LESA SROUFE&CO INC.
VALUE ADVISORS

July 6, 2022

Second Quarter Update and Outlook

After a long period of ultra-low interest rates and easy access to capital, the U.S. Federal Reserve and other central banks around the world are trying to prove they can close the spigot. The early fallout is a sharp decline in most stock and bond markets around the world. The S&P 500 broad U.S. market index returned a negative 16% in the second quarter. That combined with the first quarter decline, which mostly focused on growth stocks, resulted in its worst first half performance since 1970.

Sharp corrections often result in unexpected displacements that only become apparent later. In recent years, investors have gone out the risk curve searching for returns in a low interest rate environment. Popular asset classes such as leveraged private equity, special purpose acquisition companies, crypto currencies and even real estate are in the midst of unwinding their earlier outsized returns. When the pain ends, likely no sector will be spared. For this reason, the LSC Opportunistic strategy holds cash reserves and continues to own two exchange traded funds that serve as a hedge to a further decline in the U.S. broad market indexes.

The LSC portfolios are broadly invested in companies that operate around the world, as we believe many foreign markets trade at attractive discounts to their U.S. peers. We believe that countries that own or control important natural resources, such as oil and gas, industrial and strategic metals are in the early stages of outperforming U.S. stock markets. Quarter and year to date, many foreign markets declined less than the U.S. stock markets even in view of the rising U.S. dollar, which historically has pressured foreign and especially emerging markets.

						Since Inception	
	Quarter	**YTD**	**1Yr**	**3Yr**	**5Yr**	**May '04**	**Nov '05**
LSC Opportunistic Value Equity (net of fees)	-13.7%	-4.3%	-3.1%	7.2%	4.8%	5.7%	N/A
LSC Fully Invested Value Equity (net of fees)	-16.2%	-5.2%	-3.2%	7.6%	5.6%	N/A	7.1%
Morningstar US Value TR USD	-9.4%	-7.3%	-1.8%	7.6%	7.8%	7.9%	7.2%
S&P 500 Total Return Index	-16.1%	-20.0%	-10.6%	10.6%	11.3%	9.1%	9.1%
MSCI ACWI Value Total Return Index	-11.3%	-12.0%	-7.5%	4.6%	5.0%	6.6%	5.6%

**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 second quarter, we sold one stock in the portfolio, Universal Corp. The tobacco leaf supplier and maker of food flavoring ingredients performed admirably during our holding period and met our price target. In recent years, the company has made several expensive food company acquisitions that have yet to work out.

Many U.S. companies haven't fully acknowledged the profit margin pressure coming from rising wages, higher input costs and slowing demand. We believe this will be the big story in the second half of 2022. Recent hiring freezes and layoff announcements by technology companies signals an earnings downturn for a broad part of the economy. We believe the U.S government's predicament of high debt, an unbalanced budget and strong dollar will hinder further rate increases later in the year.

Financial assets on average have grown at a faster rate than U.S. GDP growth since interest rates peaked in 1980. We think the next era will benefit real assets over financial assets. While declining commodity prices in recent weeks are likely signaling a consumer recession, historically low capital spending in these sectors in recent years bodes well for their supply and demand economics going forward.

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.