

GREETINGS FROM THE NORTHWEST!

What a difference 12 weeks makes in the weather! We've got a great start to the summer this year, not having to suffer through the typical June down-pours before a sudden seasonal shift to dry and hot; we're already there and my lawn is suffering. Sometimes it's nice to have simple problems like that. Our friends in California are getting some great weather, too, but still dealing with an immense amount of water leaking out of the mountains. On a recent drive down the back side of the Sierra Nevada, I was delayed several times by flooding over US 395, and those mountains were still covered in snow.

Every quarter I like to give a few thoughts on what I see as big picture issues that escape the casual viewer due to the "forest for the trees" effect, before handing things over to Patrick for his deeper dive into the current market conditions. Frankly, I'm having a tough time finding something to discuss this quarter, mainly because so much has not changed, and you deserve not to read my opinion for the third time on a topic! There are many macro issues in play, yet resolution for most has been slow.

So, instead, I'll turn inward a bit. First, I'll remind everyone of our upcoming move. We'll be out of the current location at the end of the day on July 13, the end of this week, and up and running on Monday, July 17 at our new headquarter location in Vancouver. Meetings that week can be scheduled at either the Vancouver location, or at our branch office in Portland. Remember that the Portland office is available by appointment only.

Another exciting development is that Cairn can now manage your 401K and other employer sponsored retirement plans. If you have a desire for professional management of your retirement assets, let us know and we can discuss how this works and what advantages this may bring to your financial outlook.

Finally, I'll mention our expanding focus on financial planning. It's something we've always done on demand but was not originally a core feature of our



Photo credit: John S.

OF NOTE:

:: Annual Privacy Notice

:: Cairn can manage your 401K!

:: Estimated taxes due
September 15

:: Markets and Cairn closed
Monday, September 3

business. Times change and so have we. We have two Certified Financial Planners (CFP) on staff, and we utilize the most comprehensive planning software available, allowing us to provide accurate and informative projections that reveal the key decisions that you must make as you make your way through life. This service has no additional cost to you, so if you feel like now is the time, let us know.



...Cairn can now manage your 401K and other employer sponsored retirement plans. ...we can discuss how this works and what advantages this may bring to your financial outlook.” —Tim Mosier

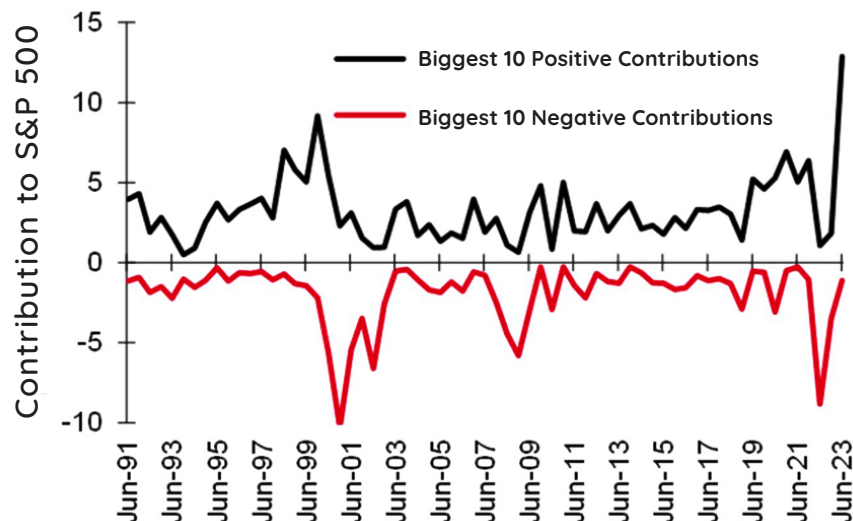
With that I'll hand things over to Patrick:

PATRICK'S PART

With all the noise surrounding the economy, interest rates, and inflation, one could be forgiven for thinking that equity markets would be suffering. Instead, the S&P 500 has experienced a stellar first half. We have written at length regarding valuations, and risks facing current equity markets, and our opinion has not changed as nothing in the data has meaningfully shifted. In fact, today's environment is similar to the one we wrote about a couple

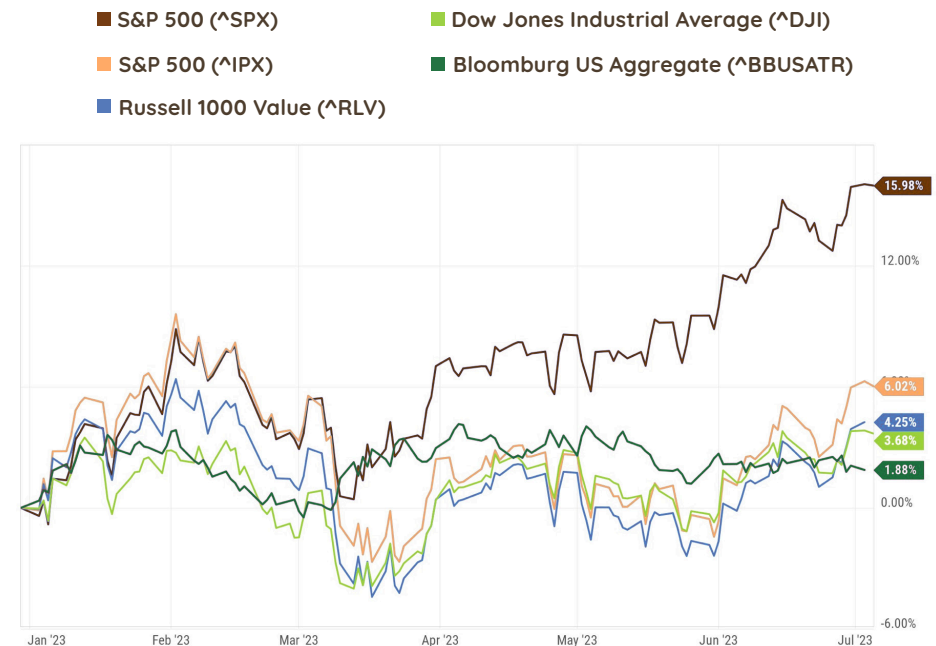
years ago when US equity markets were being driven by a few select companies. The two charts below show 6-month return contributions for the S&P 500 going back to 1991, and the year-to-date returns of some broadly followed indexes. Leadership has never been so narrow as it is right now, which is not the hallmark of a healthy market.

BIGGEST POSITIVE AND NEGATIVE CONTRIBUTION TO S&P 500 6-MONTH PERFORMANCE (OVERALL % IMPACT ON S&P 500)



Source: Bloomberg

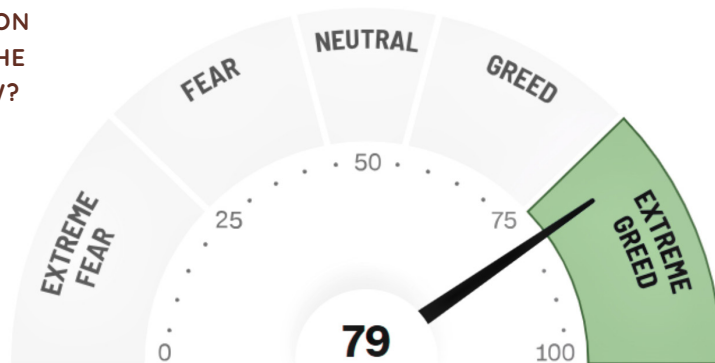
YEAR-TO-DATE RETURNS – LEVEL % CHANGE



The top 10 stocks in the S&P 500 now make up over 30% of the index compared to 17% in 2015. Investors throwing money into this bloated index are making a huge bet that market dynamics are forever changed. Enthusiasm for the most popular stocks is also evident in sentiment indicators, with both the CNN Fear & Greed Index and Sentimentrader's Smart Money showing extreme optimism.

FEAR & GREED INDEX

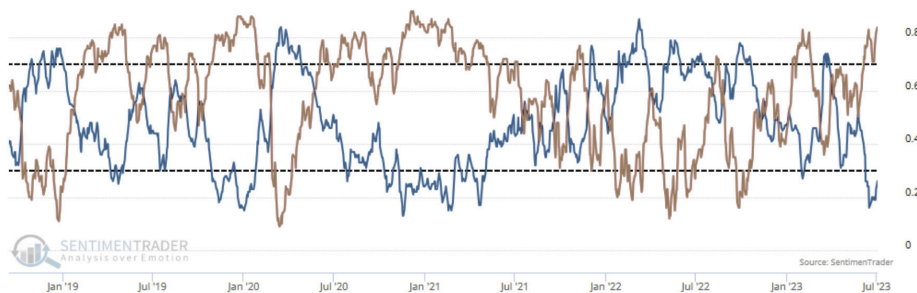
WHAT EMOTION IS DRIVING THE MARKET NOW?



Source: cnn.com

SMART MONEY VS. DUMB MONEY

■ Smart Money (Last = 0.84) ■ Dumb Money (Last = 0.26)



Source: sentimentrader.com

This type of frothy sentiment has historically been a contrarian indicator when combined with high valuations. Outside of late 2021 and the tech crisis, valuations have never been higher.

US EQUITY VALUATIONS

■ US Total Market Capitalization as % of GDP (I:USTMC) ■ S&P 500 Shiller CAPE Ratio (I:SP500CAP)



The silver lining in this challenging environment is the fact that we are still finding some attractive companies and asset classes that present compelling long-term value. And as the interest rate environment has shifted over the last 15 months, we are able to earn a return on cash while we patiently wait for a more attractive investment environment. Thank you for your continued trust. Please reach out to me if you have any questions or want to discuss any topic in more detail. —Patrick Mason

Thanks, Patrick! With that, I'll wish you all a wonderful summer full of family and travel.

Tim Mosier, President,
Cairn Investment Group, Inc.