Walthausen Select Value Fund

Quarterly **Fund Commentary**

Ticker Symbol: Institutional Class WSVIX | **As of September 30, 2020**

Environment

The third quarter of 2020 was filled with many challenges and cross currents that went mostly unresolved. The aftermath of the George Floyd killing dominated social discussion that involved the business community in a way not experienced previously. How business will change from this is uncertain. The election season went full throttle and the number of contested races seemed to surprise many. We will have to wait until November for the results. Another chapter of fiscal stimulus was bantered about ad nauseum though no program was brought forth. Should schools open in the fall, and if so how should it be done. Some did, others didn't, and for each scenario there were successes and failures. The list goes on.

The small cap market in many ways emulated this back drop with a modest increase in July, a strong increase in August, followed by a sizable decline in September. There are many market prognosticators who argue that the equity market is in a bubble as it has gone up during a period that had the biggest one quarter decline in GDP in our lifetimes and a very uncertain economic period ahead of us. Others will say that the market had its dramatic pull back, analysts' revenue and earnings expectations were reined in, and that there were many better than expected 2Q earnings reports during the third quarter. The top down group has arrived at a significantly different conclusion than the bottoms up crowd.

How does this all come together? The truth is, I don't know. We are dealing with a pandemic; something that no one in the markets has ever dealt with before, and is without an analogous situation to use as a guide. With that as our primary backdrop, it's not surprising that "unresolved" is the common denominator of the many challenges before us. During times like these we find it most useful to tune out the noise and go back to basics. For us, we will double down on our research to be sure we fully understand the business of each company we invest in so that we may find those that are best prepared to handle the challenge of the uncertainties that lie ahead.

Portfolio Performance

Portfolio Factors

Third quarter performance for the Fund was lackluster as performance lagged the Russell 2000 Value Index benchmark. A common denominator to explain the challenge of the quarter is hard to find. For example, our worst performing sector included our second-best performing holding.

Our poorest performing security for the quarter was Kirby Corporation (KEX). Kirby is the largest tank barge company in the US and is a company that we have known for years. Pricing in the barge industry is cyclical and we know from experience that when the cycle begins to turn up, Kirby has the ability to report strong earnings growth. About a year ago, we saw indications that pricing was inflecting upward and felt the time was right to invest. When the pandemic hit, we believed that the fundamentals of the industry upturn were still with us. What we missed was just how hard the pandemic would affect volumes in the petroleum industry, one of their primary customer segments. The dramatic downturn of petroleum volumes caused an about-face in pricing invalidating our investment thesis. We have moved away from this investment, though we are still fans of the company and will be watching the industry for improving fundamentals.

Four of the bottom ten performers were banks, and while this is disheartening, we believe there to be a lot of opportunity in these investments and the industry in general. Based on their Price to Tangible Book Value multiples, a metric used by many to value banks, the banking industry is trading at valuations last seen during the great financial crisis in 2007-2009. The characteristics of the banking industry today are vastly different from a decade ago. Capital levels of the industry are higher, regulatory oversight has been greater, and where they were the bad actors that took us into the last recession, they have been playing an important role helping their clients get through this one. We see the valuation parallel to the past recession to be an over reaction presenting us with strong opportunities.

Stock Selection: Contributors

Darling Ingredients (DAR), a rendering company, was our best performer, powered by the markets recognition of the strong results in its renewable diesel joint venture. M.D.C. Holdings (MDC), a homebuilder we wrote about last quarter, was again another strong performer. Casey's General Stores (CASY) was our third best performer. Casey's is a motor fuel retailer/convenience store operator. The company has been challenged by the volume decline in the fuel industry that we referenced when discussing Kirby previously. However, they have been able to expand their profit margin sufficiently to compensate for this.

Portfolio Contributors – Q3 2020

Security	Average Weight (%)	Contribution
Darling Ingredients, Inc.	3.60	1.32
M.D.C. Holdings, Inc.	3.01	0.89
Casey's General Store, Inc.	2.77	0.47
Moog, Inc. Class A	2.66	0.44
Tapestry, Inc.	2.68	0.39

Stock Selection: Detractors

Kirby Corporation has previously been discussed as our poorest performer. Columbia Banking System, Inc. (COLB) was our second worst performer. Columbia is a very strong bank franchise in Washington that has been performing well but got caught up in the industry downdraft. World Fuel Services, Inc. (INT) was our third poorest performer as this fuel broker was challenged by a significant drop in volumes in the airline industry.

Portfolio Detractors – Q3 2020

Security	Average Weight (%)	Contribution
Kirby Corp.	2.01	-0.80
Columbia Banking System, Inc.	3.30	-0.49
World Fuel Services Corp.	2.60	-0.39
PacWest Bancorp	2.79	-0.38
Onto Innovation, Inc.	3.16	-0.35

Portfolio Changes and Positioning

During the quarter we added two holdings to the portfolio. Triton International (TRTN), a cargo container leasing company, and Axis Capital Holdings (AXS), a primary insurance and reinsurance company. Removed from the portfolio was AMN Healthcare (AMN), a nursing services company that was written about last quarter for its poor performance It was sold as we saw the pandemic related challenges to the healthcare system too great of a headwind at this time.

In the aggregate, the valuation characteristics are very similar to those of the benchmark. The LT Debt to Capital leverage ratio is well below the comparable measure of the benchmark while the Return on Assets and Return on Equity are well above. We are quite satisfied with the composition of the portfolio presently and are excited by potential opportunities that are beginning to appear in the market.

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

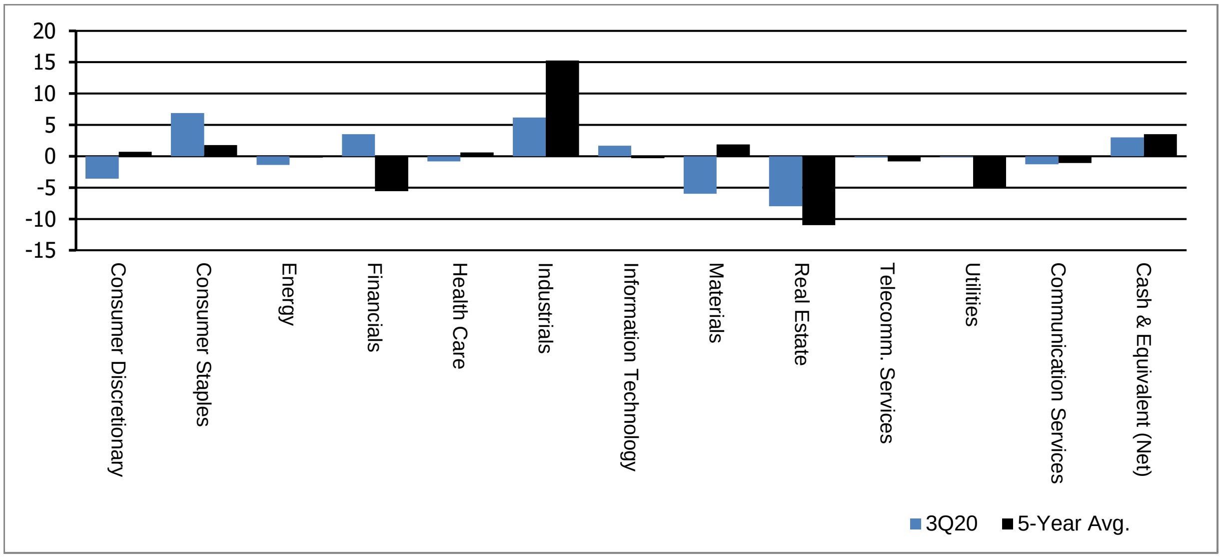

Exhibit 1 above highlights the fact that sector weight differentials between the Fund and the Russell 2000 Value Index benchmark have not changed greatly from today's levels versus the five year average.

Top Ten Holdings (%)

Darling Ingredients, Inc.	3.7
Industrial Logistics Properties Trust	3.6
Encompass Health Corp.	3.5
Axis Capital Holdings	3.4
EMCOR Group, Inc.	3.4
Essent Group Ltd.	3.3
WSFS Financial Corp.	3.3
Columbia Banking System	3.1
ITT Inc	3.1
Amerisafe, Inc.	3.1
Total % of Portfolio	33.5

Fund Characteristics

	Fund	Russell 2000 Value Index
Number of Holdings	34	1,459
Return on Equity[1]	12.8	4.7
Weighted Avg Market Cap (Millions)	$3,184	$1,862
Price/Book[2]	1.4	1.1
P/E using FY1 Estimate[3]	16.0	13.3
Long Term Debt/Total Capitalization[4]	27.3	39.3
Information Ratio (TTM)[5]	.46	-
Active Share[6]	95.8	-

Source: Factset Research

Portfolio Performance

	Q3 20	1 Year	3 Year	5 Year	Since Inception (12/27/10)
Walthausen Select Value Fund: Institutional Class	0.85	-14.13	-3.06	3.28	6.54
Russell 2000 Value Index[7]	2.56	-14.88	-5.13	4.11	5.63
Russell 2500 Value Index[8]	3.54	-12.62	-2.69	4.65	6.76

Total Expense Ratio: 1.35%. Net Expense Ratio: 1.10%.
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 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, 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/Total 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 values.

[8]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.

Return on Assets is an indicator of how well a company utilizes its assets, by determining how profitable a company is relative to its total assets.

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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