

Pinnacle Value Fund Semi-Annual Report

June 30, 2024

Dear Fellow Shareholders,

Total Return	YTD	2023	2022	2021	2020
Pinnacle Value Fund	3.9%	25.4%	1.1%	14.3%	3.4%
Russell 2000	1.7	16.9	-20.5	14.8	20.0
S&P 500	15.9%	26.3%	-18.1%	28.7%	18.4%

(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

As you can see from the above box scores, US equities had an upbeat first half with the small cap R2000 up 1.7% while the large cap S&P 500 rose 15.9%. The Pinnacle Value Fund rose 3.9%, slightly better than the benchmark R2000. We feel the Fund is well positioned with large cash balances (earning 4%+ in a government MMF) providing future buying power.

As shown on the next page, contributors to performance outweighed detractors. Performance was driven in part by positive contributions from Gulf Island Fabrication and First Acceptance Insurance. Gulf Island continues to win new business for their strategically located facility in Houma, LA as they scout for profitable acquisitions. Nashville based First Acceptance Insurance sold their high cost brokerage operation last year and are now focused on profitable non-standard auto underwriting which is bearing fruit.

Our major detractors included Hurco Cos. and Culp Inc.. Indianapolis based Hurco makes CNC (computer numerically controlled) machine tools for independent job shops serving the automotive, aerospace, medical device and other markets. The machine tool industry is in a cyclical slowdown as many customers defer purchases because of high interest rates and uncertain end user markets. High Point, NC based Culp Inc. makes synthetic fabrics for the upholstered furniture and mattress ticking markets both of which face slowing demand after a robust, pandemic driven run where cocooning at home drove furniture and mattress sales. Culp recently announced a major restructuring which should help restore profitability.

We did slightly more portfolio buying than selling. We bought more Culp, Gulf Island, Hurco and Unifi on price weakness. All have viable business models, acceptable management and strong balance sheets. We added one new position, Omega Flex, an Exton, PA maker of flexible metal hose used in residential/commercial construction. The business is highly profitable but faces headwinds as higher interest rates impact end user demand. We trimmed several positions including Bristow, Daktronics, Dorian LPG, Graham and Universal Stainless that we view as fully valued- all were sold at long term capital gains to minimize taxes.

Outlook & Current Positioning

Since the October 2023 low, US equities have had a good run. Economic data continue to show moderate growth, low unemployment and inflation running a little less “hot”. Investors continue to expect at least one interest rate cut before year end with maybe more in 2025. The Artificial Intelligence craze has jumpstarted a “tech renaissance” and driven the NASDAQ and S&P 500 to new highs. In summary, investors continue to embrace the prospects of a soft landing – a strong economy with high employment and low inflation.

On the flip side, the market is priced to perfection with most valuation metrics (P/E, price/book, price/cash flow, etc.) near all time highs. Growing US sovereign debt remains a concern. Approaching \$30 trillion, the Treasury must continue to sell huge amounts of government securities to service the debt which may eventually cause higher interest rates to secure funding. There’s also concern that Big Tech could disappointment if reality falls short of expectations. Finally, 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 market share.

While our crystal ball is no better than others, we believe inflation and interest rates will remain higher for longer than most people think. We feel most optimistic scenarios are already priced into the market with no room for error. So, we’ll stay conservative, let valuations be our guide and be attentive for any market dislocations that may occur.

Please be advised that we will most likely make a distribution of net realized capital gains in December most of which we expect to be long-term. We’ll have an estimate in late November that we’ll post on our website for your tax planning.

By now you should have received your June 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 and his family remain major Fund shareholders.

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TOP 10 POSITIONS

	% net assets
1.Gulf Island Fabrication- engineering/design/construction	8.6
2.Unifi- texturized nylon or polyester yarn used to make fabrics	5.3
3.Hurco Cos.- machine tool maker with worldwide distribution	4.3
4.Culp Inc.- fabrics for upholstered furniture & mattress coverings	4.1
5.Bristow Group- helicopter services to commercial/government clients	3.9
6.Weyco Group- wholesale & retail shoes	3.6
7.First Acceptance Corp.- non-standard auto insurance	2.7
8. Seacor Marine- offshore supply vessels to oil & gas industry	2.2
9. Stealthgas- owns/operates fleet of liquid petroleum gas (LPG) tankers	2.1
10. Dorian LPG- owns/operates fleet of liquid petroleum gas (LPG) tankers	<u>2.0</u>
Total	38.8%

YTD TOP 5 Contributors (includes dividends)

1.Gulf Island Fabrication	2.0%
2.First Acceptance	1.2
3.Bristow Group	0.8
4. Daktronics	0.8
5. Graham Corp.	0.6%

YTD TOP 5 Detractors (includes dividends)

1.Hurco	-1.5%
2.Culp Inc.	-1.1
3. Hooker Furniture	-0.5
4.Unifi	-0.4
5.Buckle	-0.3%

SECURITY CLASSIFICATIONS

Government Money Market Funds	39.4%
Consumer Goods & Services	17.1
Industrial Goods & Services	14.3
Energy	7.5
Transportation	5.8
Construction & Fabrication	5.4
Banks & Thrifts	3.3
Electronics	2.7
Closed End & Exchange Traded Funds	2.5
Insurance	1.4
Real Estate	<u>0.6</u>
Total	100.0%

