PERKINS
CAPITAL
MANAGEMENT, INC.

January 24, 2023

Dear PCM Clients and Friends:

This past year was a year we and many other investors were glad to see end.

We had a special end to the year with family and friends during the holidays and we hope you enjoyed special times over the holidays as well. We are now glad to be moving on into 2023, optimistically, with the feeling that there is much work to be accomplished.

In terms of the markets and the economy, as we foresaw in recent quarterly letters, we are starting the year with all of the "big picture" concerns including Ukraine, the Fed and interest rates, significant price inflation, corporate earnings and other worries still with us. The concern or question du jour is the recession question. Are we already in one? Will we or will we not? Or, perhaps, is a "soft landing" in our future?

At this time, there is no compelling evidence, at the moment, that this macroeconomic chaos is subsiding.

These concerns are likely to be with us well into 2023. Concerns and questions or "worries" are a normal part of the investment landscape; they will continue, as they always do.

As we enter 2023, the market is approaching a potentially important transition period that could see each of these headwinds ease in the months ahead, as the year unfolds.

First, inflation has shown definitive signs of peaking and declining. To be clear, inflation remains much too high, but easing price pressures in 2023 will be a positive for the markets.

Second, after a historically aggressive rate hiking campaign in 2022, the current Fed hiking cycle is likely to be nearly complete. In December, the Federal Reserve signaled that it expected the peak interest rate to be just 75 basis points higher than the current rate. That level could easily be reached within the first few months of 2023. The Fed ending its rate hike campaign will remove a significant headwind from asset prices.

Finally, while both economic growth and corporate earnings are expected to decline in 2023, those negative expectations have been at least partially priced into stocks at current levels. As such, if the economy or corporate America continues to prove to be more resilient than forecasts show, it could provide a positive spark for asset markets in 2023.

On a positive note, many healthcare companies pre-report earnings in January. We learned during the past several weeks that the revenue growth and earnings of most of the

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healthcare companies we have invested in continues. They appear to be doing well and are positive about their future prospects. Now, if this could only be reflected in their valuations.

As we start the new year, we should expect financial media commentary to be focused on current market risks, including earnings concerns and recession fears. But, remember, the markets are forward-looking. The stock market is a leading indicator. While there are undoubtedly economic and corporate challenges ahead in 2023, market history is clear: Declines of the magnitude we saw in 2022 are usually followed by strong recoveries, not further weakness. The S&P 500 hasn't registered two consecutive negative years since 2002. Market declines such as we witnessed in 2022 have ultimately yielded substantial long-term opportunities in stocks.

Investor sentiment continues to be extremely pessimistic, at historically negative extremes, which is a positive.

Shortly before the March 2009 bottom, Jeremy Grantham, who continues to write about the markets and is often quoted, wrote: "Be aware that the market does not turn when it sees the light at the end of the tunnel. It turns when all looks black, but just a shade less black than the day before." Historically, the markets have bottomed and started back up before the end of an economic recession and when the headlines are still negative.

We feel today exactly as we did several months ago and wrote in our August letter to you:

> *"We are thinking that now is a time to "look across the valley." We think we are in a period of continuing "big picture" concerns well into 2023 where some businesses will do well and others won't. Today there are many special "best in class" growth companies which are down dramatically in price, attractively valued, have already had their correction and represent investment opportunity. There are other companies with more interest rate or economically sensitive businesses which may struggle in a slower economy. We see opportunity within a split market, some businesses continuing to grow, while others may not."*

This is what we see going into 2023. A split market with investment opportunity in attractively valued companies who will continue to do well, even in a slower economy; while at the same time, a need to sell or more actively manage investments in companies who falter in this environment or fail to meet our desire to upgrade the quality of your investments.

THE MARKET SCOREBOARD

The markets ended 2022 on a decidedly negative note and the December losses helped to ensure that 2022 was the worst year for stocks since 2008 and the worst year for bonds in multiple decades, as both asset classes posted annual declines for the first time since the 1960s. It was a disappointing year for investors. There was no place to hide in 2022.

At its October bottom the S&P 500 was down -27% and ended the year with its sixth worst decline on record. Reflecting higher interest rates, bond prices also swooned as shown in the leading benchmark for bonds, the Bloomberg Barclays US Aggregate Bond Index, which ended the year down -13.01%. Last year was only the sixth time since 1926 that both the S&P 500 and Bloomberg U.S. Aggregate declined together in a year. Combined, the decline was the worst since 1940 by far. It is the only time in history where they each fell by more than 10%.

Stocks in the large-cap Russell 1000 saw a combined market cap loss of $10.9 trillion in 2022, with technology companies accounting for $4.35 trillion of that decline. The average total return of stocks in the Russell 1000 was a decline of -15.4% in 2022; with technology and communication stocks falling by an average of more than -31%. Real estate and consumer discretionary stocks fell greater than -25%. The energy sector was the only gainer with its market cap increasing by $661 billion. Interestingly, as we enter 2023, despite its severe 2022 revaluation, the Technology sector's market cap of $9.5 trillion is still $1.5 trillion more than the combined market caps of the five smallest sectors (Real Estate, Materials, Consumer Staples, Utilities, and Energy); reflecting the importance of innovation and "technology" in our economy and lives.

Indexes	% Return YTD 2022	% Return Q4 2022	% Return Q3 2022	% Return Q2 2022	% Return Q1 2022
NASDAQ Composite	-33.10	-1.03	-4.11	-22.44	-9.10
Wilshire 5000	-21.43	6.24	-4.60	-17.63	-5.89
S&P 500	-19.44	7.08	-5.28	-16.45	-4.95
NYSE Composite	-11.53	12.71	-7.01	-13.10	-2.87
Dow Jones Industrial Average	-8.78	15.39	-6.66	-11.25	-4.57

The past year was also a year of volatility with both daily and several multi-week swings in price. Over 50% of the days during the year were down days in the Russell 2000, the most in the past 40 plus years except for 1984 and 2002. Nine months had greater than a 5% price change up or down. The first three quarters of 2023 had two down months and one up or flat month.

S&P 500 Total Returns by Month in 2022											
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
-5.17%	-2.99%	3.71%	-8.72%	0.18%	-8.25%	9.22%	-4.08%	-9.21%	8.10%	5.59%	-5.76%

Though the declines in 2022 would imply otherwise, there was not a market crash like in 1929, 1987, 2000 or 2008. Rather, there was a series of selloffs followed by failed rally attempts. The S&P 500 had eight corrections of at least -5%. That was twice more than the average of about 3 ½ per year and tied both 2000 and 1974 for the second most since the 1930s. There were three -10% corrections within the year which tied 2008, 2002, and 1987, again, as the most -10% or greater corrections within a year since the 1930s.

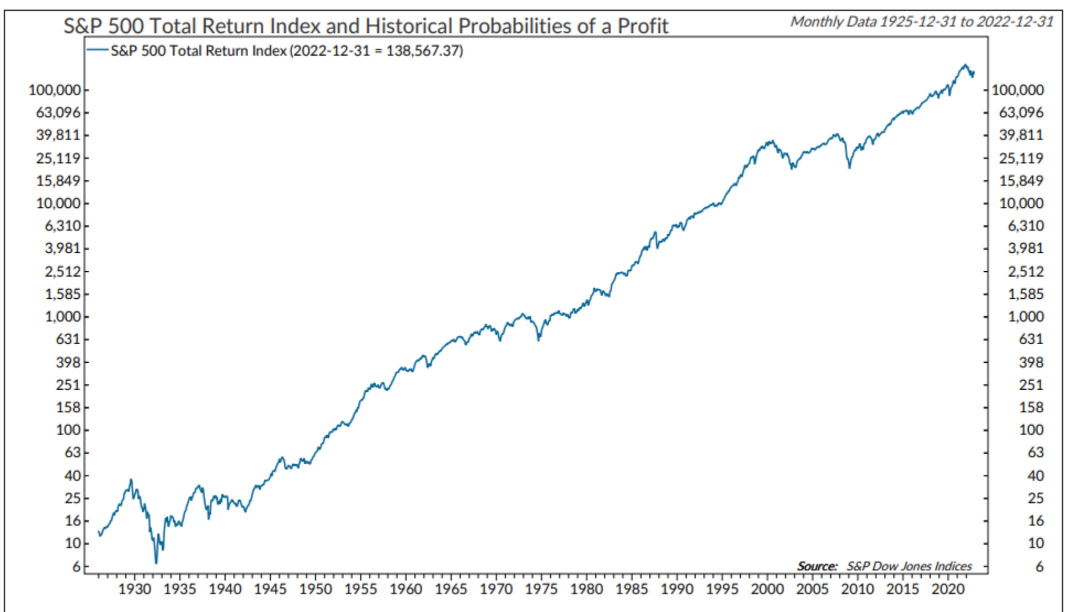
In sum, 2022 was the most difficult year for investors from a return and volatility standpoint since the Global Financial Crisis. It was a year which investors were glad to see end.

STOCK MARKET OBSERVATIONS

In our October 24, 2023 letter we stated that we felt the market was in the process of making a bottom; but that we did not know if the October lows were the absolute bottom for this correction or "bear market" in terms of the averages or not. We wrote that the "making of a bottom" was often a four-step process. We discussed the selloff into the June 16 low and pointed out at the time of our letter that all of the averages had concluded a successful 3-week test of their June 16 lows.

What we wanted to see then was for the market to "get some legs" and start going up. It did exactly that, and very nicely, for the rest of October and November, especially the Dow, and into early December when the markets then had tax loss selling into year-end.

So where are we at today? We think that many but not all stocks have concluded their corrections for this bear market. As we discussed in October, we clearly remember the 2008-2009 financial crisis lows when many of the companies we were invested in did not go lower than the November lows; but the bottom in the indexes was not until March of 2009. We continue to feel now is a time to "look across the valley" and focus on companies who have had their corrections, are down dramatically, and have been building bases; accumulating strength from which to advance. Now is the time to focus on individual investments while keeping the big picture in mind: Bull markets always follow bear markets.



1925-12-31 to 2022-12-31	
S&P 500 Annual Total Return	10.0%
Percentage up all 1-Year Periods	73.2%
Percentage up all 5-Year Periods	87.1%
Percentage up all 10-Year Periods	96.6%
Percentage up all 20-Year Periods	100.0%
Percentage up all 30-Year Periods	100.0%

DAVIS71

Keeping the big picture in mind, on the previous page is a chart from Ned Davis Research which shows, in blue, the S&P Total Return Index over the past 98 years from 12/31/1925 to 12/31/2022. The bottom table details that long-term investors experience positive returns.

As we have written in recent letters, we will continue to actively review and question what we are invested in for you, rebalancing where needed, doing some selling where we feel businesses have not met our expectations, despite these low prices, and then investing in companies which are also now down significantly, have growing businesses, and are attractively priced.

At this time with so many companies down in price, there are many attractive investment opportunities. Now would be a good time to invest any idle cash and “put it to work”. If you are considering adding to the investments we manage for you, this would be a good time.

As always, if you have any questions about your accounts, any of your specific investments, or any of the companies you are invested in, please give us a call. Or call in and ask to schedule a time to talk.

Both clients and companies are now coming into the office again to meet with us in person and we welcome this.

Sincerely,

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

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

RCP:DSP/jah

“Are you ready to order, or do you need more time to gasp at the inflated prices?”

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OLE AND SVEN'S HOLIDAY DIET

Ole and Sven had really "packed on the pounds" by overeating during Christmas and New Year's Holidays, so their doctor put them on the same diet.

"I want you to eat regularly for 2 days, then skip a day, and repeat this procedure for 2 weeks. The next time I see you, you should have lost at least 5 pounds."

When the Norwegians returned, they shocked their doctor by having lost nearly 25 pounds each.

"Why, that's positively amazing!" the doctor said. "Did you follow the instructions?"

Then Ole and Sven nodded and Ole said "Ve vant to tell you though, ve taut ve was gonna drop dead dat 3rd day."

"From hunger, you mean?"

"No, just from all dat skippin."

Dear Dad,

It is with great regret and sorrow that I'm writing you. I had to elope with my new girlfriend because I wanted to avoid a scene with Mom and you. I've been finding real passion with Stacy. She is so nice, but I knew you would not approve of her because of all her piercings, tattoos, her tight Motorcycle clothes, and because she is so much older than I am.

But it's not only the passion, Dad. She's pregnant. Stacy said that we will be very happy. She owns a trailer in the woods and has a stack of firewood for the whole winter. We share a dream of having many more children. Stacy has opened my eyes to the fact that marijuana doesn't really hurt anyone. We'll be growing it for ourselves and trading it with the other people in the commune for all the cocaine and ecstasy we want. Don't worry, Dad, I'm 15 and I know how to take care of myself. Someday, I'm sure we'll be back to visit so you can get to know your many grandchildren.

Love,

Your son, Joshua.

P.S. Dad, none of the above is true. I'm over at Jason's house. I just wanted to remind you that there are worse things in life than the school report that's on the kitchen table. Call when it is safe for me to come home!

PSYCHIATRISTS VS BARTENDERS

Ever since I was a child, I've always had a fear of someone under my bed at night. So, I went to a psychiatrist and told him that "I've got problems. Every time I go to bed I think there's somebody under it. I'm scared. I think I'm going crazy."

"Just put yourself in my hands for one year," said the doctor. "Come talk to me three times a week and we should be able to get rid of those fears.'' "How much do you charge?" I asked. "Eighty dollars per visit," replied the doctor. "I'll sleep on it," I said.

Six months later the doctor met me on the street. "Why didn't you ever come to see me about those fears you were having?" he asked. "Well, eighty bucks a visit three times a week for a year is an awful lot of money! A bartender cured me for $10. I was so happy to have saved all that money that I went and bought me a new pickup!"

"Is that so!" With a bit of an attitude he said, "And how, may I ask, did a bartender cure you?" "He told me to cut the legs off the bed! Ain't nobody under there now!

SAGE ADVICE FOR OLDER GUYS

An old guy decided to finally get back in shape and relive some of his youth, so he decided to start working out again. Upon entering the gym, he spotted a beautiful young woman exercising on the treadmill.

He asked the physical trainer that was nearby, "What machine in here should I use to impress that beautiful woman over there?" The trainer looked him up and down and said without any further hesitation, "I would try the ATM in the lobby."

THINK BEFORE YOU ACT

Arcelor-Mittal Steel, feeling it was time for a shakeup, hired a new CEO. The new boss was determined to rid the company of all slackers. On a tour of the facilities, the CEO noticed a guy leaning against a wall. The room was full of workers and he wanted to let them know that he meant business. He asked the guy, "How much money do you make a week?"

A little surprised, the young man looked at him and said, "I make $400 a week. Why?" The CEO said, "Wait right here." He walked back to his office, came back in two minutes, and handed the guy $1,600 in cash and said, "Here's four weeks' pay. Now GET OUT and don't come back." Feeling pretty good about himself, the CEO looked around the room and asked, "Does anyone want to tell me what that goofball did here?"

From across the room a voice said, "Pizza delivery guy from Domino's."

TOP TEN REASONS WHY GOD CREATED EVE:

10. God was worried that Adam would frequently become lost in the garden because he would not ask for directions.

9. God knew that one day Adam would require someone to locate and hand him the remote.

8. God knew Adam would never go out and buy himself a new fig leaf when his wore out and would therefore need Eve to buy one for him.

7. God knew Adam would never be able to make an appointment by himself.

6. God knew Adam would never remember which night to put the garbage on the curb.

5. God knew if the world was to be populated, men would never be able to handle the pain and discomfort of childbearing.

4. As the Keeper of the Garden, Adam would never remember where he left his tools.

3. Apparently, Adam needed someone to blame his troubles on when God caught him hiding in the garden.

2. As the Bible says, "It is not good for man to be alone."

And, the number 1 reason *wh*y God created Eve:

When God finished the creation of Adam, He stepped back, scratched his head, and said, "I can do better than that."

LATE NIGHT VETERNARIAN CALL

A dog owner whose female dog came "in heat," was concerned about keeping it and her male separated. She had a large house and believed that she could keep the two dogs away from each other. However, as she was drifting off to sleep, she heard awful howling sounds. She rushed downstairs and found the dogs locked together. Unable to separate them, and perplexed as to what to do next, as it was very late at night, but decided she would give her vet a call, who answered in a very grumpy voice. After she explained the situation to him, the vet said, "Hang up the phone and place it down alongside the dogs. I will then call you back and the noise of the ringing will make the male lose his erection and he will be able to withdraw." "Do you think that will work?" she asked. "Just worked for me." he replied.


WAIT A MINUTE!!.. THIS ISN'T OUR CAR!
artizans.com


Come on...
Come on...
Throw it!


I don't make snowmen. If I'd wanted to hang around with a cold man with slush for brains, I'd still be married.
Maxine
www.crabbyroad.com
1-25


AND I THOUGHT THAT WAS JUST A FIGURE OF SPEECH!
BANK OF
-11°