



Financial markets have been in a consequential advance since the end of October. They seem to be reacting well to the combination of a growing economy, moderating inflation, and a normalization in interest rates. While we have been respectful of the risk of a pullback in the face of political uncertainty and tighter monetary conditions, we also recognize that after two years of trivial investment returns for the major averages, equity prices could well chug higher for an extended period without such a near term reversal.

While we are not overly exposed to the momentum-play and AI mania that drove the indexes, our portfolios continued to generate meaningful progress. While we may not have matched the 10% quarterly advance of the S&P 500, we were well ahead of the 2% advance of the Russell Small Value Index. More important to me, we earned solid returns for a three month period, and very solid returns over the past several years.

Meanwhile, there are plenty of indications that we have set the stage for a multi-year, extended advance that culminates in a major market peak. The productivity gains from implementing new technologies will not be seamless, but they are likely to be dramatic and long-lived. While it may not be clear how block-chain technology will reshape data management and the world of finance, it does seem to be a genie that has been let out of the bottle, and is simply at too big a scale to be irrelevant and fizzle to nothing. The opportunity in electrification of transportation and the further move away from fossil fuels will also be major economic drivers. And there is a real revolution that is happening in healthcare.

While those may be important long-term drivers, in the here and now, the economy is performing well. Job growth has been consistent, employment is high, and GDP is growing. This is happening in the context of interest rates that have finally been normalized. While

market pundits debate endlessly whether rates will be cut from 5 ½% to 4 ¾% by year-end, the more relevant fact is we are no longer anyplace close to zero. We have gotten here without a meaningful economic cataclysm. Part of that has happened of course because of the significant fiscal stimulus that is coming from the Federal Government. But while that may not be sustainable forever, it does seem baked into the cards for the next several years as the spending that has been approved makes its way into the real economy.

Competitive forces also seem to have taken their toll on inflation. With most covid-induced supply chain bottlenecks cleared, capacity constraints are having a smaller impact on final prices. The biggest exception is probably housing. To my eye, that represents a meaningful prospective positive. We have underinvested in housing for over a decade, and it has caught up to us. Increased construction spending on residential real estate can be significantly additive to economic growth over a multi-year period.

All that said, the geo-political picture is as troubling as it has been in quite some time. But it is not clear to me how that will serve to dampen

the US economy or financial markets. A similar case can be made relative to the US political outlook. Between now and the election, I can see investors on both sides getting cautious. But once that two-sided fear passes, I do not see the winner on either side being in a rush to make this party stop.

All that said, the advance from October has been torrid and is often sighted as a reason to be cautious. It is pretty uncommon for these types of advances not to be followed by a sharp correction. But it is not unprecedented. From late 1992 to late 1994, the S&P went virtually nowhere before torquing 20% higher over six months. For the next 18 months, it advanced another 50% with neither a meaningful retracement nor even a discernable pause. That may or may not be repeated, but it should not be discounted. Our strategy is to be prudently invested through any turmoil that comes, and position ourselves to participate in a longer-term advance.

—Charles Lemonides, CFA

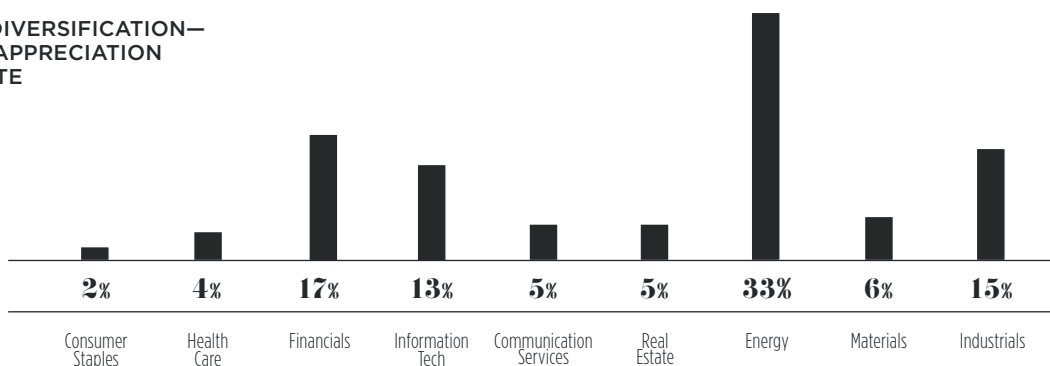
### TOP 10 HOLDINGS

1. Chord Energy Corp.
2. Micron Technology Inc.
3. Tidewater Inc.
4. Cheniere Energy Inc.
5. Qualcomm Inc.
6. Western Alliance Bancorp Pfd A
7. Air Lease Corporation
8. Goldman Sachs Group Inc.
9. Maui Land & Pineapple Co.
10. Hyster-Yale Materials Handling Inc. Cl A

—As of 3/31/24—

\*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*

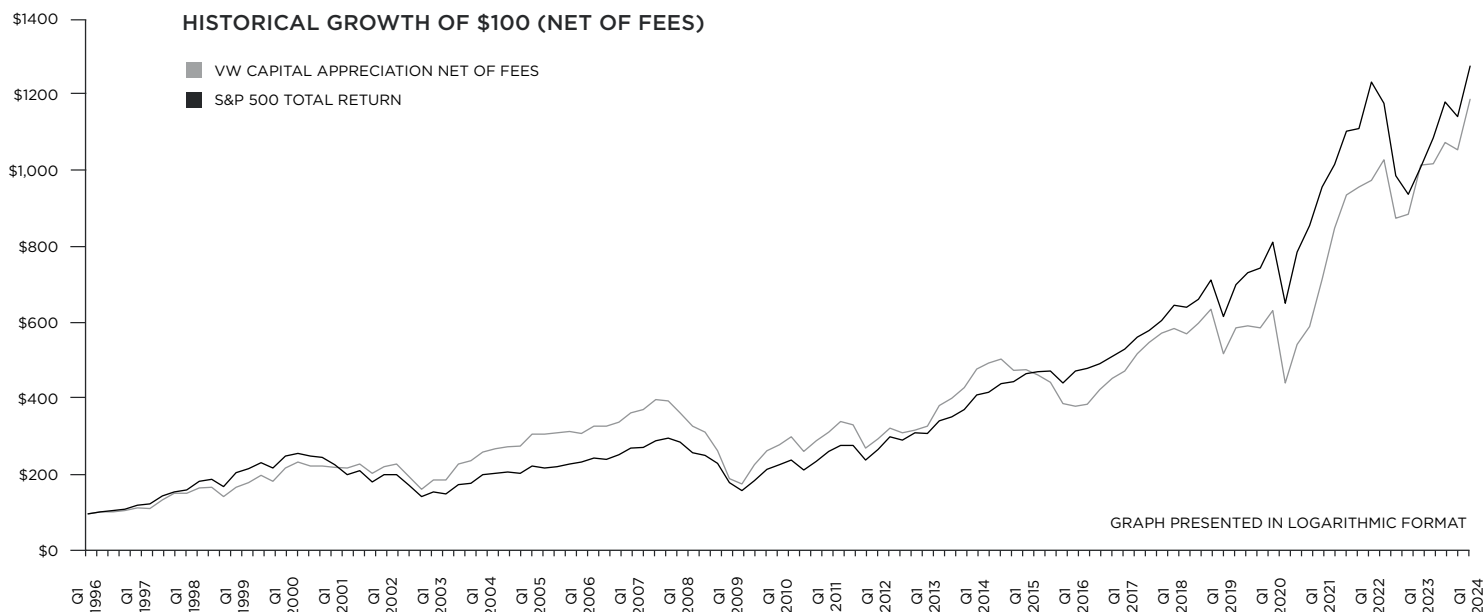
Our objective is uncomplicated, but achieving it requires a high level of research, expertise, discipline and independent judgment. By applying this framework consistently we remove emotion from the investment decision making process, enabling us to capitalize on inefficiencies built into the market.



# VALUEWORKS

## PERFORMANCE REVIEW

FIRST QUARTER 2024 JANUARY 1, 2024 - MARCH 31, 2024



## TRAILING PERFORMANCE DATA

### VALUEWORKS' CAPITAL APPRECIATION COMPOSITE

	GROSS OF FEES	NET OF FEES	S&P 500 TR
<b>2024 Q1</b>	6.30	6.00	10.56
<b>1 year</b>	24.95	23.54	29.87
<b>3 years</b>	15.36	14.04	11.50
<b>5 years</b>	17.83	16.49	14.98
<b>10 years</b>	11.07	9.78	12.90
<b>Life*</b>	10.95	9.43	9.87

### VALUEWORKS' BALANCED COMPOSITE

	GROSS OF FEES	NET OF FEES	BLENDED INDEX*
<b>2024 Q1</b>	5.53	5.20	4.92
<b>1 year</b>	25.29	23.78	15.18
<b>3 years</b>	15.12	13.62	4.52
<b>5 years</b>	18.81	17.30	7.90
<b>10 years</b>	11.26	9.80	7.31
<b>Life*</b>	11.29	9.63	7.41

\*Life is 28.25 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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