LESA SROUFE&CO INC.
VALUE ADVISORS

January 4, 2023

Fourth Quarter Update and Outlook

The year just past was marked by a rapid rise in interest rates, with records broken back to 1952 on a percentage basis. The change in rates also marked a change in investor attitudes away from high price/high growth potential companies that had led the markets over the prior decade. The tech/social media heavy 2,500 member NASDAQ index returned a negative 33% in 2022, while the also tech/social media heavy Standard & Poor's 500 returned a negative 18%. Shares in indexes that carry higher weightings in energy, materials and defensive sectors such as consumer staples, and utilities declined modestly. The big winner of 2022 was the energy sector which returned 65%. That sector doesn't carry much weight in the broad market weighted indexes, however.

It's unusual for the bond and stock markets to be as highly correlated as they were in 2022 (both mostly declined a lot). Major central banks' dramatic moves to squash inflation took the air out of the growth stock sectors especially. We believe this rate hike cycle will continue into the new year. 2023 will not be a year of cheap money, nor easy access to capital. It will also likely not be a good year for illiquid investments such as private equity, real estate, venture capital or private leveraged lending. All of these asset classes exploded in popularity in past years as investors reached for yield and agreed to tie up funds in order to earn better returns in an era of accommodative monetary policy.

						Since Inception	
	Quarter	**YTD**	**1Yr**	**3Yr**	**5Yr**	**May '04**	**Nov '05**
LSC Opportunistic Value Equity (net of fees)	8.5%	1.3%	1.3%	8.0%	4.5%	5.9%	N/A
LSC Fully Invested Value Equity (net of fees)	10.0%	1.1%	1.1%	8.6%	4.9%	N/A	7.3%
Morningstar US Value TR USD	14.7%	-0.7%	-0.7%	6.7%	7.0%	8.1%	7.5%
S&P 500 Total Return Index	7.6%	-18.1%	-18.1%	7.7%	9.4%	9.0%	9.0%
MSCI ACWI Value Total Return Index	14.4%	-6.9%	-6.9%	4.0%	4.2%	6.7%	5.8%

**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 Daktronics at a loss. The company acknowledged that supply chain issues are more serious and longer lasting than previously thought. Surprisingly, management indicated if it cannot solve its supply chain issues and refinance its financial obligations in the near term, the company may not be viable as an ongoing concern. Previous statements by the company had highlighted a sharp upturn in orders for its electronic display boards across all markets. We purchased no new stocks in the quarter. However, we did take advantage of the higher interest rate environment and moved a significant portion of account cash reserves into higher yielding U.S. government money market funds.

We think the current environment will continue to benefit real assets over financial assets. We continue to have exposure in agriculture, energy and related shipping and a variety of precious and industrial metals.

Gold and silver didn't do much in recent years, until last quarter when other asset classes started to fall apart. We'll continue to hold this asset class/stock sector as a hedge to further surprises.

The broad market averages won't recover lost ground in 2023 until companies fully acknowledge the earnings slowdown that is yet to come, in our opinion. Currently, the S&P 500 is selling for 17 times earnings that are expected to rise by 5% in 2023, according to average analyst estimates. Both the multiple and the estimates are too high in a world that offers over a 4% yield on a 2 year U.S. Treasury bond. We have long thought the U.S. dollar would weaken relative to other major currencies; that just didn't happen in 2022. But we do sense that other countries are slowly moving away from trading worldwide exclusively in U.S. dollars, especially those commodity rich countries that produce oil and strategic metals. Our significant weighting in international stocks would benefit from this trend.

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