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- Individual Account Reports
- Annual Privacy Notice

Important Reminders:

- Annual Privacy Notices are Enclosed!
- When sending money, write the checks in the name of your account!
- New forms ADV II & Schedule F are available now online or by request

CAIRN INVESTMENT GROUP

121 SW Morrison Street
Suite 1060
Portland, Oregon 97204

Phone: 503.241.4901
Fax: 503.241.5699

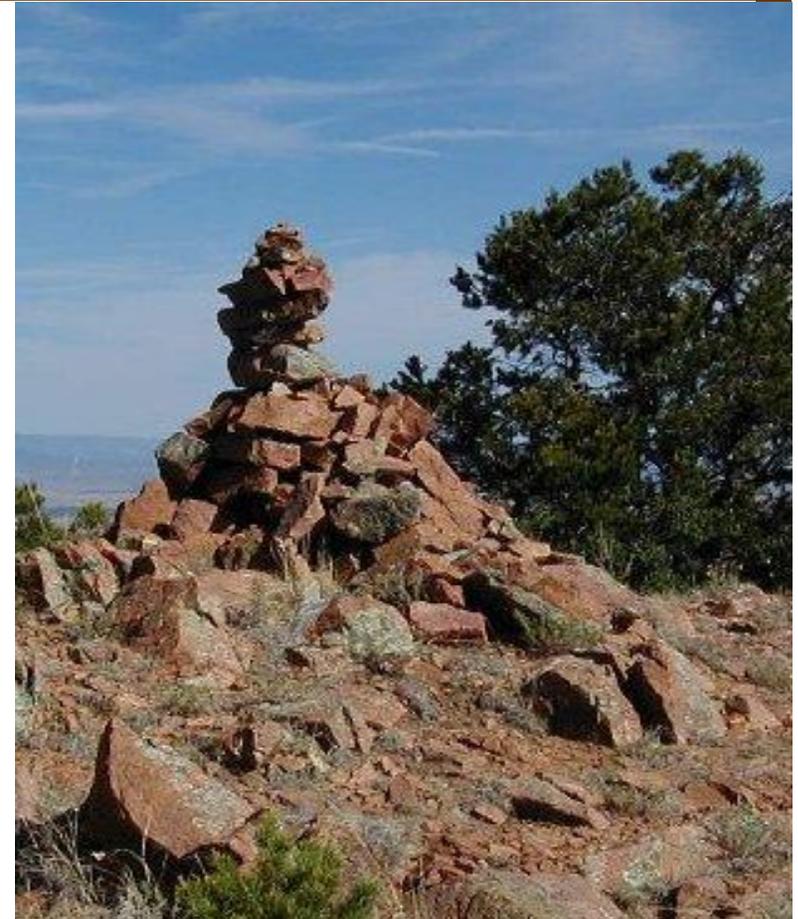
E-mail: info@cairninvestment.com

Greetings from the Northwest.

Wow, could we be having any more fun? It's only occasionally that so many economic factors conspire to revalue our investments! But here we are.

Loose lending practices and a bursting of the real-estate bubble are working to create a liquidity crisis for borrowers and challenging the viability of financial institutions. Energy costs have exploded with crude oil up 50% so far this year leading a general inflationary trend in the price of the things we use everyday. Housing prices are down nationwide and the Dow Jones Industrial Average is off its 2007 highs by 20%. This fits most market followers definition of a bear market.

Fortunately for you, our investors don't own the market. You own pieces of individual companies, or debt of individual companies, communities or the US Treasury. This does not mean that we are immune to volatility, but it is likely that we will experience a smoother investment experience as a result. We won't minimize the economic issues facing us. They are serious and can take a long time to recover from, but recovery is generally what happens after such events. This correction, like so many in the past, is a result of a bubble or period of over-pricing of a particu-

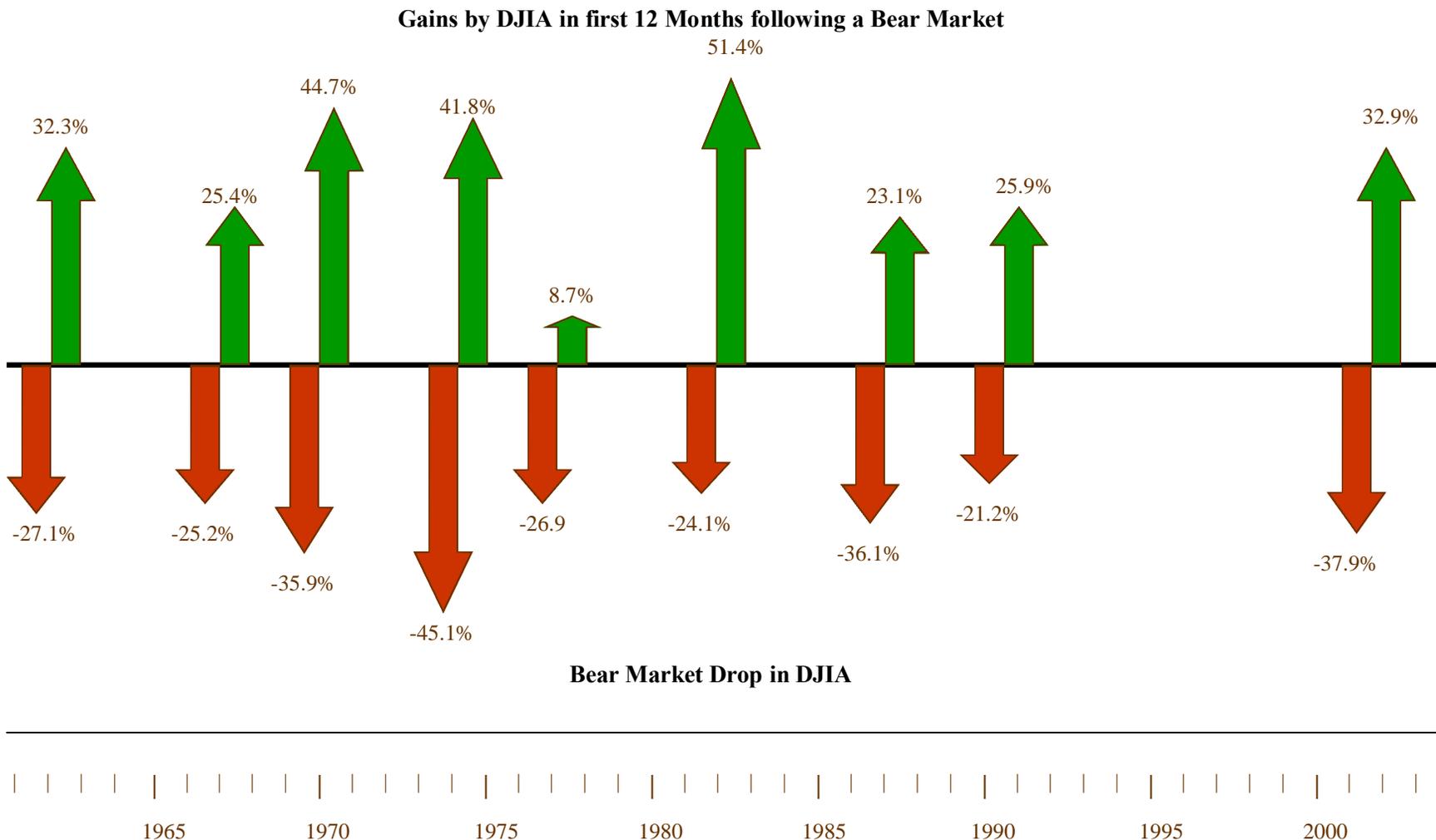


Have you captured a Cairn? This one is in the High Desert

lar area of the economy. In this case housing and the related construction and financial markets are the targets. We speculate that the next bubble that has been growing to the point of bursting is the price of oil and related commodities. We wouldn't be surprised to find oil back in the \$75 range in the future.

Our investments have seen some reduction in value since last quarter. This is not the result we or any of you are looking for, but it is part of the market process; it's not a straight line up or down. They say a picture is worth a thousand words. This graph demonstrates why it's so important to not bail-out of the market when it is down; if you miss the rebound you miss some of the best returns the market produces.

Bear Market Final Results vs Market Rebound
In the 12 Months Following the Last 9 “Bear Markets” the Dow Jones Average has Rebounded an Average of 31%



Many times the sector that leads the economy out of a bear market or a recession is one that was most recently a poor performer. It may well be that in the end the financial institutions that have declined in price are now excellent values. Some of the hardest hit but possibly the most under priced are Northwest regional banks, of which we own a few. The following Regional Bank Financial Highlights helps us to evaluate how these companies are doing and how they compare to their peers. US Bank is in the mix because of its Portland roots, plus it continues to benefit from good management.

Regional Bank Financial Highlights as of March 31, 2008

Company Name	Ticker	ROAE*	Net Interest		LLP/Loans***	NCO/Loans****	Total Assets^	Eff. Ratio
			Margin	NPA/Assets**				
Albina Comm. Bank	ACBC	-3.04%	3.81%	1.30%	1.52%	0.41%	191,919	89.82%
Banner Bank	BANR	3.49%	3.63%	1.31%	1.36%	0.05%	4,572,225	74%
Cascade Bancorp	CACB	8.42%	3.02%	1.16%	1.09%	0.53%	1,503,132	53.64%
Columbia Bancorp	CBBO	4.75%	5.15%	1.13%	1.57%	0.11%	1,046,162	67.52%
Pacific Continental	PCBK	11.27%	5.23%	0.60%	1.06%	0.05%	997,135	56.44%
Umpqua Bancorp	UMPQ	7.94%	4.19%	1.06%	1.45%	0.22%	8,287,643	47%
US Bancorp	USB	21.30%	3.55%	0.92%	1.42%	0.75%	241,781,000	43.50%
Averages		7.73%	4.08%	1.07%	1.35%	0.30%	36,911,317	61.70%

*Return on Average Equity

**Non-Performing Assets to Total Assets

***Loan Loss Provision to Gross Loans

****Net Charge-Offs To Avg Loans

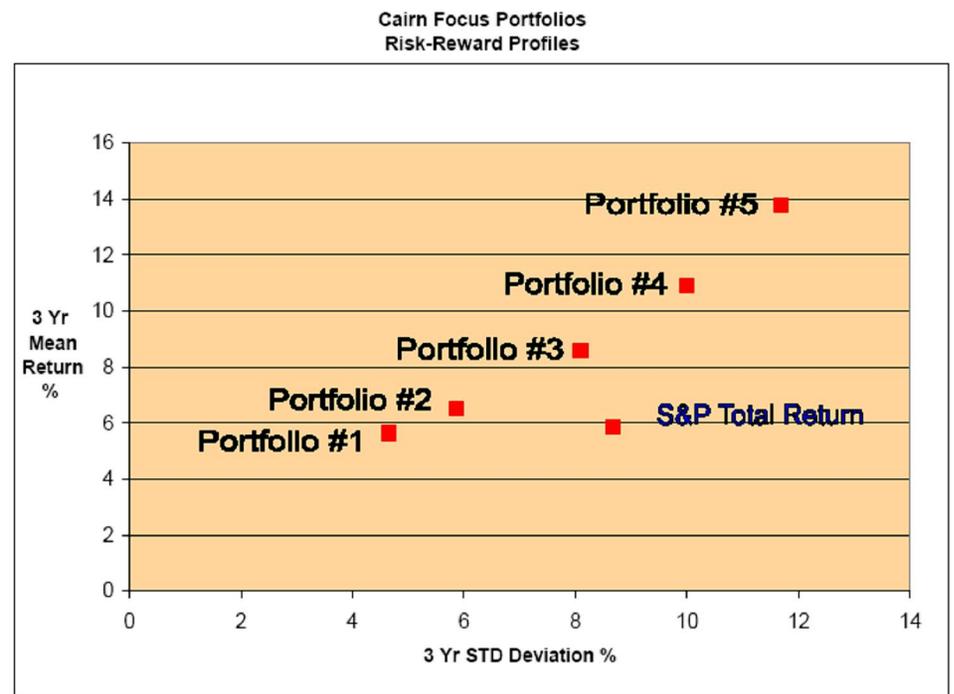
^In Thousands

Each quarter we like to update you on the relative value of the market as determined by the Valueline Investment Survey. At the end of the second quarter the average price/earnings ratio has remained almost the same at 15.7. The average dividend has risen 0.2% to 2.3%. Unless the economy completely stalls out, this indicates a fair value and good prospects for growth in the future.

A new mutual fund (or two) may be coming your way soon! Many of you already know that we have long recommended a well balanced mutual fund portfolio for smaller accounts, IRAs and to anyone more comfortable with the broad diversification that they provide. Depending on the size of your account and how long you've been with us, you may already be investing in one of our focused mutual fund portfolios that use several funds aimed at providing a certain level of risk versus reward.

We've recently reevaluated these portfolios in light of our new structure as an Advisor and the broader array of funds that this makes available. We looked at the performance and consistency of the funds, management tenure, cost, ease of doing business (yes, some funds are friendlier than others!) and our allocation between different asset classes and markets. The result is an updated set of five focused portfolios, serving investors looking for anything from current income (with some growth potential) to investors looking to maximize long term gains (and willing to take more short term risks). In general they are more global in scope than in the past, recognizing the growing impact of international business activities.

We are pleased with the results of our effort and are in the midst of transitioning our portfolios over the next few weeks. If you invest in mutual funds, we'll be contacting you soon to discuss a transition. For most investors this is a change to about one half of the funds that they hold. Look at the following chart to see the risk/reward profile of these portfolios versus the S&P 500 Total Return over the last three years through April 30th, 2008. Remember that this is historical data and is not a guarantee of future results.



Data derived from Morningstar (TM) reports as of 4/30/2008

Returns are of hypothetical portfolios and do not represent the return of an actual account

We are almost one year old! We could have chosen an easier year to open our money management firm, but who knew? During our first year we have accomplished many structural components of our business. Systems are humming. Each year the SEC requires us to send you the attached Privacy Notice letter and offer to send you our form ADV II and Schedule K-1. Both are available on our website. If you prefer we can mail or email a copy upon your request.

Recently, you may have seen Starbucks asking for customer feedback. What a simple and good idea. If you have an idea for us on any topic, please call or email. We'd love to hear from you.

Thank you for your continued support.

Warm Regards,
Jim Parr, Principal

P.S. The Oregon State Fair opens August 22.



Ellen

Tim

Sean

Jim

Lara