

US equities had a respectable Q1 with the R2000 up 2.7% while the S&P 500 rose 7.5%. PVFIX shares rose 4.4% which we felt was acceptable given our large cash position that now earns 4.1%. We ended the quarter with 42 major positions with a weighted average market cap of \$360 million, a security yield of 1.2% and a price to book value ratio of 1.1%. Cash is 40.7%, up slightly from 38.2% at yearend.as we trimmed back several positions (see below).

The market remains volatile as it deals with multiple uncertainties- how high the Fed will raise rates, inflation, the health of corporate earnings, the impact of recent bank failures and the possibility of a recession. The Fed continues to talk tough about keeping rates high to combat inflation but recently indicated the pace and magnitude of future rate increases may be slowing. Higher rates are likely to impact demand for homes, autos, appliances and other big ticket purchases. Corporate profit margins are probably past peak levels for this cycle as more companies are forced to absorb higher labor and material costs in order to maintain business. Some firms are already scaling back earnings expectations and we may see more as the quarters unfold. Even if there are no more bank failures (a big if), credit is tightening and likely to get tighter. Less credit available to consumers and businesses most likely means slower growth. Consumer demand already appears to be slowing as paychecks buy less these days and stimulus money is receding. Many firms leveraged up during the good times and have too much debt with no room for error should interest rates rise further. Geopolitical tensions continue to simmer with almost daily headlines concerning Russia, China, Iran or North Korea.

Q1 portfolio activity was skewed towards security sales as we took advantage of higher prices to reduce positions that approached fair value like Graham Corp. and Powell Industries. We continued to sell chronic underperformers like First Acceptance and Costar Technologies which we exited completely on an acquisition bid. Virtually all positions were sold for long term capital gains which should help minimize taxes for taxable accounts. We established one new position, Select Energy, a Houston based energy services provider and also added to existing positions OP Bank and Culp Fabrics at very reasonable prices.

As you can see on the next page, YTD contributors to performance outweighed detractors. Our biggest contributors included Graham Corp., Daktronics and Powell Industries. Graham Corp is doing solid business providing vacuum and heat transfer equipment to navy, petrochemical and power generation clients. Daktronics is rebounding as easing supply chain issues provide the components required convert a robust backlog to sales. Finally, Powell Industries continues to supply the electrical equipment & systems to build out the energy infrastructure along the Gulf Coast. Major detractors included Gulf Island Fabrication and Bristow Group. Gulf Island is having trouble landing major contracts to help absorb excess fabrication capacity while Bristow Group is busy ramping up to provide helicopter service for several new Search and Rescue (SAR) contracts recently won with the UK and Dutch governments. Fortunately all have reasonable balance sheets providing the time required to overcome these temporary headwinds.

We are positioned to invest our cash as opportunities become available and are searching diligently for such opportunities. Your portfolio manager remains a major Fund shareholder.

TOP 10 POSITIONS	% net assets
1. Graham Corp- industrial equipment for govt./ commercial clients	6.1
2. Gulf Island- engineering/design/construction	5.1
3. Bristow Group- helicopter services to commercial/government clients	4.0
4. Powell Ind.- electrical equipment & services	3.5
5. Weyco Group- wholesale & retail shoes	3.4
6. Daktronics- electronic displays	3.3
7. Culp Inc.- fabrics for furniture & mattress coverings	3.2
8. Seacor Marine- offshore supply vessels serving clients worldwide	2.4
9. Patriot Transport- tank truck operator	2.4
10. Williams Industrial Services- industrial staffing & services	2.3
Total	35.7%

YTD TOP 5 Contributors (includes dividends)

1. Graham Corp.	2.1%
2. Daktronics	1.6
3. Powell Industries	0.9
4. Weyco Group	0.6
5. Universal Stainless	0.4%

YTD TOP 5 Detractors (includes dividends)

1. Gulf Island Fabrication	- 2.0 %
2. Bristow Group	-0.8
3. Seacor Marine	-0.5
3. Buckle	-0.4
4. OP Bank	-0.1%

SECURITY CLASSIFICATIONS

Government Money Market Funds	40.7%
Industrial Goods & Services	14.5
Consumer Goods & Services	12.9
Energy	9.4
Construction & Fabrication	7.9
Transportation	4.8
Electronics	3.8
Closed End & Exchange Traded Funds	3.3
Banks & Thrifts	1.4
Real Estate	0.8
Insurance	0.5
Total	100.0%

*Letter contents are unaudited and past returns do not predict future results. Investment return and principal value of a Fund investment may 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 X115.