

Pinnacle Value Fund Annual Report

December 31, 2023

Dear Fellow Shareholders,

<u>Total Return</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Pinnacle Value Fund	25.4%	1.1%	14.3%	3.4%	10.7%
Russell 2000	16.9	-20.5	14.8	20.0	25.5
S&P 500	26.3%	-18.1%	28.7%	18.4%	31.5%

(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's NAV rose 25.4% in 2023, versus the benchmark Russell 2000 which rose 16.9%. While we feel our stock selection was acceptable, we hobbled by our large cash position especially in the fourth quarter when hopes for a soft landing drove the stock market higher.

The portfolio remains conservatively positioned and we have the cash to take advantage of any market dislocation. We continue to search for undervalued equities with strong fundamentals and reasonable valuations that provide a margin of safety to help limit the possibility of capital loss.

Overall, the markets had a lumpy first three quarters as investors worried about higher inflation and the possibility of a recession. As inflation started to fall, the Fed signaled that the worst of the interest rate hikes were behind and that some rate lowering might be in order at some point. Since the economy remains strong with low unemployment, investors quickly embraced the possibility of a soft landing. Coupled with the excitement surrounding AI and the strong performance of the Magnificent Seven tech stocks (Alphabet/Google, Amazon, Apple, Meta/Facebook, Microsoft, Nvidia, Tesla) it's easy to see why the market ended 2023 in the black.

Contributors to and Detractors from Performance

As you can see on the following page contributors to performance outweighed detractors. Our biggest contributors included Daktronics, Graham Corp., Powell Industries and Dorian LPG. Daktronics, a Brookings SD based producer of electronic scoreboards and displays continues to benefit from the construction of new stadiums/ arenas where its scoreboards and displays are an important part of the user experience. Rochester NY based Graham Corp. is doing solid business providing vacuum and heat transfer components to navy, petrochemical and power generation clients. Houston based Powell Industries continues to supply the electrical equipment and systems to build out the energy infrastructure along the Gulf Coast. Finally, Stamford CT based Dorian LPG continues to benefit from robust demand for liquid petroleum gas (LPG) worldwide for heating, transportation and manufacturing which is delivered by its fleet of super tankers.

Detractors from performance include Williams Industrial Services and Gulf Island Fabrication. After a long struggle Williams Industrial filed for reorganization when they were unable to raise additional capital to keep the business going. While we saw the red flags along the way, we believed the situation would improve and didn't take appropriate action, all shares were sold for a tax loss. Gulf Island Fabrication also nicked us but the story is better here and it remains our largest position. Management has made significant strides improving the business- selling an unprofitable shipyard asset, favorably resolving major litigation, unwinding breakeven contracts and making an accretive acquisition. The key goal now is to win more business for their well located 225 acre Houma, Louisiana facility to absorb excess capacity and boost profit margins.

Outlook & Portfolio Positioning

There has been no change in our fundamental outlook. The market remains volatile as it deals with multiple uncertainties- the Fed's posture on interest rates, inflation, the health of corporate profits, a ballooning national debt and the possibility of a recession. We believe interest rates will stay higher for longer which may impact demand for homes, autos, appliances and other big ticket purchases. 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 business. Credit is tightening as a consequence of earlier bank failures and less credit flowing through the economy probably means slower growth. Finally, many firms leveraged up during the good times and have no room for error should interest rates move higher. We view volatility as our friend and a chance to add positions at favorable prices when the market trades lower and reduce positions at favorable prices when the market trades higher. Buy low, sell high.

By now you should have received your yearend 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 remains a major Fund shareholder and buys shares opportunistically.

John E. Deysher
President & portfolio Manager
212-605-7100

Pinnacle Value Fund
745 Fifth Ave- 533
New York, NY 10151

TOP 10 POSITIONS	% net assets
1.Gulf Island Fabrication- engineering/ design/ construction	5.1
2.Culp, Inc.- fabrics for furniture & mattress coverings	5.0
3 Bristow Group- helicopter services to commercial/ government clients	4.3
4. Unifi- texturized nylon/polyester yarn used to produce fabrics	3.9
5. Hurco Cos.- machine tool maker with worldwide distribution	3.8
6. Weyco Group- wholesale & retail shoes	3.7
7. Seacor Marine- offshore supply vessels	2.5
8. Graham Corp.- industrial equipment for govt./commercial clients	2.4
9. Stealthgas- owns/operates fleet of liquid petroleum gas (LPG) tankers	2.4
10. Dorian LPG- owns/operates fleet of liquid petroleum gas tankers	<u>2.3</u>
Total	35.5%

YTD TOP 5 Contributors (includes dividends)

1.Daktronics	3.5%
2. Graham Corp.	3.4
3. Powell Industries	2.9
4. Dorian LPG	2.5
5. Universal Stainless	1.9%

YTD TOP 5 Detractors (includes dividends)

1.Williams Industrial Services	-2.1%
2. Gulf Island Fabrication	-1.1
3. Hurco	-0.3
4. Heartland Transport	-0.1
5. Hope Bancorp	-0.1%

SECURITY CLASSIFICATIONS

Government Money Market Funds	42.3%
Industrial Goods & Services	19.1
Energy	12.5
Consumer Goods & Services	8.2
Construction & Fabrication	5.6
Banks & Thrifts	3.4
Technology	2.9
Closed End & Exchange Traded Funds	2.6
Insurance	1.5
Transportation	1.3
Real Estate	<u>0.6</u>
Total	100.0%