

US equities had a strong Q3 as the benchmark R2000 rose 10.1% while the S&P 500 rose 5.5%. PVFIX shares rose 6.7% putting YTD performance at +10.8% slightly behind the R2000 which rose 11.2% YTD. We feel our performance is acceptable given our large cash position earning 4%+ in a government MMF. We ended the quarter with 41 major positions with a weighted average market cap of \$560 million, a security yield of 0.8% and a price to book value ratio of 1.2%. Cash is 37.2%, down slightly from 39.4% at June 30 as we put cash to work.

Recently the Fed cut short term interest rates by half a point (50 basis points) and laid out plans for further interest rates reductions this year and next. The Fed has vowed to do “what it takes” to help engineer a “soft landing” of low inflation and sustainable employment. Since these actions were largely expected, the market rose for weeks prior to the announcement and has gone mostly sideways since. We think investors are waiting for tangible evidence that lower rates will help spur the economy. Are consumers buying more homes, vehicles, boats, appliances and other big ticket items? Are businesses making additional investments in property, plant & equipment? So far economic data show moderate growth, robust employment and inflation under control. On the flip side, prices remain high and continue to impact the daily lives of most Americans. Our biggest concern regards inflation is labor rates which have risen substantially. Many left the labor force during the pandemic and never returned. Recently the dock workers represented by the International Longshoremen’s Association went on strike for as “long as it takes”. How this impacts supply chains and labor negotiations elsewhere remains to be seen.

Q3 portfolio activity was skewed towards security buys as we took advantage of lower prices to add to existing positions we deemed undervalued including Culp, Seaboard and Unifi. We added two new positions. Aersale is a Coral Gables FL provider of aviation services to commercial airlines. Ingles Markets is an Asheville NC based regional supermarket chain. Both are well managed with conservative balance sheets and viable business models. Major sales included Daktronics, Gulf Island, Seacor Marine and Universal Stainless, all were sold at long term gains.

As you can see on the next page, YTD contributors to performance outweighed detractors. Our biggest contributors included Gulf Island Fabrication, Bristow Group and Unifi. Gulf Island Fabrication continues to win business for their strategically located Houma LA yard as they scout for accretive acquisitions. Bristow Group is benefitting from recently won SAR (Search and Rescue) contracts with the UK, Ireland and other nations. Unifi is starting to see the fruits of a long overdue restructuring and a rebound in end user demand.

Major detractors included Hooker Furniture, Dorian LPG and Seacor Marine. Hooker Furniture is struggling with weak furniture demand following a pandemic driven boom. Dorian LPG is dealing with weak shipping rates for liquid petroleum gas (LPG) driven partially by an oversupply of vessels and weak China demand. Finally, Seacor Marine, a provider of offshore supply vessels to drilling rigs is dealing reduced demand driven by lower oil prices.

We are positioned to invest our cash as opportunities become available and are searching diligently for such opportunities. Your portfolio manager remains a major Fund shareholder.

TOP TEN POSITIONS

	% net assets
1. Gulf Island Fabrication- engineering/design/construction	7.1
2. Unifi- texturized nylon/polyester yarn used to produce fabrics	6.2
3. Hurco Cos.- machine tool maker with worldwide distribution	5.6
4. Culp, Inc.- fabrics for furniture & mattress coverings	5.6
5. Bristow Group- helicopter services to commercial/government clients	3.6
6. Weyco Group- wholesale & retail shoes	3.6
7. Seaboard- agriculture conglomerate	2.3
8. Stealthgas- owns/operates fleet of liquid petroleum gas tankers	2.3
9. First Acceptance Corp.- non standard auto insurance	2.1
10. OP Bancorp- Korean American bank	<u>1.7</u>
Total	40.1%

YTD TOP 5 Contributors (includes dividends)

1. Gul Island Fabrication	1.4%
2. Bristow Group	0.9
3. Unifi	0.9
4. Universal Stainless	0.9
5. Daktronics	0.8%

YTD TOP 5 Detractors (includes dividends)

1. Hooker Furniture	-0.5%
2. Dorian LPG	-0.4
3. Seacor Marine	-0.3
4. Heartland Trucking	-0.1
5. Buckle	-0.1%

SECURITY CLASSIFICATIONS

Government Money Market Funds	37.2%
Apparel & Textiles	12.6
Industrial Goods & Services	8.8
Consumer Goods & Services	8.1
Construction & Fabrication	7.4
Transportation	6.6
Energy	5.7
Financials	5.5
Closed End & Exchange Traded Funds	3.0
Real Estate	2.8
Electronics	<u>2.3</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.