Environment

What a relief! After complaining for way too many quarters, after citing articles proving that the dominance of large cap growth stocks was unsustainable, we were more than a little delighted to see the small cap value stocks perform very well. The numbers are in fact startling. The Russell 2000 Value Index, the Fund's benchmark, was up 21.2%, besting the Russell 2000 Growth Index, which appreciated by 4.9%, and the Russell Top 200 Growth Index, which was up only 1.3%. This dramatic turn raises the question of whether this was a onetime event or whether it is a harbinger of a period of dominance by small cap value stocks. I am certain that you will enjoy some very well documented commentary on this question but I must warn you that two critical elements in statistical analysis are missing. In the market, all other things are not even close to equal and the number of past examples of dramatic long term divergence between growth and value and large and small cap are very few. That said, our observation has been that after prolonged periods of growth dominance, for example, the Dot Com Bubble in 2000 or the Nifty 50 phase in the 1960's and early 1970's, small cap value has historically enjoyed long periods of very good performance.

We are amazed at how well this country has handled the economic dampening from the pandemic. The level of economic activity dropped like a stone a year ago and has since been rapidly rebuilding momentum. There is no question that this rebound owes a lot to the quick reaction by companies which, though working at home and modifying their operating procedures, have done wonderful things in slowing the spread of infection. This has all been aided by the stimulus in the Cares Act and its successors. Those laws poured trillions of dollars into the economy. That was all reinforced by the successful efforts of the Federal Reserve Bank and the Treasury Department to keep interest rates low and the credit markets buoyant. This all worked. Banks kept their lending open, and placement of new debt offerings and new equity issues continue to be very healthy. Consumer spending came back quickly but it was redirected from travel and entertainment to buying homes, electronic devices and outdoor recreation equipment. With the continued stimulus, we think that demand will continue to be strong and the economy will expand; although we continue to mull how the economy and stock market will transition as the fuel provided by the stimulus spending is consumed. We are now seeing rates on longer term debt (the 10-year treasury bond) moving up sharply. We are seeing signs of rising inflation. We are also seeing demand for homes, automobiles, boats, etc. exceeding available supply. All of this suggests that the economy is in a healthy spot. In our conversations with management, we are hearing about their increasing acquisition appetite, a resumption in capital spending, difficulty in adding workers, shortages of semiconductors and other electronic parts, and rising costs of transportation and raw materials. While managements are energetically moving to expand their firms, we are also seeing a fairly high level of insider stock sales. On the surface, this seems like a contradiction, but we think that it is an acknowledgement that, with the economy expanding at a good rate, interest rates are likely to climb, and with that, the equity markets, already at precariously high levels, are likely to slow a bit.

In this environment, we think that our strategy of seeking stocks which the market finds uninteresting, but where we can discern clear evidence that better than expected earnings growth is likely, is a strategy that should do especially well in the next several years. When you compare our Fund to the statistics of our benchmark, one of the consistent and outstanding differences is that our companies have a return on invested capital that is well in excess, generally about two times, of the benchmark. It is that return on invested capital which provides the capital which allows these companies to grow. We notice from the data at the end of the March quarter that the difference is larger than usual. Looking at return on equity, the Fund portfolio is at 9.3% but the benchmark is in a negative 1.7%. In essence, if we look at the benchmark as a single company, it is losing money. When we look at the data for the year to date, we note that the benchmark calculation includes a price to earnings ratio for only two-thirds of the companies in the index; they calculate these ratios by looking only at companies with positive earnings. As we noted earlier, the pandemic crisis was handled very well by most companies as it was short and financing remained low cost and widely available. However, we must note that investing in the benchmark brings you a portfolio with a large number of stocks that are falling way short of earning their cost of capital, and are in fact struggling because of a lack of earnings. When we look at it from a valuation basis, we note that price to book value and price to sales ratios, the weighted harmonic average for the Fund is right in line with the benchmark. We like that! With the Fund, you get good companies with great prospects for growing value at a price that is no more than you would pay for a random collection of companies, many of them lacking an ability to survive without the infusion of new capital.

Portfolio Performance

Portfolio Factors

After the very poor performance in the fourth quarter, we were pleased to see the much improved relative performance versus the benchmark, which as mentioned earlier, had a very good quarter. Our allocation study shows that stock selection was the driver of that performance. The sector allocation effect saw a slight negative due to a 64 basis point penalty from holding cash; 2.2% of the portfolio on average over the quarter. Our portfolio allocation among sectors was fairly typical for the Fund with an overweight in Industrials and underweight in Utilities and Real Estate. The overweight in Industrials had a modest penalty but fortunately it was more than offset by successful performance of our selections. The underweight in Real Estate and Utilities helped, adding in total more than 100 basis points. That was amplified by successful selections. We were most challenged in Energy and Consumer Discretionary. These were the two best performing sectors and we were meaningfully underweight in both of them. Our energy selections were concentrated in natural gas exploration and production companies which have attractive reserves in the gas rich Marcellus play, and where we can see that they are well positioned to work through periods of low prices. They did very well but the petroleum producers' stocks shot up even faster as a recovery in oil prices allowed them to navigate near bankruptcies or reorganizations. We were also too cautious on the Consumer Discretionary names. While our selections did marginally better than the 33.8% gain in the benchmark sector, we were at only about 60% of the benchmark weight. We were frankly amazed at how powerful the consumer's ability and desire to spend was. Of note was a good add to performance by Financials, Information Technology and Materials. Financials for us are mostly banks and we quite correctly assessed that investors were not fully appreciating that the banks were in a much better position than they had been going into the Great Recession in 2007-2009, and that the combined support efforts of the federal government would allow them to navigate through the crisis virtually unscathed. That worked out well for the banks that we hold. Information Technology saw an interesting turn around. We have in recent quarters suffered in this sector as the stocks which we hold lack a whiff of extraordinary revenue growth potential. We had selected our stocks for relatively consistent/superior returns on capital, attractive valuation and the potential for faster growth and even better returns. That strategy, which was out of favor last year, paid off this quarter when growth fell out of favor. The net result is that while the benchmark sector lagged with only a 14.7% return, our selections showed almost double that with a 27.5% return. Even though we had a weight almost twice the benchmark, the IT sector added over 100 basis points to our relative performance. The benchmark's Material's sector performed about in line with the full index. We were meaningfully underweight with a 2.3% weight versus 6.4% for the benchmark. Even so, via successful selection, we added 50 basis points in that sector.

Stock Selection: Contributors

The top five performers were diverse with a container leasing company, a contract manufacturer, a regional bank, a discount retailer and a business supplies and services company leading the way. Our biggest contributor was Textainer (TGH), a leading lessor of shipping containers. Textainer and the other leasing companies buy and then lease containers to the owners and operators of the enormous ships which carry the containers across the seas. As trade continues to grow, the demand for containers continues to expand. While the advent of the pandemic created a short moment of uncertainty, it quickly became apparent that while the world was closing down, trade was so crucial to the world economy, it quickly picked up. In fact, the demand for containers has in recent months expanded so that Textainer has been able to get very favorable rates on lease renewals and on new containers. The beauty is that with many containers now going on leases of 10 years or more, the financial benefits of the current situation will persist for a decade. The next best performer was Bryn Mawr Bank (BMTC), a well-regarded trust company in the Philadelphia suburbs. It has agreed to merge into WSFS Financial Corp. (WSFS), a Wilmington Delaware based bank. We are in the process of reducing that holding. The third best performer is Kimball Electronics (KE). This contract manufacturer was spun off from Kimball International, a southern Indiana based company previously well known for home organs and pianos. The new management team has developed the firm in a very creditable way, gaining positions in medical, automotive and industrial markets. The stock has responded well to their successes. The fourth largest contributor was Big Lots (BIG), a growing discount retailer. They are doing well as consumers continue to search for bargains. Meanwhile, Big Lots grows, as space becomes widely available at favorable lease rates as older retailers pull back or disappear. The fifth biggest contributor was Kulicke & Sofia (KLIC), a company which is a leader in ball bonders and wedge bonders, devices which are critical in assembling semiconductors into electronic devices. Surging demand and innovative products are resulting in accelerating revenue growth and better margins and a rising stock price.

Portfolio Contributors – Q1 2021

Security	Average Weight (%)	Contribution
Textainer Group Holdings	2.58	1.15
Bryn Mawr Bank	1.87	1.02
Kimball Electronics	1.94	1.00
Big Lots	1.90	0.93
Kulicke & Soffa Industries	1.97	0.91

Stock Selection: Detractors

The largest detractor was Perdoceo Education (PRDO), a provider of career education leading to degrees or certification in business, nursing, etc. The company is doing well and the stock is very inexpensive but it has been stagnant during the quarter as investors wait to see what the policies of the new administration will be regarding for profit schools. We also saw flat stock prices in two long term holdings, Allied Motion (AMOT) and Landec Corp. (LNDC). In both cases we see that the management groups are successfully positioning the companies for meaningful future growth and so continue to hold the positions. We did exit two positions which we felt were fully priced, Materion (MTRN) and Silgan (SLGN). So far, we have had no reason to regret the sale though we do consider them both good companies.

Portfolio Detractors – Q1 2021

Security	Average Weight (%)	Contribution
Perdoceo Education Corp.	1.41	-0.04
Allied Motion Technologies	1.66	-0.02
Landed Corporation	1.95	-0.01
Silgan Holdings	0.06	-0.00
Apria	0.01	-0.00

Portfolio Changes and Positioning

The portfolio continues to be well positioned with a diverse portfolio of stocks in companies where we are comfortable that their managements have the potential to build long term value. During the quarter we were relatively quiet with the sale of four positions which comprised less than 3% of our holdings. We sold Vista Outdoors (VSTO), which had been a very successful holding, when we spotted the shift of consumer dollars to outdoor recreation. Increased revenue, better pricing and a much greater cashflow allowed management to pay down debt and move the stock from a market pariah to a much-recommended buy. We also shifted our holdings in the Materials sector selling Silgan, Stepan (SCL) and Materion, three holdings which we had done well with but where we saw limited upside to the stock prices.

We added six diverse positions accounting for about nine percent of the fund’s assets. We added Commercial Metals (CMC), a steel maker which produces and fabricates rebar for construction projects. While we are hopeful that increased infrastructure spending will boost demand, we were much more impressed with the changes in the company over the last few years. The changes include a much more integrated approach to tying the scrap processing, the electric arc furnace steel making facilities and the fabrication yards together in a much more efficient manner. We were also impressed by the continued build out of new mini mills. These more efficient mills consume less energy, pollute less and are more cost efficient, allowing the company to close down older money losing facilities. We added Signet Jewelers (SIG), the owner of major middle market jewelry chains including Kay’s, Zales, Jared & Piercing Pagoda. In the past several years they have initiated a number of changes, building an omnichannel sales effort, selling off the financing subsidiary, and reducing the number of mall stores dramatically. The list goes on and on, and the results for the income statement and the balance sheet are dramatic. We added Skyline Champion (SKY), a maker of manufactured homes. We are enthusiastic for the outlook for these homes as the financing costs have come down, and we see them as a viable alternative in the affordable housing problem. We added Tennant Company (TNC), a leading maker of floor cleaning equipment for commercial, institutional and industrial spaces. They are going through a very fruitful reassessment of their product line with an aim of having a clearer and more profitable business. We added EPR Properties (EPR), a REIT which owns movie theaters and other affordable recreation facilities. We assessed the viability of key clients and concluded that the stock had been sold down too far. Our final addition, right at the end of the quarter, was Apria (APR), a home health provider primarily serving clients in need of respiratory assistance.

The portfolio continues to have a market cap that is significantly smaller than that of the benchmark Russell 2000 Value Index. The portfolio’s weighted average market cap is now about 55% of our benchmark’s weighted average market cap. This is by design as we believe that the smaller market cap stocks receive less attention and are more likely to trade less efficiently. We view this as a competitive advantage. Our return on assets and returns on equity are still strong and compare unusually well. As we noted earlier, the benchmark as a whole is showing negative return on equity returns while our portfolio is at 9.1%, right in the 8-12% range that we consider the cost of equity capital.

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

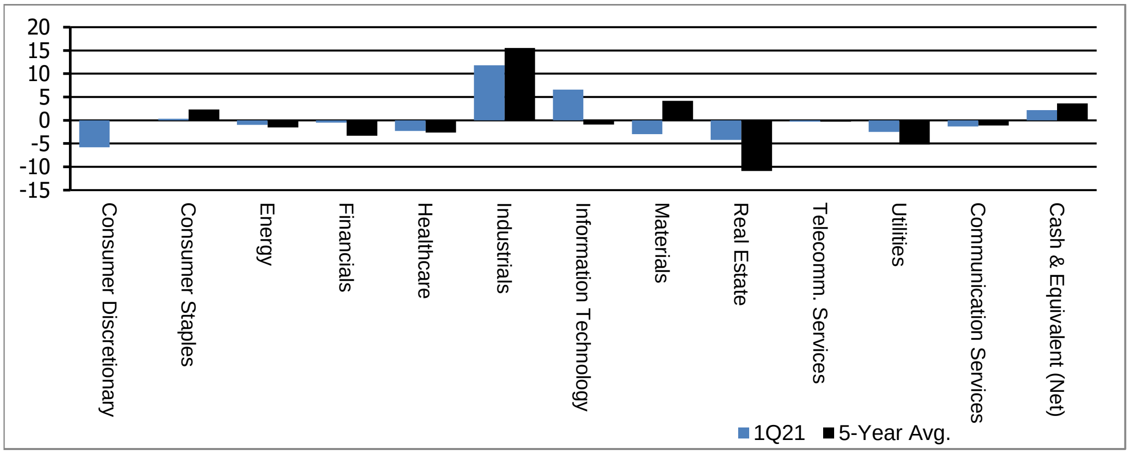

Exhibit 1 above highlights the fact that sector weight differentials between the Fund and the Russell 2000 Value Index benchmark have not changed greatly from today's levels versus the five year average.

Top Ten Holdings (%)

Textainer Group Holdings Ltd.	3.1
UMH Properties, Inc.	2.6
Great Lakes Dredge & Dock Corp.	2.4
Monro, Inc.	2.3
Ameresco, Inc.	2.3
Kulicke & Soffa Industries, Inc.	2.1
Kelly Services, Inc. Cl A	2.1
First Bancorp	2.0
Big Lots, Inc.	2.0
Commercial Metals Company	2.0
Total % of Portfolio	22.9

Fund Characteristics

	Fund	Russell 2000 Value Index
Number of Holdings	65	1,507
Return on Equity[1]	9.1	-1.7
Weighted Avg Market Cap (Millions)	1,672	3,082
Price/Book[2]	1.1	1.1
P/E using FY1 Estimate[3]	15.2	15.6
Long Term Debt/Total Capitalization[4]	30.4	40.7
Information Ratio (TTM)[5]	0.49	-
Active Share[6]	95.3	-

Source: FactSet Research

Portfolio Performance

	Q1 21	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date
Walthausen Small Cap Value Fund: Investor Cl	24.55	89.12	7.47	12.03	9.45	11.74	2/01/08
Russell 2000 Value Index[7]	21.17	97.05	11.57	13.56	10.06	8.79	
Walthausen Small Cap Value Fund: Institutional Cl	24.55	89.49				20.08	12/31/18
Russell 2000 Value Index[7]	21.17	97.05				21.60	

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]Return on Assets (ROA) is a measure of how efficient a company's management is in generating earnings from their economic resources or assets on their balance sheet.

[9]Price/Sales compares a company's stock price to its revenue. It shows how much investors are willing to pay per dollar of sales for a stock.

[10]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.

[11]The Russell 2000® Growth Index measures the performance of the small- cap growth segment of the US equity universe. It includes those Russell 2000® companies with higher price-to-value ratios and higher forecasted growth values.

[12]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

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.

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.