



A No-Load Mutual Fund Managed by:
Front Street Capital Management, Inc.

In this quarterly letter, we are profiling another of our long-term holdings that we really admire: the Total Systems Services Company or TSYS.

As you know, our criteria for selecting companies to own in the Tarkio Fund for the very long term is based upon a management criteria. These criteria are heavily influenced by the works of investor/author Phillip A. Fisher and by the work of management consultant Dr. W. Edwards Deming. The behavior we seek in companies to partner with in our/your fund is as follows:

- Integrity of Management
- Employee Empowerment
- Teamwork
- Purpose and Passion
- Long-Term Focus
- Disciplined Capital Allocation

The essence of our criteria can also be found in a concept championed in the essay “*Servant Leadership*” by Robert Greenleaf in 1970. Shortly before we launched the Tarkio Fund in 2011, our bright young associate at the time, David Wild*, undertook a research effort to identify companies devoted to this philosophy. Most fortunately for us he uncovered a devotee of Greenleaf’s servant leadership idea: The Total Systems Services Company, now known as simply TSYS (pronounced “TEE_SIS”). At the time, TSYS was not well known as it was recently spun off from Synovus Bank Corp and was headquartered off the beaten path in Columbus, Georgia.

TSYS’s business can best be described as a credit card processor. In other words, they provide the services that enable cashless transactions across the globe. It is no secret that the conversion to cashless transactions worldwide is a powerful trend and we agree with the investment community’s consensus that this shift is still in its infancy. However, we disagree with the conventional wisdom that Wall Street has anointed the two or three dominate card brand franchises as the primary benefactor of this movement.

In the early stages of the development of cashless payments both the consumers and the merchants were uncertain whether they could trust a commercial transaction not involving either hard currency or the backing of a federally chartered commercial bank. As a result, it was necessary for these early credit card pioneers to establish a trusted brand franchise that would give both buyers and sellers confidence in this new form of commerce that was outside of their comfort zone. As time went on, only a few brands emerged to dominate the industry and this dominance enabled these franchises to exert substantial pricing power. In fact, as these companies discovered that their brands themselves provided added value, they decided to let other companies, like TSYS, do the difficult lower margin work of providing services and taking responsibility for ensuring that transactions were completed without error. Farming out the tedious work of completing transactions, and being paid primarily for their brand recognition, the credit card franchises have become hugely profitable and are darlings of Wall Street.

We believe that the credit card business model is at great risk of eroding even as the overall use of cashless transactions continues to proliferate around the globe. The new generation of merchants and consumers now have greater trust in technology-driven solutions, and as a result do not perceive the same value in a branded credit card. In fact, as transactions are initiated through some means other than a credit card (i.e. mobile phone, on line, fingerprint, even your retina), the need for a branded solution could become increasingly irrelevant. Merchants understand the hefty fees credit and debit transactions take right off the top of their revenue line, and over time we believe the consumer will eventually perceive these sizable fees as a parasite to the economy and their way of life. The rise of the internet and e-commerce has already brought down many brand franchises that were once thought to be impenetrable; we think the credit card brands could be next.

That said, we believe companies that can accomplish the arduous and difficult task of transacting the growing number of cashless payments around the globe will become even more valuable over time as process efficiency/scalability will become a major barrier to entry. We believe the “Servant Leadership” and continuous learning culture at TSYS has made them the premier and most trusted provider of payment processing services on the planet. We also believe that the need for payment processing services can grow for as far as the eye can see. As a result, we think TSYS is yet another company that is a match made in heaven for the ultra-long-term investment process we deploy in the Tarkio Fund. We are great admirers of the TSYS Corporation and are proud to be partnered with them on their journey to enable the world of commerce to expand the convenience of cashless transactions at an affordable cost.

Ginger, Michele, Jeremy, Dominic and I deeply appreciate your continued confidence and long-term investment in the Tarkio Fund.

Warmest regards,

A handwritten signature in blue ink that reads "Russ Piazza". The signature is fluid and cursive, with the first name "Russ" and last name "Piazza" clearly legible.

*David Wild is currently managing portfolios under the Montana State Registered Investment Advisory, Delano Investment Advisory LLC, a subsidiary of Front Street Capital Management, the Advisor to the Tarkio Fund.

On March 31, 2017, Total Systems Services Company was 5.23% of the Tarkio Fund Portfolio at a share price of \$53.46 per share. The mention of any investments in this commentary should not be considered a recommendation to sell or purchase the security(ies) mentioned or similar investments. Please consult an investment professional on how the purchase or sale of such investments can be implemented to meet your particular investment objective or goals. Investments in securities and/or similar investments are subject to risks. It is important to obtain information about and understand these risks prior to investing.

Mutual Fund investing involves risk. Such risks associated with the Tarkio Fund (including but not limited to Small/Medium Capitalization Risks, Foreign Securities Risk, Fixed Income Securities Risk, Non-Diversification Risk, and New Fund/Adviser Risk) as well as applicable investment objectives, charges and expenses must be considered carefully before investing. This and other important information about the Tarkio Fund is found in the Prospectus, a copy of which or current performance information may be obtained by visiting www.tarkiofund.com or by contacting 866-738-3629. We encourage you to read the prospectus before investing.

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