LESA
SROUFE&CO INC.
VALUE ADVISORS

January 5, 2026

Fourth Quarter Update and Outlook

	Quarter	1Yr	3Yr	5Yr	10Yr	Since Inception May '04	Since Inception Nov '05
LSC Opportunistic Value Equity (net of fees)	12.6%	51.9%	20.4%	16.1%	10.3%	7.8%	N/A
LSC Fully Invested Value Equity (net of fees)	15.6%	70.3%	26.3%	20.3%	13.2%	N/A	9.9%
Morningstar US Value TR USD	4.1%	17.2%	14.3%	12.9%	11.2%	8.9%	8.4%
S&P 500 Total Return Index	2.7%	17.9%	23.0%	14.4%	14.8%	10.9%	11.0%
MSCI ACWI Value	3.8%	22.8%	15.6%	11.6%	9.9%	7.9%	7.2%

**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.

It was a fabulous investment return year (or not) depending on what you were invested in. Public stock markets generally outperformed private markets (such as private equity, venture capital, and real estate), as liquidity continued to be tight for the once thriving private markets that were built on low-cost debt. Borrowing rates have been markedly higher for a few years now and many highly leveraged strategies are having to reprice (downward) as their debts come due. Elevated bankruptcy rates and commercial real estate changing hands at once unfathomably low valuations are evidence of this tougher environment.

Except for energy, most commodities had double digit returns, and then some, in 2025. Monetary metals such as gold and silver, and platinum had their best year in decades as investors grew jittery about the western world's large and growing debt balances, and in the case of the U.S., perception that the U.S. dollar as a world reserve currency may be dimming. Elevated foreign central bank buying of gold and silver and related country export limitations have all served to focus investor interest on supply issues as demand for these metals remains high.

The technology-heavy S&P 500 broad market index reported a very respectable high-teens return for all of 2025, after swooning earlier in the year. The U.S. market wasn't the standout however, as the global stock markets well outperformed the U.S. in 2025. Already high valuations, and trouble in some industries including consumer, financial services, real estate, and healthcare moderated the S&P's overall return. In recent quarters, it has become evident that the previously cash-rich, high-margin technology industry has had to step up to invest in the artificial intelligence business. In 2025, U.S firms sold a near-record $1.7 trillion of investment-grade bonds. Almost one third of the capital raised was to fund AI infrastructure and is expected to rise again in 2026.

The fourth quarter was unique to LSC portfolios, as no significant purchases or sales were made. We have always focused on out-of-favor industries and companies for new additions to the portfolio. However, we sense, like other reset periods in the stock market, some inexpensive companies and industries could be fairly signaling tougher times ahead. During the last big reset of the late-2000's, the trouble was focused on the banking industry. This time around, the combination of highly leveraged and thin-margined businesses, that are dependent on the weakened consumer, are vulnerable in our opinion.

Entering the first quarter of 2026, we remain overweighted in a wide variety of commodities, including precious and industrial metals and energy. We are also overweight the utilities sector; we especially favor those electric utilities that control a significant amount of low-emission traditional fuel, including hydro, natural gas, and even low-sulfur coal-fired plants that have recently been deemed necessary to meet the surging power needs of AI. Our Opportunistic Value Equity Composite, reflects a large weighting in cash, which in 2025, moderated the LSC results. Nevertheless, having some cash reserves in what could be a reset year, should serve our portfolios well.

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). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. To obtain a GIPS Report 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. 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.