

# Adirondack Small Cap Fund (ADKSX)

Data as of June 30, 2017

## Quarterly Commentary

Dear Fellow Shareholder,

During the quarter ending 06/30/17, The Adirondack Small Cap Fund (ADKSX) outperformed its benchmark, the Russell 2000 Value Index (RUJ), by 123 bps. The Fund returned 1.90% during this period, while the RUJ returned 0.67%. The Fund's annualized return for 1 year, 5 year, and 10 year was 24.59%, 12.69%, and 8.24%, respectively.\*

The economy, now approaching its ninth year of expansion, continued its upward trajectory, albeit at a more moderate pace this quarter. The major US indices (Standard & Poor's 500, the Dow Jones Industrial Average, and the Nasdaq Composite Index) hit all-time highs. The global economy also showed improvement in all major regions and for the first time since the Great Recession, all the banks that were required to undergo the "stress test" passed and many have announced plans to return capital to shareholders. Despite delays in healthcare and tax reform, the markets showed remarkable resilience.

The majority of the Fund's outperformance this quarter was due to our allocation and stock selection within Consumer Discretionary, which outperformed the benchmark. Gravitating towards industries in transition is part of our value investing DNA. The Fund's weighting in this sector is now approximately double the RUJ as we have patiently added names during the past few months. As we mentioned last quarter, we find this space very interesting as companies must find a way to adapt in this increasingly ecommerce driven space. We continue to focus on attractively valued companies with solid brands while de-emphasizing retailers who primarily focus on selling product in malls and outlets.

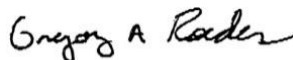
Our outlook remains cautious as the duration of the expansion, the gridlock in Washington, and the Fed's change in posture have us leaning towards higher quality. In our effort to move in this direction, we sold positions where fundamentals were a concern and redeployed the capital into companies that offer better risk/reward at this point in the cycle. A good example of this was exiting Express, Inc. (EXPR) and adding United Natural Foods, Inc. (UNFI). We have owned EXPR since 2013 but wanted to reduce our exposure to mall based retailers and were trimming the position throughout the year. Conversely, we added UNFI, a highly regarded wholesale distributor of natural foods and a rapidly growing company with a strong balance sheet. We think its future potential is misunderstood by the market and currently trades at an attractive discount. (As of 6/30/17, UNFI represented 0.69% of the portfolio.)

In addition, we are pleased to announce that we will be further reducing our management fee. Effective August 1st, this fee (one component of the Fund's expense ratio) will be reduced from 1.15% to 1.10% in a continued effort to reduce shareholder expenses. The 2017 prospectus, which will be effective on that date, will reflect the new overall lower expense ratio. We thank you for your continued investment in The Adirondack Small Cap Fund. For the most up-to-date information on your investment, please visit our website at [www.adirondackfunds.com](http://www.adirondackfunds.com) or call us at (518) 690-0470.

Regards,



Matt Reiner, CFA®  
Portfolio Manager



Greg Roeder, CFA®  
Portfolio Manager

*\*Performance data quoted represents past performance; past performance does not guarantee future results. 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 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 888-686-2729, or visiting [www.adirondackfunds.com](http://www.adirondackfunds.com).*

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## Quarterly Commentary (con't)

*Per the prospectus, the Fund's gross annual operating expense ratio is 1.25%. The Advisor has contractually agreed to waive fees or reimburse the Fund to the extent necessary to maintain the Fund's total annual operating expenses at 1.48% until August 1, 2017, subject to termination by the Fund on 60 days' written notice.*

*The Fund invests in smaller companies, which involve additional risks such as limited liquidity and greater volatility. Additionally, value investing is subject to the risk that a company's intrinsic value may never be fully realized by the market.*

*The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by calling 1-888-686-2729, or visiting [www.adirondackfunds.com](http://www.adirondackfunds.com). Read it carefully before investing. The Adirondack Small Cap Fund is distributed by Rafferty Capital Markets, LLC, Garden City, NY 11530.*

*The Russell 2000 Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. You cannot invest directly in an index.*

*The Standard & Poor's 500 Index is a market value-weighted index of 500 stocks seen as indicators of U.S. equities and reflects large cap performance. You cannot invest directly in an index.*

*The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the Nasdaq. You cannot invest directly in an index.*

*The Nasdaq Composite Index is a market capitalization-weighted index of approximately 3000 equities listed on the Nasdaq stock exchange. You cannot invest directly in an index.*