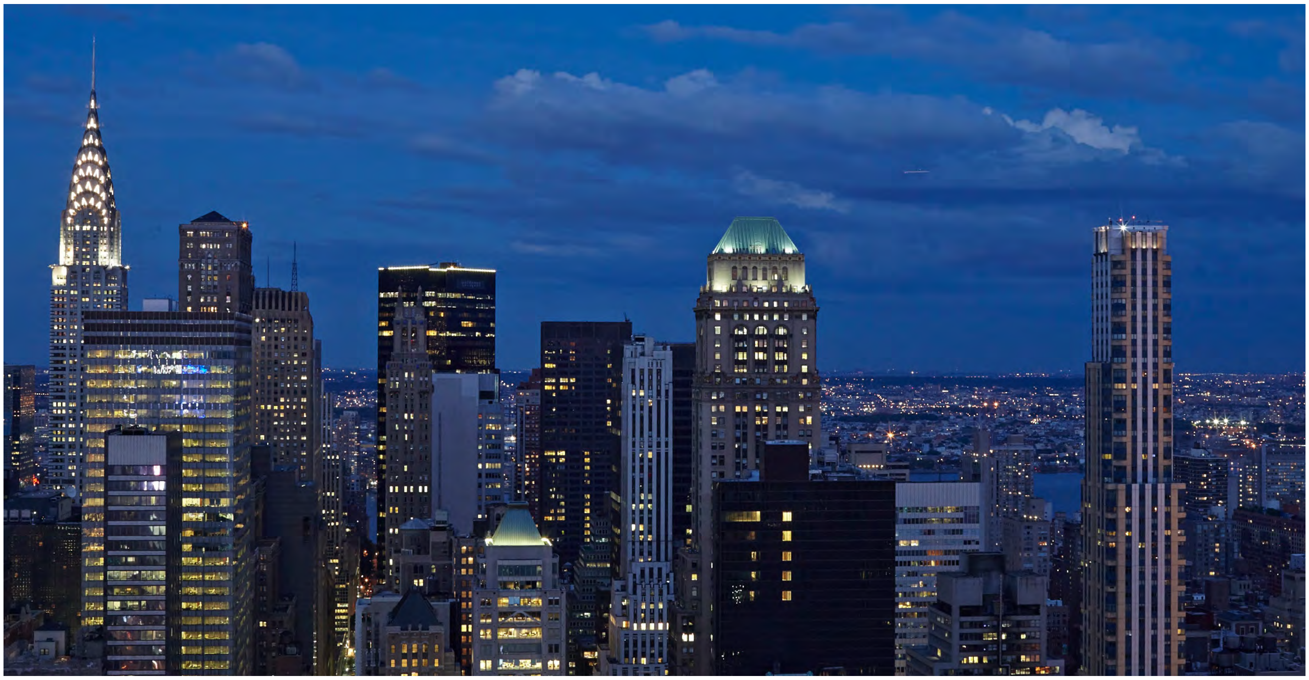
VALUEWORKS
QUALITY ASSETS COMPELLING VALUATIONS

VOLUME 13,1 FIRST QUARTER 2015



Our portfolios lagged the broad market through the first quarter. Generally the markets were nearly unchanged, with the S&P up 0.9%, the Dow up 0.3%, and the Russell Large Value Index down 0.7%. Our Capital Appreciation portfolios eroded by 2.8% (gross).

The investment outlook has changed significantly relative to the recent past. Consequently, our priority has been to realign our holdings to be exposed to the opportunities that are being created, and less exposed to those areas that worked up until now. Arguably, that repositioning has hurt our recent performance. I consider that a worthwhile trade off. Our experience has been that the right positioning for the next two to four years is more consequential than the right positioning for the next one to two quarters.

As the markets have worked their way to all time highs, the gains have been led by the highest quality, most fixed-income-like equity investments. These companies were by and large very attractively priced five-plus years ago. At that time they were considered risky, and were being shunned by investors, and we were building exposure to them. However, as they have led this market advance their valuations have gone from attractive to much more fully priced – and in plenty of places overpriced.

In the last quarter we exited 3M, which fits squarely into the high quality category. We purchased those shares in a very different environment: when they traded at close to 12 times earnings, with room for earnings growth and multiple expansion. The shares were not highly valued by investors. Since then earnings have grown at a healthy pace and investor preferences have changed. Their multiple has since expanded to 22 times trailing earnings, and the shares are now quite fully priced. Clearly there was plenty of volatility along the way, but it was worth enduring as the shares ultimately more than doubled and threw off a healthy dividend along the way.

We still have some exposure to these types of names. Eli Lilly, Pfizer, Boeing and American Express fit in that category. Those are investments that have performed quite well for us over several years. However, our approach is to scale back exposure to the names that have worked in the past, and redeploy capital into areas that are currently in more turmoil. The objective is to invest in areas that will work well in the future, not areas that have worked well in the past.

Our recent purchase of StarBulk Carriers Corp. is an effort to do just that. The dry bulk shipping industry (which transports basic commodities like iron ore and grains) is several years into a major cyclical downturn. Dozens of companies have gone bankrupt (including several that have subsequently been rolled into StarBulk), older vessels are being scrapped, and companies are struggling to meet their operating expenses. In this environment, we believe the market value of vessels has come down to much less than their replacement cost, and the price to own them by buying StarBulk stock represents a significant discount to that already discounted market value. Our expectation is that over the next several years the supply and demand for those vessels will come back into line and they will trade back to replacemenat cost, and we will see a share price of better than two times our cost.

National Oilwell and Bombardier are similarly positioned. These two recent purchases have been cast out by investors and are seen as having troubled prospects for an extended period. Our expectation is that these will be the investment darlings of 2016 or 2017. In the case of Bombardier, we expect their important C Class plane to be delivered to customers by this time next year, triggering much improved cash generation and perhaps launching a multi-year stock advance similar to our experience with Boeing once the Dreamliner problems were settled. National Oilwell has suffered as the oil price decline has triggered a slowdown in drilling. However, we expect drilling activity to stabilize and move higher even without an increase in oil prices. Given their current valuation, and where we see earnings for this company in 2016, our expectation is for a solid double in the share price before this cycle is over.

Near term, these three names contributed significantly to our underperformance in the last quarter. But the cost of being a bit early is worth paying. It positions us on the one hand to lessen the downside of being invested in yesterday's outperformers as they become tomorrow's problems, and to reap the rewards as today's challenges become tomorrow's investment darlings.

The portfolio is now quite diversified. We have created exposure in many different areas, with a wide range of very attractively priced securities. Consequently, the portfolio is positioned to participate in an advance driven by any number of investment themes. This is a particular benefit as we seem to be in a market moment where it is quite unclear what area or sector will drive near-term results. Of course this means that the portfolio will not perform as well as a portfolio built around the single market sector bet that does best. However, our objective is not to have the best results over a matter of several quarters. Our objective is to generate solid returns over many multi-year periods.

-Charles Lemonides, CFA

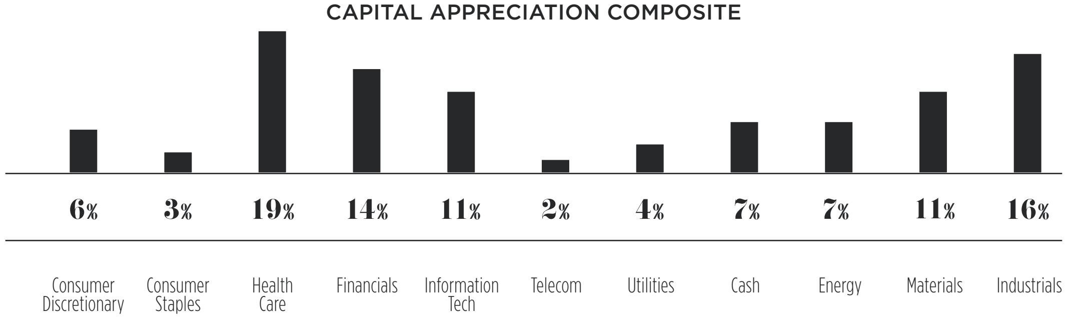
TOP 10 HOLDINGS

1. Boeing Company
2. Xerox Corporation
3. Calpine Corp.
4. American Express Co.
5. Eli Lilly & Co.
6. Boston Scientific Corp.
7. Dow Chemical Company
8. Pfizer Inc.
9. Legg Mason Inc.
10. Corning Inc.

—As of 3/31/15—

*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*

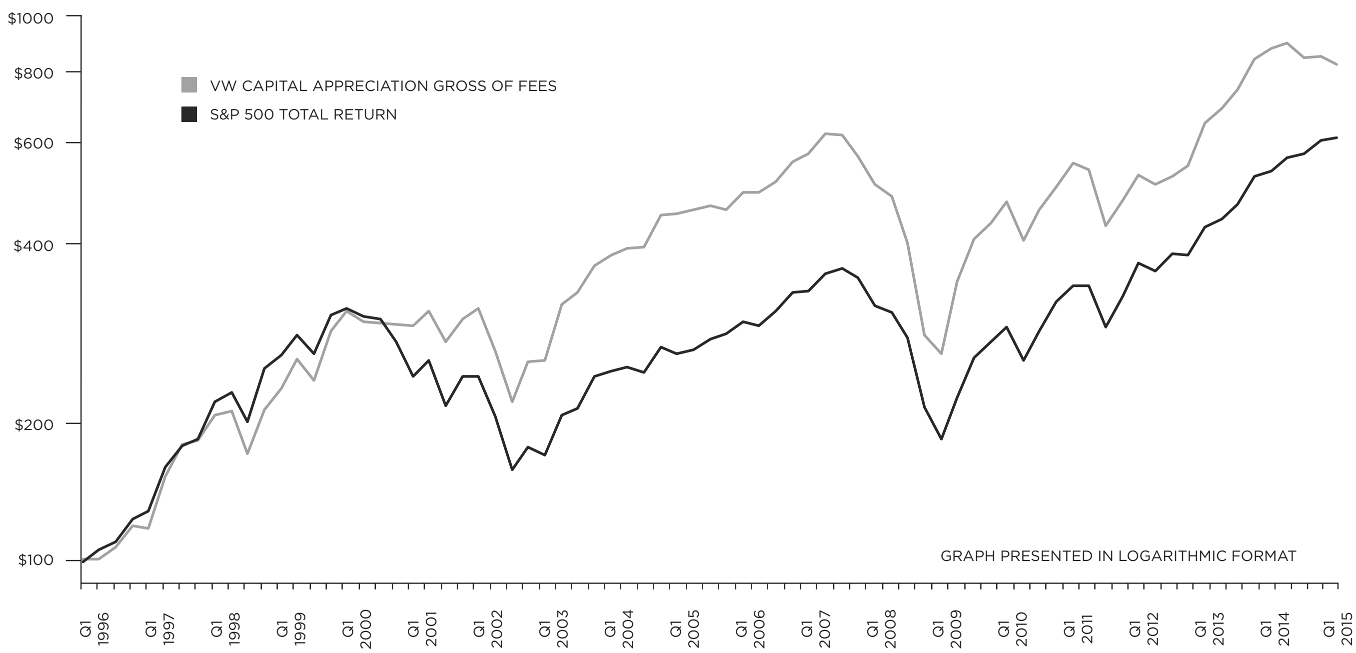
We exit a position when a security either reaches full valuation or changes in its outlook invalidate part of our original thesis.

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

FIRST QUARTER DECEMBER 31, 2014 - MARCH 31, 2015



TRAILING PERFORMANCE DATA

VALUEWORKS' CAPITAL APPRECIATION COMPOSITE

	GROSS OF FEES	NET OF FEES	S&P 500 TR
2015 Q1	-3.14	-3.14	0.96
1 year	-5.62	-6.49	12.74
3 years	13.95	12.65	16.11
5 years	10.26	8.94	14.40
10 years	5.48	4.13	7.98
Life*	9.96	8.36	8.48

*Life is 19.25 years (inception 1/1/1996)

VALUEWORKS' BALANCED COMPOSITE

	GROSS OF FEES	NET OF FEES	BLENDED INDEX*
2015 Q1	-1.74	-2.10	1.32
1 year	-1.66	-3.08	8.23
3 years	13.65	12.06	9.30
5 years	10.31	8.78	9.59
10 years	6.57	5.04	6.85
Life*	10.59	8.85	7.50

*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.

1450 BROADWAY, 42 FL, NEW YORK, NEW YORK 10018 T: 212.819.1818 F: 212.819.1463 VALUEWORKSLLC.COM info@VALUEWORKSLLC.COM