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**Cairn Investment Group**

121 SW Morrison Street  
Suite 1060  
Portland, Oregon 97204

Phone: 503.241.4901  
Fax: 503.241.5699

E-mail: [info@cairninvestment.com](mailto:info@cairninvestment.com)

Happy New Year and Welcome to 2009!

Ouch! It has been six quarters since we opened Cairn Investment Group, six very difficult quarters for investors and businesses alike. When the going gets tough the tough get going, and we at Cairn are tough, like a rock. Every day, early in the morning, we put the coffee pot on and study the markets. Which way is the current flowing in equities, bonds, and commodities around the world? Which way should we move in order to be in a reasonable position with our investments? Each week we review accounts, adjust allocations, and meet with a few investors. Each month we review our firm's progress and smile as we tally up new relationships, new assets, and we know that what we are doing is appealing to investors. We are growing at a time when many firms are not. Some firms with very notable names have fallen prey to these difficult times and are no more. We are open to new business and would be honored if you would pass our name on to those people you may know who have been connected to one of those firms that are now history.

The last quarter of 2008 was violent. We bobbed and weaved and missed many of the punches thrown by a wild market. We also took a few right on the nose. Probably the most disturbing issue of the quarter was (and will be) Bernie Madoff. Wow, what a mess. \$50 billion, poof!

2008 was the worst year for the Dow since 1931, and the majority of the loss was between October 1 and October 10.



**Mt. Adams Summer 2008**

Only two Dow components stocks, Wal-Mart and McDonald's, were up in 2008. In a reversal from past years, US markets generally outperformed global markets. This really clipped the value of many mutual funds that have migrated toward overseas growth in the past few years.

Information about financial news now races around the planet, often creating more of a stir in valuations than is warranted. The media have figured out that there is money to be made by pumping investors full of data. Unfortunately, most of the actions taken because of media hype are emotional. Investing has always been about the emotional versus rational battle. The rational historically wins. The Value Line Research Company reminds us that the current P/E of the 1700 companies

they follow is only 11.2 and the dividend yield is 3.2%, historically very rational, very attractive.

Never have we experienced such a vigorous tax loss selling season. We have viewed and reviewed all accounts. The majority of taxable accounts have undergone some degree of tax loss harvesting. The intent is that the tax losses can be used to offset gains in the future. Don't forget to utilize the tax losses with the guidance of your tax preparer.

This year Congress made a change to the reporting rules and has shifted the mailing date for sending 1099s to investors to February 15 instead of January 31. Also, Congress has passed and the President recently signed a bill suspending the Individual Retirement Account (IRA) required minimum distribution (RMD) for 2009. Since many of you are taking RMDs and don't particularly appreciate the requirement, we need to talk.

We have added some new features to your quarterly reports: 1) twelve months of trailing information, and 2) a graph that shows portfolio value versus cumulative net investment. (You can track the value compared to funds added or subtracted to the portfolio by each account). We are also working on a %since inception+report. If you have an interest, please contact me and I should be able to send you a prototype. Last quarter I said that our website was soon to be enhanced. It still is and I will email you with the news when it is unveiled.

The volume of charitable gifting from our investors to many varied organizations was truly remarkable in such a poor year for investments. We are truly blessed to be able to work with so many generous families with such civic sensibilities.

In my July letter to investors I wrote that the %next bubble+to pop would be high priced oil (eventually @ \$147/bbl) and that a fair price might be \$75/bbl. Now it is @ \$40/bbl. Ok, this makes for cheap gas but it also yells that the world economy has stalled; this is not good. So, here's to the New Year, a new govern-



Lara Sean Ellen Tim Jim  
Happy New Year from Cairn Investment Group

ment and a new economic stimulus package. Historically, the economy can't be planned like a subdivision; it is a dynamic, living process. It's going to be interesting.

Here at Cairn all of us are healthy. Ellen is in the midst of planning her March wedding, and Sean is planning a very exciting trip to Brazil. He leaves February 17 and is expecting to fully participate in Carnival festivities. Any advice from Carnival alumni?

Warm Regards,

Jim Parr, Principal

P.S. Oregon's 150 Birthday, the sesquicentennial is February 14, 2009.