

Inside this Edition:

- **Spring in the Northwest**
- **Recession**
- **Historic Volatility**
- **2 Down, 1 Up**
- **Household Reports**
- **Individual Account Reports**

Important Reminders:

- **There is still time to make a 2008 IRA contribution! The IRS allows last year contributions until April 15**
- **We will be closed along with the NYSE on Good Friday April 10**

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!

Spring is arriving in the Northwest. An unusually long, cool winter is being pushed aside by warming weather, punctuated by colorful spots of cheer as the trilliums, daffodils, azaleas and cherry blossoms lift our spirits.

The past 20 months since we opened Cairn Investment Group also feel like an unusually cool winter. All types of asset classes have been down, whether they are equities, commodities or real estate. The few areas of stability have been U.S. Treasuries (albeit with low to zero interest rates) and state and federal tax free municipal bonds.

I have for several quarters found bright spots on the horizon that give me encouragement to believe that this recession will end, as those in the past have, with a recovery. This recession is made more difficult, since much of its making has been caused by the absolute avoidance of rules, policies and regulations that people in decision making roles ignored. Was the real estate appraised properly? Was the stock borrowed correctly prior to the short sale? Was the credit rating on a new securitized investment accurately depicted? It would appear that there have been many lapses in many areas. Fortunately, the American work ethic is strong, the economy large, and it is in human nature to get up every day and create something of value for ourselves and others.



We are heading into a period of substantial public debate about business practices and government involvement. I don't believe that the government should be taking over businesses, and yet it is difficult to fathom the ripple effects caused by the failure of an enterprise that is too big to fail. I believe that an area of focus for regulators will be the reinstatement of the uptick rule and a complete revamping of the stock loan process for short sellers to control naked short sales. It is possible that we suffered considerably more volatility and market mayhem within our big financial institutions than we should have.

As the dismal reports from the economy continued to press the broader markets downward in January and February, our incoming phone lines became eerily quiet. Nobody wanted to talk. Fear had a grip on people and was becoming a force all

its own. I spend a great deal of time reading newspapers, magazines, and trying to keep up with the news. Much of it is just noisy news and not that helpful, some of it creates more fear, and fear is an emotion that does not lend itself to good investing. We don't own the market; we own pieces of individual companies that represent our investment decisions to own parts or sectors of our economy.

March felt as if we had been thrown a life ring. A substantial 20% change in market direction boosted the indexes up, but not enough to create a gain for the quarter. The Dow and the S&P 500 total return with dividend ended the first quarter of 2009 down -12.48% and -11.01% respectively. Jim, I'm tired of taking annual losses quarterly, +was one investor's sentiment.

There are positive conditions for us to invest around, such as monetary stimulus, lower commodity prices, and cash on the sidelines. True, we are in a global recession, but the early signs of a recovery are becoming more numerous. The amount of money the Federal Reserve and Treasury are pouring into the economy is staggering. The M2 money supply has been moving up since January, and this is very different from the M2 direction during the Great Depression. The U.S. economy, which went down first, may recover first. Consumer debt is contracting quickly and savings rates are jumping up fast. Some pundits say that we are now saving at a rate that is too high and may slow a recovery.

Meanwhile, back at the camp, our expanded website is now viewable. By putting www.cairninvestment.com in your favorites, you can quickly find our contact information, view your accounts by clicking the "Access My Account" button, or visit our news and information page. Sean has an interest in blogging and may begin by answering questions that come in through the web. A photo gallery page will display photos of cairns that our intrepid traveling investors send us. Soon we will be sending you a survey regarding the value and/or



Jim Tim Ellen's Wedding Sean Lara
The Bride

usefulness of our quarterly reports. Please respond, so we may determine any future improvements.

Big news! Ellen was married on March 21 to Jeff Tennant. The bride was beautiful, the service brief, and the dancing fun. Congratulations, Ellen.

It is wonderful to have great staff.

Tim and I look forward to catching up with you all on the phone or in person.

Warm Regards,

Jim Parr, Principal

P.S. Oregon State Parks 1 year Day Use passes are on sale in April for only \$20.00. www.oregon.gov/oprd/parks