Environment

Last quarter we commented that the honeymoon was underway. This quarter I can say without fear of contradiction that it is over. We had put a hopeful face on the situation of the Trump Presidency noting that by all indications of his past and present preferences he is neither a Democrat nor a Republican. That could have positioned him to create some surprising bipartisan steps forward. It suffices to say that it did not happen and it is not going to happen. While he has thrown in his lot with the Republicans and gone to war with Democrats, he is neither supporting nor leading the Republicans. As a result we have a government adrift.

In spite of this situation, the stock market has been hitting new highs. Does that mean that in an economy which can only be described as a mix of capitalism and government socialism that the government does not matter, or are we in one of those periods of time when the market speeds off without reference to the facts of the matter? Let's look! I think, though it is tempting, we should not look to compare the present situation to the last years of the Nixon Administration. Then, inflation was surging and interest rates moved to heights that no one had seen in this country. With that, equity markets plummeted. Today inflation remains below target levels and interest rates, though up from the lows, remain lower than any of us would have predicted a decade ago.

We think that the best comparison is to the dot com bubble. The pundits have all declared that this is not a bubble and we are certainly not seeing the flood of IPOs nor are we seeing the wide public's interest in buying individual stocks. What we are seeing is a narrowing in interest to the FANG stocks and a shadow equity market. New ventures, mostly using internet technology, are multiplying. Like the dot com period, there seems to be extreme concern for rapid growth and virtually no concern about when or if these companies will generate reasonable cash return to investors. While they are not public companies, many are widely held by institutions and even mutual funds invest often through private funds. It is shadowy and opaque. We can only speculate how much capital is pouring into these ventures and what valuations are being used but we must caution that though history does not repeat itself in this case we do hear an echo.

Will it end and when? Good question. We think it will but predicting when is beyond us. In the meantime we have been seeing small cap value stocks drifting. We have also been seeing fewer active institutional managers playing in the smaller end of small cap. This creates some disruption but we believe that longer term it creates opportunities.

Looking forward, we see ample reason to be on the cautious side. The equity markets are at very high levels while yields on bonds have made a move up. There are signs that the economy is at full employment. Market actions suggest that investors are complacent in the wake of a long economic expansion and the steady progress that the stock market has made. We see signs that consumer credit has again been overextended, particularly in automobile lending.

With all these factors in mind we are staying cautious in our portfolio. We continue with a usual tilt toward Industrials, Consumer Discretionary and Materials but looking a bit deeper we can say that we are biased toward fundamentally strong companies and away from cyclical names. We are staying light on Energy and while we applaud that US exploration companies are bringing down costs, particularly in the Permian Basin, we think that global excess supply will hold prices too low for them to prosper. We, as is typical, are absent REITs and believe that excessively loose credit has pushed real estate prices to excessive levels and rising interest rates make these securities vulnerable. In Financials we are sticking with a strategy of going for quality regional banks and insurance companies.

Performance Review

Portfolio Factors

We were delighted to see that the Select Fund's results compared favorably with the Russell 2500 Value benchmark. Why the small to midcap value names trailed the large cap growth stocks by so much will remain one of the many mysteries of the market and one of the many reasons why rational observers scratch their heads at the academics' assumption that the market rationally incorporates all available information.

In this period, allocation and selection contributed roughly equally. Almost all of the allocation effect was from our substantial underweight in Energy. Though we had our usual over and underweight, the fact is that the other sectors all stayed close to the average.

Stock Selection: Contributors

The top five performers were a diverse group with Kindred Healthcare (KND) leading the field. The company has been a favorite of ours for quite a while. We also benefited from appreciation of Winnebago (WGO) as the new management team is transforming that company. Other winners were First Cash (FCFS), M. D. C. Holdings (MDC) and VWR Corp. (VWR).

Portfolio Contributors – Q2 2017

Security	Average Weight (%)	Contribution
Kindred Healthcare (KND)	2.76	0.97
Winnebago Industries (WGO)	2.48	0.77
FirstCash (FCFS)	2.78	0.50
M.D.C Holdings (MDC)	2.50	0.43
VWR Corp (VWR)	0.97	0.44

Stock Selection: Detractors

We did poorly with Oceaneering International (OII). The stock has suffered with other oil service companies but we continue to believe that it is a well-managed provider of very valuable highly technical services in offshore exploration and production. Recognizing that this is a cyclical industry we elected to continue to hold this position.

We also suffered with SeaWorld Entertainment (SEAS). We are pleased with the direction that Joel Manby, the current CEO, is moving the company. We think that the appearance of a knowledgeable activist shareholder may help to move the company toward realizing its potential. With that in mind we are retaining this position.

Other detractors included OUTFRONT Media (OUT), Primerica (PRI) and Horace Mann Educators (HMN).

Portfolio Detractors – Q2 2017

Security	Average Weight (%)	Contribution
Oceaneering Int'l (OII)	2.24	-0.38
OUTFRONT Media (OUT)	2.25	-0.28
SeaWorld Entert. (SEAS)	2.48	-0.30
Horace Mann Educ. (HMN)	2.29	-0.18
Primerica (PRI)	2.26	-0.16

Portfolio Changes

Turnover was relatively modest with sales of GCP Applied Technologies (GCP) and Textainer (TGH) as those stocks hit our target prices, and VWR Corp. (VWR) in response to a go private agreement. We added Carters Inc. (CRI) and Goodyear Tire (GT). Both companies show promise of being able to improve their already good returns on invested capital. We generally buy as many new names as we sell in a quarter but this time we were not able to find that third name before the quarter ended.

Exhibit 1: Sector Allocation - % over/underweight vs. Russell 2500 Value Index

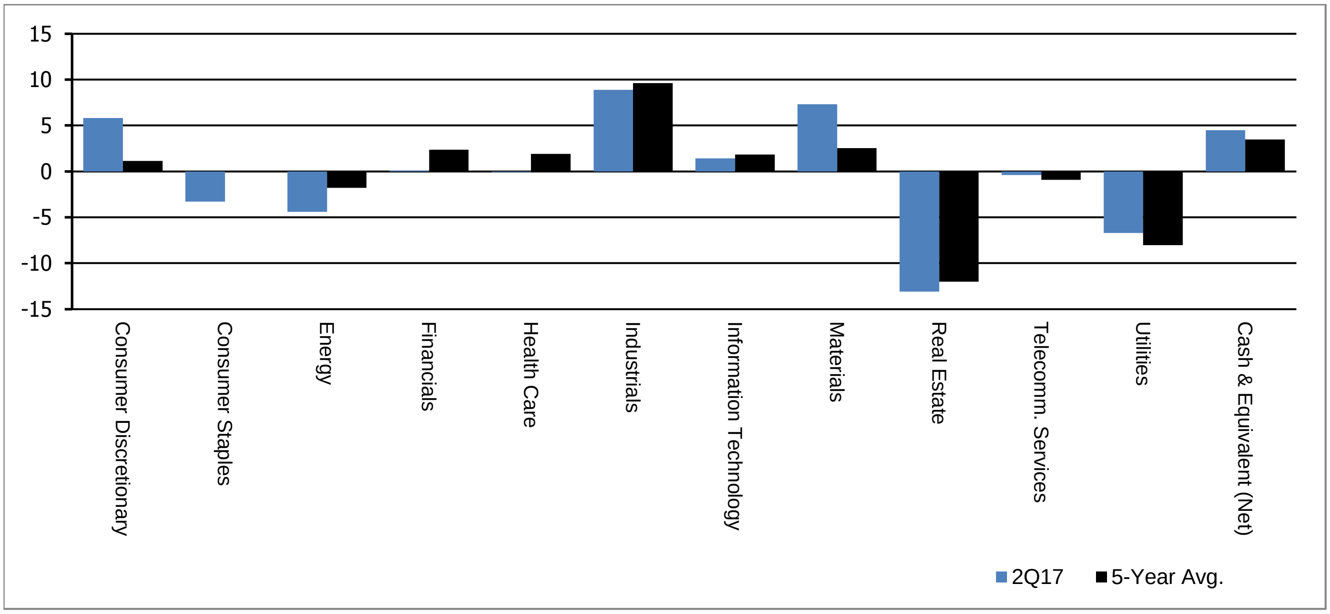

Exhibit 1 above highlights the fact that sector weight differentials between the Fund and the Russell 2500 Value Index benchmark have not changed greatly from today's levels versus the five year average.

Top Ten Holdings (%)

Kindred Healthcare, Inc.	3.2
Winnebago Industries	3.2
FirstCash Inc.	3.0
Poly One Corp.	2.7
Avery Dennison Corp.	2.7
HealthSouth Corp.	2.7
Moog Inc. Class A	2.6
Rogers Corp.	2.6
Graphic Packaging Holding Co.	2.6
Independent Bank Corp.	2.6
Total % of Portfolio	27.9

Fund Statistics

	Fund	Russell 2500 Value Index
Number of Holdings	39	1769
Median Market Cap (Millions)	$3,357.3	$986.3
Weighted Avg Market Cap (Millions)	$3,687.3	$4,275.7
Price/Book[1]	2.2	1.6
P/E using FY1 Estimate[2]	17.5	17.4

Source: FactSet Research

Portfolio Performance

	Q2 17	1 Year	3 Year	5 Year	Since Inception (12/27/10)
Walthausen Select Value Fund: Institutional Class	3.72	19.82	2.69	13.50	10.88
Walthausen Select Value Fund: Retail Class	3.64	19.56	2.46	13.23	10.61
Russell 2500 Value Index[3]	0.32	18.36	6.21	13.69	11.07

Total Expense Ratio: 1.36%. Net Expense Ratio: 1.11% for Institutional Class, 1.36% for Retail Class. Expense ratio per the June 1, 2017 prospectus.

The Net Expense Ratio includes a waiver. 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, 2018. The Advisor may not terminate the fee waiver before May 31, 2018. The Trustees may terminate the expense waiver upon notice to the Advisor. From the prospectus dated June 1, 2017.

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 2500® Value Index measures the performance of the small 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 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.

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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