

# WALTHAUSEN SELECT VALUE FUND

## INSTITUTIONAL CLASS TICKER WSVIX

## RETAIL CLASS TICKER WSVRX

## R6 CLASS TICKER WRSIX

For Investors Seeking Long-Term Capital Appreciation

### ANNUAL REPORT

January 31, 2019

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**IMPORTANT NOTE:** Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of the Fund's shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports from the Fund or from your financial intermediary, such as a broker-dealer or bank. Instead, the reports will be made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Fund or your financial intermediary electronically by calling or sending an email request.

You may elect to receive all future reports in paper free of charge. You can inform the Fund or your financial intermediary that you wish to continue receiving paper copies of your shareholder reports by calling or sending an email request. Your election to receive reports in paper will apply to all funds held with the fund complex/your financial intermediary.

**Walthausen Select Value Fund**  
**Annual Report**  
**January 31, 2019**

Dear Shareholders:

In our letter of a year ago, we expressed some surprise that the US stock market continued to appreciate and chagrin that large cap stocks, and particularly large cap growth, was leaving small cap value stocks, as a group, in the dust. In the year that has just passed, the hoped for rebound of value did not happen. Most of the indexes did drop during 2018 but the larger cap growth stocks did hold their own with a modest gain. It was even more interesting than that. Equity markets took a big swoon in the fourth calendar quarter with the pace accelerating in December. The markets were in distress but then came roaring back in January.

We believe that the economic backdrop is mixed – strong but with some worrying signals. Interest rates, though up a bit, are still low, and employment is at very good levels and growing. Even wages are starting to perk up but inflation seems to be well contained. The world political backdrop is worrying but trade continues at a good pace in spite of angry threats and increases in some tariffs. The general thought is that the US economy will grow again, and that China will continue to but perhaps at a slower rate. But there are real concerns, short term and longer term. The more immediate is the implication of ever more aggressive lending as seen in the blossoming of junk bonds and CLOs (Collateralized Loan Obligations). Those markets have flourished in the past decade. As banks were cautious in the aftermath of the great recession, others saw the opportunity created by low interest rates and mountains of money searching for yield. We see this as the fruits of very accommodative monetary policy, low interest rates and a pretty extended period of solid economic growth. We think that this concern, which has been in the background for a while, may be on the verge of a more immediate concern. Three signs of this are that the junk bond market pretty much shut down in December, the yield curve started to flatten out and equity markets are making big swings. That does not necessarily mean that a crisis will emerge but we need to take this as a warning.

Longer term, we need to be concerned about the prospect of potential slowing in world economic growth. In the past decade, globalization of trade, finance, ideas and people have been a big source of economic growth. They have helped China and other underdeveloped countries grow toward parity with the developed countries but they have also helped developed countries as the cost of many items have fallen in real terms. The movements afoot to reverse globalization, including pressure to reduce emigration, global finance and trade, will likely reduce long term growth in the US and around the world. The reduction of global completion could also reduce the drive to innovate. It also potentially reduces the potential to address the problems of global warming just as the evidence that it is happening and the implications for the quality of life are becoming more certain

For the fiscal year ending January 31, 2019, the Select Value Fund (Retail Class) found it difficult to overcome the challenging third quarter results and ended the year down 7.37%, underperforming the Russell 2500 Index which was down 3.78%. This 359 basis point underperformance is very similar to the underperformance seen in the third quarter. All of the underperformance for the year can be found in our sector allocation. The most noteworthy sector challenge was Real Estate which was the second best performing sector in the benchmark and where we did not have any holdings. As we have stated in the past, the very low interest rate environment combined with historically high valuations have prevented us from being able to find what we consider to be quality long term investments at the right price in the Real Estate sector. A large overweight in the Industrial sector, which was the third worst performing sector for the year, was also detrimental to performance.

If there is a silver lining to be found within this year's performance it is that our stock selection performance was strong. In fact, of the nine sectors where we had investments, we outperformed in eight. The fund did benefit from a buyout of our position in Energen due to a merger, resulting in it being the strongest performer in the year. This is noteworthy as Energen is an energy company and the energy sector was the worst performing sector in the benchmark by a large amount. Encompass Health and SEACOR Holdings are two long term positions that were strong contributors while Sanderson Farms and Oshkosh Corp are new additions to the portfolio that have contributed strongly out of the gate. Oil States, Milacron Holdings, Amkor Tech and Rogers Corp, the last two from the technology sector, are all found on our biggest losers list and in all cases we have determined that the opportunity was miscalculated and we have sold the positions.

This past year was a very difficult environment for value oriented investors with strong momentum driven upward performance in the first half of the year followed by a volatile downward second half highlighted by a market crash in December. Nobody said it was going to be easy and it is in these scenarios where great investments can be found, if one keeps his wits about him. We firmly believe that quality companies that are in a position to increase their earnings and cash flow while minding the balance sheet will outperform the market in the long run. We are maintaining our wits and look forward to the upcoming year with the portfolio as currently constructed.

We appreciate your continued support.

Sincerely,

John B. Walthausen, CFA  
Chief Investment Officer, Portfolio Manager

*Past performance does not guarantee future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance data quoted. Performance data current to the most recent month end are available by calling 1-888-925-8428.*

*The Fund's prospectus contains important information about the Fund's investment objectives, potential risks, management fees, charges and expenses, and other information and should be read and considered carefully before investing. To obtain a copy of the Fund's prospectus, please visit our website at [www.walthausenfunds.com](http://www.walthausenfunds.com) or call 1-888-925-8428 and a copy will be sent to you free of charge. Distributed by Rafferty Capital Markets, LLC – Garden City, NY 11530.*

## WALTHAUSEN SELECT VALUE FUND (Unaudited)

### PERFORMANCE INFORMATION

1/31/19 Institutional Class NAV \$10.97

1/31/19 Retail Class NAV \$10.71

1/31/19 R6 Class NAV \$11.06

#### AVERAGE ANNUAL RATE OF RETURN (%) FOR THE PERIODS ENDED JANUARY 31, 2019

	<u>1 Year</u> <sup>(A)</sup>	<u>3 Years</u> <sup>(A)</sup>	<u>5 Years</u> <sup>(A)</sup>	<u>Since Inception</u> <sup>(A)</sup>
Walthausen Select Value Fund - Institutional Class	-7.07%	11.10%	4.80%	9.22%
Walthausen Select Value Fund - Retail Class	-7.37%	10.79%	4.54%	8.93%
Russell 2500® Value Index <sup>(B)</sup>	-3.78%	12.77%	6.96%	9.52%

	<u>1 Year</u> <sup>(A)</sup>	<u>Since Inception</u> <sup>(A)</sup>
Walthausen Select Value Fund - R6 Class	-6.91%	12.01%
Russell 2500® Value Index <sup>(B)</sup>	-3.78%	9.45%

**Annual Fund Operating Expense Ratios (from 6/1/18 Prospectus): Institutional Class - Gross 1.36%, Net 1.11%  
Retail Class - 1.36%  
R6 Class - Gross 1.36%, Net 0.99%**

The Advisor reimbursed and/or waived certain expenses of the Fund's Institutional, Retail, and R6 Classes. Absent these arrangements, the performance of the Classes would have been lower.

Each Class's expense ratio for the fiscal year ended January 31, 2019 can be found in the financial highlights included in this report. All share classes have a 2.00% redemption fee on shares redeemed within 90 days of purchase or less.

The Annual Fund Operating Expense Ratios reported above may not correlate to the expense ratios in the Fund's financial highlights because the financial highlights include only the direct operating expenses incurred by the Fund, not the indirect costs of investing in acquired funds.

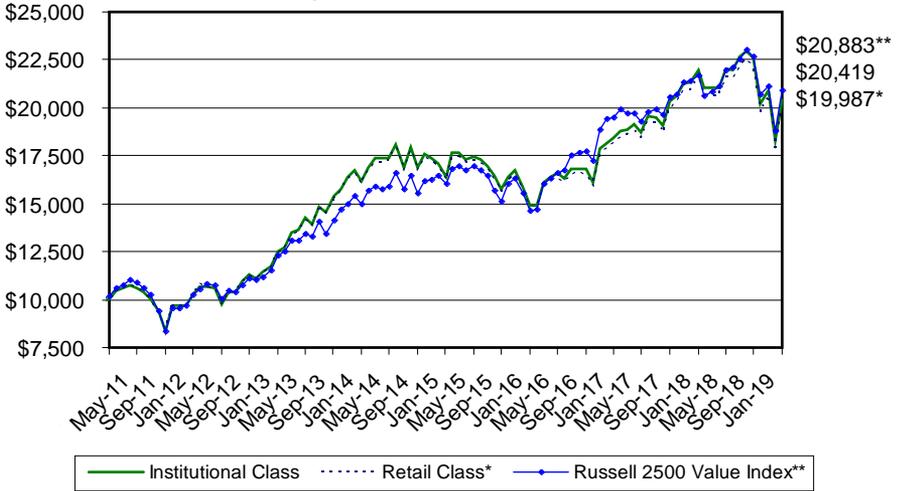
<sup>(A)</sup>1 Year, 3 Years, 5 Years and Since Inception returns include change in share prices and in each case includes reinvestment of any dividends and capital gain distributions. The inception date of the Walthausen Select Value Fund Institutional and Retail Classes was December 27, 2010. Class R6 commenced operations on November 1, 2016.

<sup>(B)</sup>The Russell 2500® Value Index (whose composition is different from that of the Fund) measures the performance of the small to mid-cap value segment of the U.S. equity universe. It includes those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values. The Index is constructed to provide a comprehensive and unbiased barometer of the small to mid-cap value market. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small to mid-cap opportunity set and that the represented companies continue to reflect value characteristics.

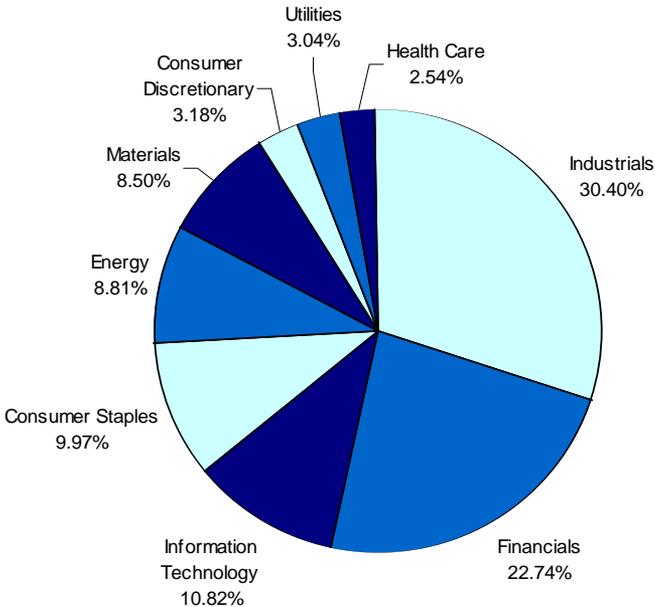
**PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS. INVESTMENT RETURN AND PRINCIPAL VALUE WILL FLUCTUATE SO THAT SHARES, WHEN REDEEMED, MAY BE WORTH MORE OR LESS THAN THEIR ORIGINAL COST. RETURNS DO NOT REFLECT THE DEDUCTION OF TAXES THAT A SHAREHOLDER WOULD PAY ON FUND DISTRIBUTIONS OR THE REDEMPTION OF FUND SHARES. CURRENT PERFORMANCE MAY BE LOWER OR HIGHER THAN THE PERFORMANCE DATA QUOTED. TO OBTAIN PERFORMANCE DATA CURRENT TO THE MOST RECENT MONTH-END, PLEASE CALL 1-888-925-8428. THE FUND'S DISTRIBUTOR IS RAFFERTY CAPITAL MARKETS, LLC.**

# WALTHAUSEN SELECT VALUE FUND (Unaudited)

The Value of a \$10,000 Investment in Walthausen Select Value Fund Institutional Class and the Walthausen Select Value Fund Retail Class from December 27, 2010 to January 31, 2019 as Compared to the Russell 2500 Value Index



WALTHAUSEN SELECT VALUE FUND by Sectors as of January 31, 2019 (as a percentage of Total Investments)



## Availability of Quarterly Schedule of Investments (Unaudited)

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Q is available on the SEC's website at <http://www.sec.gov>. The Fund's Form N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

## Proxy Voting Guidelines (Unaudited)

Walthausen & Co., LLC, the Fund's investment advisor ("Advisor"), is responsible for exercising the voting rights associated with the securities held by the Fund. A description of the policies and procedures used by the Advisor in fulfilling this responsibility is available without charge on the Fund's website at [www.walthausenfunds.com](http://www.walthausenfunds.com). It is also included in the Fund's Statement of Additional Information, which is available on the SEC's website at <http://www.sec.gov>.

Information regarding how the Fund voted proxies, Form N-PX, relating to portfolio securities during the most recent 12-month period ended June 30th, is available without charge, upon request, by calling our toll free number (1-888-925-8428). This information is also available on the SEC's website at <http://www.sec.gov>.

## EXPENSE EXAMPLE (Unaudited)

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs such as redemption fees and IRA maintenance fees, and (2) ongoing costs, including management fees, service 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 in the Fund on August 1, 2018 and held through January 31, 2019.

### Actual Expenses

The first line of each table below provides information about actual account values and actual expenses. Additionally, although the Fund charges no sales load, you will be assessed fees for outgoing wire transfers, returned checks and stop payment orders at prevailing rates charged by Ultimus Fund Solutions, LLC, the Fund's transfer agent. If shares are redeemed within 90 days of purchase from the Fund, the shares are subject to a 2% redemption fee. You will be charged an annual maintenance fee of \$15 for each tax deferred account you have with the Fund ("IRA maintenance fees"). To the extent the Fund invests in shares of other investment companies as part of its investment strategy, you will indirectly bear your proportionate share of any fees and expenses charged by the underlying funds in which the Fund invests in addition to the expenses of the Fund. Actual expenses of the underlying funds are expected to vary among the various underlying funds. These expenses are not included in the example. The example includes management fees, service fees and other Fund expenses. However, the example does not include portfolio trading commissions and related expenses and other extraordinary expenses as determined under generally accepted accounting principles. 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 each table 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 the 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 and do not reflect any transactional costs, such as redemption fees, IRA maintenance fees

described above or expenses of underlying funds. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

Institutional Class

	<u>Beginning Account Value August 1, 2018</u>	<u>Ending Account Value January 31, 2019</u>	<u>Expenses Paid During the Period* August 1, 2018 January 31, 2019</u>
Actual	\$1,000.00	\$901.59	\$5.27
Hypothetical (5% annual return before expenses)	\$1,000.00	\$1,019.66	\$5.60

\* Expenses are equal to the Fund's annualized expense ratio of 1.10%, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

Retail Class

	<u>Beginning Account Value August 1, 2018</u>	<u>Ending Account Value January 31, 2019</u>	<u>Expenses Paid During the Period* August 1, 2018 January 31, 2019</u>
Actual	\$1,000.00	\$900.25	\$6.47
Hypothetical (5% annual return before expenses)	\$1,000.00	\$1,018.40	\$6.87

\* Expenses are equal to the Fund's annualized expense ratio of 1.35%, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

R6 Class

	<u>Beginning Account Value August 1, 2018</u>	<u>Ending Account Value January 31, 2019</u>	<u>Expenses Paid During the Period* August 1, 2018 January 31, 2019</u>
Actual	\$1,000.00	\$902.84	\$4.70
Hypothetical** (5% annual return before expenses)	\$1,000.00	\$1,020.27	\$4.99

\* Expenses are equal to the Fund's annualized expense ratio of 0.98%, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

# Walthausen Select Value Fund

## Schedule of Investments January 31, 2019

Shares		Fair Value	% of Net Assets
<b>COMMON STOCKS</b>			
<b>Arrangement of Transportation of Freight &amp; Cargo</b>			
10,430	Hub Group, Inc. - Class A *	\$ 464,239	3.00%
<b>Calculating &amp; Accounting Machines (No Electronic Computers)</b>			
18,558	NCR Corporation *	496,427	3.21%
<b>Computer Communications Equipment</b>			
16,000	Electronics For Imaging, Inc. *	422,560	2.73%
<b>Converted Paper &amp; Paperboard Products (No Containers/Boxes)</b>			
4,500	Avery Dennison Corp.	470,025	3.04%
<b>Crude Petroleum &amp; Natural Gas</b>			
45,460	Callon Petroleum Company *	370,044	
95,510	Southwestern Energy Company *	417,379	
10,200	Whiting Petroleum Corporation *	292,026	
		1,079,449	7.00%
<b>Cutlery, Handtools &amp; General Hardware</b>			
7,050	Simpson Manufacturing Co., Inc.	432,729	2.80%
<b>Electrical Work</b>			
7,040	EMCOR Group, Inc.	459,219	2.97%
<b>Electronic Components &amp; Accessories</b>			
12,350	Vishay Intertechnology Inc.	240,825	1.56%
<b>Fats &amp; Oils</b>			
20,780	Darling Ingredients Inc. *	441,991	2.86%
<b>Fire, Marine &amp; Casualty Insurance</b>			
4,650	American Financial Group	443,563	
7,500	AMERISAFE, Inc.	445,575	
		889,138	5.76%
<b>Heavy Construction Other than Building Construction - Contractors</b>			
11,570	Granite Construction Incorporated	500,055	3.24%
<b>Life Insurance</b>			
2,280	Primerica, Inc.	256,204	1.66%
<b>Miscellaneous Industrial &amp; Commercial Machinery &amp; Equipment</b>			
5,100	Moog Inc. - Class A *	456,297	2.95%
<b>Miscellaneous General Merchandise Stores</b>			
3,750	Casey's General Stores, Inc.	482,550	3.12%
<b>Miscellaneous Products of Petroleum &amp; Coal</b>			
19,250	Valvoline Inc.	425,617	2.76%
<b>Motor Vehicles &amp; Passenger Car Bodies</b>			
7,190	Oshkosh Corporation	539,610	3.49%
<b>National Commercial Banks</b>			
12,680	PacWest Bancorp	489,321	3.17%
<b>Oil &amp; Gas Field Machinery &amp; Equipment</b>			
15,070	Oil States International, Inc. *	259,505	1.68%
<b>Operative Builders</b>			
14,706	M.D.C. Holdings, Inc.	484,269	3.13%
<b>Plastics Products, NEC</b>			
4,000	AptarGroup, Inc.	396,480	2.57%
<b>Poultry Slaughtering and Processing</b>			
4,803	Sanderson Farms, Inc.	591,249	3.84%
<b>Pumps &amp; Pumping Equipment</b>			
8,570	ITT Inc.	450,439	2.92%
<b>Rolling Drawing &amp; Extruding of Nonferrous Metals</b>			
17,500	Mueller Industries, Inc.	453,425	2.93%

\* Non-Income Producing Securities.

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

# Walthausen Select Value Fund

## Schedule of Investments January 31, 2019

Shares		Fair Value	% of Net Assets
<b>COMMON STOCKS</b>			
<b>Services - Equipment Rental &amp; Leasing, NEC</b>			
8,200	McGrath RentCorp	\$ 413,280	2.67%
<b>Services - Hospitals</b>			
5,790	Encompass Health Corporation	387,004	2.50%
<b>Services - Prepackaged Software</b>			
5,240	LogMeIn, Inc.	487,425	3.15%
<b>State Commercial Banks</b>			
6,300	Bank of Hawaii Corporation	487,179	
12,110	Columbia Banking System, Inc.	445,043	
6,844	Commerce Bancshares, Inc.	409,271	
22,000	CVB Financial Corp.	482,020	
		1,823,513	11.80%
<b>Transportation Services</b>			
6,000	GATX Corporation	454,080	2.94%
<b>Water Supply</b>			
6,830	American States Water Company	462,528	2.99%
<b>Total for Common Stocks (Cost \$12,704,980)</b>		15,209,453	98.44%
<b>MONEY MARKET FUNDS</b>			
248,916	Fidelity Investments Money Market Government Portfolio - Class I 2.28% **	248,916	1.61%
<b>(Cost \$248,916)</b>			
<b>Total Investment Securities</b>		15,458,369	100.05%
<b>(Cost \$12,953,896)</b>			
<b>Liabilities in Excess of Other Assets</b>		(7,498)	-0.05%
<b>Net Assets</b>		\$ 15,450,871	100.00%

\*\* The rate shown represents the 7-day yeild at January 31, 2019.

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

# Walthausen Select Value Fund

## Statement of Assets and Liabilities

January 31, 2019

Assets:	
Investment Securities at Fair Value	\$ 15,458,369
(Cost \$12,953,896)	
Receivable for Dividends	4,238
Receivable for Shareholder Subscriptions	3,951
Total Assets	<u>15,466,558</u>
Liabilities:	
Payable for Shareholder Redemptions	968
Payable to Advisor for Management Fees (Note 4)	11,370
Payable to Advisor for Service Fees (Note 4)	3,349
Total Liabilities	<u>15,687</u>
Net Assets	<u>\$ 15,450,871</u>
Net Assets Consist of:	
Paid In Capital	\$ 13,340,493
Total Distributable Earnings	2,110,378
Net Assets	<u>\$ 15,450,871</u>
Institutional Class	
Net Assets	\$ 10,463,221
Shares Outstanding	
(Unlimited shares authorized)	953,380
Net Asset Value and Offering Price Per Share	<u>\$ 10.97</u>
Redemption Price Per Share (\$10.97 x 0.98) (Note 2)	<u>\$ 10.75</u>
Retail Class	
Net Assets	\$ 4,317,768
Shares Outstanding	
(Unlimited shares authorized)	403,029
Net Asset Value and Offering Price Per Share	<u>\$ 10.71</u>
Redemption Price Per Share (\$10.71 x 0.98) (Note 2)	<u>\$ 10.50</u>
R6 Class	
Net Assets	\$ 669,882
Shares Outstanding	
(Unlimited shares authorized)	60,592
Net Asset Value and Offering Price Per Share	<u>\$ 11.06</u>
Redemption Price Per Share (\$11.06 x 0.98) (Note 2)	<u>\$ 10.84</u>

# Walthausen Select Value Fund

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## Statement of Operations

For the fiscal year ended January 31, 2019

Investment Income:	
Dividends (Net of foreign withholding tax of \$0)	\$ 671,926
Total Investment Income	<u>671,926</u>
Expenses:	
Management Fees (Note 4)	453,249
Service Fees (Note 4)	<u>226,626</u>
Total Expenses	<u>679,875</u>
Less: Waived Service Fees (Note 4)	<u>(109,420)</u>
Net Expenses	<u>570,455</u>
Net Investment Income (Loss)	101,471
Realized and Unrealized Gain (Loss) on Investments:	
Net Realized Gain (Loss) on Investments	14,014,765
Net Change In Unrealized Appreciation (Depreciation) on Investments	<u>(16,234,712)</u>
Net Realized and Unrealized Gain (Loss) on Investments	<u>(2,219,947)</u>
Net Increase (Decrease) in Net Assets from Operations	<u>\$ (2,118,476)</u>

# Walthausen Select Value Fund

## Statements of Changes in Net Assets

	2/1/2018 to 1/31/2019	2/1/2017 to 1/31/2018
From Operations:		
Net Investment Income (Loss)	\$ 101,471	\$ 351,381
Net Realized Gain (Loss) on Investments	14,014,765	10,131,936
Net Change in Unrealized Appreciation (Depreciation) on Investments	<u>(16,234,712)</u>	<u>4,057,178</u>
Increase (Decrease) in Net Assets from Operations	(2,118,476)	14,540,495
From Distributions to Shareholders:		
Institutional Class	(4,448,601)	(657,375) <sup>(a)</sup>
Retail Class	(1,759,084)	(60,186) <sup>(b)</sup>
R6 Class	<u>(176,983)</u>	<u>(4,596)</u> <sup>(c)</sup>
Change in Net Assets from Distributions	(6,384,668)	(722,157)
From Capital Share Transactions:		
Proceeds From Sale of Shares		
Institutional Class	876,683	49,288,539
Retail Class	488,592	596,452
R6 Class	213,976	507,392
Proceeds From Redemption Fees (Note 2)		
Institutional Class	941	13,754
Retail Class	176	245
R6 Class	-	-
Shares Issued on Reinvestment of Dividends		
Institutional Class	4,355,801	654,917
Retail Class	1,745,847	59,788
R6 Class	176,982	4,596
Cost of Shares Redeemed		
Institutional Class	(57,736,751)	(27,461,477)
Retail Class	(4,031,767)	(47,590,559)
R6 Class	<u>(44,488)</u>	<u>(69,470)</u>
Net Increase (Decrease) from Shareholder Activity	<u>(53,954,008)</u>	<u>(23,995,823)</u>
Net Increase (Decrease) in Net Assets	(62,457,152)	(10,177,485)
Net Assets at Beginning of Period	<u>77,908,023</u>	<u>88,085,508</u>
Net Assets at End of Period	<u>\$ 15,450,871</u>	<u>\$ 77,908,023</u> <sup>(d)</sup>
Share Transactions:		
Issued		
Institutional Class	49,307	2,937,076
Retail Class	32,292	33,676
R6 Class	18,331	30,075
Reinvested		
Institutional Class	447,208	34,929
Retail Class	183,580	3,227
R6 Class	18,041	244
Redeemed		
Institutional Class	(3,130,205)	(1,546,821)
Retail Class	(256,555)	(2,880,757)
R6 Class	<u>(2,898)</u>	<u>(3,557)</u>
Net Increase (Decrease) in Shares	<u>(2,640,899)</u>	<u>(1,391,908)</u>

(a) For the prior year ended January 31, 2018, Institutional Class distributions consisted of Net Investment Income of \$457,322 and Capital Gains of \$200,053.

(b) For the prior year ended January 31, 2018, Retail Class distributions consisted of Net Investment Income of \$38,076 and Capital Gains of \$22,110.

(c) For the prior year ended January 31, 2018, R6 Class distributions consisted of Net Investment Income of \$3,138 and Capital Gains of \$1,458.

(d) As of January 31, 2018, Accumulated Undistributed Net Investment Income (Loss) was (\$9,258).

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

# Walthausen Select Value Fund

## Financial Highlights - Institutional Class

Selected data for a share outstanding throughout the period:	2/1/2018 to 1/31/2019	2/1/2017 to 1/31/2018	2/1/2016 to 1/31/2017	2/1/2015 to 1/31/2016	2/1/2014 to 1/31/2015
Net Asset Value - Beginning of Period	\$ 19.22	\$ 16.26	\$ 13.19	\$ 14.70	\$ 15.19
Net Investment Income (Loss) <sup>(a)</sup>	0.04	0.10	0.06	0.08	0.17
Net Gain (Loss) on Investments (Realized and Unrealized) <sup>(b)</sup>	(2.17)	3.02	3.08	(1.42)	0.10
Total from Investment Operations	(2.13)	3.12	3.14	(1.34)	0.27
Distributions (From Net Investment Income)	-	(0.11)	(0.07)	(0.07)	(0.14)
Distributions (From Capital Gains)	(6.12)	(0.05)	-	(0.10)	(0.62)
Total Distributions	(6.12)	(0.16)	(0.07)	(0.17)	(0.76)
Proceeds from Redemption Fee (Note 2)	- +	- +	- +	- +	- +
Net Asset Value - End of Period	\$ 10.97	\$ 19.22	\$ 16.26	\$ 13.19	\$ 14.70
Total Return <sup>(c)</sup>	(7.07)%	19.23%	23.78%	(9.23)%	1.57%
Ratios/Supplemental Data					
Net Assets - End of Period (Thousands)	\$10,463	\$68,955	\$35,158	\$48,191	\$46,778
Before Reimbursement					
Ratio of Expenses to Average Net Assets	1.35%	1.35%	1.42%	1.45%	1.45%
Ratio of Net Investment Income (Loss) to Average Net Assets	-0.03%	0.33%	0.19%	0.31%	0.83%
After Reimbursement					
Ratio of Expenses to Average Net Assets	1.10%	1.10%	1.17%	1.20%	1.20%
Ratio of Net Investment Income (Loss) to Average Net Assets	0.22%	0.58%	0.44%	0.56%	1.08%
Portfolio Turnover Rate	39.38%	63.12%	62.38%	62.54%	75.83%

## Financial Highlights - Retail Class

Selected data for a share outstanding throughout the period:	2/1/2018 to 1/31/2019	2/1/2017 to 1/31/2018	2/1/2016 to 1/31/2017	2/1/2015 to 1/31/2016	2/1/2014 to 1/31/2015
Net Asset Value - Beginning of Period	\$ 19.00	\$ 16.10	\$ 13.06	\$ 14.57	\$ 15.05
Net Investment Income (Loss) <sup>(a)</sup>	0.01	0.03	0.03	0.05	0.16
Net Gain (Loss) on Investments (Realized and Unrealized) <sup>(b)</sup>	(2.18)	3.00	3.04	(1.42)	0.09
Total from Investment Operations	(2.17)	3.03	3.07	(1.37)	0.25
Distributions (From Net Investment Income)	-	(0.08)	(0.03)	(0.04)	(0.11)
Distributions (From Capital Gains)	(6.12)	(0.05)	-	(0.10)	(0.62)
Total Distributions	(6.12)	(0.13)	(0.03)	(0.14)	(0.73)
Proceeds from Redemption Fee (Note 2)	- +	- +	- +	- +	- +
Net Asset Value - End of Period	\$ 10.71	\$ 19.00	\$ 16.10	\$ 13.06	\$ 14.57
Total Return <sup>(c)</sup>	(7.37)%	18.87%	23.50%	(9.50)%	1.46%
Ratios/Supplemental Data					
Net Assets - End of Period (Thousands)	\$ 4,318	\$ 8,430	\$52,922	\$39,781	\$26,091
Before Reimbursement					
Ratio of Expenses to Average Net Assets	1.35%	1.35%	1.42%	1.45%	1.45%
Ratio of Net Investment Income (Loss) to Average Net Assets	0.04%	0.16%	0.19%	0.31%	0.98%
After Reimbursement					
Ratio of Expenses to Average Net Assets	1.35%	1.35%	1.42%	1.45%	1.45%
Ratio of Net Investment Income (Loss) to Average Net Assets	0.04%	0.16%	0.19%	0.31%	0.98%
Portfolio Turnover Rate	39.38%	63.12%	62.38%	62.54%	75.83%

+ Amount less than \$0.005 per share.

(a) Per share amounts were calculated using the average shares method.

(b) Realized and unrealized gains and losses per share in this caption are balancing amounts necessary to reconcile the change in net asset value for the period and may not reconcile with the aggregate gains and losses in the Statement of Operations due to share transactions for the period.

(c) Total return represents the rate that the investor would have earned or lost on an investment in the Fund assuming reinvestment of dividends.

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

# Walthausen Select Value Fund

## Financial Highlights - R6 Class

Selected data for a share outstanding throughout the period:	2/1/2018 to 1/31/2019	2/1/2017 to 1/31/2018	11/1/2016* to 1/31/2017
Net Asset Value - Beginning of Period	\$ 19.29	\$ 16.30	\$ 14.06
Net Investment Income (Loss) <sup>(a)</sup>	0.08	0.14	0.03
Net Gain (Loss) on Investments (Realized and Unrealized) <sup>(b)</sup>	(2.19)	3.01	2.24
Total from Investment Operations	(2.11)	3.15	2.27
Distributions (From Net Investment Income)	-	(0.11)	(0.03)
Distributions (From Capital Gains)	(6.12)	(0.05)	-
Total Distributions	(6.12)	(0.16)	(0.03)
Proceeds from Redemption Fee (Note 2)	-	-	-
Net Asset Value - End of Period	<u>\$ 11.06</u>	<u>\$ 19.29</u>	<u>\$ 16.30</u>
Total Return <sup>(c)</sup>	(6.91)%	19.32%	16.18% **
Ratios/Supplemental Data			
Net Assets - End of Period (Thousands)	\$ 670	\$ 523	\$ 6
Before Reimbursement			
Ratio of Expenses to Average Net Assets	1.35%	1.35%	1.35% ***
Ratio of Net Investment Income (Loss) to Average Net Assets	0.08%	0.37%	0.48% ***
After Reimbursement			
Ratio of Expenses to Average Net Assets	0.98%	0.98%	0.98% ***
Ratio of Net Investment Income (Loss) to Average Net Assets	0.45%	0.74%	0.85% ***
Portfolio Turnover Rate	39.38%	63.12%	62.38% **

\* Commencement of Class.

\*\* Not Annualized.

\*\*\* Annualized.

+ Amount less than \$0.005 per share.

(a) Per share amounts were calculated using the average shares method.

(b) Realized and unrealized gains and losses per share in this caption are balancing amounts necessary to reconcile the change in net asset value for the period and may not reconcile with the aggregate gains and losses in the Statement of Operations due to share transactions for the period.

(c) Total return represents the rate that the investor would have earned or lost on an investment in the Fund assuming reinvestment of dividends.

# NOTES TO FINANCIAL STATEMENTS WALTHAUSEN SELECT VALUE FUND

January 31, 2019

## 1.) ORGANIZATION

Walthausen Select Value Fund (the "Fund") was organized as a diversified series of the Walthausen Funds (the "Trust") on December 1, 2010. The Trust is registered as an open-end investment company under the Investment Company Act of 1940, as amended (the "1940 Act"). The Trust was organized in Ohio as a business trust on October 10, 2007 and may offer an unlimited number of shares of beneficial interest in a number of separate series, each series representing a distinct fund with its own investment objectives and policies. The Fund commenced operations on December 27, 2010. As of January 31, 2019, there are two series authorized by the Trust. Class R6 shares commenced operations on November 1, 2016. The Fund currently offers Institutional Class shares, Retail Class shares and R6 Class shares. Prior to January 30, 2013 the Institutional Class was named the Investor Class. The classes differ principally in their respective distribution expenses and arrangements. All classes of shares have identical rights to earnings, assets and voting privileges, except for class specific expenses and exclusive rights to vote on matters affecting only individual classes. Prior to June 1, 2013, Retail Class shares of the Fund were subject to Rule 12b-1 distribution fees. While the Fund does not currently charge any Rule 12b-1 distribution fees, the Fund does reserve the right to pay or accrue such fees upon notice to shareholders. The Fund's investment objective is to seek long-term capital appreciation. The investment advisor to the Fund is Walthausen & Co., LLC (the "Advisor").

## 2.) SIGNIFICANT ACCOUNTING POLICIES

The Fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 946 *Financial Services - Investment Companies*. The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Fund follows the significant accounting policies described in this section.

### SECURITY VALUATION

All investments in securities are recorded at their estimated fair value, as described in Note 3.

### 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 of its taxable income to shareholders. Therefore, no federal income tax provision is required. It is the Fund's policy to distribute annually, prior to the end of the calendar year, dividends sufficient to satisfy excise tax requirements of the Internal Revenue Code. This Internal Revenue Code requirement may cause an excess of distributions over the book year-end accumulated income. In addition, it is the Fund's policy to distribute annually, after the end of the fiscal year, any remaining net investment income and net realized capital gains.

The Fund recognizes the tax benefits of certain tax positions only where the position is "more likely than not" to be sustained assuming examination by tax authorities. Management has analyzed the Fund's tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for the open tax years. The Fund identifies its major tax jurisdictions as U.S. Federal and State tax authorities; 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 twelve months. The Fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statement of Operations. During the fiscal year ended January 31, 2019, the Fund did not incur any interest or penalties.

### SHARE VALUATION

The net asset value per share of the Fund is calculated daily by dividing the total value of the Fund's assets, less liabilities, by the number of shares outstanding, rounded to the nearest cent. The offering and redemption price per share is equal to the net asset value per share, except that shares of the Fund are subject to a redemption fee of 2% if redeemed after holding them for 90 days or less. During the fiscal year ended January 31, 2019, proceeds from redemption fees amounted to \$941, \$176 and \$0 for Institutional Class shares, Retail Class shares and R6 Class shares, respectively.

## Notes to Financial Statements - continued

### *DISTRIBUTIONS TO SHAREHOLDERS*

Distributions to shareholders, which are determined in accordance with income tax regulations, are recorded on the ex-dividend date. The Fund may utilize earnings and profits distributed to shareholders on redemptions of shares as part of the dividends paid deductions. The treatment for financial reporting purposes of distributions made to shareholders during the year from net investment income or net realized capital gains may differ from their ultimate treatment for federal income tax purposes. These differences are caused primarily by differences in the timing of the recognition of certain components of income, expense, or realized capital gain for federal income tax purposes. Where such differences are permanent in nature, they are reclassified in the components of the net assets based on their ultimate characterization for federal income tax purposes. Any such reclassifications will have no effect on net assets, results of operations, or net asset value per share of the Fund. For the fiscal year ended January 31, 2019, the following adjustments were recorded and primarily related to the use of equalization for tax purposes:

Paid In Capital	\$11,006,905
Total Distributable Earnings	(\$11,006,905)

### *USE OF ESTIMATES*

The financial statements are prepared in accordance with GAAP, which 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 those estimates.

### *OTHER*

The Fund records security transactions based on the trade date for financial reporting purposes. Dividend income is recognized on the ex-dividend date. Interest income, if any, is recognized on an accrual basis. The Fund uses the specific identification method in computing gain or loss on the sale of investment 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. The Fund may invest in real estate investment trusts ("REITs") that pay distributions to their shareholders based on available funds from operations. It is common for these distributions to exceed the REITs taxable earnings and profits resulting in the excess portion of such distribution to be designated as return of capital. Distributions received from REITs are generally recorded as dividend income and, if necessary, are reclassified annually in accordance with tax information provided by the underlying REITs. Additionally, the Fund may hold investments in master limited partnerships ("MLPs"). It is common for distributions from MLPs to exceed taxable earnings and profits. In such instances, the excess portion of such distributions are classified as a return of capital. Annually, income or loss from each MLP is reclassified upon receipt of the MLP's tax reporting document. For financial reporting purposes, management does not estimate the tax character of MLP distributions for which actual information has not been reported.

### *EXPENSES*

Expenses incurred by the Trust that do not relate to a specific fund of the Trust are allocated to the individual funds based on each fund's relative net assets or an appropriate basis.

Class specific expenses are borne by each specific class. Income, non-class specific expenses, and realized and unrealized gains/losses are allocated to the respective classes based on the basis of relative net assets.

### 3.) SECURITIES VALUATIONS

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

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 relevant observable inputs are not available, representing the Fund's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

## Notes to Financial Statements - continued

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 as 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).* Equity securities generally are valued by using market quotations, but may be valued on the basis of prices furnished by a pricing service when the Advisor believes such prices accurately reflect the fair value of such securities. Securities that are traded on any stock exchange or on the NASDAQ over-the-counter market are generally valued by the pricing service at the last quoted sale price. Lacking a last sale price, an equity security is generally valued by the pricing service at its last bid price. Generally, if the security is traded in an active market and is valued at the last sale price, the security is categorized as a level 1 security, and if an equity security is valued by the pricing service at its last bid price, it is generally categorized as a level 2 security. When market quotations are not readily available, when the Advisor determines that the market quotation or the price provided by the pricing service does not accurately reflect the current fair value, or when restricted securities are being valued, such securities are valued as determined in good faith by the Advisor, subject to review of the Board of Trustees (the "Trustees" or the "Board") and are categorized in level 2 or level 3, when appropriate.

*Money market funds.* Shares of money market funds are valued at the net asset value provided by the funds and are classified as level 1 of the fair value hierarchy.

In accordance with the Trust's good faith pricing guidelines, the Advisor is required to consider all appropriate factors relevant to the value of securities for which it has determined other pricing sources are not available or reliable as described above. There is no single procedure for determining fair value, since fair value depends upon the circumstances of each individual case. As a general principle, the current fair value of an issue of securities being valued by the Advisor would appear to be the amount which the owner might reasonably expect to receive for them upon their current sale. Methods which are in accordance with this principle may, for example, be based on (i) a multiple of earnings; (ii) a discount from market of a similar freely traded security (including a derivative security or a basket of securities traded on other markets, exchanges or among dealers); or (iii) yield to maturity with respect to debt issues, or a combination of these and other methods.

The following table summarizes the inputs used to value the Fund's assets measured at fair value as of January 31, 2019:

<u>Valuation Inputs of Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks	\$15,209,453	\$0	\$0	\$15,209,453
Money Market Funds	<u>248,916</u>	<u>0</u>	<u>0</u>	<u>248,916</u>
Total	\$15,458,369	\$0	\$0	\$15,458,369

Refer to the Fund's Schedule of Investments for a listing of securities by industry. The Fund did not hold any level 3 assets during the fiscal year ended January 31, 2019.

The Fund did not invest in any derivative instruments during the fiscal year ended January 31, 2019.

### 4.) INVESTMENT ADVISORY AGREEMENT AND RELATED PARTY TRANSACTIONS

The Trust, on behalf of the Fund, has entered into an investment advisory agreement ("Management Agreement") with the Advisor. The Advisor manages the investment portfolio of the Fund, subject to policies adopted by the Trust's Board of Trustees, and, at its own expense and without reimbursement from the Trust, furnishes office space and all necessary office facilities, equipment and executive personnel necessary for managing the Fund. For its services, the Advisor received an investment management fee equal to 0.90% of the average daily net assets of the

## Notes to Financial Statements - continued

Fund. Prior to November 1, 2016, the Advisor received an investment management fee equal to 1.00% of the average daily net assets of the Fund. For the fiscal year ended January 31, 2019, the Advisor earned management fees totaling \$453,249, of which \$11,370 was due to the Advisor at January 31, 2019.

Under the terms of the Services Agreement between the Trust, on behalf of the Fund, and the Advisor (the "Services Agreement"), the Advisor renders administrative and supervisory services to the Fund, provides the services of a chief compliance officer and assumes and pays all ordinary expenses of the Fund, excluding management fees, any 12b-1 fees, brokerage fees and commissions, taxes, borrowing costs (such as (a) interest and (b) dividend expenses on securities sold short), fees and expenses of acquired funds, extraordinary or non-recurring expenses as may arise, including litigation to which the Fund may be a party and indemnification of the Trust's Trustees and officers. For its services, the Advisor receives service fees equal to an annual rate of 0.45% of the Fund's average daily net assets up to \$100 million, 0.25% of the Fund's average daily net assets between \$100 million and \$500 million, and 0.15% of such assets in excess of \$500 million. The Advisor has contractually agreed to waive Services Agreement fees to the extent necessary to maintain total annual operating expenses of the Institutional Class Shares, excluding brokerage fees and commissions, taxes, borrowing costs (such as (a) interest and (b) dividend expenses on securities sold short), the cost of acquired funds and extraordinary expenses at 1.10% of its average daily net assets through May 31, 2019. The Advisor may not terminate the fee waiver before May 31, 2019. Prior to June 1, 2017 the Advisor had contractually agreed to waive, for the Institutional Class shares, 0.25% of the applicable Services Agreement fees for the class' average daily net assets up to \$100 million. Also, the Advisor has contractually agreed to waive Services Agreement fees to the extent necessary to maintain total annual operating expenses of the R6 Class Shares, excluding brokerage fees and commissions, taxes, borrowing costs (such as (a) interest and (b) dividend expenses on securities sold short), the cost of acquired funds and extraordinary expenses at 0.98% of its average daily net assets through May 31, 2019. The Advisor may not terminate the fee waiver before May 31, 2019.

For the fiscal year ended January 31, 2019, the Advisor earned service fees of \$226,626, of which \$3,349 was due to the Advisor at January 31, 2019. Service fees in the amounts of \$107,442 and \$1,978 were waived with no recapture provision for the fiscal year ended January 31, 2019 for the Institutional and R6 Classes, respectively.

Certain officers and a shareholder of the Advisor are also officers and/or a Trustee of the Trust. These individuals may receive benefits from the Advisor resulting from management and services fees paid to the Advisor by the Fund.

The Trustees who are not interested persons of the Fund were each paid \$4,000, for a total of \$12,000, in Trustees' fees plus travel and related expenses for the fiscal year ended January 31, 2019 for their services to the Fund. The Advisor pays these fees pursuant to the Services Agreement.

### 5.) DISTRIBUTION AND SHAREHOLDER SERVICING PLAN

The Fund has adopted a Distribution Plan in accordance with Rule 12b-1 under the 1940 Act. Pursuant to the Distribution Plan, the Fund compensates the Advisor for services rendered and expenses borne in connection with brokerage platform fees. This Distribution Plan provides that the Fund may pay the annual rate of up to 0.25% of the average daily net assets of the Fund's Retail Class shares. These activities include reimbursement to entities for providing distribution and shareholder servicing with respect to the Fund's shares. Effective June 1, 2013, the Fund does not currently pay or accrue any distribution fees for Retail Class shares; however, the Fund reserves the right to pay or accrue such fees in the future upon notice to shareholders.

### 6.) PURCHASES AND SALES OF SECURITIES

For the fiscal year ended January 31, 2019, purchases and sales of investment securities other than U.S. Government obligations and short-term investments aggregated \$19,311,396 and \$83,037,270, respectively. Purchases and sales of U.S. Government obligations aggregated \$0 and \$0, respectively.

### 7.) CONTROL 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 1940 Act. As of January 31, 2019, NFS, LLC, located in New York, New York, and Charles Schwab & Co., Inc., located in San Francisco, California, each for the benefit of its clients, held, in aggregate, 40.48% and 30.03%, respectively, of the Fund shares, and therefore each may be deemed to control the Fund.

## Notes to Financial Statements - continued

### 8.) TAX MATTERS

For Federal income tax purposes, the cost of investments owned at January 31, 2019 was \$13,163,023. At January 31, 2019, the composition of unrealized appreciation (the excess of value over tax cost) and depreciation (the excess of tax cost over value) was as follows:

<u>Appreciation</u>	<u>(Depreciation)</u>	<u>Net Appreciation (Depreciation)</u>
\$3,219,696	(\$924,350)	\$2,295,346

Distributions paid from Institutional Class:

	<u>Fiscal Year Ended January 31, 2019</u>	<u>Fiscal Year Ended January 31, 2018</u>
Ordinary Income	\$ 743,869	\$ 372,352
Long-Term Capital Gain	<u>3,704,732</u>	<u>285,022</u>
	\$4,448,601	\$ 657,374

Distributions paid from Retail Class:

	<u>Fiscal Year Ended January 31, 2019</u>	<u>Fiscal Year Ended January 31, 2018</u>
Ordinary Income	\$ 294,144	\$ 28,685
Long-Term Capital Gain	<u>1,464,940</u>	<u>31,501</u>
	\$1,759,084	\$ 60,186

Distributions paid from R6 Class:

	<u>Fiscal Year Ended January 31, 2019</u>	<u>Fiscal Year Ended January 31, 2018</u>
Ordinary Income	\$ 29,594	\$ 2,519
Long-Term Capital Gain	<u>147,389</u>	<u>2,078</u>
	\$ 176,983	\$ 4,597

As of January 31, 2019, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	\$ 110,747
Other accumulated losses	(305,001)
Undistributed long-term capital gains	9,286
Unrealized appreciation on investments – net	<u>2,295,346</u>
	\$ 2,110,378

The differences between book basis and tax basis are primarily attributable to the tax deferral of wash sales. As of January 31, 2019, the Fund deferred post-October losses of \$304,465 and late-year ordinary losses of \$536, which are included in other accumulated losses.

### 9.) SUBSEQUENT EVENTS

Subsequent events after the date of the Statement of Assets and Liabilities have been evaluated through the date the financial statements were issued. Management has concluded that there is no impact requiring adjustment to or disclosure in the financial statements.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Trustees of  
Walthausen Funds

### Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Walthausen Select Value Fund (the "Fund"), a series of Walthausen Funds, as of January 31, 2019, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, including the related notes, and the financial highlights for each of the five years in the period then ended (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of January 31, 2019, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

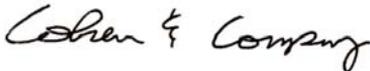
### Basis for Opinion

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements 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 are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, 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. Our procedures included confirmation of securities owned as of January 31, 2019, 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. We believe that our audits provide a reasonable basis for our opinion.

We have served as the auditor for the Walthausen Funds since 2008.



COHEN & COMPANY, LTD.  
Cleveland, Ohio  
March 22, 2019

# ADDITIONAL INFORMATION

January 31, 2019

(UNAUDITED)

## APPROVAL OF INVESTMENT ADVISORY AGREEMENT

On January 22, 2019, the Board of Trustees (the "Trustees" or the "Board") considered the renewal of the Management Agreement (the "Agreement") between the Trust and the Advisor (or "Management"), on behalf of the Walthausen Select Value Fund ("Select Value" or the "Fund"). In reviewing the Agreement, the Board of Trustees received materials from the Advisor addressing the following factors: (i) the investment performance of the Fund and the Advisor; (ii) the nature, extent and quality of the services provided by the Advisor to the Fund; (iii) the cost of the services provided and the profits realized by the Advisor and its affiliates from the relationship with the Fund; (iv) the extent to which economies of scale will be realized as the Fund grows; and (v) whether the fee levels reflect these economies of scale to the benefit of shareholders.

The Board met with representatives of the Advisor to discuss the terms of the Agreement. The Board reviewed the history of the Advisor, including background and investment management experience, as well as the Fund's performance since inception, important factors relating to the Fund's performance, the Advisor's investment and research strategy, the Advisor's strength of personnel, and expected expenses and revenue from the Fund.

As to the performance of Select Value, the materials included information regarding the Fund's performance compared to a peer group of similar funds as well as the overall Morningstar Small Value category and the Russell 2500® Value Index. The Trustees noted that the data showed that the Fund outperformed its peer group and category, but underperformed its index for the 1-year period ended December 31, 2018. They noted that the data showed that the Fund lagged the index and category while the Fund outperformed its peer group for the 5-year period ended December 31, 2018. They also noted that the data showed that the Fund underperformed the index since inception through December 31, 2018. The Board discussed the Advisor's observations that it consistently monitored its strategy and investment process and was confident in the long-term performance for the Fund. The Board considered the Fund's performance along with the outlook and explanations provided by the Advisor and the Advisor's overall track record. After further discussion, the Independent Trustees concluded that overall the performance of the Advisor with respect to the Fund was acceptable.

As to the nature, extent and quality of the services provided by the Advisor, the Board analyzed the Advisor's experience and capabilities. The Board discussed each portfolio manager's background and investment management experience. The Board reviewed the key professionals servicing the Fund. The Board was pleased with the depth of the advisory team, including the addition of a co-portfolio manager, and with the personnel resources of the Advisor. The representatives of the Advisor reviewed and discussed with the Board the Advisor's ADV and the Rule 17j-1 Code of Ethics certifications. The Board discussed the quality of the Advisor's compliance efforts. The Board also reviewed the Advisor's financial condition. The Board concluded that the nature and extent of the services provided by the Advisor were consistent with their expectations. The Independent Trustees emphasized that they continued to be very pleased with the quality and value of the services provided by the Advisor, its focus on compliance, the quality of personnel, and its overall communication with the Board.

As to the cost of the services provided and the profits realized by the Advisor and its affiliates from the relationship with the Fund, it was noted that the Advisor was paying substantially all ordinary operating expenses of the Fund pursuant to the Services Agreement. Additionally, the Advisor provided the Fund with officers, including the CCO, marketing support and office space. The Board discussed the fee schedule of the Services Agreement, including the breakpoints in the contract which serve to reduce fees as assets grow. A representative of the Advisor reviewed the revenue and expenses related to the Services Agreement noting that there had been a loss to the Advisor during the year. Also, the Trustees noted that the Advisor had contractually agreed to waive Services Agreement fees to the extent necessary to maintain total annual operating expenses of the Institutional Class Shares and R6 Class Shares, excluding brokerage fees and commissions, taxes, borrowing costs, the cost of acquired funds and extraordinary expenses at 1.10% and 0.98%, respectively of average daily net assets through May 31, 2019. A representative of the Advisor reviewed a summary of the Advisor's profitability resulting from the services provided to Select Value. The analysis showed that the net profits from portfolio advisory services as well as the net profits overall. A representative of the Advisor discussed the method in which payments to broker dealers had been allocated within the profitability analysis. He explained that only those payments

## **Additional Information (Unaudited) - continued**

to broker dealers that were deemed to be attributable to sub-transfer agency/shareholder servicing services had been reflected in the profitability analysis. He explained that any fees which were considered to be distribution related services had been paid by the Advisor from its own legitimate profits. The Board concluded that the Advisor's profitability was at an acceptable level, particularly in light of the extent and quality of the services being provided to the Fund. The Board noted that overall the Advisor was properly incentivized to provide robust services.

Turning to the level of expenses, the Board was presented with a comparative analysis of advisory fees and expense ratios based on publicly available data that was drawn from its peer group. They discussed that Institutional Class net expense ratios were below the average net expense ratio for the peer group and the Morningstar category average, while Retail Class net expense ratio was above the average net expense ratios of the peer group and the Morningstar category average, but the Retail Class net expense ratio was noted to be within the range of the peer group. Additionally, the Trustee noted that the management fee was slightly above the peer group average and above the Morningstar category average, but also within the range of the peer group. The Trustees reviewed information regarding fees charged by the Advisor for other client relationships, which were equal to, or lower than the fees charged to the Fund. The Trustees discussed the soft dollar benefits that the Advisor received from Fund trades. Having considered the comparative data as described above, the Board concluded that the Fund's management fee and expense ratio were reasonable.

As for potential economies of scale, the Board discussed and considered information regarding whether economies of scale had been realized with respect to the management of the Fund, whether the Fund had appropriately benefited from any economies of scale, and whether there is potential for realization of any further economies of scale. The Trustees concluded that the breakpoints in the Services Agreement provide appropriate economies of scale to the shareholder as the Fund grows. They concluded that breakpoints in the advisory fee were not necessary at this time.

Next, the Independent Trustees met in executive session to discuss the continuation of the Agreement. The officers of the Trust were excused during this discussion.

Upon reconvening the meeting, the Independent Trustees reported that after further consideration, they were pleased with the performance of the Advisor. It was the consensus of the Trustees, including the Independent Trustees, that renewal of the Agreement would be in the best interests of the Fund.

## TRUSTEES AND OFFICERS (Unaudited)

The Board of Trustees supervises the business activities of the Trust. The names of the Trustees and executive officers of the Trust are shown below. Each Trustee serves until the Trustee sooner dies, resigns, retires or is removed. Officers hold office for one year and until their respective successors are chosen and qualified.

The Trustees and Officers of the Trust and their principal business activities during the past five years are:

### Interested Trustees and Officers

<b>Name, Address<sup>(1)</sup>, and Year of Birth</b>	<b>Position with the Trust</b>	<b>Length of Time Served</b>	<b>Principal Occupation(s) During Past 5 Years</b>	<b>Number of Portfolios Overseen By Trustee</b>	<b>Other Directorships Held By Trustee</b>
John B. Walthausen <sup>(2)</sup> Year of Birth: 1945	President and Trustee	Since 2007	Managing Director and Chief Investment Officer, Walthausen & Co., LLC (9/1/07 to Present).	2	None
Mark L. Hodge Year of Birth: 1958	Secretary and Chief Compliance Officer	Since 2008	Chief Compliance Officer (2007 to Present) and Managing Director (2013 to Present), Walthausen & Co., LLC.	N/A	N/A
Stanley M. Westhoff Jr. Year of Birth: 1969	Treasurer	Since 2011	Equity Analyst (2007 to Present) and Managing Director (2013 to Present), Walthausen & Co., LLC.	N/A	N/A

(1) The address of each Trustee and Officer is c/o Walthausen Funds, 2691 Route 9, Suite 102, Malta, NY 12020.

(2) John B. Walthausen is considered an "interested person" as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended, by virtue of his affiliation with the Advisor.

### Independent Trustees

<b>Name, Address<sup>(1)</sup>, and Year of Birth</b>	<b>Position with the Trust</b>	<b>Length of Time Served</b>	<b>Principal Occupation(s) During Past 5 Years</b>	<b>Number of Portfolios Overseen By Trustee</b>	<b>Other Directorships Held By Trustee</b>
Edward A. LaVarnway Year of Birth: 1951	Independent Trustee	Since 2008	Retired as of 5/10/13. Executive Director, Fredric Remington Art Museum (8/15/05 to 5/10/13).	2	None
John P. Mastriani Year of Birth: 1952	Independent Trustee	Since July 2014	Executive Vice President of The Ayco Company, L.P. ("Ayco") a Goldman Sachs Company that provides financial consulting and education services, May 2012-March 2014. Senior Vice President of Ayco, December 2003-May 2012.	2	None
Hany A. Shawky Year of Birth: 1947	Independent Trustee	Since 2009	Professor of Finance at the University at Albany, N.Y. (Oct. 2007 to Present).	2	None

(1) The address of each Trustee is c/o Walthausen Funds, 2691 Route 9, Suite 102, Malta, NY 12020.

The Statement of Additional Information contains additional and more detailed information about the Trustees and is available without charge by calling the transfer agent at 1-888-925-8428.

**Board of Trustees**

Edward A. LaVarnway  
John P. Mastriani  
Hany A. Shawky  
John B. Walthausen

**Investment Advisor and Administrator**

Walthausen & Co., LLC

**Legal Counsel**

Thompson Hine LLP

**Custodian**

US Bank, N.A.

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

Ultimus Fund Solutions, LLC

**Sub-Administrator**

Premier Fund Solutions, Inc.

**Independent Registered Public Accounting Firm**

Cohen & Company, Ltd.

**Distributor**

Rafferty Capital Markets, LLC

This report is provided for the general information of the shareholders of the Walthausen Select Value Fund. This report is not intended for distribution to prospective investors in the Fund, unless preceded or accompanied by an effective prospectus.

**WALTHAUSEN SELECT VALUE FUND**

2691 Route 9, Suite 102  
Malta, NY 12020