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Market Update

2022 was a difficult, turbulent, and disappointing year. Global supply chain issues, and high energy, food, and housing costs fueled the fire, prompting the Fed to tighten monetary policy a total of 7 times throughout the year. This tightening was as we expected; however, it was anticipated to be more gradual given the telegraphed communication from the Fed around its 'transitory' nature. As we mentioned at the end of the 3rd quarter, the Fed playing catchup with a heavy-handed monetary policy perpetuated the frustrating investment environment and emphasize the continued regime of heightened market and economic volatility, which would carry forward, through the end of the year. The result was a year rife with volatility, uncertainty, and negative returns across both equity and fixed income asset classes, culminating in the most prolonged bear market since the Global Financial Crisis and the worst year for equities since 2008. Perennial optimists, we did observe silver linings in the dark clouds of 2022; peak inflation, labor market resilience, strong corporate balance sheets and some slight positive momentum for equities in the fourth quarter.

Portfolio Review

- During the 4th quarter, the Yorktown Small Cap Fund produced another positive quarter of performance for our investors, gaining 2.71% net versus a gain of 6.23% for the Russell 2000 Index and a gain of 4.13% for the Russell 2000 Growth Index.
- For the year the Yorktown Small Cap Fund returned a loss of -25.18% net versus a loss of -26.36% for the Russell 2000 Growth Index and a loss of -20.44% for the Russell 2000 Index.
- The three sectors that aided relative portfolio performance the most during the quarter included electronic technology, health technology, and non-energy minerals. Health services, energy minerals, and consumer non-durables were the three sectors which hindered relative portfolio performance the most during the quarter.
- For the second time in a row stock selection aided relative portfolio performance while sector allocation hindered relative portfolio performance during the quarter.
- From a holdings perspective Rambus 40.91%, Catalyst Pharmaceuticals 44.97%, and Perion Network Ltd. 31.16% were the three stocks that helped absolute portfolio performance the most while Tech Target Inc (25.57%), Intellia Therapeutics (37.65%) and DocGo Inc. (36.25%) detracted the most from the portfolio during the quarter.
- Finance, electronic technology, and the retail sectors continued to be the largest weighted sectors in the portfolio while utilities, commercial services, and process industries were the least weighted sectors represented in the portfolio.

Positioning & Outlook

As we look forward to 2023, we see a much more dynamic equity market environment, with large performance dispersions between market capitalization, growth versus value styles and economic sectors. We see the current "un-official recession" bottoming in the quarters ahead and are optimistic that the market will begin to "climb a wall of worry" in advance of the economy bottoming as it has historically. We believe that we are currently working our way out of a two-year rolling cyclical "bear" market that will slowly gain positive momentum in fits & starts as equity valuations become richer due to earnings decelerating and bottoming. Previous Inflation peaks have coincided with market bottoms, and we believe that inflation has peaked. While our preference would be for the Fed to pause immediately, our wish is that the deteriorating economic data catches up and the Fed doesn't go too far down the path with further rate hikes in 2023. At current levels, the markets are pricing in a final rate hike in March during this cycle. The actions of the Fed have large and lasting effects on the economy, which are historically lagged, and we believe these effects have not yet been fully felt. We feel that whether or not the bottom is in, the current environment provides a historically great entry point for long-term small cap investors. We see opportunity in the small cap stocks that we believe have been unduly punished relative to large cap stocks and also know that small caps

stocks historically have led the market higher coming out of recessions. As we have said before, small cap stocks tend to lead the way during downturns as well as recoveries and believe that current small cap valuations already reflect this forward-looking discount. We also believe that active management will prevail as it solely has the ability to identify the strongest, most fundamentally superior companies which will be key during the uneven equity market recovery.

[Download Fact Sheet](#)

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.

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