

# PORTLAND BUSINESS JOURNAL

## Growing right by investing passively

INVESTMENT FIRM VISTA CAPITAL PARTNERS APPROACHES RARE \$1B ASSET THRESHOLD

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**D**on't let the construction debris fool you. Vista Capital Partners isn't in a period of explosive growth. It's growing, no doubt. But it prefers measured, not explosive growth.

It's a strategy that's working.

The Portland investment adviser, which is on the verge of the rarefied level of \$1 billion in assets under management, finds itself near the top of the crowded room of local money managers, thanks to a strategy Warren Buffett would love. The firm avoids risky bets and steers clients to safe, low-cost index funds.

"We're not in a race for growth," said co-founder and partner Michael O'Reilly.

### The myth of picking stocks

Entire TV shows and sections of bookstores are dedicated to helping investors time the market – buy gold now, sell oil next week.

O'Reilly and Vista Capital Chief Investment Officer Dougal Williams say it's a fool's errand.



Michael O'Reilly

The firm opts for passive investing, basically buying baskets of stocks, known as index funds, that reflect the moves of the overall market. The approach avoids the fees and taxes that go along with frequent stock trades.

"If you look at any academic research on investment performance ... it is clear that it is the most prudent way to achieve a successful investment experience," Williams said.

Brian Bolton agreed.

The Portland State University associate finance professor said the longer the timeline, the more likely a passive investment philosophy outperforms actively picking stocks.

"In a given year, if you look at a one-year horizon, it's anywhere between 40 and 60 percent of passively managed funds beat active," he said. "When you go out at least three to five years, 60 to 90 percent of passively managed funds beat active."

Warren Buffett, the world's most successful and famous investor, also agrees.

Eight years ago, Buffett bet a passive fund would outperform a collection of hedge funds (which



Vista Capital Partners Chief Investment Officer Dougal Williams said the Portland-based investment advisory firm's slow, methodical approach to growth has helped maintain a culture in which customer service is a priority.

actively buy and sell stocks) over a 10-year period.

Buffett is winning in a rout.

His passive fund is up 66 percent. The hedge funds, which charge big fees, are up 22 percent.

### Growing pains

The approach also is working for Vista Capital.

Founded 15 years ago by O'Reilly and CEO Doug Johanson, the firm is on the verge of hitting \$1 billion in assets under management, putting it in elite company that locally includes Ferguson Wellman Capital Management and Becker Capital Management.

The firm has roughly 400 clients, in a total of 16 states, each with at least \$2 million in liquid assets at Vista Capital.

In order to control the speed of growth, the firm has intentionally only added two dozen or so new clients per year. It's also slowly increased its minimum from \$250,000 to \$2 million.



Doug Johanson

O'Reilly and Williams said the slow, predictable growth has allowed Vista Capital to maintain a culture that prioritizes customer service (each client works with a team of three professionals) as well as prevent the end-less travel and office hours that accompany fast

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**The company:** Vista Capital Partners

**Business:** Investment advisory firm

**CEO:** Doug Johanson

**Headquarters:** Portland

**Employees:** 20

**Website:** vistacp.com

growth and a national footprint.

The firm is in the midst of its first major office expansion – hence the construction debris. It's adding 2,000 square feet to its westside office, bringing its square footage to 7,000.

The project will accommodate the firm's growing workforce and provide more natural light and meeting space, including a casual lounge. The renovation should be done by July 1.

The firm hires roughly one new employee per year, although that's picked up lately. It now employs 20, including seven partners. It has openings for an administrator, a portfolio manager and a marketing manager.

The measured-growth strategy also allows the company to take its time with new hires.

"It's still the most important decision we make," O'Reilly said.