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**Important Reminder:**

- **There is still time to make a 2009 IRA contribution**
- **Cairn Investor Profile; Time to Update?**

Greetings From The Northwest.

We are in a slow comeback.

As we end the first quarter of 2010, we as investors in publicly traded securities are breathing a collective sigh of relief. The global economic system felt very vulnerable a year ago as the Dow Jones Industrial Average plunged to +/- 6500 and the credit markets seized up in the face of an uncertain future.

Today we are seeing a gradual economic comeback, with the stock market climbing the “wall of worry” that I have so frequently written about. Along the comeback trail we are finding that bumps are part of the recovery path.

News is ambiguous regarding both bullish and bearish economic sentiment. I generally reside in the bull corner because I believe that it is a prudent plan to be invested and stay invested in the leading companies of timely economic sectors.

The Health Care Reform Act should be good for our health care companies, in which we are generally over weighted. Not that the Health Care Reform Act is necessarily good, but anything that reduces uncertainty is good. Good news is OK, bad news is bad, and uncertainty is terrible.

Internationally, European banks are trying to figure out a debt relief program for Greece that may become a path to follow for other at risk European countries.

Speaking of things that are at risk: Toyota! Who could have imagined that this quarter’s most important shift in industrial success would be created by a sticky gas pedal? Due to this unanticipated shift, domestic new car sales have jumped and Toyota sales have fallen. Ford has outsold GM, for the first time since 1970. It could be that this is the beginning of a multi-year trend. Factories in the US that build Toyotas use a substantial number of sub-components that are imported, while at the Big Three, the bulk of parts and components used are manu-

factured in the US and Canada. This could be the beginning of a market shift back to where the Big Three create enormous growth, not only in the auto related sector, but in the US industrial economy in general!

As our good friends at Argus Research point out, “A year ago, when Geithner, Bernanke et. al. were graphing their plans for economic recovery, no one penciled in an enormous ‘Toyota product recall flub.’ Toyota’s sticky gas pedals may ultimately contribute more to



*Patagonia Cairn From an Investor*

US Industrial recovery than all the stimulus dollars thrown at the manufacturing sector by Washington.”

I would expect this economic recovery to provide us with the usual bumps, cuts, and bruises that will cause us all a bit of discomfort. Companies have worked hard to right size themselves to fit the current demand for goods and services. This has contributed to a large number of unemployed. Between companies not spending and the public generally spending less, we have created a fairly

normal recovery condition in the form of pent up demand. This has been building for many quarters and now that purchasing is beginning to pick up, the leaner and more profitable manufacturing and commercial enterprises are benefiting. This has been aided by the fact that almost all companies that could have refinanced debt in an era of ultra low interest rates have done so. Not all employment has shrunk. The growing size of government and government debt is troubling. As private sector jobs have evaporated, government job numbers have been steady and slightly up. According to the Wall Street Journal, since January 2008 the private sector has lost 8.32 million jobs. The public sector has gained 119,000 jobs.

I'd like to shift the direction of this letter to another important topic, SEC (Securities and Exchange Commission) and NYSE (New York Stock Exchange) regulations. There has been a change to the Rule 452, eliminating the "Broker Vote" on un-voted shares. This does not affect us at Cairn. We will continue to handle the corporate reorganization or "re-org" issues of mergers, or possibly a spin-off, as well as other corporate actions. We do not vote your shares for you. Please vote your shares through the Proxy process. This should slow down the number of phone calls that shareholders have been receiving at home, encouraging them to vote. If you have a voting question, please call us.

Additionally, there has been clarification regarding RIA (Registered Investment Advisor) custody rules. These rules will require that checks received for deposit be made payable to the custodian who holds your assets. Checks sent in for deposit should not be made payable to your own name or Cairn Investment Group. Please call if you have any questions.

An important tool that we use to help us guide investment recommendations for our investors is the Cairn Investor Profile. You completed this questionnaire at the beginning of our investment advisor relationship. If you feel that your objectives have changed or that some detail of your situation should be discussed, please call us to update your profile.

Michael Wieck has arrived to help us. He joined Cairn in February as Operations Manager. Some of you will remember Mike as part of what was Charter Investment Group. He has a dozen years and broad experience in the securities business. Mike is married to Nicole and is a proud stepfather to Nicole's son Max. Until Ellen returns, Mike will also be available for tax related and investment service calls.



**Michael Wieck**

Our Investor Support person, Ellen, is sitting out this tax season, enjoying being a new Mom. Her son, William was born on February 24. All fingers and toes accounted for and he's gaining weight steadily.

I would again like to thank one of our investors for forwarding a super cairn photograph with a glacier behind it from Patagonia, Argentina.

Warm Regards,

Jim Parr, Principal

P.S. The new Oregon State Park reservation system will be up and running April 14. Check it out!