

Adirondack Small Cap Fund (ADKSX)

Data as of March 31, 2018

Quarterly Commentary

Dear Fellow Shareholder,

During the quarter ending 03/31/18, The Adirondack Small Cap Fund (ADKSX) underperformed its benchmark, the Russell 2000 Value Index (RUJ), by 178 bps. The Fund returned (4.42%) during this period, while the RUJ returned (2.64%). The Fund's annualized return for 1 year, 5 year, and 10 year was 4.12%, 9.29%, and 10.38%, respectively.*

This quarter marked a return to elevated volatility. Despite positive business and consumer sentiment and bullish news of tax reform potentially fueling higher earnings, small caps were down for the quarter along with the S&P 500 and Dow Jones Industrial Average (DJIA). There were various trigger points throughout the quarter, ranging from concerns of an overheated job report in February to trade war fears with China and potential increased technology regulation in March. We believe this pullback was not entirely unexpected as this bull market was due for a pause. The new Fed chair, Jerome Powell, raised interest rates as anticipated and the market appears to have digested expectations of modest increases for the year.

After outperforming the Russell 2000 Value Index for calendar year 2017 (10.55% vs. 7.84%), the Fund did not keep pace with its benchmark this quarter. We used the recent volatility this quarter to take profit on positions that exceeded our price target while beginning to build positions in turnaround situations that will take time to play out. The Fund's underperformance this quarter was namely within Financials, Consumer Discretionary and Health Care. Within Financials, banks did well with the prospect of higher rates and lower taxes and we continue to underweight this industry. The benchmark's average P/E ratio for banks remains high at 20x and it is nearly impossible to find an investable bank stock trading for less than 15x earnings. Instead, we remain overweight insurance where the risk/reward is more attractive. Health Care, the best performing sector this quarter, saw both segments – equipment and pharma/biotech – post positive returns. Our overweight position in equipment helped offset our underweight in the speculative biotech space. Allscripts Healthcare Solutions (MDRX), our largest healthcare position, fell victim to some near-term concerns on the integration of recent strategic acquisitions and a lengthening of the bookings cycle. We continue to believe the company is positioning itself as a leader in electronic health records, value-added software and data analytic solutions across this ever changing marketplace. (As of 03/31/2018, Allscripts represented 2.58% of the portfolio.)

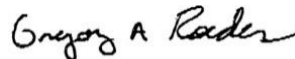
The volatility, while not pleasant in the short term, provides opportunities we have not seen in a while. We have patiently added to certain names that suffered during the pullbacks where our conviction remains high and we have found new companies trading at more reasonable valuations. We are confident these moves position us for the long-term investment horizon to which we have always subscribed.

We are pleased to announce that the Fund received its third Lipper award in February. The Adirondack Small Cap Fund was named best Small Cap Value Fund during the ten-year time period ending 12/31/17 for its consistently strong risk-adjusted performance relative to its peers. It placed first out of 124 funds in its category. We are particularly proud of our latest award as it recognizes our true driving investment principle, long term returns. The Fund was recognized previously in 2011 for its three-year performance and in 2013 for its five-year performance. In fact, The Adirondack Small Cap Fund is the only small cap value fund that has won a Lipper Award for all three time periods. We thank you for your continued support and investment along the way. 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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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.

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.

Lipper Analytical Services, Inc. is an independent mutual fund research and rating service. Each Lipper average represents a universe of Funds with similar invest objectives. Rankings for the periods shown are based on Fund total returns with dividends and distributions reinvested and do not reflect sales charges. The prestigious Lipper Fund Awards are part of the Thomson Reuters Awards for Excellence, a global family of awards that celebrate exceptional performance throughout the professional investment community. The awards are based on a fund's ability to deliver consistently strong risk-adjusted performance relative to its peers. Classification averages are calculated with all eligible share classes for each eligible classification. The calculation periods extend over 36, 60, and 120 months. The highest Lipper Leader for Consistent Return (Effective Return) value within each eligible classification determines the fund classification winner over three, five, or ten years. Past performance does not guarantee future results. The Adirondack Small Cap Fund received its first Lipper Award in 2011 in the small cap value category for its three-year performance relative to peers as of 12/31/10 and then again in 2013 for its five-year performance relative to peers as of 12/31/12.