



PERKINS
CAPITAL
MANAGEMENT, INC.

October 29, 2024

Dear PCM Clients and Friends:

As October ends and we move into November, onward toward the end of the year, the peaking of our beautiful Minnesota fall leaves and the crisp morning temperatures politely remind us that we must complete our preparations for the next season.

This is also true at PCM. As 2024 comes to a close, we have started preparing for and working on 2025 by again reviewing your investment portfolio and questioning each individual company we have invested in. This is a continuous process and always an important one. As we review each investment, we ask ourselves questions like:

- Is this management team doing what they said they would do? Is progress being made?
- Are their customers increasingly interested in buying their products? Are they growing? Is this still the opportunity we thought it was?
- If going up in price, does the company's stock price make it overvalued? Should we sell or trim some? If going down in price, where and when should we sell or should we just be patient?
- Do we have a better idea which represents both a better opportunity and a better value?

As Sir John Templeton said: "Success is a process of continually seeking answers to new questions."

This process, which at its core is the philosophy behind the 18th century Bayes' Theorem, is, perhaps, the best method to understand and manage both uncertainty and the one constant in investing and life – change. Though mathematicians think of Bayes' Theorem as a formula, the Theorem, as explained by Tom Chivers in his book "*Everything Is Predictable*," is also a process for getting incrementally wiser by continuously updating what you think you know – your prior beliefs – with new information. In this framework, you gather new information to continuously question and update your prior beliefs as new evidence is presented. This is considered essential for decision making under conditions of uncertainty.

In our February 5, 2024 letter we mentioned five 2024 uncertainties. The Federal Reserve removed one investment uncertainty with its September interest rate cut. A 2024 recession did not develop and a recession is not now imminent. Corporations continue to report solid earnings. Our 2024 political chaos and uncertainty is resolving. There is still very significant geopolitical or international turmoil. The markets continue to "climb a wall of worry."

We will continue our process of investment questioning and reflection to expand our knowledge and bring us closer to the long-term investment success we are seeking for you.

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INVESTMENT MANAGEMENT

THE MARKET SCOREBOARD

The markets started the third quarter with a continuation of the first-half of the year strength thanks to continued strong corporate earnings and a generally solid economy.

However, while the S&P 500 and Dow averages hit new all-time highs in mid-July, the second half of the month proved more volatile as investors faced political turmoil and increased uncertainty about future economic growth. Later in the quarter, the Fed's interest rate cut and solid corporate earnings helped to offset the political and economic anxieties; leading both the S&P 500 and the Dow to hit another new all-time high and finish the quarter with strong gains.

The late-July volatility continued into early August with a much-weaker-than-expected July jobs report and an unemployment rate which rose to the highest level since November 2021.

Indexes	% Return YTD 2024	% Return Q3 2024	% Return Q2 2024	% Return Q1 2024
NASDAQ Composite	21.17	2.57	8.26	9.11
NYSE Composite	15.80	8.27	-1.56	8.66
Dow Jones Industrial Average	12.31	8.21	-1.73	5.62
S&P 500 Total Return	22.08	5.89	4.28	10.56
Wilshire 5000	19.53	5.98	2.95	9.56

Investors' fear of an economic hard landing triggered a sharp, intense decline that saw the S&P 500 fall 3% on Monday, August 5, the worst one-day selloff in nearly two years.

Then, on August 23, at the Fed's Jackson Hole Economic Symposium, Fed Chair Powell told markets the "time had come" for the Fed to cut rates. That all but guaranteed a rate cut at their September meeting and fueled a rebound in stocks. The S&P 500 finished August with a 2.3% gain, completing an impressive rebound from early-month weakness.

The rally continued in September thanks to growing expectations for a large Fed rate cut to offset lackluster economic data. On September 18, the Fed met market expectations with a significant 50 basis point rate cut; lowering the fed funds target to 4.75%-5.00%. This cut was the first in four years, since the 2020 pandemic. And the Fed "dot plot" predicted more cuts, totaling 1%, were likely both later this year and in 2025. Such a large cut outside a recession is rare, with only one similar instance since 1970. The Fed's 50 basis point reduction was both noteworthy and necessary to recalibrate Fed policy. Investors welcomed this news. The S&P 500 and Dow surged to a new high and finished the month and quarter with more solid gains, adding to the strong year-to-date return.

By market capitalization, small caps outperformed large caps for the first time in 2024 with both the Russell 2000 and Russell Mid-Cap outperforming the Top 200 large caps by 4%.

By sector, 9 of the 11 S&P 500 sectors finished the third quarter with a positive return. Utilities and real estate, two interest rate sensitive sectors, handily outperformed the remaining nine S&P 500 sectors. The tech and energy sectors were the only sectors to

finish the third quarter with negative returns.

Geopolitical risks remain elevated and while the war between Russia and Ukraine and the ongoing conflict between Israel, Hamas, Hezbollah and now Iran hasn't negatively impacted global markets this year, that's always a possibility and these situations must be consistently monitored as the spread of these conflicts would impact markets, regardless of any Fed rate cuts or election outcomes.

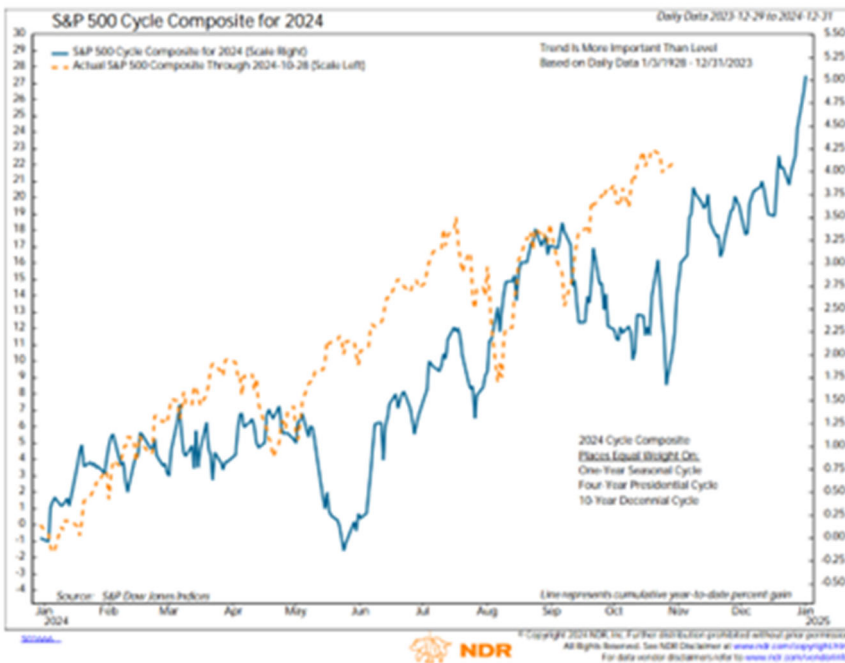
The markets continue to face economic, political and geopolitical uncertainties. But market performance has been strong in 2024; momentum remains decidedly positive, and this market has proven resilient throughout the year. Additionally, current economic data is still pointing to a soft economic landing. So, while there is elevated uncertainty between now and year-end and it's reasonable to expect an increase in short-term volatility, the fundamental underpinnings of this market remain broadly positive.

STOCK MARKET OBSERVATIONS

In our July letter we included a copy of the Ned Davis S&P 500 Cycle Composite for 2024. We include it here again because year to date the predicted cycle compost has been, in terms of trend, an accurate reflection of how 2024 unfolded for the indices; with two exceptions. By comparing the orange actual S&P 500 composite to the blue predicted composite, we can see that after the April correction the S&P 500 went up until the July correction. In 2024 there was not a May correction, which would have been normal and predicted by the composite.

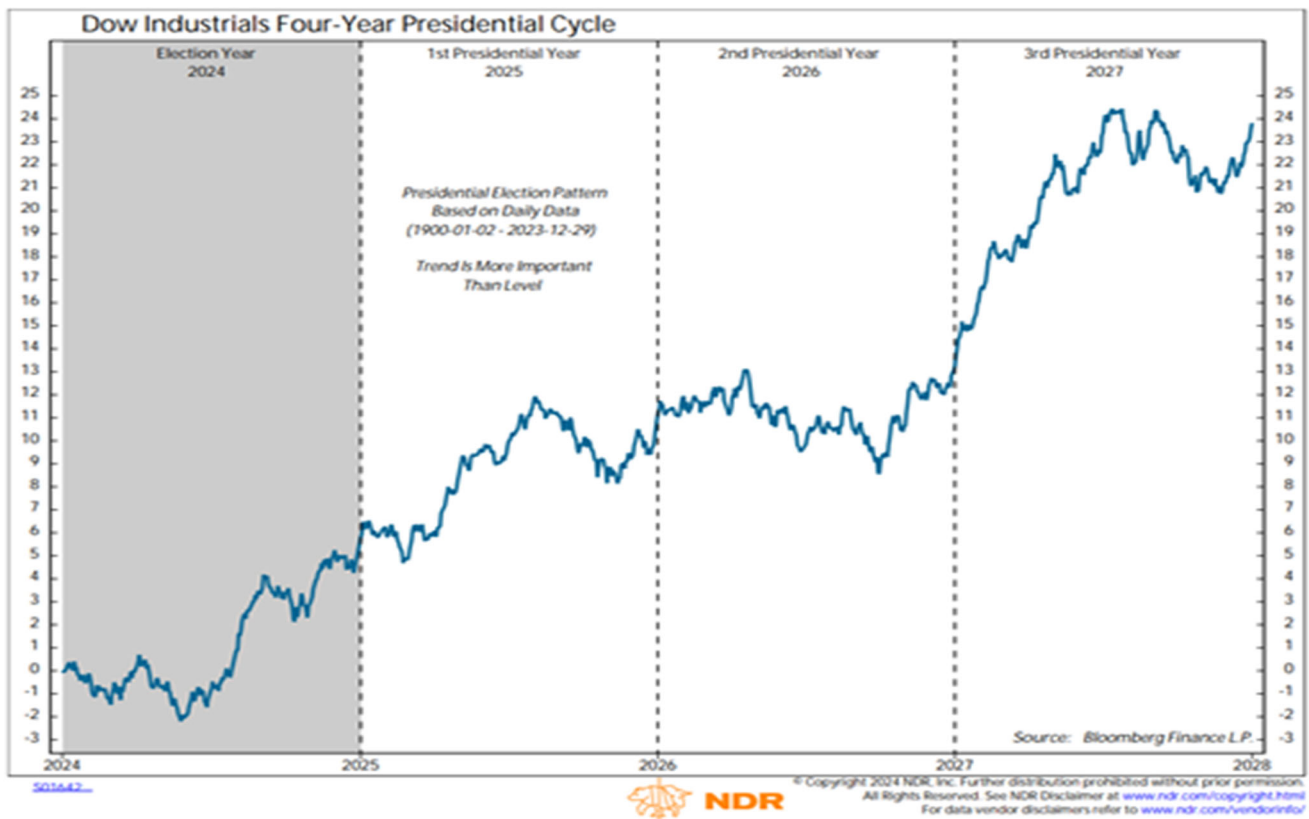
Then, in September, coincident with the Fed rate cut, the S&P 500 started its advance until today without a significant correction; even though September and October are normally two of the weakest months of the year.

This is important for several reasons. First, the markets were stronger than expected during the third quarter, the seasonally weakest quarter of the year. This strength suggests further strength for now into the end of the year as the fourth quarter is typically the seasonally strongest portion of the



year; especially after the election during a Presidential election year. Further, the most bullish thing a market can do is go up. In September the S&P 500 finished a five-month up streak, despite its correction within the month of July. This is rare, suggests positive momentum, and, in the past, since 1925, has resulted in an up market 3, 6, and 12 months later. Third, during this strong period several of the market averages have made new all-time highs. After making new all-time highs, stock markets have advanced more often than they have retreated. According to Standard and Poor's, since 1950 the S&P Index has reached over 1,400 new all-time highs. Though the index has, as usual, on a daily or weekly basis gone up and down after reaching a new high, after the first new high in the S&P 500 without having a new high within the past year, the index has gone up over the next 12 months in 13 of the 14 instances since 1950 with an average 12-month return during the following year of 17.1%. Fourth, the stock market normally responds positively, at least initially, to declines in interest rates; with the strongest market response during periods of declining rates without a recession.

We have often included in our letters a copy of the entire Ned Davis Four-Year Presidential chart, which we include below. Please remember that in their composite NDR says the trend is more important than the level. As the election year concludes, we again see the positive first year "honeymoon" period in 2025, a sideways market consolidation in 2026, and a strong third year of the Presidential cycle in 2027 leading up to the next election year of 2028.



This all suggests a positive market over the next year. We do want to mention, in this stock market observation, two additional observations (in addition to the geopolitical risks which, so far, have not affected the markets). Our first observation is summarized by the quote, which was one of Perk’s favorites: “Anticipation is greater than realization.” There has been much anticipation and many promises made during this election cycle. The problems we face as a country will not be fixed “overnight.” As seen in the Presidential Cycle, after the election uncertainty is removed, the markets have experienced a positive “honeymoon.” Yet, we feel within the country there is tremendous anticipation for change. Perhaps, as in the composite, the 2026 consolidation will begin earlier in this cycle.

More important, is the fact that we have not yet, in 2024, had the number of 5% or 10% market corrections we would expect in any given year. In our April 2024 letter we included the Ned Davis work on corrections, which includes a history of the number of days between prior corrections. We will include this again early in 2025. We feel we should expect more volatility in 2025 than 2024, which should include normal expected market corrections.

The cartoon speaks to the season and the election “anticipation” which everyone has felt.

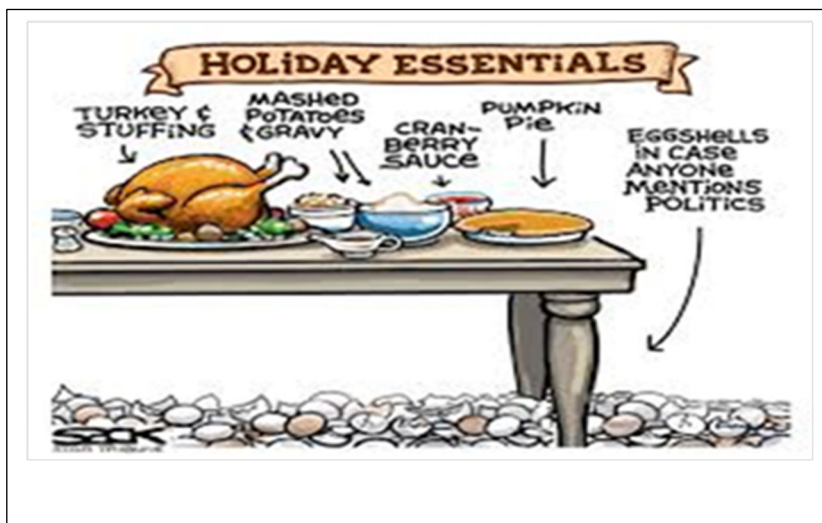
We thank you for your ongoing confidence and trust. We are always available to meet with you by phone, Zoom, FaceTime, or in person to review your investments or for you to update us on your personal investment objectives. If you have any questions, please give us a call. Or call and ask to schedule a time to talk or meet in person.

Sincerely,

Richard C. Perkins, C.F.A.
President
Portfolio Manager

Daniel S. Perkins, C.F.A.
Chief Operating Officer
Portfolio Manager

RCP:DSP/jah



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Right before surgery the surgeon says, "Relax, Jim, It's just a small scalpel incision. No reason to panic."

The patient replies, "But, Doctor, my name is not Jim."

The surgeon responds, "I know. I'm Jim."

After my prostate exam, the doctor left. The nurse came in later, with a worried look on her face, and said the three words I was dreading to hear. She said, "Who was that?"

A man returns to the U.S. after a trip abroad, feeling very ill. He goes to see his doctor and is immediately rushed to the hospital to undergo a barrage of extensive tests. The man wakes up after the tests in a private room at the hospital and finds the phone by his bed ringing. He picks it up and it's his doctor, saying, "We got the results back from your blood tests and found you have an incredibly nasty virus that is extremely contagious!" The man immediately panics, asking, "What are you going to do, Doctor?" "Well, we're going to put you on a diet of pizzas, pancakes and quesadillas." "Will that cure me?" asks the man, being hopeful. "No," the doctor replies, "But it's the only food we can slide under the door."

During an annual exam the patient asked the doctor, "Do you think I'll live a long and healthy life?"

The doctor replied, "I doubt it, somehow Mercury is in Uranus right now."

The patient said, "I won't go for any of that astrology nonsense, give the results to me straight, doctor, so I understand."

The doctor replied, "My thermometer just broke."

A middle-aged woman had a heart attack and was sent to the hospital. While on the operating table, she came very close to death and had the opportunity to speak with God.

"Is my time up?" she asked God.

"No," God answered, "you still have 40 years, 5 months, and 3 days to live."

Upon recovery, the woman felt sublime. She decided that if she had so much time left to live, she might as well make the most of it. Therefore, she had a facelift, a tummy tuck, and dyed her hair before exiting the hospital.

After her tummy tuck was over, she was released from the hospital. However, while crossing the street on the way out, she was hit by a car and immediately died.

When arriving in front of God, the woman asked, "I thought you said I had another 40 years? Why didn't you save me?"

"I didn't recognize you," God replied.

A man is in the hospital recovering from surgery when a nurse asks him how he was feeling.

"I'm okay, but I didn't like the four-letter-word the doctor used in surgery," he answered.

"I'm sorry to hear that, what did he say?" asked the nurse.

"OOPS!"

Doctor: "Mr. Jones, you may want to sit down. I have some bad news and some very bad news, which would you like to hear first?"

Mr. Jones: "Oh jeez, I guess I'll take the bad news first."

Doctor: "The bad news" the doctor notes, "is that I got your test results, and you have 24 hours to live."

Mr. Jones: "What?" the man replies, "How could there possibly be worse news than that?"

Doctor: "I've been trying to reach you since yesterday."

An 88-year-old woman is rushed to the hospital with a possible concussion. The doctor asks her a series of questions: "Do you know where you are?" "I'm at County General." "What city are you in?" "Portland." "Do you know who I am?" "Dr. Greene." Satisfied with the woman's answers the doctor walks away. After the doctor is out of the room the elderly woman turns to the nurse and says, "Phew! I'm glad he didn't ask me any further questions." "Why?" asked the nurse. "Because all of those answers were on his badge."

Sven was hitchhiking back to the farm and got a ride on a motorcycle. The biker put the Harley up to about 75 MPH and Sven hollered, "Vy are ve goin so fast?" The biker replied, "The faster you go, the cooler it gets."

They came to a crossroads where Sven hooked up with a big rig for the remainder of the trip. The truck driver ran that big Freightliner up to 90 MPH. "Vy are ve goin so fast?" asked Sven. "The faster you go, the cooler it gets." replied the driver.

Well, Sven made it back to the farm and later that summer it was a scorcher, 104 degrees in the shade. Sven saddled up his horse and took off riding across the prairie just as fast as he could. He got two miles from the farm when the horse dropped over dead. Well, he didn't want to leave the saddle so he started carrying it back to the farm. On his way, he met Ole who asked "Vat are ya doin carryin da saddle?" "Horse died," replied Sven. "Vat did he die from?" asked Ole. Sven replied, "Near as I can figure out, he froze to death."

Four guys from Lake Aasgaard went up to Northern Minnesota fishing. To save a little money, they rented a small cabin that had only two bedrooms. Well, Arne sleeps with Ole the first night and he comes to breakfast the next morning with his hair a mess, and his eyes all bloodshot. They ask him, "Vat happened to yu?"

Arne says. "Dat Ole, he snores so loud, I vas kept awake vatching him all night. I can't do dat another night so vun of yu got ta do it." Since Ole snores so loudly, no one else wanted to room with him, but they finally agreed to take turns. The next night it's Oscar's turn.

In the morning the same thing, hair all standing up, eyes all bloodshot. Oscar declares, Fer sure, dat Ole shakes da roof. And he sleeps so hard, I couldn't vake him. I vatched him all night."

The third night was Sven's turn. The next morning Sven came to breakfast bright-eyed and bushy-tailed. They couldn't believe it. They asked, "Vat happened?" Sven says, "Vell, ve get ready for bed, I go and tuck Ole into bed, kiss him good night, den he vatches me all night long."

Young Ole was a police officer at one time. One day he was sent to patrol a nudist colony. After a couple of hours, he called the station to file a routine report.

"Officer Ole Olson reporting," he said to the dispatcher. "How are things going out there, Olson?" asked the dispatcher. "Vell, no problems, sir," answered Ole. "Except my badge is just killing me!"

Ole and Lena had never been camping and they heard about a nice camp near Grand Rapids, Minnesota. Lena was worried about the toilet facilities, but she didn't want to use the word "toilet," so she wrote a letter to the campground owner. She remembered that around Minot, North Dakota where they lived, they used to call it an L.C. or lavatory commode. But she was so prim she didn't want to say toilet or lavatory commode, so she simply asked in her letter if the camp had an L.C. The campground owner read Lena's letter and was puzzled about the initials L.C. He finally decided it meant Lutheran church. So, he wrote back to Lena the following letter:

"Lena, I am happy to inform you there is a local L.C. located nine miles north of the campground. I realize this is kind of far if you are used to going regular. It is really a nice one, it seats 250 people. The last time my wife and I went was 6 years ago and it was so crowded we had to wait 20 minutes to be seated. Some people like it so much that they bring their lunch and make a day of it.

There is going to be a fundraising dinner in the basement of the L.C. and they're going to use the money to buy more seats. It pains me that I can't go more often like I know I should, but it gets more difficult as we get older, especially in the winter. So, you come down and stay at our camp, and maybe we can go with you the first time to the L.C. and sit with you and I will introduce you to all the nice folks around here, because after all, this is a very friendly community."

Lena told Ole she would pass on da campground.

LENA: "Ole, if I die first, vill you promise to ride to da cemetery with my mother?"
OLE: "Vell, I suppose I can. But, I tell ya, it vill ruin my whole day."

Ole and Sven go ice fishing. Ole pulls out his new thermos and Sven says to him, "Ole, vhatcha got der?" Ole says, "Vell Sven, dis here's a thermos. It keeps hot tings hot, and it keeps cold tings cold." After a while, Sven gets curious and says, "Vell Ole, vhatcha got in dat der thermos?"

Ole says, "Vell Sven, I got a popsicle, and two cups a coffee."

Ole was hired to paint the yellow stripe down the highway. His first day he painted ten miles. The second day he only painted five. His boss, thinking that he was getting slower because he had started off too hard on the first day, decided to give him a day off to rest. But when Ole came back to work the next day, he only painted half a mile. So, his boss asked, "Excuse me, but why have you been painting less and less each day, even after I gave you a day off?" "Simple," Ole answered. "I've been getting farther away from da paint can!"