LESA SROUFE&CO INC.
VALUE ADVISORS

January 4, 2024

## Fourth Quarter Update and Outlook

A reversal in the direction of interest rates in the final quarter of the 2023 was the result of cooling inflation, and later, the surprise comments by the US Federal Reserve Board chair indicating he was open to interest rate cuts in 2024. In our opinion, Mr. Powell's comments were more of a lifeline to the economy rather than politically motivated. Higher debt loads encouraged by more than a decade of zero interest rate policy (cheap money) have finally caught up to borrowers of all classes. In addition, lenders are sitting on underwater investments offset by low interest loans made during easier times. We see what the Fed likely sees: challenges ahead. Nevertheless, a broad array of investment sectors rose robustly during the quarter.

We do not believe interest rates will decline from here, as many investors do. Much of the $34 trillion in US debt has to be refinanced at current higher interest rates. So far, the U.S. government has been allowed to run at a large budget deficit, even while employment rates are high and tax receipts are healthy.

| | | | | | Since Inception | |
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| | **Quarter** | **1Yr** | **3Yr** | **5Yr** | **May '04** | **Nov '05** |
| LSC Opportunistic Value Equity (net of fees) | 5.5% | 11.6% | 10.6% | 8.3% | 6.2% | N/A |
| LSC Fully Invested Value Equity (net of fees) | 7.1% | 14.6% | 12.8% | 9.7% | N/A | 7.7% |
| Morningstar US Value TR USD | 9.7% | 12.0% | 11.3% | 11.2% | 8.3% | 7.7% |
| S&P 500 Total Return Index | 11.7% | 26.3% | 10.0% | 15.7% | 9.8% | 9.9% |
| MSCI ACWI Value Total Return Index | 9.3% | 12.7% | 8.1% | 9.0% | 7.0% | 6.2% |

**Performance periods greater than 1 year are annualized. Reported LSC Strategy returns are net of annual management fees. Index returns do not include an imputed management fee. Client account performance will differ, due to timing, price and/or investment objective considerations. LSC Strategy and benchmark returns include dividends and/or interest.*

During the fourth quarter, we sold two positions, initiated a new one, and added to four positions already held. We sold Frontline Plc and Total Energies. Frontline exceeded our price target as crude carriers have financially benefitted from the disruption over the past two years in shipping routes, due to war related economic sanctions and more recently to terrorist attacks in heavily travelled seas. Total Energies also met our total return target, including significant dividends paid to investors over the years.

We purchased Dril-Quip, a U.S.-based supplier of offshore oil drilling equipment; like many smaller companies, DRQ stock has underperformed relative to its financial results, as the stock market has often favored large growth company stocks in recent years. Dril-Quip's cash rich balance sheet is an added attraction to participation in the drilling equipment industry which we believe will experience strong growth in future years. We also added to our positions in Pan American Silver, Newmont Corp, AngloGold Ashanti, and Hecla Mining Co - all precious metals producers. We consider the gold and silver sector stocks undervalued in an investment world that is currently offering mostly overpriced stocks; while gold and silver have both risen in recent years, the publicly traded metals producers have generally lagged. We believe as the U.S. debt tsunami unfolds over the next three years, investors will more fully appreciate the liquidity and noncorrelation to many markets that gold and silver offer.

The U.S stock market remains the most expensive in the world. To put this into perspective, in 2002 the 10-year U.S. Treasury yielded 4.0% (where it is now) on its way down to zero. At that time the price to sales ratio on the Standard & Poor's 500 was 1.5 to 1; since then, that ratio has doubled and is now nearly as expensive as it has

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ever been. Liquidity in all forms of investments is tightening, including in real estate, private equity, credit lending, venture capital and initial public stock offerings; traditionally the barometers of a healthy stock market. Our holdings include exposure to more attractively priced markets including Central and South America, Africa and Europe. Also, our newer investments have trended towards smaller companies that take advantage of the valuation disparity between popular larger companies and their smaller peers.

Sincerely,

Lesa A. Sroufe, CFA
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The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings.

It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

Upon request, LSC will furnish a list of all recommendations made since inception, this list shall include the name of each security, date and nature of each such recommendation, market price at the time of each recommendation, price at which the recommendation was made and price it was to be acted upon, and market price of each security as of the most recent practicable date.

Lesa Sroufe & Company claims compliance with the Global Investment Performance Standards (GIPS). To obtain a compliant presentation as well as a list of composite descriptions, please email: info@sroufeco.com.

Definition of Firm: Lesa Sroufe & Company (LSC) is an SEC registered, Seattle, Washington based firm. LSC is a women-owned investment management company that specializes in the selection and management of securities that are deemed to be undervalued. The firm's investment philosophy is top-down, value oriented and often contrarian. LSC seeks securities that are deemed out-of-favor with mainstream investors and are priced under their potential fair value. LSC manages money for institutions and private clients.

Composite Definitions:
Opportunistic Value Equity Composite: The Opportunistic Value Equity Composite includes taxable and nontaxable, discretionary, fee paying portfolios with a Value Equity strategy that may include U.S. companies, ADRs, and ETFs. Additionally, the strategy utilizes an opportunistic and dynamic cash allocation that ranges from 0% to 50% depending on perceived values within the equity universe. Portfolios with a minimum asset level of US $50,000 are included in the composite. This composite was created in November 2013. Each account within the Opportunistic Value Equity Composite is individually managed and as such allows for Client-Imposed mandates and restrictions. A list of composite descriptions is available upon request.

Fully-Invested Value Equity Composite: The Fully-Invested Value Equity Composite includes taxable and nontaxable, discretionary, fee paying portfolios with a Value Equity strategy that may include U.S. companies, ADRs and ETFs. Additionally, the strategy focuses on maintaining an equity weighting of greater than 90% (the strategy does not include cash). Portfolios with a minimum asset level of US $50,000 are included in the composite. This composite was created in November 2013. Each account within the Fully-Invested Value Equity Composite is individually managed and as such allows for Client-Imposed mandates and restrictions. A list of composite descriptions is available upon request.

Benchmarks: The primary benchmark is the Morningstar US Value TR Index, an unmanaged index that tracks the performance of those Morningstar US Value companies with lower price-to-book ratios and lower forecasted growth values. The secondary benchmark is the S&P 500 Total Return Index, an unmanaged broad-based measure of market performance. The benchmarks provided are for comparative purposes only to represent the investment environment during the time periods shown. The composite differs from the index content and asset allocation of the Morningstar US Value TR Index, an unmanaged index and the S&P 500 Index, also an unmanaged index.

Fees: Net-of-fees performance returns are calculated by deducting the actual management fee which ranges between 0.4% - 0.80% annually. The management fee for the composite ranges between 0.45% - 0.80% annually. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. Valuations are computed and performance reported in U.S. dollars. As of January 2022, net-of-fees returns are calculated using the actual gross returns less 0.80% annual management fee applied on a monthly basis, though fee discounts are available depending on the account size.f