



PIONEERS IN SMALL CAP INVESTING

FIRST QUARTER, 2009 COMMENTARY

MARKET REVIEW

After beginning the year in a downward spiral, stocks finished the quarter with a powerful rally beginning March 9th. From the period from March 9th to the end of the quarter, the Russell 2000 rose over 23% and the S&P 500 rose over 18%. The turnaround began with news that Citigroup Inc. (C) was profitable in the first two months of the year, rumors that the Federal Reserve would address illiquid assets, and that the SEC may reinstate the uptick rule. Despite the rally, stocks posted negative total returns for the quarter, with the Russell 2000 down -14.95% and the S&P 500 down -11.01%.

In a reversal from last year, higher-quality stocks fell more than lower-quality stocks during the first quarter. Also, Value Stocks significantly underperformed Growth stocks with the Russell 2000 Value falling -19.64% versus the Russell 2000 Growth decline of -9.74%. Technology, Consumer Discretionary and Consumer Staples were the best performing sectors of the Russell 2000, while Financial Services, Materials & Processing, and Producer Durables were among the worst.

Despite the challenging market environment, Conestoga Capital Advisors was able to modestly outperform the comparable Russell indices. Performance for the quarter and trailing periods to inception are given below:

Table 1: Annualized Returns vs. Russell Indices

	1Q 09	1 Year	3 Years	5 Years	10 Years	Since Inception (12-31-98)
CCA Small Cap Composite	-8.30%	-28.18%	-12.17%	-1.63%	7.40%	6.20%
Russell 2000 Growth	-9.74%	-36.36%	-16.20%	-5.37%	-1.60%	-1.73%
Russell 2000 Index	-14.95%	-37.50%	-16.80%	-5.24%	1.93%	1.33%

**Please see important disclosures at the end of this commentary.*

OUTLOOK

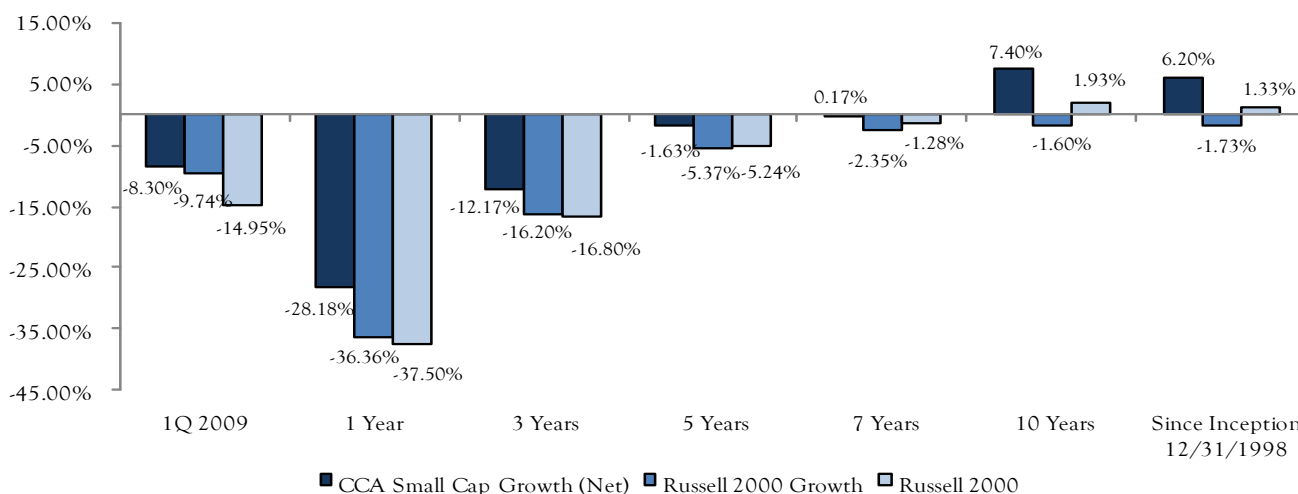
Whether March 9, 2009, will prove to be this bear market's trough remains to be seen. As discussed in our year-end letter to clients, we believe that solutions to the current financial crisis will not come quickly. We also expect that businesses and consumers will continue to de-leverage their balance sheets, and valuations for equities will remain under pressure.

While the first quarter saw a return to favor for lower quality companies, we expect conditions to remain favorable for higher-quality companies through the remainder of the recession and eventual recovery. In our conversations with the management teams of the portfolio companies, we are finding numerous examples of companies that are taking advantage of the downturn to take market share from weaker competitors. The relative financial strength of a typical holding in the Conestoga portfolio (low debt levels, high returns on equity, sustainable earnings growth), positions them well for not only surviving a downturn, but potentially thriving in a recovery.

Conestoga's financial position remains strong, and asset flows from existing and new clients are net positive year-to-date. Our Conestoga Capital Small Cap Fund (ticker CCASX) experienced net inflow of \$8 million in the first quarter, after taking in net inflow of \$15 million for all of 2008.

Please note: 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. As you are aware, one cannot assume that past results are indicative of future performance.

PERFORMANCE - ANNUALIZED RETURNS VS. RUSSELL INDICES*



*Please see important disclosures at the end of this commentary.

PERFORMANCE REVIEW AND ATTRIBUTION

The Conestoga composite of accounts fell -8.30% net-of-fees during the first quarter, outperforming the Russell 2000 Growth decline of -9.74% and the Russell 2000 decline of -14.95%. (Please note that individual account performance will vary slightly due to slight individual issue weighting differences and specific individual client guidelines.)

VERSUS THE RUSSELL 2000 GROWTH:

Conestoga's outperformance relative to the Russell 2000 Growth was driven primarily by sector allocation, while stock selection contributed a somewhat smaller amount. From a sector perspective, Conestoga's zero exposure to the Autos & Transportation sector and underweight to the Materials & Processing sector generated significant outperformance. Industry-specific concerns about the Big 3 automobile companies and the overall economy acted as a drag on these sectors. Partially offsetting these benefits was Conestoga's modest underweight to Consumer Discretionary and overweight to Financial Services.

Stock selection was strongest in the Financial Services sector, where Advent Software Inc. (ADVS) was among the strategy's top performers. ADVS' stock rebounded strongly as fourth quarter 2008 results demonstrate the strength and resiliency of its business model. Also, Westwood Holdings Group Inc. (WHG) produced strong returns benefitting the overall strategy. PrivateBancorp Inc. (PVTB), also in the Financial Services sector, was among the worst performing stocks and was reduced in weighting during the quarter. Stock selection was weakest in the Health Care sector, where Landauer Inc. (LDR), Meridian Bioscience Inc. (VIVO) and Integra LifeSciences Holdings Corp. (IART) were lagging performers.

VERSUS THE RUSSELL 2000:

Strong performance relative to the Russell 2000 was driven equally by sector allocation and stock selection. The strategy's overweights to Technology and Health Care, as well as underweights to Financial Services, Autos & Transportation, and Materials & Processing benefitted returns for the quarter.

The dismal performance of many credit-exposed Financial Services sector stocks wreaked havoc on the sector during the first quarter. Conestoga's client portfolios had less exposure to credit sensitive financial stocks than the Russell 2000, and as a result the portfolio benefitted from strong stock selection within the sector. Companies such as FactSet Research Systems Inc. (FDS), Morningstar Inc. (MORN), as well ADVS and WHG (discussed in the Leaders & Laggards section) all produced better than index sector returns. The strategy's worst performing stock, PrivateBancorp Inc. (PVTB), was within the Financial Services sector and offset some of the positive selection.

Technology was also a source of strong stock selection with Tyler Technologies Inc. (TYL) producing significant contribution during the quarter, as did Blackboard Inc. (BBBB). The high degree of recurring revenue of these types of technology companies continues to benefit performance. Stock selection was weakest in the Consumer Discretionary sector, where a lack of exposure to retail and restaurant stocks acted as a drag on overall performance.

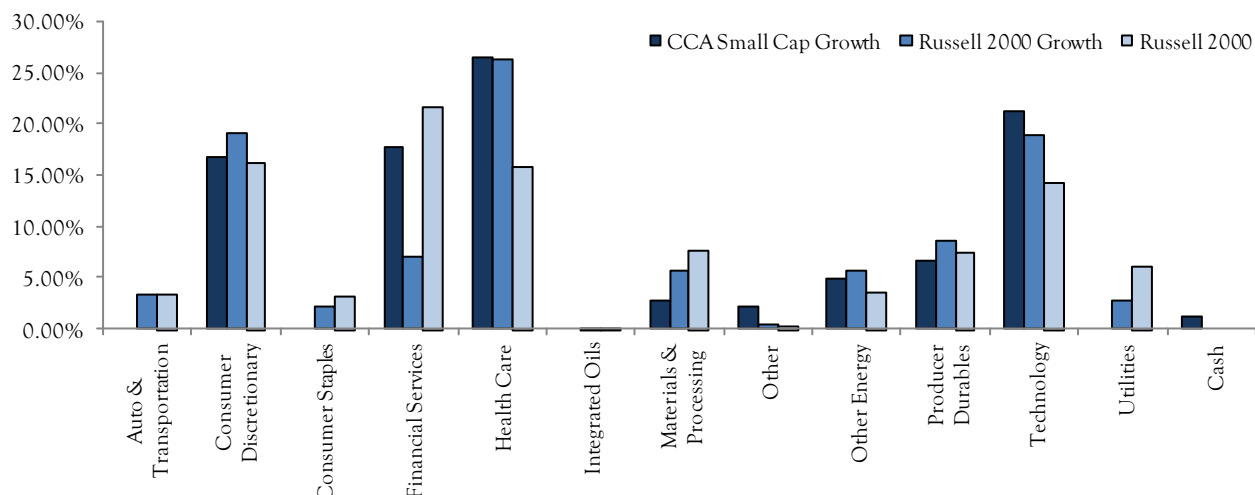
TOP 5 COMPOSITE LEADERS

1. **Advent Software Inc. (ADVS):** This provider of portfolio accounting and management software was one of the strategy's weak performers in 2008 due to fears that its customers would scale back their business as the stock market fell. We maintained our position, and clients were rewarded this quarter as the stock rebounded sharply on better-than-expected earnings.
2. **Westwood Holdings Group Inc. (WHG):** This Dallas-based asset management firm impressed investors with very good net inflows and strong relative performance, despite the stock market decline in 2008. We expect WHG's value-oriented and trust company businesses to continue to their steady growth in the years ahead.
3. **Blackboard Inc. (BBBB):** A solid 4Q earnings report and guidance for 2009 earned BBBB solid stock performance for the quarter. The DC-based software provider to schools and universities is a very good example of the high recurring revenue companies we often seek in the Technology sector.
4. **Tyler Technologies Inc. (TYL):** Like BBBB above, TYL generates high recurring revenues with its software services for municipalities and local governments. Earnings released during the quarter reflected their sustainable growth profile, and the stock participated very well in the rally from March 9 through the end of the quarter.
5. **NVE Corp. (NVEC):** A developer and manufacturer of nanotechnology based in Minneapolis, NVEC announced very good fiscal 3Q earnings and revenue growth during this quarter. NVEC is a very good example of our high quality bias, with zero long-term debt and a return on equity (ROE) of over 20%.

BOTTOM 5 COMPOSITE LAGGARDS

1. **PrivateBancorp Inc. (PVTB):** We expect this Chicago-based bank and wealth advisory company to be better positioned to weather the credit crisis and produce sustainable growth in the years ahead, but our thesis was challenged this quarter as PVTB continues to struggle in the financial storm. We halved our position and we are closely monitoring developments.
2. **Simpson Manufacturing Co. (SSD):** After producing solid results in 2008 despite a terrible housing market, this manufacturer of structural connectors saw its stock fall in the first quarter. We believe SSD is very well positioned to take market share from weaker competitors as the recession turns to recovery.
3. **Landauer Inc. (LDR):** LDR moved lower over the quarter on modest earnings and revenue growth. Additionally, a new IT system is costing more to implement than anticipated. While this causes some short term pain, we believe it is essential for LDR to maintain its competitive edge.
4. **Meridian Bioscience Inc. (VIVO):** Despite announcing earnings in line with expectations and confirming guidance for 2009, VIVO's stock declined markedly over the quarter. The company's business has been adversely impacted by distributors reducing inventory and
5. **Integra LifeSciences Holdings Corp. (IART):** IART moved lower after updating guidance for the first quarter to reflect decreased revenues and earnings in the current market. A developer and manufacturer of surgical implants and medical instruments, the New Jersey-based company confirmed guidance for the full calendar year.

SECTOR WEIGHTINGS



FIRST QUARTER BUYS & SELLS

BUYS

1. **Micros Systems Inc. (MCRS):** The market sell-off in 2008 lowered the market capitalization of MCRS to under \$2 billion, within Conestoga's target range for new purchases. The company provides IT services to the hotel and restaurant industries, and has seen its share price fall on economic concerns for the industry overall. While we fully expect the macro environment to remain challenging for the next few quarters, we believe MCRS strong financial position will allow the company to recover faster and outperform its peers as the economy recovers.

SELLS

There were no sales of entire positions during the quarter. Conestoga did trim positions in Landauer, Inc. (LDR) based on valuations following the significant appreciation during the prior twelve months. Also, we halved our position in PrivateBankcorp, Inc. (PVTB) due to credit quality concerns revealed in their 4Q08 earnings report.

TOP TEN EQUITY HOLDINGS (AS OF 3/31/09)

SYMBOL	COMPANY NAME	SECTOR	% OF ASSETS
ADVS	Advent Software, Inc.	Financial Services	5.21%
QSII	Quality Systems, Inc.	Health Care	4.99%
ROL	Rollins, Inc.	Consumer Discretionary	4.83%
NVEC	NVE Corp.	Technology	4.08%
BBBB	Blackboard, Inc.	Technology	3.90%
TYL	Tyler Technologies, Inc.	Technology	3.77%
SMTS	Somanetics Corp.	Health Care	3.54%
WHG	Westwood Holdings Group	Financial Services	3.36%
RBA	Ritchie Bros. Auction	Consumer Discretionary	3.29%
LDR	Landauer, Inc.	Health Care	3.22%
Total Weighting within Composite:			40.19%

Disclosures:

The positions represent Conestoga Capital Advisors largest equity holdings based on the aggregate dollar value of positions held in the client accounts that are included in the small cap composite. The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for advisory clients, and the reader should not assume that investments in the securities identified and discussed were or will be profitable. All information is provided for informational purposes only and should not be deemed as a recommendation to buy the securities mentioned.

STATISTICS VS. RUSSELL INDICES (AS OF 3/31/09)

Portfolio Characteristics*	CCA Small Cap Growth	Russell 2000 Growth	Russell 2000
Price/Earnings (1 Year Forward)	18.4x	14.4x	12.5x
Earnings Growth	17.1%	18.2%	14.5%
PEG Ratio	1.1	0.8	0.9
Weighted Average Market Capitalization	\$808 Mil	\$895 Mil	\$821 Mil
ROE	18.8%	10.2%	6.6%
Long-term Debt/Capitalization	11%	27%	28%
Dividend Yield	1.10%	0.97%	2.53%
Trailing 12 Month Portfolio Turnover	32.5%	N/A	N/A

*Source: FactSet Research System.

DISCLOSURES: Fully Compliant GIPS Presentation for the Period Ending March 31, 2009

<u>Year Return</u>	<u>Conestoga Small Cap Composite</u>	<u>Russell 2000 Total Return</u>	<u>Russell 2000 Growth Return</u>	<u>No. of Accounts</u>	<u>Composite Dispersion</u>	<u>Total Assets at End of Period (mm)</u>	<u>% of Firm Assets</u>	<u>Total Firm Assets (mm)</u>
YTD 2009	- 8.30%	- 14.95%	- 9.74%	84	0.42%	\$119.401	55%	\$217.542
2008	- 27.98%	- 33.79%	- 38.54%	86	0.71%	\$131.463	58%	\$224.803
2007	6.14%	- 1.57%	7.05%	94	0.73%	\$159.284	58%	\$275.368
2006	10.07%	18.37%	13.35%	95	1.14%	\$163.521	60%	\$271.483
2005	4.60%	4.55%	4.15%	70	0.93%	\$105.755	50%	\$211.667
2004	19.04%	18.33%	14.31%	39	1.26%	\$55.559	34%	\$165.497
2003	30.96%	47.25%	48.54%	37	2.35%	\$35.554	25%	\$140.624
2002	- 15.29%	- 20.48%	- 30.26%	17	2.67%	\$11.176	11%	\$96.392
2001	20.93%	2.49%	- 9.23%	17	4.95%	\$11.399	11%	\$103.627
2000	0.18%	- 3.02%	- 22.43%	22	8.36%	\$14.404	1%	\$1,440.440
1999	43.52%	21.26%	43.09%	18	9.38%	\$11.664	3%	\$388.133

Annualized Rate of Return for the Period Ending March 31, 2009

<u>Time Period</u>	<u>Conestoga Small Cap Composite</u>	<u>Russell 2000 Total Return</u>	<u>Russell 2000 Growth</u>
1 Year	- 28.18%	- 37.50%	- 36.36%
3 Years	- 12.17%	- 16.80%	- 16.20%
5 Years	- 1.63%	- 5.24%	- 5.37%
7 Years	0.17%	- 1.28%	- 2.35%
10 Years	7.40%	1.93%	- 1.60%
Since Inception (12/31/98)	6.20%	1.33%	- 1.73%

*Conestoga Capital Advisors has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS). Conestoga Capital Advisors has been verified for the periods December 31, 1998 through March 31, 2002 by KPMG. Conestoga Capital Advisors has been verified for periods March 31, 2002 through March 31, 2008 by Briggs, Bunting and Dougherty. A copy of these verification reports is available upon request. Performance data after March 31, 2008 is in compliance with the GIPS standards but has not yet been examined by Briggs, Bunting and Dougherty.

- Past performance is not indicative of future results. The actual return and value of an account will fluctuate and at any point could be worth more or less than the amount invested. Individual account performance will vary according to individual investment objectives.
- Conestoga Capital Advisors is an independent investment management firm founded in 2001 that manages equity and balanced portfolios for primarily U.S. institutional and retail clients.
- There have not been any material changes in the personnel responsible for managing accounts during the time period. Performance results prior to June 30, 2001 have been achieved by Martindale Andres & Company, Inc., William Martindale and Robert Mitchell's prior investment advisory firm.
- The Russell 2000 measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index. The Russell 2000 Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization. The volatility of the Russell 2000 Index and Russell 2000 Growth Index may be materially different from that of the performance composite. In addition, the composite's holdings may differ significantly from the securities that comprise the Russell 2000 Index and Russell 2000 Growth Index. The Russell 2000 Index and Russell 2000 Growth Index have not been selected to represent an appropriate benchmark, but rather are disclosed to allow for comparison of the composite's performance to that of well-known and widely respected indices.
- Performance results for the full historical period are total return, time-weighted rates of return expressed in U.S. dollars. Portfolios are valued monthly and returns are weighted by using beginning-of-quarter market values plus weighted cash flows. Annual returns are calculated by geometrically linking the monthly returns. Computations assume the reinvestment of all dividends and capital gains.
- The dispersion of annual returns is measured by the standard deviation across equal-weighted portfolio returns represented within the composite for the full year.
- All composite accounts are managed without client imposed restrictions and are managed by Conestoga Capital Advisors for at least one full calendar quarter. Portfolios that are less than \$250,000 in size are not included in this composite. Prior to September 30, 2003, portfolios greater than \$100,000 were included in this composite.
- No leverage has been used in the accounts included in the composite.
- Trade date accounting is used for all periods.
- Performance results are presented after all management fees, custodial fees, commissions and other trading expenses. The current management fee schedule is as follows: **CURRENT FEE SCHEDULE:** Up to \$10,000,000 : 1.00%
Over \$10,000,000 : Negotiable
- The small cap composite includes all dedicated small cap equity portfolios as well as "carve-out" segments of portfolios that are managed to the firm's balanced strategy. Cash is allocated to the carve-out segment returns on a pro rata basis based upon the proportion of the small cap equity assets to total assets in each balanced portfolio. The pro rata percentage is predetermined by the client and reviewed on a quarterly basis. The percentage of carve-out assets to total small cap composite assets was 1.91% as of March 31, 2009.
- A complete list of composites and performance results are available upon request.

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CONESTOGA'S SMALL CAP TEAM

William C. Martindale, Jr.

Managing Partner, Portfolio Manager, Research Analyst

Bill is a Co-Founder and Managing Partner of Conestoga Capital Advisors. He serves as Chief Investment Officer of the firm, with a focus on small cap equity securities, as well as overseeing the firm's strategic business development. Bill's investment career spans more than thirty-nine years, beginning at Dean Witter Reynolds where he acted as Vice President and Manager from 1969 through 1989. In 1989, Bill co-founded Martindale Andres & Company, Inc., where he acted as Chief Investment Officer. In this capacity, he was responsible for approximately \$1.0 Billion in equity securities that the firm managed for its individual and institutional clients. Bill was the Portfolio Manager of the Governor Aggressive Growth Fund, a small cap mutual fund, and the Governor Established Growth Fund, a large cap mutual fund. Bill received a Bachelor of Arts from Gettysburg College in 1964.

Robert M. Mitchell

Managing Partner, Portfolio Manager, Research Analyst

Bob is a Co-Founder and Managing Partner of Conestoga Capital Advisors. Bob is responsible for directing the firm's equity portfolio management process and employing the firm's fundamental research approach to selecting securities. His focus is on small capitalization companies. Bob also oversees the firm's operations. Prior to Conestoga, Bob was a Portfolio Manager/Analyst and Director of Equity Research at Martindale Andres & Company. Bob's portfolio management and research expertise was focused on small capitalization companies. While at Martindale Andres & Co., he was responsible for \$100 Million in individual and institutional small cap accounts. Before his employment at Martindale Andres, Bob worked with the U.S. Department of Justice Antitrust Division where he analyzed the economic and financial aspects of various industries for evidence of antitrust violations. Bob received his M.B.A. from Indiana University's Kelley School of Business in 1995; in 1991, he received a B.A. from the University of Notre Dame.

Joseph F. Monahan, CFA

Managing Director, Portfolio Manager, Research Analyst

Joe is a Portfolio Manager and Research Analyst for the firm's large cap equity strategy, and also senior research analyst for the small cap equity strategy. He joined Conestoga in December 2008 from McHugh Associates, where he was Senior Vice President/Portfolio Manager and a member of the firm's Investment Committee. Prior to joining McHugh in 2001, Joe was a Vice President and Portfolio Manager at Pitcairn Trust Company. He is a graduate of the Pennsylvania State University, where he earned a Bachelor of Science degree, and he earned a Masters of Business Administration from Temple University. He is a CFA Charterholder and a member of the CFA Society of Philadelphia.