

Dear Fellow Shareholders,

US equities had a challenging Q3 with the R2000 down 4.4% while the S&P 500 rose 0.6%. PVFIX shares fell 3%, or slightly less than the R2000. We ended the quarter with 46 major positions with a weighted average market cap of \$510 million, a security yield of 1.1% and a price to book value ratio of 120%. Cash is 44.2% up slightly from 40% at June 30 as we continued to trim positions we felt were approaching fair value. Cash earns very little these days but is money good when reached for during moments of opportunity.

The market remains volatile and experienced downward pressure driven by fears of rising interest rates as the Fed begins to taper its bond buying in the face of rising inflation expectations. There are also concerns several large Chinese property developers might default on their debt and how this might impact the world financial system. We think earnings comparisons will be more difficult as we move further away from the pandemic driven earnings collapse. Finally, there is a tremendous amount of debt in the financial system, the consequences of which remain unknown. In our opinion, there remains lots of optimism embedded in today's market and the margin of safety remain slim. Given current valuations, we'll stay conservative and wait for any pockets of opportunity that may occur should market expectations be disrupted.

Portfolio activity in Q3 was skewed towards selling as we continued to trim positions we felt were approaching fair value or becoming over weighted in the portfolio. These included Bristow Group (helicopter services), Friedman Industries (steel service center), FRP Holdings (real estate) and PCB Bancorp (regional bank). We are monitoring the portfolio closely and will continue to pare back positions as required. Virtually all positions were sold for long term capital gains which should help minimize taxes for Fund shareholders with taxable accounts.

Our biggest portfolio addition was Gulf Island Fabrication, a Houston based provider of marine goods and services. Management is making progress with their turnaround having sold excess assets and streamlined operations setting the stage for solid operating profits when revenues rebound. Gulf Island is one of our longest held positions and we are hopeful our patience may finally be rewarded. The insiders own significant shares so their interests are aligned with ours.

As shown on the next page, contributors to performance outweighed detractors. Williams Industries continues to execute well in winning new, profitable business as its target markets continue to rebound. Bristow Group is benefitting from a renewed interest in offshore drilling which should require more helicopter hours to transport crews to and from the rigs. Retailer Buckle survived the pandemic and now has a solid online presence. Freightcar America completed a major restructuring and is well positioned for any upturn in railcar orders.

Major detractors from Fund performance included our two Sprott gold miner ETFs which fell on the prospect of higher interest rates and the popularity of Bitcoin and other digital currencies. We continue to see signs of higher inflation (rising commodity prices and wages) which may set the stage for a rebound in precious metals prices. Powell Industries hurt performance as lower sales of their electrical equipment continue to pressure earnings. Despite the headwinds, Powell continues to retain a large cash balance equal to about half the share price.

TOP 10 POSITIONS	% net assets
1. Bristow Group- helicopter services	8.1%
2. Dorian LPG- fleet of liquid petroleum gas tankers	6.8
3. Gulf Island Fabrication- marine goods & services	5.5
4. Williams Industrial Services- engineering/design/construction	4.5
5. Weyco Group- wholesale & retail shoes	2.8
6. Patriot Transport- tank truck operator	2.0
7. Buckle- young adult retailer	1.9
8. Powell Industries- electrical equipment & services	1.8
9. Freightcar America- railcar manufacturing	1.7
10. Friedman Industries- steel service center	<u>1.6</u>
Total	36.7%

YTD TOP 5 Contributors (includes dividends)

1. Williams Industries	2.6%
2. Bristow Group	2.0
3. Buckle	1.3
4. Freightcar America	1.2
5. Friedman Industries	1.3%

YTD TOP 5 Detractors (includes dividends)

1. Sprott junior gold miners ETF	-0.4%
2. Powell Industries	-0.4
3. Sprott gold miners ETF	-0.2
4. Culp	-0.1
5. Graham Corp	-0.1%

SECURITY CLASSIFICATIONS

Government Money Market Funds	44.2%
Energy	16.3
Construction & Fabrication	10.3
Consumer Goods & Services	8.3
Industrial Goods & Services	6.9
Transportation	4.1
Insurance	4.0
Banks & Thrifts	1.9
Closed End & Exchange Traded Funds	1.7
Technology	1.2
Real Estate	<u>1.1</u>
Total	100.0%

*Letter contents are unaudited and past returns do not predict future results. Investment return and principal value of a Fund investment may 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 is available at www.pinnaclevaluefund.com or 1-877-369-3705 X115.