

**Pinnacle Value Fund Semi-Annual Report**

**June 30, 2020**

Dear Fellow Shareholders,

<b><u>Total Return</u></b>	<b><u>YTD</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Pinnacle Value Fund	(20.0)%	10.7%	(11.8)%	(0.1%)	16.5%
Russell 2000	(13.0)	26.5	(11.0)	14.6	21.4
S&P 500	(3.1)%	32.6%	(4.4)%	21.8%	12.0%

(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).

**State of the Market.**

The stock market continues to exhibit extreme volatility as it struggles with two competing forces: the ultimate impact of the pandemic on employment, corporate earnings and GDP vs. the massive monetary and fiscal stimulus unleashed by the Fed and US Government. Q1 saw one of the most rapid market declines in history only to be followed by a strong rebound in Q2 on optimism about vaccines, re-openings and stimulus measures.

Recently, hopes for a quick V shaped recovery have given way to the reality of a more gradual recovery that will probably experience some speed bumps along the way. We're already seeing that with the resurgence of Covid-19 cases in states that opened too quickly or where safety protocols are ignored. The optimism of month over month improvements in economic data from the severely depressed levels of March/April may begin to wear off as investors start to focus on where the economy eventually stabilizes. This is a moving target at the moment.

We continue to believe the market is ahead of itself with a serious disconnect between the fortunes of Main Street and Wall Street. While a vaccine may speed the return to pre-pandemic economic activity, significant risks linger including an unrelenting virus, a less robust recovery than investors expect and continuing US- Chinese tensions over Hong Kong sovereignty and trade tariffs. We also believe the market fully reflects the prospects for future stimulus and any shortfall vs. expectations will face a harsh reckoning. A fundamental question is perception vs. reality.

We expect the volatility of recent months to continue. We recently asked an astute shareholder what he thinks of the volatility. He replied "Volatility is our friend. It provides an opportunity to buy equities at favorable prices. This allows us to build meaningful long term positions which we aspire to do as value investors". We agree with him and have been net buyers of undervalued stocks on most down days. While optimistic by nature we like the prices we see when Mr. Market is most pessimistic.

## Performance Update

After outperforming the R2000 benchmark in Q1 we underperformed in Q2 leaving six month results at down 20%. As a major Fund shareholder, my personal stake felt the direct impact of these results. Most of the disruption came from lower prices impacting our larger positions. We remain optimistic about Fund prospects. Bristow Group provides helicopter services to offshore energy platforms and government funded search and rescue efforts. Their recent merger with ERA Group should produce substantial synergies and higher earnings. Dorian LPG operates a fleet of marine tankers to transport propane and butane to consumer and industrial users worldwide, a market that continues to grow. Gulf Island Fabrication is run by a new CEO who is making long over due changes to return to profitability. We added to most of these positions during the decline believing that operational and strategic changes will set the stage for better results ahead. Most of the major contributors to performance on the next page are quality names we bought during the depths of the downturn at good values which have rebounded nicely.

In addition to adding to our existing positions, we also established new positions in several sectors. New industrial names include: Preformed Line Products (telecom equipment), Hurco (machine tools), Culp (fabrics), Potlatch Deltic (timber & lumber), Graham (heat transfer equipment), AstroNova (specialty printers) and Perceptron (industrial metrology). New transportation names include Patriot Transport (tank trucks) and Kirby (inland waterway & ocean barge transport). New financial names include Mercury General (auto insurance) and PCB Bancorp and OP Bancorp, two California banks. New consumer names include Crown Crafts (infant bedding), Shoe Carnival (shoe retailer) and a few furniture firms that should benefit from the work at home/ nesting theme- Hooker Furniture, Haverty Furniture and Ethan Allen. Finally, you'll notice two technology firms, Benchmark Electronics and Kimball Electronics, which are well run electronic contract manufacturers that assemble components for various devices.

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. Your portfolio manager continues to buy Fund shares and remains a major shareholder.

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**TOP 10 POSITIONS**

	<b>% net assets</b>
1. Bristow Group- helicopter services	9.9%
2. Dorian LPG- fleet of liquid petroleum gas tankers	6.9
3. Williams Industrial Services- engineering/design/construction	5.0
4. Gulf Island Fabrication- marine goods & services	4.7
5. Weyco Group- shoe retailer & wholesaler	3.1
6. Buckle- young adult apparel retailer	2.9
7. Flexsteel – residential furniture producer	2.8
8. Powell Industries- electrical equipment & services	2.7
9. Costar Technologies- security hardware & systems	2.3
10. Sprott Junior Gold Miner ETF	<u>2.2</u>
<b>Total</b>	<b>42.5%</b>

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

1. Shoe Carnival	0.4%
2. LSI Industries	0.3
3. Granite Construction	0.2
4. Sprott Gold Miners ETF	0.2
5. Preformed Line Products	0.1%

**YTD TOP 5 Detractors (net of dividends received)**

1. Bristow Group	-6.2%
2. Dorian LPG	-5.3
3. Seacor Marine	-3.3
4. Gulf Island Fabrication	-2.9
5. Buckle Inc.	-1.3%

**SECURITY CLASSIFICATIONS**

Government Money Market Funds	33.0%
Transportation	18.9
Consumer Goods & Services	12.0
Construction & Fabrication	10.3
Industrial Goods & Services	8.7
Closed end & Exchange Traded Funds	4.4
Energy	3.6
Insurance	3.2
Real Estate	1.8
Banks & Thrifts	1.5
Financial Services	1.3
Technology	<u>1.3</u>
<b>Total</b>	<b>100.0%</b>