Environment

Managing a portfolio when storm clouds on the horizon are ever more threatening is a balancing act. We are positioned to participate in the current growth, but are also careful to avoid undue risks as this economic expansion continues. The concerns that we voiced in our second quarter commentary are still prevalent today. If anything, they have become more acute. We boiled it down to tariffs, trade and taxes. Nothing has been close to settled on the issue of tariffs. Our preliminary deals with Mexico and Canada seem likely to have a very modest impact. The trade war with China has become a shouting match and the threats have escalated to a point where neither side can easily back down. This is all starting to turn into cost pressure for US based manufacturers. Some of the cost pressure is from the domestic steel mills, using the tariffs and strong economy to mandate higher prices. We have not seen trade slow down yet and lower taxes are having the intended effect of accelerating an already well developed expansion.

As the economic upturn ages, labor and material costs are climbing, which validates the Fed's tightening strategy. We think that it is the correct thing to do, but it's still a guess as to what will happen as we transition from quantitative easing to tightening. To the extent lending terms have loosened up, we are concerned that the seeds are sown for another difficult period. This seems to be most prevalent in the bond market, and particularly in high yield bonds. The market has been aware of these risks for some time, and in our experience, the markets can, and usually do, ignore developing problems for longer than one might think.

Recognizing these risks, we are avoiding finance companies and concentrating on high quality community and regional banks. These banks are not relying on volatile sources of funds, and their loan books are generally not overextended. On the non-financial stocks, we closely examine their plans for growth, the risks that they are taking, and the flexibility of the business model. In short, we are looking for companies that will grow but can also come out of a contractionary period stronger.

With that in mind, we are cautiously plying our craft. We continue to find companies where improving fundamentals are not being recognized. We are, as is typical for us, substantially overweight in Industrials and Materials, two sectors which are generally considered more cyclical. The individual selections in these sectors are heavily weighted toward companies with strong balance sheets and where management is in a position to offset rising prices with moderate price increases. The companies that we favor have also generally shown an ability to adjust costs effectively in periods of weak demand. We continue to hold very little in Utilities and Real Estate, two groups where the valuation is dependent upon dividend yield. The long stretch of low interest rates has been kind to these stocks, but it also, in our opinion, makes them risky as rates trend up.

Performance Review

Portfolio Factors

The fund performed in line with the benchmark Russell 2000 Value Index for the quarter. Both allocation and selection aided performance. We were absent from the three top performing sectors; Telecom Services, Communication Services and Healthcare. The first two constitute an inconsequential size within the benchmark. Healthcare, however, has outperformed in all three quarters this year. We are applying a great deal of rigor in examining new candidates in Healthcare, but given the movement in the sector, there is a dearth of names that meet our criteria. Absence from these three sectors created a drag on performance in the quarter, but our overweight to, and selections in Industrials, more than made up for the absence.

Stock Selection: Contributors

Our best performing stocks include two companies that are being acquired; Navigators Group (NAVG), and Nexeo (NXEO). The balance was spread across a diversified group. Rounding out the top three; Primerica (PRI) and Atkore International (ATKR) are quality firms which we believe are undervalued given their fundamental strength. Triumph Group (TGI), an aerospace supplier, also performed well. We realized gains on Navigators Group and Nexeo ahead of the acquisitions, and are sticking with the other winners.

Portfolio Contributors – Q3 2018

Security	Average Weight (%)	Contribution
Primerica Inc.	2.15	0.39
Navigators Group Inc.	1.75	0.36
Atkore International Group Inc.	1.57	0.36
SM Energy Co.	1.81	0.36
Nexeo Solutions Inc.	1.34	0.35

Stock Selection: Detractors

Our most significant detractors were led by American Vanguard (AVD), a maker of herbicides and pesticides. The stock was weak due to concerns about the impact that potential trade wars might have on the agricultural market. We share this concern, but continue to hold the stock due to our confidence in their business model and view that any eventual trade agreement compromise will be beneficial to them. Additionally, M/I Homes (MHO), and Masonite (DOOR), two housing related stocks, underperformed. Investors were concerned by the still tepid rate of the housing recovery and rising rates. We believe that rates are not likely to rise enough to dampen home affordability. Although the rate of new home construction has been sluggish, we are not likely to face a sudden evaporation of home buyers that has been typical in prior housing slowdowns. We have stayed with most of our underperformers as we believe they have good long term opportunity despite the short term challenges.

Portfolio Detractors – Q3 2018

Security	Average Weight (%)	Contribution
American Vanguard Corp.	1.59	-0.38
Stoneridge Inc.	2.01	-0.33
Keane Group Inc.	0.91	-0.26
McGrath RentCorp	1.80	-0.26
Unifi Inc.	1.62	-0.17

Portfolio Changes

The number of holdings was quite stable in the third quarter. We sold three positions that had hit our price targets. They were Aerojet Rocketdyne (AJRD), Seacor Holdings (CKH) and Nexeo Solutions (NXEO). In the case of Nexeo, we sold because the company had announced an agreement to be acquired by a major competitor. We also sold Keane Group (FRAC). This oil service company provides fracking services and has been hurt by the slowdown in drilling activity in the Permian basin. Additionally, the stock was affected by weaker prices resulting from the industry wide improvements in drilling and fracking crews.

We purchased three new holdings. Mueller Water Products (MWA), a provider of valves and hydrants to municipal water systems, is a stock that we had profitably owned before. We determined that the price and timing was appropriate to acquire it again. We also built a position in First Financial (THFF), a Terra Haute, Indiana based bank. This is consistent with our strategy of investing in well managed regional and community banks. Additionally, we added Atlantic Power (AT), a contract provider of electric power.

Exhibit 1: Sector Allocation - %

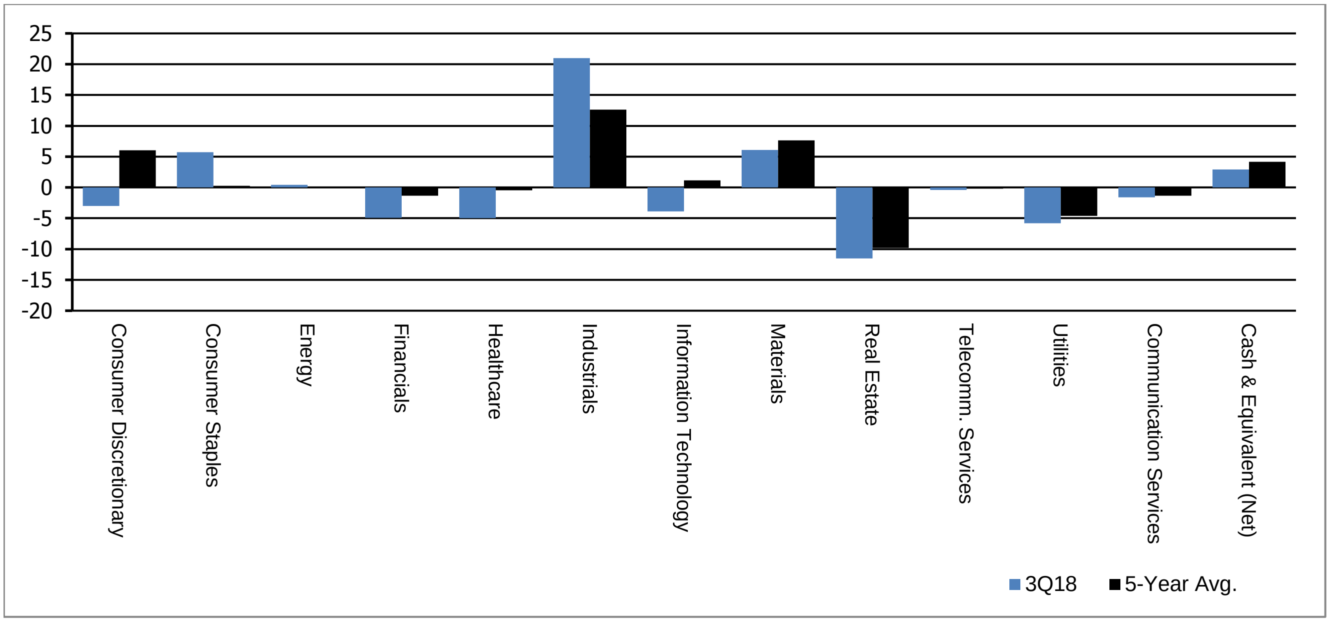

Exhibit 1 above highlights the fact that sector weight differentials between the Fund and the Russell 2000 Value Index benchmark have not changed greatly from today's levels versus the five year average.

Top Ten Holdings (%)

Triumph Group, Inc.	2.3
Primerica Inc.	2.3
MGP Ingredients Inc.	2.1
SM Energy Co.	2.0
Stoneridge Inc.	1.9
Quad/Graphics Inc.	1.9
Andersons Inc.	1.9
Kulicke & Soffa Industries Inc.	1.8
QEP Resources Inc.	1.8
Great Lakes Dredge & Dock Corp.	1.8
Total % of Portfolio	19.8

Fund Statistics

	Fund	Russell 2000 Value Index
Number of Holdings	74	1,387
Median Market Cap (Millions)	$1,127.5	$809.4
Weighted Avg. Market Cap (Millions)	$1,549.8	$2,137.1
Price/Book[1]	1.6	1.5
P/E using FY1 Estimate[2]	14.8	15.1

Portfolio Performance

	Q3 18	1 Year	3 Year	5 Year	10 Year	Since Inception (2/1/08)
Walthausen Small Cap Value Fund	1.64	4.02	14.25	7.71	13.28	12.85
Russell 2000 Value Index[3]	1.60	9.33	16.12	9.91	9.52	8.57

Total Expense Ratio: 1.27%. Expense ratio per the June 1, 2018 prospectus.

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

Disclosures

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

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

[3]The Russell 2000® Value Index measures the performance of the small cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth sales.

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

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

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

Walthausen Funds
(888) 925-8428
www.walthausenfunds.com