulated before consideration of taxes, which further reduce investors’ returns. Longer time periods tilt the results even more in favor of index funds.

Wealth Management

Minimizing taxes has always been an important part of Vista's investment philosophy. With all the concern out there about potential tax hikes on the horizon, we thought this would be a good time to review the strategies we employ to keep your after-tax returns as high as possible:

1. Use of index funds: Index funds are more tax-efficient than actively managed funds because they have lower turnover (trading). Increased trading leads to higher taxable gains, some of which are short-term in nature and subject to the highest tax rates. Index funds trade much less frequently and, therefore, distribute fewer capital gains.
2. Asset location: This refers to placing the most heavily taxed assets in IRAs and 401(k)s while holding more tax-efficient assets in taxable accounts. Bonds and REITs pay out income which can be taxed at an investor's highest marginal rate (current maximum federal rate of 35%), so they are held in tax-deferred accounts whenever possible. Equities, whose capital gains and dividends are taxed at lower rates (current maximum federal rate of 15%), are held in taxable accounts.
3. Preference for municipal bonds for high-income clients: When bonds must be owned in taxable accounts, it may make sense to favor municipal bonds. Free from federal, state and local taxes, municipal bonds can deliver higher after-tax returns than taxable bonds for investors in the highest tax brackets.
4. Low portfolio turnover: Our commitment to a client's long-term asset allocation eliminates the need to trade in an attempt to time the market, reducing both transaction costs and the tax burden associated with excessive trading.
5. Tax loss harvesting: In taxable accounts, positions that drop below their original cost can be sold to "harvest" the losses. These losses may be used to offset gains realized elsewhere in the portfolio, reducing the ultimate tax bill. Losses can be rolled forward into future tax years to offset gains for as long as it takes to use them up.

Other

The arrival of the new year brings with it an expanded opportunity to convert a traditional IRA to a Roth IRA. If applicable, we will be discussing with you whether or not a conversion makes sense during your next account review, if not sooner.

We will be sending out 2009 tax information – realized gains/losses and a summary of management fees – in a separate mailing soon.

We are grateful for your business and are eager to provide you with excellent service in 2010. We welcome your calls and e-mails and look forward to our next meeting or conversation.

Happy New Year!

Vista Capital Partners