VALUEWORKS
QUALITY ASSETS COMPELLING VALUATIONS

VOLUME 21,3 THIRD QUARTER 2023

It is not surprising to us that investors have had a tough time for the past seven quarters. The Fed is targeting inflation by tightening monetary conditions and draining liquidity. While our portfolios have made significant headway over that period, we have been fighting a powerful headwind. While my read is that this tough period is not over and expect that there could be some significant volatility in the quarters ahead, the focus is on prudently positioning the portfolio to be able to exploit the outsized opportunities that invariably arise in these challenged environments. Being properly positioned through these periods is critical as the bounce off the ultimate bottom tends to provide violent upside. It is virtually impossible to participate in that violent advance unless you are positioned before the bounce starts. Subsequently, the advance will tend to carry you for a multi-year period.

For the third quarter the S&P 500 lost 3.3%, the Dow lost 2.1%, the Nasdaq Composite lost 3.9%, the Russell Large Value index lost 3.2% and the Russell Growth index lost 3.1%. The 3 5/8% treasury bond due 2053 declined from 95.8 to 82.8, for a 13% loss in the quarter. The ten-year treasury gave up roughly 6% in the quarter.

While the Nasdaq Composite is up 27% for the nine months, it is still down 14% from the beginning of 2021. The Dow is up 2.7% for the nine months, and down 4.3% from the beginning of 2021. The comparable numbers for the S&P 500 are up 13% and down 7.4%. The Russell small cap value index is down 0.5% this year, and 15% from December 2021. The Spider Utility ETF, a good proxy for the average defensive utility stock, is down 14% for 2023 including dividends -- after earning very close to nothing in the previous year.

Financial conditions have clearly tightened, and we are seeing it in asset prices. But we have not yet seen it in economic activity. The US economy added 710,000 jobs in the past three months. That is not what an economic slowdown looks like. While inflation may be slowing and could come down to the Fed's target without an economic contraction, these do not seem like conditions where the Fed has any reason to reverse its tightening course over the next three or six months regardless of whether or not further rate hikes are in the offering.

As liquidity increasingly dries up, asset prices come under greater pressure. When accompanied by inflation – and holders of cash by definition lose value – owners of assets are in for tough sledding. But that is the reality we are facing, it is part of the cycle, a cycle that does not look like it is going to change any time soon.

In these periods, I do not see a substitute for disciplined, focused and careful security selection. These are long-only portfolios. If there were to be significant market dislocation in the quarters ahead, we may well see a short period of valuation compression. We have before. Our focus will be on owning securities that will survive those bumps and be valued 25-100% higher once the dust settles. In previous such periods that has meant a whole lot more than simply holding our positions through that volatility. Rather we have used those moments to commit and redeploy capital, creating even more compelling upside. It is a period that involves a lot of investment work and skill.

Taking a step back from these near-term challenges, there are myriad exciting investment drivers likely to play out over the years ahead. My expectation is not that there will be an energy transition, but rather an energy explosion as we supplement fossil fuels with multiple additional energy sources. Hyster-Yale is already deploying industrial scale fuel cells in real-world uses. Eneti and Tidewater are sending vessels out to develop offshore wind farms every day. The automobile is being transformed; electric cars may simply prove to be much better – quieter, cleaner, less expensive to make, and more comfortable and convenient, and autonomous driving is becoming reality -- I enjoy the help I get with driving my car, even if it does not yet drive itself. Translating that into well-considered investment opportunities will be more involved for us than simply buying or not buying Tesla shares. Electric helicopters are actually flying – Joby sold the first one to the US Air Force. Will seeing them over cities in the next several years be inspiring? Medical advances are stunning – from weight control to genomics to vaccines for debilitating diseases. Artificial Intelligence is writing resumes and designing braces for bad teeth – it is a versatile tool and it is in the very early stages. The blockchain and crypto are still out there churning away at their algorithms; the story of how that transforms data management and finance will be told gradually over the next decade. There are highly likely to be outstanding opportunities created in all these spaces, but again it will involve more discernment than simply buying the concept.

We have employed a disciplined value approach to control quality assets at attractive prices in other transformative periods and are working to do that again as this business cycle plays out.

-Charles Lemonides, CFA

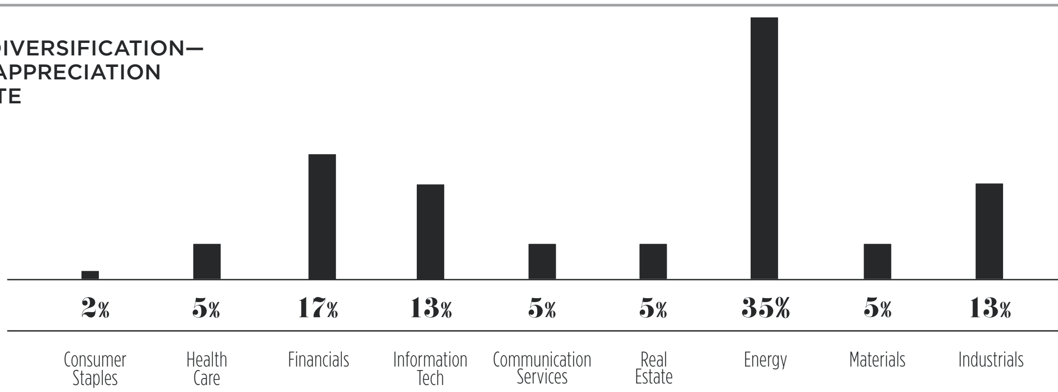
TOP 10 HOLDINGS

1. Chord Energy Corp.
2. Tidewater Inc.
3. Cheniere Energy Inc.
4. Western Alliance Bancorp
5. Micron Technology Inc.
6. Goldman Sachs Group Inc.
7. Mammoth Energy Services, Inc.
8. Qualcomm Inc.
9. Air Lease Corporation
10. Apple Inc.

—As of 9/30/23—

*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.

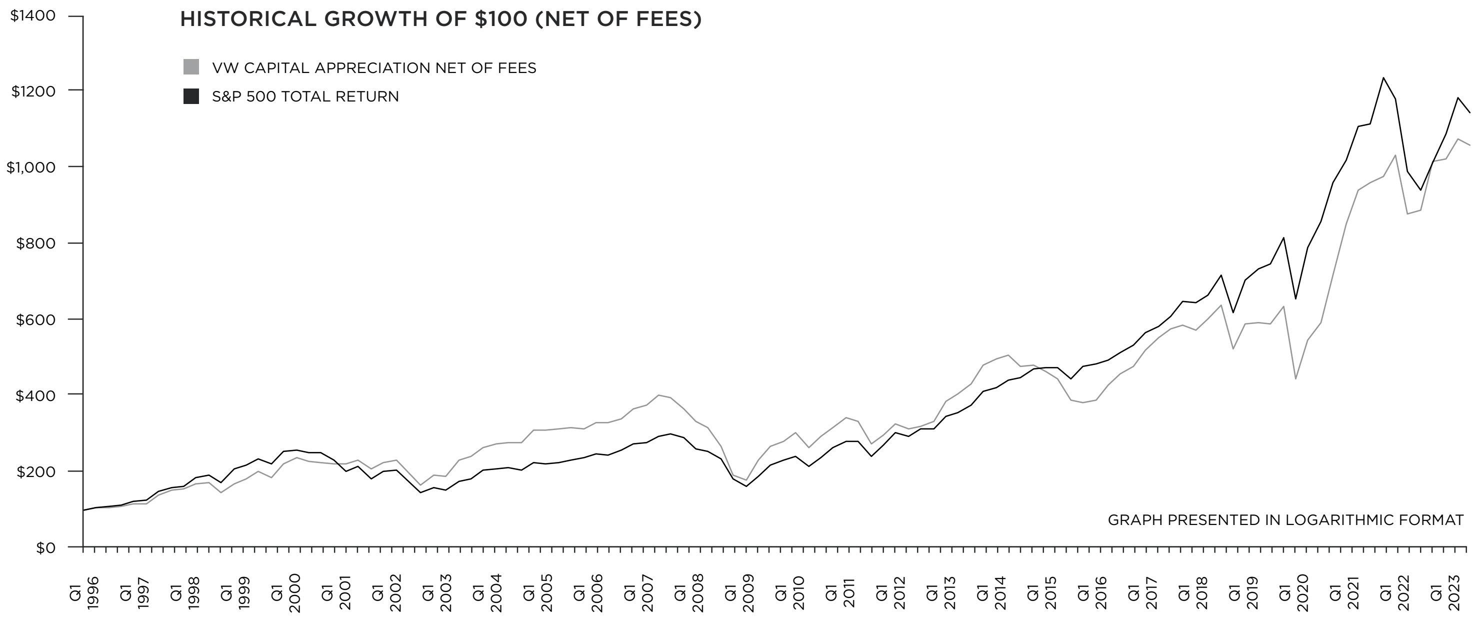
5 *Exit*

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.

PERFORMANCE REVIEW THIRD QUARTER 2023 JULY 1, 2023 - SEPTEMBER 30, 2023



TRAILING PERFORMANCE DATA

VALUEWORKS' CAPITAL APPRECIATION COMPOSITE

	GROSS OF FEES	NET OF FEES	S&P 500 TR
2023 Q3	-1.40	-1.67	-3.28
YTD	4.98	4.10	13.06
1 year	20.59	19.25	21.61
3 years	22.70	21.29	10.09
5 years	11.93	10.66	9.85
10 years	10.67	9.38	11.86
Life*	10.43	8.92	9.23

*Life is 27.75 years (inception 1/1/1996)

VALUEWORKS' BALANCED COMPOSITE

	GROSS OF FEES	NET OF FEES	BLENDED INDEX*
2023 Q3	-0.64	-0.94	-3.27
YTD	6.00	5.05	5.88
1 year	21.87	20.43	10.84
3 years	22.18	20.65	2.37
5 years	13.21	11.79	5.40
10 years	10.94	9.49	6.59
Life*	10.82	9.17	7.02

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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