

Environment

The honeymoon is under way. The November election of Donald J. Trump was greeted with a surprising surge of investor enthusiasm as investors moved to buy stocks to position themselves for a stronger economy, particularly a stronger industrial economy and lower taxes.

So will the promises of the new administration bear fruit? Will investor enthusiasm be rewarded? Will the seeming divisive new administration prove to be temporary? We're not certain but think that it is only prudent to consider the enhanced political risk. The market only reached the current elevated levels on speculation that the new administration will achieve faster economic growth, with higher wages and lower taxes. So far the results are unimpressive. Perhaps the market is assuming that the foibles of an inexperienced President will soon pass.

We continue to be surprised by the strength of the US equity markets. In the first quarter the broad market experienced gains with large cap and growth stocks leading. By any measure equity market values are at very high levels. While some talking heads have concluded that there is no bubble, our observation is that the extended period of excessively cheap money has gradually excited the speculative instincts. We see it most vividly in venture capital markets and in the heavy trading of an increasing array of ETFs. We think that as the economy continues to expand, interest rates will rise and that will challenge the current high values that prevail in the market.

The credit markets tend to be good indicators of the health of the business cycle and we have started to observe the deterioration of loan performance during the quarter, particularly in the auto financing companies. The average loan term has increased and average credit score of the applicants has fallen. We see weakness in reported results from retailers and restaurants which indicate to us that the consumer is strained. This, coupled with our view of rising rates, could squeeze the consumer and lead to increasing loan losses. Given this, we lowered our exposure to banks and scrutinized our bank holding's exposure to auto lending along with reducing our exposure to auto parts suppliers.

We believe the fund is well positioned although cash is higher than usual. We continue to find it challenging

to find stocks that meet our standards at prices that we find attractive. Markets are made with the meetings of human buyers and sellers and as such, the mood can change rapidly and dramatically. With that in mind, and considering the high corporate profits and high values that stocks are trading at, we prefer to remain conservative in our stock selections.

Performance Review

Portfolio Factors

After a very strong fourth quarter in 2016, the fund faltered in the first quarter of 2017 versus the benchmark Russell 2000 Value Index. Part of the shortfall can be attributed to the fact that our portfolio has, on average, market capitalizations which are about half that of the benchmark.

By sector, the best performing group was Healthcare, suggesting that the prospect for a truly reformed system did not give investors pause. We think that we are well positioned in that sector with a modest overweight, but we meaningfully underperformed. The next best group was Information Technology where we were underweight markedly. The worst performing sector was Energy where we had only a small position. In total, we benefited enough from our underweight in energy that we showed some modest benefit from allocation.

Stock Selection: Contributors

The best performer was Triton International (TRTN), a container leasing company which is benefiting from stronger trade, a rebound in the price of used containers (steel prices are up) and the tight financial condition which plagues the shipping industry. Other top performers included Ply Gem (PGEM), a maker of residential windows and siding. The stock has benefitted from a gradual recovery of the home building market and home prices. GCP Applied Technologies (GCP) benefitted as that firm sold a non-core segment at a much higher price than analysts would have expected possible. Wabash National (WNC), a maker of truck trailers and LHC Group (LHCG), a health care provider, both benefited from better than expected earnings reports.

Portfolio Contributors – Q1 2017

Security	Average Weight (%)	Contribution
Triton International Ltd (TRTN)	1.21	0.60
Ply Gem Holdings (PGEM)	1.92	0.38
Wabash National Corp. (WNC)	1.29	0.32
GCP Applied Tech. (GCP)	1.40	0.28
LHC Group (LHCG)	1.56	0.27

Stock Selection: Detractors

The most difficult stock for us was Vista Outdoor (VSTO), a maker of hunting equipment and other outdoor and sporting equipment. We recognized that the firearms market was most likely overheated but believed that this applied to weapons for personal protection not to hunting equipment. Unfortunately, when the broad market for weapons slowed, the retail channel began to destock and Vista has been caught in that phenomenon. We were also hurt by Albany Molecular Research (AMRI) where delays in some programs created a fourth quarter earnings miss and the stock suffered. Era Group (ERA), an operator of helicopters, primarily to serve the offshore energy market, suffered with the weakening of energy prices, while Nevsun Resources (NSU) dropped when they cut the dividend to accelerate the development of new gold reserves which they had successfully identified. The five poorest performers were rounded out by Unifi, Inc. (UFI).

Portfolio Detractors – Q1 2017

Security	Average Weight (%)	Contribution
Vista Outdoor (VSTO)	1.04	-0.66
Albany Molecular (AMRI)	1.48	-0.40
Era Group (ERA)	1.19	-0.30
Nevsun Resources (NSU)	1.40	-0.25
Unifi (UFI)	1.70	-0.24

Portfolio Changes

Turnover in the portfolio was modest with only three new names, Electronics for Imaging (EFII), Atkore (ATKR) and Overseas Shipholding Group (OSG). Each of these companies, in our opinion, occupies a strong competitive position that is not fully appreciated by investors.

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

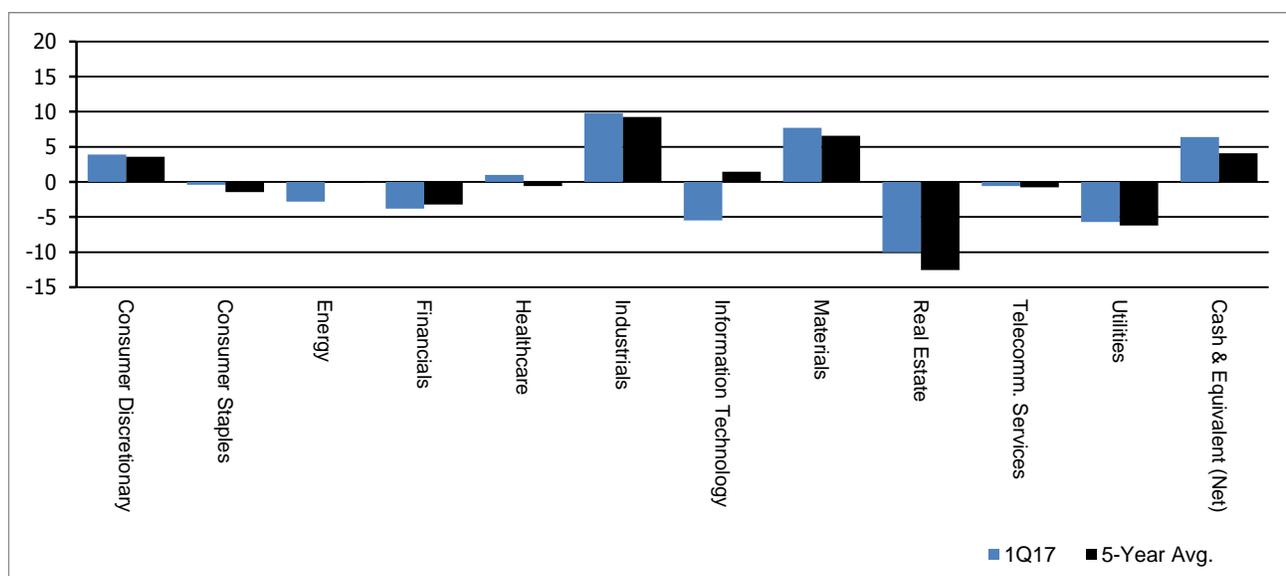


Exhibit 1 above highlights the fact that sector weight differentials between the Fund and the Russell 2000 Value Index benchmark have not changed greatly from today's levels versus the five year average.

Top Ten Holdings (%)

Ply Gem Holdings, Inc.	2.2
MGP Ingredients, Inc.	2.0
NMI Holdings, Inc.	1.9
Southside Bancshares, Inc.	1.8
LHC Group, Inc.	1.8
Primerica, Inc.	1.7
Unifi, Inc.	1.7
Navigators Group, Inc.	1.7
Regal Beloit Corporation	1.7
Heartland Financial USA, Inc.	1.7
	18.2

Fund Statistics

	Fund	Russell 2000 Value Index
Number of Holdings	82	1,352
Median Market Cap (Billions)	\$857.9	\$698.5
Weighted Avg. Market Cap (Billions)	\$1,246.3	\$2,117.0
Price/Book ¹	1.6	1.5
P/E using FY1 Estimate ²	17.8	18.1

Portfolio Performance

	Q1 17	1 Year	3 Year	5 Year	Since Inception (2/1/08)
Walthausen Small Cap Value Fund	-1.78	28.95	5.14	12.67	13.34
Russell 2000 Value Index³	-0.13	29.37	7.63	12.54	8.30

Total Expense Ratio: 1.25%. Expense ratio per the June 1, 2016 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

¹Price/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.

²P/E using FYI 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.

³The 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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