



June 30, 2011

Insights from Bob Jackson...

As we wrap up the 2nd quarter of 2011, it is important to note that Vista Portfolios are performing as expected. Over the past several months, we have seen numerous examples of illogical market movements. The most pressing concerns our clients are facing today is their continued desire for comfort. The fact is that the markets are NOT logical – they are emotional and often go through periods that are totally illogical. To use an applicable cliché, there is no “silver bullet.” Here is a simple and current REAL example of how illogical the markets are regarding fundamental logic...

A client and shareholder of Vista sent in an article titled “Is Water the New Gold?” The article presented a strong, accurate and compelling case for investing in Water. Water is probably one of the best areas to invest for the long-term. Even though that is true:

- The companies & funds quoted in the article are all down presently and have lost as much as 8% in the past 2 months during a period where the S&P500 is down 3%...
- ITT, the company that owns the best water company in the world (*in my opinion*), has lost 5% over the same time frame.

Many feel Ken Heebner is the single best growth manager over the past 20 years on Wall Street. To illustrate how difficult the market is right now, look at his track record so far this year in 2011:

- He has **lost money every month this year** in his CGM Focus Fund (CGMFX)
  - ◇ The fund is down 12% so far this year...

Related Note: Regarding challenges in the markets, Warren Buffet (BRK-A) is also down 6% YTD in 2011

Is it possible to find comfort where there is no logic? Although some believe cash is still considered a “safe haven”, going to cash now and then thinking you can get back in the market later “when things are better” is simply pure market timing. Abandoning diversification and converting portfolios to “Cash” in the current macro-economic environment is equivalent to “running head-on into the tidal wave when trying to flee the possible flood.”

No economist or Wall Street “expert” knows what will happen in the next week, month or year in ANY of the markets OR to the value of the \$US - - That is an “Absolute”

Jim Rogers – one of the very few I consider worthy of calling an “expert” – truly believes the \$US is going to either fail or lose a massive amount of its value in the near future. “Going to cash” puts you entirely at risk...

Simple Question: “How bad is the US dollar?”

Simple Answer: “It has lost 7% against the Euro YTD – and the Euro is in deep trouble itself!”

**NOTE:** That is approx. 14% annualized loss YTD

***This – above all else – is why broad diversification is the only answer to true safety***

***Continued on Reverse...***

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US Banks are NOT stable and NOT financially capable of weathering another downturn

- Residential Real estate is going down again
- Corporate real estate is declining rapidly and is still a looming Trillion dollar issue
  - ◇ If real estate goes into another freefall, it is inevitable we're headed for another banking crisis only this time China will probably not be willing to bail us out again.

Derivatives are a massive and constant threat to the entire stability of the financial system – major banks currently hold derivatives positions of over 500 TRILLION dollars.

Based on history, if we do go into another downturn, we fully expect the government to institute capital controls and also anticipate moves toward protectionism which will compound the length and consequences of the downturn this time.

Those investors “in cash” or cash equivalents at the time this occurs will be complete “Victims.”

Virtually every major macro-economic factor that threatened the US economy in 2008 is still unsolved...

Thank you again for your continued trust and support. We hope you find these updates enlightening and thought provoking. As always, if you have any questions or concerns feel free to contact us at (904) 880-8010 and someone will be available to address your concerns directly.

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