

Dear Fellow Shareholders,

US equities had a strong Q1 with the R2000 up 12.7% while the S&P 500 rose 5.8%. PVFIX gained 11.1%, slightly behind the R2000. We ended the quarter with 46 major positions with a weighted average market cap of \$520 million, a security yield of 0.7% and a price to book ratio of 120%. Cash is 38% up slightly from 35.5% at year end as we continued to take advantage of high prices to lower our risk exposure (more below).

The markets remain volatile with the indices continuing to rally on a strong vaccine rollout, unprecedented fiscal & monetary stimulus and the return of the individual investor. However, unemployment remains high, new strains of Covid-19 are appearing and interest rates are ticking up. We don't know the ultimate outcome but very few companies are providing 2021 earnings guidance reflecting a high level of uncertainty. We also think quarterly earnings comparisons will become more challenging as the year goes on. In our opinion, there is lots of optimism embedded in today's market and the margin of safety remains slim. Given current valuations we'll stay conservative and wait for any pockets of opportunity that may develop should market expectations be disrupted.

Portfolio activity in Q1 was skewed towards selling as we took advantage of up prices allowing us to trim positions we feel are overvalued such as Buckle (young adult apparel retailer), Flexsteel (residential furniture) and Freightcar America (railcar manufacturing). We also pared back positions that, due to price appreciation, became over weighted in the portfolio such as Bristow Group and Dorian LPG. As you can see on the next page, both remain major positions and we are encouraged by the outlook for each. Virtually all sales were made at long term capital gain rates to minimize taxes.

The only position we added to significantly was Patriot Transport based in Jacksonville Florida. Patriot has two key businesses. First, they are a major tank truck operator hauling mostly gasoline and diesel fuel from the refinery to retail and wholesale outlets. As you probably know, driving is down because of the pandemic but is picking up as vaccines kick in which should bode well for this business. The second business is real estate with Patriot owning major parcels of land in Jacksonville, Tampa and Pensacola. They are patiently liquidating these assets with the proceeds earmarked for special dividends, expansion into new business areas and acquisitions.

As shown on the next page, contributors to performance outweighed detractors. Freightcar America completed a major restructuring and is well positioned to take advantage of any upturn in railcar orders. Retailer Buckle survived the pandemic and is now growing online sales at a respectable rate. Williams Industries is executing well and recently refinanced their debt to lower interest costs and provide greater flexibility.

Major detractors from Fund performance included our two Sprott gold miner ETFs which weakened on the prospect of higher interest rates and the popularity of Bitcoin and other digital currencies. We continue to see signs of higher inflation (higher commodity prices, increased wages) which may set the stage for a rebound in precious metal prices.

| TOP 10 POSITIONS | % net assets |
|--|---------------------|
| 1. Bristow Group- helicopter services | 9.4% |
| 2. Dorian LPG- fleet of liquid petroleum gas tankers | 8.2 |
| 3. Williams Industrial Services- engineering/design/construction | 5.0 |
| 4. Gulf Island Fabrication- marine goods & services | 4.0 |
| 5. Weyco Group- wholesale & retail shoe sales | 2.8 |
| 6. Powell Industries- electrical equipment & services | 2.6 |
| 7. Freightcar America- railcar manufacturing | 2.5 |
| 8. Buckle- young adult apparel retailer | 2.2 |
| 9. Patriot Transportation- tank truck operator | 2.0 |
| 10. Friedman Industries- steel service center | <u>1.9</u> |
| Total | 40.6% |

YTD TOP 5 Contributors (includes dividends)

| | |
|------------------------|------|
| 1. Freightcar America | 2.1% |
| 2. Buckle | 1.4 |
| 3. Williams Industries | 1.3 |
| 4. Gulf Island | 1.1 |
| 5. Weyco Group | 0.8% |

YTD TOP 5 Detractors (includes dividends)

| | |
|----------------------------------|-------|
| 1. Sprott junior gold miners ETF | -0.3% |
| 2. Sprott gold miners ETF | -0.2 |
| 3. Bristow Group | -0.1 |
| 4. Genworth | -0.1 |
| 5. Independence Holding | -0.1% |

SECURITY CLASSIFICATIONS

| | |
|------------------------------------|---------------|
| Government Money Market Funds | 38.0% |
| Energy | 18.7 |
| Consumer Goods & Services | 10.5 |
| Construction & Fabrication | 9.6 |
| Industrial Goods & Services | 7.4 |
| Transportation | 4.9 |
| Insurance | 3.7 |
| Closed end & Exchange Traded Funds | 2.7 |
| Banks & Thrifts | 1.8 |
| Real Estate | 1.4 |
| Technology | <u>1.3</u> |
| Total | 100.0% |

*Letter contents are unaudited and past returns do not predict future results. Investment return and principal value of a Fund investment 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 redemptions of shares held in taxable accounts. The R2000 is an unmanaged index and unavailable for investment. Additional material including Prospectus, SAI is available at www.pinnaclevaluefund.com or 1-877-369-3705 X 115.