

## Pinnacle Value Fund Semi-Annual Report

June 30, 2021

Dear Fellow Shareholders,

<b>Total Return</b>	<b>YTD</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Pinnacle Value Fund	18.2%	3.4%	10.7%	(11.8)%	(0.1)%
Russell 2000	17.5	20.0	25.5	(11.0)	14.6
S&P 500	15.2%	18.4%	31.5%	(4.4)%	21.8%

(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

As you can see from the above box scores, US equities had a strong first half with the R2000 up 17.5% while the S&P 500 rose 14.9%. The Pinnacle Value Fund rose 18.2%, slightly better than the R2000 with performance driven by several of our larger positions.

As shown on the next page contributors to performance outweighed detractors which might be expected in a robust market. Williams Industries, an industrial services provider, continues to execute well in building backlog and developing new revenue sources. Williams operates in a tough, competitive industry but management is first rate and continues to grow the business profitably. Young adult retailer Buckle survived the pandemic and continues to grow online sales at a respectable rate. Their executive team is top notch and we are hopeful that robust profits will fund another special dividend at year end. Freightcar America moved all of their railcar manufacturing to low cost Mexico and is now well positioned to take advantage of any upturn in railcar demand as the economy continues to improve.

Detractors from performance include our two precious metals ETFs which mirrored the fall in precious metal prices during the first half. We continue to believe inflation may be more severe than most expect as wages, raw material and freight costs continue to rise. Our top detractor was Costar Technologies which makes security hardware (cameras, recorders, monitors, etc.) for commercial, industrial and government customers. While the business was hard hit by the pandemic, we think demand will rebound as public safety concerns continue to grow.

Portfolio activity was skewed towards selling as we took advantage of the up market to pare back positions we felt were approaching overvaluation. The only major positions we added was Patriot Transportation based in Jacksonville Florida. Patriot is one of the few remaining public tank truck operators and is well positioned to benefit from the economic recovery and higher demand for fuel. They are also selling their portfolio of Florida properties with proceeds earmarked for special dividends, new business initiatives and acquisitions.

## **Current Positioning & Outlook**

The markets remain volatile with the indices continuing to rally on a strong vaccine rollout, continuing fiscal and monetary stimulus and the return of the individual investor. Many equity buyers are driven by the twin themes of Fear of Missing Out (FOMO) and There Is No Alternative (TINA) to equities. However, many citizens remain unemployed, new strains of Covid-19 are appearing and fears of inflation and higher interest rates are growing. Higher interest rates are rarely good for the market since they often compress both EPS and PE ratios resulting in a double whammy on the downside. Corporate taxes may be headed higher which may hurt corporate earnings. Finally, we remain concerned about the high valuations of most asset classes resulting from new zero interest rates and easy credit terms. In short, there are clouds on the horizon but for now investors see only sunshine-will it continue?

The overall philosophy that underlies our decision making is that securities and markets occasionally become mispriced. We hope to add value by first identifying these mispriced opportunities and then exploiting them in a systematic and disciplined way. It may take weeks, months or years for such opportunities to surface. Presently, most investors are minimizing the potential risks outlined above by buying aggressively, especially on any dips. In our opinion, there is lots of optimism embedded in today's market and the margin of safety remains slim. Given current valuations we'll stay conservative and wait for any pockets of opportunity that may develop should market expectations be disrupted.

Please be advised that we will make a distribution of realized capital gains in late December most of which we expect to be long-term. While we're reluctant to harvest capital gains for tax reasons, sometimes Mr. Market bids silly prices which we're compelled to take advantage of. We also think capital gains rates may go up. We'll have an estimate in late November which we'll post on the website. For those who own shares in taxable accounts, you might delay any Fund additions until after the distribution to avoid any unwanted tax consequences.

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.

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**TOP 10 POSITIONS**

	<b>% net assets</b>
1. Bristow Group- helicopter services	8.9%
2. Dorian LPG- fleet of liquid petroleum gas tankers	7.5
3. Williams Industrial Services-	5.9
4. Gulf Island Fabrication- engineering/ design/ fabrication	4.5
5. Weyco Group- wholesale & retail shoes	2.7
6. Friedman Industries- steel service center	2.6
7. Buckle- young adult retailer	2.3
8. Powell Industries- electrical equipment & services	2.2
9. Freightcar America- railcar manufacturing	2.1
10. Patriot Transportation- tank truck operator	<u>2.0</u>
<b>Total</b>	<b>40.7%</b>

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

1. Williams Industries	4.27%
2. Buckle	1.83
3. Freightcar America	1.75
4. Friedman Industries	1.58
5. Dorian LPG	1.38%

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

1. Costar Technologies	-0.23%
2. Sprott junior gold miners ETF	-0.18
3. Bristow Group	-0.17
4. Sprott gold miners ETF	-0.09
5. Graham Corp	-0.03%

**SECURITY CLASSIFICATIONS**

Government Money Market Funds	40.1%
Energy	17.4
Construction & Fabrication	10.8
Industrial Goods & Services	9.1
Consumer Goods & Services	7.4
Transportation	4.5
Insurance	3.8
Closed end & Exchange Traded Funds	2.7
Banks & Thrifts	1.7
Real Estate	1.4
Technology	<u>1.1</u>
<b>Total</b>	<b>100.0%</b>