

April 3, 2025

First Quarter Update and Outlook

Much of the financial press has described the first three months of 2025 as the worst quarter for stocks since 2022. It just depends on what stock markets you were invested in. International stocks, as measured by the MSCI All Country World Index ex-U.S.(ACWX), appreciated 6% and the MSCI All Country World Index ex-U.S. Value Index appreciated almost 11% during the quarter. This marks the strongest outperformance by international stocks in any first quarter since at least 1987, when Dow Jones started compiling data. Both the U.S. dollar and the S&P 500 U.S. broad market index fell during the quarter. Weakness in the U.S. markets was particularly focused on the technology and communications services sectors. The standout asset classes during the quarter were commodity related: natural gas, up 31%, and gold and silver, up 19.5% and 18.9% respectively. The natural gas and precious metals related companies followed suit.

	Quarter	1Yr	3Yr	5Yr	10Yr	Since Inception	
						May '04	Nov '05
LSC Opportunistic Value Equity	9.1%	8.9%	4.6%	15.4%	6.2%	6.4%	N/A
LSC Fully Invested Value Equity	12.3%	11.1%	5.9%	19.5%	7.8%	N/A	8.0%
Morningstar US Value TR USD	4.4%	9.6%	8.9%	17.7%	9.8%	8.6%	8.1%
S&P 500 Total Return Index	-4.3%	8.3%	9.1%	18.6%	12.5%	10.2%	10.2%
MSCI ACWI Value Total Return Index	4.9%	9.4%	7.4%	15.2%	7.5%	7.4%	6.6%

**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.

The LSC portfolios have a significant weighting in international stocks, partly due to their discount valuations relative to their U.S. market counterparts. U.S. stocks have drawn capital from around the world, for decades. At year-end 2024, foreign ownership of U.S. stocks reached 18%, the highest level on record and compared to just 7% in 2000, when the dot-com bubble was at its peak. In most of that period, U.S. stocks outperformed their international peers as did the U.S. dollar relative to other currencies. The U.S. economy currently accounts for about one-quarter of the world's gross domestic product, yet U.S. stocks' share of the total global equity market is over twice that share at 54%. We believe we are in the early stages of some reversal of this multi-decade phenomena. The U.S. agenda of strengthening domestic manufacturing and reversing the longtime trend of over-spending by the U.S. government is admirable but difficult, as evidenced by early and loud pushback from a broad array of recipients of U.S. government spending.

During the first quarter of 2025, we sold part of our holdings in Alaska Air Group. The airline industry and in particular, Alaska Airlines experienced a significant boost from improved travel trends and flattish jet fuel prices in the second half of 2024. Alaska Airlines specifically is benefitting from early progress in the consolidation of its recent Hawaiian Airlines purchase. We believe, in the short term, Alaska Airlines' stock price reflected some of that early enthusiasm. We sold Radius Recycling, Inc., formerly known as Schnitzer Steel. The Company has agreed to a cash buyout offer from a division of Toyota Motor Corp.

for \$30 a share in cash. The stock is trading at close to its full buyout valuation. The sale is expected to close in the second half of 2025.

The cost of putting tariffs in place to achieve balanced trade and encourage domestic manufacturing (and the likely reciprocal tariffs), will keep U.S. inflation elevated in the short term, in our opinion. In addition, the U.S. economy, already slowing into 2025, will likely take a further hit from moderating government spending, after years of outsized increases. The current White House administration has intimated that it is less concerned with a short-term fallout to financial investors in order to attain its long-term goals for the U.S. The LSC portfolios are invested with these factors in mind.

On cue, the wakeup call to trend following investors happened in the first quarter of 2025. For the popular U.S. focused market indexes, we believe there is more pain to come, as investors' top priority in rising markets has been minimizing taxes paid, as opposed to minimizing investment losses. Upon a further decline in stock prices, the former will matter less.

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.

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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.