



YORKTOWN FUNDS

Small Cap Overview

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Commentary

Continued progress against COVID-19 resulted in optimism about an economic rebound and a return to the some-what-normal. During the first quarter of 2021 equity markets extended their strong run following the lows reached at the start of the pandemic just over a year ago. Leading the pack were US based small and small value stocks and as it relates to the overall market, companies with the lowest market caps produced the highest returns. The Russell microcap index did best, followed by the small-cap, mid-cap, and large-cap indexes. The strength of small cap performance at the end of 2020 carrying over to 2021 appears to indicate restored investor confidence in small caps as well as in the markets ability to continue its bull run. With Q2 well underway, we believe that we are at the precipice of a very powerful economic cycle largely in part due to better than expected vaccine rollout and distribution, continued monetary support as well as continued stimulus and ample cash in both the consumer and corporate sectors, itching to be put to work.

Portfolio Review

The Yorktown Small Cap Fund performed well during the first quarter of 2021 gaining 12.37% versus a gain of 12.70% for the Russell 2000 Index and 4.88% for the Russell 2000 Growth Index. By the end of the quarter electronic technology, health technology and the finance sector rounded out the top sectors where the portfolio is weighed, while the portfolio was least weighted in utilities, process industries, and the miscellaneous sector. From a holding's perspective Intellia Therapeutics Inc. (+47.53%), Cleveland Cliffs (+42.42%), and Lithia Motors Inc. (+33.39%) were the three holdings that contributed the most to portfolio performance. CRISPR Therapeutics AG (-20.42%), Mesa Laboratories (-15.00%) and Stich Fix Inc. (-15.63%) hindered portfolio performance the most. Both Stich Fix and CRISPR Therapeutics remain strong buys despite the recent consolidation of the tremendous gains experienced in January, while Mesa Laboratories has been moved to our watch list.

Looking Forward

With Q22021 well underway, President Biden's \$1.8 trillion America Rescue Plan is poised to supercharge U.S. recovery efforts ultimately resulting in fast and furious economic growth. In fact, as reported by US News and Russell Investments, the Federal Reserve recently raised its 2021 GDP growth forecast to 6.5% and if that number is achieved it would mean the best calendar-year outcome since 1984. We believe that this presents great opportunities for small cap investors. Small businesses create a significant number of jobs in the U.S. economy in fact as much as 50% of the newly created jobs in the private sector originate at small businesses, which constitute a vital customer base for big businesses. Moreover, small companies are a major part of the supply chain management systems of large companies for innovative inputs. Other drivers of the success for small caps include accessible capital at low rates, a low effective corporate tax rate and other fiscal stimulus has put many of these small companies' balance sheets in a strong position. It is important to note that as we do believe earnings are going to be strong throughout 2021 and beyond, market volatility will still play into the scenario at times during the year. We think that diversification of both value and growth investments offer a compelling risk/reward over time. As has been the case in the past, when one is flourishing, the other is lagging so it is important for investors to seek more resilient portfolios such as the Yorktown Small Cap

Fund which incorporates the relative strength of diversification through its active management approach. The ability to distinguish between companies that can continue to deliver earnings growth post COVID will be key as well as the ability to cull those that were able to hang on during the pandemic but have little future earnings potential.

To view standardized performance and holdings:

[Download Fact Sheet](#)



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Michael Borgen, Portfolio Manager, is responsible for the Small Cap Strategy at Yorktown Funds.

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COO & CCO

The performance quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment in the Fund 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 1-800-544-6060.

The gross expense ratio for I shares is 1.64%. The net expense ratio after fee waiver contractual through May 31, 2021 is 1.24%.

Investing involves risk, including loss of principal. Small cap investing involves greater risk not associated with investing in more established companies, such as greater price volatility, business risk, less liquidity, and increased competitive threat.

You should carefully consider the investment objectives, potential risks, management fees, charges and expenses of the fund before investing.

The fund's prospectus contains this and other information about the fund and should be read carefully before investing. You may obtain a current copy of the fund's prospectus by calling 800-544-6060.