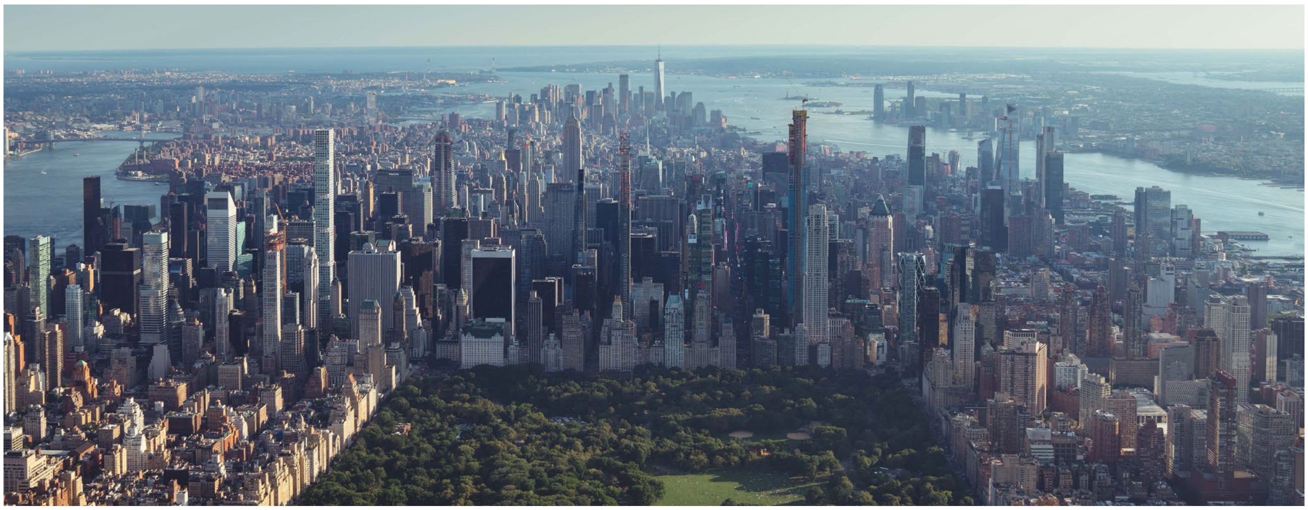
VALUEWORKS
QUALITY ASSETS COMPELLING VALUATIONS

VOLUME 18,2 SECOND QUARTER 2020



Go figure. Highest unemployment in 80 years, sharpest economic contraction in 80 years, global pandemic. How does it play out in the equity markets? Best quarter for stocks in over 20 years. Clearly it followed a harsh sell-off, but still it has never been clearer that trying to time stock market moves is treacherous. No less so than after the sharp contraction in the first quarter that started just as employment and most measures of economic prosperity were hitting multi-decade highs.

Our portfolios participated quite nicely in the second quarter's advance and are quite consciously positioned for the uncertain months ahead of us. The Capital Appreciation portfolio added 23.3% for the quarter (gross of fees - see p. 4 for additional performance information); the S&P500 was up 20.5% for this same period. After a year of massive turmoil and accelerated volatility, the portfolios are within easy range of the high water mark they reached in mid-2019.

We invested through the post 9/11 period and the great financial crisis. The turmoil of this moment is different, but also the same. Through each of those earlier crises we maintained a clear-eyed discipline and did not shy away from building and adjusting our exposure to well valued and well positioned assets. In each case for a period of months or quarters the portfolios saw non-trivial contractions. But in each case we emerged not only with our original investment intact, but with varying degrees of meaningful advance.

Our effort in this moment is to be just as security and investment specific and to eschew broad market and economic prognostications. We think we understand how to build a portfolio that can earn solid returns through this period. The key is to own a wide array of diverse assets – mostly productive businesses – that in the first measure will weather any potential near-term bumps, and in the second measure are priced so compellingly that they are poised for sharp advances when conditions ultimately stabilize. After significant repositioning in the past twelve months, we think we have a portfolio stocked with those investments.

The uncertainty around how the global pandemic plays out, coupled with the uncertainty around how policy makers will respond to it, trivializes any effort to sort out how the economy and markets perform over the months ahead. There are so many credible ways that we could manage to control this outbreak and get back to some measure of normal. Or the fall could come and it could spiral out of control. With a world of doctors and scientists hyper- involved, you would think that we could at least find treatments that lessen the severity, or a vaccine, or the discipline to stop its deadly spread. We are clearly rooting for that outcome and consider it quite credible. But on the other hand, this is a very deadly version of a particular type of virus that causes the common cold. And for all our incredible, science-fictionesque medical advances, the best we have for the common cold is lots of fluids, rest and chicken soup. For treating this disease, we have more tools than we had a hundred years ago, but to see what happened in New York City, clearly not enough. And while you can read the data and see some positive things happening, you can look at the same data and draw the conclusion that really difficult times are straight ahead of us.

In this moment, we think there is no substitute for intelligent, security specific investment decision making. We view the investment landscape as full of many exceptionally well valued investment opportunities, and also full of many potential landmines. From my perspective, the only way to sort them out is one-by-one evaluations. The skill set we bring to the table is particularly well suited for that work. That is not to say that we -- or anyone else -- will get them all right, but that is not how we judge success. Our aim is to build a portfolio that can weather the storm and come out the other side in better shape.

I am confident we have a portfolio stocked with some of the best investment opportunities we have seen in a long, long time. Of course it makes sense that that would be the case. You get exceptional opportunities when times are most uncertain. This is one of those moments. You don't get exceptional opportunities once the dust has settled. Week by week and month by month, there will be volatility. We are living through particularly uncertain times. But it is in these times that exceptional investment opportunities are available. Our approach is to look out a year or two years and use the current uncertainty to build exposure to names that will perform over that longer time frame.

TOP 10 HOLDINGS

1. Apple
2. Qualcomm
3. United Natural Foods
4. Amgen
5. Goldman Sachs
6. Comcast
7. New York Times
8. Cheniere Energy
9. Maui Land & Pineapple
10. Cliffs Natural Res. 6.25% Due 10-01-40

—As of 6/30/20—

*see notes on pg 4 for additional details

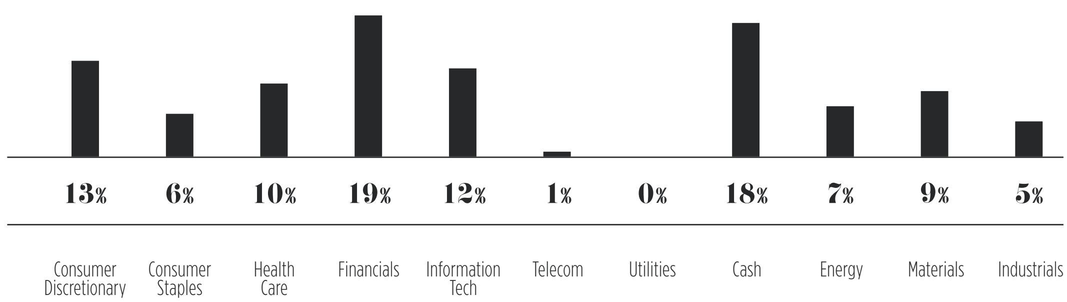
I hope that you and your family are making the best of this challenging time. It comes with so many emotional cross currents. If you are anything like I am, you want to believe that if we are all reasonably careful this will all blow over soon enough. In the meantime, perhaps it is not so bad that we are all forced to slow down a bit. Remember that we all really can afford to do a little less running around, spending a few more minutes at home and more attention on those important to us.

As most of you know, on this end we have been adequately lucky that our brushes with this virus have been serious and scary enough, but all involved seem to have mended quite well. We have also found ways to operate quite reasonably "from remote locations" and frankly we may all be a bit more productive without the frantic to-ing and fro-ing that has typically been part of our daily lives. I was always a bit skeptical of Warren Buffet's contention that he moved his firm from Wall Street to Omaha to avoid the overstimulation of NYC. But after these several months of less compression, I can appreciate that there was a bit of wisdom in his perspective.

Wishing you a pleasant summer,

-Charles Lemonides, CFA

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.

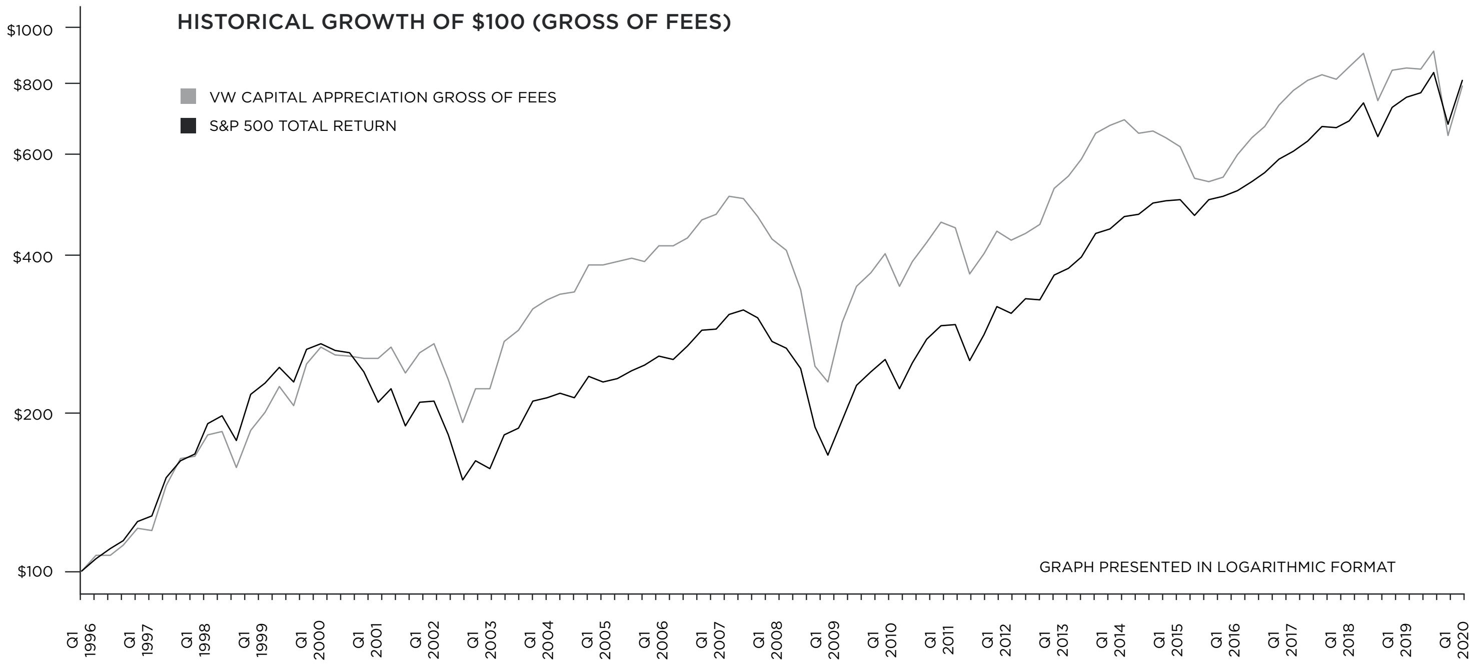
Objective

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

SECOND QUARTER 2020 MARCH 31, 2020 – JUNE 30, 2020



TRAILING PERFORMANCE DATA

VALUEWORKS' CAPITAL APPRECIATION COMPOSITE

	GROSS OF FEES	NET OF FEES	S&P 500 TR
2020 Q2	23.26	22.93	20.54
2020 YTD	-13.63	-14.10	-3.22
1 year	-7.20	-8.22	7.36
3 years	0.75	-0.38	10.59
5 years	5.33	4.12	10.65
10 years	8.86	7.55	13.92
Life*	8.74	7.21	8.84

*Life is 24.5 years (inception 1/1/1996)

VALUEWORKS' BALANCED COMPOSITE

	GROSS OF FEES	NET OF FEES	BLENDED INDEX*
2020 Q2	21.80	21.49	11.73
2020 YTD	-10.78	-11.24	2.56
1 year	-1.62	-2.69	9.48
3 years	1.90	0.57	8.64
5 years	5.48	4.09	7.92
10 years	8.54	7.07	9.11
Life*	9.21	7.55	7.47

*The "Blended Index" is a calculation comprised of 50% S&P 500 and 50% Merrill Lynch Domestic Master Bond Index.

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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