Pinnacle Value Fund 2018 Semi-Annual Letter **June 30, 2018**

Dear Fellow Shareholders,

Our Fund's NAV rose 0.2% in the first half of 2018. We ended the quarter at 44 positions with a weighted average market cap of $410 million, a dividend yield of 1.5% and a price to book ratio of 100%. Turnover continued low at 16%.implying an average holding period of 6+ years.

Total Return	**YTD**	**2017**	**2016**	**2015**	**2014**
Pinnacle Value Fund	0.2%	(0.1)%	16.5%	(6.0)%	4.8%
Russell 2000	7.7	14.6	21.4	(4.4)	4.9
S&P 500	2.6%	21.8%	12.0%	1.4%	13.7%

(all returns include dividend reinvestment. Past returns do not predict future results. Results do not reflect taxes payable on distributions or redemptions of shares held in taxable accounts.)

Performance update

Some of you have asked why we didn't do better in the first half. Results can be tied to three factors:

1. Capital allocation (stock selection). This was a period when most of our larger positions moved sideways with the performance of the top contributors being offset by the top detractors. Despite our best efforts, sometimes this happens. The net performance of our Top 10 Positions was about breakeven. As will be described later in this report, we harvested some of the contributor gains and reinvested the proceeds into some of the detractors which we still believe hold potential despite a lower share price.

2. The benchmark indices. The R2000 and S&P 500 benefitted in recent quarters from stocks we're reluctant to invest in as deep value, small & micro-cap investors. Recently we read a report stating that virtually all of the S&P 500's first half performance was tied to 7 stocks- Facebook, Apple, Amazon, Netflix, Alphabet/google, Microsoft and NVidia. While popular with investors, these big cap technology firms are far beyond our investment mandate. The R2000's performance is driven largely by earnings momentum ideas where investors are buying shares based on growth expectations which may or may not be realized. Currently the markets favor growth/momentum over value/fundamentals. Like most of our value investor peers, we like earnings growth, we're just not comfortable with current valuations..

3. Excess cash. Longtime shareholders know that we've held too much cash due to an absence of bargains in a rising market. This has penalized our results and until recently, cash earned practically nothing. However, interest rates are rising and the yield on the one month T-bill now approximating the 1.8% S&P 500 yield. Investors think the Fed may raise rates four times (yes four) this year which might draw capital out of stocks and lead to lower stock prices. If this occurs we have lots of "dry powder" to take advantage of any opportunities a market dislocation may create.

Portfolio Activity

As you might expect with the market near record levels, we did more selling than buying in the first half. Major sales included MVC Capital, Computer Task Group (CTG) and Ensco which were all sold at a profit. We sold MVC when we lost confidence in management after many years of patience. CTG announced a major acquisition and share repurchase which lifted the shares and provided an opportunity to exit. Offshore driller Ensco shares benefitted from higher oil prices and we trimmed our position.

Major portfolio additions included Dorian LPG, American National Insurance, First Acceptance , Gulf Island Fabrication and a couple of Sprott precious metals ETFs. Dorian LPG operates a fleet of LPG (liquid petroleum gas) tankers which transport butane, propane and other liquids to developing countries for heating, cooking and other purposes. American National Insurance offers life insurance and annuity products and should benefit from higher interest rates. First Acceptance and Gulf Island traded lower on disappointing news and, after speaking with management, we added to our position believing the negative news to be temporary. Finally, the Sprott precious metals ETFs were added as an inflation hedge should higher raw material costs and wage rates become more prominent.

Several positions contributed to first half performance. Seacor Marine (offshore supply vessels) and ERA Group (offshore helicopter services) both benefitted from the hope that higher energy prices may lead to a resumption of offshore drilling. Stage Stores, a collection of regional department stores with a significant presence in the energy patch (Texas, Louisiana, Oklahoma) benefitted from higher energy prices putting more disposable income in customers' pockets. Finally, Powell Industries which makes power control rooms (an industrial size circuit breaker) announced they are seeing an uptick in orders and the share price rose. Powell also pays a nice dividend so we have been paid while we wait.

Detractors to performance included Williams Industries, a provider of electricity infrastructure services which seems to be in the state of perpetual turnaround. After solid progress in 2017, the pace slowed this year leading to investor doubts and a lower share price. Gulf Island Fabrication (GIF) announced the unexpected contract termination by a customer undergoing financial troubles. Fortunately, GIF has been winning other contract awards which should help minimize the impact of the one lost. Finally, San Juan Royalty Trust is a natural gas royalty trust that's been hurt by weak natural gas prices. We're hopeful that a hot summer (so far) will spur natural gas demand (& prices) to generate electricity to power all those air conditioners leading to bigger royalty checks for San Juan and a higher share price.

By now you should have received your quarter end statement. Should you have any questions about your account or the Fund, don't hesitate to call or write. We are positioned to invest our cash when opportunities become available and are searching diligently for such opportunities.

John E. Deysher
President & Portfolio Manager
212-605-7100

Pinnacle Value Fund
745 Fifth Ave.- 2400
New York, NY 10151

*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 expense and is unavailable for investment. Additional material including Prospectus and SAI is available at www.pinnaclevaluefund.com or by calling 1-877-369-37-05 x115.

TOP 10 POSITIONS		**% net assets**
1. SWK Holdings- life sciences finance		5.8%
2. ERA Group- helicopter services		5.7
3. Williams Industrial- electric infrastructure goods & services		4.3
4. Gulf Island Fabrication- marine goods & services		4.0
5. First Acceptance- non standard auto insurance		3.9
6. Permian Basin Royalty Trust		3.7
7. Kansas City Life- life insurance & annuities		2.9
8. Dorian LPG- fleet of liquid petroleum gas (LPG) tankers		2.8
9. Seacor Marine- offshore supply vessels		2.8
10. EMC Insurance- regional P&C insurer		2.4
	Total	38.3%

YTD TOP 5 Contributors (realized & unrealized gains)		
1. Seacor Marine		$827,200
2. ERA Group		504,100
3. Stage Stores		219,000
4. Computer Task Group		193,800
5. Powell Industries		174,500
	Total	$1,918,600

YTD TOP 5 Detractors (realized & unrealized losses)		
1. Williams Industries		$659,700
2. Gulf Island Fabrication		772,800
3. San Juan Royalty Trust		349,900
4. Christopher & Banks		332,900
5. SWK Holdings		270,400
	Total	$2,385,700

SECURITY CLASSIFICATIONS	
Government Money Market Funds	39.4%
Energy	23.2
Insurance	13.0
Industrial goods & services	7.7
Financial services	7.0
Closed end funds	5.3
Consumer goods & services	2.6
Real Estate	1.0
Banks & thrifts	0.8
Total	100.0%