Investment Update from Michelle Rand, President & CEO of Cascade Investment Advisors, Inc.

First and foremost, we hope all of you are safe and healthy. Stay in, keep hydrated, do those house projects you have been putting off, or take up painting! The down time can be put to good use in these days of busy lives.

We thought you might appreciate an update on where we are in this crisis and what we are thinking and doing.

It's easy to think that whatever bad thing we are experiencing at the moment is the worst we have ever seen. All of us at Cascade have lived through multiple market crashes, along with a long long sideways market in the 70s when we were just pups, and at the time, these have all been fear-inducing. The most recent of these crises, 2008-2009, offers a template for today: back then we didn't know if any part of our financial system would survive. Bank problems, called loans, no loans, defaults, shuttered real estate, every day a new revelation about how the financial system was working - in a way that it shouldn't have.... it's painful to recall. Back then, besides crashing stock prices, we also experienced serious credit events that resulted in bankruptcies throughout the US. The Fed was slow to act and had no playbook. The government did a little, then more, then a lot. This is the nature of human response to crises - no one ever thinks it's a crisis at first, so responses are slow.

The current environment is a rolling 'blackout' of supply and demand. Closed factories in Asia affect the ability to deliver products in Europe and the US; quarantines affect the ability of consumers to buy much at all - and all of this is happening region by region on different schedules. Because the world's global trade profile links us to each other, country by country, it is likely that shortages of certain items will crop up. At the same time, those shortages will encounter slack demand anyway. A recovery from this will be hit and miss for a while - China is already gaining its footing, but has no one to sell to, because of quarantines and closures in other countries.

At the same time, we have only an inkling of real news about how this is affecting economic statistics. We assume the news will be bad, but we don't know how bad. The advent of actual data about our economy and corporate earnings in March and April will likely provide fresh fuel for the market to fall; we say that because we have noticed that expectations for China's contraction were far, far off the mark. Actual numbers were much worse than expectations.

Signs of a bottom include muted reactions to bad news, or even price *increases* after bad news; and closing prices for the Dow and S&P that aren't at the very worst levels of the day. Every bottom contains huge rallies, so if you see those, do not be fooled. We are likely at the beginning of the middle, not yet near the end.

Market prices and volatility at this point are partly a reaction to what investors expect in the way of declines in economic activity, but also a reach for liquidity. Companies, investors, countries are striving to pack away cash. This is why we have seen declines in gold prices and Treasury securities while stocks also decline. Everything that isn't nailed down is getting sold so that cash can go in the bank. We call this a liquidity issue.

We also expect credit issues to come out of this. A credit issue means that a company or consumers can't make payments. The 2008 crisis revolved around credit issues, and turned into liquidity issues. This crisis is the opposite. The good news is that the Fed is using the same playbook it already developed in the last recession, and rapidly, to attempt to head off both liquidity and credit issues. This will be partially successful, just as in 2008, but no question about it, we also need for demand to come back. No matter what the Fed does, it's not going to make this virus go away.

For our part, we have pared larger positions from certain portfolios, nearly vacated the energy space, and sold off some stocks where balance sheets are questionable. If you see sales, they generally fall into these categories: was a large position, involved in energy, or bad balance sheets. We are actively looking for new names and have already initiated 'starter positions' in a few. These are generally stocks that have historically been too expensive for us to buy. We view this downturn as an opportunity to approach these names at reasonable prices.

We will write more as this crisis unfolds and as always, you are welcome to call me directly at 503.703.3622, and even better if you could call after-market hours. It would be great to hear how you're doing.

Best,

Michelle Rand