

**ADV Firm Brochure
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Inside This Edition:

- **Family Poetry**
- **Patrick Mason**
- **Tim Moiser—Fiduciary Rules**
- **Household Summary**
- **Individual Account Reports**
- **Material Changes To Firm Brochure**

Important Reminders

- **April 18 IRA Contribution Deadline**

**NYSE Closed—No Checks,
Deposits or Settlement on:
4.14.17—Good Friday
5.29.17—Memorial Day**

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Greetings from the Northwest.

I know that all of you as our wonderful investors have now torn open your report to read the ever stimulating and maybe even exotic newsletter. But, before we get to the volatility, changeability, and shifting sands of investments, I thought we would reflect for just a second about the weather we've had.

First it rained
and then it blew
and then it frizzed
and then it snowed
and then it thawed
and then it thewed.

And very shortly after then
It blew and frizzed and snowed again.

Grandma _____

This poem was handed to me by a gentlemen from a northwest family that has been with us for a long time. And for the first one of those family members who recalls this and contacts us, we'll give you an opportunity to submit yet another poem for next quarter.

We had a terrific 2016. We followed with a solid first quarter of 2017. Now we're looking forward to really intriguing investment challenges and finding solutions that work for our portfolios. Many of you have heard me drone on about the things we're going to pin on our wall of worry. So forget about it. Know that the wall of worry is there and we're paying attention to it. We might speculate on the direction of interest rates from time to time, or the push and pull of politics, but as you have heard me say many times, we're not investing in the market, we're investing in individual companies. As simple as it may sound, the relative valuation of the purchase price almost always decides whether or not, over time, you'll have a profitable enterprise, a profitable investment.

Now we're going to shift over to Patrick and let him carry the news, illuminating some of our thoughts on current investments and the selections we have been making.



Cairn in Jotunheimen, Norway

Patrick Mason, CFP :: Investment Analyst

In last quarter's newsletter we briefly touched on our prediction surrounding the potential market reaction to the U.S. presidential election. We were confident that changes don't happen in a vacuum nor overnight, and so far that is turning out to be the case from a policy perspective. The initial investor enthusiasm surrounding the possibility of large infrastructure spending and tax reform has waned, as the reality of the sheer size of these projects proves to be more difficult to implement than originally thought.

From an investment prospective, the slower pace of policy changes creates an interesting environment. The sectors and companies thought to be the biggest beneficiaries of potential policy changes are experiencing investor euphoria and a herd mentality, causing certain sectors to provide minimal appreciation potential at current prices. When much of the current market movement is based on high expectation, thoughtful and disciplined valuation analysis becomes even more important. On the bright side, this also creates opportunities to invest in select companies that have not been the recipients of investor euphoria. As always, we are focused on risk management and protecting against permanent loss of

capital. It is easy to be enticed to shift focus to the short term in a market based on euphoric expectations; yet now, more than ever, is a time to focus on long-term opportunities to grow wealth. In this environment we will continue to find high quality companies at attractive prices, while selling companies that we believe have become overpriced. Thank you for your continued trust and support. Please call or stop by if you ever want to discuss anything in more detail. — Patrick Mason

Patrick, thank you very much. Now we'll shift to Tim in his other role here as Chief Compliance Officer. You may have heard on the news, or seen in the newspaper, that one of the big topics of this year is the word "Fiduciary." Tim will give you a summary of how we embrace this, how it affects us as a firm and our thinking, and what benefit it has for you as our investors.

Tim Mosier :: Principal & Chief Compliance Officer

You may have heard about a new rule in the works from the Department of Labor known as the "DOL Fiduciary Rule." This rule, proposed by the Department of Labor under the Obama administration, would require that Investment Advisors, Brokers, Insurance Agents, and anyone else providing investment advice for a fee or commission, must act in the best interest of the investor when dealing with certain retirement accounts, in financial terms, as a "Fiduciary." At this point you might ask: "You mean they haven't always acted in the investor's best interest"?

The answer is: maybe. The investment industry has many ways that it supports individual investors. Much of the industry, most easily identifiable as "brokers" who earn a commission on trades and insurance product sales, is held to a standard that says investments and advice must be "suitable" for the investor; not in the best interest, but suitable. This can mean that sometimes the advice is given biased towards the advisor's interest rather than the investor's.

Another, smaller part of the investment industry consists of Registered Investment Advisers, (notice the "e" instead of an "o" in advisers) like Cairn Investment Group, who must, and always have, acted as Fiduciaries. The new rule would push much of the industry in our direction. It comes with new documentation requirements to help investors better understand the choices they face when rolling over or transferring retirement assets between accounts or custodians. Because we at Cairn have already accepted the mantle of a Fiduciary, the changes in our processes will be modest: new language in our advisory agreements, making it clearer that we are a fiduciary, and a cost comparison worksheet to help investors make better decisions. The brokerage firms that are not primarily in a Fiduciary model will be forced to make difficult choices regarding the services they provide and to whom.

The new administration has delayed the enforcement date until mid-June, and there is indication that it may be withdrawn completely if the courts allow. It is our plan to fully comply with the new documentation requirements regardless.

—Tim Mosier

Thank you, Tim. We've had some changes at Cairn recently. All of them seem to be working out well. Number one, we took over a little more space in our building and have shifted some office spaces around. Patrick has settled into the old conference room, making it his office while the additional space has been remodeled into a new conference room – it's pretty zippy. We're still trying to figure out how to run the technology. I might resort to dragging in a tripod paper holder otherwise known as an easel and just write and draw the "old-fashioned" way. But the rest of the folks seem to be catching on quickly; we're excited about the technology we've added, the space, and the way the office seems to flow. It's good. Additionally, Brie, who was with us and so wonderful at so many things, resigned at the end of January. We have added a new terrific person. As a bit of an intro, I think that many of you will recognize and have some memories of Theresa Benjamin. Theresa worked with Dad and me at Charter Investment Group from 1992 – 1995, she then took what seems to be kind of a reasonable path, met a guy, got married, moved to a different state and, life being what it is, she's back in the northwest and has rejoined us. Theresa is learning fast all the complexity and the care and feeding of our business. Thank you, Theresa, we're happy to have you here. That being said, as our investors dial in to the office, it's likely that Morgaine will be picking up the phone.

If you are near, don't hesitate to swing by. We would love to have you come by the office and meet Theresa, and, as you know, the coffee pot (or in this case the espresso machine) is always raring to go. Thanks for your support. We look forward to a successful 2017.



Lara . Patrick . Jim

Tim . Theresa . Morgaine

Happy Trails,

A handwritten signature in black ink, appearing to read "Jim", with a stylized flourish at the end.

Jim Parr, Principal