PINNACLE VALUE FUND (PVFIX) Q3 Investor Letter* **Sept. 30, 2020**

Dear Fellow Shareholders,
US equities had a strong Q3 with the R2000 index up 4.9% while the S&P 500 rallied 8.5%. PVFIX shares rose 11.7% putting YTD performance at -10.6 vs. -8.7 for the index. We ended the quarter at 49 major positions with a weighted average market cap of $390 million, a yield of 1.5% and a price to book ratio of 80%. Cash rose to 37% for several reasons explained below.

The major indices continued to rally but at a slower pace than Q2. Results were driven by continued fiscal and monetary stimulus, expectations of a strong recovery, hopes for a vaccine and the return of the individual investor. Two additional themes continue to drive investor sentiment: Fear of Missing Out (FOMO) and There is No Alternative (TINA). Interest rates are at historic lows and investors have been conditioned to buy the dips thinking that the Fed will likely bail them out. Stock market valuations remain near historical highs. However, interest rates can go no lower, unemployment remains high and COVID-19 infection rates remain elevated in many states. We remain cautious and suspect at some point a disappointment (s) may provide a significant buying opportunity for patient investors with adequate liquidity.

Portfolio activity was muted in Q3 with sales outweighing purchases. Sales were clustered around 3 main reasons. First, we trimmed positions that rallied significantly off market lows like Bristow, Flexsteel and Williams Industrial. While we still have confidence in the managements of each, the positions became over weighted and we felt it prudent to trim them back. Next, we continue to pare back some of our illiquid positions like BKF Capital to comply with new SEC liquidity requirements. Finally, we lightened up where fundamentals deteriorated including San Juan Royalty Trust which continues to defer distributions and Permian Basin Royalty Trust where a change in well operators raised concerns about the timeliness of future distributions.

Major purchases included Freightcar America, a producer of freight rail cars & parts where a turnaround is occurring faster than expected. Freightcar is transferring all of its manufacturing to Mexico where operating costs are significantly lower allowing it to compete effectively against larger rivals. All sales, marketing and administration will continue to be run from Chicago, a major freight rail car hub. We also nibbled at Seacor Marine which provides vessel support to offshore energy platforms. This industry is under significant pressure with lower energy prices having reduced demand for energy exploration and development. Many energy sectors are undergoing consolidation and we suspect Seacor will be a player as either the vulture or meat.

As shown on the next page, YTD detractors to performance continue to outweigh contributors. Most are major positions clustered around the energy sector where the pandemic has reduced industrial and transportation demand. Energy exploration and production is down significantly which we believe will eventually lead to higher energy prices when demand rebounds. With the energy component of the S&P 500 at a 20 year low of 5%, we feel this sector offers a compelling risk/reward, selectively. All of our holdings are well positioned for an energy industry rebound.

Major contributors to performance included several furniture producers and retailers which benefitted from the "nesting" trend and consumers spending more time at home choosing to upgrade their surroundings via new furniture. The solid performance of our precious metals ETFs also helped performance. While not gold bugs, we believe the relentless money printing by central banks worldwide may eventually lead to falling currencies and serious inflation.

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TOP 10 POSITIONS

1. Bristow Group- helicopter services	11.5%
2. Dorian LPG- fleet of liquid petroleum gas tankers	6.7
3. Williams Industrial Services- engineering/design/construction	4.9
4. Gulf Island Fabrication- marine goods & services	4.5
5. Buckle- young adult apparel retailer	3.5
6. Flexsteel – residential furniture producer	2.8
7. Weyco Group- wholesales & retail shoes	2.4
8. Powell Industries- electrical equipment & services	2.2
9. Sprott Junior Gold Miner ETF	1.9
10. Freightcar America- railroad cars & parts	1.8
Total % of net assets	**42.2%**

YTD TOP 5 Contributors (includes dividends)

1. Flexsteel	1.6%
2. Williams Industries	0.6
3. Sprott Junior Gold Miners ETF	0.5
4. Sprott Gold Miners ETF	0.5
5. Shoe Carnival	0.4%

YTD TOP 5 Detractors (includes dividends)

1 . Dorian LPG	-5.2%
2. Seacor Marine	-3.5
3. Gulf Island Fabrication	-2.7
4. Powell Industries	-1.3
5. Costar Technologies	-1.3%

SECURITY CLASSIFICATIONs

Government Money Market Funds	37.3%
Transportation	21.3
Consumer goods & services	11.8
Construction & fabrication	9.4
Industrial goods & services	7.9
Insurance	3.6
Energy	2.5
Closed end & exchange traded funds	2.5
Banks, thrifts & financial services	2.3
Real estate	1.4
Total	100.0%

*Letter contents are unaudited and past returns do not predict future results. Investment return and principal value of a Fund investment 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. The R2000 is an unmanaged index and unavailable for investment. Additional material including Prospectus, SAI and periodic Shareholder Reports is available at www.pinnaclevaluefund.com or 1-877-369-3705 X 115