

Dear Fellow Shareholders,

<b>Total Return</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Pinnacle Value Fund	10.7%	(11.8)%	(0.1)%	16.5%	(6.0)%
Russell 2000	26.5	(11.0)	14.6	21.4	(4.4)
S&P 500	32.6%	(4.4)%	21.8%	12.0%	1.4%

(all returns include dividend reinvestment. Past returns do not predict future results. Results do not reflect taxes payable on distributions or redemptions of shares held in taxable accounts.)

### **Fund Performance**

Our Fund rose 10.7% in 2019 while the benchmark R2000 rose 26.5%. Our underperformance was driven by a few factors. First, our cash levels remained high throughout the year. The market provided very few opportunities to deploy cash in meaningful amounts at reasonable valuations. Proceeds from positions sold were temporarily placed in government money market funds yielding 1.5%. Next, investors favored high growth companies in high growth industries like IT, technology, healthcare and biotech. Already enthusiastic about high priced growth stocks, many turned euphoric driving prices even higher. Finally, we had some positions which did not meet expectations, we are monitoring these closely.

While disappointed with our relative results, we feel our portfolio is well positioned for the current market cycle. Most positions have specific potential catalysts that, if realized, should trigger upside moves. Capable managements are critical to the Fund's success and we are pleased with the caliber of most of our management teams. Virtually all of our companies have viable business models and strong balance sheets providing the ability to weather economic storms. Finally, cash provides the capital to exploit any potential dislocations that may occur.

### **Contributors to and Detractors from Performance**

As shown on the following page, there were several contributors to Fund performance. The strongest was Dorian LPG, an operator of seaborne vessels that transport liquid petroleum gas (propane, butane) around the globe to satisfy growing demand for heating, cooking and industrial use purposes. Dorian has a new, efficient and environmentally friendly fleet that's captured growing LPG volumes and higher shipping rates. ERA Group prospered as the market recognized ERA's strong presence in the global helicopter market. While their core business of flying roughnecks to offshore oil & gas rigs is rebounding slowly, ERA also has a strong presence in search and rescue (SAR) a growing market as more governments and businesses seek fast responses to unanticipated "events". Long term holding Powell Industries also contributed strong results. Powell makes electrical equipment/systems to facilitate electricity transmission from generators (utilities/independent power producers) to industrial users, mostly in the energy field. The US Gulf Coast is undergoing a massive buildout of energy infrastructure including pipelines, petrochemical plants and LPG/LNG terminals to accommodate oil and natural gas production. All of these require huge amounts of electricity which Powell helps facilitate.

Our biggest detractor was Williams Industrial Services, a provider of construction, maintenance and support services to energy, power and industrial end markets. After a long restructuring Williams is now profitable and is on the cusp of completing a refinancing to shore up the balance sheet. San Juan Royalty Trust was hurt by low natural gas prices which reduced distributions to shareholders, a situation we view as temporary. Gulf Island Fabrication, a provider of offshore marine services, was hurt by poorly executed, unprofitable contracts and recently hired an experienced CEO committed to implementing policies/procedures to ensure that only high potential projects are bid upon. Freightcar America builds freight railcars for railroads and leasing firms. Their core coal car market has declined in recent years and a new CEO is rationalizing costs and diversifying their product line to include more popular car types.

### **Outlook**

A strong market year always raises the question: What could go wrong? For starters, the economic acceleration expected in 2020 might not show up. Much of the 2019 rally was driven by expanding P/E multiples fostered by near record low interest rates. Since rates probably won't go much lower in 2020, we'll need some strong earnings growth to sustain the rally. Another by-product of easy money is an explosion of debt which exists at multiple levels- corporate, government and personal. Any major default may lead to a contraction of credit, the lifeblood of any economy. Next, the trade wars could heat up again with China or other nations leading to renewed economic uncertainty. Or, inflation might exceed the Fed's target rate leading to a RISE in rates which is rarely good for the market. Finally, we have growing geo-political risks and a major election in 2020 with possible major policy and tax changes as a result. Stay tuned.

By now you should have received your year end statement. Should you have any questions about your account or the Fund, don't hesitate to call or write. We are positioned to invest our cash as opportunities become available and are searching diligently for such opportunities. Your portfolio manager recently bought additional Fund shares and remains a major shareholder.

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**TOP 10 POSITIONS****% net assets**

1. Dorian LPG- fleet of liquid petroleum gas tankers	10.1%
2. ERA Group- helicopter services	8.6
3. Gulf Island Fabrication- marine goods & services	5.1
4. Williams Industrial Services-engineering/design/construction	4.1
5. Seacor Marine- offshore supply vessels	2.6
6. Buckle- young adult apparel retailer	2.6
7. Powell Industries- electrical equipment	2.5
8. Sprott Gold Miners- gold miner ETF	2.4
9. Weyco Group- shoe retailer & wholesaler	2.3
10. Costar Technologies- security services	<u>2.2</u>
<b>Total</b>	<b>42.5%</b>

**YTD TOP 5 Contributors (includes dividends)**

1. Dorian LPG	7.69%
2. ERA Group	1.70
3. Powell Industries	1.40
4. Buckle	0.94
5. Sprott Gold Miners ETF	0.67%

**YTD TOP 5 Detractors (net of dividends received)**

1. Williams Industries	-1.36%
2. San Juan Royalty Trust	-1.09
3. Gulf Island Fabrication	-0.82
4. Freightcar America	-0.82
5. Christopher & Banks	-0.69%

**SECURITY CLASSIFICATIONS**

Government Money Market Funds	38.9%
Energy	13.8
Transportation	10.4
Construction & Fabrication	9.2
Industrial Goods & Services	7.0
Consumer Goods & Services	6.7
Closed end & Exchange traded funds	4.8
Insurance	4.1
Financial Services	2.4
Real Estate	1.9
Banks & Thrifts	<u>0.8</u>
<b>Total</b>	<b>100.0%</b>