

Adirondack Small Cap Fund (ADKSX)

Data as of June 30, 2022

Quarterly Commentary

Dear Fellow Shareholders,

The Adirondack Small Cap Fund declined 13.51% during the quarter ended June 30, 2022. The iShares[®] Russell 2000 Value ETF (IWN), a small cap competitor of the Fund, declined 15.34% during the same period. The Fund's annualized return for 1 year, 5 year, and 10 year was -12.07%, 2.10%, and 7.27%, respectively.* The top ten holdings represented 35.44% of the portfolio and annualized turnover for the trailing twelve months stood at 22.61%.

There was nowhere to hide during Q2 as stocks entered a bear market amid growth fears, rate hikes and inflation. The S&P 500 dropped 16.4%, bringing its year-to-date decline to over 20%, the worst start to a year since 1970. Bonds did not fare much better as the Bloomberg U.S. Aggregate Bond Index declined almost 5% during Q2 2022, bringing its year-to-date decline to over 10%. Small cap value stocks also struggled during Q2 although they did post their seventh consecutive quarter of outperformance versus small cap growth as the iShares Russell 2000 Value ETF (IWN) bested the iShares Russell 2000 Growth ETF (IWO) by nearly 4% during the quarter.

Once again, the Fund's overweight position in Energy as well as overall strong stock selection within the group drove outperformance during the quarter. Top contributors included Energy holdings Ardmore Shipping Corp (as of 06/30/22 ASC represented 2.41% of the portfolio) and Coterra Energy Inc (as of 06/30/22 CTRA represented 0.00% of the portfolio), both of which appreciated over 28% during the quarter on strong earnings and outlook. Cleveland-Cliffs Inc (as of 06/30/2022 CLF represented 1.52% of the portfolio) was the biggest detractor during Q1 (declining 54.9% despite posting better than expected Q1 results). We believe the company's exposure to the automobile industry leaves it well positioned to ride out softness in the steel industry, although it may take some time for investors to return to the industry given recession fears and lower steel pricing.

The Fund added one new position during the quarter with the purchase of Dole PLC (as of 06/30/2022 DOLE represented 1.74% of the portfolio). Dole PLC is the world's largest produce provider. With land, ships, and over 200 facilities, in 30 countries, Dole's brand and distribution capabilities have few competitors. The company re-emerged as a publicly traded company last July and is currently trading for about 40% less than its IPO price due to several issues that we view as transitory. We are attracted to the defensive nature of this company, and its hard-to-replicate network, which is well positioned to capitalize on the secular growth of fresh food consumption around the globe.

The Fund exited five positions during the quarter. Both Coterra Energy and Meyers Industries reached our target price while Vonage was acquired at a premium that was over 5 times our average cost basis. The other two exits were Emcore Corp and Drive Shack due to a broken investment thesis. Driven by some opportunistic trading in Emcore Corp the Fund realized slightly over a 50% return on the position despite the original thesis eventually breaking down. Although we believe Drive Shack had embarked on a good growth strategy with the rollout of their Puttery entertainment venues, the challenging labor market, inflation and the slowing economy were not part of our original investment thesis, therefore, we cut our losses. The most notable changes from a sector standpoint during the quarter was a decrease in Energy as we took some profit as holdings hit our targets.

The market hit its bear market correction on June 13th after the S&P 500 closed down more than 20% below its high reached in early January. History suggests more choppiness through at least the mid-term elections. Unlike the past decade, the markets can't count on the Fed to bail it out as they are too focused on getting inflation under control. So where is the silver lining?

We think our friends at Furey Research Partners put it best: "The darkest hour is just before the dawn, and things certainly appear dark at the moment. A number of sentiment readings (UofM Consumer Sentiment, AAll Bullish-Bearish, NFIB Small Business Outlook) are at their lowest levels going back several decades. Our Small-cap Capitulation Indicator recently crossed below the important -2 threshold.

**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 1.46%. 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, 2022, subject to termination by the Fund on 60 days' written notice.

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Quarterly Commentary (con't)

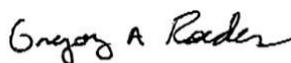
These types of environments are usually when bottoms are put in. The R2 [(Russell 2000 Index)] posted one of its worst quarters and worst 6-month periods and is more than 30% below its high. Forward returns after such bad periods have been strongly positive, on average. Our work shows that once the R2 corrects more than -30%, the bottom is usually not too far away. The picture in the HY market is better than what one might expect when the R2 is down -30%. From 2001 to 2020, each time the R2 corrected -30%, the average HY peak spread was 968 bps with 20% of debt being distressed. By the time the R2 had corrected -30% in mid-June, HY peak spreads were below 500 bps and only 4% was distressed. In other words, the HY market wasn't overly worried. And even after spreads widened further by June-end, they still remain below 600. The mid-term election is not too far away and our work shows that small-caps rise 25%, on average, in the year following a mid-term election, going back to 1960. Finally, small-caps still remain exceptionally attractive on a forward valuation basis, both on an absolute level and relative to large-caps."

Thank you for investing along side of us, stay healthy and please feel free to contact us with any questions.

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 iShares® Russell 2000 Value ETF (IWN) seeks to track the investment results of an index composed of small-capitalization U.S. equities that exhibit value characteristics.

The S&P 500 Index is a market value-weighted index of 500 stocks seen as indicators of U.S. equities and reflects large cap performance. You cannot invest directly in an index.

The Bloomberg U.S. Aggregate Bond Index is a [market capitalization](#)-weighted [bond index](#) consisting of intermediate term investment grade bonds traded in the United States that is seen as an indicator for the performance of the U.S. [bond market](#). You cannot invest directly in an index.

The iShares® Russell 2000 Growth ETF (IWO) seeks to track the investment results of an index composed of small-capitalization U.S. equities that exhibit growth characteristics.