



October 5, 2021

Third Quarter Update and Outlook

Inflation, long on the downward spiral for some parts of the economy, has reversed. Prices for energy related commodities including oil, natural gas and coal are at multiyear highs. Prices for most industrial metals, minerals, and services, are near multiyear highs as well. While all of these stock sectors have rebounded over the past year, their earnings have rebounded even more. Current low price to earnings multiples of most industrial companies reflect the belief that inflation will be short lived and demand for their economically-sensitive products or services has already peaked. We don't believe that to be the case and consider the "rest of the economy" stocks as we call them, better investments today than their expensive growth stock counterparts.

	3Q21	1 Yr	3 Yr*	5 Yr*	Since Inception*	
					11/30/05	5/31/04
LSC Opportunistic Value Equity Strategy	-1.5%	35.1%	5.9%	5.0%	N/A	5.8%
LSC Fully Invested Value Equity Strategy	-1.2%	45.0%	7.2%	6.5%	7.6%	N/A
Morningstar US Value TR Index	-1.4%	35.4%	8.3%	10.2%	7.6%	7.4%
Standard & Poor's 500 TR Index	0.6%	30.0%	16.0%	16.9%	10.4%	10.3%
MSCI World ex USA Value TR Index	-0.9%	33.5%	4.1%	6.9%	4.2%	5.6%

*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 third quarter, we added to our position in the ProShares Short QQQ exchange traded fund which tracks the inverse of the performance of the largest 100 Nasdaq stocks. The median price to earnings multiple for the Nasdaq 100 is a lofty 30 times 2021 estimated earnings. We also added to our position in Heartland Express, a full-truckload medium-distance hauler, based in Iowa. Heartland has among the youngest equipment fleets in the industry while at the same time possessing perhaps the strongest balance sheet among industry participants. In August, Heartland announced a special cash dividend to be paid to shareholders out of its significant cash holdings.

We sold Embraer SA, the Brazilian-based jet manufacturer. The stock has rebounded sharply in recent months, as the Covid-19 induced economic downturn reversed. We regard Embraer as fairly priced as the stock's rise has far outpaced its earnings recovery. We also reduced our positions in Pfizer and in Diana Shipping. Pfizer's Covid-19 vaccine has been wildly popular, pushing the stock to a new all time high price in August. We had added to our Diana Shipping position a year ago and the company is now benefitting from a resurgence in shipping rates. Due to market price appreciation, it has become a large holding in the LSC portfolios.

The LSC Opportunistic strategy portfolios continue to maintain significant cash reserves. The chance of a reset in the stock market is significant, in our opinion. The obvious downside risk to near term market pricing includes pressure on company profits from rising costs. Less obvious risks include some kind of fallout from the Chinese property developer, China Evergrande's financial problems and escalating Chinese military aggression towards Taiwan. Domestically, the expiration of the U.S. government debt ceiling limit without resolution could scare investors away from U.S. investment markets. However, this scenario has been replayed so many times over the years, without repercussions.

Sincerely,



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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.

Lesla 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: Lesla 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 \$500,000 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 \$500,000 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 0.3% - 1.0% 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.