

Adirondack Small Cap Fund (ADKSX)

Data as of June 30, 2021

Quarterly Commentary

Dear Fellow Shareholder,

During the quarter ended June 30, 2021, The Adirondack Small Cap Fund (ADKSX) increased by 6.74%. Over the same period, its benchmark, the Russell 2000® Value Index (RUJ), returned 4.57%. The Fund's annualized return for 1 year, 5 year, and 10 year was 73.65%, 9.47%, and 8.23%, respectively.* At June 30, 2021, 49 positions were held in the portfolio, with the top ten holdings representing 35.65% of the Fund.

Despite signs of consumer credit demand and a potential flood of treasury issuance, rates unexpectedly declined during the quarter, a reversal of the upward trajectory that began in August 2020. Interestingly this decline in rates was not accompanied by widening credit spreads, the typical sign of economic anxiety. Credit spreads narrowed, with high yield spreads now being some of the lowest on record. Many heavily indebted issuers took the opportunity to refinance at rates available only to investment grade credits just a few years prior. The evidence of inflation is visible, but the argument of whether it's the beginning of a problematic cycle is debatable. Skeptics of sustained inflation point to factors like high unemployment, increased productivity, and slowing velocity of money (M2), keeping prices in check. Conversely, inflation hawks see protectionist trade policies, stimulus, and shortages of raw materials leading to sustained higher prices. This unsettled argument led to numerous rotations between rate-sensitive growth and shorter duration value stocks during the quarter. Looking out over the next four quarters, it is getting harder to disregard the inflationary pressure on the U.S. economy. Signs are ever-present, and while COVID-19 induced bottlenecks shared some responsibility, there is also another wave of government spending to consider and a movement by leading employers like Amazon, Walmart, and McDonald's to provide higher wages to overstretched workforces. As such, we look to position the portfolio for higher input prices and higher rates. Accordingly, we continue to buy our favorite Financial, Energy, and Materials stocks on dips while trimming growth sectors like Healthcare and Technology. Now that the reopening frenzy is behind us, it's reasonable to consider that results will overshadow hype when it comes to valuation.

Even with a large underweighting in the best performing sector (Consumer Discretionary), the Fund performed well in the quarter, buoyed by stock selection. Sector allocations detracted from returns by just under 100 basis points, while stock picking contributed over 300 basis points. Top contributors to performance last quarter included strong results from Williams Industrial (as of 6/30/2021 WLMS represented 2.24% of the portfolio), waste to energy supplier Covanta who recently put itself up for sale (as of 6/30/2021 CVA represented 4.14% of the portfolio), technology vendor ADTRAN (as of 6/30/2021 ADTN represented 3.44% of the portfolio), and energy company, Antero Resources (as of 3/31/2021 AR represented 2.06% of the portfolio). Active share continues to reflect a high degree of differentiation to the Index (97.7 on a 100-point scale). The portfolio is comparable to Q1 2021 regarding sector weighting, top holdings, and valuation metrics. We trimmed some outperforming names, investing the proceeds in some underperformers. We exited three holdings during the quarter. A private equity firm acquired shipping company Seacor Holdings, Inc. and we sold sporting goods supplier Vista Outdoor, Inc. and mortgage specialist Mr. Cooper Group, Inc. upon reaching price targets. We added Cleveland Cliffs (as of 6/30/2021 CLF represented 0.70% of the portfolio), a well-run firm within the steel industry, and Chico's FAS, Inc. (as of 6/30/2021 CHS represented 0.96% of the portfolio), a turnaround story in the woman's apparel space.

**Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 888-686-2729, or visiting www.adirondackfunds.com.*

Per the prospectus, the Fund's gross annual operating expense ratio is 1.36%. The Advisor has contractually agreed to waive fees or reimburse the Fund to the extent necessary to maintain the Fund's total annual operating expenses at 1.48% until August 1, 2021, subject to termination by the Fund on 60 days' written notice.

Adirondack Small Cap Fund (ADKSX)

Data as of June 30, 2021

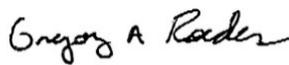
Quarterly Commentary (con't)

We remain upbeat considering the valuations and earnings outlooks in our small value corner of the market. In past reports, we hinted of better days ahead, and we hope this is a preliminary indication of things to come. Weighted average portfolio measures like price to cash flow (7.7x versus 11.3x), price to book (1.2x versus 1.9x) and Price/Earnings (14.4x versus 21.9x) continue to compare very well to the Index and even better against the broader U.S. equity markets. We think the next phase of this market will bring some choppiness and test the fast money crowd's conviction. Patience is one of our competitive advantages, so we look forward to furthering opportunities when the market inevitably becomes more discerning. The Adirondack Small Cap Fund continues to have ample capacity, so we seek more like-minded, contrarian, folks to invest alongside us. Interested parties can reach out to us at Info@Adirondackfunds.com. Be well, and thanks again for your support and interest.

Regards,



Matt Reiner, CFA®
Portfolio Manager



Greg Roeder, CFA®
Portfolio Manager

Important Risk Information

The Fund invests in smaller companies, which involve additional risks such as limited liquidity and greater volatility. Additionally, value investing is subject to the risk that a company's intrinsic value may never be fully realized by the market.

The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by calling 1-888-686-2729, or visiting www.adirondackfunds.com. Read it carefully before investing. The Adirondack Small Cap Fund is distributed by Rafferty Capital Markets, LLC, Garden City, NY 11530.

The Russell 2000 Value Index measures the performance of 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. You cannot invest directly in an index.

Treasuries are one of four types of debt (bills, notes, bonds, and Inflation-Protected Securities) issued by the United States Department of the Treasury to finance U.S. government expenses.

Velocity of Money is a measure of the number of times that money moves from one entity to another during a given time period.

Active Share is the percent of a fund's portfolio holdings that deviate from the benchmark index.

Price to Cash Flow is a valuation indicator that measures the value of a stock's price relative to its operating cash flow per share.

Price to Book compares a company's market capitalization to its book value.

Price to Earnings Ratio measures a company's current share price relative to its earnings per share.