VALUEWORKS
QUALITY ASSETS COMPELLING VALUATIONS

VOLUME 19,3 THIRD QUARTER 2021

It is nice to let you know I am writing this letter to you from our offices at One World Trade Center. The office was a bit neglected for 15 months or so, but I am happy to say it is feeling alive and energetic. We are not all back, and we are not all back five days a week, but the place is increasingly becoming a dynamic place to go to work. The work we have done over the past year and a half provides a solid foundation to build on in the five to ten years ahead of us.

In the face of a broad market retrenchment in the third quarter, our Capital Appreciation fund advanced 2.17% over the past three months and 33.38% year to date.

These recent results were driven primarily by security selection rather than being swept along with the broad market or any particular market group. The S&P 500 eked out a gain of 0.6% for the quarter, now advancing 15.9% for the year. Respective data for the Dow Jones and Nasdaq composite were -1.5% and -0.2% declines for the quarter and 12.1% and 12.7% advances for the year. The Russel 2000 Value index has really stalled, declining -2.9% for the quarter but still leading the major averages with a 22.9% gain for the year.

The strength of individual names in our portfolio provided the torque to build on recent advances despite a flat to down overall environment. Our view is that this occurred due to the massive mispricing of individual securities during the recent market turmoil, and this mispricing made some modest strides towards correcting in the past several months. The powerful recent advances we have captured leave us particularly well-positioned to compound results over what I expect will be some very productive years in front of us.

Admittedly there are ample market and economic crosscurrents that could upset this applecart. But to my mind, the most likely outcome is that several large and powerful factors will lead to sustained advances into a major speculative market top some three to six years from now. We have been writing about these themes for quite some time. Monetary stimulus is powerful and likely to continue spurring activity for several years before eventually becoming more neutral. But I would caution that it can take several years for tight monetary policy to lead to an economic slowdown. I do not foresee monetary policy becoming neutral for at least another two years, and I would not expect a slowdown in activity for at least two years after that, putting us in the middle of my three-to-six years to a market top range. Fiscal policy is being worked out in Washington. We cannot be sure how this is resolved but, my expectation is that we will either get a fiscal plan that is very stimulative or a fiscal plan that is exceedingly stimulative. That fiscal stimulus should also take several years to work its way into the economy further propelling equities higher.

All this stimulus can easily lead to accelerating inflation. The interesting irony is that those investors most burned by equity volatility ten plus years ago and hiding in cash and fixed income for safety will be those most burned by inflation. As years unfold with equities moving higher and purchasing power eroding, they will increasingly see the damage done by holding cash and bonds and will begrudgingly put that cash into ever-higher equity prices. The last of them will capitulate and buy into the market top quite some time down the road from now. I only say that because it is the cycle that has repeated time and again for the past 170 years. Probably longer, but I really know almost nothing about economic history from before the 1850's.

We have seen foreshadowing of that eventual exuberance several times over the past five or six years. The onset of the pandemic washed it all out with feeling 18 months ago. By doing so, it laid the groundwork for another multi-year period of advance.

Of course, this commentary is all just that: commentary. Our day job at ValueWorks is to execute against specific investment opportunities presented in whatever investment environment we are in. While we have benefited from some very dramatic advances in many of our individual holdings over the past 18 months, to me that reflects more on the outsized opportunities that were presented in the trough than any lack of further upside. Rather, the disconnected pricing in the early pandemic obscures the very meaningful upside offered as these specific investments reach more realistic long-term price levels

Sincerely,

-Charles Lemonides, CFA

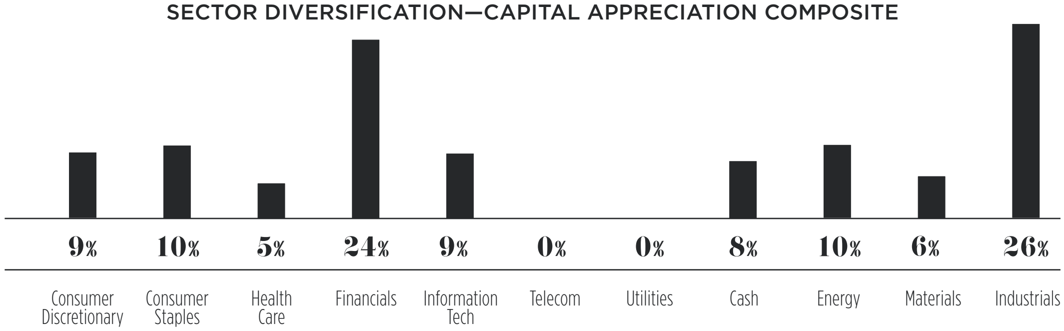
TOP 10 HOLDINGS

1. Whiting Petroleum
2. United Natural Foods Inc.
3. Cheniere Energy Inc.
4. Qualcomm Inc.
5. Goldman Sachs Group Inc.
6. Comcast Cl A
7. Star Bulk Carriers Crop
8. Apple Inc.
9. MBIA Inc.
10. New York Times

—As of 9/30/21—

*see notes on pg 4 for additional details

SECTOR DIVERSIFICATION—CAPITAL APPRECIATION COMPOSITE



DEFINING OUR PHILOSOPHY

At ValueWorks we define value investing as buying the best-quality assets at the best possible prices. We like to think of ourselves as bargain hunters: it is our goal to pay only $0.50 to $0.75 for $1.00 worth of assets. We evaluate the component parts of a company, assigning each of its assets a dollar value that, when added together, comprises the underlying value of the company; if this is higher than the company's stock price, we consider it an investment opportunity.

OUR PORTFOLIO STRUCTURE

We believe risk can be better contained through educated security selection than through over-diversification. Consequently, our position sizes range between 3 – 5 % of the overall portfolio value. Fully invested portfolios tend to hold 25 – 35 individual investments.

We enter investments that we view as 25 – 50% undervalued and sell them when we see them as fairly priced. Our anticipated holding period tends to be one to two years which results in only modest portfolio turnover.

Because our decisions are based on research and sound fundamentals we view depressed price action on our securities as buying opportunities rather than sell signals.

We use senior debt and preferred instruments—offerings that can be easily misunderstood by traditional equity or fixed income investors—to gain equity type returns on safer vehicles.

OUR CLIENT SERVICES

ValueWorks provides independent investment management on an individual account basis. Our clients receive the benefits of owning securities directly, coupled with the advantages of having a dedicated portfolio manager.

Working directly with your financial consultant, we evaluate your investment profile and build a plan designed to meet your specific goals. As a high-end investment alternative, you receive:

- Individual review of your portfolio requirements
- A separately tailored portfolio created and maintained to your investment objectives and risk tolerance
- Access to the Portfolio Manager on an ongoing basis with timely and responsive communication
- Flexibility to meet your changing tax requirements and investment needs
- Comprehensive quarterly performance reports.

Working within the framework of our value investment discipline, we build portfolios that cover a wide spectrum of risk-tolerance, from aggressive to much more conservative and income oriented.

DEFINING OUR PROCESS

1 *Identification*

We monitor the financial markets to identify securities that match our investment criteria—focusing on opportunities that appear misunderstood by the general market.

2 *Appraisal*

First we identify the assets; then we appraise them. This allows us to determine the company's underlying value. We then decide whether the assets are of high quality and therefore likely to appreciate over time.

3 *Assessment*

Here we assess any claims against a company's assets; we then compare the market price of the claims to the company's underlying value. If a particular security trades at a discount, we identify factors that could eliminate the valuation gap and increase its price. We then make a decision on the purchase of the security.

4 *Re-Evaluation*

We continuously monitor our positions to determine if our original investment thesis still applies, taking necessary action to optimize our portfolio.

5 *Exit*

We exit a position when a security either reaches full valuation or changes in its outlook invalidate part of our original thesis.

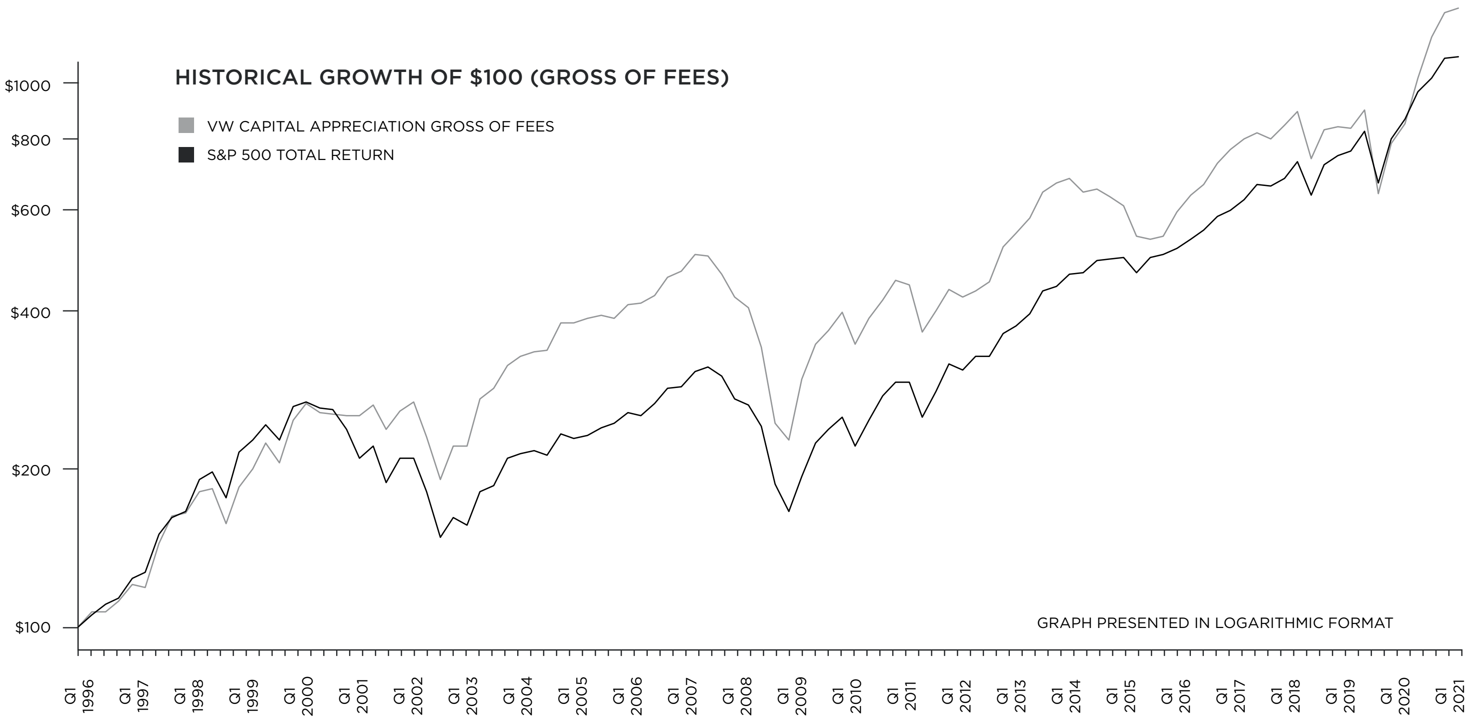
Objective

Our objective is uncomplicated, but achieving it requires a high level of research, expertise, discipline and independent judgment. By applying this framework consistently we remove emotion from the investment decision making process, enabling us to capitalize on inefficiencies built into the market.

VALUEWORKS

PERFORMANCE REVIEW

THIRD QUARTER 2021 JUNE 30, 2021 - SEPTEMBER 30, 2021



TRAILING PERFORMANCE DATA

VALUEWORKS' CAPITAL APPRECIATION COMPOSITE

	GROSS OF FEES	NET OF FEES	S&P 500 TR
2021 Q3	2.48	2.17	0.59
2021 YTD	35.05	33.86	15.93
1 year	63.62	61.72	29.78
3 years	15.89	14.57	15.88
5 years	17.33	16.00	16.77
10 years	14.77	13.41	16.56
Life*	10.76	9.23	9.86

*Life is 25.75 years (inception 1/1/1996)

VALUEWORKS' BALANCED COMPOSITE

	GROSS OF FEES	NET OF FEES	BLENDED INDEX*
2021 Q3	3.41	3.23	0.28
2021 YTD	33.54	32.46	6.92
1 year	62.40	60.52	13.62
3 years	18.31	16.85	11.28
5 years	16.99	15.51	10.15
10 years	14.42	12.91	9.84
Life*	11.21	9.54	7.83

PAST PERFORMANCE MAY NOT BE INDICATIVE OF FUTURE RESULTS.

This Newsletter is intended to be presented with the Capital Appreciation Fact Sheet which contains additional disclosure information.

The above benchmark indices are unmanaged indices. The benchmark performance numbers reflect the reinvestment of dividends and interest but do not reflect the deduction of any fees or expenses. ValueWorks' value investing style is not limited to the securities in any of the above indices and utilizes specific investment techniques which are not utilized in the above indices and which may or may not increase volatility. Returns include all dividends, interest, accrued interest and other cash flows received as they may result from the implementation of a particular investment strategy. Trade date accounting has been used. Results for the full period are time weighted. Accounts are included in composite at the start of the first full period under management. From 1996—Q1 1998 exiting accounts are included through the period in which they left. Starting in Q2 1998 exiting accounts are included through the last full period under management. Results were generated at other firms prior to 9/30/01. Information on other composites is available on request. Investments in this strategy may lose value.
This material is approved for client use.

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