



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

This letter is another in our series to highlight important holdings in the Tarkio Fund. In past letters we have discussed Colfax, Cognex, Rogers Corporation, and a group of companies that are involved with bringing the internet to life through the miracle of fiber optics. All of these companies have made a meaningful contribution to the fund's positive performance this year. In this letter I would like to discuss a company that, up to this point, has been a detractor to our performance: Whole Foods.

As you know, we love to share (over and over again) our criteria for selecting companies for long term investment in the Tarkio Fund:

Integrity & Trust
Long-Term Focus
Purpose & Passion
Teamwork: Cooperation Not Competition
Employee Empowerment: Drive Fear Out of Organization
Disciplined Capital Allocation

These criteria help us select outstanding companies for long term investment. However, that doesn't mean that these companies do not occasionally experience difficulties either in their business or the environment in which they operate. In fact, not only do we expect our companies to face temporary setbacks, but their occurrence and our readiness to establish new positions or to add to existing positions during these periods is, we believe, one of our strategic advantages. We are not attempting to identify companies that will never hit periodic rough patches. We are, however, attempting to identify companies that possess the characteristics that will give them the best chance not only to persevere through stressful times, but to gain a competitive advantage by competing with rivals whose weaknesses were masked during more favorable times.

Whole Foods was started by John Mackey in 1980 in Austin, Texas. Mackey, a philosophy major, wanted to build a company with a purpose and a mission. The purpose was to educate the public on the benefits of eating healthier food to the point that consumers would be willing to pay prices that enable farmers to take on the added expense required to reduce or eliminate chemicals whose long term health risks are not known. The mission was to create a culture that empowered and engaged every employee and supplier to find a way to fulfill this purpose that Mackey believes to be so noble.

Mackey's journey to create an entirely new industry is clearly defined in his 2013 book *Conscious Capitalism*. The following is an excerpt from that book:

Imagine...

Imagine a business that is born out of a dream about how the world could be and should be. The founders are on fire to create something of relevance, resonance, and permanence – a business that will far outlive them, that delivers real value of multiple kinds to everyone it touches. They want to create a business that their parents and children will be proud of, that aspires to so much more than making money – a force for good that enhances the health and well-being of society. They dream of creating a business that enriches the world by its existence and brings joy, fulfillment, and a sense of meaning to all who are touched by it.

Picture a business built on love and care rather than stress and fear, whose team members are passionate and committed to their work. Their days race by in a blur of focused intensity, collaboration, and camaraderie. Far from becoming depleted and burned out, they find themselves at the end of each day newly inspired and freshly committed to what brought them to the business in the first place – the opportunity to be part of something larger than themselves, to make a difference, to craft a purposeful life while earning a living.

Think of a business that cares profoundly about the well-being of its customers, seeing them not as consumers but as flesh-and-blood human beings whom it is privileged to serve. It would no more mislead, mistreat, or ignore its customers than any thoughtful person would exploit loved ones at home. Its team members experience the joy of service, of enriching the lives of others.

Envision a business that embraces outsiders as insiders, inviting its suppliers into the family circle and treating them with the same love and care it showers on its customers and team members. Imagine a business

that is a committed and caring citizen of every community it inhabits, elevating its civic life and contributing in multiple ways to its betterment. Imagine a business that views its competitors not as enemies to be crushed but as teachers to learn from and fellow travelers on a journey toward excellence. Visualize a business that genuinely cares about the planet and all the sentient beings that live on it, that celebrates the glories of nature, that thinks beyond carbon and neutrality to become a healing force that nurses the ecosphere back to sustained vitality.

Imagine a business that exercises great care in whom it hires, where hardly anyone ever leaves once he or she joins. Imagine a business with fewer managers, because it doesn't need anyone to look over peoples' shoulders to make sure they are working or know what to do, a business that is self-managing, self-motivating, self-organizing, and self-healing like any evolved, sentient being.

Imagine a business that exists in a virtuous cycle of multifaceted value creation, generating social, intellectual, emotional, spiritual, cultural, physical, and ecological wealth and well-being for everyone it touches, while also delivering superior financial results year after year, decade after decade. Imagine a business that recognizes that while our planetary resources are limited, human creativity is unlimited and continually fosters the conditions in which its people can rise to their extraordinary, almost miraculous potential.

(Conscious Capitalism: Liberating the heroic spirit of business. John Mackey and Raj Sisodia. Harvard Business Review Press. Boston, MA. 2013. Pages 30ff.)

As you can see, Mackey's vision and our criteria is a match made in heaven.

The Tarkio Fund has never owned Starbucks, but as portfolio managers before Tarkio we successfully owned Starbucks for over eighteen years. I see many similarities between Starbucks' purpose to create a premium market for coffee and Whole Foods' purpose to create a premium market for healthier foods. In both cases, during the early years there was limited competition as the concept was unproven, but as time went on and it became apparent that a large and growing market was emerging, copycat competitors began to appear. We believe this phase of increased competition in an emerging market is not only natural but a clear sign that demand is still expanding and flourishing. In every local market in which Whole Foods now operates there are a variety of competitors both large and small selling natural and organic food; just as Starbucks ran into competition from every mom and pop shop as well as adjacent corporate behemoths (can you say McCafe?). As it turned out, all of this competition for premium coffee faced by Starbucks proved to be merely a short-term head wind. We believe the odds strongly favor that the competitive situation Whole Foods is now facing will result in a similar outcome. We believe Whole Foods is not only the creator of this space but also its leading authority. We also believe they have a unique culture that inspires and engages their team members and suppliers to fulfill their purpose to educate and serve the natural foods marketplace better than the new copycats or the established competitors dabbling in natural foods to increase revenue. We believe we have been here before, and we are excited about the opportunity for Whole Foods and its dynamic culture to reinforce its position as the most trusted player serving this large, growing market.

We thank you for your continued long-term investment and confidence in the Tarkio Fund.

Warmest regards,



On November 30, 2016, the Tarkio Fund Portfolio held shares of the following companies with their representative percentage of the portfolio: Whole Foods (WFM) 7.14%, Colfax (CFX) 4.85%, Cognex (CGNX) 7.79%, and Rogers Corporation (ROG) 7.05%. 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 carefully before investing.

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