

# Adirondack Small Cap Fund (ADKSX)

Data as of June 30, 2018

## Quarterly Commentary

Dear Fellow Shareholder,

During the quarter ending 06/30/18, The Adirondack Small Cap Fund (ADKSX) underperformed its benchmark, the Russell 2000 Value Index (RUJ), by 237 bps. The Fund returned 5.93% during this period, while the RUJ returned 8.30%. The Fund's annualized return for 1 year, 5 year, and 10 year was 8.24%, 9.53%, and 11.38%, respectively.\*

Despite escalating threats of a global trade war, a resilient US economy and solid earnings led to positive performance by all major domestic indices. A bigger boost from tax reform and less international exposure helped the small cap sector lead the way. The Fund posted its best quarterly return since Q4 2016 with a gain of nearly 6%, however, it was not able to keep pace with its benchmark. This is consistent with the majority of our peers as only 12% of active small cap value funds beat the benchmark in Q2, the single lowest reading since 2Q 2009, according to Furey Research Partners. When strong gains can be attributed to just a narrow group of industries, like we saw this quarter, active managers tend to lag on a relative basis. Like many of our peers, May was a particularly difficult month on a relative basis as a few of our names did not fare well during earnings season. Our long-term thesis remains intact for these companies and many have bounced back after severe sell-offs and what we viewed as an overreaction to short term issues. That is the nature of companies in transition. We did see meaningful outperformance in June, but it wasn't enough to make up for the shortfall for the quarter.

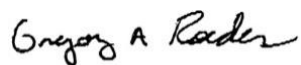
We continue to reposition the portfolio this year, a process that began at the end of 2017. Even though new opportunities are harder to come by at this point in the cycle, we do find them, especially as we comb through parts of the energy and materials sectors. We are very disciplined about valuation and our entry points. If a name moves up quickly, we are unlikely to chase it, but rather build positions when the market dips. Consistent with our sell philosophy, we have taken profits in a number of names that have reached our price target. Currently, the majority of our Top 10 names are fairly close to our cost basis and as our investment thesis plays out for these companies, we believe they have significant potential upside. We take this as an encouraging sign as we have not seen this portfolio dynamic in quite some time.

In addition, we are pleased to announce that we will be further reducing our management fee. Effective August 1st, the date of the 2018 Prospectus, this fee (one component of the Fund's expense ratio) will be reduced from 1.10% to 1.08%. 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.

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 1.23%. 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.*