Environment

The quarter which ended in June was another interesting quarter. With markets rebounding very strongly after the first quarter sell off, the uptick was dramatic, if uneven. Year to date the broad Russell 3000 index was down only 3.5% suggesting that the consensus among investors is that the global pandemic has done very little damage to the economic outlook for the US and the world. As a non-economist, that seems a bit too optimistic. Perhaps the optimism is based on the extreme stimulus which is being applied by governments and central banks, but perhaps it is also due to the fact that the virus is in retreat in New York City as well as other financial capitals. We remain cautious since the virus has just moved on to other regions and is showing signs of great resilience. As we listen to the dislocations that are facing many people and many businesses, we are focusing on understanding how the world will change.

One thing which did not change is the continuing dominance of growth. It is dramatic. The Russell 200 Growth index was up 27.2 % for the quarter versus 18.9% for our benchmark, the Russell 2000 Value. We are very mindful that, while the Fund bettered our benchmark by 76 basis points, it is of very little comfort to investors. This disparity of performance between growth and value has been increasingly evident through this last decade. We have heard a number of explanations, many of which make sense. As we sit and look at the companies that we are invested in, we are convinced that we are soundly invested in stocks which have real investment merit. Studies like Robert Arnott's "Reports of Value's Death May Be Greatly Exaggerated", provide a detailed and convincing case that the disparity of valuation between growth and value has never, in the 57 years studied, been this great. Unfortunately, none of the commentators that we read can provide a clue about when this trend will reverse.

As an investor and analyst, I do love to play with numbers. I took a look at Tesla's valuation and it is lofty. First, a confession. I am a baby boomer, and as a boy I was obsessed with cars, looked forward to seeing the new cars at the New York Auto Show; was delighted to be able to look around in a shop in my neighborhood where they were restoring Duesenbergs; and attending the first US Grand Prix was a high point. The idea of Tesla is really exciting, something that new and old (electric cars and trucks did ply our roads in the early 20th century) is wonderful. I root for Tesla but wonder about an auto stock with revenues projected at $27 billion having a market cap of about ten times that. I couldn't help myself. I downloaded my trusty excel model and started to move forward using this year's consensus revenue growth of 11% and then following the analysts I took growth up to 40% in 2021 and then projected revenue growth at 40% per annum for another decade to 2031. That would take us to about $1.1 trillion in revenues. At that level, Tesla's global market share will be closing in on 10% of the world market. I moved the operating margins gradually to 4.0% and if we assume that the stock price rises at 10% per annum, we end with EPS of about $20.00 and a PE of about 250x. Fun with numbers, but please don't rush out and sell your Tesla stock, much less short it, but you can see that the enthusiasm still reigns, and also in the growth sector of the market. When that enthusiasm evaporates, as it always does, your diversification into small cap value will be rewarded.

We do hear the counter argument. This time is different. The companies which are now favorites are so powerful, so smart, so unbeatable. This does seem to echo statements we have heard before. Today's high flyers do not need to make terrible mistakes, investors just need to see growth slow to lose interest. Take Cisco for example. It was one of the great companies of the Dotcom era. Their services were, and continue to be very important. The company has continued to prosper and grow. Its operating margins are consistently north of 20%. But the stock is down about 30% from the $65.44 that it averaged in 2000. Their only fault is that revenue growth has dropped from 55% in 2000 to a single digit rate in recent years.

It is hard to opine about the economic outlook. In conference call after conference call we hear management explaining how they are adjusting their business but, virtually without exception, showing skepticism about the coming months. The continuing flareups of the virus, and the impact on trade, travel and supply chains makes them all cautious. We are taking the hint and continue to examine the companies that we own or are considering buying. We ask how will their customer react? Can they adjust their costs? Can they maintain price discipline? Do they have the resources to move their company forward? etc.

Portfolio Performance

Portfolio Factors

As we noted earlier, the Fund recovered with the market uptick a bit better than the benchmark. The outperformance can be attributed to allocation with the largest contribution from our very low exposure to Utilities and REITs. We cannot credit this to any tactical insight as we have always been skeptical of those companies. That gain was offset by a penalty for low exposure to Healthcare stocks. We were light with a 2.1% exposure in a sector that has a 6.6% weight in the benchmark. That sector enjoyed good growth with a return of 34%. Unfortunately, it was a sector where those who might have direct benefit from treating or preventing COVID -19 did very well but others were largely pushed aside. Our holdings were only up 5.7%.

We were successful in adding value in our two largest sectors (Financials and Industrials). Financials lagged the benchmark with only a 9.5 % return for the period. We think that investors are leery of the group because of the devastating surprises that banks delivered in the last recession. We believe that investors are not appreciating that regional banks have been more cautious and are better capitalized. We are pleased with the quality of our holdings and note that they did perform better than the index sector. Industrials were even better. We were about double the index weight and Industrial stock did a bit better than the index. Our selections did quite well with a gain of 25% compared to 20% for the Industrial sector.

Stock Selection: Contributors

Our best performers in the quarter were diverse with Consumer, Materials and Industrials all contributing. The best name was M/I Homes (MHO), a homebuilder. The interest in home buying held up surprisingly well during the lockdowns this spring. Others that did particularly well are Materion (MTRN), an innovative specialty metals business; Ameresco (AMRC), an engineering company specializing in alternative energy projects; ABM Industries (ABM), a leading janitorial company, and 1-800-Flowers (FLWS). We continue to hold each of those stocks.

Portfolio Contributors – Q2 2020

Security	Average Weight (%)	Contribution
M/I Homes, Inc.	1.97	1.90
Materion Corp.	3.01	1.87
Ameresco, Inc. Class A	2.88	1.50
Vista Outdoor, Inc.	2.37	1.30
1-800-Flowers.Com, Inc. Class A	1.65	1.21

Stock Selection: Detractors

The detractors were led by MTS Systems (MTSC), a builder of test systems. A number of recent acquisitions had left the company with excess leverage as the pandemic severely reduced demand for MTS's products. We have exited that position. We were also hurt by lower demand and lower prices in agricultural products and natural gas, factors which adversely effected the price of

Andersons (ANDE) and Southwest Energy (SWN). We continue to hold modest positions in both stocks.

Portfolio Detractors – Q2 2020

Security	Average Weight (%)	Contribution
MTS Systems Corp.	0.61	-0.63
Andersons, Inc.	0.59	-0.24
Southwestern Energy Co.	0.15	-0.19
Atlantic Power Corp.	1.65	-0.11
NBT Bancorp, Inc.	1.97	-0.09

Portfolio Changes and Positioning

We continued to tune the portfolio, removing holdings in companies where we were not comfortable with their ability to navigate this tumultuous period. We commented earlier about MTS Systems. Our decision to sell Comfort Systems (FIX) and Alamo Group (ALG) followed similar reasoning. Both had completed major acquisitions. Integrating major acquisitions is always a challenge but the volatile demand, fearful customers, occasional shutdowns and the impossibility of travel has compounded the challenges. We also sold Tanger Factory Outlet (SKT) as their tenants – mostly brand name apparel retailers - are all under great financial strain. And, we sold First Financial Bancorp (FFBC) as we saw

We added eight stocks. Three were in the Information Technology sector. They include Hackett Group (HCKT), a consultant which has proven expertise in helping companies upgrade their information technology systems and in helping them to apply these systems to systematically review their core business practices. We added Methode Electronics (MEI), a supplier of electrical and electronic components and systems to the auto makers, as well as PC Connections (CXCN), a provider of computer systems to smaller businesses. We also added four industrial companies (Albany International (AIN), HNI Corp. (HNI), American Woodmark (AMWD), and DXP Enterprises (DXPE). It is a diverse group with no common theme except that they are all well managed companies with strong balance sheets. We also added Southwestern Energy (SWN), a natural gas producer in the Appalachian region. Southwestern is financially strong and well hedged. We are convinced that the rapid decline in drilling in the US is setting up a scenario where production is likely to fall, enabling natural gas prices to recover.

We are pleased to report that the portfolio is heavily weighted towards well managed companies with strong balance sheets and good profitability.

Exhibit 1: Sector Allocation - % over/underweight vs. Russell 2000 Value Index

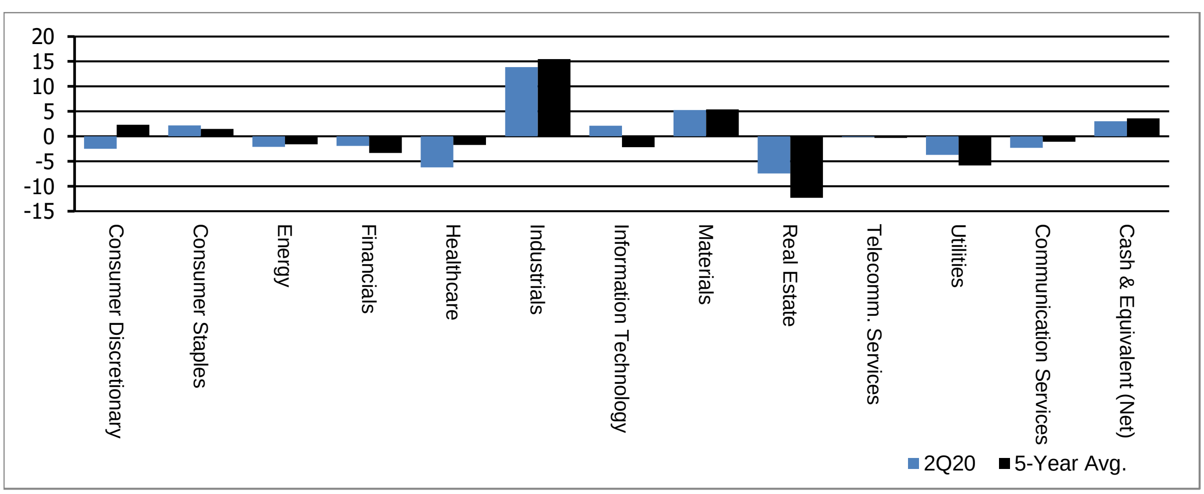

Exhibit 1 above highlights the fact that sector weight differentials between the Fund and the Russell 2000 Value Index benchmark have not changed greatly from today's levels versus the five year average.

Top Ten Holdings (%)

Materion Corp.	3.5
Darling International, Inc.	3.0
UMH Properties, Inc.	3.0
Stepan Co.	2.9
Universal Electronics, Inc.	2.8
Vista Outdoor, Inc.	2.8
Kelly Services, Inc. Cl A	2.7
Ameresco, Inc.	2.7
Great Lakes Dredge and Dock Corp.	2.7
ABM Industries, Inc.	2.6
Total % of Portfolio	28.7

Fund Characteristics

	Fund	Russell 2000 Value Index
Number of Holdings	60	1,439
Return on Equity[1]	10.4	5.9
Weighted Avg Market Cap (Millions)	$1,251	$1,641
Price/Book[2]	1.4	1.0
P/E using FY1 Estimate[3]	17.0	14.5
Long Term Debt/Total Capitalization[4]	24.6	36.7
Information Ratio (TTM)[5]	.47	-
Active Share[6]	95.3	-

Source: FactSet Research

Portfolio Performance

	Q2 20	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date
Walthausen Small Cap Value Fund: Investor Cl	19.38	-16.54	-6.05	-0.31	8.38	8.40	2/01/08
Russell 2000 Value Index[7]	18.91	-17.48	-4.35	1.26	7.82	4.98	
Walthausen Small Cap Value Fund: Institutional Cl	19.42	-16.35				-3.33	12/31/18
Russell 2000 Value Index[7]	18.91	-17.48				-4.30	

Total Expense Ratio: 1.30% for Institutional Class, 1.30% for Investor Class. Net Expense Ratio: 0.98% for Institutional Class, 1.21% for Investor Class. Expense ratio per the June 1, 2020 prospectus.

The Net Expense Ratio includes a waiver. The Advisor has contractually agreed to waive Services Agreement fees and Management Fees to the extent necessary to maintain total annual operating expenses of the Institutional Class shares and Investor Class Shares, excluding brokerage fees and commissions, taxes, borrowing costs (such as (a) interest and (b) dividend expenses on securities sold short), the cost of acquired funds and extraordinary expenses at 0.98% and 1.21% respectively, of its average daily net assets through May 31, 2021. The Advisor may not terminate the fee waiver before May 31, 2021. The Trustees may terminate the expense waiver upon notice to the Advisor. From the prospectus dated June 1, 2020.

Performance data quoted represents past performance and does not guarantee future results. Investment returns and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. The current performance may be lower or higher than the performance data quoted. Investors may obtain performance data current to the most month-end by calling (888) 925-8428. Periods over one year are annualized.

Disclosures

[1]Return on Equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity. ROE is a measure of how effectively management is using a company's assets to create profits.

[2]Price/Book measures the weighted average of the price to book value of all the stocks in the fund's portfolio, excluding companies with negative book values. Book value is the total assets of a company less total liabilities.

[3]P/E using FY1 Estimate is a ratio reflecting the amount of earnings estimated for next year per dollar of amount share price. For the fund, the individual P/E stock ratios are then weighted by their portfolio and market values to calculate a weighted average for the portfolio as a whole. Companies with negative earnings are excluded from the calculation. This ratio is not a forecast of the fund's future performance.

[4]Long Term Debt/Capitalization is a ratio that measures the proportion of long term debt used to finance assets, as a percentage of the firm's total capitalization.

[5]The Information Ratio is a measurement of portfolio returns beyond the returns of a benchmark, in this case the Russell 2000 Value Index, compared to the volatility of those returns.

[6]Active Share is a measure of the percentage of portfolio holdings that differs from the benchmark index.

[7]The Russell 2000® Value Index measures the performance of the small cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth sales.

[8]The Russell 3000® Index tracks the performance of the 3,000 largest U.S.-traded stocks which represent about 98% of all U.S incorporated equity securities

[9]The Russell Top 200® Growth Index measures the performance of the especially large cap segment of the U.S. equity universe. It includes those Russell 200 Index companies with higher growth earning potential.

An investment in the Fund is subject to investment risks, including the possible loss of the principal amount invested. The Fund invests in the stocks of small capitalization companies, which may subject the Fund to additional risks. The earnings and prospects of these companies are generally more volatile, and they may experience higher failure rates than do larger companies. Their stocks are subject to a greater degree of volatility, trade in lower volume and may be less liquid. Investment in the Fund is also subject to common stocks risk, value investing risk, sector risk, securities lending risk, and investment management risk. Fund holdings and asset allocations are subject to change and are not recommendations to buy or sell any security.

Investors should consider the investment objectives, risks, charges and expenses of the Fund carefully before investing. The prospectus contains this and other information about the Fund. You may obtain a prospectus by calling (888) 925-8428. The prospectus should be read carefully before investing. Distributed by Rafferty Capital Markets, LLC – Garden City, NY 11530, Member FINRA.

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