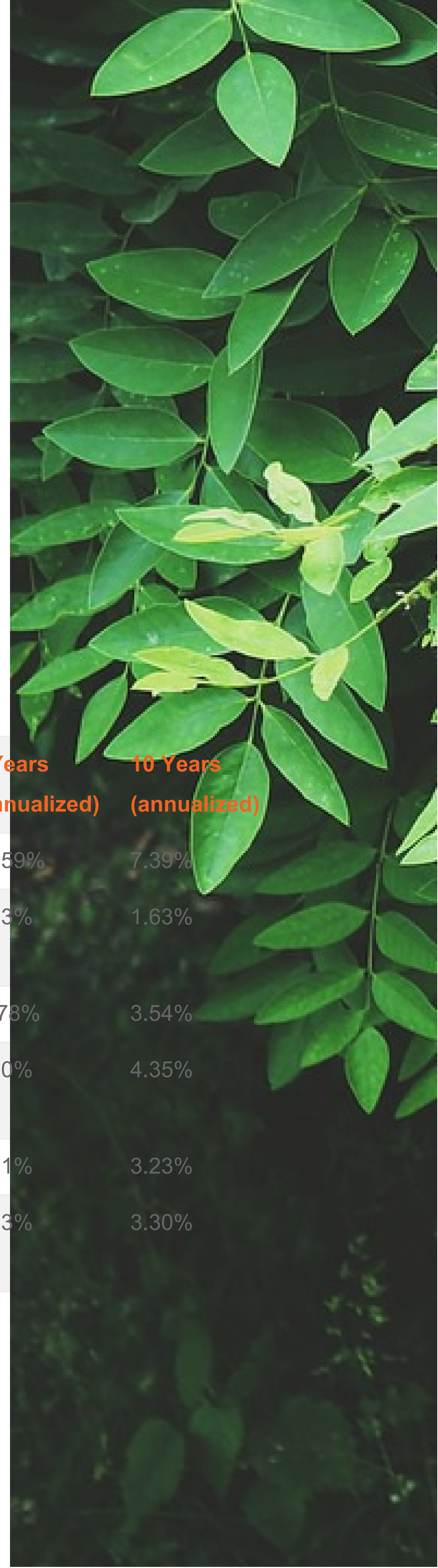
vista

Investment Briefing

Second Quarter 2016

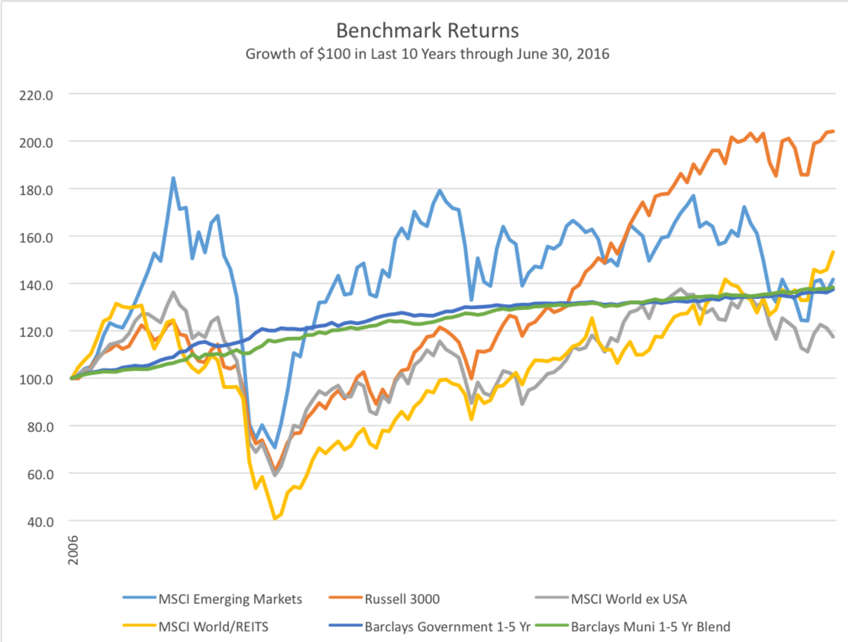
Introduction

What started as a good quarter with many world economies growing nicely became stormy with the Brexit vote.



Many markets did recover quickly, including the U.S. stock market, but international stocks turned in slightly negative numbers overall. Bond returns were mostly stable. As the table below shows, real estate investment trusts and U.S. stocks were the best performers. Looking longer-term, U.S. stocks still hold the prize for the best returns, while international developed and emerging stock markets are the laggards.

Asset Class[1]	2nd Quarter	Year to Date	5 Years (annualized)	10 Years (annualized)
U.S. Stocks (Russell 3000)	2.63%	3.62%	11.59%	7.39%
International Developed (MSCI World ex U.S.)	-1.05%	-2.98%	1.23%	1.63%
Emerging Markets (MSCI EM)	0.66%	6.41%	-3.78%	3.54%
Real Estate Investment Trusts (MSCI World REITs)	5.06%	11.68%	9.40%	4.35%
Taxable Bonds (Barclays 1-5 Yr Gov)	0.80%	2.36%	1.41%	3.23%
Municipal Bonds (Barclays Muni 1-5 Yr)	0.75%	1.55%	1.93%	3.30%



References
1. Return data and charts are from Morningstar Direct.

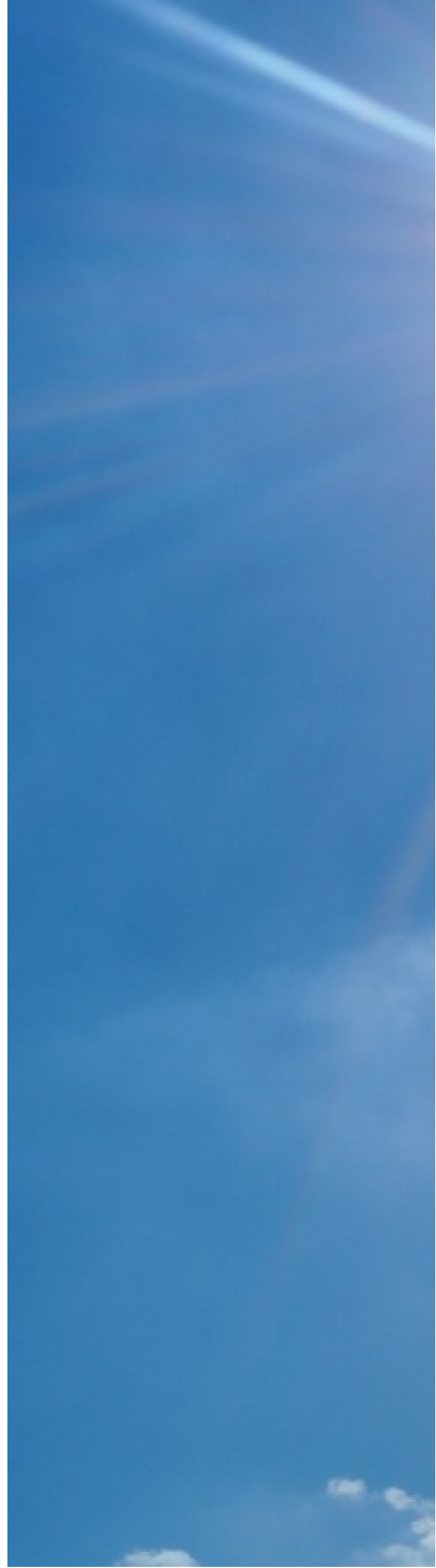
U.S. Stocks: From Good to Better

The U.S. economy continued to produce respectable numbers throughout the quarter and the stock market responded accordingly.

While economic growth was tepid, employment was stable and consumer confidence rose. Value stocks once again performed especially well, as did the stocks of smaller companies. You should see this performance in your Vista portfolio, especially when comparing your portfolio's performance with broad-market benchmarks. Once again, this quarter revealed the benefits of holding a market-based portfolio instead of attempting to out-guess other investors or becoming defensive.

Looking forward, the Federal Reserve appears to be holding off on any additional interest rate increases this year. Although employment is looking good in many respects, the economy is continuing its slow-growth pattern and inflation remains muted. Any effects on our economy from Britain's decision to leave the EU will most likely be very limited.

While some have been expressing concern about the upcoming Presidential election, research has shown very little correlation between market returns and election cycles. Financial markets are much less concerned about potential election proposals than about genuine actions, such as cuts or increases in taxes and spending, or what direction the Federal Reserve takes.



International Developed Stocks: From EU to ER?

Markets don't like surprises, and they were certainly surprised by Britain's vote to leave the European Union.

Although British polls stayed about even between Remain and Leave, the financial markets appeared to be convinced that the final tally would be Remain. When the vote came in at 52% Leave and 48% Remain, markets were roiled and the pound dropped to a 30-year low. This will mostly likely prove tough for Britain, with some predicting a recession, and very limited impact on other countries.

There is some uncertainty as to whether other EU members decide to leave, but there are too many variables to make a convincing argument to alter investment paths. There isn't even consensus on how Britain will leave the EU, let alone whether others may eventually decide to follow. Opinions vary from Britain ignoring the vote to full trade independence, neither of which are likely.

The media may now focus on a contagion of countries clamoring to leave the EU simply because it attracts attention. It brings to mind the same story over Greece's debt a few years ago. At that time, we felt division was unlikely because of the tremendous amount of trade that takes place within the EU among its members. We'll stick to that theory. The overriding fact is that world economies have continued, at a slow and sometimes uneven pace, to become more integrated for decades (some would say for centuries). It would be very difficult to try to predict the duration of any short-term ebb in that series of waves.

The U.K. stock market makes up about 6% of world stock markets, so it is a very small percentage of your Vista portfolio. This whole story serves to reinforce our approach of investing for the long-term and buying at reduced prices.

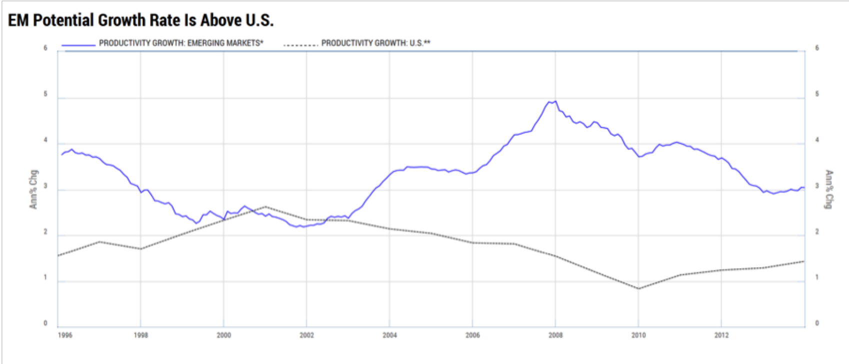
Emerging Market Stocks: From Mines to Wells

As our lead table shows, emerging markets have outperformed both the U.S. and international developed stock markets year-to-date.

Some of this is due to commodity prices continuing to improve. It is also due to event cycles:

- Both gold and oil prices increased in Q2.
- Brazil is taking serious action to correct its governmental problems.
- India had one of its strongest quarters in the last five years.
- South Korea announced a significant fiscal stimulus package.
- China continued a steady economic growth pace at 6.7% per year.

The chart below shows that potential economic growth in emerging markets continues to far outpace that of the U.S.



Source: BCA Research

Looking forward, emerging markets continue to be relative bargains. Historically, this has meant higher expected future returns when compared to other markets. The facts that emerging market stocks have been lagging the past few years and that their economies are generally growing faster than developed markets bolsters the EM case.

Bonds: Well, Well, Well

Based on the U.S. Federal Reserve's trinity failing to fully cooperate: recovering economy, increasing inflation, and strong employment data, the Fed decided to keep interest rates unchanged this quarter.

Janet Yellen affirmed shortly after the Brexit vote that the central bank won't be raising short-term interest rates until some of the current economic uncertainties are resolved.

This decision wasn't much of a shock to anyone and further signaled that interest rates may remain low for longer than anticipated. As of now, the market appears to be betting the Fed will wait to raise rates until mid-2017.

As interest rates fell, bonds posted positive returns for the second quarter in a row. Bond yields went from low to lower with rates approaching a new cyclical depth. Credit spreads (the difference between two bonds of similar maturity but different credit quality); however, remained near their historic averages.

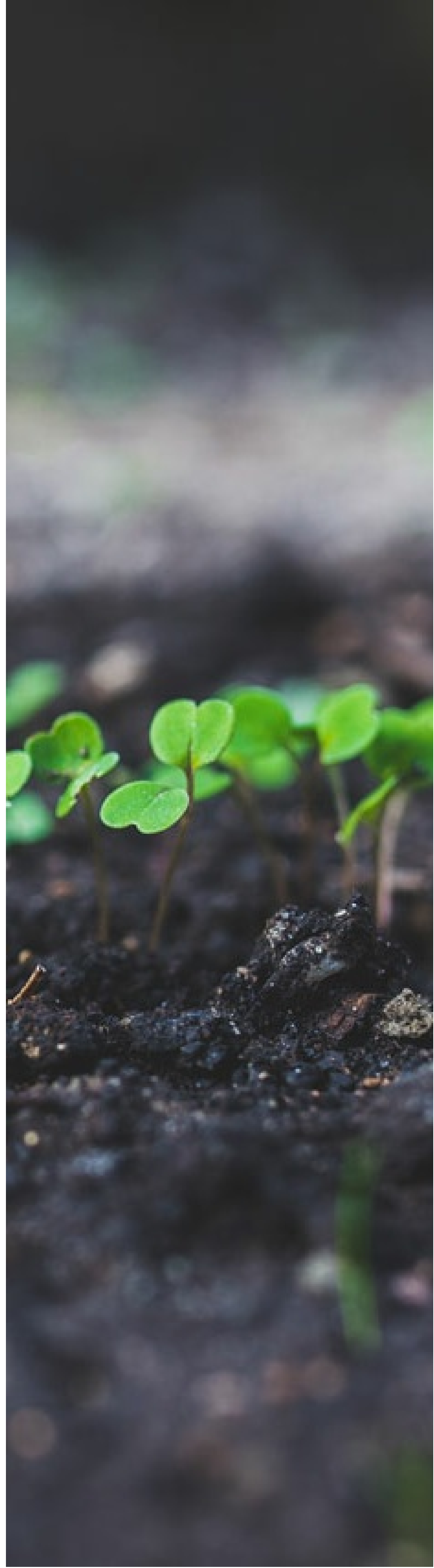
While long maturity and low credit-quality categories led returns in Q2, we continue to believe that high-quality intermediate bonds provide better stability through periods of volatility and uncertainty. Research shows that bonds, which we consider the bedrock of your portfolio, are not where we should take more risk.

Some Subtle Stock Portfolio Changes

We're making some slight changes to Vista's stock portfolios. They are as follows:

- To help more directly hedge the stock portfolio against future inflation, we're increasing the allocation of real estate investment trusts in the typical Vista portfolio by 2.4%.
- To bring the portfolio more in-line with our traditional overweight to U.S. stocks, we're increasing them by 3% in the typical portfolio.
- To smooth performance over long time periods, we're introducing the Schwab Fundamental Index Funds that weight value stocks differently from our other funds.

We'd be happy to discuss these changes in more detail at your convenience.



Thanks

We hope this briefing brings a little more light to the numbers you see in your reports. As always, we look forward to any questions you may have. Thank you for your trust in Vista.

Your Vista Wealth Management Team

References

1. Return data and charts are from Morningstar Direct.

Additional Disclosures

Advisory services offered through Vista Wealth Management LLC, a federally registered investment advisor. Securities also offered through ValMark Securities, Inc., member FINRA, SIPC. 130 Springside Drive, Suite 300, Akron, OH 44333, 800.765.5201. Vista and ValMark are separate companies.

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Vista Wealth Management, LLC), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from Vista Wealth Management, LLC. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. Vista Wealth Management, LLC is neither a law firm nor a certified public accounting firm and no portion of the newsletter content should be construed as legal or accounting advice. A copy of the Vista Wealth Management, LLC's current written disclosure statement discussing our advisory services and fees is available upon request.

If you are a Vista Wealth Management, LLC client, please remember to contact Vista Wealth Management, LLC, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services. Please also advise us if you have not been receiving monthly statements from the account custodian.