

Adirondack Small Cap Fund (ADKSX)

Data as of September 30, 2022

Quarterly Commentary

Dear Fellow Shareholders,

The Adirondack Small Cap Fund declined 5.59% during the quarter ended September 30, 2022. The iShares[®] Russell 2000 Value ETF (IWN), a small cap competitor of the Fund, declined 4.62% during the same period. The Fund's annualized return for 1 year, 5 year, and 10 year was (15.12)%, 0.06%, and 6.12%, respectively.* The top ten holdings represented 36.18% of the portfolio and annualized turnover stood at 25.01%.

Despite the constant barrage of negative headlines, Q3 earnings reports are coming in better than expected. The S&P 500 collectively reported modest year-over-year profit growth on high single-digit revenue growth. Risk assets remain volatile in response to supply chain challenges, rapid rate increases, and dollar strength. The credit-sensitive small cap value space is holding its own fundamentally, though we remain concerned about widening spreads. However, the largest U.S. banks have reported relatively good credit quality, which suggests no fundamental basis for the recent spread widening. The market was relieved, setting the tone for an October rally that has helped erase some of the year-to-date losses.

The Fund's underperformance during the quarter was mostly due to overall weakness in the Technology sector as two of the Fund's top three detractors to performance came from that sector. Lackluster earnings were the key driver of technology laggards Conduent Inc (as of 09/30/2022 CNDT represented 3.94% of the portfolio) and Unisys Corp (as of 09/30/2022 UIS represented 1.72% of the portfolio). Although turnarounds rarely play out without some bumps along the way, we do believe both companies are progressing in the right direction.

Top contributors during the quarter included Hill International (which agreed to be acquired) and for the second consecutive quarter Ardmore Shipping (which was up over 30% on another strong earnings report). Construction consulting company Hill International, Inc. (as of 09/30/2022 HIL represented 0.98% of the portfolio) accepted a bid to be taken private. Not the most ideal offer but given some of the company's recent challenges the outcome was better than feared. Ardmore Shipping Corp. (as of 09/30/2022 ASC represented 2.09% of the portfolio) has risen sharply on strong earnings and the anticipated benefits from the Russian sanctions. Since the end of the quarter, we have been pairing this position as investor infatuation with shipping stocks can often be short-lived.

We initiated a couple of new positions recently. We bought Tronox (as of 09/30/2022 TROX represented 0.71% of the portfolio), a vertically integrated producer of TiO₂ (titanium dioxide), zircon, and other mineral sands. Private equity reportedly made an opportunistic bid last year that was materially higher than where TROX currently trades. The benefits of vertical integration, investments in efficiency, and an improved industry structure should serve Tronox well in an inflationary environment. We also bought Virtu Financial (as of 09/30/2022 VIRT represented 1.04% of the portfolio), a market maker in various asset classes with U.S. equity trading considered its bread and butter. In October 2019, all the top broker-dealers began commission-free trading for retail clients. That move has broadened market participation and benefited the market makers, like Virtu, who purchase trading volume from brokers. While the SEC looked into possibly eliminating "Payment for Order Flow" due to the Robinhood/Meme stock fiasco, they recently signaled against taking action. We think that VIRT can earn returns in various market conditions and, for that reason, is an excellent risk/reward. The Fund also exited two positions during the quarter, Harvard Bioscience Inc and Lazard Ltd. Both were relatively small positions that were being phased out as parts of the original investment thesis were challenged.

When discounting future cash flows, the Fund's opportunity set (small-cap value) is cheaper than any asset class in the U.S. equity market. We look forward to better days ahead with a concentrated portfolio of high-conviction ideas. Thank you for your support and investment. For the most up-to-date information on your investment, please visit www.adirondackfunds.com.

**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 1.43%. 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, 2023, subject to termination by the Fund on 60 days' written notice.

Adirondack Small Cap Fund (ADKSX)

Data as of September 30, 2022

Quarterly Commentary (con't)

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.