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

Dear Fellow Shareholders,

For more than four decades we have been students of Dr. Deming's management philosophy, which underpins the Toyota Production System and what most people today call "Lean." Over that time, we have grown to understand that Lean is a fundamentally different way of running a business—built on humility, respect for people, open communication, and a relentless focus on solving problems in service of the customer.

These ideas sound straightforward. In practice, they are anything but. A genuine Lean transformation requires leaders to challenge long-standing habits of command-and-control, short-term financial focus, and fear-based management. That kind of cultural change is hard, uncomfortable work. It almost always must be led from the very top of the organization with conviction, courage, and a long-term view.

Our experience over many years is that companies that truly embrace this way of managing can look very different from their peers a decade later—in their culture, their resilience, and in the value created for customers and employees (and, ultimately, shareholders).

As investors, our job is to recognize these situations early enough, and then to be patient enough, to benefit from that long compounding runway. In practice, we have found that boards rarely invite in a transformational Lean leader when everything is going well. More often, the opportunity appears when a good underlying business has stumbled, the share price reflects disappointment and pessimism, and a board decides it must do something different rather than continue to "play not to lose."

Those are the moments when our research into Lean leadership can be most valuable. Over time, we have been fortunate to invest alongside several of these leaders—most notably at General Electric and, more recently, Lumen Technologies—and they have contributed meaningfully to your long-term results.

In the past year we believe we have identified four more such opportunities, and we have begun building positions in all of them. In alphabetical order, they are Azenta Life Sciences, Baxter International, Enovis, and International Paper. Below is a brief description of what we see in each case.

Azenta Life Sciences

Azenta provides sample management, cryogenic storage, and genomic and other multiomics services to biopharmaceutical and life-sciences customers around the world. After a period of strong growth, the company has been working through a multi-year digestion phase as biotech funding and activity have slowed, margins have come under pressure, and investors have become impatient. The stock price today is well below the levels reached earlier in the decade.

In September 2024, the board hired John Marotta as President and CEO. Marotta brings two decades of experience in life sciences and medical technology, including senior roles at Danaher Corporation, Envista, Cardinal Health, and PHC Group, where he is leading the deployment of a new Lean business system.

Baxter International

Baxter International is an iconic supplier of critical products and services to hospitals and health systems worldwide. In recent years Baxter has dealt with a complex portfolio, margin pressure, and the after-effects of several large transactions, all as the medical industry has come under valuation pressure.

In 2025 the board appointed Andrew Hider as Baxter's next CEO. Andrew is young and energetic and brings to the table strong Lean expertise (as well as a passion for capital allocation!) and comes to Baxter after eight years leading one of our other holdings, ATS Corporation, where he led a total transformation that resulted in a dramatic improvement in sales, profitability and stock price. Before ATS he spent about a decade at Danaher, including serving as president of the Veeder-Root business, where he honed his experience with Lean management.

Baxter is still early in what we expect will be a multi-year restructuring and refocusing effort. From our vantage point, however, the combination of a mission-critical healthcare franchise, a depressed valuation, and a proven Lean-oriented leader stepping into the CEO role matches the pattern we have seen work well for us in the past.

Enovis

Enovis is not a new name in the portfolio. The company began life as Colfax Corporation in 1995, founded by Steven and Mitchell Rales, the same brothers who created Danaher. From the beginning, Colfax/Enovis has been built on a Lean continuous improvement business-system culture. The company and its stock have struggled in the past several years as they have made a series of acquisitions whose cultures have not been fully integrated into the Enovis business system.

In 2025 the board hired Damien McDonald as CEO. McDonald is another Lean business system zealot and alumnus of Danaher, where he worked closely under Larry Culp.

International Paper

Finally, we have begun investing in International Paper, an industry leader that has recently operated in a "playing not to lose" mode rather than designing the business around its best customers and highest-value opportunities. That appears to be changing. In 2024 the board elected Andy Silvernail as CEO. Andy is again a passionate transformative "Lean" leader who is the thought leader of a subset of the "Lean" community that focuses on 80/20. 80/20 is a management philosophy that focuses "Lean" activities in areas where the company has clear competitive advantage. Andy led a massively successful transformation at IDEX, where he turned a struggling midsized company into a corporate juggernaut. (Andy also mentored Neil Brinker, the architect of Modine Manufacturing's 80/20-focued turnaround that helped the Fund's performance over the past several years. Both are Danaher alumni.)

With these four investments we are trying to do the same thing we have always tried to do at Tarkio Fund: partner with capable, humble, long-term-oriented managers who are transforming their companies through a Lean way of thinking and do so at prices that allow your/our capital to compound over time.

Each situation will have its own twists and turns, and any one of them could disappoint us in the short run. What gives us confidence is the pattern. We have seen versions of this movie before—at General Electric, at Lumen, and at several earlier holdings—and, given enough time, the combination of a strong underlying business, a genuine Lean culture, and disciplined capital allocation has tended to produce very good outcomes for patient owners.

As always, please call us if you have any questions.

All our best,

Michele, Ginger, [illegible], [illegible], and [illegible]

The Front Street Capital Management team
Manager of the Tarkio Fund

Share Price on 03/31/2026	Share Price	Percentage
General Electric (GE)	$283.77	10.53%
Lumen Technologies	$6.95	12.99%
Azenta	$21.13	3.32%
Enovis (Colfax)	$22.75	3.51%
Baxter	$16.80	4.48%
Danaher	$189.60	2.90%
ATS Corp	$28.20	1.86%
International Paper	$35.70	3.91%

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.

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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