Potential Next Generation GEs

In our last few correspondences, we discussed five new companies in the Tarkio Fund that are in the early stages of a "Lean" cultural transformation. We have had success identifying this type of situation in the past, most recently with the General Electric Company. The next generation of these opportunities include Azenta Inc. (AZTA), Baxter International (BAX), Enovis Corp. (ENOV), HNI Corp. (HNI) and International Paper (IP), all of which we have started buying during the past two years. Recently, we added a sixth: Gentherm (THRM).

As we have discussed previously, in the earliest stages of a full cultural transformation, the company's financial results almost always get worse before they get better. This can be explained, in part, by the tendency for problems to remain concealed in traditional, authority-driven cultures, where employees may fear blame or retaliation for bringing them to light. The first step in a Lean transformation is to provide both physical and emotional safety at all levels of the organization (i.e., to create trust and to drive out fear).[1] As this difficult task is accomplished, long-hidden problems emerge. This is a good thing, as the important work of creating collaborative systems to solve those problems can now begin. In our experience, this stage is essential to a successful transformation but can look like a disaster from the outside. All six of our potential "next generation GEs"[2] have been experiencing this worse-before-better phenomenon during our recent period of accumulating their stock.

Unfavorable short-term financial performance leads to declining stock prices. As a result, over the past eighteen months or so we have had the opportunity to accumulate shares in our new Lean companies at ever-declining prices. We think that, at the low point of each of these companies' recent cycles, their valuations became so undervalued that even Ben Graham (the patriarch of value investing) would have been salivating.

As good fortune would have it, several of our existing holdings were at the same time benefiting from the rapid expansion of data centers supporting the new era of artificial intelligence, particularly legacy companies serving the optical communications component industry. This has allowed us to use these shares as valuable currency to build meaningful positions in what we believe could become the next generation of GEs.

Hence, we were able to harvest handsome profits from companies selling at premium valuations, positions established during a prior era in our investment journey, and transition that capital into early-

---

[1] The Tarkio Fund investment strategy embodies a belief that a business whose culture and management exhibit the following criteria can compound its earnings over the long-term:

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

[2] This term is nod to our favorite Lean investor, Cliff Ransom, whose "Next Generation Danahers" list is a treasure trove of great Lean companies.

stage opportunities trading at valuations as low as anything I've seen for healthy companies in my 40-plus years of managing money. While the investment industry uses the term "risk-adjusted return" to justify lower returns associated with lower volatility, we think of it as buying securities with lower risk while positioning the portfolio for higher potential returns.

As I write this letter, the six companies mentioned above now represent 21.74% of the Tarkio Fund, up from nearly zero not long ago. We believe this major portfolio reallocation positions your hard-earned capital (and ours) for continued meaningful compounding for years, if not decades, to come.

We are excited to continue this journey with you and thank you for your continued investment in the Tarkio Fund.

Respectfully,

Michele, Ginger, Jacqueline, Jeremy & Russ

The Front Street Capital Management team
Manager of the Tarkio Fund

Ticker	09/30/2026 Closing Share Price	Portfolio Percentage
AZTA	$34.89	0.79%
BAX	$24.00	5.72%
ENOV	$18.27	4.82%
HNI	$45.32	4.69%
IP	$33.17	4.69%
THRM	$33.30	1.03%

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.

Tarkio Fund is distributed by Arbor Court Capital, LLC - Member FINRA/SIPC.