In investing, with a bit of foresight and a tremendous amount research work, an investor can become fairly accurate at knowing "if" something will happen. That same investor can almost never know "when" the thing will happen. Very few investors can accept this basic truth, even though it is one of the most important disciplines for those who want to compound capital at meaningful rates over long periods of time. Without this discipline, investors can get distracted by short term market movements, focusing their efforts on market timing and economic predictions.

Please look back at our letter from Q2 2019 introducing our first purchases of the Manitowoc Company (MTW) and a follow-up letter about MTW from Q2 2022. You can find all of our shareholder letters at https://tarkiofund.com/shareholder-letters.

Companies like Manitowoc, that are passionately dedicated to their lean/kaizen journey, are enthusiastic to share their learning with other lean practitioners and the investment community. Aaron Ravenscroft, Manitowoc's brilliant young CEO is a poster child for this type of enthusiasm and generosity. He has invited Jeremy and Dominic (as well as any other interested investors and analysts) to see these operational improvements first-hand in many of their facilities. As a result, we (along with only three other interested people) have had a ringside seat to witness the extraordinary improvements the company has undergone. What is most important is that those improvements have been generated by collaboration on the factory floor, as opposed to ideas from management. This is our evidence of an imbedded continuous improvement culture. We continue to own and accumulate more shares, not only in spite of, but because of, the fact that the operational improvements from these kaizen efforts have not yet been reflected in the stock price. (Note that MTW has been a detractor from our recent performance).

The vast majority of investors and Wall Street analysts who follow Manitowoc have not seen these improvements firsthand. They are more concerned with what the company will earn over the next six months than what the company is doing to ensure long-term cashflow generation. This is a terrific advantage for us, as we can invest in great companies at low valuations before Wall Street analysts recognize these opportunities. GE was a great example of this principle, as the stock languished for some time despite the extraordinary lean transformation that was taking place. Meanwhile, top Wall Street analysts were questioning the company's ability to survive as negative reports continued to keep the stock depressed. This enabled us to acquire a significant ownership stake before the stock tripled within a relatively short period of time. Short-term stock prices reflect Wall Street sentiment and not necessarily improvements within the company. We think our ability to see through this noise is one of our best attributes as investors. More and more, people in the financial services industry try to discredit each other in order to accumulate investment assets. We often face this type of competitive criticism at the hands of these folks who mischaracterize short-term fluctuations as a blight on our long-term performance. We are willing to absorb the criticism and its consequences rather than relinquish our conviction about improving situations before Wall Street recognizes them.

Back to Manitowoc: The crane industry is very cyclical. This is because crane owners, many of whom own entire fleets of rental cranes, can get by using the same crane for a long time. They are big, strong, steel machines that can continue to operate if you refurbish stressed joints and replace worn out parts. But the efficiency of an old crane is nowhere near that of a new crane: contractors can make many more lifts (and more complicated and/or heavy lifts), with better safety, less setup time, collecting more helpful data with a new crane than with an old crane.

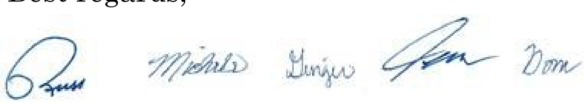
Other cyclical heavy machinery industries have recovered; whereas cranes have not, and crane owners are pushing the useful life of their machines to the max. It has been 17 years since the last upcycle. This cyclicality is especially impactful because crane companies – including Manitowoc – are relatively small and crane orders are relatively big. A small change in industry sentiment can have a huge impact on sales. But with global infrastructure projects on the near horizon (Saudi Arabia, US infrastructure legislation, expansion of data centers, alternative energy projects, etc.), and the newest cranes vastly outperforming the outdated fleets, the company believes that fleet owners cannot hold out much longer.

Moreover, Manitowoc has been working hard to reduce future cyclicality with more "non new machine sales" activities. The company has acquired a network of rental fleets, service centers, and refurbishing businesses. These activities now account for about 27% of their sales, up from 22% just a couple of years ago, with a goal of 33% by 2026. These acquisitions also allow more opportunity to introduce the lean culture to a larger footprint of facilities, which for us means a more profitable business than what was originally purchased.

The Manitowoc Company has transformed itself into a world-class lean manufacturer during the past six years. When volumes ramp, they will be able to generate significantly more sales with the same manufacturing footprint, which in turn will provide dramatically increased leverage on their fixed overhead. As such, the Manitowoc team has positioned the company to convert the next revenue upcycle into accelerated improvement in earnings. It has taken Manitowoc an enormous effort to achieve this and a lot of research on our end to recognize it. We believe the odds are high that a crane industry recovery will occur, and the company is positioned to significantly benefit from the increased revenues. The "if" looks very clear to us however, we will never know exactly "when." As stated above, accepting that truth is the key to long term investment success.

We appreciate you taking this profitable and exciting journey with us.

Best regards,



Russ, Michele, Ginger, Jeremy, and Dominic

On June 28, 2024, MTW was 7.7% of the Tarkio Fund Portfolio at a share price of $11.53 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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