Environment

December ended a decade which will certainly be remembered as the decade of growth investing. The returns are astounding. The ten year return for investing in the Russell Top 200 Growth Index annualizes at 15.58%, while the Russell 2000 Value Index achieved only a 10.56% return. When investors face a difference of that magnitude for a year or two, sensible investors shrug it off as the cost of diversification. Every year, some asset classes will underperform but then it will quickly shift back. The pattern has long been set. We have always assumed that the academic research, which showed that small cap and value stocks have edged out large caps and growth stocks over the long term, would hold true. A decade is long term and this time small cap value hasn't rebounded. As the decade progressed, the dominance of large growth stocks over small value has accelerated.

The tide of large growth stocks has risen with hardly a pause. For 2019, the Russell Top 200 Growth Index was up an astounding 36.48%, leaving the Russell 2000 Value Index with a pitiful relative return of 22.39%. We know that King Canute was correct that humans cannot win a fight with the tides. That force of nature, including the forces of the market, can overwhelm and thwart well established patterns. Market shifts, as we must remember, are very powerful. The market shifts, surges, and collapses as circumstances, perceptions and expectations change.

Don't fight the tide! But don't we need to remember that tides come in and go out? Remember your Shakespeare: "There is a tide in the affairs of men, which taken at the flood, leads on to fortune. Omitted, all the voyage of their life is bound in shallows and miseries. On such a full sea are we now afloat. And we must take the current when it serves or lose our ventures."

So, the question remains are we at the flood tide? Are we at full sea? It is difficult to know since the gravitational forces which move the stock markets are more complex and unpredictable than the celestial forces which move the sea.

My personal, and self-interested, sense is that yes, we are at the full sea. We have had a decade of money flowing into growth companies, many of which are young and unseasoned. A number of these companies have run adrift as, one by one, the market has taken a look at companies such as Uber, Lyft & Peloton and found them wanting. It is not just the unicorns as they endeavor to mutate from mythological concept to public company, but well regarded growth companies like Facebook, Amazon and Boeing that have all come under very intense criticism by the press and during congressional hearings.

Performance Review

<u>Portfolio Factors</u>

By most measures, the equity markets had an exceptional 4th quarter capping a year of remarkably strong returns. I'm happy to report that the 4th quarter was a similarly strong period for the Select Value portfolio in terms of both absolute returns, as well as relative returns versus both the Russell 2500 Value benchmark, and the secondary Russell 2000 Value benchmark. For the quarter and annual periods, the strong relative performance was due to superior stock selection. During the recent quarter, strong stock selection was most noteworthy in the Consumer Staples and Information Technology sectors. Real Estate and Utilities were the poorest performing benchmark sectors during the quarter which is a notable change from the strength that they displayed during the previous nine months. Our significant underweight to both of these sectors was a notable contribution to our outperformance.

<u>Stock Selection: Contributors</u>

The strongest performer during the quarter was Kemet Corporation (KEM), a manufacturer of passive electronic components, primarily capacitors. We had noted that the weak pricing in the capacitor market of the past 18 months seemed to be inflecting positively and have known KEM to be a quality company in this industry. KEM was an unusual performer for us as we had just initiated a position in the portfolio at the beginning of the quarter and by quarter's end, a larger competing component manufacturer, apparently seeing a similar valuation scenario as us, acquired the company for an attractive premium. A three month turnaround on an investment is not our usual modus operandi but we are not one to stare back at a gift horse. Darling Ingredients Inc. (DAR) was our second best contributor for the period and a name that we have talked about previously in the contributors section. Darling is a leader in converting edible and inedible fats and proteins into a wide range of organic ingredients and specialty products for customers in the pharmaceutical, food, pet food, feed, fuel, bio-energy industries. However, their strongest business currently is their joint venture with Valero Energy to produce renewable biodiesel. DAR brings their fats and grease collection and processing know-how to the venture while Valero brings its refining and distribution capabilities. With the addition of regulatory requirements to increase the use of more environmentally favorable fuels such as renewable diesel, a very strong business has resulted. Adding to the strong returns of this business was the decision in the recent quarter by congress to extend the Biofuel Tax Credit (BTC) scheme of which DAR will be a significant beneficiary. All of this contributed to a very strong push in the share price of DAR. Other strong contributors during the quarter were Oshkosh Corporation (OSK), ITT Inc. (ITT), and Wyndham Destinations, Inc. (WYND).

Portfolio Contributors – Q4 2019

Security	Average Weight (%)	Contribution
KEMET Corporation	2.90	1.41
Darling Ingredients, Inc.	3.08	1.25
Oshkosh Corporation	3.32	0.84
ITT, Inc.	2.96	0.59
Wyndham Destinations, Inc.	3.99	0.51

<u>Stock Selection: Detractors</u>

MDC Holdings, Inc. (MDC) was the leading detractor during the 4th quarter. You may recognize this homebuilder from previous Select Value performance review pieces; however, it was most recently in the contributors section. This homebuilder, who is moving more of its business to the entry level home segment, the segment of the market where demand is currently greatest, continues to fundamentally perform well. The number of homes sold, and the profitability margins, are all at levels that we have been expecting. However, after a very strong run-up in the shares through the year, the market was expecting third quarter results to ‘surprise’ to the upside. When this didn’t happen, selling pressure ensued causing a pullback in the share price. Despite this, MDC was still the third best performing stock in the portfolio for the year and we are holders of the stock as we expect to see further strength in the homebuilding industry. Though a small position, Carrizo Oil & Gas, Inc (CRZO) was our second worst performer, despite the fact that it was bought out during the period by former portfolio holding, Callon Petroleum (CPE). Our challenges with investing in the E&P sector of late have been much discussed in these reviews, and it is fair to say that our absence from this industry over the past few months has been beneficial. As a final note to the overall strength seen during the 4th quarter, I find it interesting that three of the ten lowest contributors to performance actually had a positive return for the period. Further, two of the ten, MDC and EMCOR Group (EME) are in the top ten contributors for the year.

Portfolio Detractors – Q4 2019

Security	Average Weight (%)	Contribution
M.D.C. Holdings, Inc.	3.63	-0.45
Carrizo Oil & Gas, Inc.	0.47	-0.15
American States Water Co.	2.90	-0.07
Commerce Bancshares, Inc.	0.32	-0.05
LCI Industries	0.84	0.05

Portfolio Changes

During the quarter, we disposed of five securities and added five to the portfolio. Consistent with our more recent negative view of the E&P industry, Carrizo and Southwestern Energy (SWN) were sold from the portfolio. Dave & Buster’s (PLAY) was removed after we concluded that the challenges of their business were greater than management’s ability to effect change. Vishay Intertechnology, Inc. (VSH) was sold in exchange for KEM, where we thought we saw a greater ability to take advantage of the inflection in capacitor pricing. Commerce Bancshares Inc. (CBSH) was sold after a successful holding period, as we believe we have found better opportunity elsewhere.

Kirby Corp. (KEX) an industrial, Sterling Bancorp (STL) a financial, Industrial Logistics Properties Trust (ILPT) a REIT, and AMN Healthcare Services Inc. (AMN) and Merit Medical Systems Inc. (MMSI), both healthcare companies, were added during the quarter. KEX is in the barge business which has seen a multi-year period of soft pricing that we see coming to an end. STL is a New York City bank that has undergone a significant transformation after acquiring the thrift Astoria Financial in 2017. The market, perhaps wisely, stepped away from STL shares to wait and see if management was capable of managing the combination of the organizations as well as the transformation of the loan portfolio. After two years of effort, we believe that the signs of success are apparent and current valuation is attractive. ILPT is an industrial property REIT whose assets are primarily in Hawaii. The HI real estate market is somewhat unique and it appears to us that the market is underestimating how powerful the roll of lease expirations can be. AMN primarily provides nursing workforce solutions for healthcare facilities. Where they were once simply a staffing company, they are now a solutions provider whose work is much more integrated with the customers operations. MMSI is a manufacturer of medical devices most often used in the operating room. After a very solid run over several years, the company disappointed the market by missing margin and growth expectations. We see MMSI overcoming these recent challenges and getting back to their more recent growth rate and market valuation.

Portfolio Positioning

We are continuously challenging ourselves regarding the current portfolio make-up too see if there are better alternatives out there. We are satisfied that we have put together a portfolio of quality companies where we carry valuations that, in most cases, are below that of the benchmark, while having return metrics and growth expectations that equal or better the benchmark, all the while carrying less leverage.

Exhibit 1: Sector Allocation - % over/underweight vs. Russell 2500 Value Index

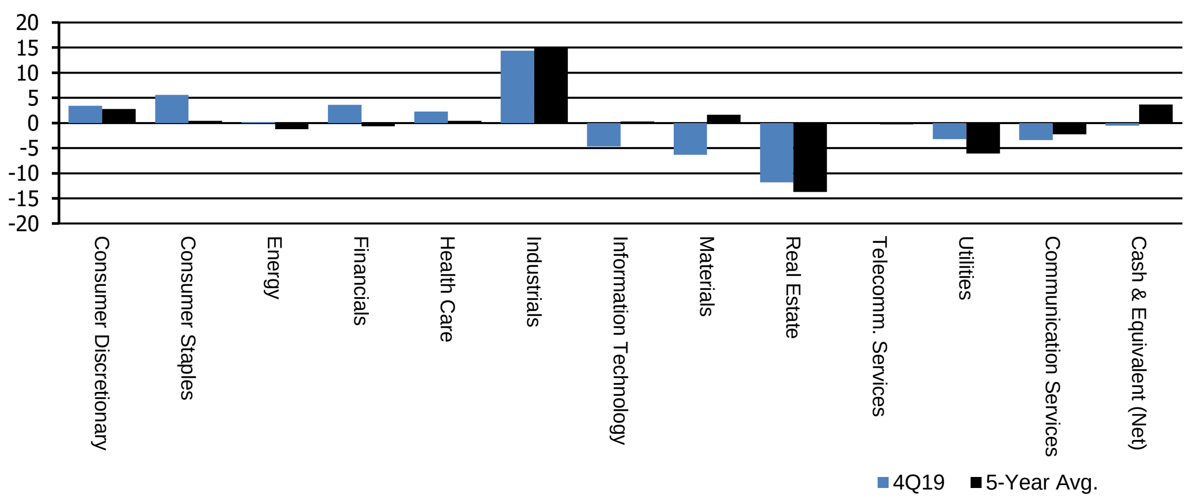

Exhibit 1 above highlights the fact that sector weight differentials between the Fund and the Russell 2500 Value Index benchmark have not changed greatly from today's levels versus the five year average.

Walthausen Select Value Fund

Quarterly **Fund Commentary**

Ticker Symbols: Institutional Class WSVIX | Retail Class WSVRX

As of December 31, 2019

Top Ten Holdings (%)

Wyndham Destinations, Inc.	4.3
World Fuel Services Corp.	4.3
NCR Corp.	3.7
PacWest Bancorp	3.6
Columbia Banking System	3.5
Darling International, Inc.	3.4
McGrath RentCorp	3.4
Hub Group, Inc. – Cl A	3.4
Kirby Corp.	3.4
Amerisafe, Inc.	3.3
Total % of Portfolio	36.3

Fund Statistics

	Fund	Russell 2500 Value Index
Number of Holdings	32	1,804
Median Market Cap (Millions)	$3191.8	$1084.0
Weighted Avg Market Cap (Millions)	$3706.5	$5392.4
Price/Book[1]	2.1	1.6
P/E using FY1 Estimate[2]	15.4	15.6

Source: FactSet Research

Portfolio Performance

	Q4 19	1 Year	3 Year	5 Year	Since Inception (12/27/10)
Walthausen Select Value Fund: Institutional Class	9.31	28.98	9.21	6.68	10.01
Walthausen Select Value Fund: Retail Class	9.21	28.64	8.91	6.41	9.72
Russell 2500 Value Index[3]	7.07	23.56	6.12	7.18	9.79
Russell 2000 Value Index[4]	8.49	22.39	4.77	6.99	9.00

Total Expense Ratio: 1.35%. Net Expense Ratio: 1.10% for Institutional Class, 1.35% for Retail Class. Expense ratio per the June 1, 2019 prospectus.

The Net Expense Ratio includes a waiver. The Advisor has contractually agreed to waive Services Agreement fees to the extent necessary to maintain total annual operating expenses of the Institutional 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 1.10% of its average daily net assets through May 31, 2020. The Advisor may not terminate the fee waiver before May 31, 2020. The Trustees may terminate the expense waiver upon notice to the Advisor. From the prospectus dated June 1, 2019.

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]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.

[2]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.

[3]The Russell 2500® Value Index measures the performance of the small cap value segment of the U.S. equity universe. It includes those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth sales.

[4]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 values.

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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Contributors and detractors performance data and analytics provided by FactSet. To measure performance for periods when portfolio holdings change, portfolio analysis calculates the security weights and returns on a daily basis, then geometrically link returns across the measurement period.