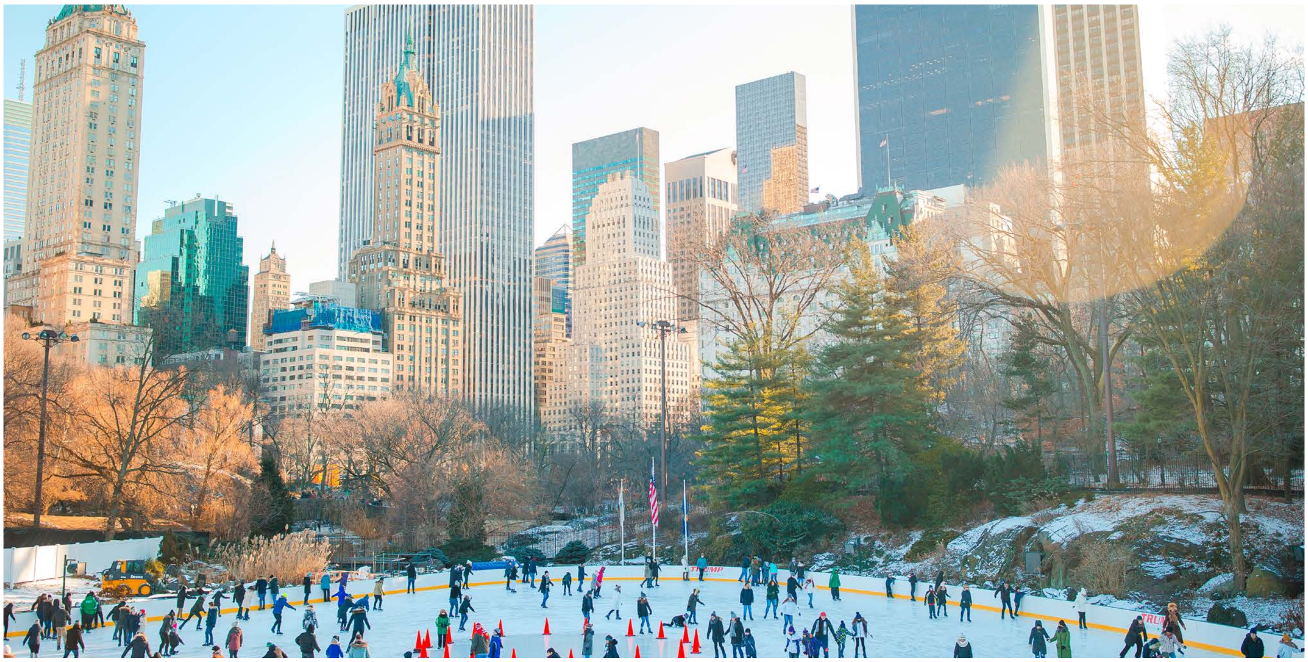
VALUEWORKS
QUALITY ASSETS COMPELLING VALUATIONS

VOLUME 19,4 FOURTH QUARTER 2021



We executed well against the opportunities that were offered in 2021. After tacking on roughly 1.93% in the quarter, the Capital Appreciation fund gained a very respectable 36.45% for the year. This compares to 28.72% for the S&P 500. As always, we also generated those gains in an exceedingly tax efficient manner.

These returns speak volumes about the opportunities that were created in the pandemic sell-off. We stayed disciplined during that sell-off, put money to work when prices were exceedingly dislocated, and reaped handsome returns.

The landscape from here is very different but continues to offer perhaps even better opportunities for our discipline. Thematic and emotional gyrations are continuing to create both sectoral and security specific price dislocations. In a market environment where overall values are so much more elevated, the skill set to execute against security specific opportunities is arguably much more valuable than in a period (like April 2020) when overall values were depressed and simply being invested was good enough.

From a broad market and economic perspective, market action over the next two to seven years (which is broadly the time frame over which I think about investment opportunities) will surely depend upon events that play out over that period and the decisions we make in reaction to those events. But it seems to us that the most likely path of those developments is that we are entering a period of accelerating economic growth and market appreciation driven by meaningful technological advancement and ending in a major economic boom and investment bubble towards the end of the decade. The risk in my mind is to the upside.

Clearly near term the markets are focused on the uptick in price levels and what that means for the outlook for interest rates and economic growth. After the torrid market advance, it is about time investors take a pause and pay a bit of head to the ways in which the glass is not completely overflowing. Said differently, this is a healthy pause based upon a real concern. Policy makers can – and probably should – raise fed funds to the 1.5%/2% broad level by the middle of 2023 and 3-5% by the middle of the decade.

That said, such policy action would be consistent with real economic growth of 2.5-3.5% over five plus years and nominal growth more in the range of and 5-7% -- if not higher. That is an extended period where I would expect annual equity returns in the range of 12% as valuations over-extend on the high side.

It is important to remember that early in such periods the opportunities seem far-fetched and included an element of science fiction. We can't know from today which of the far-fetched ideas circulating now, will make the leap to reality in this business cycle, but some likely will. It is hard to understand exactly how a “distributed ledger” and “block chain” and “crypto ecosystem” are going to transform what money means, the role of government issued currency, banks and finance, but given the massive investment in these technologies already, it is even harder to imagine how they fizzle to nothing. Beyond that, as these crypto assets are being created, there is a stimulative element that seeps into the rest of the economy. Other technologies that may drive this business cycle include the ongoing electrification of transportation, explosion of renewable energy, artificial Intelligence, and biotech advances including a leap in our knowledge of our own genome.

If that very bullish scenario plays out, it would be quite surprising if there were not a 12-month period where equites were flat to down. As we have seen at the beginning of ’22 that may well happen as investors are focusing on the constriction that rising rates imply, coupled with geopolitical risk and dysfunction in Washington. But frankly, I think that is a bad bet. Because what may not be apparent to a casual observer, but that I am quite sure of, is that we have already gone through a very deep sectoral rotation in equity valuations. Yes, as I write this, the Nasdaq is down some 14% from its high, with the decline in the S&P 500 and Dow Industrials is around half of that. But big areas of the market that were former market leaders, are down more like 30-60%, and from my experience, that is often enough to create the market cleanse that needs to take place before long term bull markets can begin the next leg higher.

Our work as investors is of course to understand price levels in various parts of the market, looking for individual securities that are just too low versus the real economic opportunity embodied in their assets.

That is our main mission at ValueWorks, and this has been the process that has enabled us to keep delivering performance throughout market gyrations.

Thank you for your continued support and all the best for ’22.

-Charles Lemonides, CFA

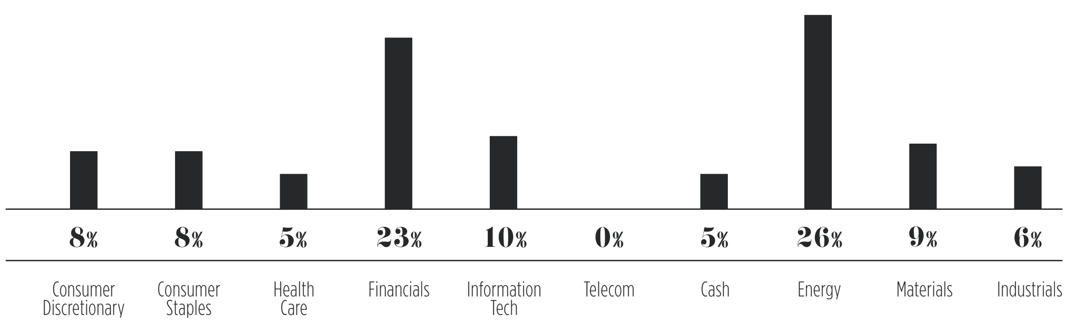
TOP 10 HOLDINGS

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

—As of 12/31/21—

*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.

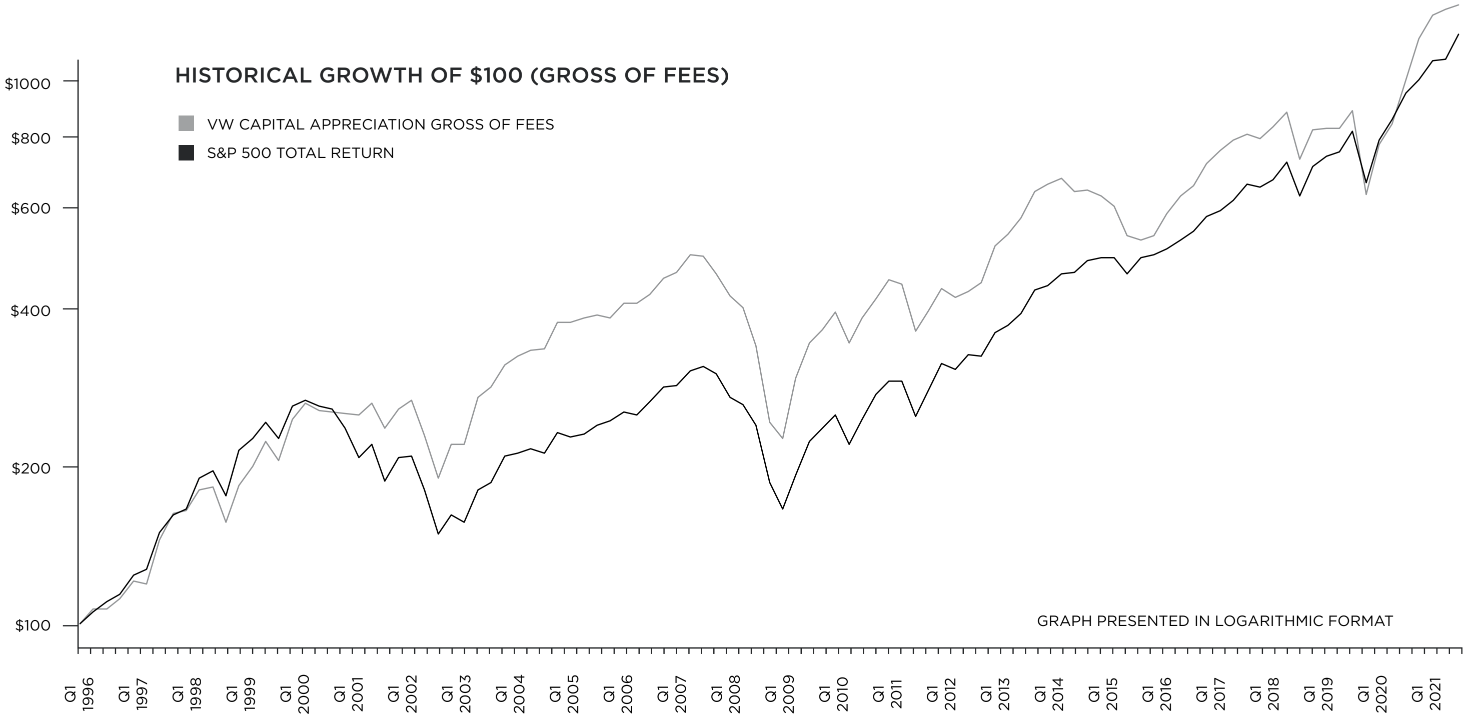
Objective

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

FOURTH QUARTER 2021 OCTOBER 1, 2021 - DECEMBER 31, 2021



TRAILING PERFORMANCE DATA

VALUEWORKS' CAPITAL APPRECIATION COMPOSITE

	GROSS OF FEES	NET OF FEES	S&P 500 TR
2021 Q4	2.24	1.93	11.03
2021 YTD	38.07	36.45	28.72
1 year	38.07	36.45	28.72
3 years	24.74	23.33	25.94
5 years	16.82	15.49	18.34
10 years	14.00	12.66	16.49
Life*	10.75	9.21	10.20

VALUEWORKS' BALANCED COMPOSITE

	GROSS OF FEES	NET OF FEES	BLENDED INDEX*
2021 Q3	0.48	0.15	5.57
2021 YTD	34.19	32.65	12.87
1 year	34.19	32.65	12.87
3 years	25.77	24.22	15.64
5 years	16.57	15.11	11.27
10 years	13.60	12.10	9.76
Life*	11.11	9.45	7.97

*Life is 26 years (inception 1/1/1996)

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.
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