PINNACLE VALUE FUND (PVFIX) Q3 Investor Letter* **Sept. 30, 2026**

US equities had a mixed Q3 with the R2000 falling 7.2% while the S&P 500 rose 3%. PVFIX shares rose 1.6% leaving YTD return at 12.9%, slightly behind the R2000 which rose 13.7% YTD. We ended the quarter with 35 major positions with a weighted average market cap of $610 million, a security yield of 1.2% and a price to book ratio of 1.1X. Cash is 45.5% earning approximately 3.5% in a government money market fund as we search for opportunities.

The market's upward momentum slowed significantly in Q3. Many of the concerns we've highlighted in prior letters are now becoming mainstream news. Persistent inflation, large national debt and continued deficit spending are finally pushing interest rates up including mortgage rates which impact the all-important housing market. The Mideast conflict is keeping oil & gas prices high and by extension the prices consumers pay for heating oil, gasoline and diesel. While more oil appears to be flowing through the Strait of Hormuz, how long it takes to rebuild key Gulf energy infrastructure (tank farms, pipelines, ports etc.) remains to be seen.

All this points to possible higher inflation making it unlikely the Fed will lower short term interest rates, an almost certainty a few months ago. New Fed Chairman Kevin Warsh is taking an assertive stance towards inflation and recently raised the fed funds rate. Whether this continues will depend not only on inflation but the health of the economy which appears to be slowing as evidenced by a recent uptick in unemployment to 4.2%. Fluctuating tariffs remain a concern and may be another reason inflation remains higher for longer than people expect.

Corporate profit margins remain near record levels providing firm footing for equity valuations. However, as believers in reversion to the mean, we suspect that profit margins will soon begin to soften as slowing demand and rising costs take their toll. The AI driven buildout of data centers is requiring large amounts of labor, materials and technology much of which is now debt funded. Whether investors earn a return on such centers is uncertain but the coming IPOs of Anthropic, OpenAI and others should provide a clue. US tech giants now make up about 32% of S&P 500 and should reality fall short of expectations, big tech valuations may decline.

Q3 portfolio activity favored sells over buys as we trimmed our holdings of Bristow, Dorian, Friedman and Weyco on valuation, all were sold at long term capital gains to minimize taxes. We took advantage of price weakness to add to Aersale, PetMeds and Shoe Store at favorable valuations all of which have reasonable balance sheets and specific action plans to improve results.

As you can see on the next page, contributors to performance slightly outweighed detractors. Results were enhanced by Unifi which surprised investors with an unanticipated sale of excess property with proceeds earmarked for debt paydown. Hurco, Dorian, Weyco and Diodes all announced better results which firmed share prices. Results were hampered by lackluster results at PetMeds, San Juan Royalty and Shoes Station all of which have turnaround plans in place.

We will stay conservative, let valuations be our guide and seek opportunities with a compelling upside and a reasonable margin of safety. Your portfolio manager remains a large Fund shareholder.

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TOP 10 POSITIONS	**% net assets**
1. Hurco Cos.- machine tool maker with worldwide distribution	5.9
2. Unifi- texturized nylon/polyester yarn used to produce fabrics	5.5
3. Ingles Markets- regional supermarket chain	4.1
4. First Acceptance Corp- nonstandard auto insurance	3.6
5. Shoe Station- retail shoe store chain	3.4
6. Culp- fabrics for furniture & mattress coverings	3.4
7. Seacor Marine- offshore supply vessels	2.9
8. Aersale- aviation services	2.5
9. San Juan Royalty Trust- oil &gas royalty trust	2.4
10. StealthGas- fleet of liquid petroleum gas (LPG) tankers	2.1
Total	35.8%

YTD TOP 5 Contributors (includes dividends)	
1. Unifi	2.7%
2. Hurco	1.7
3. Dorian LPG	1.1
4. Weyco	1.1
5. Diodes	1.1%

YTD TOP 5 Detractors (includes dividends)	
1. PetMed Express	-1.3%
2. San Juan Royalty Trust	-0.8
3. Shoe Station	-0.8
4. Aersale	-0.7
5. Buckle	-0.2%

SECURITY CLASSIFICATIONS	
Government Money Market Fund	45.5%
Consumer Goods & Services	12.2
Apparel & Textiles	9.6
Industrial Goods & Services	8.5
Energy	7.8
Transportation	7.5
Banks & Thrifts	3.3
Insurance	3.6
Agriculture	1.1
Electronics	0.7
Closed end funds	0.2
TOTAL	100.0%

*Letter contents are unaudited and past returns do no predict future results. Investment return and principal value of a Fund investment may fluctuate so that redeemed shares 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 is available at www.pinnaclevaluefund.com or by calling 1-877-369-3705 X111.