LESA SROUFE&CO INC.
VALUE ADVISORS

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Fourth Quarter Update and Outlook

Long-term government bond yields have risen since the Fed began cutting short term interest rates in September, probably not what the Fed had intended. Long-term yields at 4.6% are back to within striking distance of their seventeen-year highs reached 14 months ago. Incredibly, the S&P 500, led by large capitalization growth stocks, returned 40% during the same 14 month period. The only major stock markets that have bested the U.S. focused capitalization weighted S&P 500 index in 2024 are Taiwan, Argentina and Turkey; the latter two are both considered turnaround economies. The S&P's march higher left a lot of indexes in the dust, including value stocks and most international stock markets.

						Since Inception	
	Quarter	1Yr	3Yr	5Yr	10Yr	May '04	Nov '05
LSC Opportunistic Value Equity (net of fees)	-5.0%	2.9%	5.2%	7.7%	5.3%	6.0%	N/A
LSC Fully Invested Value Equity (net of fees)	-6.9%	3.3%	6.2%	8.7%	6.7%	N/A	7.4%
Morningstar US Value TR USD	-2.2%	13.8%	8.1%	9.1%	9.2%	8.5%	8.0%
S&P 500 Total Return Index	2.4%	25.0%	8.9%	14.5%	13.1%	10.5%	10.6%
MSCI ACWI Value Total Return Index	-4.6%	11.5%	5.4%	7.2%	7.0%	7.3%	6.5%

**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.

The incoming U.S. presidential administration has promised to bring a new way of thinking to the U.S, including cutting overall government spending and balancing fair trade with other countries, through tariffs, if needed. To be effective, employment would have to stay buoyant throughout this period, or a downturn in the U.S. economy will more than reverse all the cost savings efforts. We think the U.S. will move to weaken the U.S. dollar against its trading partners in 2025, to support these programs. The biggest investment beneficiaries of these moves will likely be energy and metals, including gold and silver, and industrial companies would likely perform well under this scenario. Also, foreign stock markets would do better as their foreign currencies strengthen, after years of declining against the U.S. dollar.

Overall, 2024 was a disappointing year for returns for many sectors outside of the popular large cap growth-focused indexes. Even gold and silver producers lagged their 27% and 22% respective commodity price increases in 2024. We think any reversal of the U.S. stock markets will focus the most damage on the very sectors that have carried the indexes higher in recent years. At year end, the ten largest weighted companies in the S&P 500 index accounted for an eye-popping 37% of its total market capitalization; the other 490 stocks accounted for just 63%.

There are plenty of attractive investment opportunities outside of these loved sectors. The average U.S. value stock sells for less than half of the S&P 500 on a price to earnings basis and sells for almost 60% less than a pure growth stock index, as measured by Invesco, a U.S. based investment firm. The same is true for many foreign stock markets, whose valuations have been punished by the explosion in the U.S.

dollar relative to their currencies in recent years. Our focus has always been on buying undervalued and often out of favor companies.

During the fourth quarter we added two new stocks, sold one stock and reduced our weightings in Tutor Perini and Range Resources. First, we purchased Northwestern Energy, an electric and gas utility that services parts of the states of Montana, South Dakota and Nebraska. The region has an abundance of natural gas and low sulfur coal, both base load fuels that complement the company's renewable energy sources, including hydro. Demand for Northwestern Energy's low-cost power is rising, especially as technology-related data centers are built there. Northwestern Energy is in the process of purchasing the rest of the Colstrip 3&4 low sulfur coal units it doesn't currently own, which will give it additional power resources to service its growing economy. The stock yields an attractive 4.9% at its current dividend rate. We also purchased Hawaiian Electric, the primary electric utility of the state of Hawaii, serving 95% of its residents. The Maui fire in 2023 devastated the region and the utility, but the company has begun a recovery plan, with the backing and support of the Hawaiian state government. We view the stock as depressed and out of favor, and expect that as the company's financial condition improves, the stock will appreciate over time.

We sold the ProShares Short QQQ exchange traded fund. The ETF is meant as a short-term investment and reflects our view that some of the largest publicly traded companies in the world, mostly based in the U.S., are overpriced relative to their prospects. Our view hasn't changed, and we may revisit purchasing the ETF in the future.

2025 promises to bring some excitement to investors, and not all good. The U.S. debt ceiling will again be hit in January (not on the radar of most investors). Government policy changes will begin to take effect, on immigration, tariffs, and government spending, to name a few. Interest payments on U.S. government debt will continue to rise, as debt is rolled over at higher interest rates. Many investors are upbeat about the possibility of reversing the past trend of weakening U.S. government finances. Positive results will not happen without pain felt either by investors or the economy, or both. As look-back economic statistics are revised downward, a wakeup call to trend following and passive investors is likely.

Sincerely,

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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.

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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. All returns presented are time-weighted, and include the reinvestment of dividends, interest, capital gains, and other earnings.

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. All returns presented are time-weighted, and include the reinvestment of dividends, interest, capital gains, and other earnings.

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: 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. The management fee for the composite ranges between 0.45% - 0.80% annually.