



# Adirondack

F U N D S

**The Adirondack Small Cap Fund**  
**ADKSX**

**ANNUAL REPORT**

*March 31, 2018*

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# THE ADIRONDACK SMALL CAP FUND

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## MANAGERS COMMENTARY

MARCH 31, 2018 (UNAUDITED)

Dear Fellow Shareholders,

During the fiscal year ended March 31, 2018, The Adirondack Small Cap Fund (ADKSX) (the “Fund”) generated returns of 4.12%. Over the same period, its benchmark, the Russell 2000® Value Index (RUJ), increased 5.13%. The top ten holdings represented 23.10% of Fund assets and the annual portfolio turnover remained consistent at nearly 38%.

The U.S. economy continues to improve leading to tighter labor conditions and higher input costs. The Fed has responded by raising short term rates and the bond market has reacted by adding about 50 bps to the ten-year treasury yield. Presently, small U.S. companies appear to be handling these challenges relatively well. However, the chief complaint from many companies has been rising freight rates. According to a recent study by the American Trucking Association, the drivers for private fleets saw their pay rise nearly 18% over the past five years. Long haul drivers are retiring and its increasingly difficult to replace them. Adding to this pressure has been the stricter enforcement of rules regarding hours of service for truck drivers whereby drivers are limited to 11 hours per day. The issues surrounding freight rates and availability are not likely go away anytime soon and it’s something we continue to follow closely.

Turning towards our portfolio, the Fund’s underperformance versus our benchmark (RUJ) can be attributed to our relative performance in the HealthCare sector, namely Owens & Minor (OMI). (As of 03/31/2018, OMI represented 0.95% of the portfolio.) An earnings reset and fears regarding Amazon entering the medical supplies distribution space sent shares of OMI sharply lower in October. Though we believe fears of Amazon competition to be overblown, OMI recently closed on a large acquisition that significantly burdened its balance sheet with debt. While the acquisition appears reasonably priced, we would have preferred they got their house in order before taking on such a large transaction. As a result, we have materially reduced exposure to OMI and continue to evaluate its progress. Additionally, the lack of exposure to the highflying stocks in the pharmaceutical industry had an impact on the Fund’s relative performance. Comprising about 3% of the benchmark, pharmaceuticals returned 32.71% for the period. The Fund has historically lacked exposure to this industry as it has not proven to be fertile ground for our value philosophy. Furthermore, it’s important to note that this group consists mainly of unprofitable biotechnology companies. Interestingly, the pharmaceutical stocks in the Russell 2000® Value Index (up 32.71%) performed nearly identically to those in the Russell 2000® Growth Index (up 31.99%) which suggests to us that investors gambling via passive ETFs are likely bidding up these stocks. Surprisingly, the recent tough talk in Washington about controlling drug costs has done nothing to quell the irrational exuberance in this space. We believe that the market will eventually wake up and recognize many of these companies as irrationally priced and highly risky.

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# THE ADIRONDACK SMALL CAP FUND

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## MANAGERS COMMENTARY (CONTINUED)

MARCH 31, 2018 (UNAUDITED)

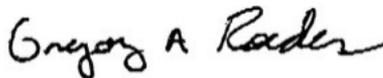
Going forward we expect to see increased volatility in the market. It made a brief appearance in February, but the U.S. equity markets have since returned to relative calm. The index that tracks volatility, the Chicago Board Options Exchange Volatility Index, or VIX, crossed above the 30 mark for the first time since August 2015. As contrarians, we prefer more volatility to less. In calm up trending markets, fundamentals tend to be overlooked and companies attract fair weather investors. Eventually stocks trade on momentum and completely disconnect from fundamentals, frustrating folks like us that have a strict value criteria. The volatility, while it lasts, provides opportunities we have not seen in quite some time. We have 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. Additionally, we have taken some profit in holdings that have hit our price target. Because the duration of the volatility, particularly to the downside, has been relatively short, we are executing slowly and with patience in order to adhere to our price discipline. We are confident these moves position us for the long-term investment horizon to which we have always subscribed.

Finally, 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 ended 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](http://www.adirondackfunds.com) or call us at (518) 690-0470.

Sincerely,



Matt Reiner, CFA  
Portfolio Manager  
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# THE ADIRONDACK SMALL CAP FUND

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## MANAGERS COMMENTARY (CONTINUED)

MARCH 31, 2018 (UNAUDITED)

*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).*

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

*The Chicago Board Options Exchange Volatility Index (VIX) measures the price of options (contract for right to buy/sell a security at a specific price during a period of time or on a specific date) on the Standard & Poor's 500 (market value-weighted index of 500 stocks seen as indicators of U.S. equities and reflects large cap performance), and then estimates how volatile those options will be between the current date and the option's expiration date. The Chicago Board Options Exchange combines the price of multiple options and derives an aggregate value of 30-day volatility, which the index tracks. 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*

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# THE ADIRONDACK SMALL CAP FUND

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## MANAGERS COMMENTARY (CONTINUED)

MARCH 31, 2018 (UNAUDITED)

*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.*

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# THE ADIRONDACK SMALL CAP FUND

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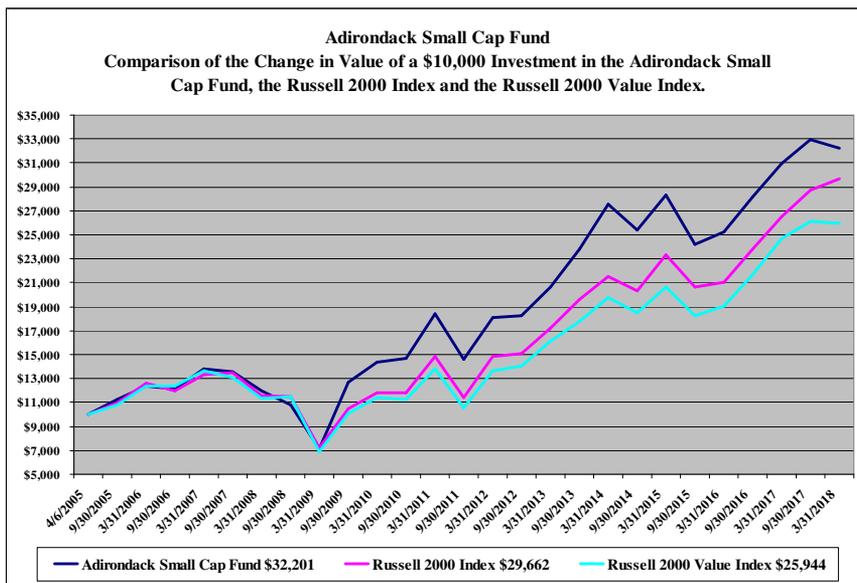
TOP TEN HOLDINGS, as a Percentage of the Fund's Net Assets  
MARCH 31, 2018 (UNAUDITED)

1.	Vonage Holdings Corp	2.67%
2.	Allscripts Healthcare Solutions, Inc.	2.58%
3.	Owens-Illinois Inc.	2.58%
4.	Clarus Corp.	2.35%
5.	Stewart Information Services Corp.	2.28%
6.	Cowen, Inc.	2.26%
7.	Covanta Holding Corp.	2.17%
8.	National Western Life Group, Inc.	2.12%
9.	MGIC Investment Corp.	2.11%
10.	MFA Financial, Inc.	1.98%

\* Excludes Fund's Short-Term Investment positions.

# THE ADIRONDACK SMALL CAP FUND

## PERFORMANCE ILLUSTRATION MARCH 31, 2018 (UNAUDITED)



### Average Annual Total Returns (a) (for periods ended March 31, 2018)

	1 Year	3 Year	5 Year	10 Year	Since Inception
Adirondack Small Cap Fund *	4.12%	4.40%	9.29%	10.38%	9.43%
Russell 2000 Index **	11.79%	8.39%	11.47%	9.84%	8.74%
Russell 2000 Value Index ***	5.13%	7.87%	9.96%	8.61%	7.62%

(a) The total returns shown do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

\* Initial public offering of shares was April 6, 2005.

\*\*The Russell 2000 is a common benchmark for mutual funds that identify themselves as "small-cap". It is a widely quoted measure of the overall performance of the small-cap to mid-cap company shares.

\*\*\*Russell 2000 Value Index: Measures the performance of those Russell 2000 companies with lower price/book ratios and lower predicted growth rates.

This chart assumes an initial investment of \$10,000 made on April 6, 2005. Past performance doesn't guarantee future results. Investment return and principal value will fluctuate so that shares, when redeemed, maybe worth more or less than their original cost. All returns reflect reinvested dividends but do not reflect the impact of taxes. The Fund's gross total operating expenses as of its last prospectus is 1.29%.

Current performance may be higher or lower than the performance quoted. Performance information current to the most recent month-end may be obtained by calling 1-888-686-2729.

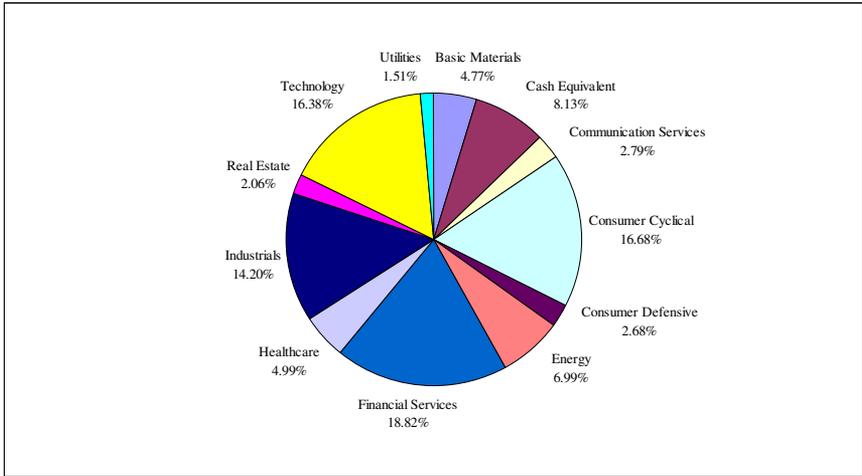
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# THE ADIRONDACK SMALL CAP FUND

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## PORTFOLIO ILLUSTRATION MARCH 31, 2018 (UNAUDITED)

The following chart gives a visual breakdown of the Fund by the industry sectors the underlying securities represent as a percentage of the portfolio of investments.



Sectors are categorized using Morningstar® classifications.

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# THE ADIRONDACK SMALL CAP FUND

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## SCHEDULE OF INVESTMENTS MARCH 31, 2018

<u>Shares</u>	<u>Value</u>
<b>COMMON STOCKS - 88.71%</b>	
<b>Accident &amp; Health Insurance - 1.35%</b>	
155,697      CNO Financial Group, Inc.	\$ 3,373,954
<b>Air Transportation Scheduled - 1.50%</b>	
184,505      JetBlue Airways Corp. *	3,749,142
<b>Aircraft &amp; Parts - 1.83%</b>	
181,393      Triumph Group, Inc.	4,571,104
<b>Biotechnology Research &amp; Products - 0.84%</b>	
407,712      Trinity Biotech Plc. ADR *	2,099,717
<b>Books: Publishing or Publishing &amp; Printing - 0.90%</b>	
323,938      Houghton Mifflin Harcourt Co. *	2,251,369
<b>Business Services, Nec - 1.69%</b>	
226,234      Conduent, Inc. *	4,217,002
<b>Cogeneration Services &amp; Small Power Producers - 2.17%</b>	
372,965      Covanta Holding Corp.	5,407,992
<b>Computer Processing &amp; Data Preparation - 0.12%</b>	
814,742      IPASS, Inc. *	309,602
<b>Computer Programming, Data Processing, Etc. - 0.36%</b>	
302,672      AutoWeb, Inc. *	901,963
<b>Construction Special Trade Contractors - 0.76%</b>	
137,928      Matrix Service Co. *	1,889,614
<b>Crude Petroleum &amp; Natural Gas - 2.48%</b>	
645,903      Advantage Oil & Gas Ltd. (Canada) *	1,905,414
111,200      Carrizo Oil & Gas, Inc. *	1,779,200
665,215      Tetra Technologies, Inc.	2,494,556
	<hr/>
	6,179,170
<b>Deep Sea Foreign Transportation of Freight - 2.31%</b>	
394,837      Ardmore Shipping Corp. (Bermuda) *	3,000,761
53,752      Seacor Holdings, Inc. *	2,746,727
	<hr/>
	5,747,488

\* Non-income producing securities during the period.

ADR - American Depositary Receipt

*The accompanying notes are an integral part of these financial statements.*

# THE ADIRONDACK SMALL CAP FUND

## SCHEDULE OF INVESTMENTS (CONTINUED)

MARCH 31, 2018

<u>Shares</u>	<u>Value</u>
<b>Drilling Oil &amp; Gas Wells - 0.84%</b>	
181,440      Rowan Cos. Plc. *	\$ 2,093,818
<b>Electric Lighting &amp; Wiring Equipment - 1.58%</b>	
346,178      LSI Industries, Inc.	2,807,504
1,328,938      Orion Energy Systems, Inc. *	1,129,597
	3,937,101
<b>Electronic Components &amp; Accessories - 1.63%</b>	
218,811      Vishay Intertechnology, Inc.	4,069,885
<b>Fabricated Plate Work (Boiler Shops) - 2.12%</b>	
451,749      Global Power Equipment Group, Inc. *	1,260,380
658,660      McDermott International, Inc. *	4,011,239
	5,271,619
<b>Footwear (No Rubber) - 0.69%</b>	
59,432      Wolverine World Wide, Inc.	1,717,585
<b>Games, Toys &amp; Children's Vehicles (No Dolls &amp; Bicycles) - 0.24%</b>	
283,765      JAKKS Pacific, Inc. *	595,906
<b>Glass Containers - 2.58%</b>	
296,838      Owens-Illinois, Inc. *	6,429,511
<b>Gold And Silver Ores - 1.51%</b>	
232,303      Pan American Silver Corp. (Canada)	3,751,693
<b>Greeting Cards - 1.17%</b>	
165,887      CSS Industries, Inc.	2,903,023
<b>Instruments for Measuring &amp; Testing of Electricity &amp; Electronic Signals - 1.26%</b>	
268,635      Xcerra Corp. *	3,129,598
<b>Laboratory Analytical Instruments - 0.67%</b>	
332,492      Harvard Bioscience, Inc. *	1,662,460
<b>Leisure Time -1.29%</b>	
196,518      Callaway Golf Corp.	3,215,034
<b>Life Insurance - 3.21%</b>	
959,582      Genworth Financial, Inc. Class A *	2,715,617
17,289      National Western Life Group, Inc. Class A	5,271,070
	7,986,687

\* Non-income producing securities during the period.

*The accompanying notes are an integral part of these financial statements.*

# THE ADIRONDACK SMALL CAP FUND

## SCHEDULE OF INVESTMENTS (CONTINUED)

MARCH 31, 2018

<u>Shares</u>	<u>Value</u>
<b>Meat Packing Plants - 1.54%</b>	
902 Seaboard Corp.	\$ 3,847,030
<b>Medical &amp; Dental Instruments &amp; Supply - 0.96%</b>	
153,072 Owens & Minor, Inc.	2,380,270
<b>Metal Mining - 1.40%</b>	
500,856 Cleveland Cliffs, Inc. *	3,480,949
<b>Miscellaneous Chemical Products - 1.22%</b>	
111,898 Orion Engineered Carbons S.A. (Luxembourg)	3,032,436
<b>Mortgage Bankers &amp; Loan Correspondents - 1.96%</b>	
272,548 Nationstar Mortgage Holdings, Inc.	4,894,962
<b>Motor Vehicle Parts &amp; Accessories - 2.22%</b>	
74,000 Dana Holding Corp.	1,906,240
325,104 Horizon Global Corp. *	2,678,857
34,186 Stoneridge, Inc. *	943,534
	5,528,631
<b>Oil &amp; Gas Filed Machinery &amp; Equipment - 0.22%</b>	
328,575 Superior Drilling Products, Inc. *	545,434
<b>Operative Builders - 1.45%</b>	
219,637 TRI Pointe Group, Inc. *	3,608,636
<b>Orthopedic, Prosthetic, &amp; Surgical Appliances &amp; Supplies - 1.93%</b>	
276,524 Invacare Corp.	4,811,518
<b>Printed Circuit Boards - 3.20%</b>	
417,491 Celestica, Inc. (Canada) *	4,321,032
139,416 Sanmina Corp. *	3,645,728
	7,966,760
<b>Pumps &amp; Pumping Equipment - 0.40%</b>	
111,221 Ampco Pittsburgh Corp.	989,867
<b>Radio &amp; TV Broadcasting &amp; Communications Equipment - 0.18%</b>	
167,498 SeaChange International, Inc. *	453,919
<b>Retail-Auto Dealers &amp; Gasoline Stations - 0.75%</b>	
516,772 TravelCenters of America LLC. *	1,860,379

\* Non-income producing securities during the period.

*The accompanying notes are an integral part of these financial statements.*

# THE ADIRONDACK SMALL CAP FUND

## SCHEDULE OF INVESTMENTS (CONTINUED)

MARCH 31, 2018

<u>Shares</u>	<u>Value</u>
<b>Retail-Miscellaneous Shopping Goods Stores - 0.68%</b>	
793,014      Office Depot, Inc.	\$ 1,704,980
<b>Retail-Women's Clothing Stores - 0.71%</b>	
196,000      Chicco Fas, Inc.	1,771,840
<b>Savings Institution, Federally Chartered - 1.01%</b>	
155,106      Brookline Bancorp, Inc.	2,512,717
<b>Security Brokers, Dealers, &amp; Flotation Companies - 3.88%</b>	
427,268      Cowen Group, Inc. Class A *	5,639,938
217,374      Greenhill & Co., Inc.	4,021,419
	9,661,357
<b>Semiconductors &amp; Related Devices - 0.17%</b>	
272,975      QuickLogic Corp. *	414,922
<b>Services-Computer Integrated Systems Design - 2.58%</b>	
521,177      Allscripts Healthcare Solutions, Inc. *	6,436,536
<b>Services-Computer Programming Services - 0.07%</b>	
52,580      RealNetworks, Inc. *	160,895
<b>Services-Miscellaneous Business Services - 1.75%</b>	
253,739      Donnelley Financial Solutions, Inc. *	4,356,699
<b>Services-Miscellaneous Equipment Rental &amp; Leasing - 1.63%</b>	
304,786      FLY Leasing Ltd. ADR *	4,056,702
<b>Special Industry Machinery - 0.68%</b>	
148,971      Manitex International, Inc. *	1,702,738
<b>Sporting &amp; Athletic Goods, NEC - 2.35%</b>	
869,256      Clarus Corp. *	5,867,478
<b>Surety Insurance - 2.11%</b>	
404,100      MGIC Investment Corp. *	5,253,300
<b>Surgical &amp; Medical Instruments &amp; Apparatus - 0.60%</b>	
300,796      Accuray, Inc. *	1,503,980

\* Non-income producing securities during the period.

ADR - American Depositary Receipt

*The accompanying notes are an integral part of these financial statements.*

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# THE ADIRONDACK SMALL CAP FUND

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## SCHEDULE OF INVESTMENTS (CONTINUED)

MARCH 31, 2018

<u>Shares</u>	<u>Value</u>
<b>Telephone &amp; Telephone Apparatus - 5.39%</b>	
309,814      ADTRAN, Inc.	\$ 4,817,607
188,700      Ciena Corp. *	4,887,330
343,830      Infinera Corp. *	3,733,994
	13,438,931
<b>Telephone Communications (No Radio Telephone) - 2.67%</b>	
625,722      Vonage Holdings Corp. *	6,663,939
<b>Television Broadcasting Stations - 1.72%</b>	
338,030      Gray Television, Inc. *	4,292,981
<b>Title Insurance - 2.28%</b>	
129,135      Stewart Information Services, Corp.	5,674,192
<b>Water Supply - 0.66%</b>	
173,934      Pure Cycle Corp. *	1,643,676
<b>Wholesale - Groceries &amp; General Line - 3.30%</b>	
126,600      Performance Food Group Co. *	3,779,010
103,600      United Natural Foods, Inc. *	4,448,584
	8,227,594
<b>Women's, Misses', Children's &amp; Infants' Undergarments - 1.94%</b>	
233,620      Guess, Inc.	4,845,279
	221,053,564
TOTAL FOR COMMON STOCKS (Cost \$194,606,980) - 88.71%	
<b>PREFERRED STOCK - 1.32%</b>	
<b>Life Insurance - 1.32%</b>	
177,929      Phoenix Companies, Inc. 7.45% 1/15/32	3,291,686
	3,291,686
TOTAL FOR PREFERRED STOCK (Cost \$3,655,852) - 1.32%	
<b>REAL ESTATE INVESTMENT TRUST - 2.06%</b>	
36,900      Investors Real Estate Trust	191,511
656,452      MFA Financial, Inc.	4,943,084
	5,134,595
TOTAL REAL ESTATE INVESTMENT TRUST (Cost \$4,810,940) - 2.06%	

\* Non-income producing securities during the period.

*The accompanying notes are an integral part of these financial statements.*

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# THE ADIRONDACK SMALL CAP FUND

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## SCHEDULE OF INVESTMENTS (CONTINUED)

MARCH 31, 2018

<u>Shares</u>	<u>Value</u>
<b>SHORT-TERM INVESTMENT - 8.15%</b>	
20,318,122      Federated Treasury Obligation Fund - Institutional Shares 1.54% **	\$ 20,318,122
<b>TOTAL SHORT-TERM INVESTMENT (Cost \$20,318,122) - 8.15%</b>	<u>20,318,122</u>
<b>TOTAL INVESTMENTS (Cost \$223,391,894) - 100.24%</b>	249,797,967
<b>LIABILITIES IN EXCESS OF OTHER ASSETS, NET - (0.24)%</b>	<u>(593,471)</u>
<b>NET ASSETS - 100.00%</b>	<u><u>\$249,204,496</u></u>

\*\* Variable rate security; the money market rate shown represents the yield at March 31, 2018.  
*The accompanying notes are an integral part of these financial statements.*

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# THE ADIRONDACK SMALL CAP FUND

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## STATEMENT OF ASSETS AND LIABILITIES MARCH 31, 2018

Assets:	
Investments in Securities, at Value (Cost \$223,391,894)	\$ 249,797,967
Cash	92,151
Receivables:	
Securities Sold	1,552,714
Dividends and Interest	339,884
Shareholder Subscriptions	270,777
Prepaid Expenses	18,116
Total Assets	<u>252,071,609</u>
Liabilities:	
Securities Purchased	2,258,160
Shareholder Redemptions	339,337
Due to Advisor	235,914
Due to Trustees	1,117
Accrued Expenses	32,585
Total Liabilities	<u>2,867,113</u>
Net Assets	<u>\$ 249,204,496</u>
Net Assets Consist of:	
Paid In Capital	\$ 207,204,659
Accumulated Net Investment Loss	(169,639)
Accumulated Realized Gain on Investments	15,763,403
Unrealized Appreciation in Value of Investments	26,406,073
Net Assets, for 11,642,534 Shares Outstanding	<u>\$ 249,204,496</u>
Net Asset Value Per Share	<u>\$ 21.40</u>

*The accompanying notes are an integral part of these financial statements.*

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# THE ADIRONDACK SMALL CAP FUND

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## STATEMENT OF OPERATIONS

For the Year Ending March 31, 2018

Investment Income:	
Dividends (net of \$11,274 of foreign tax withheld)	\$ 2,506,899
Interest	516,653
Total Investment Income	<u>3,023,552</u>
Expenses:	
Advisory	2,858,694
Transfer Agent	80,834
Legal	39,109
Custodian	33,534
Audit	15,000
Trustee	69,000
Chief Compliance Officer	30,000
Insurance	13,346
Registration and Filing Fees	41,257
Printing & Mailing	22,540
Miscellaneous Fees	9,109
Total Expenses	<u>3,212,423</u>
Net Investment Loss	<u>(188,871)</u>
Realized and Unrealized Gain on Investments:	
Realized Gain on Investments (Note A)	26,209,626
Net Change in Unrealized Depreciation on Investments	<u>(16,114,491)</u>
Realized and Unrealized Gain on Investments	<u>10,095,135</u>
Net Increase in Net Assets Resulting from Operations	<u>\$ 9,906,264</u>

Note A - Includes \$65,325 in capital gain distributions from underlying investments.  
The accompanying notes are an integral part of these financial statements.

# THE ADIRONDACK SMALL CAP FUND

## STATEMENTS OF CHANGES IN NET ASSETS

	Years Ended	
	<u>3/31/2018</u>	<u>3/31/2017</u>
Increase (Decrease) in Net Assets From Operations:		
Net Investment Loss	\$ (188,871)	\$ (382,121)
Net Realized Gain on Investments	26,209,626	31,391,133
Unrealized Appreciation (Depreciation) on Investments	<u>(16,114,491)</u>	<u>24,770,469</u>
Net Increase in Net Assets Resulting from Operations	<u>9,906,264</u>	<u>55,779,481</u>
Distributions to Shareholders:		
Net Investment Income	-	-
Realized Gains	<u>(23,410,716)</u>	<u>(8,908,562)</u>
Total Dividends and Distributions Paid to Shareholders	<u>(23,410,716)</u>	<u>(8,908,562)</u>
Capital Share Transactions	<u>(20,301,329)</u>	<u>(49,507,987)</u>
Total Decrease in Net Assets	(33,805,781)	(2,637,068)
Net Assets:		
Beginning of Year	<u>283,010,277</u>	<u>285,647,345</u>
End of Year (Including Undistributed Net Investment Loss of \$(169,639) and \$(93,358), respectively)	<u>\$249,204,496</u>	<u>\$283,010,277</u>

*The accompanying notes are an integral part of these financial statements.*

# THE ADIRONDACK SMALL CAP FUND

## FINANCIAL HIGHLIGHTS

Selected date for a share outstanding throughout the period:

	Years Ended				
	3/31/2018	3/31/2017	3/31/2016	3/31/2015	3/31/2014
Net Asset Value, at Beginning of Year	\$ 22.61	\$ 19.05	\$ 22.07	\$ 22.94	\$ 17.96
Income From Investment Operations:					
Net Investment Income (Loss) *	(0.02)	(0.03)	(0.03)	(0.02)	(0.05)
Net Gain (Loss) on Securities (Realized and Unrealized)	1.07	4.30	(2.33)	0.63	5.98
Total from Investment Operations	1.05	4.27	(2.36)	0.61	5.93
Distributions:					
Net Investment Income	-	-	-	-	-
Realized Gains	(2.26)	(0.71)	(0.66)	(1.48)	(0.95)
Total from Distributions	(2.26)	(0.71)	(0.66)	(1.48)	(0.95)
Proceeds from Redemption Fees † ***	-	-	-	-	-
Net Asset Value, at End of Year	\$ 21.40	\$ 22.61	\$ 19.05	\$ 22.07	\$ 22.94
Total Return **	4.12%	22.39%	(10.71)%	2.87%	33.17%
Ratios/Supplemental Data:					
Net Assets at End of Year (Thousands)	\$ 249,204	\$ 283,010	\$ 285,647	\$ 264,989	\$ 284,176
Ratio of Expenses to Average Net Assets					
Before Waivers/Recapture	1.26%	1.29%	1.32%	1.37%	1.38%
After Waivers/Recapture	1.26%	1.29%	1.32%	1.37%	1.41%
Ratio of Net Investment Income (Loss) to Average Net Assets					
Before Waivers/Recapture	(0.07)%	(0.14)%	(0.13)%	(0.11)%	(0.20)%
After Waivers/Recapture	(0.07)%	(0.14)%	(0.13)%	(0.11)%	(0.23)%
Portfolio Turnover	37.67%	38.06%	32.02%	37.36%	32.97%

\* Per share net investment income (loss) has been determined on the basis of average shares outstanding during the year.

\*\* Assumes reinvestment of dividends.

\*\*\* Redemption fees were eliminated for transactions beginning 8/1/2013.

† Amount less than \$0.005 per share.

*The accompanying notes are an integral part of these financial statements.*

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# THE ADIRONDACK SMALL CAP FUND

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## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

### **Note 1. Organization**

The Adirondack Small Cap Fund (the “Fund”) is a diversified series of Adirondack Funds (the “Trust”), an open-end investment company that was organized as an Ohio business trust on December 8, 2004. The Trust is permitted to issue an unlimited number of shares of beneficial interest of separate series. The Fund is the only series currently authorized by the Board of Trustees. The Fund commenced investment operations April 6, 2005. The Fund’s investment objective is long-term capital appreciation. The Fund’s principal investment strategy is to invest in a diversified portfolio of equity securities of small capitalization companies that the Fund’s investment adviser, Adirondack Research & Management, Inc. (the “Advisor”), believes are undervalued.

### **Note 2. Summary of Significant Accounting Policies**

*The following is a summary of the significant accounting policies followed by the Fund in the preparation of their financial statements. The Fund is an investment company that follows the accounting and reporting guidance of Accounting Standards Codification Topic 946, including FASB Accounting Standard Updated ASU 2013-08 applicable to investment companies.*

*Security Valuation:* All investments in securities are recorded at their estimated fair value according to the procedures described in Note 3.

*Foreign currency:* Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments.

Reported net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the fair values of assets and liabilities, other than investments in securities at fiscal period end, resulting from changes in exchange rates.

*Financial futures contracts:* The Fund may invest in financial futures contracts solely for the purpose of hedging its existing portfolio securities, or securities that the Fund intends to purchase, against fluctuations in fair value caused by changes in prevailing securities markets or interest rates. Upon entering into a financial futures contract, the Fund is required to pledge to the broker an amount of cash, U.S. government securities, or other assets, equal to a certain percentage of the contract amount (initial margin deposit).

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# THE ADIRONDACK SMALL CAP FUND

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2018

Subsequent payments, known as “variation margin,” are made or received by the Fund each day, depending on the daily fluctuations in the fair value of the underlying security. The Fund recognizes a gain or loss equal to the change in daily variation margin. Should market conditions move unexpectedly, the Fund may not achieve the anticipated benefits of the financial futures contracts and may realize a loss. The use of futures transactions involves the risk of imperfect correlation in movements in the price of futures contracts, interest rates, and the underlying hedged assets. The Fund did not invest in any financial futures contracts during the year ended March 31, 2018.

*Federal Income Taxes:* The Fund’s policy is to continue to comply with the requirements of the Internal Revenue Code that are applicable to regulated investment companies and to distribute all its taxable income to its shareholders. The Fund also intends to distribute sufficient net investment income and net capital gains, if any, so that it will not be subject to excise tax on undistributed income and gains. Therefore, no federal income tax provision is required.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained, assuming examination by tax authorities. Management has analyzed the Fund’s tax positions and concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for open tax years 2015 through 2017 or expected to be taken on the Fund’s 2018 tax returns. The Fund identifies its major tax jurisdiction as U.S. Federal, however, the Fund is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next 12 months.

*Distributions to Shareholders:* The Fund intends to distribute to its shareholders substantially all of its net realized capital gains and net investment income, if any, at year-end. Distributions will be recorded on the ex-dividend date.

*Other:* The Fund follows industry practice and records security transactions on the trade date. The specific identification method is used for determining gains or losses for financial statements and income tax purposes. Dividend income is recorded on the ex-dividend date and interest income is recorded on an accrual basis. Discounts and premiums are amortized over the useful lives of the respective securities. Withholding taxes on foreign dividends have been provided for in accordance with the Fund’s understanding of the applicable country’s tax rules and rates.

*Use of Estimates:* The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from these estimates.

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# THE ADIRONDACK SMALL CAP FUND

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2018

*Reclassifications:* The amount of dividends and distributions from net investment income and net realized capital gains are determined in accordance with federal income tax regulations which may differ from GAAP. These differences are due to differing treatments for items such as net short-term gains, deferral of wash sales losses, flow through income from real estate investment trusts and net investment losses. Permanent differences such as tax return of capital, capital gains retained and net investment losses, if any, would be reclassified against capital.

The Fund used a tax accounting practice to treat a portion of the price of capital shares redeemed during the year as distributions from realized capital gains. Accordingly, the Fund has reclassified \$5,736,066 from accumulated net realized gains to paid-in capital.

*Subsequent Events:* Management has evaluated the impact of all subsequent events on the Fund through the issuance of these financial statements and has noted no such events requiring disclosure.

### **Note 3. Security Valuations**

#### *Processes and Structure*

The Trust's Board of Trustees has adopted guidelines for valuing securities including in circumstances in which market quotes are not readily available and has delegated to the Advisor the responsibility for determining fair value prices, subject to review by the Board of Trustees.

#### *Fair Value Pricing Policy*

The Trust's Board of Trustees has adopted guidelines for Fair Value Pricing, and has delegated to the Advisor the responsibility for determining fair value prices, subject to review by the Board of Trustees. If market quotations are not readily available, the security will be valued at fair value (the amount which the owner might reasonably expect to receive for the security upon its current sale) as determined in good faith by the Advisor ("Fair Value" Pricing), subject to review by the Board of Trustees. The Advisor must use reasonable diligence in determining whether market quotations are readily available. If, for example, the Advisor determines that one source of market value is unreliable, the Advisor must diligently seek market quotations from other sources, such as other brokers or pricing services, before concluding that market quotations are not available. Fair Value Pricing is not permitted when market quotations are readily available.

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# THE ADIRONDACK SMALL CAP FUND

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2018

### *Hierarchy of Fair Value Inputs*

The Fund utilizes various methods to measure the fair value of most of their investments on a recurring basis. GAAP establishes a hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The three levels of inputs are as follows:

- *Level 1.* Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.
- *Level 2.* Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates, and similar data.
- *Level 3.* Unobservable inputs for the asset or liability to the extent that relevant observable inputs are not available, representing the company's own assumptions about the assumptions that a market participant would use in valuing the asset or liability, and that would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

### *Fair Value Measurements*

A description of the valuation techniques applied to the Fund's major categories of assets and liabilities measured at fair value on a recurring basis follows.

*Equity securities (common stocks, preferred stocks and real estate investment trusts).* Securities traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded, and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy. Certain foreign securities may be fair valued using a pricing service that considers the correlation of the trading patterns of the

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# THE ADIRONDACK SMALL CAP FUND

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2018

foreign security to the intraday trading in the U.S. markets for investments such as American Depositary Receipts, financial futures, Exchange Traded Funds, and the movement of the certain indexes of securities based on a statistical analysis of the historical relationship and that are categorized in Level 2. Preferred stock and other equities traded on inactive markets or valued by reference to similar instruments are also categorized in Level 2.

*Short term investments.* Short term investments are valued using amortized cost, which approximates fair value. These securities will be categorized in Level 1 of the fair value hierarchy.

The following table summarizes the inputs used to value the Fund's assets and liabilities measured at fair value as of March 31, 2018:

<i>Categories</i>	<b>Financial Instruments—Assets</b>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Fair Value</i>
Common Stocks *	\$221,053,564	\$ -	\$ -	\$221,053,564
Preferred Stocks *	-	3,291,686	-	3,291,686
Real Estate Investment Trust	5,134,595	-	-	5,134,595
Short-Term Investment	20,318,122	-	-	20,318,122
	<u>\$246,506,281</u>	<u>\$ 3,291,686</u>	<u>\$ -</u>	<u>\$249,797,967</u>

The Fund did not hold any Level 3 assets during the year ended March 31, 2018. The Fund did not hold any derivative instruments at any time during the year ended March 31, 2018.

\* Industry classifications of these categories are detailed on the Fund's Schedule of Investments.

#### **Note 4. Investment Management Agreement**

The Fund has a management agreement (the "Agreement") with the Advisor to furnish investment advisory and management services to the Fund. Gregory A. Roeder and Matthew Reiner, each an officer of the Fund, are shareholders of the Advisor. Louis Morizio is also a shareholder of the Advisor. Under the Agreement, the Advisor earns a monthly fee from the Fund. Prior to August 1, 2017, the monthly fee is based on an annual rate of 1.15% of the Fund's average daily net assets. Effective August 1, 2017, the monthly fee is based on an annual rate of 1.10% of the Fund's average daily net assets. Effective August 1, 2017 through August 1, 2018, the Advisor agreed to waive fees or reimburse the Fund should the total operating expenses of the Fund exceed 1.48%. The Advisor's obligation to waive fees or reimburse expenses excludes brokerage fees and commissions, borrowing costs (such as (a) interest and (b) dividend expenses on securities sold short), taxes, extraordinary expenses, and costs of acquired funds. Any waiver or reimbursement by the Advisor is subject to repayment by the Fund within three

# THE ADIRONDACK SMALL CAP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2018

years after the waived and/or reimbursed expenses occurred, if the Fund is able to make repayment without exceeding its current expense limitations and the repayment is approved by the Board of Trustees. For the year ended March 31, 2018, the Advisor earned advisory fees of \$2,858,694. As of March 31, 2018, the Fund owed the Advisor \$235,914.

### **Note 5. Distribution Agreement**

The Fund entered into a Distribution Agreement with Rafferty Capital Markets, LLC (“RCM”) on May 30, 2014 (which became effective July 1, 2014), after approval of the Distribution Agreement by the Board of Trustees at a meeting held on May 16, 2014. Under the Distribution Agreement, RCM acts as the Fund’s principal underwriter in connection with the offering and sale of shares of the Fund. The Advisor, from its own resources, and not the Fund, is responsible for the payment of the distribution fees to RCM in the amount of \$15,000 per year and also any other out-of-pocket expenses which are disclosed in the Distribution Agreement between the Fund and RCM.

### **Note 6. Capital Share Transactions**

The Fund is authorized to issue an unlimited number of shares of separate series. The total paid-in capital was \$207,204,659 as of March 31, 2018. Transactions in capital for the years ended March 31, 2018 and 2017 were as follows:

	<u>March 31, 2018</u>		<u>March 31, 2017</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>
Shares sold	2,594,566	\$ 59,106,843	2,214,754	\$ 46,055,277
Shares reinvested	1,025,835	23,163,352	387,917	8,797,948
Shares redeemed	<u>(4,492,587)</u>	<u>(102,571,524)</u>	<u>(5,083,382)</u>	<u>(104,361,212)</u>
Net decrease	<u>(872,186)</u>	<u>\$ (20,301,329)</u>	<u>(2,480,711)</u>	<u>\$ (49,507,987)</u>

### **Note 7. Investment Transactions**

For the year ended March 31, 2018, purchases and sales of investment securities other than U.S. Government obligations and short-term investments aggregated \$89,136,724 and \$128,479,496, respectively.

### **Note 8. Tax Matters**

As of March 31, 2018, the tax basis components of unrealized appreciation (depreciation) and cost of investment securities were as follows:

Federal tax cost of investments, including short-term investments *	<u>\$ 224,556,850</u>
Gross tax appreciation of investments	\$ 48,217,673
Gross tax depreciation of investments	<u>(22,976,556)</u>
Net tax appreciation of investments	<u>\$ 25,241,117</u>

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# THE ADIRONDACK SMALL CAP FUND

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2018

The Fund's tax basis capital gains and losses and undistributed ordinary income are determined only at the end of each fiscal year. For tax purposes, at March 31, 2018, the following represents the tax basis capital gains and losses and undistributed ordinary income:

Undistributed Long-Term Capital Gain	\$ 15,407,747
Undistributed Ordinary Income	1,520,612
Post December Ordinary Loss	(169,639)
Net Unrealized Appreciation of Investments	<u>25,241,117</u>
Total Distributable Earnings	<u>\$ 41,999,837</u>

\* The difference between the book cost and tax cost of investments represents the tax deferral of losses on wash sales.

The undistributed ordinary income and capital gains (losses) shown may differ from corresponding accumulated net investment income and accumulated net realized gain (loss) reported on the statement of assets and liabilities due to different book/tax treatment of short-term capital gains and due to certain temporary book/tax differences due to the tax deferral of losses on wash sales.

Under current tax law, net capital losses realized after October 31<sup>st</sup> and net ordinary losses incurred after December 31<sup>st</sup> may be deferred and treated as occurring on the first day of the following year. The Fund's carryforward losses, post-October losses and post-December losses are determined only at the end of each fiscal year. As of March 31, 2018, the Fund elected to defer net ordinary losses in the amount of \$169,639.

Income and long-term capital gain distributions are determined in accordance with Federal income tax regulations, which may differ from accounting principles generally accepted in the United States.

The tax character of distributions paid during the years ended March 31, 2018 and 2017 were as follows:

	<u>March 31, 2018</u>	<u>March 31, 2017</u>
Ordinary Income	\$ 3,256,972	\$ 260,814
Long-term Gain	\$ 20,153,744	\$ 8,647,748

Permanent book and tax differences relating to shareholder distributions may result in reclassifications to paid in capital and may affect the per-share allocation between net investment income and realized and unrealized gain/loss. Undistributed net investment income and accumulated undistributed net realized gain/loss on investment transactions may include temporary book and tax differences which reverse in subsequent periods. Any taxable income or gain remaining at fiscal year-end is distributed in the following year.

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# THE ADIRONDACK SMALL CAP FUND

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2018

### **Note 9. Commitments and Contingencies**

In the normal course of business, the Fund may enter into contracts that may contain a variety of representations and warranties and provide general indemnifications. The Fund's maximum exposure under these arrangements is dependent on future claims that may be made against the Fund and, therefore, cannot be estimated; however, management considers the risk of loss from such claims to be remote.

### **Note 10. Control and Ownership**

The beneficial ownership, either directly or indirectly, of more than 25% of the voting securities of a fund creates a presumption of control of a fund, under section 2(a)(9) of the Investment Company Act of 1940, as amended. As of March 31, 2018, National Financial Service Corp., and Charles Schwab & Co., for the benefit of its customers, each owned approximately 40% and 27%, respectively, of the Fund.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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To the Shareholders and Board of Trustees  
of The Adirondack Small Cap Fund,  
a Series of the Adirondack Funds

**Opinion on the Financial Statements**

We have audited the accompanying statement of assets and liabilities of The Adirondack Small Cap Fund, a Series of the Adirondack Funds (the “Fund”), including the schedule of investments, as of March 31, 2018, the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended and the related notes (collectively, the “financial statements”), and financial highlights for each of the years in the five-year period then ended. In our opinion, the financial statements and financial highlights present fairly, in all material respects, the financial position of the Adirondack Small Cap Fund as of March 31, 2018, the results of its operations for the year then ended, the changes in its net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended, in conformity with U.S. generally accepted accounting principles.

**Basis for Opinion**

These financial statements and financial highlights are the responsibility of the Fund’s management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risk of material misstatement of the financial statements and financial highlights, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of securities and cash owned as of March 31, 2018, by correspondence with the custodian. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and financial highlights. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Fund’s auditors since 2005  
Abington, Pennsylvania  
May 25, 2018



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# THE ADIRONDACK SMALL CAP FUND

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## EXPENSE ILLUSTRATION MARCH 31, 2018 (UNAUDITED)

### Expense Example

As a shareholder of The Adirondack Small Cap Fund, you incur ongoing costs which typically consist of: management fees, custody fees, transfer agent fees, and other Fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period, October 1, 2017 through March 31, 2018.

### Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

### Hypothetical Example for Comparison Purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in this Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds. Please note that the expenses shown in the table are meant to highlight your ongoing costs only. Therefore, the second line of the table is useful in comparing your ongoing costs only, and will not help you determine the relative total costs of owning different funds. If transactional costs were included where applicable, your costs may be higher.

	<b>Beginning Account Value</b>	<b>Ending Account Value</b>	<b>Expenses Paid During the Period*</b>
	<u>October 1, 2017</u>	<u>March 31, 2018</u>	<u>October 1, 2017 to March 31, 2018</u>
Actual	\$1,000.00	\$978.41	\$6.02
Hypothetical (5% Annual Return before expenses)	\$1,000.00	\$1,018.85	\$6.14

\* Expenses are equal to the Fund's annualized expense ratio of 1.22%, multiplied by the average account value over the period, multiplied by 182/365 (to reflect the one-half year period).

# THE ADIRONDACK SMALL CAP FUND

## TRUSTEES AND OFFICERS MARCH 31, 2018 (UNAUDITED)

The following table provides information regarding each Trustee who is not an “interested person” of the Trust, as defined in the Investment Company Act of 1940, as amended. Each Trustee serves as a trustee until the termination of the Trust unless the Trustee dies, resigns, retires or is removed.

Name, Address and Year of Birth	Position & Length of Time Served with the Trust	Number of Portfolios Overseen	Principal Occupations and Directorships During Past 5 Years
Kevin Gallagher 2390 Western Avenue, Guilderland, NY 12084 Year of Birth: 1964	Trustee since March 2005	1	Owner and Managing Partner of Panurgy NY Metro, LLC (information technology services firm) since 2004.
Wade Coton 2390 Western Avenue, Guilderland, NY 12084 Year of Birth: 1968	Trustee since March 2005	1	Owner, Manchester Homes, LLC since March 2013. Home Builder and Developer, LDM Management Group Inc. from January 2007 to February 2013.
Norman Joseph Plourde 2390 Western Avenue, Guilderland, NY 12084 Year of Birth: 1963	Trustee since March 2005	1	Principal and General Manager of Operations (from August 2006 to December 2014), President (since January 2015), Ideal Wood Products.

The following table provides information regarding each Director who is an “interested person” of the Company, as defined in the Investment Company Act of 1940, and each officer of the Trust.

Name, Address and Year of Birth	Position & Length of Time Served with the Trust	Number of Portfolios Overseen	Principal Occupations and Directorships During Past 5 Years
Gregory A. Roeder 2390 Western Avenue, Guilderland, NY 12084 Year of Birth: 1963	President since March 2005	N/A	President and Portfolio Manager, Adirondack Research & Management, Inc. from 2004 to present.
Jarrold H. Becker 45 Nashville Rd. Jericho, VT 05465 Year of Birth: 1977	Secretary since 2011; Chief Compliance Officer since 2010	N/A	Chief Compliance Officer, Adirondack Research & Management, Inc. from July 2013 to present. Business Manager, Northern Vermont Resource Conservation and Development Council, Inc. (non-profit) from April 2005 to December 2013.
Matthew P. Reiner 2390 Western Avenue, Guilderland, NY 12084 Year of Birth: 1965	Treasurer and Principal Financial Officer since March 2005	N/A	CFO and Portfolio Manager, Adirondack Research & Management, Inc. from February 2005 to present.

The Fund’s Statement of Additional Information contains additional information about the Trustees and Officers and is available, without charge by calling (888) 686-2729.

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# THE ADIRONDACK SMALL CAP FUND

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## ADDITIONAL INFORMATION

MARCH 31, 2018 (UNAUDITED)

**Portfolio Holdings** – The Fund files a complete schedule of investments with the Securities and Exchange Commission (“SEC”) for the first and third quarter of each fiscal year on Form N-Q. The Fund’s first and third fiscal quarters end on June 30 and December 31. The Form N-Q filing must be made within 60 days of the end of the quarter. The Fund’s Forms N-Q are available on the SEC’s website at [www.sec.gov](http://www.sec.gov), or they may be reviewed and copied at the SEC’s Public Reference Room in Washington, DC (call (800) 732-0330 for information on the operation of the Public Reference Room). You may also obtain copies by calling the Fund at (888) 686-2729, free of charge.

**Proxy Voting** - A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities and information regarding how the Fund voted proxies during the most recent 12-month period ended June 30, are available without charge upon request by (1) calling the Fund at (888) 686-2729 and (2) from Fund documents filed with the SEC on the SEC’s website at [www.sec.gov](http://www.sec.gov). A review of how the Fund voted on company proxies can be obtained at the Fund’s transfer agent’s website, [www.mutualss.com](http://www.mutualss.com).

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**Board of Trustees**

Wade Coton  
Kevin Gallagher  
Norman Joseph Plourde

**Investment Adviser**

Adirondack Research and Management, Inc.  
2390 Western Avenue  
Guilderland, NY 12084

**Dividend Paying Agent,  
Shareholders' Servicing Agent,  
Transfer Agent**

Mutual Shareholder Services, LLC  
8000 Town Centre Drive, Suite 400  
Broadview Heights, OH 44147

**Custodian**

The Huntington National Bank, NA  
41 South High Street  
Columbus, OH 43215

**Independent Registered Public Accounting Firm**

Sanville & Company  
1514 Old York Road  
Abington, PA 19001

**Legal Counsel**

Thompson Hine LLP  
41 South High Street, Suite 1700  
Columbus, OH 43215

**Distributor**

Rafferty Capital Markets, LLC  
1010 Franklin Avenue, Suite 300A  
Garden City, NY 11530

*This report is provided for the general information of the shareholders of The Adirondack Small Cap Fund. This report is not intended for distribution to prospective investors in the Fund, unless preceded or accompanied by an effective prospectus.*