

Adirondack Small Cap Fund (ADKSX)

Data as of September 30, 2018

Quarterly Commentary

Dear Fellow Shareholder,

During the quarter ending 09/30/18, The Adirondack Small Cap Fund (ADKSX) outperformed its benchmark, the Russell 2000 Value Index (RUJ), by 91 bps. The Fund returned 2.51% during this period, while the RUJ returned 1.60%. The Fund's annualized return for 1 year, 5 year, and 10 year was 6.25%, 7.98%, and 12.46%, respectively.*

The same themes from the first half of the year continued to play out this quarter. Persistent global trade war concerns, most recently with China, were negated by strong economic indicators and consumer confidence hitting an 18 year high. The unemployment rate remained at historic lows. Many of the indices hit an all-time high, marking the longest bull market on record. With inflation slowly rising, the Fed raised interest rates for a third time in September and set the stage for a 4th hike in December, assuming things continue on the same trajectory.

As we have noted previously, 2018 has been difficult for active managers and we are no exception. Through Q3, only 14% of active value managers are beating the index, according to Furey Research. We are pleased to have made up some of the shortfall this quarter. Small caps continued to post positive returns in July and August but quickly retreated in September. It was during this month that the Fund outperformed, specifically within Consumer Discretionary and Financial Services. Clarus Corp (CLAR), formerly Black Diamond, rose over 34% this quarter. The company, which focuses on niche outdoor and lifestyle consumer products, brought in a new president within the past year and his team has started to deliver improved earnings and laid out a roadmap for an accelerated flow of new and innovative products. As a result, several analysts have upgraded the stock and investors are taking notice. Additionally, MGIC Investment Corp (MTG) gained 24.16% while Financials were effectively flat for the quarter and the banking industry was negative. Our underexposure to this industry aided in our outperformance. MGIC underwrites mortgage insurance and is one of the few who survived the 2008 financial crisis. Trading at just 8x earnings per share, MGIC's share are still cheap relative to regional banks that trade for 14x -16x. (As of 09/30/2018, CLAR and MTG represented 2.86% and 2.39% of the portfolio, respectively.)

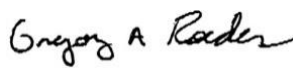
As evidenced by the widening leadership of growth stocks over value that began in 2017, prices continue to rise due to momentum and less consideration of valuation. At some point, the pendulum will swing and there will be a reversion to the mean. Investing is a marathon, not a sprint. We are comfortable being patient given our discipline of valuing companies based on their fundamentals. We continue to be confident in the intrinsic value and underlying investment thesis for our current holdings. For instance, the Fund's collective price/cash flow ratio at quarter-end was 9.7, versus the Russell 2000 Value at 11.2 and the Russell 2000 Growth at 26.1. Trading less than our benchmark reflects our preference for companies with strong cash generation relative to valuation. This ratio accurately highlights the current disparity between growth and value stocks. We believe markets are near the point where investors contemplate the wisdom of staying in the growth/momentum trade. Going forward, we expect increased volatility given the uncertainty surrounding mid-term elections and rising rates. As we have stated in the past, volatility is the friend of value investors like us. Stock prices in the short run don't always reflect long-term value. When volatility flushes out the weaker holders of good companies it creates opportunity for active managers with skill, conviction and patience to identify those with better risk/reward characteristics.

We thank you for your continued support and investment. 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, 2019, 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 Russell 2000 Growth Index measures the performance of small-cap value 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.

Price/Cash flow ratio compares the value of a company to its cash generation.