

# CONESTOGA FUNDS

## THIRD QUARTER 2021 COMMENTARY

### MARKET REVIEW

Equity markets encountered some speed bumps along their road to higher levels as several factors raised investors' caution. Most major indices ended the quarter a bit below their highs from earlier in the year. The Federal Reserve communicated that its programs to support the economy would be "tapered" down in the coming quarters and interest rates would likely rise in 2022. Expectations for a temporary spike in inflation are extending longer than expected, and supply chain bottlenecks and labor shortages persist across many sectors of the economy. Interest rates on the benchmark U.S. 10-year Treasury Note fell at the beginning of the quarter but then rebounded and closed the period at modestly higher levels.

Perhaps also contributing to the choppy market environment this quarter is a more challenging environment for corporate earnings growth. In 2021, comparisons to the prior year's earnings have been relatively easy because of the impact of Covid-19 on 2020 earnings. Corporate earnings in 2022 will be judged versus their 2021 earnings, which may prove significantly more difficult given the outlook for the economy, raw materials' prices, and the labor market.

The above factors caused a rotation away from the sectors that have benefited from the economic recovery since mid-2020. This aided Conestoga as higher-quality companies (those expected to have more sustainable earnings growth, lower leverage, and higher returns on equity) generally outperformed lower-quality companies (unprofitable and highly-levered). We expect the strategy to outperform during more volatile and/or down markets, and we are pleased to report the strategies met these expectations in the third quarter.

Readers will note that we have added the newly launched Conestoga Mid Cap Growth Fund to our commentary. Our Mid Cap Growth strategy began operations in 2010 and holds several "graduates" from our Small Cap Growth and SMid Cap Growth strategies. Following the additions of investment team members Derek Johnston in 2015 and Ted Chang in 2020 – both of whom are co-portfolio managers on the Mid Cap Growth strategy – we believe the strategy is ready to be more widely introduced to clients, advisors, and institutional consultants with the launch of the Conestoga Mid Cap Fund.

### PERFORMANCE

	Total Returns % (As of 9/30/21)		Average Annualized Total Return					
	QTD	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception	
<b>CONESTOGA SMALL CAP FUND</b>							10/1/02	8/13/14
CCASX—Investors Class	3.99	10.63	37.70	13.56	19.62	17.36	13.34	
CCALX—Institutional Class	4.02	10.80	37.96	13.79	19.86			16.95
Russell 2000® Growth Index	-5.65	2.82	33.27	11.70	15.34	15.74	12.16	12.54
<b>CONESTOGA SMID CAP FUND</b>							1/21/14	12/15/14
CCSMX—Investors Class	3.51	13.28	35.09	15.89	21.54		13.43	
CCSGX—Institutional Class	3.57	13.51	35.46	16.16	21.83			17.59
Russell 2500™ Growth Index	-3.53	4.84	45.03	16.01	14.25		13.25	15.02
<b>CONESTOGA MID CAP FUND</b>							6/29/2021	
CCMMX—Investors Class	4.04						3.10	
CCMAX—Institutional Class	4.14						3.20	
Russell Midcap® Growth Index	-0.76						-1.20	
Annual Operating Expenses	CCSMX	CCSGX	CCASX	CCALX	CCMMX	CCMAX		
Gross Expense Ratio	1.71%	1.26%	1.48%	1.00%	6.80%	6.40%		
Net Expense Ratio	1.10%	0.85%	1.10%	0.90%	1.05%	0.80%		

**The performance data quoted represents past performance. Past performance does not guarantee future results. The Fund's annual operating expense ratios can fluctuate and may differ from that found in the prospectus.**

Expenses shown are paid each year as a percentage of the value of your investments. The Advisor has contractually agreed to limit the Conestoga Small Cap Fund and the Conestoga SMid Cap Fund's net annual operating expenses until at least 1/31/2022 and the Conestoga Mid Cap Fund until or at least 6/30/22, subject to termination at any time at the option of the Fund. There is no guarantee that the agreement to limit the Fund's net annual operating expense will be renewed or extended. The Conestoga Funds have adopted a Shareholder Servicing Plan that will allow the Fund to pay an annual fee of up to 0.10% of its average daily net assets for providing services to the Funds' Institutional Class shareholders and 0.25% for the Funds' Investors Class shareholders. 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 may be lower or higher than the performance data quoted. To obtain performance data current to the most recent month-end, contact the investment advisor at 800-320-7790. The Russell 2000® Growth Index measures the performance of the small cap growth segment of the US equity universe. It includes those Russell 2000® companies with higher price-to-value ratios and higher forecasted growth values. The Russell 2500™ Growth Index measures the performance of the small to mid-cap growth segment of the US equity universe. It includes those Russell 2500™ companies with higher growth earning potential. The Russell Midcap® Growth Index measures the performance of the midcap growth segment of the US equity universe. It includes those Russell Midcap® Index companies with higher price-to-book ratios and higher forecasted growth values. The indices mentioned herein are rebalanced annually. The Russell 2000® Growth Index, the Russell 2500™ Growth Index, and the Russell Midcap® Growth Index are tradenames of Russell Investments. An individual cannot invest directly in an index.

### INVESTMENT PHILOSOPHY

Our high quality conservative growth philosophy seeks to take advantage of the inefficient discovery process for small and mid capitalization companies and other investors' focus on near-term earnings. We employ our time horizon arbitrage' principles by identifying these higher quality companies that we believe are capable of growing through multiple business cycles.

### KEY TENANTS OF OUR STYLE

- High Quality Conservative Growth
- Patient, Long-Term Approach
- High Conviction
- Consistency of Returns with Low Volatility and Downside Protection

For more information about  
**THE CONESTOGA FUNDS,**  
Please contact us at  
**800-320-7790.**  
[www.conestogafunds.com](http://www.conestogafunds.com)

### RISK CONSIDERATIONS:

Mutual fund investing involves risk, principal loss is possible. The Conestoga Funds invest primarily in growth stocks with the potential for significant growth and may be more volatile because they are more sensitive to market conditions. The Funds may seek to buy these stocks at undervalued prices and this involves the risk that the securities may remain under-valued for an extended period of time and may not realize their full potential. Investments in smaller cap securities may involve greater risks due to higher volatility and less liquidity than larger more established companies.

**CONESTOGA SMALL CAP FUND**

For the Quarter Ending, September 30, 2021

**PERFORMANCE COMMENTARY**

The Conestoga Small Cap Fund outperformed the benchmark Russell 2000 Growth Index in the third quarter. Stock selection effects were the primary source of excess return versus the benchmark, while sector allocations also added to relative results. Stock selection was most positive in the Health Care, Technology, and Consumer Discretionary sectors. Financials was the only sector that detracted from relative performance. The strategy also benefited from a return to the “high-quality” trade as profitable companies as measured by return on equity (ROE), return on invested capital (ROIC), and earnings before interest, taxes, depreciation (EBITDA) margins significantly outperformed its high beta, non-earning counterparts.

The portfolio was the beneficiary of positive stock selection and sector allocation effects within the Health Care sector. Our largest stock contributor to returns in the sector reported very strong organic growth and broadening its product lines through internal product development and targeted acquisitions. Conestoga’s significant underweight to the biotechnology industry, which was among the weakest industries in the sector, also added to returns.

The Financials sector detracted from relative results. Our lack of exposure to the space, particularly within asset managers and banks, was a headwind for the portfolio during the quarter.

**TOP 5 CONTRIBUTORS**

For the Quarter Ending September 30, 2021	Port. Ending Wgt. (%)	% Contrib.
SPS Commerce, Inc.	4.16	1.59
Repligen Corporation	3.41	1.11
Paylocity Holding Corp.	3.07	1.00
Exponent, Inc.	3.11	0.70
Casella Waste Systems, Inc.	3.56	0.61

**BOTTOM 5 DETRACTORS**

For the Quarter Ending September 30, 2021	Port. Ending Wgt. (%)	% Contrib.
Mercury Systems, Inc.	1.69	-0.83
Simulations Plus, Inc.	0.82	-0.41
PROS Holdings, Inc.	1.17	-0.37
CareDx, Inc.	0.78	-0.26
Fox Factory Holding Corp.	3.45	-0.25

Source: FactSet

**PORTFOLIO POSITIONING AND ACTIVITY** (Ticker, Portfolio Weight % as of 9/30/2021)

With our focus on long-term investing and low portfolio turnover, portfolio positioning does not change much from one quarter to the next. That said, based on Russell’s ICB classifications, currently our largest overweights to the Russell 2000 Growth benchmark are in the Industrials and Technology sectors while the largest underweights are in the Health Care and Consumer Discretionary sectors. These exposures are a result of our bottom-up fundamental research and not because of top-down calls or thematic investing. The Fund had 1 new buy and 3 complete sells during the quarter.

**NEW BUYS:**

1. Shutterstock, Inc. (SSTK)

**COMPLETE SELLS:**

1. Five9, Inc. (FIVN)
2. ACI Worldwide, Inc. (ACIW)
3. Ligand Pharmaceuticals, Inc. (LGND)

We increased our weighting on 7 occasions and trimmed on 2 occasions during the quarter. Our conviction in the portfolio companies remains high, and we believe that our emphasis on higher-quality companies that are generating profits, with lower debt levels, and higher returns on equity will be rewarded during more volatile markets over the long-term.

**CONESTOGA SMALL CAP FUND**

**CCASX - Investors Class** 

OVERALL  RATING<sup>1</sup>

**CCALX - Institutional Class**

OVERALL  RATING<sup>1</sup>

Among 575 Small Growth Funds as of 9/30/21. The Overall Morningstar Rating™ is based on risk-adjusted returns, derived from the weighted average of the Fund’s 3-, 5-, and 10-year (if applicable) Morningstar metrics.

**FUND INFORMATION**

As of 9/30/2021

Total Fund Assets \$4.3 Billion  
Number of Holdings 49

**CCASX—Investors Class**

Fiscal Year End 9/30  
Inception Date 10/1/02  
CUSIP 207019100  
Total Assets \$968 Million

**CCALX—Institutional Class**

Fiscal Year End 9/30  
Inception Date 8/13/14  
CUSIP 207019704  
Total Assets \$3.3 Billion

*The information provided in this material is not reasonably sufficient upon which to base an investment decision and should not be considered a recommendation to purchase or sell a particular security. The specific securities identified and described in this report do not represent all of the securities purchased, sold or recommended for advisory clients, and you should not assume that investments in the securities identified and discussed will be profitable in the future. To obtain our performance calculation methodology and a list showing the contribution of each holding in the Fund to the overall Fund’s performance during the quarter, please contact the Advisor at 800-320-7790.*

## CONESTOGA SMALL CAP FUND

For the Quarter Ending, September 30, 2021

### 10 LARGEST HOLDINGS

	Port. Wgt. (%)
SPS Commerce, Inc.	4.16
Casella Waste Systems, Inc.	3.56
Descartes Systems Group, Inc.	3.45
Fox Factory Holding Corp.	3.45
Repligen Corporation	3.41
SiteOne Landscape Supply, Inc.	3.39
Exponent, Inc.	3.11
FirstService Corp.	3.10
Paylocity Holding Corp.	3.07
Omniceil, Inc.	2.93
<b>Total 10 Largest</b>	<b>33.63%</b>

### SECTOR DIVERSIFICATION

(Percent %)	Conestoga Small Cap Fund	Russell 2000 Growth Index
Basic Materials	5.65	3.09
Consumer Discretionary	8.59	16.16
Consumer Staples	0.85	3.28
Energy	--	2.48
Financials	--	5.02
Health Care	15.06	28.13
Industrials	29.84	14.98
Real Estate	3.10	2.85
Technology	26.37	20.72
Telecommunications	2.10	2.24
Utilities	3.56	1.05
Cash	4.88	--

Sectors are defined according to the ICB industry definitions.  
Portfolio holdings, sectors and metrics are subject to change.  
Current and future portfolio holdings are subject to risk.

### PORTFOLIO MANAGEMENT

Long history of managing assets in the small/mid cap growth space



**Robert Mitchell**  
Co-Portfolio Manager

- 26 Yrs. Investing Experience



**Joseph Monahan**  
Co-Portfolio Manager

- 39 Yrs. Investing Experience

### PORTFOLIO METRICS

	Conestoga Small Cap Fund	Russell 2000 Growth Index
Price/Earnings (1 Yr. Fwd.)	42.3x	43.2x
Earnings Growth (3-5 Year Est.)	20.5%	18.9%
PEG Ratio	2.06	2.27
Weighted Avg. Market Cap	\$ 5,584.8 Mil	\$3,765.2 Mil
ROE – Five Year Weighted Avg.	11.6%	-1.6%
Long Term Debt/Capital	23.3%	37.1%
12 Month Turnover Rate	19.2%	N/A

Source: FactSet

### ABOUT CONESTOGA CAPITAL ADVISORS

- Founded in 2001
- 100% Employee-owned with Broad Based Ownership
- Focus on Small, SMid and Mid Cap Investing
- Experienced 7-Person Team Averaging 21 Years Industry Experience
- Steady Growth of Assets Over Time with a Diversified Client Base
- Firm Assets Over \$8.5 Billion (As of 9/30/21)

### Important Information

**An investor should consider investment objectives, risks, charges, and expenses carefully before investing. Download a prospectus at [www.conestogafunds.com](http://www.conestogafunds.com), which contains this information or call the Fund toll free 1-800-494-2755. Read the prospectus carefully before investing or sending money.**

Portfolio Metrics Definitions: **P/E (1 Yr. Fwd.)** is the ratio of a stock's price to forecasted earnings over the next year. **Earnings growth** is the forecasted growth rate of a company's earnings over the next 3-5 years. **PEG Ratio** is a valuation metric for determining the relative trade-off between the price of a stock, the earnings generated per share (EPS), and the company's expected growth. **Market Cap** is the market value of a publicly traded company's outstanding shares. **ROE (Five Yr. Wtd. Average)** is calculated as a company's net income divided by its shareholders' equity, and is a measure of profitability. **Long-Term Debt/Capital** is a measure of how much debt a company is using to finance its operations, and is determined by dividing long-term debt by total capitalization. Forecasted data is sourced from FactSet Research Systems and represents the average of sell-side analyst forecasts. **Earnings before interest, tax, depreciation and amortization (EBITDA)** is a measure of a company's operating performance. Essentially, it's a way to evaluate a company's performance without having to factor in financing decisions, accounting decisions or tax environments. **Return on Invested Capital (ROIC)** is a measure of the profitability and value-creating potential of companies relative to the amount of capital invested by shareholders and other debtholders.

<sup>1</sup>The Morningstar Rating™ for funds, or "star rating" is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The Morningstar Rating does not include any adjustment for sales loads. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating is a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Ratings are subject to change monthly. The Investors Class of the Conestoga Small Cap Fund received 4 stars for the 5-year and 10-year periods ended 9/30/21 among 506 and 381 small growth funds, respectively and 3 stars for the 3-year period among 575 small growth funds. The Institutional Class of the Conestoga Small Cap Fund received 4 stars for the 5-year period ended 9/30/21 among 506 small growth funds; and, 3 stars for the 3-year period ended 9/30/21 among 575 small growth funds. © 2021 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

Both the Investors Class and Institutional Class of the Conestoga Small Cap Fund received a Silver Morningstar Analyst Rating™ on 9/16/21. The Morningstar Analyst Rating™ is not a credit or risk rating. It is a subjective evaluation performed by Morningstar's manager research group, which consists of various Morningstar, Inc. subsidiaries ("Manager Research Group"). In the United States, that subsidiary is Morningstar Research Services LLC, which is registered with and governed by the U.S. Securities and Exchange Commission. The Manager Research Group evaluates funds based on five key pillars, which are process, performance, people, parent, and price. The Manager Research Group uses this five pillar evaluation to determine how they believe funds are likely to perform relative to a benchmark, or in the case of exchange-traded funds and index mutual funds, a relevant peer group, over the long term on a risk-adjusted basis. They consider quantitative and qualitative factors in their research, and the weight of each pillar may vary. The Analyst Rating scale is Gold, Silver, Bronze, Neutral, and Negative. A Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group's conviction in a fund's prospects for outperformance. Analyst Ratings ultimately reflect the Manager Research Group's overall assessment, are overseen by an Analyst Rating Committee, and are continuously monitored and reevaluated at least every 14 months. For more detailed information about Morningstar's Analyst Rating, including its methodology, please go to [global.morningstar.com/managerdisclosures/](http://global.morningstar.com/managerdisclosures/). The Morningstar Analyst Rating (i) should not be used as the sole basis in evaluating a fund, (ii) involves unknown risks and uncertainties which may cause Analyst expectations not to occur or to differ significantly from what they expected, and (iii) should not be considered an offer or solicitation to buy or sell the fund. Ultimus Fund Distributors, LLC. (Member FINRA & SIPC) serves as the Distributor to the Conestoga Funds. Conestoga Funds and Ultimus Distributors, LLC (Member FINRA/SIPC) are not affiliated.

**CONESTOGA SMID CAP FUND**

For the Quarter Ending, September 30, 2021

**PERFORMANCE COMMENTARY**

The Conestoga SMid Cap Fund outperformed the Russell 2500 Growth Index in the third quarter. Stock selection effects were the primary source of excess return versus the benchmark, while sector allocations also added to relative results. Most of the outperformance can be attributed to stock selection effects in the Health Care, Technology and Consumer Discretionary sectors. The Industrials and Financials sectors were the largest drag on relative returns. The portfolio also benefited from a return to “high quality” factor leadership as profitable companies as measured by return on invested capital (ROIC), and earnings before interest, taxes, depreciation (EBITDA) margins significantly outperformed its high beta, non-earning counterparts.

The Health Care sector generated positive stock selection and sector allocation effects in the third quarter. Two long-time holdings were the largest contributors to relative returns. The portfolio also received a boost from its lack of exposure to the underperforming biotechnology industry.

Stock selection effects were negative in the Industrials sector while the portfolio also experienced a headwind from our lack of exposure to the Financials sector with asset managers and banks performing particularly well.

**TOP 5 CONTRIBUTORS**

For the Quarter Ending, September 30, 2021	Port. Ending Wgt. (%)	% Contrib.
Repligen Corporation	3.29	1.01
SPS Commerce, Inc.	2.49	0.91
Exponent, Inc.	3.42	0.64
Casella Waste Systems, Inc.	3.92	0.61
West Pharmaceuticals, Inc.	3.12	0.57

**BOTTOM 5 DETRACTORS**

For the Quarter Ending, September 30, 2021	Port. Ending Wgt. (%)	% Contrib.
Mercury Systems, Inc.	1.64	-0.80
Fair Isaac Corporation	1.32	-0.38
CareDx, Inc.	0.85	-0.25
Q2 Holdings, Inc.	1.15	-0.25
AptarGroup, Inc.	1.14	-0.24

Source: FactSet

**PORTFOLIO POSITIONING AND ACTIVITY** (Ticker, Portfolio Weight % as of 9/30/2021)

With our focus on long-term investing and low portfolio turnover, portfolio positioning does not change much from one quarter to the next. That said, based on Russell’s ICB classifications, our largest overweight to the Russell 2500 Growth benchmark are in the Industrials sector while the largest underweights are in the Health Care and Financial sectors. These exposures are a result of our bottom-up fundamental research and not because of top-down calls or thematic investing. There were three new buys and three sells during the quarter.

**NEW BUYS:**

- Definitive Healthcare Corp. (DH)

**COMPLETE SELLS:**

- Five9, Inc. (FIVN)
- ANSYS, Inc. (ANSS)
- Copart, Inc. (CPRT)

We increased our weighting on 9 occasions and trimmed on 3 occasions during the quarter. Our conviction in the portfolio companies remains high, and we believe that our emphasis on higher-quality companies that are generating profits, with lower debt levels, and higher returns on equity will be rewarded during more volatile markets over the long-term.

**CONESTOGA SMID CAP FUND**

**CCSMX - Investors Class** 

OVERALL ★★★★★ RATING<sup>1</sup>

**CCSGX - Institutional Class** 

OVERALL ★★★★★ RATING<sup>1</sup>

Among 549 Mid Growth Funds as of 9/30/21. The Overall Morningstar Rating™ is based on risk-adjusted returns, derived from the weighted average of the Fund’s 3-, 5-, and 10-year (if applicable) Morningstar metrics.

**FUND INFORMATION**

As of 9/30/2021

Total Fund Assets \$422 Million  
Number of Holdings 53

**CCSMX—Investors Class**

Fiscal Year End 9/30  
Inception Date 1/21/14  
CUSIP 20719506  
Total Assets \$64 Million

**CCSGX—Institutional Class**

Fiscal Year End 9/30  
Inception Date 12/15/14  
CUSIP 207019605  
Total Assets \$358 Million

*The information provided in this material is not reasonably sufficient upon which to base an investment decision and should not be considered a recommendation to purchase or sell a particular security. The specific securities identified and described in this report do not represent all of the securities purchased, sold or recommended for advisory clients, and you should not assume that investments in the securities identified and discussed will be profitable in the future. To obtain our performance calculation methodology and a list showing the contribution of each holding in the Fund to the overall Fund’s performance during the quarter, please contact the Advisor at 800-320-7790.*

## CONESTOGA SMID CAP FUND

For the Quarter Ending, September 30, 2021

### 10 LARGEST HOLDINGS

	Port. Wgt. (%)
Casella Waste Systems, Inc.	3.92
Exponent, Inc.	3.42
Omniceil, Inc.	3.38
Repligen Corporation	3.29
West Pharmaceutical Svcs., Inc.	3.12
Bio-Techne Corporation	2.99
Pool Corporation	2.82
Descartes Systems Group, Inc.	2.73
FirstService Corp	2.59
SPS Commerce, Inc.	<u>2.49</u>
Total 10 Largest	30.75%

### SECTOR DIVERSIFICATION

(Percent %)	Conestoga SMid Cap Fund	Russell 2500 Growth Index
Basic Materials	3.20	2.45
Consumer Discretionary	15.14	16.88
Consumer Staples	--	2.55
Energy	--	3.27
Financials	--	5.39
Health Care	20.38	24.23
Industrials	30.52	17.34
Real Estate	2.59	2.70
Technology	19.19	22.90
Telecommunications	--	1.50
Utilities	3.92	0.79
Cash	5.06	--

Sectors are defined according to the ICB industry definitions. Portfolio holdings, sectors and metrics are subject to change. Current and future portfolio holdings are subject to risk.

### PORTFOLIO MANAGEMENT

Long history of managing assets in the small/mid cap growth space



**Robert Mitchell**  
Co-Portfolio Manager  
• 26 Yrs. Investing Experience



**Derek Johnston**  
Co-Portfolio Manager  
• 25 Yrs. Investing Experience

### PORTFOLIO METRICS

	Conestoga SMid Cap Fund	Russell 2500 Growth Index
Price/Earnings (1 Yr. Fwd.)	38.8x	34.8x
Earnings Growth (3-5 Year Est.)	19.5%	19.7%
Weighted Avg. Market Cap	\$10,575.1 Mil	\$7,735.5 Mil
ROE – Five Year Weighted Avg.	18.6%	5.4%
Long Term Debt/Capital	26.2%	39.9%
12 Month Turnover Rate	16.9%	N/A

Source: FactSet

### ABOUT CONESTOGA CAPITAL ADVISORS

- Founded in 2001
- 100% Employee-owned with Broad Based Ownership
- Focus on Small, SMid and Mid Cap Investing
- Experienced 7-Person Team Averaging 21 Years Industry Experience
- Steady Growth of Assets Over Time with a Diversified Client Base
- Firm Assets Over \$8.5 Billion (As of 9/30/21)

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Portfolio Metrics Definitions: **P/E (1 Yr. Fwd.)** is the ratio of a stock's price to forecasted earnings over the next year. **Earnings Growth** is the forecasted growth rate of a company's earnings over the next 3-5 years. **Market Cap** is the market value of a publicly traded company's outstanding shares. **ROE (Five Yr. Wtd. Average)** is calculated as a company's net income divided by its shareholders' equity, and is a measure of profitability. **Long-Term Debt/Capital** is a measure of how much debt a company is using to finance its operations, and is determined by dividing long-term debt by total capitalization. Forecasted data is sourced from FactSet Research Systems and represents the average of sell-side analyst forecasts. **Earnings before interest, tax, depreciation and amortization (EBITDA)** is a measure of a company's operating performance. Essentially, it's a way to evaluate a company's performance without having to factor in financing decisions, accounting decisions or tax environments. **Return on Invested Capital (ROIC)** is a measure of the profitability and value-creating potential of companies relative to the amount of capital invested by shareholders and other debtholders.

<sup>1</sup>The Morningstar Rating™ for funds, or "star rating" is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The Morningstar Rating does not include any adjustment for sales loads. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating is a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Both the Investors Class and Institutional Class of the Conestoga SMid Cap Fund received 3 stars for the 3-year period and 4 stars for the 5-year period ended 9/30/21 among 549 and 495 mid growth funds, respectively. © 2021 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. The Institutional Class of the Conestoga SMid Cap Fund received a Silver Morningstar Analyst Rating™ on 9/21/21. The Investor Class of the Conestoga SMid Cap Fund received a Bronze Morningstar Analyst Rating™ on 9/21/21. The Morningstar Analyst Rating™ is not a credit or risk rating. It is a subjective evaluation performed by Morningstar's manager research group, which consists of various Morningstar, Inc. subsidiaries ("Manager Research Group"). In the United States, that subsidiary is Morningstar Research Services LLC, which is registered with and governed by the U.S. Securities and Exchange Commission. The Manager Research Group evaluates funds based on five key pillars, which are process, performance, people, parent, and price. The Manager Research Group uses this five pillar evaluation to determine how they believe funds are likely to perform relative to a benchmark, or in the case of exchange-traded funds and index mutual funds, a relevant peer group, over the long term on a risk-adjusted basis. They consider quantitative and qualitative factors in their research, and the weight of each pillar may vary. The Analyst Rating scale is Gold, Silver, Bronze, Neutral, and Negative. A Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group's conviction in a fund's prospects for outperformance. Analyst Ratings ultimately reflect the Manager Research Group's overall assessment, are overseen by an Analyst Rating Committee, and are continuously monitored and reevaluated at least every 14 months. For more detailed information about Morningstar's Analyst Rating, including its methodology, please go to [global.morningstar.com/managerdisclosures/](http://global.morningstar.com/managerdisclosures/). The Morningstar Analyst Rating (i) should not be used as the sole basis in evaluating a fund, (ii) involves unknown risks and uncertainties which may cause Analyst expectations not to occur or to differ significantly from what they expected, and (iii) should not be considered an offer or solicitation to buy or sell the fund.. Ultimus Fund Distributors, LLC. (Member FINRA & SIPC) serves as the distributor to the Conestoga Funds. Conestoga Funds and Ultimus Distributors, LLC (Member FINRA/SIPC) are not affiliated.

**CONESTOGA MID CAP FUND**

For the Quarter Ending, September 30, 2021

**PERFORMANCE COMMENTARY**

The Conestoga Mid Cap Fund outperformed the Russell Midcap Growth Index in the third quarter. Value was added across all eleven of the Russell sectors with stock selection effects being most positive in the Technology, Health Care and Consumer Discretionary sectors. Sector allocation was also additive to relative returns during the period. The portfolio benefited from a return to “high quality” factor leadership as profitable companies as measured by return on invested capital (ROIC), and earnings before interest, taxes, depreciation (EBITDA) margins significantly outperformed its high beta, non-earning counterparts.

In the Technology sector, strong stock selection was the primary driver of excess returns. Performance was broad-based as seven of the ten holdings within the sector generated positive returns. Broad-based gains were seen in Consumer Discretionary with five of the seven names in the sector generating positive returns for the quarter.

While all eleven sectors added value to relative performance, there were a few names that detracted from returns. (See table below).

**TOP 5 CONTRIBUTORS**

For the Quarter Ending, September 30, 2021	Port. Ending Wgt. (%)	% Contrib.
West Pharmaceutical Svcs., Inc.	5.89	0.91
Fortinet, Inc.	4.10	0.78
Gartner, Inc.	3.15	0.63
Verisk Analytics, Inc.	3.32	0.43
FactSet Research Systems, Inc.	2.63	0.39

**BOTTOM 5 DETRACTORS**

For the Quarter Ending, September 30, 2021	Port. Ending Wgt. (%)	% Contrib.
Coup Software, Inc.	1.54	-0.32
Graco, Inc.	2.61	-0.19
Teleflex, Inc.	2.78	-0.18
Veeva Systems, Inc.	2.89	-0.18
Pool Corp.	3.25	-0.16

Source: FactSet

**PORTFOLIO POSITIONING AND ACTIVITY** (Ticker, Portfolio Weight % as of 9/30/2021)

With our focus on long-term investing and low portfolio turnover, portfolio positioning does not change much from one quarter to the next. That said, based on Russell’s ICB classifications, our largest overweight to the Russell Midcap Growth benchmark is in the Health Care sector while the largest underweight is in the Technology sector. These exposures are a result of our bottom-up fundamental research and not because of top-down calls or thematic investing. There were no new buys and one complete sell during the quarter.

**NEW BUYS:**

None.

**COMPLETE SELLS:**

1. Grand Canyon Education, Inc. (LOPE)

Conestoga added to positions on two occasions and did not have any trims during the third quarter. Our conviction in the portfolio companies remains high, and we believe that our emphasis on higher-quality companies that are generating profits, with lower debt levels, and higher returns on equity will be rewarded during more volatile markets over the long-term.

**CONESTOGA MID CAP FUND**

**CCMMX - Investors Class**

**CCMAX - Institutional Class**

**FUND INFORMATION**

As of 9/30/2021

Total Fund Assets \$1.7 Million  
Number of Holdings 37

**CCMMX—Investors Class**

Fiscal Year End 9/30  
Inception Date 6/29/14  
CUSIP 20719506  
Total Assets \$0.6 Million

**CCMAX—Institutional Class**

Fiscal Year End 9/30  
Inception Date 6/29/14  
CUSIP 207019605  
Total Assets \$1.6 Million

*The information provided in this material is not reasonably sufficient upon which to base an investment decision and should not be considered a recommendation to purchase or sell a particular security. The specific securities identified and described in this report do not represent all of the securities purchased, sold or recommended for advisory clients, and you should not assume that investments in the securities identified and discussed will be profitable in the future. To obtain our performance calculation methodology and a list showing the contribution of each holding in the Fund to the overall Fund’s performance during the quarter, please contact the Advisor at 800-320-7790.*

## CONESTOGA MID CAP FUND

For the Quarter Ending, September 30, 2021

### 10 LARGEST HOLDINGS

	Port. Wgt. (%)
West Pharmaceutical Svcs., Inc.	5.67
Copart, Inc.	5.17
Fortinet, Inc.	4.07
Bio-Techne Corp.	3.86
Costar Group, Inc.	3.84
Align Technology, Inc.	3.79
Ansys, Inc.	3.39
Pool Corp Corp.	3.21
Gartner, Inc.	3.20
Verisk Analytics, Inc.	<u>3.19</u>
Total 10 Largest	39.39%

### SECTOR DIVERSIFICATION

(Percent %)	Conestoga Mid Cap Fund	Russell Midcap Growth Index
Basic Materials	1.45	1.46
Consumer Discretionary	18.50	19.84
Consumer Staples	--	1.93
Energy	--	2.37
Financials	2.47	5.34
Health Care	25.48	16.42
Industrials	18.56	17.20
Real Estate	3.84	3.05
Technology	24.28	30.58
Telecommunications	--	1.67
Utilities	2.62	0.14
Cash	2.80	--

Sectors are defined according to the ICB industry definitions.  
Portfolio holdings, sectors and metrics are subject to change.  
Current and future portfolio holdings are subject to risk.

### PORTFOLIO MANAGEMENT

Long history of managing assets in the small/mid cap growth space



**Derek Johnston**  
Co-Portfolio Manager

- 25 Yrs. Investing Experience



**Ted Chang**  
Co-Portfolio Manager

- 13 Yrs. Investing Experience

### PORTFOLIO METRICS

	Conestoga Mid Cap Fund	Russell Midcap Growth Index
Price/Earnings (1 Yr. Fwd.)	39.6x	28.2x
Earnings Growth (3-5 Year Est.)	16.9%	18.6%
Weighted Avg. Market Cap	\$26,388.9 Mil	\$27,671.9 Mil
ROE – Five Year Weighted Avg.	23.1%	17.2%
Long Term Debt/Capital	28.1%	45.1%
12 Month Turnover Rate	N/A	N/A

Source: FactSet

### ABOUT CONESTOGA CAPITAL ADVISORS

- Founded in 2001
- 100% Employee-owned with Broad Based Ownership
- Focus on Small, SMid and Mid Cap Investing
- Experienced 7-Person Team Averaging 21 Years Industry Experience
- Steady Growth of Assets Over Time with a Diversified Client Base
- Firm Assets Over \$8.5 Billion (As of 9/30/21)

### Important Information

**An investor should consider investment objectives, risks, charges, and expenses carefully before investing. Download a prospectus at [www.conestogafunds.com](http://www.conestogafunds.com), which contains this information or call the Fund toll free 1-800-494-2755. Read the prospectus carefully before investing or sending money.**

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