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Important Reminders:

- **Bank Holiday October 14 & November 11 No Checks No Settlement**
- **Cairn Office Hours 6:30am—4:30pm**

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Greetings from the Northwest.

Rain. Rain is the word of the day, of the weekend, of the week. Twelve weeks ago I had a chance to report on some extraordinary weather in the Northwest. It was hot. Well, that has been changed. The fires are out in the mountains, and the rain has arrived. Apparently we in the Northwest are enjoying the tail end of a typhoon from Japan, with some extraordinary wind and extraordinary rain.

I'm writing this missive on the weekend prior to the Congressional vote on whether or not to shut down the U.S. government. Talk about something that should get rained on. There should be no gray in people's perception of our government, our economy, our country, and our ability to pay our bills. I have confidence that this will get sorted out, but I'm not sure it will get sorted out in the time frame that people are expecting.

The news over the last few weeks has been extremely noisy, and it is that noisy news that I typically try to steer away from. It can be distracting, and it can be rather off-putting, when in reality, what we continue to strive to do is focus on quality companies and owning a portion of their success.

So, back to the rain...I think it would be a darn good idea if we ignore it for a bit, and ignore all of the noisy news coming out of Washington, New York, and other places, and focus instead on those things that have been improving, and my gosh, in September we have seen some improvements. After the news in June, about the FOMC (Federal Open Market Committee) beginning to taper on the Quantitative Easing Bond Buying Policy, it became clear that the downward price fluctuation of many fixed income investment vehicles was overdone. Unexpectedly, fixed income prices had sold off to lower lows and higher yields. Over the last couple of months, we have seen a stabilizing fixed income market, interest rates have dropped a bit, prices have firmed, and I suspect, as you scan through your investment reports,



A Cairn Marks The Ruby Crest Trail, Toiyabe National Forest T. Mosier

you'll see that municipals, corporates, real estate investment trusts, and stocks with large dividends have generally trended upward recently. The fixed income markets have solidified around the concept that interest rates probably are not going to be adjusted much more in the short run. The latest bit of noisy news was the surprise move by the FOMC to hold off tapering its bond buying initiative. The markets moved rapidly, the equity markets moved higher, bond prices firmed, and interest rates moved down. "Chronic FEDigue Syndrome." Okay, this is a new word that is being thrown all over Wall Street. "Chronic FEDigue Syndrome," the ailment at the moment plaguing the market, is incurable, contagious, and set to continue.

Another piece of important and interesting news was that former Treasury Secretary, Larry Summers, withdrew his name from consideration to replace Ben Bernanke as the Fed Chairman. Clearly, those people who are living and dying in ¾ time, watching the Fed closely, felt that Mr. Summers would not be a good replacement candidate.

Often I leave specific company changes in our portfolios until the end of the report. Today I'll jump right in because some of these topics have been rather exciting. Folks who own Intel and Weyerhaeuser will see dramatic changes in their month-to-date performance. In particular, Intel really seems to have piqued investor interest as it has begun what is expected to be a continuing stream of new product introductions. Tractor Supply shareholders, don't be surprised when you see a lower per share price in your report. The stock has split two-for-one, so you have double the number of shares at half the price, and that price is at all time highs. Congratulations!

For many, we added a new company to their list, a company called Tenneco, an industrial manufacturer, having engineering centers and operations around the globe. Their products match up with the needs of transport vehicle industries worldwide. Many of us own automobiles that ride on Tenneco suspension products, or have exhaust systems that are manufactured by Tenneco. Monroe Shock Absorbers and Dynomax Performance Exhaust Systems are just two of a long list of popular products. Tenneco's businesses aren't just passenger cars and light trucks. They also serve heavy industry: locomotive, agriculture, and marine applications, and the growth in these areas is substantial. We are enjoying being shareholders of Tenneco.

For many folks in the Northwest, and many of our investors who enjoy getting outdoors and sporting about, we now own a portion of Dick's Sporting Goods. It was founded in 1948 when a young guy, Dick Stack, left an army surplus store and struck out on his own. His son, Ed Stack, is now the CEO; Ed and his siblings bought the store from their father, and are responsible for the growth of the chain to over 500 stores. Dick's Sporting Goods management plans to raise total sales to 10 billion in fiscal year 2018, from nearly 6 billion last year, and to increase their operating margins. This is all good news. Dick's is a Northwest name that we can enjoy owning. I've been particularly impressed with the concept of the small shops within a larger shop. You can find the soccer area, or the golf area, or the running area very quickly, and they have nationally known brands. Go ahead and stop into a Dick's Sporting Goods, and try it on for size.

Another group of you have a new position in an old name, Unilever. Yes, you'd be correct in recognizing that it's a British company. But, my gosh, so many of us have enjoyed their products. Maybe it's Dove soap, Ben & Jerry's ice cream, Knorr soups, Bertolli olive oil, or Vaseline; the list goes on. This is a company of consumer non-durable goods that has been on a growth path. They also back that up with a substantial dividend. Please enjoy Unilever, and smile the next time you have a Lipton Tea.



One of the real estate investment preferreds that many hold, Public Storage, Inc., has experienced a lot of volatility over the last few weeks. Public Storage is the industry leader in a competitive business, and in our view, will likely reward shareholders going forward. Public Storage, in particular, benefits from an economy of large scale, and solid brand recognition.

A couple of the companies that we've added recently in the three dimensional manufacturing business are causing quite a stir. What is three dimensional manufacturing? It's a little difficult to explain, but if you imagine a layer of ink on a piece of paper coming through a copy machine, and then another layer built on top of it, and another layer, to a point when it begins to have thickness, you would be experiencing three dimensional additive manufacturing. Three dimensional additive manufacturing is a game changer for a lot of manufacturing development companies. One of our three dimensional manufacturing companies is 3D Systems. They, like other companies that we've been successful with in the past, have really focused on their ability to acquire small innovative businesses that add to their overall business base.

The rapid fire news that is not directly economically related, but certainly has connections to how the entire globe will go forward, has been remarkable lately. Struggles in Syria have been almost forgotten about as we now focus

on Iran, and the idea that our leaders may be shaking hands shortly. It's phenomenal. In Mexico, the Pemex Oil monopoly would appear to be on the verge of being dismantled. That would be a remarkable step. It would be another bucket in the worldwide influx of more oil supply. More oil available in Canada, the United States, and in Mexico. This is probably good for lower energy prices, and for our economic expansion.

In my last report I commented on coal trains coming down through Washington. Well, my gosh, they really are here. Coal trains, moving through Portland and Vancouver, are headed for export markets. Hmmmmmm...this is interesting since we have not yet seen any large coal export ports built on the lower Columbia. It would appear that many of these coal trains are coming through the Cascade Mountains along the Gorge, and then heading north up to British Columbia ports. Amongst all these changes, there is a clear, albeit very slow, re-growing of our employed population. Unfortunately, some of these jobs don't pay as well as they used to. I have seen recently that the average manufacturing job is paying about 5% less than it paid prior to the Great Recession.

As many of you know, I truly enjoyed my experience as Chairman of the Oregon State Parks Commission. Recently I was invited to the opening of a new state park that I had been directly involved with from its inception. Located between the small towns of Wasco and Condon, right on the beautiful John Day River, is Cottonwood Canyon State Park. It's open now and it looks great. It's an arid environment; vegetation will take a long time to flourish and look as if it's been there for awhile. But it's worth taking some time to visit. It's a spectacular landscape. It's just absolutely exciting to be able to walk to the top of those hills, look down through the canyons to see that crinkled landscape, and to enjoy the river, fishing, camping, and hiking, in what is truly one of Oregon's premier landscapes. Visit Dick's before you go!

On a very personal note, I had an experience this fall that I'm sure many parents have thought about, if they haven't experienced it directly. My middle son, Austin, a University of Oregon graduate, decided it was going to be an intriguing and good educational experience to become a Wild Land Fire Fighter. Wow. He worked twelve-hour night shifts, on the edges of a roaring forest fire in the Douglas Complex, near Roseburg, Oregon. I am so pleased that he is back, and those fires are out. Austin had a good experience. He's home, he's safe.

Last quarter we updated our computer server. This quarter we are updating our individual PC's. We're going to be taking that on in the middle of October. It should involve just an over-the-weekend process, and we look forward to installing all of the newest, latest, and greatest techno stuff. Don't forget that if you do wish to view your assets online, the quickest way to do that is to click on



Austin Parr 3rd Night Out

Dust Busters Plus LLC

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Happy Trails,

Jim Parr, Principal
Cairn Investment Group, Inc.