

Adirondack Small Cap Fund (ADKSX)

Data as of December 31, 2017

Quarterly Commentary

Dear Fellow Shareholder,

During the quarter ending 12/31/17, The Adirondack Small Cap Fund (ADKSX) outperformed its benchmark, the Russell 2000 Value Index (RUJ), by 32 bps. The Fund returned 2.37% during this period, while the RUJ returned 2.05%. The Fund's annualized return for 1 year, 5 year, and 10 year was 10.55%, 12.73%, and 9.98%, respectively.*

The economic backdrop for the equity markets this quarter remained constant - strong domestic and international growth. The expected bump in rates by the Fed did not surprise the markets. The reality of tax reform and the potential for increased investment and earnings for many domestic companies from lower rates was an added boost for the equity markets and economic growth. Should companies choose to use their savings for re-investment, continued upside is possible. Additionally, the U.S. is now a more attractive area for investment for the international community.

The Fund's performance was slightly better than its benchmark. Our sector allocation, specifically our overweighting in Consumer Discretionary, was a positive contributor as it was the best performing sector this quarter. Our current weighting is approximately double that of the RUJ. We have steadily added to this space over the last year but have recently taken some profits. We will continue to look for opportunities once this euphoria of a better holiday season rebalances with the continued difficulty facing the sector. We are also looking for opportunities in energy, technology and inflation sensitive sectors. We reduced a number of our technology positions that were skewed towards semiconductor capital expenditures driven by the increased demand for memory. We are pleased with the Fund's outperformance for the year, exceeding the RUJ by 271 bps. When we look at attribution for the year, it was our stock selection that accounted for two-thirds of the Fund's outperformance. Our top two performers for both the quarter and the year were Vonage (VG) and Electro Scientific Industries (ESIO). Consistent with our patient, long-term philosophy, these are positions we have owned for years. We have opportunistically reduced our largest position in VG but still expect additional upside. We exited ESIO as it reached our price target. (As of 12/31/17, Vonage represented 3.24% of the portfolio.)

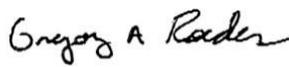
Like many of you, we continue to wonder how long this bull market will last and we are tirelessly scrutinizing the underpinnings and drivers of this unprecedented run. It has been a while since we have had a meaningful correction and the longer we go without one, the concern naturally becomes the depth and breadth of any future correction. It is a reasonable assumption that rates and inflation will rise in 2018, making commodities an attractive play. At Adirondack, we approach the market as we always have -- trying to find industries that are out of favor, and attempting to find companies with solid balance sheets and promising long-term outlooks. There are always opportunities, albeit in this market, they may be harder to come by. We, however, continue to apply the same tenacity and diligence in finding them.

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 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.*

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Quarterly Commentary (con't)

Per the prospectus, the Fund's gross annual operating expense ratio is 1.23%. 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, 2018, 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. 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.