

Dear Fellow Shareholders,

U.S. equities had a robust Q1 with the R2000 index up 14.6% while the S&P 500 rose 13.7%. The Pinnacle Value Fund rose 6.4%. We ended the quarter with net assets of \$36 million and 52 positions with a weighted average market cap of \$440 million, a security yield of 1.9% and a price to book value ratio of 1.1%. Cash is 35% providing adequate firepower for any dislocation.

After calming words from the Fed, progress on the trade front and continuing if slowing growth, markets worldwide rebounded sharply in Q1 erasing much of the damage done in Q4. While potential headwinds are still there (high debt, political gridlock and credit/liquidity issues) the market adopted a “risk on” mentality and once again there is a pervasive fear of missing out on the next rally. Behind the scenes however, there are lots of treasuries, corporate bonds and bank loans that will need refinancing over the next few years- we’ll see where this takes interest rates.

Portfolio activity was modest in Q1. We added to our position in Dorian LPG which owns and operates a fleet of LPG (liquid petroleum gas) ocean tankers. They deliver mostly propane and butane (byproducts of natural gas production) from supply points in N. America, Middle East and Australia to demand points in Latin America, Europe and Asia. Propane is used for heating and cooking in developing countries and is also an important feedstock for petrochemical plants. Our thesis is that worldwide LPG demand will continue to grow and that once industry overcapacity (too many ships) is absorbed shipping rates will rise with much of the additional revenue falling to the bottom line. Management recently bought shares for their own account, an encouraging sign. We also added to our position in Atlas Financial, a commercial auto insurer that insures fleets of taxis, black cars and paratransit vehicles. Atlas has been consolidating a fragmented industry via acquisitions to boost scale and profitability. They recently suffered a reserve deficiency which we view as temporary and used the recent selloff to add to our position. We pared back several positions on valuation concerns or deteriorating fundamentals and believe the portfolio is well positioned in a world of growing uncertainty and volatility.

The biggest contributors to performance during Q1 included ERA Helicopters, Gulf Island Fabrication, Dorian LPG and our two royalty trusts, Permian Basin RT and San Juan Basin RT. All benefitted from higher energy prices during the quarter with the benchmark West Texas Intermediate (WTI) oil price trading above \$60/barrel. OPEC and Russia appear resolute in holding back production and declining Venezuelan production is starting to have an impact. We’re also seeing increased discipline among North American onshore producers (“frackers”) to focus more on earnings/cash flow and less on volumes which should also help pricing.

The biggest detractors from performance included BKF Capital and several insurance companies including Kansas City Life, American National Insurance and National Security. BKF Capital is a holding company with a pot of cash and controlling positions in two public technology companies, Qualstar and Interlink. Both suffered recent earnings disappointments but have interesting niches and thoughtful, hands on management teams. Kansas City and American National develop and market annuity and life insurance products through independent agents. Both were weak as interest rates trended lower impacting returns on the investment portfolios.

<b>Top 10 positions:</b>	<b>% net assets</b>
1. ERA Group- helicopter services	8.2
2. Gulf Island Fabrication-marine goods & services	6.4
3. Dorian LPG- fleet of liquid petroleum gas tankers	6.1
4. Williams Industrial Services-engineering/design/construction	4.9
5. Permian Basin Royalty trust	4.3
6. Kansas City Life- annuities & life insurance	3.8
7. San Juan Royalty trust	2.8
8. Seacor Marine- offshore supply vessels	2.3
9. EMC Insurance- regional P&C insurer	2.1
10. American National Insurance	<u>1.8</u>
<b>Total</b>	<b>42.7%</b>

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

1. ERA Helicopters	\$757,400
2. Gulf Island Fabrication	504,800
3. Permian Basin Royalty Trust	376,800
4. Dorian LPG	209,900
5. San Juan Royalty Trust	<u>117,900</u>
<b>Total</b>	<b>\$1,966,800</b>

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

1. BKF Capital	\$79,600
2. Kansas City Life	68,500
3. American National Insurance	33,900
4. National Security	31,500
5. Genworth Financial	<u>24,900</u>
<b>Total</b>	<b>\$238,400</b>

**Security Classifications**

Government Money Market Funds	35.3%
Industrial goods & services	22.6
Energy	18.6
Insurance	12.3
Closed end & exchange traded funds	5.0
Financial Services	2.6
Real estate	1.6
Consumer goods & services	1.3
Banks & thrifts	<u>0.7</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 redemptions 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.