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

TARKIO FUND

June 30, 2023

We invest in companies in which management exhibits the following criteria:

- Integrity - Humility of Management - Trust
- Long-Term Focus
- Purpose and Passion
- Employee Empowerment – Drive Fear Out of the Organization
- Teamwork – Cooperation, Not Internal Competition
- Disciplined Capital Allocation

These criteria have led us to study and own best in class companies that are often committed to lean management principles and cultures. We believe this investment process helps us identify companies that are able to manage their way through changing times and provide greater shareholder value over long periods of time. Our last letter discussed GE, which began a lean journey five years ago. We were able to identify GE's transformation early, because our firm has built up knowledge about these principles by studying them for over forty years. The GE story is a classic situation in which we believe we have a distinct advantage.

It took time to develop this advantage. When I started my career, I was a traditional "value manager," looking for companies that possessed a particular quality (e.g., a valuable asset, or a business advantage or "moat," or a hidden earnings potential) and which were cheaply priced compared to that boon. We still have a few holdings in the portfolio that were purchased under these criteria. We have continued to hold them because, under traditional value metrics, they continue to be worth significantly more than their current stock price, even though in these cases management may not meet many aspects of our current criteria. In general, we have been proactively transitioning the portfolio away from these value investments (i.e., companies selling at low valuations with valuable business advantages) where they are not managed according to our criteria. This has been difficult to do as old habits die hard. And we are well aware that the value of such positions can often be recognized in the market quickly and at the most unexpected times. In investment vernacular these situations are commonly referred to as "value traps." One gets trapped into not wanting to dispose of something that may increase dramatically at any moment.

Despite our favorable start to 2023, we have one company in the portfolio, Lumen, that has become a classic example of a potential value trap. Lumen owns the largest fiber optic backbone in the United States, which we consider to be an extremely valuable asset (please refer to the attached letters). Lumen is currently priced at possibly the lowest valuation of any company I have seen in my forty-three years as an investor.

Situations like Lumen become even more frustrating for us if the company's management looks to be taking steps toward our criteria. (A cheap stock that also looks like they want to become a quality, long-term compounding company!) As a result, we may be tempted to use this data point as another justification to remain invested, leading us deeper into a value trap mindset. Moreover, in many cases we have developed a relationship with management and can sometimes begin to believe we can help change their behavior. Bringing management more in line with our investment principles. Recent experience has taught us that this practice is not helpful in adding value to the portfolio. Embracing our "humility" criteria, we would rather learn from great companies, as opposed to trying to teach them.

In the case of Lumen, management has frustrated us since the CenturyLink merger. They had a management change late last year to a new CEO that seems to exhibit many aspects of our criteria. However, poor capital allocation decisions have recently added to our frustrations. Over the past few years, Lumen's low valuation combined with capital allocation missteps have made this position in our portfolio somewhat of an enigma. We see some evidence that management is becoming more aligned with our criteria alongside past evidence to the contrary. The combined uncertainty and low valuation make it enticing to want to wait until this value is realized, the hallmark of a value trap situation. Over the past year, Lumen has been in the process of rationalizing (downsizing) their business model. The result of this has provided better clarity as to what assets they own and how they work (or don't work) together. Although our confidence in this situation has been nothing short of a roller coaster, recently we have identified new data points that would support our original thesis indicating this company should be worth a multiple of what we originally paid. New data points could also emerge to change our outlook. But as we see it now, we believe the best investment decision is to fully realize the value of this one-of-a-kind fiber optic network.

It is worth repeating our management criteria:

- Integrity - Humility of Management - Trust
- Long-Term Focus
- Purpose and Passion
- Employee Empowerment – Drive Fear Out of the Organization
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It is also worth repeating that this is where we feel we have a clear and distinct advantage. Legacy positions like Lumen presently represent less than ten percent of the portfolio, and although all of our new research is devoted to management teams that we believe could fit our criteria, we will continue to manage these value-oriented holdings to maximize the value of the Fund.

Please call if you have any questions.

Best regards,

Russ, Michele, Ginger, Jeremy & Dominic
The Tarkio Team

On June 30, 2023, GE was 9.06% of the Tarkio Fund Portfolio at a share price of $109.85 a share. LUMN was 3.02% of the Tarkio Fund Portfolio at a share price of $2.26 a 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.

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An investor should consider the investment objectives, risks, charges and expenses carefully before investing. A prospectus containing this and other 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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