Environment

It is hard to escape, but the markets have become complacent. The signs are everywhere. The US stock market has been positive for the past eleven consecutive months. Even the loss in October 2016 was relatively mild and prior to that, the index had enjoyed a seven month run upward. It has been too long since the market has been tested.

We are left wondering how and when this bull market will be interrupted. This run confirms that money is coming into the market and coming in steadily. Perhaps the wide adoption of passive investing, a no worry investment if there ever was one, is playing a role. Rather than worrying whether they have chosen the correct stock, investors buy the entire index indiscriminately and assume the market is entirely efficient. We believe that passive buyers are more apt to "buy the dip" as it is easier to buy the whole index versus choosing a portfolio of individual stocks and we suspect that some investors that fled the market a decade ago are now convinced of that premise's efficacy.

Low interest rates, cheap credit and slow growth have created distortions that likely will test the markets at some point. These risks are hiding in plain sight and have been escalating steadily. Yet the market continues to forge ahead. Though the economy has expanded, growth has been tepid. Meanwhile, corporate debt issuance has soared. As this recovery hits its eighth year, company management teams are under pressure to use cheap money and put the cash flows to use. As a result, the corporate bond market has grown significantly.

We are not calling a top to the market. Elevated stock prices and increased debt alone does not cause equity prices to shrivel. It is the appearance of some unknown threat. The heightened valuations and the period of complacency only hint of the potential magnitude of a problem at some point. The political environment is more than unusually fraught. Thus far, the Trump administration has brought about no meaningful legislation and a frightening standoff has developed in the Korean Peninsula.

More likely, the precipitating factor will come from the world of money and finance. We would have hoped that, given virtually full employment, the Federal Reserve would tighten a bit, not to halt inflation but to curb the excessive debt accumulation and speculative behavior. That seems to be the inclination but with Janet Yellen looking like a lame duck we are left wondering whether the Fed will be too cautious.

Performance Review

Portfolio Factors

Small cap stocks, after lagging for most of the year, came back in favor, particularly in September with value starting to lead the way. It is hard to know whether this will continue since year to date the Russell 2000 Value Index is a laggard, compared to its large and mid-cap growth peers.

The fund was able to show a return that nicely beat the return of the benchmark Russell 2000 Value Index. We were aided by our allocation overweight in Industrials, which did well and by an absence from the Real Estate which performed poorly.

Stock Selection: Contributors

Aerojet Rocketdyne (ARJD) contributed well to performance. This recent addition is the result of the combination of several makers of engines to missiles and rockets. A recent change in management has started a shift in culture to more cost sensitivity, along with consolidating some operations to improve efficiency. The proposed military spending increases and the understanding of a need to address a nuclear armed world has also helped the stock. American Vanguard (AVD), a maker of herbicides and pesticides, performed well. The company had been down due to lighter corn plantings but we were able to acquire the stock well and the company is benefiting from their strong balance sheet which has enabled the company to weather the storm and acquire some product lines that larger companies in their market were shedding. Heritage Crystal Clean (HCCI) also did well. They have benefited from stabilization in the market for collecting and recycling used motor oil. We did well with an opportunistic purchase of Seacor (CKH), as the stock was being penalized as though it were an oil service play. They spun off their fleet of offshore service boats and concentrated on inland water way barges and coastal vessels. Winnebago (WGO) rounds out the top five contributors as the recreational vehicle maker has seen good demand for its towable products.

Portfolio Contributors – Q3 2017

Security	Average Weight (%)	Contribution
Aerojet Rocketdyne (AJRD)	1.44	0.80
American Vanguard Corp. (AVD)	1.72	0.51
Heritage-Crystal Clean (HCCI)	1.52	0.50
SEACOR Holdings Inc. (CKH)	1.08	0.42
Winnebago Industries (WGO)	1.58	0.42

Portfolio Detractors – Q3 2017

Security	Average Weight (%)	Contribution
Kindred Healthcare (KND)	1.35	-0.90
Atkore International (ATKR)	0.67	-0.41
SeaWorld Enter. (SEAS)	1.21	-0.31
Esterline Technologies (ESL)	0.82	-0.21
Nexeo Solutions (NXEO)	1.31	-0.17

Stock Selection: Detractors

The single largest detractor was Kindred Healthcare (KND). We were convinced that they were well positioned for the changes that are underway in healthcare delivery. We still believe that, but the execution of the plans to reposition the company has eroded their value and for that reason we have moved on. Atkore (ATKR), a provider of electrical raceway solutions to protect electrical circuitry, declined but we believe their valuation remains attractive and management's strategy is aligned with where we see value. We also suffered with SeaWorld Entertainment (SEAS). We believe that there is substantial value in the parks but progress has been slow. We were pleased to see that there have been changes to their board. The chairman stepped down and two other members resigned. We expect to see them replaced with stronger more experienced candidates. Though impatient, we have retained our holdings. We exited Esterline (ESL), an aerospace supplier when we found more promising investments in that field. The remaining detractor was Nexeo (NXEO), a chemical distributor that we are continuing to hold.

Portfolio Changes

Changes in the portfolio picked up in the third quarter. We sold nine holdings. We have already mentioned Kindred and Esterline. In addition we sold Albany Molecular (AMRI) and West Marine (WMAR) as they were taken private. We sold Horace Mann (HMN) because we have felt that execution and profit improvement has been too slow and because of concern about storm related claims on homes and autos. We still do not know how many autos will be junked because of storm damage. For similar reasons, we sold NMI Holdings (NMIH), a mortgage insurance underwriter. Many homes in the affected areas were without flood insurance and this may result in an increase in mortgage defaults, affecting their business. We also sold Vasco Data Security (VSDI), Nevsun Resources (NSU) and CVR Partners (UAN) as we found their outlook less favorable than we had previously surmised.

We purchased five new stocks. We added Triumph Group (TGI), a company we have owned in the past but sold it several years ago as we felt that their acquisitions had become increasingly risky. The new management team has moved aggressively to improve performance in their factories and renegotiate troubled contracts. Their progress is impressive and if our calculations of the worth of different parts of the company are correct, we will have made a good purchase. We also added Kelly Services (KELYA) after a careful inspection lead us to conclude that the balance sheet contains valuable assets which are not reflected in the stock's price. We also added Amkor (AMC) and two regional banks, Camden National (CAC) and CoBiz Financial (COBZ).

Exhibit 1: Sector Allocation - % over/underweight vs. Russell 2000 Value Index

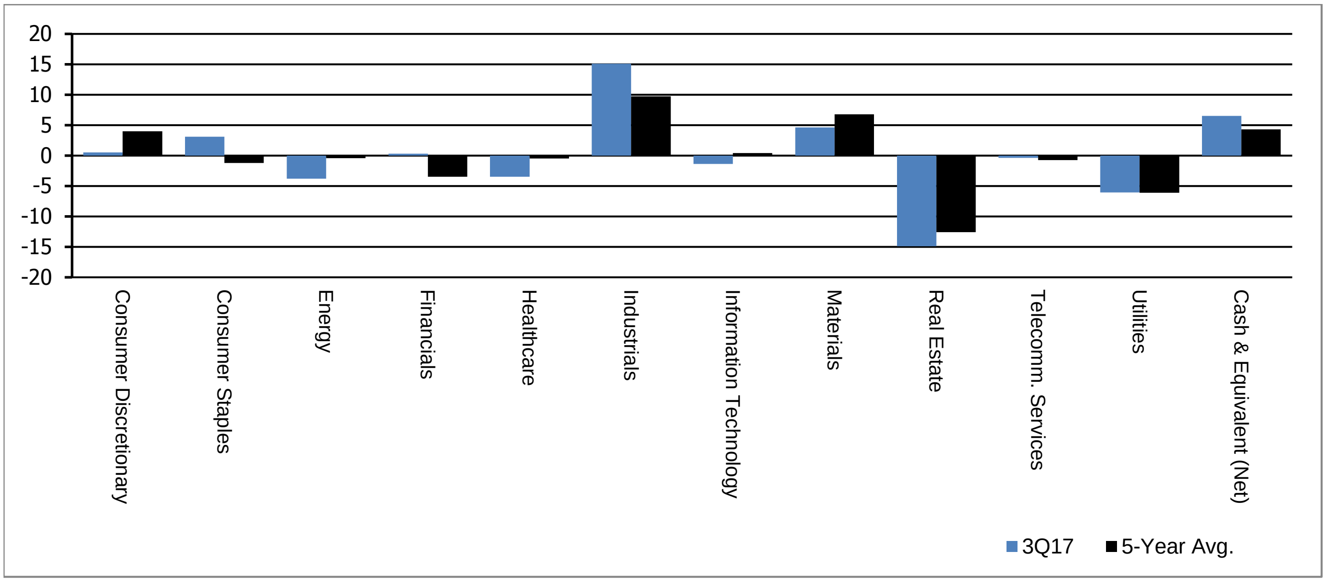

Exhibit 1 above highlights the fact that sector weight differentials between the Fund and the Russell 2000 Value Index benchmark have not changed greatly from today's levels versus the five year average.

Top Ten Holdings (%)

American Vanguard Corp.	1.9
FNFV Group	1.7
Unifi Inc.	1.7
Trico Bancshares	1.7
Heritage Crystal Clean Inc.	1.7
Aerojet Rocketdyne Holdings Inc.	1.7
Navigators Group Inc.	1.7
Winnebago Industries Inc.	1.7
McGrath Rentcorp	1.7
Rogers Corp.	1.6
Total % of Portfolio	17.1

Fund Statistics

	Fund	**Russell 2000 Value Index**
Number of Holdings	79	1,396
Median Market Cap (Millions)	$971.0	$728.3
Weighted Avg. Market Cap (Millions)	$1,447.0	$1,961.9
Price/Book[1]	1.8	1.5
P/E using FY1 Estimate[2]	18.8	18.1

Portfolio Performance

	Q3 17	1 Year	3 Year	5 Year	Since Inception (2/1/08)
Walthausen Small Cap Value Fund	6.41	27.81	10.12	13.35	13.81
Russell 2000 Value Index[3]	5.11	20.55	12.12	13.27	8.48

Total Expense Ratio: 1.28%. Expense ratio per the June 1, 2017 prospectus.

Performance data quoted represents past performance and does not guarantee future results. Investment returns and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. The current performance may be lower or higher than the performance data quoted. Investors may obtain performance data current to the most month-end by calling (888) 925-8428. Periods over one year are annualized.

Disclosures

[1]Price/Book measures the weighted average of the price to book value of all the stocks in the fund's portfolio, excluding companies with negative book values. Book value is the total assets of a company less total liabilities.

[2]P/E using FY1 Estimate is a ratio reflecting the amount of earnings estimated for next year per dollar of amount share price. For the fund, the individual P/E stock ratios are then weighted by their portfolio and market values to calculate a weighted average for the portfolio as a whole. Companies with negative earnings are excluded from the calculation. This ratio is not a forecast of the fund's future performance.

[3]The Russell 2000® Value Index measures the performance of the 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 sales.

An investment in the Fund is subject to investment risks, including the possible loss of the principal amount invested. The Fund invests in the stocks of small capitalization companies, which may subject the Fund to additional risks. The earnings and prospects of these companies are generally more volatile, and they may experience higher failure rates than do larger companies. Their stocks are subject to a greater degree of volatility, trade in lower volume and may be less liquid. Investment in the Fund is also subject to common stocks risk, value investing risk, sector risk, securities lending risk, and investment management risk. Fund holdings and asset allocations are subject to change and are not recommendations to buy or sell any security.

Investors should consider the investment objectives, risks, charges and expenses of the Fund carefully before investing. The prospectus contains this and other information about the Fund. You may obtain a prospectus by calling (888) 925-8428. The prospectus should be read carefully before investing. Distributed by Rafferty Capital Markets, LLC – Garden City, NY 11530, Member FINRA.

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Contributors and detractors performance data and analytics provided by FactSet. To measure performance for periods when portfolio holdings change, portfolio analysis calculates the security weights and returns on a daily basis, then geometrically link returns across the measurement period.

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