



Monthly Client Update

April 30, 2011

Please find enclosed your Monthly Performance Report through April 30, 2011. Portfolio performance is very good through the month of April as Vista continues our long-term superior performance track record. Even though our focus and priority - as it should be - is on preserving your net worth and avoiding major losses through maintaining a defensive diversified posture, it is certainly much more fun and reinforcing when we are making positive returns at the same time.

As you may recall from the most recent Client Update, I was given the opportunity to sit down with Bob Jackson to capture and summarize his thoughts on today's most current economic developments along with his perception of what seems to be weighing most on the minds of investors. I decided to follow that same approach for the month of April as the insight given by Bob Jackson is both very interesting and thought provoking... (Here are those thoughts as summarized by Diana Folino)

Bob Jackson recently completed a major research project in which he analyzed the performance of the Vista diversification strategy during the very high inflation period between 1970 and 1981. This project was very timely since many clients are increasingly concerned about higher inflation in the years to come. Knowing this, Bob recently completed a very fascinating analysis on "Vista's Long-Term Performance Strategy." Below are a few significant findings:

- **How did the Vista strategy perform during the high inflation period?** Over the high-inflation period of 1970 to 1981, an equally-weighted portfolio of Vista's 8 "Catalyst Groups" produced 3 times the inflation-adjusted returns of the "Balanced Approach" (60/40 Bonds-Stocks) or the S&P 500.
- **Long-Term Performance:** Over the past 41 years, the Vista Strategy has produced total returns of 2 times the Balanced approach or the S&P 500.
- **Retirement Scenario:** Someone retiring in 1970 and withdrawing 6% per year (increased by inflation each year to maintain their current lifestyle) from their portfolio would have withdrawn 8 times their original investment over that 41 year period and still have 2 times their original retirement amount. *(Given these variables, they would have run out of money in a stock, balanced or money-market portfolio in 15 yrs or less)*
- **Vista's Performance compared to other investment approaches:** The 5 best years of the Vista Strategy since 1970 totaled 130% and the 5 worst years totaled 30%. (Best 5 years for the balanced strategy totaled 140% but they "gave back" 70% in their worst 5 years; the S&P500 gained 150% in its best 5 years but surrendered 130% in the worst 5 years) Conclusion: It is not about how much you make but rather the priority is how much you keep!
- *If you would like to hear more about this very important and timely research analysis please let us know.*

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This research is important to Vista clients because all of this information is relevant to the current issue of the wise portfolio allocation. Even though we have seen many reports of recovery and markets have risen substantially over the past 2 years, “*we continue to weigh the lessons learned from Long-Term Generational Cycle research which indicates we will likely experience worse conditions before we truly see sustained recovery in the US and Europe.*”

Increasingly, clients are asking if they are “... too defensive or over-protected in their portfolio?” While portfolio hedging can be adjusted or “dialed down” for any individual portfolio, we advise remaining fully diversified with at least 7% “defensive positions” until the recovery proves to be sustaining... Here are a few specific comments from Bob Jackson which present major considerations to weigh before making any changes:

Almost every major macro-economic threat we had in 2008 still exists today and the most significant threats such as overall debt to GDP are significantly worse than 2008. We are clearly living the “Bernanke Experiment” which was convincingly stated in his 1983 report regarding flooding the system with liquidity in a financial crisis – that paper was primarily responsible for leading to his current position as Fed Chief. There is NO concrete proof that his theory will provide any long-term sustained solution. Quantitative Easing was used 7 times in the last 20 years in Japan through their two decade depression and it never proved to be a lasting solution – arguably, it made the overall debt problems much worse. (There were market rallies following these stimulus efforts but they ultimately failed to be sustained and real estate values fell by 50% to 70% over the period).

“Would it have been wise to have gone through the last two years without protection against another massive crash?” Where is – or where would have been - the Wisdom in exposing net worth in our portfolios to this type of experimental strategy for addressing our economic crisis? In my judgment, it is always wise to remain fully diversified and hedged.

Bob Jackson

We always focus on maintaining a balance between achieving attractive returns and also serving as “risk managers” for client net worth. What our experience in the investment industry has clearly proved, the “experts” are often completely wrong about the future. Nobody “knows” the future so we will continue to maintain a strategy that will work in any economic conditions.

Thank you for the trust you have placed in Vista Financial Advisors. As always, if you have any questions or wish to discuss Vista’s 2011 Portfolio Allocation, please feel free to call (904) 880-8010.

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