

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, 2017

Walthausen Select Value Fund
Annual Report
January 31, 2017

Dear Fellow Shareholders,

There is no question that the fiscal year which ended January 31, 2017 was an exciting period in the US equity markets. Equity classifications large and small, growth and value broadly performed well over the year. Judging by the Russell indices, value beat growth and small trumped large. The Russell 2000 Value gained 40.22% while the Russell Top 200 Growth, an index of large growth stocks, appreciated by a still impressive 16.14%. The Walthausen Select Value Fund (Institutional Shares) showed a disappointing gain of 23.78%, well short of the Russell 2500 Value Index which returned 34.11%.

The strong equity gains were a surprise after the severe reversals in the last two months (December and January) of the prior fiscal year. In March 2016 the market rebounded, then moved up pretty steadily through the summer and fall in spite of lackluster economic growth and a raucous presidential election contest between two candidates, neither of whom enjoyed wide support. The surprise election of Mr. Trump sparked a surge in enthusiasm for US equities, particularly small cap names. The common assumption has been that if Mr. Trump, allied with a Republican legislature, will be able to spur faster growth, more domestically oriented small cap names will benefit the most. We are not sure. We think that the concurrent strengthening of the US dollar will dampen any advantage that business might achieve from the new administration's policies.

Comparing individual market sectors, we see that the best performers November through January were Financials, Energy, Industrials and Materials. It is anticipated that the new administration will work to reduce business regulations, and it has been argued that small banks will benefit from less regulation. It may be that reduced regulation can reduce overhead costs a bit but we do not think that regulation has held back economic growth by stifling banks' ability to lend. We don't see much evidence of this. If anything there is an excess of inexpensive funding available. The benefit to the other winning sectors seems even more questionable. Energy, materials and most industrial firms compete in a global market and thus need to address prices that prevail worldwide. We think that any modest gains from reduced regulation will be more than offset by the higher operating costs of an inflated currency. We are not hearing much enthusiasm from insiders for the benefit of the anticipated policies of the new administration but we are noticing an unusually high level of insiders selling their stock.

Examining our poor performance we note that the underperformance was pretty steady throughout the year. The effect of sector allocation was inconsequential and the bulk of the shortfall fell on selection. There were several troubling laggards; in particular, Vista Outdoors, GNC Holdings, Kindred Healthcare, Air Methods and Pitney Bowes. Their combined contribution reduced our returns by 361 basis points. In other words, they hurt but our performance shortfall wasn't just those disappointing stocks. Put another way, only thirteen of our holdings out of a portfolio, which generally holds 40 stocks, appreciated faster than the benchmark. This reinforces our assertion that our style was at odds with the market. Our style in the Fund has been to focus on companies with well above average returns on invested capital and returns on equity. As the year progressed we noted that the market was generally being propelled by more speculative names while our more conservative holdings languished. We don't think that this is unusual as a market expansion reaches its zenith. It seems like a repeat of 2006 when actively managed portfolios lagged the indexes badly. We believe that excessive speculation is not unusual as valuations hit high levels after the economy has been expanding for a prolonged period; in this case since 2009, and equity valuations have become excessive. We think that this speculative behavior carries excessive risks and prefer to remain cautious.

We are not only concerned that the market has risen to unsustainable levels but we believe that the policy of using excessive monetary stimulus to stimulate economic growth has infected the economy with a low regard for the time value of money. We are seeing clear signs that consumer credit quality is deteriorating and we are concerned that acquisition activity is picking up with deals going on the books at excessive valuations.

Periods of underperformance do cause us to review our strategy and process. We have concluded that our policy of investing in companies that are able to return above average returns on their invested capital will reward investors over time. We believe that investing is not a passive endeavor and that those who chose to confuse an efficient market with a rational market are likely to find that owning all the stocks will experience a large downside when we are descending from a period of excessive speculation.

As I review the Fund's portfolio, I am comfortable with our holdings but frustrated to find it increasingly difficult to find investments to add to the portfolio which meet our criteria at prices which we believe offer reasonable opportunity for appreciation. We generally balance our portfolio between conservative and aggressive picks. We define conservative picks as companies with a proven business model, seasoned management team and a sound balance sheet. These choice companies achieve well above average returns on equity without excessive leverage. The more aggressive selections are those who are in the midst of a meaningful transition that promises to improve returns. Currently, the portfolio has a smaller number of these names than is typically the case.

Thank you for your continued support.

John B. Walthausen CFA

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 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

1/31/17 Institutional Class NAV \$16.26

1/31/17 Retail Class NAV \$16.10

1/31/17 R6 Class NAV \$16.30

TOTAL RETURNS (%) AS OF JANUARY 31, 2017

	1 Year ^(A)	3 Years ^(A)	5 Years ^(A)	Since Inception ^(A)
Walthausen Select Value Fund - Institutional Class	23.78%	4.50%	12.49%	10.55%
Walthausen Select Value Fund - Retail Class	23.50%	4.28%	12.24%	10.27%
Russell 2500® Value Index ^(B)	34.11%	9.40%	13.90%	11.60%

	Since Inception ^(A)
Walthausen Select Value Fund - R6 Class	16.18%
Russell 2500® Value Index ^(B)	14.56%

Annual Fund Operating Expense Ratios (from 11/1/16 Prospectus & Supplement):

Institutional Class - Gross 1.35%, Net 1.10%
 Retail Class - 1.35%
 R6 Class - Gross 1.35%, Net 0.98%

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

The Fund's expense ratio for the fiscal year ended January 31, 2017 can be found in the financial highlights included in this report.

The Annual Fund Operating Expense Ratios reported above may not correlate to the expense ratios in the Fund's financial highlights because (a) the financial highlights include only the direct operating expenses incurred by the Fund, not the indirect costs of investing in acquired funds; and (b) effective November 1, 2016, the investment management fee was contractually reduced to 0.90% of the average daily net assets of the Fund. Prior to November 1, 2016, the investment management fee was 1.00% of the average daily net assets of the Fund.

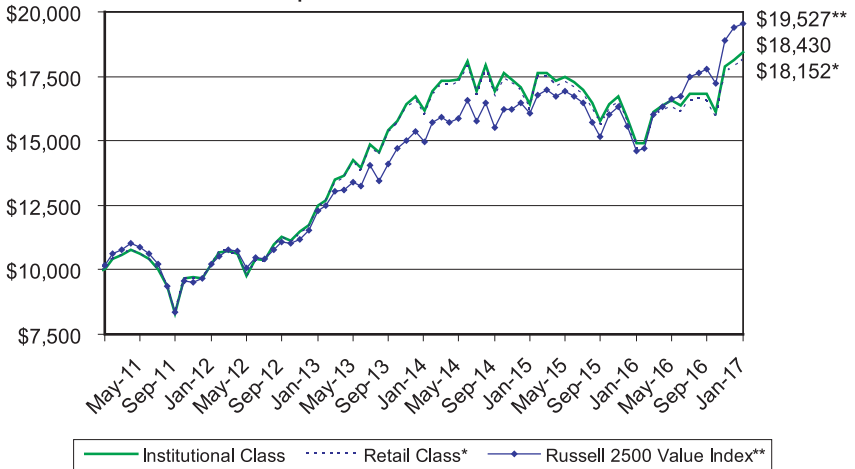
^(A)1 Year, 3 Years, 5 Years and Since Inception returns include change in share prices and in each case includes reinvestment of any dividends and capital gain distributions. The inception date of the Walthausen Select Value Fund Institutional and Retail Classes was December 27, 2010. Class R6 commenced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

^(B)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.

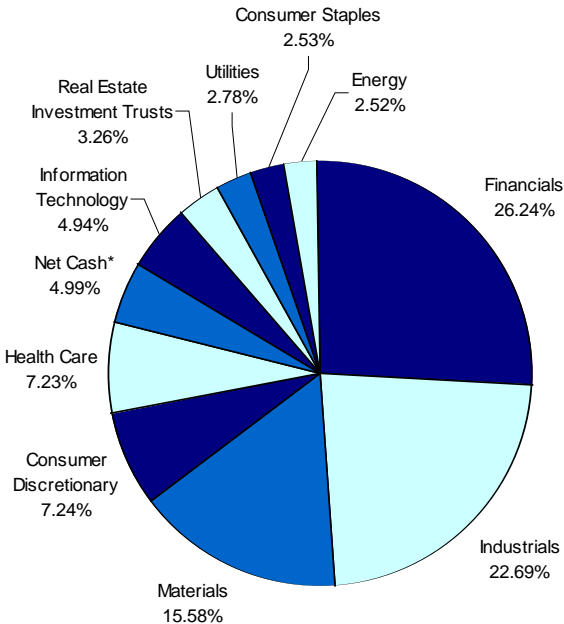
PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS. INVESTMENT RETURN AND PRINCIPAL VALUE WILL FLUCTUATE SO THAT SHARES, WHEN REDEEMED, MAY BE WORTH MORE OR LESS THAN THEIR ORIGINAL COST. RETURNS DO NOT REFLECT THE DEDUCTION OF TAXES THAT A SHAREHOLDER WOULD PAY ON FUND DISTRIBUTIONS OR THE REDEMPTION 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, 2017 as Compared to the Russell 2500 Value Index



WALTHAUSEN SELECT VALUE FUND by Sectors (as a percentage of Net Assets)



* Net Cash represents cash equivalents and liabilities in excess of other assets.

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 Web site 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)

Walhausen & 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.walhausenfunds.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, 2016 and held through January 31, 2017.

Actual Expenses

The first line of the 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 the 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

	Beginning Account Value <u>August 1, 2016</u>	Ending Account Value <u>January 31, 2017</u>	Expenses Paid During the Period* August 1, 2016 <u>January 31, 2017</u>
Actual	\$1,000.00	\$1,096.44	\$6.06
Hypothetical (5% annual return before expenses)	\$1,000.00	\$1,019.36	\$5.84

* Expenses are equal to the Fund's annualized expense ratio of 1.15%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).

Retail Class

	Beginning Account Value <u>August 1, 2016</u>	Ending Account Value <u>January 31, 2017</u>	Expenses Paid During the Period* August 1, 2016 <u>January 31, 2017</u>
Actual	\$1,000.00	\$1,095.71	\$7.38
Hypothetical (5% annual return before expenses)	\$1,000.00	\$1,018.10	\$7.10

* Expenses are equal to the Fund's annualized expense ratio of 1.40%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).

R6 Class

	Beginning Account Value <u>August 1, 2016</u>	Ending Account Value <u>January 31, 2017</u>	Expenses Paid During the Period August 1, 2016 <u>January 31, 2017</u>
Actual	\$1,000.00	\$1,161.78	\$2.66*
Hypothetical** (5% annual return before expenses)	\$1,000.00	\$1,020.21	\$4.98

* Expenses are equal to the Fund's annualized expense ratio of 0.98%, multiplied by the average account value over the period, multiplied by 92/366 (to reflect the partial period).

** The hypothetical example is calculated assuming that the Fund had been in operation for the full six month period from August 1, 2016 to January 31, 2017. As a result, expenses shown in this row are equal to the Fund's annualized expense ratio of 0.98%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).

Walthausen Select Value Fund

Schedule of Investments January 31, 2017

Shares	Fair Value	% of Net Assets
COMMON STOCKS		
Accident & Health Insurance		
24,550 Assurant, Inc.	\$ 2,384,542	2.71%
Blankbooks, Looseleaf Binders & Bookbinding & Related Work		
33,030 Deluxe Corporation	2,406,236	2.73%
Chemicals & Allied Products		
78,930 GCP Applied Technologies Inc. *	2,127,163	2.41%
Commodity Contracts Brokers & Dealers		
578 Seaboard Corporation *	2,225,300	2.53%
Converted Paper & Paperboard Products (No Containers/Boxes)		
30,000 Avery Dennison Corp.	2,190,600	2.49%
Cutlery, Handtools & General Hardware		
14,230 Snap-on Incorporated	2,583,172	2.93%
Electrical Work		
31,660 EMCOR Group, Inc.	2,206,385	2.50%
Electronic Components & Accessories		
139,910 Vishay Intertechnology Inc.	2,322,506	2.64%
Fire, Marine & Casualty Insurance		
26,870 American Financial Group	2,315,388	
59,440 Horace Mann Educators Corporation	2,457,844	
	4,773,232	5.42%
Industrial Organic Chemicals		
35,220 Westlake Chemical Corporation	2,180,470	2.48%
Life Insurance		
33,620 Primerica, Inc.	2,536,629	2.88%
Miscellaneous Industrial & Commercial Machinery & Equipment		
32,800 Moog Inc. - Class A *	2,160,536	2.45%
Oil & Gas Field Services, NEC		
79,610 Oceaneering International, Inc.	2,217,139	2.52%
Operative Builders		
92,599 M.D.C. Holdings, Inc.	2,503,877	2.84%
Ordnance & Accessories, (No Vehicles/Guided Missiles)		
60,360 Vista Outdoor Inc. *	1,738,972	1.97%
Paperboard Containers & Boxes		
159,800 Graphic Packaging Holding Company	1,999,098	2.27%
Plastic Materials, Synth Resin		
59,180 PolyOne Corporation	2,018,630	2.29%
Plastics Products, NEC		
26,960 AptarGroup, Inc.	1,967,271	2.23%
Pumps & Pumping Equipment		
56,340 ITT Inc.	2,302,616	2.61%
Retail - Miscellaneous Retail		
48,080 FirstCash, Inc.	2,053,016	
80,970 Suburban Propane Partners, L.P.	2,446,913	
	4,499,929	5.11%
Services - Computer Processing & Data Preparation		
17,620 DST Systems, Inc.	2,028,943	2.30%
Services - Equipment Rental & Leasing, NEC		
54,740 McGrath RentCorp	2,095,447	
163,460 Textainer Group Holdings Limited (Bermuda)	2,353,824	
	4,449,271	5.05%
Services - Hospitals		
58,050 HealthSouth Corp.	2,253,501	2.56%
Services - Miscellaneous Amusement & Recreation		
118,070 SeaWorld Entertainment, Inc.	2,138,248	2.43%

* Non-Income Producing Securities.

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

Walthausen Select Value Fund

Schedule of Investments January 31, 2017

Shares		Fair Value	% of Net Assets
COMMON STOCKS			
Services - Nursing & Personal Care Facilities			
274,790	Kindred Healthcare, Inc.	\$ 1,827,353	2.07%
State Commercial Banks			
25,350	Bank of Hawaii Corporation	2,177,818	
38,582	Commerce Bancshares, Inc.	2,181,040	
36,120	Eagle Bancorp, Inc. *	2,212,350	
32,350	Independent Bank Corp.	2,017,023	
		8,588,231	9.76%
Steel Works, Blast Furnaces & Rolling Mills (Coke Ovens)			
60,610	Commercial Metals Company	1,238,262	1.41%
Surety Insurance			
79,990	Essent Group Ltd. *	2,765,254	3.14%
Transportation Services			
37,580	GATX Corporation	2,172,876	2.47%
Water Transportation			
26,660	Kirby Corporation *	1,718,237	1.95%
Wholesale - Professional & Commercial Equipment & Supplies			
88,390	VWR Corporation *	2,290,185	2.60%
Total for Common Stocks (Cost \$66,216,189)		\$ 80,814,664	91.75%
REAL ESTATE INVESTMENT TRUSTS			
104,835	OUTFRONT Media Inc. (Cost \$2,792,092)	2,875,624	3.26%
MONEY MARKET FUNDS			
4,115,820	Fidelity Investments Money Market Government Portfolio - Class I 0.43% ** (Cost \$4,115,820)	4,115,820	4.67%
Total Investment Securities (Cost \$73,124,101)***		87,806,108	99.68%
Other Assets in Excess of Liabilities		279,400	0.32%
Net Assets		\$ 88,085,508	100.00%

* Non-Income Producing Securities.

** Variable rate security; the yield rate shown represents the 7-day yield at January 31, 2017.

*** At January 31, 2017, tax basis cost of the Fund's investments was \$73,879,176 and the unrealized appreciation and depreciation were \$17,658,702 and (\$3,731,770), respectively, with a net unrealized appreciation of \$13,926,932.

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

2017 Annual Report 8

Walthausen Select Value Fund

Statement of Assets and Liabilities

January 31, 2017

Assets:	
Investment Securities at Fair Value (Cost \$73,124,101)	\$ 87,806,108
Receivable for Dividends and Interest	88,749
Receivable for Securities Sold	302,977
Receivable for Shareholder Subscriptions	4,247
Total Assets	88,202,081
Liabilities:	
Payable for Shareholder Redemptions	21,909
Payable to Advisor for Management Fees (Note 4)	68,190
Payable to Advisor for Service Fees (Note 4)	26,474
Total Liabilities	116,573
Net Assets	\$ 88,085,508
Net Assets Consist of:	
Paid In Capital	\$ 79,938,243
Accumulated Undistributed Net Investment Income (Loss)	111,683
Accumulated Undistributed Realized Gain (Loss) on Investments - Net	(6,646,425)
Unrealized Appreciation (Depreciation) in Value of Investments Based on Identified Cost - Net	14,682,007
Net Assets	\$ 88,085,508
Institutional Class	
Net Assets	\$ 35,157,954
Shares Outstanding (Unlimited shares authorized)	2,161,886
Net Asset Value and Offering Price Per Share	\$ 16.26
Redemption Price Per Share (\$16.26 x 0.98) (Note 2)	\$ 15.93
Retail Class	
Net Assets	\$ 52,921,744
Shares Outstanding (Unlimited shares authorized)	3,287,566
Net Asset Value and Offering Price Per Share	\$ 16.10
Redemption Price Per Share (\$16.10 x 0.98) (Note 2)	\$ 15.78
R6 Class *	
Net Assets	\$ 5,810
Shares Outstanding (Unlimited shares authorized)	356
Net Asset Value and Offering Price Per Share	\$ 16.30
Redemption Price Per Share (\$16.30 x 0.98) (Note 2)	\$ 15.97

* R6 Class commenced operations on November 1, 2016.

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

2017 Annual Report 9

Walthausen Select Value Fund

Statement of Operations

For the fiscal year ended January 31, 2017

Investment Income:	
Dividends (Net of foreign withholding tax of \$671)	\$ 1,546,294
Interest	<u>8,012</u>
Total Investment Income	1,554,306
Expenses:	
Management Fees (Note 4)	939,472
Service Fees (Note 4)	<u>431,756</u>
Total Expenses	1,371,228
Less: Waived Service Fees (Note 4)	<u>(118,879)</u>
Net Expenses	<u>1,252,349</u>
Net Investment Income (Loss)	301,957
Realized and Unrealized Gain (Loss) on Investments:	
Realized Gain (Loss) on Investments	(670,946)
Net Change In Unrealized Appreciation (Depreciation) on Investments	<u>19,722,645</u>
Net Realized and Unrealized Gain (Loss) on Investments	<u>19,051,699</u>
Net Increase (Decrease) in Net Assets from Operations	<u>\$ 19,353,656</u>

Walthausen Select Value Fund

Statements of Changes in Net Assets

	2/1/2016 to 1/31/2017	2/1/2015 to 1/31/2016
From Operations:		
Net Investment Income (Loss)	\$ 301,957	\$ 407,363
Net Realized Gain (Loss) on Investments	(670,946)	(5,931,817)
Net Change in Unrealized Appreciation (Depreciation) on Investments	19,722,645	(4,482,960)
Increase (Decrease) in Net Assets from Operations	<u>19,353,656</u>	<u>(10,007,414)</u>
From Distributions to Shareholders:		
Net Investment Income		
Institutional Class	(147,842)	(243,150)
Retail Class	(97,087)	(106,296)
R6 Class *	(12)	-
Net Realized Gain from Security Transactions		
Institutional Class	-	(360,733)
Retail Class	-	(291,070)
R6 Class *	-	-
Change in Net Assets from Distributions	<u>(244,941)</u>	<u>(1,001,249)</u>
From Capital Share Transactions:		
Proceeds From Sale of Shares		
Institutional Class	8,720,732	31,039,191
Retail Class	14,968,075	31,626,681
R6 Class *	5,000	-
Proceeds From Redemption Fees (Note 2)		
Institutional Class	1,945	2,609
Retail Class	1,045	2,261
R6 Class *	-	-
Shares Issued on Reinvestment of Dividends		
Institutional Class	147,314	602,546
Retail Class	97,060	396,789
R6 Class *	12	-
Cost of Shares Redeemed		
Institutional Class	(31,032,528)	(24,490,758)
Retail Class	(11,903,942)	(13,067,370)
R6 Class *	-	-
Net Increase (Decrease) from Shareholder Activity	<u>(18,995,287)</u>	<u>26,111,949</u>
Net Increase (Decrease) in Net Assets	113,428	15,103,286
Net Assets at Beginning of Period	87,972,080	72,868,794
Net Assets at End of Period (Including Accumulated Undistributed Net Investment Income of \$111,683 and \$48,391, respectively)	<u>\$ 88,085,508</u>	<u>\$ 87,972,080</u>
Share Transactions:		
Issued		
Institutional Class	620,086	2,115,415
Retail Class	1,055,033	2,110,687
R6 Class *	355	-
Reinvested		
Institutional Class	9,093	42,195
Retail Class	6,051	28,062
R6 Class *	1	-
Redeemed		
Institutional Class	(2,121,364)	(1,685,093)
Retail Class	(819,992)	(883,621)
R6 Class *	-	-
Net Increase (Decrease) in Shares	<u>(1,250,737)</u>	<u>1,727,645</u>

* R6 Class commenced operations on November 1, 2016.

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:	2/1/2016	2/1/2015	2/1/2014	2/1/2013	2/1/2012
	to 1/31/2017	to 1/31/2016	to 1/31/2015	to 1/31/2014	to 1/31/2013
Net Asset Value -					
Beginning of Period	\$ 13.19	\$ 14.70	\$ 15.19	\$ 12.01	\$ 10.23
Net Investment Income (Loss) ^(a)	0.06	0.08	0.17	(0.01)	(0.01)
Net Gain (Loss) on Securities (Realized and Unrealized) ^(b)	3.08	(1.42)	0.10	3.54	2.24
Total from Investment Operations	3.14	(1.34)	0.27	3.53	2.23
Distributions (From Net Investment Income)	(0.07)	(0.07)	(0.14)	-	-
Distributions (From Capital Gains)	-	(0.10)	(0.62)	(0.35)	(0.45)
Total Distributions	(0.07)	(0.17)	(0.76)	(0.35)	(0.45)
Proceeds from Redemption Fee (Note 2)	- +	- +	- +	- +	-
Net Asset Value -					
End of Period	<u>\$ 16.26</u>	<u>\$ 13.19</u>	<u>\$ 14.70</u>	<u>\$ 15.19</u>	<u>\$ 12.01</u>
Total Return ^(c)	23.78%	(9.23)%	1.57%	29.31%	22.08%
Ratios/Supplemental Data					
Net Assets - End of Period (Thousands)	\$35,158	\$48,191	\$46,778	\$30,600	\$15,044
Before Reimbursement					
Ratio of Expenses to Average Net Assets	1.42%	1.45%	1.45%	1.45%	1.45%
Ratio of Net Investment Income (Loss) to Average Net Assets	0.19%	0.31%	0.83%	-0.33%	-0.13%
After Reimbursement					
Ratio of Expenses to Average Net Assets	1.17%	1.20%	1.20%	1.20%	1.39%
Ratio of Net Investment Income (Loss) to Average Net Assets	0.44%	0.56%	1.08%	-0.08%	-0.08%
Portfolio Turnover Rate	62.38%	62.54%	75.83%	77.67%	36.16%

Financial Highlights - Retail Class

Selected data for a share outstanding throughout the period:	2/1/2016	2/1/2015	2/1/2014	2/1/2013	2/1/2012
	to 1/31/2017	to 1/31/2016	to 1/31/2015	to 1/31/2014	to 1/31/2013
Net Asset Value -					
Beginning of Period	\$ 13.06	\$ 14.57	\$ 15.05	\$ 11.94	\$ 10.19
Net Investment Income (Loss) ^(a)	0.03	0.05	0.16	(0.05)	(0.04)
Net Gain (Loss) on Securities (Realized and Unrealized) ^(b)	3.04	(1.42)	0.09	3.51	2.24
Total from Investment Operations	3.07	(1.37)	0.25	3.46	2.20
Distributions (From Net Investment Income)	(0.03)	(0.04)	(0.11)	-	-
Distributions (From Capital Gains)	-	(0.10)	(0.62)	(0.35)	(0.45)
Total Distributions	(0.03)	(0.14)	(0.73)	(0.35)	(0.45)
Proceeds from Redemption Fee (Note 2)	- +	- +	- +	- +	-
Net Asset Value -					
End of Period	<u>\$ 16.10</u>	<u>\$ 13.06</u>	<u>\$ 14.57</u>	<u>\$ 15.05</u>	<u>\$ 11.94</u>
Total Return ^(c)	23.50%	(9.50)%	1.46%	28.89%	21.88%
Ratios/Supplemental Data					
Net Assets - End of Period (Thousands)	\$52,922	\$39,781	\$26,091	\$ 4,802	\$ 145
Before Reimbursement					
Ratio of Expenses to Average Net Assets	1.42%	1.45%	1.45%	1.47%	1.70%
Ratio of Net Investment Income (Loss) to Average Net Assets	0.19%	0.31%	0.98%	-0.37%	-0.38%
After Reimbursement					
Ratio of Expenses to Average Net Assets	1.42%	1.45%	1.45%	1.45%	1.64%
Ratio of Net Investment Income (Loss) to Average Net Assets	0.19%	0.31%	0.98%	-0.35%	-0.32%
Portfolio Turnover Rate	62.38%	62.54%	75.83%	77.67%	36.16%

+ 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 in the above table 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:	11/1/2016*	to	1/31/2017
Net Asset Value -			
Beginning of Period	\$		14.06
Net Investment Income (Loss) ^(a)			0.03
Net Gain (Loss) on Securities (Realized and Unrealized) ^(b)			2.24
Total from Investment Operations			2.27
Distributions (From Net Investment Income)			(0.03)
Distributions (From Capital Gains)			-
Total Distributions			(0.03)
Proceeds from Redemption Fee (Note 2)			-
Net Asset Value -			
End of Period	\$		16.30
Total Return ^(c)			16.18% **
Ratios/Supplemental Data			
Net Assets - End of Period (Thousands)	\$		6
Before Reimbursement			
Ratio of Expenses to Average Net Assets			1.35% ***
Ratio of Net Investment Income (Loss) to Average Net Assets			0.48% ***
After Reimbursement			
Ratio of Expenses to Average Net Assets			0.98% ***
Ratio of Net Investment Income (Loss) to Average Net Assets			0.85% ***
Portfolio Turnover Rate			62.38% **

* Commencement of Class.

** Not Annualized.

*** Annualized.

(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 in the above table 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, 2017

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, 2017, there were 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 SECURITY VALUATION

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. 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, 2017, 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, 2017, proceeds from redemption fees amounted to \$1,945, \$1,045 and \$0 for Institutional Class shares, Retail Class shares and R6 Class shares, respectively.

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

Notes to Financial Statements - continued

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. As of January 31, 2017, paid in capital was decreased by \$27, accumulated undistributed net investment income (loss) was increased by \$6,276, and accumulated undistributed realized gain (loss) on investments – net was decreased by \$6,249 due to partnership adjustments.

USE OF ESTIMATES

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("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 is recognized on an accrual basis. The Fund uses the specific identification method in computing gain or loss on the sale of investment securities. Discounts and premiums on securities purchased are amortized over the life of the respective 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 K-1. 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.

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

Notes to Financial Statements - continued

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, including MLPs, and real estate investment trusts). 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 market 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. 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 market 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 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, 2017:

<u>Valuation Inputs of Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks	\$ 80,814,664	\$0	\$0	\$ 80,814,664
Real Estate Investment Trusts	2,875,624	0	0	2,875,624
Money Market Funds	<u>4,115,820</u>	<u>0</u>	<u>0</u>	<u>4,115,820</u>
Total	<u>\$ 87,806,108</u>	<u>\$0</u>	<u>\$0</u>	<u>\$ 87,806,108</u>

Refer to the Fund's Schedule of Investments for a listing of securities by industry. The Fund did not hold any level 2 or level 3 assets during the fiscal year ended January 31, 2017. There were no transfers into or out of the levels during the fiscal year ended January 31, 2017. It is the Fund's policy to consider transfers into or out of the levels as of the end of the reporting period.

The Fund did not invest in any derivative instruments during the fiscal year ended January 31, 2017.

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 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, 2017, the

Notes to Financial Statements - continued

Advisor earned management fees totaling \$939,472, of which \$68,190 was due to the Advisor at January 31, 2017.

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, for the Institutional Class shares through May 31, 2017, 0.25% of the applicable Services Agreement fees for the class' average daily net assets up to \$100 million. The Advisor may not terminate this fee waiver before May 31, 2017. 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 October 31, 2017. The Advisor may not terminate the fee waiver before October 31, 2017.

For the fiscal year ended January 31, 2017, the Advisor earned service fees of \$431,756, of which \$26,474 was due to the Advisor at January 31, 2017. Service fees totaling \$118,879 were waived with no recapture provision for the fiscal year ended January 31, 2017 for the Institutional and R6 Classes.

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, 2017 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.) CAPITAL SHARES

The Trust is authorized to issue an unlimited number of shares of beneficial interest without par value. Paid in capital at January 31, 2017 was \$79,938,243 representing 2,161,886 Institutional Class shares outstanding, 3,287,566 Retail Class shares outstanding and 356 R6 Class shares outstanding.

7.) PURCHASES AND SALES OF SECURITIES

For the fiscal year ended January 31, 2017, purchases and sales of investment securities other than U.S. Government obligations and short-term investments aggregated \$57,529,774 and \$74,913,231, respectively. Purchases and sales of U.S. Government obligations aggregated \$0 and \$0, respectively.

8.) 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, 2017, Charles Schwab & Co., Inc. located in San Francisco, California, and NFS, LLC located in New York, New York, each for the benefit of its clients, held, in aggregate, 50.30% and 35.09%, respectively, of the Institutional Class shares of the Fund, and therefore each may be deemed to control the Institutional Class. As of January 31, 2017, NFS, LLC located at 200 Liberty

Notes to Financial Statements - continued

Street, New York, New York, for the benefit of its clients, held, in aggregate, 88.46%, of the shares of the Retail Class shares of the Fund, and therefore may be deemed to control the Retail Class.

9.) TAX MATTERS

For Federal income tax purposes, the cost of investments owned at January 31, 2017 was \$73,879,176. At January 31, 2017, 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>
\$17,658,702	(\$3,731,770)	\$13,926,932

Distributions paid from Institutional Class:

	<u>Fiscal Year Ended January 31, 2017</u>	<u>Fiscal Year Ended January 31, 2016</u>
Ordinary Income	\$ 147,842	\$ 243,150
Short-Term Capital Gain	—	127,745
Long-Term Capital Gain	—	<u>232,988</u>
	\$ 147,842	\$ 603,883

Distributions paid from Retail Class:

	<u>Fiscal Year Ended January 31, 2017</u>	<u>Fiscal Year Ended January 31, 2016</u>
Ordinary Income	\$ 97,087	\$ 106,296
Short-Term Capital Gain	—	103,075
Long-Term Capital Gain	—	<u>187,995</u>
	\$ 97,087	\$ 397,366

Distributions paid from R6 Class:

	<u>November 1, 2016 through January 31, 2017</u>
Ordinary Income	\$ 12
Short-Term Capital Gain	—
Long-Term Capital Gain	—
	\$ 12

As of January 31, 2017, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	\$ 127,633
Accumulated capital loss	(5,891,350)
Unrealized appreciation on investments – net	<u>13,926,932</u>
	\$ 8,163,215

Book to tax differences are primarily attributable to the tax deferral of wash sales and partnership adjustments.

10.) CAPITAL LOSS CARRYFORWARDS

As of January 31, 2017, the Fund had available for federal tax purposes an unused capital loss carry-forward of \$5,891,350 with no expiration, of which \$2,257,562 is short-term and \$3,633,788 is long-term.

11.) 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 or disclosure in the financial statements.

ADDITIONAL INFORMATION

January 31, 2017

(UNAUDITED)

APPROVAL OF INVESTMENT ADVISORY AGREEMENT

On January 17, 2017 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"). In reviewing the Agreement, the Board of Trustees received materials from the Advisor addressing the following factors: (i) the investment performance of each Fund and the Advisor; (ii) the nature, extent and quality of the services provided by the Advisor to each Fund; (iii) the cost of the services provided and the profits realized by the Advisor and its affiliates from the relationship with each Fund; (iv) the extent to which economies of scale will be realized as each 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 underperformed its peer group, category and the index for the 1-year and 5-year period ended December 31, 2016. They also noted that the data showed that the Fund underperformed the index since inception through December 31, 2016. The Advisor discussed reasons that the Fund had lagged the comparable benchmarks provided. Additionally, it was noted that the Fund invested in both small and mid-cap ("SMID") investments but that Morningstar did not have a SMID category, and categorizes the Fund in the Small Value category. During the discussion, it was noted that the Advisor is always monitoring its strategy and investment process and is 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 trade 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 the Advisor's financial condition, the portfolio manager's background and investment management experience. The Board was pleased with the Advisor's steps to address the continuity and depth of the advisory team and with the additional personnel resources of the Advisor. It was also noted that employees continued to increase equity positions within the Advisor which further strengthens the management team's commitment to the stability and ongoing continuity of the firm and Fund operations. 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, that they were pleased and satisfied with the quality of services provided by the Advisor, and believe that the Advisor has the resources to meet its obligations under the Agreement.

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 is paying substantially all ordinary operating expenses of the Fund pursuant to the Services Agreement. Additionally, the Advisor provides the Fund with officers, including the CCO, marketing support and office space. The Board discussed that, under the Services Agreement, the Fund accrues a fee at an annual rate of 0.45% on the Fund's average daily net assets up to \$100 million, net assets between \$100 million and \$500 million are charged 0.25%, and Services Agreement fees for average daily net assets in excess of \$500 million are reduced to 0.15%. The Board 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 has contractually agreed to waive, for the Institutional Class Shares through May 31, 2017, 0.25% of the applicable Service Agreement fees for the class' average daily net assets up to \$100 million. Additionally, the Trustees noted that the Advisor has contractually agreed to waive Services Agreement fees for R6 Class Shares through October 31, 2017, to the extent necessary to maintain the total operating expenses of the R6 Class Shares at 0.98% of its

Additional Information (Unaudited) - continued

average daily net assets. The Board reviewed a summary of the Advisor's profitability resulting from the services provided to Select Value under the Agreement. The analysis showed 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 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. The Board of Trustees also noted that the Advisor is responsible under the Services Agreement for paying nearly all of the Fund's ordinary expenses. They discussed that Institutional Class and R6 Class net expense ratios were below the average net expense ratio for the peer group and below 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 above the peer group average and Morningstar category average, but also within the range of the peer group. The Trustees reviewed information regarding other accounts managed with a similar investment strategy. The Trustees reviewed information regarding fees charged by the Advisor for other client relationships. The Trustees discussed the soft dollar benefits that the Advisor receives from Fund trades. Having considered the comparative data as described above, the Board concluded that the Fund's management fee was reasonable.

As for potential economies of scale, the Board discussed and considered information regarding whether economies of scale have been realized with respect to the management of the Fund, whether the Fund has 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.

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 and its shareholders.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Trustees of
Walthausen Funds

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, 2017, 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, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of January 31, 2017, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Walthausen Select Value Fund as of January 31, 2017, 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.



COHEN & COMPANY, LTD.
Cleveland, Ohio
March 23, 2017

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

<u>Name, Address⁽¹⁾, and Year of Birth</u>	<u>Position with the Trust</u>	<u>Length of Time Served</u>	<u>Principal Occupation(s) During Past 5 Years</u>	<u>Number of Portfolios Overseen By Trustee</u>	<u>Other Directorships Held By Trustee</u>
John B. Walthausen Sr. ⁽²⁾ Year of Birth: 1945	President and Trustee	Since 2007	Managing Director, 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

<u>Name, Address⁽¹⁾, and Year of Birth</u>	<u>Position with the Trust</u>	<u>Length of Time Served</u>	<u>Principal Occupation(s) During Past 5 Years</u>	<u>Number of Portfolios Overseen By Trustee</u>	<u>Other Directorships Held By Trustee</u>
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
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
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

(1) The address of each Trustee and Officer 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