

Dear Fellow Shareholders:

U.S. small cap equities had a quiet 1Q with the benchmark R2000 essentially flat at up 0.1%. The Pinnacle Value Fund fell 4.4% for reasons explained below. We ended the quarter with net assets of \$55.4 million and 46 positions with a weighted average market cap of \$380 million, a security yield of 1.8% and a price to book value ratio of 1X.

Major additions to the portfolio included American National Insurance, Dorian LPG, Diamond Offshore, Gulf Island Fabrication and a couple of Sprott precious metals ETFs. American National provides life insurance/annuities through a variety of distribution channels; Dorian LPG operates a global fleet of LPG (liquid petroleum gas) tankers; Diamond Offshore provides offshore energy drilling services worldwide and Gulf Island Fabrication owns a shipyard and marine fabrication unit. The Sprott precious metal ETFs are a hedge against possible inflation. We trimmed the Fund's positions in Computer Task Group and San Juan Royalty Trust on valuations while exiting our position in MVC Capital where we lost confidence in management.

The biggest contributors to performance include the following: Seacor Marine, a recent spinoff announced several strategic transactions that were favorably received. Computer Task Group made an acquisition and announced a major share repurchase. Permian Basin Royalty Trust continues to benefit from higher oil & gas production in the Permian Basin of west Texas.

Our biggest detractors center on three of our major positions. Gulf Island Fabrication (GIF) announced an unexpected contract termination by a customer undergoing financial troubles. While GIF's backlog has been growing nicely, this action triggered concern about a short term liquidity issues. Fortunately, GIF has an unencumbered balance sheet which could provide the needed relief until the backlog is converted to revenue. Global Power Equipment is a turnaround where management is making good progress in returning to profitability. Unfortunately, it is taking longer than expected and some investors exited hurting the share price. Finally, First Acceptance announced they are "going dark" and will no longer make SEC filings or have the financial burdens of being a registered company. We had a long talk with the CEO and offered several suggestions on ways to maintain transparency and liquidity which were well received. We've had stocks go dark previously and most continue to make quarterly earnings releases, migrate to alternative trading platforms and continue to hold shareholder meetings including the election of directors. We sold no shares of any of these three and added modestly to two.

Despite the recent volatility, the benchmark R2000 remains near record highs. We've tried to use the volatility to our advantage and have been net buyers on most down days. It's been slow going but we're gradually building positions where we view the risk reward in our favor. While the economy appears strong and unemployment remains low, we're monitoring several important issues including: rising interest rates; higher inflation from rising commodity prices & wages; possible trade wars; more leveraged corporate balance sheets; geopolitical tensions with China, N. Korea, and Russia; asset valuations that remain high and machine driven algorithms that magnify volatility. Whether any of these dislodges the market's buoyancy remains to be seen. So we'll stay conservative and let valuations continue to be our guide.

<b>Top 10 Positions:</b>	<b>% net assets</b>
1. SWK Holdings- life sciences finance	6.0
2. ERA Group- helicopter services	3.9
3. Global Power Equipment- electric infrastructure	3.8
4. Permian Basin Royalty Trust	3.7
5. Gulf Island Fabrication- marine goods & services	3.0
6. Kansas City Life- life policies & annuities	2.7
7. San Juan Royalty Trust	2.6
8. Seacor Marine- offshore supply vessels	2.5
9. First Acceptance- non standard auto insurance	2.2
10. EMC Insurance- regional P&C insurer	<u>2.2</u>
<b>Total</b>	<b>32.6%</b>

**YTD TOP 5 WINNERS (realized & unrealized gains)**

1. Seacor Marine	\$535,300
2. Computer Task Group	205,100
3. Permian Basin Royalty Trust	161,700
4. Seacor Holdings	119,500
5. Independence Holding	<u>109,600</u>
<b>Total</b>	<b>\$1,131,200</b>

**YTD TOP 5 SINNERS (realized & unrealized losses)**

1. Gulf Island Fabrication	\$1,011,100
2. Global Power Equipment	865,000
3. First Acceptance	418,100
4. ERA Group	320,700
5. Ensco Drilling	<u>268,900</u>
<b>Total</b>	<b>\$2,883,800</b>

**SECURITY CLASSIFICATIONS**

Government Money Market Funds	44.2%
Energy	16.1
Insurance	10.7
Industrial goods & services	10.6
Financial services	7.2
Closed end funds	6.1
Consumer goods & services	3.0
Real estate	1.2
Banks & thrifts	<u>0.9</u>
<b>Total</b>	<b>100.0%</b>

\*Letter contents are unaudited and past returns do not predict future results. Investment return and principal value of an investment in the Fund will fluctuate so that shares, when redeemed, may be worth more or less than original cost. Results do not reflect taxes payable on distributions or redemption of shares held in taxable accounts. Fund holdings are subject to change and are not recommendations to buy or sell any security. The R2000 index is an unmanaged index, does not incur expenses and is unavailable for investment. Additional material including Prospectus and SAI is available at [www.pinnaclevaluefund.com](http://www.pinnaclevaluefund.com) or 1-877-369-3705.

