

Philosophy and Services

Presented by

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President



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Cascade Investment Advisors, Inc. - Summary

Michelle Rand, Founder	<p>Thirty years of investment management experience including individual, corporate, charitable, insurance and retirement accounts.</p> <p>Director of Research and Senior Portfolio Manager, First Interstate Bank. Developed option trading strategy for the Bank; managed staff; instrumental in setting investment policy; responsible for \$100 million in client assets.</p> <p>Vice President and Senior Portfolio Manager, US Trust Company. Responsible for \$200 million in client assets; developed value-oriented investment strategy; instrumental in marketing program.</p> <p>Chartered Financial Analyst, Registered Investment Advisor.</p>
Firm Profile	<p>Established October 15, 1997. Assets under management as of 12/31/2023 were over \$300 million, representing 150+ relationships, 350+ accounts, based in Oregon City, Oregon but serving clients nationwide and internationally. Six employees include three professional staff - all with CFA designation - and three support staff.</p> <p>The firm is known for its client service ethic, intellectual approach, and goal-based investment approach.</p>
Investment Style	<p>Value-driven investment process with a focus on price relative to fundamentals applied to all markets; individual security selection.</p> <p>Illustration: Sold Torchmark bonds 6.375% due 6/16 after double digit gain in two year holding period; sale price represented large premium over par and a yield to maturity of 4.73% which represented fair value in our opinion; swapped into Weyerhaeuser bonds due in 2027 with a yield to maturity of approximately 6.7%. The latter has credit rating upgrade possibilities. Transaction captured capital gain; increased opportunity of appreciation due to credit improvement in the new bond; and increased cash flow.</p>
Services	<p>Investment management for discretionary accounts. Individual asset management custom tailored to client circumstances.</p> <p>Consulting by the hour, largely for expert witness testimony in court cases.</p>
Fees	<p>0.95% of assets under management to \$1 million, or, between \$500,000 and \$1 million <i>and</i> with us over 5 years, 0.90% (tested for value each April 30); accounts over \$1 million are charged 0.85% on the first \$2 million, and 0.70% on the next \$3 million. Accounts over \$5 million, negotiable. Commissions are charged by your custodian. See fee schedule for details. Bond portfolios are negotiable.</p>

A full list of stocks we invest in is available on request; mention of specific securities herein does not constitute investment advice, and such investments may or may not be profitable.

About the Company

Cascade Investment Advisors, Inc. was formed for the benefit of investors who seek customized, individual asset management at reasonable fees. The firm specializes in individual security selection with a value orientation: we shop the markets for the best values in assets. For a detailed explanation of our investment philosophy, please turn to *The Art of Investing*. As of December, 2023, the firm managed about \$300 million on behalf of clients.

As fiduciaries, we strive to provide our clients with excellent service. Clients can expect as much attention as their portfolios will receive. We spend the time it takes to understand your investment personality, so the resulting portfolio suits your risk profile and your return goals.

Just as we look for values in the world of investing, so do we look for values in the management of our business. This firm is in partnership with its clients: the fees you pay should be put to good use. We spend substantial sums on research, which matters, and very little on corporate structure. For our fee schedule, please turn to *Fees and Charges*.

Michelle Rand, Founder and President. Michelle has over thirty years of experience investing for individuals, businesses and charitable organizations. Her most recent position was with US Trust Company, managing over \$200 million in client assets. She graduated from Reed College in 1981 with a B.A. in Economics. She received the Chartered Financial Analyst (CFA) designation in 1985. Michelle participates regularly in the CFA Continuing Education Program and is a member of the Portland chapter of the CFA Society as well as the New York Society of Securities Analysts. Michelle occasionally speaks to groups on a variety of investment topics, including investing basics, value investing, and market risk management. She has also given testimony as an expert witness on investment matters.

Michelle is married to Jon, and together they care for a virtual menagerie of animals. Michelle loves restoring, driving, and showing vintage cars – her most recent project is a 1965 MGB Roadster. She also finds time to ride her horse Ruben, just enough to stay upright!

David Schue, Research Analyst and Portfolio Manager. Dave joined us in 2001 after accruing over 20 years of business valuation experience. Dave began his career at Willamette Management Associates, Inc., then co-founded a firm called Corporate Valuations, Inc. with two colleagues. He received his Masters in Business in 1979 from the University of Edinburgh, Scotland. Dave is a Chartered Financial Analyst and a member of the Portland CFA Society. Dave is responsible for much of the heavy lifting that our research process requires; he manages several portfolios as well.

Dave is married with one daughter. Most years find Dave running the Portland Marathon, a sport that fits his patient nature.

Warren Hastings, Portfolio Manager and Research Analyst. Warren is a Portland native who has been working in the investment field for over 30 years. He joined us after 20 years at Becker Capital Management, a local firm with roughly \$3.0 billion in assets under management at the time in 2014.

Like many of us, Warren's investment career began shortly after college, at Willamette Management Associates, performing corporate valuations. Next, he moved to the Investment Department of U.S. Bancorp and advanced to the positions of Portfolio Department Manager and Arbitrage Trader.

Following U.S. Bancorp, Warren worked at First Interstate Bancorp, managing several fixed income mutual funds as well as institutional client accounts. In 1994, Warren joined Becker Capital Management and served in a variety of roles including Portfolio Manager and Securities Analyst.

Warren has been designated a Chartered Financial Analyst since 1987 and has acted as both an exam grader and curriculum counselor. Areas of industry expertise include oil/gas, forest products and industrials.

When not working, Warren can be found either “waddling” the many hiking trails of Portland, or playing blues-style guitar licks. “Waddling” has replaced long distance running following several sports-related knee repairs. Volunteer hours are dedicated to the Neighborhood House in Multnomah Village. Warren along with his wife Carolyn have two daughters and a newfoundland named Teddy.

Julie Longenecker, Director of Client Operations. Julie joined us in 1999 after working for over twenty years as an administrator in the field of investment management. Her most recent position outside of Cascade Investment Advisors was with Wells Fargo Bank, where she reported directly to the department head and served as Secretary to the Trust Investment Committee. Julie brings her computer literacy, organizational skills, and excellent communications ability to the firm in her position as client service administrator. Julie is responsible for producing client reports, maintaining our client accounting system, coordinating executed trades, all documentation related to account management, and various aspects of client communication.

Julie’s outside focus is on her family – husband Scott, two daughters, and her cats, Chester and Louie. She enjoys her daily 3-mile morning walk, camping trips with her family and spending time at their vacation home in Bend. She is involved in various activities/committees within her church.

Melissa Burton, Office Administrator. Melissa joined us in early 2021 after working with a local brokerage firm for several years in compliance, operations, and technical support. Melissa is credentialed with Series 28 and Series 99 licenses and a B.S. in Business Administration, and Management. She brings various skills to our firm, spanning the gamut from technical expertise to a great attitude with clients and staff. Melissa supports Julie and our portfolio managers with compliance, our asset and account review process, and data analysis.

Melissa enjoys her free time with her golden retriever, Poppy, and cat Yzma. She is often found with a sketchbook or trying out a new hobby or skill.

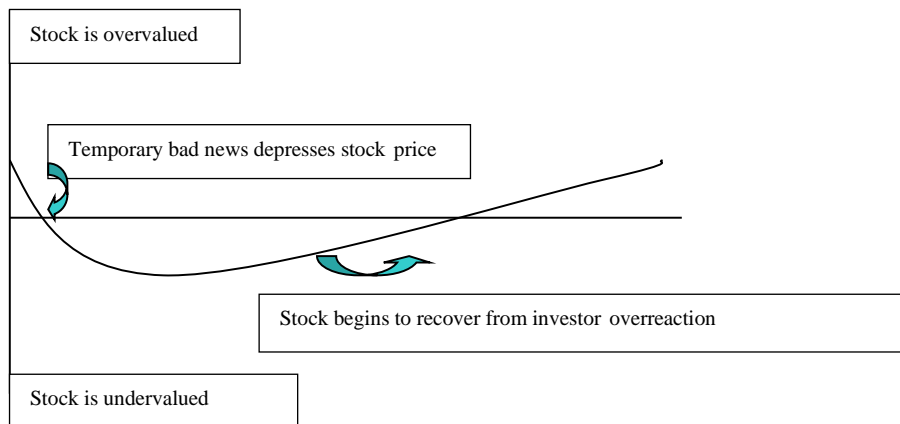
Trevor York, Junior Analyst. Trevor joined us on a part-time basis in late 2023 after working in several technology support roles. Trevor graduated with honors from Oregon City High School and attended Clackamas Community College. His first roles at Cascade involved helping us to integrate artificial intelligence into our processes, beginning with our internal stock reports. He is moving on to bond analysis and is helping us write our regular communications about investment strategies to clients.

Trevor enjoys spending spare time with friends and family, making music, and reading about science and technology news.

The Art of Investing

How do investors earn above average returns without taking undue risk?

By buying undervalued securities. Markets are said to be efficient, but research shows that undervalued securities offer a “free lunch” – more return at lower risk.



Market participants are emotional. When bad news strikes, investors often sell without evaluating the long-term effects of the news. Thus, opportunities are created for value investors, who like to buy low and sell high.

Typically, negative news will affect a whole industry. The 2008-2009 housing bust decimated many tool makers, such as Black & Decker, Snap-On, and Stanley Works. However, these companies remained profitable throughout the recession, and in fact used the time to become more efficient operationally. Yet the stocks were selling at prices that implied that we’d never build another house in the United States. Because their prices were already so low, the *risk* of investing in this industry was low as well. When the first signs of recovery appeared on the horizon, the entire industry rallied strongly and in fact Black & Decker and Stanley Works decided to merge, propelling their returns even higher.

Value investing requires patience. We typically give stocks two years to “work”. If after this period, the stock still does not appear promising, we sell it.

Value investing goes through periods of underperforming, like every style. To minimize the risk that clients will experience these periods, most client portfolios will also own some large, blue chip stocks that follow the market averages. All portfolios will be diversified among large and small cap stocks (as directed by each client’s Investment Policy Statement). Typically, clients will own 30 to 50 stocks.

Value can be found in all markets, from international securities to bonds and options. We apply our value philosophy to every aspect of portfolio management, seeking securities at reasonable prices in all venues.

A full list of stocks we invest in is available on request; mention of specific securities herein does not constitute investment advice, and such investments may or may not be profitable.

Mutual Funds Vs Individual Securities

For many clients, particularly taxable clients, individual security portfolios are more appropriate than mutual funds:

- ⇒ Mutual funds pass out capital gains in most years, even when the market is down, giving the investor an uncontrollable tax liability
- ⇒ Performance may be dependent upon a particular portfolio manager who may not stay at the firm
- ⇒ Expense ratios cover only investment management, no other services
- ⇒ Some mutual funds are not portable from one institution to another, thereby "locking" the client into a relationship
- ⇒ Buying into a fund often means buying expensive stocks as well as value stocks, and if redemptions by other holders occur, your taxes and performance may be affected
- ⇒ Mutual fund managers do not tailor investments to you.

Funds, however, are very useful for clients who cannot otherwise diversify and for creating a position in a niche asset class, such as international stocks. We use funds for both these situations. We seek low cost, well-performing funds with stable management teams.

Services Available

Cascade Investment Advisors offers investment management services and investment consulting services.

Investment management services include all aspects of portfolio management, from determining investment objectives and developing an Investment Policy Statement to buying and selling appropriate securities, reporting performance, and meeting with clients for portfolio reviews.

Cascade Investment Advisors maintains an alliance with Schwab Institutional for the purpose of providing trading, administrative and custody services. We encourage clients to custody their assets with Schwab Institutional. Because of this alliance, several convenient services are available, including:

- ⇒ Free check writing privileges on taxable accounts
- ⇒ Cash management services, including bill paying, overdraft protection, etc.
- ⇒ Regular distributions from managed accounts into bank accounts
- ⇒ Detailed tax reporting available at any time of the year
- ⇒ Detailed performance measurement services, including asset class reporting and benchmarks
- ⇒ Flexible statement formatting and electronic statement/confirm delivery
- ⇒ Designated Beneficiary Plan for agency accounts
- ⇒ Non-discretionary accounts for clients who wish to take advantage of Cascade's investment advice and trade arrangement with Schwab (provided only to clients who also maintain an investment management relationship with Cascade)
- ⇒ Margin loans against account balances are available.
- ⇒ Client account protection through SIPC

Most of these services are free to the client or are provided as part of the management fee paid to Cascade Investment Advisors. Other services may be available; just ask us!

Fees and Charges

Investment Management Fees

<u>Account Value</u>	<u>Annual Fee</u>
Under \$1 million - <i>a</i>	0.95% of assets
Between \$500k and \$1million and with us for over 5 years (tested for value each April 30)	0.90% of assets
Accounts over \$1 million	0.85% of assets on the first \$2 million; 0.70% on the next \$3 million
\$5 million and above	Negotiable
Bond portfolios	Negotiable

a- Applies only to household accounts worth less than \$1 million; all accounts over \$1 million will have a maximum fee rate of 0.85%. Note that in accordance with the section titled "Terms of this Agreement", we may terminate account relationships that fall below \$200,000 for balanced accounts or \$100,000 for equity accounts if you cannot add funds to bring accounts up to those levels.

A one-time administrative charge of \$300 will be charged to accounts that must be re-papered. This could occur if the security of your account has been compromised requiring us to close your existing account at the custodian to open a new one.

Related accounts are aggregated to determine the annual fee. Fees are calculated on the average account balance each calendar quarter and billed in arrears. This is calculated by adding the beginning market value to the ending market value and dividing by 2, then multiplying by the applicable fee percentage listed above. One quarter of the annual fee is charged each quarter. Fees are prorated if the account was not under management for the entire quarter. Fees can be billed directly to the client or debited from the client's custodial account as requested by the client.

We make every attempt to customize our fees to special situations. For instance, if you hold a security at a low cost basis that we will likely not sell, we may exclude it from the fee calculation.

Commissions are paid to a broker or your custodian and not the investment manager. Other fees charged by your custodian may apply. Please refer to the section entitled Brokerage Issues for more information on Cascade's selection of brokers.

Other fee arrangements may be made by petition to the firm; and the firm may also choose to alter the client's fee as befits the circumstances of the client relationship upon notice, verbal or written, to the client.

If a client terminates the relationship, Cascade will immediately cease activity in your account and deduct our final fee. Cascade will not be responsible for liquidating the account.

Account Transfers

When you decide to open an account with Cascade Investment Advisors, Inc., you will sign an investment management agreement with the firm and applications to open an account with Schwab. We take care of filling out as much of the paperwork for you as possible. You receive copies of executed documents for your files.

You do not need to contact the institution that you are transferring from unless you prefer to. We send copies of transfer instructions to Schwab as well as the existing custodian, including a cover letter to let each institution know what is happening.

The transfer of assets can take anywhere from a few days to a few weeks depending on the assets involved. Every effort is made to complete the transfer in a timely, correct manner. Occasionally, we may recommend that you have the transferring institution sell particularly volatile securities rather than waiting while the transfer is complete; we also recommend you suspend any automatic transfers for bill paying and refrain from writing checks against accounts in the transfer process.

Certain proprietary assets cannot be held by Schwab. We will identify those before the transfer takes place and request that they be sold. Most of the time, accounts can be entirely transferred “in kind,” without any sales taking place.

Sample Investment Policy Statement

Prepared for

Ms ABC

Background

Ms ABC is in her 60s, married, and retired. These funds, which are in two accounts, represent her savings from work (the IRA), and money she inherited from her family (the Ms ABC taxable account). In addition to these accounts, Ms ABC is owner of some farmland, also inherited. The farm has just gone under lease to a wind farm operator, in addition to producing grains. These assets and some iBonds held by Ms ABC make up the bulk of her retirement savings. Her husband has his own funds which he self-manages.

This policy statement covers the two accounts that Cascade manages for Ms ABC. The taxable account is currently worth \$198,000 and the IRA is worth \$360,000. The accounts are managed as if they are a single portfolio.

Ms ABC is an Oregon resident and pays Oregon state income tax. We estimate her combined federal and state income tax bracket at around 20%; this rate is affected by her sources of income, see below.

Ms ABC has experience with the markets, particularly through the ownership of stocks and bonds over a long period of time. She manages a small amount of money in low priced stocks on her own in a brokerage account. Her risk tolerance is average; she understands volatility.

Investment Objective

The primary objective for these accounts is to support Ms ABC in her retirement. Between Social Security payments, and the farm income which has grown with commodity prices in the last year, she has modest requirements. At the juncture of her recent inheritance, we restructured her income sources, ceasing payments from the IRA and beginning payments from the taxable account. This way, Ms ABC does not have to pay taxes on the IRA withdrawals, and since the (taxable) farm income has been rising, this should help reduce her tax payments from recent levels.

The original income/outgo expectation for the accounts was that we would attempt to generate over \$20,000 in cash flow from the aggregate portfolio, and that Ms ABC would draw just that much, but only from the taxable account, allowing the IRA to reinvest its cash flow and “buying” time for growth. We anticipated that the taxable account would diminish over time; at that point, we might restructure payments to her to be split between the two accounts. However, draws have exceeded the \$20,000 target prompting the rewrite of this policy statement and a change in the posture of the accounts.

The overall asset allocation will apply to the aggregate portfolios. The taxable account will be biased towards income in order to maximize the opportunity to cover the monthly payout to Ms ABC. We originally planned to bias the IRA to stocks for growth. This general posture will remain, but as we are now utilizing corporate bonds in the accounts, we will consider those as

quasi-equity, counting towards the equity allocation. We also believe a slightly more conservative posture on the equity side is appropriate, in order to allow income to remain at least as high as currently. In the meantime, draws will likely be reduced over the coming years. The new allocation is as follows:

<i>Asset</i>	<i>Target Allocation</i>	<i>Tactical Range</i>
Common Stocks	55%	50%-60%
Fixed Income	45%	40%-50%
Money Market Funds	< 5%	0%-10%

This allocation minimizes volatility while preserving the opportunity for growth, particularly through the reinvestment of dividends and interest in the IRA. During this period when the client is not making withdrawals from the IRA, cash flow can contribute significantly to account growth, lessening the dependence on good market performance. The manager is responsible for allocating assets in accordance with the tactical range, which will be done on the basis of valuations: for instance, if bonds become cheap in the market place relative to stocks, the manager may reduce stock positions and buy bonds. Ms ABC has requested that about \$15,000 in cash be kept in the taxable account at all times; that amount will make up the bulk of the allocation to money market funds.

Portfolio Performance and Guidelines

Performance will be reported quarterly. The performance will be calculated on a total return basis, including income and capital changes. The equity benchmark shall be the Standard & Poor's 500, and the Barclays Government/Credit index will be the fixed income benchmark.

Bonds, preferred stocks and other fixed income assets will typically be rated BBB or better. However, some holdings may be non-rated or less than investment grade should the manager deem the risk worthy of the potential return.

On the equity side, stocks will be chosen according to their valuation characteristics, including but not limited to PE ratio relative to the stock's own history, peer group and the market; price to net asset value; dividend yield; price to cash flow; price to sales; and so forth. Within the equity allocation, some international exposure may be appropriate depending on market circumstances. The client places no specific constraints on the holdings acquired.