

US equities had a robust Q1 with the R2000 up 5.2% while the S&P 500 rose 8.9%. PVFIX shares rose 3.9% which we feel is acceptable given our large cash position that now earns 4%+ in a government money market fund. We ended the quarter with 39 major positions with a weighted average market cap of \$460 million, a security yield of 1.1% and a price to book value ratio of 1.2X. Cash approximates yearend levels at 41%.

The stock market continues to trade near all time highs as investors embrace the prospects of a soft landing- a strong economy with high employment and low inflation. The Fed continues to signal that inflation is coming under control and that multiple interest rate cuts remain a possibility before yearend. While our crystal ball is no better than others, we believe inflation and interest rates will remain higher for longer than most people think. Should this occur, equity markets could be vulnerable since higher interest rates impact earnings and P/E multiples.

In the meantime, corporate America continues to move along with earnings generally coming in as expected. Corporate profit margins are probably past peak levels for this cycle as more firms are forced to absorb higher labor and material costs in order to maintain sales. Balance sheets are in fairly good shape although some are at risk should interest rates move higher. So we'll stay conservative, let valuations be our guide and be attentive for any dislocations.

Q1 portfolio activity was skewed slightly towards security sales as we took advantage of higher prices to reduce positions that, in our opinion, exceed fair value including Graham Corp., Seacor Marine and Universal Stainless. All were sold for long term capital gains which helps minimize taxes for taxable accounts. We added to existing positions Culp, Hurco and Unifi on weakness.

As you can see from the next page, YTD contributors to performance outweighed detractors. Among our biggest contributors were Gulf Island Fabrication, Graham Corp. and First Acceptance Corp.. Gulf Island had many major accomplishments in recent months including settling a major lawsuit, exiting an unprofitable shipyard business and selling off excess real estate. Their goal now is to win large fabrication contracts to absorb excess capacity and boost profits. Graham Corp. is doing solid business providing vacuum and heat transfer components to Navy, petrochemical and power generation clients. Finally, First Acceptance sold their high cost agency network to focus on underwriting non-standard auto insurance in multiple states.

Major detractors included Unifi and Culp which are in related businesses. Unifi makes texturized nylon/polyester yarns used in the production of synthetic fabrics. Culp makes the actual fabrics which go into things like apparel, furniture and automobile interiors. As you probably know, apparel and furniture sales have come off their pandemic highs and most players along the supply chain are reducing inventories meaning less business for Unifi and Culp. We view this situation as temporary and both firms have solid balance sheets providing financial flexibility.

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

TOP 10 POSITIONS	% net assets
1. Gulf Island Fabrication- engineering/procurement/construction	8.5
2. Unifi- texturized nylon/polyester yarn for fabric production	4.7
3. Culp, Inc.- fabrics for furniture & mattress coverings	4.1
4. Bristow Group- helicopter services to commercial/government clients	4.0
5. Hurco Cos.- machine tool maker with worldwide distribution	4.0
6. Weyco Group- wholesale & retail shoes	3.7
7. Seacor Marine- offshore supply vessels	2.5
8. Stealthgas- owns/operates fleet of liquid petroleum gas (LPG) tankers	2.1
9. Dorian LPG- owns/operates fleet of liquid petroleum gas (LPG) tankers	2.0
10. First Acceptance Corp.- non standard auto insurance	<u>1.8</u>
Total	37.4%

YTD TOP 5 Contributors (includes dividends)

1. Gulf Island Fabrication	3.6%
2. Graham Corp.	0.6
3. First Acceptance	0.3
4. Seacor Marine	0.3
5. Daktronics	0.3%

YTD TOP 5 Detractors (includes dividends)

1. Culp Inc.	-0.9%
2. Unifi	-0.4
3. Dorian LPG	-0.3
4. Buckle	-0.3
5. Hurco	-0.3%

SECURITY CLASSIFICATIONS

Government Money Market Funds	41.0%
Industrial Goods & Services	9.4
Apparel & Textiles	9.3
Consumer Goods & Services	8.0
Energy	7.5
Transportation	5.9
Construction & Fabrication	5.4
Banks & thrifts	3.3
Electronics	2.8
Closed end & Exchange Traded Funds	2.5
Other	4.9
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 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 X115.