



YORKTOWN FUNDS

Small Cap Overview

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Commentary

It is not possible to put a positive spin on the equity markets during the first half of 2022. Throughout the second quarter we saw a continuation of economic themes from the beginning of the year. Inflationary headwinds from unprecedented stimulus, supply chain woes, rising interest rates, conflict in Ukraine, labor shortages, and wage increases, have caused almost every area of the market to suffer. These headwinds have caused economic growth in the U.S. to slow and prompted the Federal Reserve (The Fed) to implement the largest rate hike in 28 years, with the promise to continue to raise rates to curb inflation resulting in deeper recessionary concerns. During the quarter, consumer sentiment was at an all-time low as everyday necessities were at unsustainable prices for most of the population. Going forward, many investors will be keen to understand how The Fed plans to handle the July meeting and beyond in the face of these persistent inflationary pressures. As Investors our patience has been tested and will continue to be tested well into the future as we position ourselves for a landing that may not be as soft as we or The Fed would like. The longer that inflation stays elevated the more likely it becomes that The Fed will have to overtighten monetary policy causing deeper recessionary concerns.

Portfolio Review

The 2nd quarter of 2022 saw continued unrelenting selling pressure in what has turned out to be the worst first half of a calendar year in 5 decades. The Yorktown Small Cap Fund Institutional Shares declined -20.70% on a cumulative basis versus a decline of -19.25% for the Russell 2000 Growth Index and -17.20% for the Russell 2000 Index. From an attribution standpoint, during the quarter the negative relative performance continued to be 100% attributable to sector allocation as stock selection aided relative performance. From a sector perspective finance, technology services and commercial services contributed positively to relative performance while non-energy minerals, transportation, and energy minerals detracted from relative performance. From a holdings basis FTI consulting gained 15.03%, LPL Financial Holdings Inc. 1.11%, and Catalyst Pharmaceuticals 4.94%. Alaska Air Group (30.96%), Perion Network (19.16%) and Huntsman Corporation (23.89%) detracted the most from the portfolio during the tough quarter. The finance sector, electronic technology sector, and the retail sectors continued to be the largest weighted sectors in the portfolio while the utilities, consumer durables and the health services were least weighted sectors represented in the portfolio.

Looking Forward

As we look to the second half of the year it seems clear that volatility, uncertainty, and further losses will continue through the end of 2022 and into 2023. It is important to remember that the inflation that caused the stock market to go down will be the same factor that will cause the market to go up. We believe that as soon as there is a feeling that inflation is under control investors will flock back into the market. As we mentioned in our last newsletter, we feel that a good mix of patience, stock selection and realistic expectations will be the key to navigating the market and protecting capital. As has been

the case in the past, the markets begin to anticipate what is going to happen 6 to 9 months in the future and has been pricing in a recession that has yet to come to full blown fruition. We have been in a bear market now for 9 months and a lot of liquidity needs to be taken out of the market. In our view, this recession is not all that different from others apart from the excess liquidity that has been provided in the last 4 years which needs to be rung out. This excess liquidity has been and will continue hampering short term price appreciation in the equity markets. We believe that this will in the longer term, enhance the prospect for equity appreciation and once the excess is gone, we will get back to more rationale price levels in the equity markets at historic equity risk premiums.

To view standardized performance:

[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

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.

Ultimus Fund Distributors and Yorktown Funds are not affiliated

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.

Russell 2000 Index is an index measuring the performance of approximately 2,000 small-cap companies in the Russell 3000 index, which is made up of 3,000 of the biggest U.S. stocks. The Russell 2000 serves as a benchmark for small-cap stocks in the United States. The Russell 2000 Growth Index measures the performance of those Russell 2000 companies with higher price/book ratios and higher forecasted growth values. You cannot invest directly in an index. Unmanaged index returns do not reflect any fees, expenses or sales charges.

Annual Operating Expenses: Per the most recent prospectus, (1) Fund total operating expense ratios are: Class A, 1.63%; Class L, 2.38%; Institutional Class, 1.38% and (2) Fund net annual operating expense ratios are: Class A, 1.41%, Class L, 2.16%, Institutional Class, 1.16%. The net annual expense ratio takes into account contractual management fee waivers that are in effect until May 31, 2023.

Investing involves risk, including loss of principal. There is no guarantee that this, or any investment strategy, will succeed. Small and mid 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.