

Dear Fellow Shareholders,

US equities had a mixed Q3 with the R2000 down 2.4% while the S&P 500 rose 1.7%. PVFIX rose 1.5% putting YTD performance at +5.6% vs. + 14.2% for the index. Our high cash levels muted performance and we are searching diligently for investable opportunities. We ended the quarter at 34 positions with a weighted average market cap of \$340 million, a security yield of 1.3% and a price to book value ratio of 0.9%. Cash is 40% providing adequate buying power for any dislocation.

The markets remain volatile as investor sentiment swings between positive (low unemployment, strong consumer spending and an accommodating Fed) and negative (slowing world economies, trade tensions and political gridlock) scenarios. Until now, FOMO (fear of missing out) has dominated most investor mindsets although we suspect they are feeling a bit more cautious these days.

Portfolio activity was modest in Q3 with sales outweighing buys which you'd expect as the markets continue to trade near record highs. Major portfolio additions included Weyco, a wholesaler/retailer of men's shoes controlled by the Florsheim family of Milwaukee; Flexsteel, a maker of upholstered furniture undergoing a significant turnaround led by a new CEO; Friedman Industries a steel service center serving the energy and industrial markets and RPC a provider of oil and gas wellhead services and equipment controlled by the Rollins family of Atlanta. All were founded decades ago, have strong balance sheets, viable business models, significant insider ownership and reasonable valuations. Several pay respectable dividend yields which should help cushion the downside.

Major sales included EMC Insurance which was acquired by its parent; ERA Helicopters and Dorian LPG which were trimmed to avoid overweighting in the portfolio and Permian Basin Trust which was trimmed on lackluster results. All were sold at reasonable gains except for Permian Basin which was sold at a loss for tax purposes. We continue to focus on "quality value" companies and will trim/sell merchandise which does not measure up to our standards.

As shown on the next page, we had several contributors to performance in Q3. Dorian LPG benefitted from increased waterborne shipments of propane and butane used for heating, cooking and industrial production. ERA Group, an owner/operator of a fleet of helicopters servicing offshore oil rigs in the Gulf of Mexico and South America, continues to win new contracts as the industry slowly rebounds. EMC Insurance was acquired at a healthy premium to our cost. Finally, electrical equipment maker Powell Industries is benefitting as it converts its backlog to earnings and cash flow.

Regrettably, we had a few detractors. San Juan Royalty Trust suspended its dividend to focus on drilling new wells which it believes will produce future cash flows and dividends. Williams Industries continues to make slow progress on its turnaround but investors don't seem to care. Gulf Island Fabrication remains a work in process as it wrestles with various operational issues. We trimmed our San Juan position, maintain the Williams position and added slightly to Gulf Island. Stay tuned.

Important tax note: As in prior years, we'll most likely pay a distribution of net capital gains in December which will be taxable to those who hold shares in taxable accounts. If you hold shares in taxable accounts, you may wish to defer additional purchases of Pinnacle Value Fund shares until after the distribution is paid. Please call if you have questions or comments.

<b>Top 10 positions:</b>	<b>% net assets</b>
1. ERA Group- helicopter services	8.9%
2. Dorian LPG- fleet of liquid petroleum gas tankers	8.7
3. Williams Industrial Services-engineering/design/construction	4.5
4. Gulf Island Fabrication- marine goods & services	3.3
5. Seacor Marine- offshore supply vessels	2.3
6. BKF Capital- holding co.	2.2
7. Sprott Gold Miners ETF	2.1
8. Powell Industries- electrical equipment	2.1
9. Costar Technologies- security services	2.0
10. San Juan Royalty Trust	<u>2.0</u>
<b>Total</b>	<b>38.1%</b>

**YTD TOP 5 Contributors (realized & unrealized gains)**

1. Dorian LPG	\$1,444,300
2. ERA Group	675,600
3. EMC Insurance	396,000
4. Powell Industries	285,100
5. Sprott Gold Miners ETF	<u>132,000</u>
<b>Total</b>	<b>\$2,933,000</b>

**YTD TOP 5 Detractors (realized & unrealized losses)**

1. San Juan Royalty Trust	\$ 300,700
2. Williams Industries	286,400
3. Gulf Island Fabrication	245,100
4. Christopher & Banks	232,100
5. Atlas Financial	<u>176,600</u>
<b>Total</b>	<b>\$1,240,900</b>

**Security Classifications**

Government Money Market Funds	40.0%
Energy	24.6
Industrial Goods & Services	15.6
Consumer Goods & Services	5.1
Closed end & Exchange traded funds	4.4
Insurance	4.1
Financial Services	3.6
Real Estate Investment Trusts	1.8
Banks & Thrifts	<u>0.8</u>
<b>Total</b>	<b>100.0%</b>

\*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. 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 expenses and is unavailable for investment. Additional material including Prospectus and SAI is available at [www.pinnaclevalefund.com](http://www.pinnaclevalefund.com) or 1-877-369-3705.