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SMALL-CAPS LEAD IN SEPTEMBER and THIRD QUARTER



Michael Corbett,
Chief Investment Officer
Portfolio Manager

The small- and micro-cap markets started the third quarter with a modest correction, but finished the quarter with a monster gain in September. All equity markets produced positive results in the third quarter, but the real stars were smaller stocks. As you can see from the table below, the Russell 2000 Index outperformed the large-cap Russell 1000 Index in both September and the third quarter. The Russell Microcap Index was the strongest performer with a 8.15% gain in September and a 6.65% gain for the quarter. The renewed promise of lower taxes from the Trump Administration was certainly a big catalyst for the rally. However, the strengthening economy and improved corporate profits were also reasons for the gains.

Index Results

| | September | 3rd Quarter | YTD |
|------------------|-----------|-------------|--------|
| Russell 1000 | 2.13% | 4.48% | 14.17% |
| Russell 2000 | 6.24 | 5.67 | 10.94 |
| Russell Microcap | 8.15 | 6.65 | 11.16 |

Source: FTSE Russell

LEADERSHIP

A deeper look at the recent performance of value and growth stocks show that leadership may be changing. While value related stocks performed well in 2016, the real leader this year has been growth stocks. As the table below shows, growth has been the place to be year-to-date, as well as for the third quarter, but value stocks outperformed growth in September. As measured by the Russell Value and Growth Indexes, this outperformance was the case for large stocks, small stocks, and micro-cap stocks.

The change in leadership may be related to the movement within the bond market. The 10-year Treasury yield hit a recent low of 2.05% on September 7th, but climbed the rest of the month to its current level of 2.35%. In our opinion, a rising yield environment tends to be a positive for value-oriented stocks, and not necessarily for long duration sensitive growth stocks. Regardless, we are encouraged by these recent trends, mainly because the overall breadth of the market is improving. While value has outperformed growth, all stocks are rising.

Value or Growth?

| | September | 3rd Quarter | YTD |
|-------------------------|-----------|-------------|-------|
| Russell 1000 Value | 2.96% | 3.11% | 7.92% |
| Russell 1000 Growth | 1.30 | 5.90 | 20.72 |
| Russell 2000 Value | 7.08 | 5.11 | 5.68 |
| Russell 2000 Growth | 5.45 | 6.22 | 16.81 |
| Russell Microcap Value | 9.23 | 6.44 | 8.45 |
| Russell Microcap Growth | 6.70 | 6.95 | 15.58 |

Source: FTSE Russell

Past performance does not guarantee future results.



OUTLOOK

It remains to be seen if the recent renewed strength in small stocks and value stocks will continue in the near term. However, we often remind ourselves and our investors about history. We believe the small stock market experienced a [stealth bear market](#) in both 2014 and 2015, which was followed by a real bear market from June 2015 to February 2016. The Russell 2000 Index and the Russell Microcap Index declined in that bear market by more than 26% and 29% respectively. Small stocks have not experienced a significant decline since the lows of February 2016, which means this bull market was only 19 months ago. In our opinion, the small-cap bull market still has room to run.

PERRITT FUNDS TAX DISTRIBUTION UPDATE

The Perritt MicroCap Opportunities Fund, the Perritt Ultra MicroCap Fund and the Perritt Low Priced Stock Fund will pay a distribution on 11/17/17 to shareholders. Based on estimates:

- The Long-Term Capital Gain distribution in the Perritt MicroCap Opportunities Fund (PRCGX) will be approximately 19%, roughly 8% in the Perritt Ultra MicroCap Fund (PREOX), and about 5% in the Perritt Low Priced Stock Fund (PLOWX).
- No short-term income or short-term gains will be paid in the Perritt Ultra MicroCap Fund nor the Perritt Low Priced Stock Fund. The Perritt MicroCap Opportunities Fund may pay a modest short-term income gain of approximately 1%.

Shareholders of record on 11/17/2017 will receive distributions.

| Distribution | Dates |
|--------------|----------|
| Record Date | 11/16/17 |
| Ex-dividend | 11/17/17 |
| Payable Date | 11/17/17 |

Distribution figures and distribution dates are estimates only and are subject to change. Actual distributions may be substantially different (higher or lower) or may not be distributed at all.

Actual distributions on a dollar per share basis will be available on or after 11/17/17.



PERFORMANCE UPDATE

ANNUALIZED QUARTER TOTAL RETURNS (%) as of September 30, 2017

| | 3Q17 | YTD | 1-YR | 3-YR | 5-YR | 10-YR | Since Inception |
|--------------------------------|--------|-------|---------|-------|--------|-------|-----------------|
| Perritt MicroCap-PRGCX | 5.70 % | 4.63% | 17.59 % | 9.37% | 13.33% | 5.88% | 9.71% (4/11/88) |
| Perritt Ultra MicroCap-PREOX | 6.31 | 13.46 | 20.99 | 10.57 | 15.16 | 4.94 | 8.24 (8/27/04) |
| Perritt Low Priced Stock-PLOWX | 5.43 | 11.22 | 23.34 | 13.07 | 14.84 | - | 15.31 (6/30/12) |
| Russell 2000 | 5.67 | 10.94 | 20.74 | 12.18 | 13.79 | 7.65 | |
| Russell Microcap | 6.66 | 11.15 | 22.33 | 12.16 | 13.89 | 6.65 | |

Expense Ratio: PRGCX 1.23% PREOX 1.78% PLOWX Gross 3.26% Net 1.40%¹

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 800-331-8936. The funds impose a 2% exchange and redemption fee for shares held 90 days or less. Performance data quoted does not reflect the redemption or exchange fee. If reflected, total return would be reduced.

Performance data quoted of the Low Priced Stock Fund for periods on or prior to 2/28/14 represents past performance of the fund's predecessor, a separately managed account. The fund is the successor to a separately managed account. The investment policies, objectives, guidelines and restrictions of the fund are in all material respects equivalent to those of the predecessor, and the predecessor's portfolio managers are the current portfolio managers of the fund. However, the predecessor was not a registered investment company. Had the predecessor been registered under the Investment Company Act and been subject to the provisions of the Investment Company Act and the Internal Revenue Code to which the fund is subject, its investment performance may have been adversely affected. The performance information reflects the gross expenses of the predecessor adjusted to reflect the higher fees and expenses of the fund. The performance is shown net of the annual management fee of 1.00% and other expenses. The performance was achieved by the predecessor when assets were relatively small; the same strategies may not be available, and similar performance may not be achieved, when the fund's assets are larger.

The MicroCap Opportunities Fund is a successor to the investment performance of the Perritt MicroCap Opportunities Fund, the Fund's predecessor. Performance information shown for periods on or prior to March 31, 2014 is that of the fund's predecessor. The MicroCap Opportunities Fund was advised by the same adviser, has the same investment objective and strategies as the predecessor fund.

¹The investment adviser has voluntarily agreed to waive fees and/or reimburse operating expenses (other than interest, brokerage commissions, dividend expense on short sales, taxes, extraordinary expenses and acquired fund fees and expenses) through 2/28/2018.

Past performance does not guarantee future results.



The information provided herein represents the opinion of Perritt Capital Management and is not intended to be a forecast of future events, a guarantee of future results, nor investment advice.

Mutual Fund investing involves risk. Principal loss is possible. The Funds invest in smaller companies, which involve additional risks such as limited liquidity and greater volatility. The Funds invest in micro-cap companies, which tend to perform poorly during times of economic stress. The Ultra MicroCap Fund and Low Priced Stock Fund may invest in early stage companies, which tend to be more volatile and somewhat more speculative than investments in more established companies. Low Priced stocks are generally more volatile than higher priced securities.

Dow Jones Industrial Average is a price weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. **S&P 500 Index** is an index of 500 stocks seen as a leading indicator of U.S. equities and a reflection of the performance of the large cap universe. **Russell 2000 Index** is an index that measures the performance of approximately 2,000 small-cap companies in the Russell 3000 Index, which is made up of 3,000 of the biggest U.S. stocks. **Russell 2000 Growth Index** measures the performance of companies within the Russell 2000 Index having higher price-to-book ratios and higher forecasted growth values. **Russell 2000 Value Index** measures the performance of companies within the Russell 2000 Index lower price-to-book ratio and lower forecasted growth values. **Russell Microcap Index** is a capitalization weighted index of 2,000 small-cap and micro-cap stocks that captures the smallest 1,000 companies in the Russell 2000, plus 1,000 smaller U.S.-based listed stocks. **Russell Microcap Growth Index** measures the performance of those Russell Microcap companies with higher price-to-book ratios and lower forecasted growth values. **Russell Microcap Value Index** measures the performance of those Russell Microcap companies with lower price-to-book ratios and lower forecasted growth values. **Return on Invested Capital (ROIC)** is a calculation used to assess a company's efficiency at allocating the capital under its control to profitable investments.

[Click here](#) for a current prospectus. Fund holdings and sector allocations are subject to change at any time and should not be considered a recommendation to buy or sell any security. Click here for the Funds' top 10 holdings: [PLOWX](#), [PREOX](#), and [PRCGX](#).

Earnings Growth is not a measure of the Fund's future performance.

One cannot invest directly in an index.

Perritt
CAPITAL MANAGEMENT

300 S. Wacker, Suite 2880, Chicago, IL 60606
(800) 331-9036 perrittcap.com

Past Performance does not guarantee future results. The Perritt Funds are distributed by Quasar Distributors, LLC.



Small is passionate.