

**Inside this Edition:**

- Happy New Year
- Earnings Comparisons
- The Slow Comeback Has Accelerated
- Economic Outlook
- Improving Markets

**Important Reminders:**

- We Will Be Closed January 17, as the Markets Honor MLK Day

**Tax Forms and Dates:**

- Dec. 31 Schwab Institutional Statements
- Jan. 15 Gain / Loss Reports
- Feb. 15 1099s
- April 15 IRA Contribution Deadline
- Annual Management Fee Located on Page 2 of the Dec. Statement "Fees & Charges"

Greetings From The Northwest.

I'm going to spill the beans right up front, and tell you that I am optimistic for us, as investors, as we launch into 2011. Sure, the economy and markets have their detractors and gloomy Guses. It wouldn't be a marketplace without conflicting opinions, theories, and strategies to keep us on our toes and a bit off balance.

Since March 2009, when the equity markets turned positive, and June 2009, the month the government declared the end of the recession, we have been watching and participating in a classic advance of investment value, ascending the "wall of worry."

The unemployed who want to work are in a world of hurt. It will be a long time before the nation's Gross Domestic Product (GDP) numbers will be strong enough to see a decrease in unemployment to a figure dramatically below the current 10% level. Housing values will also continue to be no fun for current owners and those wishing to sell, as there is simply an over-supply of housing available. This is good for the small group of buyers who can qualify for loans in this time of cautious loan underwriting.

Those of us who have mortgages have been living with a sense that there may be some rotten cheese in our foundations. It stinks to be paying a consistent monthly amount to support an asset that is declining in value. It feels as if you are just "paying the rent," and, for many, it raises the question of how wise is home ownership? Hang in there, this too shall pass.

We are investors in companies, not in the market. We want a share of the successes of the companies we invest in, the successes that are the result of their employees' creativity and hard work. Oh, and a modest cash flow from dividends would be greatly appreciated from some of our investments as well.

The economy has some bounce in its step compared to the last two years. Companies have right sized themselves to fit the revenues they are experiencing. Bloated inventories have been reduced.

This holiday season, shoppers were confronted by skinny inventories and the chance that the item they were seeking might not be available. I personally had the unpleasant experience of being turned away in the Craftsman Tool department in Sears, while trying to buy that near-perfect blend of price and quality in a tool for one of my sons. The tool was sold out!

That being said, it is important to be cautious during a time when the Federal Reserve Board is printing money, the government has extended unemployment benefits, and many Americans are dependent on food stamps. We are being very selective of the bond issuers that we invest in, and are keeping the maturities shortish. We are also keen to participate in the growth and income opportunities

available overseas, and have expanded our off shore investing in the following: U.S. companies with foreign sales, foreign companies, and mutual funds with overseas components.

After nearly two years of improving stock prices, it occurs to us that taking some profits and reducing our exposure in some sec-



*One of Jim's Cairn encounters in Parc Natural Del Cadi-Moixeró near Andorra*

tors is wise. Many of you will have seen a change or repositioning in your portfolios, and in many cases a profit in 2010 that can be offset by the tax losses that were harvested in prior years.

A continuing positive trend is that the majority of companies we follow have had another quarter of earnings announcements that beat analysts' expectations. I have expanded the chart that was included in your last quarterly report to cover these recent earnings announcements. During the fourth quarter of 2010, eight companies missed, four met, and twenty-three beat expectations. A good showing.

I would like to say, in a big, big way  
Happy New Year! And Thanks To All Of Our Investors.

Warm Regards,



Jim Parr, Principal



The Cairn Carolers were encouraged to not give up their day jobs

## 2010 Quarterly Earnings Estimates vs. Actuals

Company Name	Q3 Est	Actual	Company Name	Q4 Est	Actual
<b>Missed Expectations</b>			<b>Missed Expectations</b>		
U.S. Steel Corp.	\$ 0.63	\$ (0.17)	U.S. Steel Corp.	\$ 0.23	\$ (0.35)
Bristol Myers Squibb Co.	\$ 0.55	\$ 0.53	The Greenbrier Companies	\$ (0.09)	\$ (0.15)
Medtronic, Inc.	\$ 0.81	\$ 0.80	Sara Lee Corp.	\$ 0.18	\$ 0.13
StanCorp Financial Group, Inc.	\$ 1.24	\$ 1.04	Leggett & Platt, Inc.	\$ 0.37	\$ 0.31
Johnson & Johnson	\$ 1.24	\$ 1.21	Emerson Electric Co.	\$ 0.76	\$ 0.75
Precision Castparts Corp.	\$ 1.71	\$ 1.65	The Clorox Co.	\$ 1.14	\$ 0.98
ConAgra Foods, Inc.	\$ 0.40	\$ 0.34	Chevron Corp.	\$ 2.15	\$ 1.87
			National Presto Industries, Inc.	\$ 2.24	\$ 1.92
<b>Met Expectations</b>			<b>Met Expectations</b>		
Starbucks Corp.	\$ 0.29	\$ 0.29	ConAgra Foods, Inc.	\$ 0.45	\$ 0.45
Realty Income Corp.	\$ 0.46	\$ 0.46	Sysco Corp.	\$ 0.51	\$ 0.51
Sysco Corp.	\$ 0.57	\$ 0.57	AT&T Inc.	\$ 0.55	\$ 0.55
Target Corp.	\$ 0.92	\$ 0.92	Target Corp.	\$ 0.68	\$ 0.68
<b>Beat Expectations</b>			<b>Beat Expectations</b>		
The Greenbrier Companies	\$ (0.02)	\$ 0.23	General Electric Co.	\$ 0.27	\$ 0.29
Sara Lee Corp.	\$ 0.25	\$ 0.28	Starbucks Corp.	\$ 0.32	\$ 0.37
General Electric Co.	\$ 0.27	\$ 0.30	Flir Systems, Inc.	\$ 0.38	\$ 0.39
Portland General Electric Co.	\$ 0.29	\$ 0.32	E.I. du Pont de Numours & Co.	\$ 0.33	\$ 0.40
Flir Systems, Inc.	\$ 0.36	\$ 0.37	Cisco Systems, Inc.	\$ 0.40	\$ 0.42
Cisco Systems, Inc.	\$ 0.42	\$ 0.43	U.S. Bancorp	\$ 0.43	\$ 0.45
U.S. Bancorp	\$ 0.38	\$ 0.45	Nordstrom, Inc.	\$ 0.49	\$ 0.53
AT&T Inc.	\$ 0.57	\$ 0.61	Pfizer, Inc.	\$ 0.51	\$ 0.54
Pfizer, Inc.	\$ 0.53	\$ 0.62	Bristol Myers Squibb Co.	\$ 0.53	\$ 0.59
Consolidated Edison, Inc.	\$ 0.54	\$ 0.65	Portland General Electric Co.	\$ 0.45	\$ 0.65
Nordstrom, Inc.	\$ 0.65	\$ 0.66	Sigma-Aldrich Corp.	\$ 0.73	\$ 0.76
H.J. Heinz Co.	\$ 0.72	\$ 0.75	H.J. Heinz Co.	\$ 0.73	\$ 0.78
Emerson Electric Co.	\$ 0.67	\$ 0.78	Medtronic, Inc.	\$ 0.81	\$ 0.82
Sigma-Aldrich Corp.	\$ 0.78	\$ 0.81	CenturyLink, Inc.	\$ 0.80	\$ 0.83
Merck & Co., Inc.	\$ 0.83	\$ 0.86	Merck & Co., Inc.	\$ 0.82	\$ 0.85
CenturyLink, Inc.	\$ 0.85	\$ 0.88	Abbott Laboratories	\$ 1.04	\$ 1.05
Abbott Laboratories	\$ 1.00	\$ 1.01	Johnson & Johnson	\$ 1.15	\$ 1.23
SanDisk Corp.	\$ 0.89	\$ 1.08	Consolidated Edison, Inc.	\$ 1.22	\$ 1.24
E.I. du Pont de Numours & Co.	\$ 0.92	\$ 1.17	SanDisk Corp.	\$ 1.05	\$ 1.34
The Clorox Co.	\$ 1.20	\$ 1.20	StanCorp Financial Group, Inc.	\$ 1.21	\$ 1.39
Esterline Technologies Corp.	\$ 1.15	\$ 1.30	Esterline Technologies Corp.	\$ 1.20	\$ 1.60
National Presto Industries, Inc.	\$ 1.84	\$ 2.18	Northrup Gruman Corp.	\$ 1.46	\$ 1.64
Northrup Gruman Corp.	\$ 2.19	\$ 2.34	Precision Castparts Corp.	\$ 1.68	\$ 1.70
Chevron Corp.	\$ 2.44	\$ 2.70			

Additions in Q4: ST Microelectronics, Telefonica, Eli Lilly  
Deletions in Q4: Realty Income Corp