

US equities had a rough Q1 with the R2000 down 9.5% while the S&P 500 fell 4.6%. PVFIX shares fell 5.2% leaving YTD return slightly ahead of the R2000. We ended the quarter with 40 major positions with a weighted average market cap of \$530 million, a security yield of 0.8% and a price to book ratio of 1.2%. Cash is approximately 35.8% earning 4%+.

For some time we've believed that most asset classes have been in a bubble driven by abnormally low interest rates (until recently), rampant speculation, unsustainable fiscal policy and leverage of all types. For many investors there was no alternative to equities and a "buy the dip" approach worked well until now. The tariff wars are the pin that pricked the equity bubble. The market is now pricing stocks lower as it tries to determine the ultimate impact of the tariff wars on supply chains, cross border trade and economic activity. In a reversal from prior years, P/E multiples are contracting and we suspect earnings estimates will start to come down.

Investors are hoping for a tariff "pause" and/or Fed intervention with lower rates. But the current administration appears to be dug in with no relief in sight. The Fed is walking a fine line of lowering inflation while maintaining economic growth. We suspect the Fed remains cautious on any interest rate cuts until the impact of tariffs on inflation and employment becomes clearer.

For context, the R2000 (benchmark) is down about 19% from its high set in late 2024. During the Covid driven decline in 2020, the R2000 fell about 28% while during the great recession of 2008-09 the R2000 fell 50% from its peak. We don't know how much further the R2000 might fall or how long it might take to recover lost ground. So we'll remain cautious and patient.

Fortunately our large cash position has helped cushion the downside while providing dry powder for opportunities. As always we remain disciplined on the prices we pay vs. the value received. Even with the most recent decline, most of the stocks in our universe are not yet compelling bargains. While most of our positions are down, we feel company prospects are good. All have strong balance sheets, capable management teams and viable business models. Most have been through economic downturns before and are adept at adapting quickly to uncertain times.

During the quarter we took advantage of lower prices and reasonable valuations to add to existing positions Seacor Marine (marine services), Shoe Carnival (retail shoes) and Unifi (synthetic textiles). Major sales included Select Water and our Sprott gold miner ETFs which rose on higher gold prices. All were sold at long term capital gains to minimize taxes.

As you can see on the next page, year to date performance was driven in part by positive contributions from First Acceptance and AerSale which beat expectations and our Sprott gold miner ETFs. Major detractors included Unifi, Hurco and Culp which all suffer from excess capacity and are undergoing major restructurings to right size their manufacturing footprints.

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

<b>TOP 10 POSITIONS</b>	<b>% net assets</b>
1. Gulf Island Fabrication- engineering/procurement/construction	8.2
2. Unifi- texturized nylon/polyester yarn for fabric production	5.2
3. Culp, Inc.- fabrics for furniture & mattress coverings	4.8
4. Hurco Cos- machine tool maker with worldwide distribution	4.8
5. Ingles Supermarkets- southeastern retail grocery chain	3.4
6. Weyco Group- wholesale & retail shoes	3.4
7. Seaboard- agriculture conglomerate	3.3
8. Bristow Group- helicopter services to commercial/government clients	3.3
9. AerSale- aviation services	3.0
10. First Acceptance Corp.- non standard auto insurance	2.7
Total	42.1%

**YTD TOP 5 Contributors (includes dividends)**

1. First Acceptance	0.5%
2. AerSale.	0.5
3. Sprott gold miners ETF	0.4
4. Sprott junior gold miners ETF	0.3
5. Seaboard	0.3%

**YTD TOP 5 Detractors (includes dividends)**

1. Unifi	-1.4%
2. Hurco	-1.1
3. Culp	-0.8
4. Weyco	-0.8
5. OP Bank	-0.6%

**SECURITY CLASSIFICATIONS**

Government Money Market Funds	35.8%
Consumer Goods & Services	11.4
Apparel & Textiles	10.7
Construction & Fabrication	8.4
Transportation	7.3
Industrial Goods & Services	6.9
Energy	5.2
Banks & thrifts	3.7
Electronics	2.5
Closed end & Exchange Traded Funds	1.8
Other	6.3
<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 a Fund investment may fluctuate so that redeemed shares 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](http://www.pinnaclevaluefund.com) or by calling 1-877-369-3705 X115.