

# Paradigm Funds

Paradigm Value Fund

Paradigm Select Fund

Paradigm Opportunity Fund

Paradigm Micro-Cap Fund

For Investors Seeking Long-Term Capital Appreciation

## **ANNUAL REPORT**

December 31, 2015

---

# Table of Contents

---

## PARADIGM FUNDS

---

Letter to Shareholders . . . . .	2
Sector Allocation . . . . .	5
Performance Information . . . . .	7
Schedules of Investments . . . . .	11
Statements of Assets and Liabilities . . . . .	21
Statements of Operations . . . . .	21
Statements of Changes in Net Assets . . . . .	23
Financial Highlights . . . . .	25
NOTES TO FINANCIAL STATEMENTS . . . . .	27
DISCLOSURE OF EXPENSES . . . . .	33
ADDITIONAL INFORMATION . . . . .	35
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM . . . . .	37
TRUSTEES & OFFICERS . . . . .	38

## Letter to Shareholders

Dear Fellow Shareholders:

Last year's letter touched on falling energy prices, a trend that continued and accelerated in 2015, resulting in significant market dispersion and genuine geopolitical concerns on a global level. We are acutely cognizant of these risks and more focused than ever on smaller companies that we believe are poised to benefit from the resurgent American economy, minimizing exposure to the malaise of global markets.

Large-cap stocks materially outperformed small-cap stocks in 2015. Growth also significantly outperformed value. While that was challenging in the short term, our simple take-away from this continuation of a trend that carried over from 2014 is cautious optimism for 2016. Investing climates changes and two consecutive years of small-cap underperformance contribute to our constructive outlook for small- to mid-sized companies, particularly those with value characteristics. The micro-cap sector in particular appears oversold. One of the advantages of investing in smaller, less complicated companies is the ability to identify and limit geographic exposures and other factors, which can be more challenging with highly diversified global giants.

In contrast to our conversations with company management teams a year ago, some now sound slightly more cautious about expectations for their businesses and their industries against an increasingly complex global economic environment. We believe that some management teams are dialing back expectations as a reflection of the fragile psychology of investors, and the markets appear more focused on investor sentiment than underlying fundamentals, which we believe to still be sound. Thus, despite the market turmoil we have seen in the early days of 2016, we remain optimistic and constructive about the longer-term prospects for well-managed, attractively valued micro- to mid-cap equities.

We believe that markets are discounting a lot right now, and with the insights we are able to achieve for our longer-term holdings and their business models, we find these times to be opportunities to selectively add to our positions, or revisit names that have retreated. This remains the hardest part of the investing process: knowing when to step up to the plate. We continue to adhere to our investment discipline day to day, recognizing that there is no guarantee of instant gratification.

### Paradigm Value Fund

The Paradigm Value Fund (PVFAX) appreciated 1.35% in 2015, compared to a decline of 7.47% for the benchmark Russell 2000 Value.

Outperformance in 2015 was broad-based; the Fund's portfolio holdings outperformed its benchmark in eight out of 10 sectors. The principal reason for such outperformance was stock selection.

Stock selection was most especially strong in the Industrials sector. Over the year, portfolio holdings in that sector appreciated 11.35%, while benchmark holdings in the same sector lost 10.39%.

Stock selection was also strong in the Information Technology sector. Over the year, portfolio holdings in that sector gained 3.55%, while benchmark holdings in the same sector lost 2.36%.

## **Paradigm Select Fund**

The Paradigm Select Fund (PFSLX) declined 1.26% in 2015, compared to a loss of 2.90% for the benchmark Russell 2500.

Strong stock selection in the Health Care sector was the top contributor to the Fund's out-performance in 2015, with portfolio holdings' 22.41% return more than double the benchmark sector's 9.23% gain.

Materials holdings in the portfolio declined 4.63%, well ahead of the benchmark sector's 11.68% drop.

The portfolio's holdings in the Financials sector also outperformed the benchmark sector; however, this was offset by an underweight allocation to the sector.

The Industrials sector proved most challenging in the quarter due to setbacks in the Aerospace and Transportation industries.

## **Paradigm Opportunity Fund**

The Paradigm Opportunity Fund (PFOPX) declined 4.76% in 2015, representing only a slight underperformance of the benchmark Russell 2000, which declined 4.41% over the same period.

Strong stock selection made the Financials sector the top contributor in 2015. Portfolio holdings appreciated 26.46%, compared to the benchmark sector's 0.71% decline. However, an underweight allocation to the sector offset these gains.

The Fund's concentration in the Information Technology sector again contributed most to relative performance in 2015, with the portfolio sector's significant overweight to this outperforming sector contributing to relative performance.

The Consumer Discretionary sector was the largest detractor in the quarter due to a combination of slightly lower performance than the benchmark sector and an overweight allocation to this underperforming sector.

## **Paradigm Micro-Cap Fund**

The Paradigm Micro-Cap Fund (PVIVX) declined 10.05% in 2015, compared to a loss of 5.16% for the benchmark Russell Microcap.

The Fund's underperformance over the year resulted primarily from relative underperformance in the Consumer Discretionary and Healthcare sectors.

The Fund's overweight allocation to the Consumer Discretionary sector was the primary driver to underperformance in 2015, due in part to the portfolio's focus on Specialty Retail, which sold off significantly over the period.

In the Healthcare sector, stock selection was the primary driver of underperformance. Over the year, portfolio holdings in that sector declined by 10.93%, while benchmark holdings in

the same sector gained 1.60%. This discrepancy largely reflects the Fund's avoidance of the Biotech sub-sector, which accounted for the majority of the benchmark sector's positive performance.

In addition, the Fund's avoidance of the Financials sector, which was the largest benchmark contributor over the year, adversely affected performance.

Sincerely,



Candace King Weir  
*President and Chief Investment Officer  
Paradigm Funds Advisor LLC*

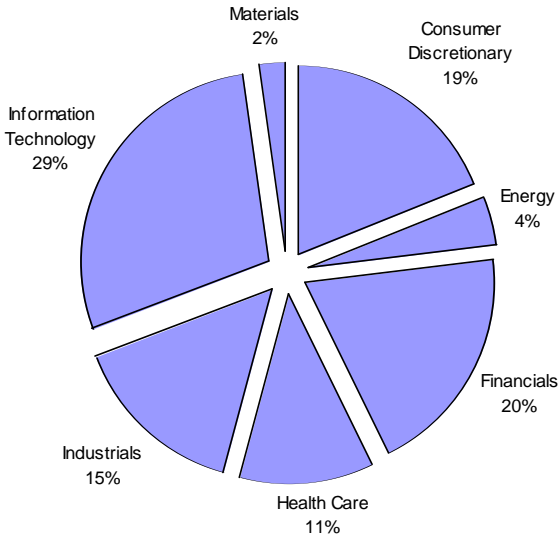


Amelia F. Weir  
*Senior Vice President  
Paradigm Funds Advisor LLC*

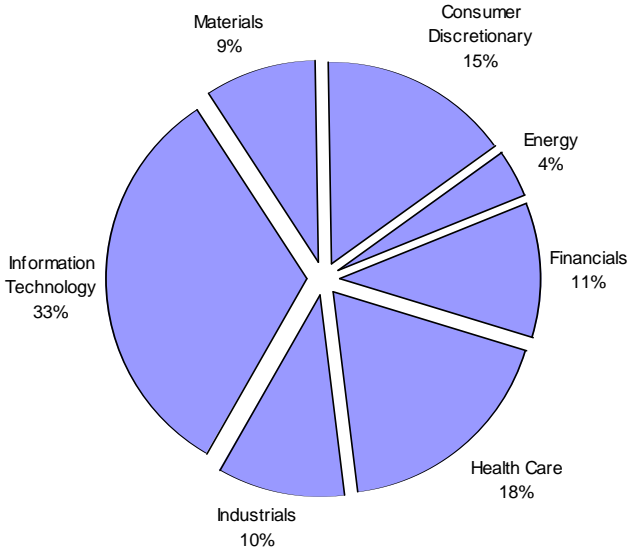
# Paradigm Funds (Unaudited)

---

**PARADIGM VALUE FUND**  
**Sector Allocation as of December 31, 2015**  
(As a Percentage of Equity Securities Held)



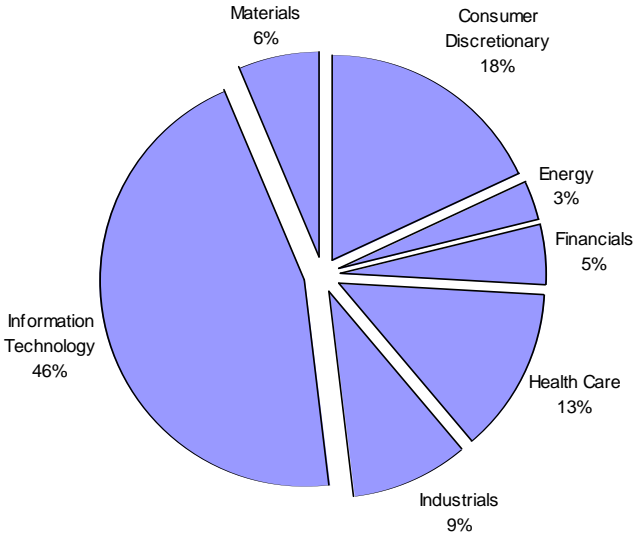
**PARADIGM SELECT FUND**  
**Sector Allocation as of December 31, 2015**  
(As a Percentage of Equity Securities Held)



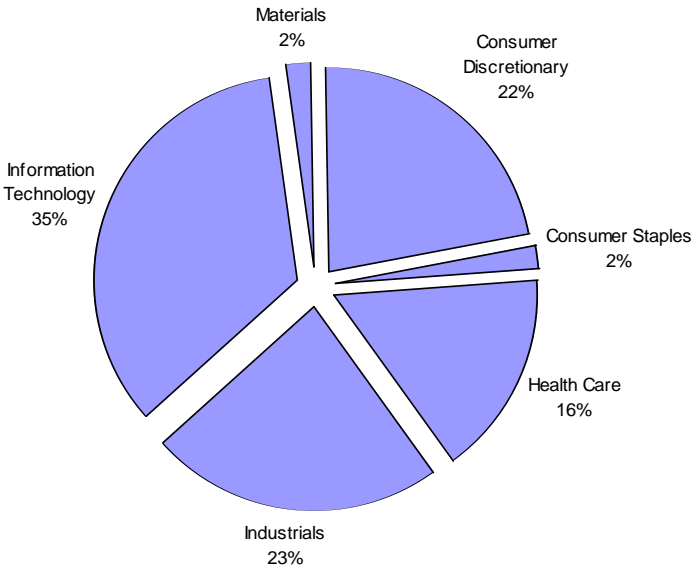
# Paradigm Funds (Unaudited)

---

**PARADIGM OPPORTUNITY FUND**  
Sector Allocation as of December 31, 2015  
(As a Percentage of Equity Securities Held)

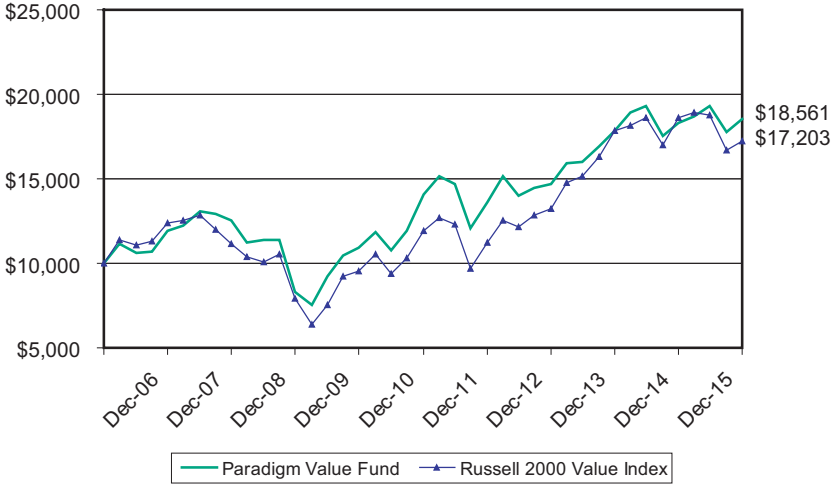


**PARADIGM MICRO-CAP FUND**  
Sector Allocation as of December 31, 2015  
(As a Percentage of Equity Securities Held)



# Paradigm Value Fund (Unaudited)

The Value of a \$10,000 Investment In Paradigm Value Fund  
From January 1, 2006 to December 31, 2015  
As Compared To The Russell 2000 Value Index



## PERFORMANCE INFORMATION

Average Annual Rate of Return (%) for The Periods Ended December 31, 2015.

December 31, 2015 NAV \$43.02

	1 Year <sup>(A)</sup>	3 Year <sup>(A)</sup>	5 Year <sup>(A)</sup>	10 Year <sup>(A)</sup>
Paradigm Value Fund	1.35%	8.15%	5.73%	6.38%
Russell 2000® Value Index <sup>(B)</sup>	-7.47%	9.06%	7.67%	5.58%

<sup>(A)</sup> 1 Year, 3 Year, 5 Year and 10 Year returns include change in share prices and in each case includes reinvestment of any dividends and capital gain distributions. The inception date of the Paradigm Value Fund was January 1, 2003.

<sup>(B)</sup> The Russell 2000® Value Index (whose composition is different from the Fund) is an unmanaged index of small-capitalization stocks with lower price-to-book ratios and lower forecasted growth values than the total population of small-capitalization stocks.

For purposes of the graph and the accompanying table, it is assumed that all dividends and distributions were reinvested.

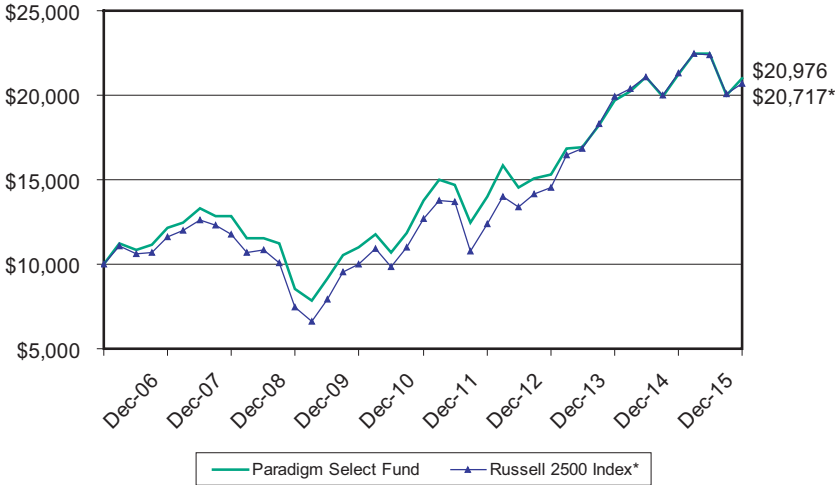
Per the Fund's most recent prospectus, the Fund's total annual operating expense ratio (before any fee waiver) is 1.97%, and 1.50% post waiver. The Advisor has contractually agreed to waive management fees and reimburse expenses to the extent necessary to maintain total annual operating expenses of the Fund (excluding brokerage fees and commissions, interest and other borrowing expenses, taxes, extraordinary expenses and the indirect costs of investing in Acquired Funds) at 1.50% of its average daily net assets through April 30, 2016.

**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 1-800-239-0732 OR VISIT OUR WEBSITE AT [www.paradigm-funds.com](http://www.paradigm-funds.com).**



# Paradigm Select Fund (Unaudited)

The Value of a \$10,000 Investment In Paradigm Select Fund  
From January 1, 2006 to December 31, 2015  
As Compared To The Russell 2500 Index



## PERFORMANCE INFORMATION

Average Annual Rate of Return (%) for The Periods Ended December 31, 2015.

December 31, 2015 NAV \$29.09

	<u>1 Year<sup>(A)</sup></u>	<u>3 Year<sup>(A)</sup></u>	<u>5 Year<sup>(A)</sup></u>	<u>10 Year<sup>(A)</sup></u>
<b>Paradigm Select Fund</b>	-1.26%	11.12%	8.82%	7.69%
Russell 2500® Index <sup>(B)</sup>	-2.90%	12.46%	10.32%	7.56%

<sup>(A)</sup> 1 Year, 3 Year, 5 Year and 10 Year returns include change in share prices and in each case includes reinvestment of any dividends and capital gain distributions. The inception date of the Paradigm Select Fund was January 1, 2005.

<sup>(B)</sup> The Russell 2500® Index (whose composition is different from the Fund) measures the performance of the small to mid-cap segment of the U.S. equity universe, commonly referred to as "mid" cap. The Russell 2500 Index is a subset of the Russell 3000® Index. It includes approximately 2,500 of the smallest securities based on a combination of their market cap and current index membership.

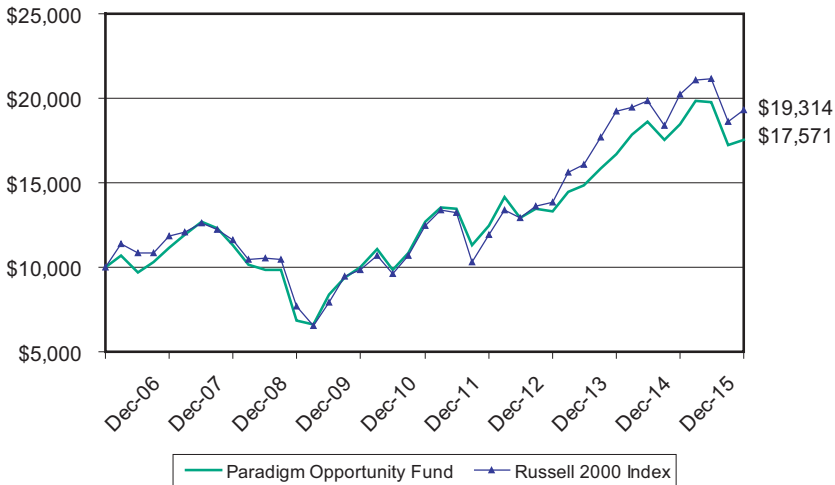
For purposes of the graph and the accompanying table, it is assumed that all dividends and distributions were reinvested.

Per the Fund's most recent prospectus, the Fund's total annual operating expense ratio (before any fee waiver) is 1.50%, and 1.15% post waiver. The Advisor has contractually agreed to waive management fees and reimburse expenses to the extent necessary to maintain total annual operating expenses of the Fund (excluding brokerage fees and commissions, interest and other borrowing expenses, taxes, extraordinary expenses and the indirect costs of investing in Acquired Funds) at 1.15% of its average daily net assets through April 30, 2016.

**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 1-800-239-0732 OR VISIT OUR WEBSITE AT [www.paradigm-funds.com](http://www.paradigm-funds.com).**

# Paradigm Opportunity Fund (Unaudited)

The Value of a \$10,000 Investment In Paradigm Opportunity Fund From January 1, 2006 to December 31, 2015 As Compared To The Russell 2000 Index



## PERFORMANCE INFORMATION

Average Annual Rate of Return (%) for The Periods Ended December 31, 2015.

December 31, 2015 NAV \$31.14

	1 Year <sup>(A)</sup>	3 Year <sup>(A)</sup>	5 Year <sup>(A)</sup>	10 Year <sup>(A)</sup>
Paradigm Opportunity Fund	-4.76%	9.65%	6.78%	5.80%
Russell 2000® Index <sup>(B)</sup>	-4.41%	11.65%	9.19%	6.80%

<sup>(A)</sup> 1 Year, 3 Year, 5 Year and 10 Year returns include change in share prices and in each case includes reinvestment of any dividends, capital gain distributions and return of capital. The inception date of the Paradigm Opportunity Fund was January 1, 2005.

<sup>(B)</sup> The Russell 2000® Index (whose composition is different from the Fund) consists of the smallest 2,000 companies in the Russell 3000 Index (which represents approximately 98% of the investable U.S. equity market). The Index is an unmanaged index generally considered as the premier of small capitalization stocks.

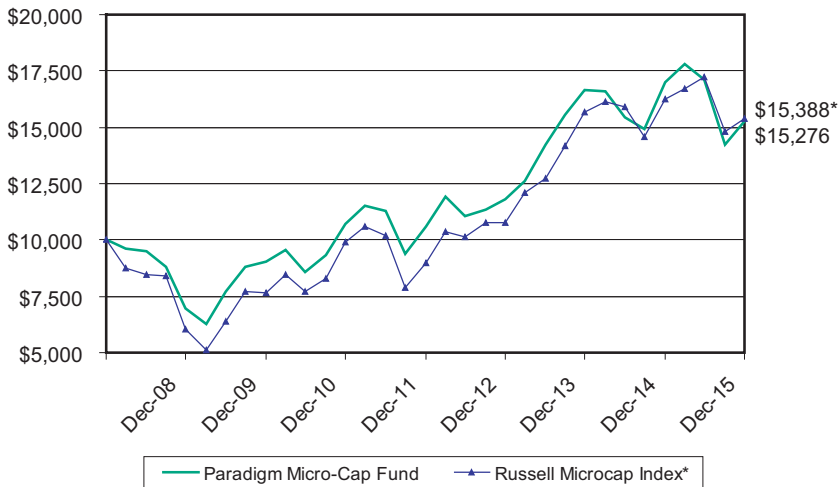
For purposes of the graph and the accompanying table, it is assumed that all dividends and distributions were reinvested.

Per the Fund's most recent prospectus, the Fund's total annual operating expense ratio (before any fee waiver) is 2.01%, and 1.26% post waiver. The Advisor has contractually agreed to waive management fees and reimburse expenses to the extent necessary to maintain total annual operating expenses of the Fund (excluding brokerage fees and commissions, interest and other borrowing expenses, taxes, extraordinary expenses and the indirect costs of investing in Acquired Funds) at 1.25% of its average daily net assets through April 30, 2016.

**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 1-800-239-0732 OR VISIT OUR WEBSITE AT [www.paradigm-funds.com](http://www.paradigm-funds.com).**

# Paradigm Micro-Cap Fund (Unaudited)

The Value of a \$10,000 Investment In Paradigm Micro-Cap Fund From January 1, 2008 to December 31, 2015 As Compared to the Russell Microcap Index



## PERFORMANCE INFORMATION

Average Annual Rate of Return (%) for The Period Ended December 31, 2015.

December 31, 2015 NAV \$24.32

	1 Year <sup>(A)</sup>	3 Year <sup>(A)</sup>	5 Year <sup>(A)</sup>	Since Inception <sup>(A)</sup>
Paradigm Micro-Cap Fund	-10.05%	9.00%	7.35%	5.44%
Russell Microcap® Index <sup>(B)</sup>	-5.16%	12.70%	9.23%	5.53%

<sup>(A)</sup> 1 Year, 3 Year, 5 Year 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 Paradigm Micro-Cap Fund was January 1, 2008. Effective December 27, 2011, the name of the Paradigm Intrinsic Value Fund was changed to the Paradigm Micro-Cap Fund.

<sup>(B)</sup> The Russell Microcap® Index measures the performance of the microcap segment of the U.S. equity market. Microcap stocks make up less than 3% of the U.S. equity market (by market cap) and consist of the smallest 1,000 securities in the small-cap Russell 2000® Index, plus the next smallest eligible securities by market cap. The Russell Microcap is completely reconstituted annually to ensure larger stocks do not distort performance and characteristics of the true microcap opportunity set. Effective December 27, 2011 the Fund changed its investment strategy. Under normal circumstances, the Micro-Cap Fund invests at least 80% of its net assets in common stocks of U.S. micro-cap companies. Therefore, the primary comparative index was changed from the S&P 500® Index to the Russell Microcap® Index.

For purposes of the graph and the accompanying table, it is assumed that all dividends and distributions were reinvested.

Per the Fund's most recent prospectus, the Fund's total annual operating expense ratio is 1.25%.

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 1-800-239-0732 OR VISIT OUR WEBSITE AT [www.paradigm-funds.com](http://www.paradigm-funds.com).

# Paradigm Value Fund

## Schedule of Investments December 31, 2015

Shares	Fair Value	% of Net Assets
<b>COMMON STOCKS</b>		
<b>Air Courier Services</b>		
178,500 Air Transport Services Group, Inc. *	\$ 1,799,280	2.69%
<b>Aircraft Parts &amp; Auxiliary Equipment, NEC</b>		
50,000 Ducommun Incorporated *	811,000	1.21%
<b>Computer Communications Equipment</b>		
400,000 Extreme Networks, Inc. *	1,632,000	
72,000 QLogic Corp. *	878,400	
	2,510,400	3.75%
<b>Construction - Special Trade Contractors</b>		
74,800 Matrix Service Co. *	1,536,392	2.30%
<b>Deep Sea Foreign Transportation of Freight</b>		
112,100 Ardmore Shipping Corporation (Ireland)	1,425,912	2.13%
<b>Electrical Work</b>		
39,000 EMCOR Group Inc.	1,873,560	2.80%
<b>Guided Missiles &amp; Space Vehicles &amp; Parts</b>		
50,000 Kratos Defense & Security Solutions, Inc. *	205,000	0.31%
<b>Heavy Construction Other Than Building Construction - Contractors</b>		
35,500 Granite Construction Incorporated	1,523,305	2.28%
<b>Household Furniture</b>		
20,000 La-Z-Boy Incorporated	488,400	0.73%
<b>Industrial Organic Chemicals</b>		
23,400 Sensient Technologies Corp.	1,469,988	2.20%
<b>Instruments for Measuring &amp; Testing of Electricity &amp; Electric Signals</b>		
100,000 Xcerra Corporation *	605,000	0.90%
<b>Laboratory Analytical Instruments</b>		
32,400 PerkinElmer Inc.	1,735,668	2.59%
<b>Laboratory Apparatus &amp; Furniture</b>		
20,800 Newport Corporation *	330,096	0.49%
<b>Metal Forgings &amp; Stampings</b>		
14,300 Park-Ohio Holdings Corp.	525,954	0.79%
<b>Miscellaneous Electrical Machinery, Equipment &amp; Supplies</b>		
149,600 Electro Scientific Industries, Inc. *	776,424	1.16%
<b>Motor Vehicles &amp; Passenger Car Bodies</b>		
40,000 Federal Signal Corporation	634,000	0.95%
<b>Motor Vehicle Parts &amp; Accessories</b>		
67,600 Tower International, Inc.	1,931,332	2.89%
<b>National Commercial Banks</b>		
51,700 First Merchants Corporation	1,314,214	
43,436 National Bank Holdings Corporation - Class A	928,228	
	2,242,442	3.35%
<b>Orthopedic, Prosthetic &amp; Surgical Appliances &amp; Supplies</b>		
80,000 RTI Surgical, Inc. *	317,600	0.47%
<b>Periodicals: Publishing or Publishing &amp; Printing</b>		
32,000 Rovi Corporation *	533,120	0.80%
<b>Photographic Equipment &amp; Supplies</b>		
30,000 Avid Technology, Inc. *	218,700	0.33%
<b>Radio &amp; TV Broadcasting &amp; Communications Equipment</b>		
120,000 Mitel Networks Corporation * (Canada)	922,800	1.38%
<b>Retail - Apparel &amp; Accessory Stores</b>		
30,000 Citi Trends, Inc.	637,500	
99,500 Express Inc. *	1,719,360	
30,700 The Men's Wearhouse, Inc.	450,676	
35,800 Tilly's, Inc. - Class A *	237,354	
	3,044,890	4.55%

\* Non-Income Producing Securities.

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

# Paradigm Value Fund

## Schedule of Investments December 31, 2015

Shares	Fair Value	% of Net Assets
<b>COMMON STOCKS</b>		
<b>Retail - Family Clothing Stores</b>		
113,200 American Eagle Outfitters, Inc.	\$ 1,754,600	
50,000 Stein Mart, Inc.	336,500	
	<u>2,091,100</u>	3.12%
<b>Retail - Retail Stores, NEC</b>		
25,400 IAC/InterActiveCorp.	1,525,270	
50,000 Kirkland's, Inc.	725,000	
	<u>2,250,270</u>	3.36%
<b>Retail - Shoe Stores</b>		
30,300 Foot Locker, Inc.	1,972,227	2.95%
<b>Retail - Women's Clothing Stores</b>		
340,000 New York & Company, Inc. *	778,600	1.16%
<b>Savings Institution, Federally Chartered</b>		
44,800 LegacyTexas Financial Group, Inc.	1,120,896	
166,242 United Financial Bancorp	2,141,197	
	<u>3,262,093</u>	4.87%
<b>Semiconductors &amp; Related Devices</b>		
48,100 Kulicke & Soffa Industries Inc. * (Singapore)	561,327	
160,000 Lattice Semiconductor Corporation *	1,035,200	
54,600 Microsemi Corporation *	1,779,414	
28,900 Qorvo, Inc. *	1,471,010	
60,000 Ultra Clean Holdings, Inc. *	307,200	
	<u>5,154,151</u>	7.70%
<b>Services - Business Services, NEC</b>		
33,500 Rightside Group, Ltd. *	278,050	0.41%
<b>Services - Computer Integrated Systems Design</b>		
100,000 Allscripts Healthcare Solutions, Inc. *	1,538,000	
70,000 Convergys Corp.	1,742,300	
	<u>3,280,300</u>	4.90%
<b>Services - Computer Processing &amp; Data Preparation</b>		
33,000 Demand Media, Inc. *	181,500	0.27%
<b>Services - Equipment Rental &amp; Leasing, NEC</b>		
50,000 Neff Corporation - Class A *	383,000	0.57%
<b>Services - Help Supply Services</b>		
66,100 Kforce Inc.	1,671,008	2.50%
<b>Services - Hospitals</b>		
25,900 Magellan Health Services Inc. *	1,596,994	
25,600 MEDNAX, Inc. *	1,834,496	
	<u>3,431,490</u>	5.13%
<b>Services - Motion Picture Theaters</b>		
71,400 Regal Entertainment Group Class A	1,347,318	2.01%
<b>Special Industry Machinery, NEC</b>		
150,600 Brooks Automation, Inc.	1,608,408	
200,000 Mattson Technology, Inc. *	706,000	
	<u>2,314,408</u>	3.46%
<b>State Commercial Banks</b>		
32,000 Banner Corporation	1,467,520	
36,000 Renasant Corporation	1,238,760	
	<u>2,706,280</u>	4.04%
<b>Telegraph &amp; Other Message Communications</b>		
23,900 j2 Global, Inc.	1,967,448	2.94%
<b>Telephone &amp; Telegraph Apparatus</b>		
48,500 Polycom, Inc. *	610,615	0.91%
<b>Transportation Services</b>		
20,200 GATX Corp.	859,510	1.28%
<b>Total for Common Stocks (Cost \$45,082,576)</b>	<b>\$ 62,000,631</b>	<b>92.63%</b>

\* Non-Income Producing Securities.

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

# Paradigm Value Fund

## Schedule of Investments December 31, 2015

Shares		Fair Value	% of Net Assets
<b>REAL ESTATE INVESTMENT TRUSTS</b>			
51,300	Blackstone Mortgage Trust, Inc. - Class A	\$ 1,372,788	
182,929	Gramercy Property Trust Inc.	1,412,209	
21,700	Mid-America Apartment Communities Inc.	1,970,577	
12,000	PennyMac Mortgage Investment Trust	<u>183,120</u>	
<b>Total for Real Estate Investment Trusts (Cost \$3,553,711)</b>		4,938,694	7.38%
<b>MONEY MARKET FUNDS</b>			
314,294	SEI Daily Income Treasury Government CL A 0.02% **	<u>314,294</u>	0.47%
<b>(Cost \$314,294)</b>			
<b>Total Investment Securities</b>		67,253,619	100.48%
<b>(Cost \$48,950,581)</b>			
<b>Liabilities in Excess of Other Assets</b>		<u>(322,450)</u>	-0.48%
<b>Net Assets</b>		<u>\$ 66,931,169</u>	<u>100.00%</u>

\* Non-Income Producing Securities.

\*\* Variable Rate Security; the rate shown was the rate at December 31, 2015.

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

# Paradigm Select Fund

## Schedule of Investments December 31, 2015

Shares	Fair Value	% of Net Assets
<b>COMMON STOCKS</b>		
<b>Air Transportation, Nonscheduled</b>		
600 Air Methods Corporation *	\$ 25,158	0.47%
<b>Aircraft &amp; Parts</b>		
1,850 Triumph Group, Inc.	73,538	1.36%
<b>Chemical &amp; Allied Products</b>		
500 Innospec Inc.	27,155	
1,450 Olin Corp.	25,027	
	52,182	0.97%
<b>Computer Communications Equipment</b>		
7,700 Brocade Communications Systems, Inc.	70,686	1.31%
<b>Construction - Special Trade Contractors</b>		
4,900 Matrix Service Co. *	100,646	1.86%
<b>Electrical Work</b>		
1,375 EMCOR Group Inc.	66,055	1.22%
<b>Electromedical &amp; Electrotherapeutic Apparatus</b>		
4,000 Masimo Corporation *	166,040	3.08%
<b>Electronic Computers</b>		
3,500 Cray Inc. *	113,575	
1,700 Omnicell, Inc. *	52,836	
	166,411	3.08%
<b>Fire, Marine &amp; Casualty Insurance</b>		
150 Alleghany Corporation *	71,689	
1,100 American Financial Group Inc.	79,288	
1,750 Aspen Insurance Holdings Limited (Bermuda)	84,525	
608 Endurance Specialty Holdings Ltd. (Bermuda)	38,906	
	274,408	5.08%
<b>Footwear (No Rubber)</b>		
3,000 Caleres, Inc.	80,460	1.49%
<b>Household Furniture</b>		
2,200 La-Z-Boy Incorporated	53,724	1.00%
<b>Industrial Organic Chemicals</b>		
1,200 Scienent Technologies Corporation	75,384	
1,100 Westlake Chemical Corp.	59,752	
	135,136	2.50%
<b>Instruments For Measurement &amp; Testing of Electricity &amp; Electric Signals</b>		
5,000 Teradyne, Inc.	103,350	1.91%
<b>Laboratory Analytical Instruments</b>		
2,650 PerkinElmer Inc.	141,961	2.63%
<b>Miscellaneous Business Credit Institution</b>		
1,450 PHH Corporation *	23,490	0.44%
<b>Miscellaneous Manufacturing Industries</b>		
2,350 Hillenbrand, Inc.	69,630	1.29%
<b>Mortgage Bankers &amp; Loan Correspondents</b>		
2,150 Walter Investment Management Corp. *	30,573	0.57%
<b>Motor Vehicle Parts &amp; Accessories</b>		
600 Visteon Corporation *	68,700	1.27%
<b>Periodicals: Publishing or Publishing &amp; Printing</b>		
8,750 Rovi Corporation *	145,775	2.70%
<b>Petroleum Refining</b>		
2,150 Delek US Holdings, Inc.	52,890	
1,750 Western Refining, Inc.	62,335	
	115,225	2.13%
<b>Plastics Products</b>		
800 AptarGroup Inc.	58,120	1.08%

\* Non-Income Producing Securities.

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

# Paradigm Select Fund

## Schedule of Investments December 31, 2015

Shares	Fair Value	% of Net Assets
<b>COMMON STOCKS</b>		
<b>Printed Circuit Boards</b>		
3,350 Jabil Circuit, Inc.	\$ 78,022	
2,800 TTM Technologies, Inc. *	<u>18,228</u>	
	96,250	1.78%
<b>Radio &amp; TV Broadcasting &amp; Communications Equipment</b>		
5,600 Mitel Networks Corporation * (Canada)	<u>43,064</u>	0.80%
<b>Retail - Apparel &amp; Accessory Stores</b>		
4,600 Express Inc. *	79,488	
1,750 The Men's Wearhouse, Inc.	<u>25,690</u>	
	105,178	1.95%
<b>Retail - Family Clothing Stores</b>		
6,000 American Eagle Outfitters, Inc.	<u>93,000</u>	1.72%
<b>Retail - Radio, TV &amp; Consumer Electronics Stores</b>		
2,800 Best Buy Co., Inc.	<u>85,260</u>	1.58%
<b>Retail - Retail Stores, NEC</b>		
1,550 IAC/InterActiveCorp.	<u>93,077</u>	1.72%
<b>Retail - Shoe Stores</b>		
2,000 Foot Locker, Inc.	<u>130,180</u>	2.41%
<b>Rolling Drawing &amp; Extruding of Nonferrous Metals</b>		
12,991 Alcoa, Inc.	<u>128,221</u>	2.38%
<b>Rubber &amp; Plastics Footwear</b>		
800 Deckers Outdoor Corporation *	<u>37,760</u>	0.70%
<b>Savings Institution, Federally Chartered</b>		
2,200 Capitol Federal Financial, Inc.	<u>27,632</u>	0.51%
<b>Search, Detection, Navigation, Guidance, Aeronautical Systems</b>		
1,200 Garmin Ltd. (Switzerland)	<u>44,604</u>	0.83%
<b>Semiconductors &amp; Related Devices</b>		
3,350 Kulicke & Soffa Industries Inc. * (Singapore)	39,094	
5,000 Marvell Technology Group Ltd. (Bermuda)	44,100	
4,400 Microsemi Corporation *	143,396	
2,100 Qorvo, Inc. *	106,890	
1,550 Skyworks Solutions, Inc.	<u>119,087</u>	
	452,567	8.39%
<b>Services - Auto Rental &amp; Leasing</b>		
800 Ryder System, Inc.	<u>45,464</u>	0.84%
<b>Services - Computer Integrated Systems Design</b>		
6,600 Allscripts Healthcare Solutions, Inc. *	101,508	
3,650 Convergys Corp.	90,849	
6,800 Datalink Corporation *	<u>46,240</u>	
	238,597	4.42%
<b>Services - Help Supply Services</b>		
3,550 Kelly Services, Inc. - Class A	57,332	
3,800 Kforce Inc.	<u>96,064</u>	
	153,396	2.84%
<b>Services - Hospitals</b>		
1,575 Magellan Health Services Inc. *	97,115	
1,450 MEDNAX, Inc. *	<u>103,907</u>	
	201,022	3.72%
<b>Services - Motion Picture Theaters</b>		
4,800 Regal Entertainment Group Class A	<u>90,576</u>	1.68%
<b>Services - Prepackaged Software</b>		
2,800 Imprivata, Inc. *	31,640	
2,350 Progress Software Corporation *	<u>56,400</u>	
	88,040	1.63%

\* Non-Income Producing Securities.

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



# Paradigm Select Fund

## Schedule of Investments December 31, 2015

Shares	Fair Value	% of Net Assets
<b>COMMON STOCKS</b>		
<b>Steel Pipe &amp; Tubes</b>		
1,950 Allegheny Technologies Incorporated	\$ 21,937	0.41%
<b>Steel Works, Blast Furnaces &amp; Rolling Mills (Coke Ovens)</b>		
600 Carpenter Technology Corporation	18,162	
3,900 Commercial Metals Company	53,391	
	71,553	1.33%
<b>Surgical &amp; Medical Instruments &amp; Apparatus</b>		
7,200 Globus Medical, Inc. - Class A *	200,304	
900 NuVasive, Inc. *	48,699	
	249,003	4.61%
<b>Telegraph &amp; Other Message Communications</b>		
1,850 j2 Global, Inc.	152,292	2.82%
<b>Telephone &amp; Telegraph Apparatus</b>		
2,800 Fabrinet * (Thailand)	66,696	
7,750 Polycom, Inc. *	97,573	
	164,269	3.04%
<b>Title Insurance</b>		
1,650 Fidelity National Financial, Inc.	57,205	
600 Fidelity National Financial Ventures *	6,738	
	63,943	1.18%
<b>Transportation Services</b>		
1,100 GATX Corporation	46,805	0.87%
<b>Wholesale - Computers &amp; Peripheral Equipment &amp; Software</b>		
800 SYNEX Corporation	71,944	1.33%
<b>Wholesale - Electrical Apparatus &amp; Equipment, Wiring Supplies</b>		
800 EnerSys	44,744	0.83%
<b>Wholesale - Lumber &amp; Other Construction Materials</b>		
1,100 Boise Cascade Company *	28,083	0.52%
<b>Total for Common Stocks (Cost \$3,720,456)</b>	<b>\$ 5,089,729</b>	<b>94.28%</b>
<b>REAL ESTATE INVESTMENT TRUSTS</b>		
1,400 Mid-America Apartment Communities Inc.	127,134	2.35%
<b>Total for Real Estate Investment Trusts (Cost \$73,803)</b>		
<b>MONEY MARKET FUNDS</b>		
187,189 SEI Daily Income Treasury Government CL A 0.02% ** (Cost \$187,189)	187,189	3.47%
<b>Total Investment Securities</b>		
<b>(Cost \$3,981,448)</b>	5,404,052	100.10%
<b>Liabilities in Excess of Other Assets</b>		
	(5,428)	-0.10%
<b>Net Assets</b>	<b>\$ 5,398,624</b>	<b>100.00%</b>

\* Non-Income Producing Securities.

\*\* Variable Rate Security; the rate shown was the rate at December 31, 2015.

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

# Paradigm Opportunity Fund

## Schedule of Investments December 31, 2015

Shares	Fair Value	% of Net Assets
<b>COMMON STOCKS</b>		
<b>Construction - Special Trade Contractors</b>		
8,600 Matrix Service Co. *	\$ 176,644	2.93%
<b>Electrical Work</b>		
2,825 EMCOR Group Inc.	135,713	2.25%
<b>Industrial Organic Chemicals</b>		
2,550 Sensient Technologies Corporation	160,191	2.66%
<b>Instruments For Measurement &amp; Testing of Electricity &amp; Electric Signals</b>		
7,075 Teradyne, Inc.	146,240	2.43%
<b>Laboratory Analytical Instruments</b>		
2,725 PerkinElmer Inc.	145,978	2.43%
<b>Miscellaneous Electrical Machinery, Equipment &amp; Supplies</b>		
27,800 Electro Scientific Industries, Inc. *	144,282	2.40%
<b>Miscellaneous Manufacturing Industries</b>		
5,500 Hillenbrand, Inc.	162,965	2.71%
<b>Periodicals: Publishing or Publishing &amp; Printing</b>		
15,800 Rovi Corporation *	263,228	4.37%
<b>Retail - Apparel &amp; Accessory Stores</b>		
9,475 Express Inc. *	163,728	
4,375 The Men's Wearhouse, Inc.	64,225	
	<u>227,953</u>	3.79%
<b>Retail - Department Stores</b>		
1,400 Dillard's, Inc. - Class A	91,994	1.53%
<b>Retail - Family Clothing Stores</b>		
12,100 American Eagle Outfitters, Inc.	187,550	3.12%
<b>Retail - Retail Stores, NEC</b>		
3,250 IAC/InterActiveCorp.	195,163	3.24%
<b>Retail - Shoe Stores</b>		
1,200 DSW Inc. - Class A	28,632	
4,325 Foot Locker, Inc.	281,514	
	<u>310,146</u>	5.15%
<b>Rolling Drawing &amp; Extruding of Nonferrous Metals</b>		
19,183 Alcoa, Inc.	189,336	3.15%
<b>Semiconductors &amp; Related Devices</b>		
6,425 Kulicke & Soffa Industries Inc. * (Singapore)	74,980	
8,300 Microsemi Corporation *	270,497	
4,650 Qorvo, Inc. *	236,685	
3,300 Skyworks Solutions, Inc.	253,539	
	<u>835,701</u>	13.88%
<b>Services - Computer Integrated Systems Design</b>		
8,350 Convergys Corp.	207,832	3.45%
<b>Services - Help Supply Services</b>		
7,600 Kelly Services, Inc. - Class A	122,740	2.04%
<b>Services - Hospitals</b>		
3,150 Magellan Health Services Inc. *	194,229	
1,975 MEDNAX, Inc. *	141,528	
	<u>335,757</u>	5.58%
<b>Services - Motion Picture Theaters</b>		
11,475 Regal Entertainment Group Class A	216,533	3.60%
<b>Services - Prepackaged Software</b>		
6,700 Progress Software Corporation *	160,800	2.67%
<b>Special Industry Machinery (No Metalworking Machinery)</b>		
2,000 Kadant Inc.	81,220	1.35%

\* Non-Income Producing Securities.

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

# Paradigm Opportunity Fund

Shares	Schedule of Investments	
	Fair Value	% of Net Assets
<b>COMMON STOCKS</b>		
<b>Special Industry Machinery, NEC</b>		
17,625 Brooks Automation, Inc.	\$ 188,235	3.13%
<b>Surgical &amp; Medical Instruments &amp; Apparatus</b>		
10,125 AtriCure, Inc. *	227,205	3.77%
<b>Telegraph &amp; Other Message Communications</b>		
3,775 j2 Global, Inc.	310,758	5.16%
<b>Telephone &amp; Telegraph Apparatus</b>		
14,200 Polycom, Inc. *	178,778	2.97%
<b>Total for Common Stocks (Cost \$3,616,405)</b>	<b>\$ 5,402,942</b>	<b>89.76%</b>
<b>REAL ESTATE INVESTMENT TRUSTS</b>		
3,200 Mid-America Apartment Communities Inc.	290,592	
<b>Total for Real Estate Investment Trusts (Cost \$138,916)</b>	<b>290,592</b>	<b>4.83%</b>
<b>MONEY MARKET FUNDS</b>		
331,442 SEI Daily Income Treasury Government CL A 0.02% **	331,442	5.51%
<b>(Cost \$331,442)</b>		
<b>Total Investment Securities</b>	<b>6,024,976</b>	<b>100.09%</b>
<b>(Cost \$4,086,763)</b>		
<b>Liabilities in Excess of Other Assets</b>	<b>(5,592)</b>	<b>-0.09%</b>
<b>Net Assets</b>	<b>\$ 6,019,384</b>	<b>100.00%</b>

\* Non-Income Producing Securities.

\*\* Variable Rate Security; the rate shown was the rate at December 31, 2015.

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

# Paradigm Micro-Cap Fund

## Schedule of Investments December 31, 2015

Shares	Fair Value	% of Net Assets
<b>COMMON STOCKS</b>		
<b>Aircraft Parts &amp; Auxiliary Equipment, NEC</b>		
80,000 Ducommun Incorporated *	\$ 1,297,600	
120,000 LMI Aerospace, Inc. *	<u>1,208,400</u>	
	2,506,000	5.91%
<b>Computer Communications Equipment</b>		
280,000 Extreme Networks, Inc. *	<u>1,142,400</u>	2.69%
<b>Construction - Special Trade Contractors</b>		
160,000 Furmanite Corporation *	<u>1,065,600</u>	2.51%
<b>Electronic Computers</b>		
60,000 Omnicell, Inc. *	1,864,800	
80,000 Silicon Graphics International Corp. *	<u>472,000</u>	
	2,336,800	5.51%
<b>Footwear (No Rubber)</b>		
70,000 Caleres, Inc.	<u>1,877,400</u>	4.43%
<b>Guided Missiles &amp; Space Vehicles &amp; Parts</b>		
260,000 Kratos Defense & Security Solutions, Inc. *	<u>1,066,000</u>	2.51%
<b>In Vitro &amp; In Vivo Diagnostic Substances</b>		
50,000 Trinity Biotech plc **	<u>588,000</u>	1.39%
<b>Millwood, Veneer, Plywood, &amp; Structural Wood Members</b>		
140,000 Ply Gem Holdings, Inc. *	<u>1,755,600</u>	4.14%
<b>Miscellaneous Manufacturing Industries</b>		
200,000 Summer Infant, Inc. *	<u>446,000</u>	1.05%
<b>Motor Vehicles &amp; Passenger Car Bodies</b>		
60,000 Federal Signal Corporation	<u>951,000</u>	2.24%
<b>Orthopedic, Prosthetic &amp; Surgical Appliances &amp; Supplies</b>		
360,000 RTI Surgical, Inc. *	<u>1,429,200</u>	3.37%
<b>Paper Mills</b>		
30,000 KapStone Paper and Packaging Corporation	<u>677,700</u>	1.60%
<b>Pharmaceutical Preparations</b>		
90,000 Nature's Sunshine Products	<u>910,800</u>	2.15%
<b>Photographic Equipment &amp; Supplies</b>		
120,000 Avid Technology, Inc. *	<u>874,800</u>	2.06%
<b>Printed Circuit Boards</b>		
180,000 TTM Technologies, Inc. *	<u>1,171,800</u>	2.76%
<b>Radio &amp; TV Broadcasting &amp; Communications Equipment</b>		
140,000 Mitel Networks Corporation * (Canada)	<u>1,076,600</u>	2.54%
<b>Retail - Apparel &amp; Accessory Stores</b>		
60,000 Citi Trends, Inc.	1,275,000	
90,000 Francesca's Holdings Corporation *	1,566,900	
27,400 Gordmans Stores, Inc. *	86,310	
85,800 Tilly's, Inc. - Class A *	<u>568,854</u>	
	3,497,064	8.25%
<b>Retail - Catalog &amp; Mail-Order Houses</b>		
50,000 PC Connection, Inc.	<u>1,132,000</u>	2.67%
<b>Retail - Family Clothing Stores</b>		
60,000 Stage Stores, Inc.	546,600	
100,000 Stein Mart, Inc.	<u>673,000</u>	
	1,219,600	2.88%
<b>Retail - Retail Stores, NEC</b>		
80,000 Kirkland's, Inc.	<u>1,160,000</u>	2.74%
<b>Retail - Women's Clothing Stores</b>		
400,000 New York & Company, Inc. *	<u>916,000</u>	2.16%

\* Non-Income Producing Securities.

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

# Paradigm Micro-Cap Fund

## Schedule of Investments December 31, 2015

Shares	Fair Value	% of Net Assets
<b>COMMON STOCKS</b>		
<b>Semiconductors &amp; Related Devices</b>		
300,000 Lattice Semiconductors Corporation *	\$ 1,941,000	
100,000 MaxLinear, Inc. - Class A *	<u>1,473,000</u>	
	3,414,000	8.05%
<b>Services - Computer Integrated Systems Design</b>		
80,000 Allscripts Healthcare Solutions, Inc. *	1,230,400	
160,000 Datalink Corporation *	<u>1,088,000</u>	
	2,318,400	5.47%
<b>Services - Computer Processing &amp; Data Preparation</b>		
50,200 Brightcove Inc. *	<u>311,240</u>	0.73%
<b>Services - Equipment Rental &amp; Leasing, NEC</b>		
100,000 Neff Corporation - Class A *	<u>766,000</u>	1.81%
<b>Services - Prepackaged Software</b>		
120,000 Imprivata, Inc. *	<u>1,356,000</u>	3.20%
<b>Special Industry Machinery (No Metalworking Machinery)</b>		
15,000 Kadant Inc.	<u>609,150</u>	1.44%
<b>Special Industry Machinery, NEC</b>		
340,000 Mattson Technology, Inc. *	<u>1,200,200</u>	2.83%
<b>Steel Works, Blast Furnaces &amp; Rolling &amp; Finishing Materials</b>		
40,000 Insteel Industries, Inc.	<u>836,800</u>	1.98%
<b>Surgical &amp; Medical Instruments &amp; Apparatus</b>		
50,000 Globus Medical, Inc. - Class A *	<u>1,391,000</u>	3.28%
<b>Telephone &amp; Telegraph Apparatus</b>		
120,000 Shoretel, Inc. *	<u>1,062,000</u>	2.51%
<b>Total for Common Stocks (Cost \$41,957,393)</b>	<b>\$ 41,065,154</b>	<b>96.86%</b>
<b>CONTINGENT VALUE RIGHTS</b>		
50,000 Synergetics USA, Inc. * + (Cost \$0)	-	0.00%
<b>MONEY MARKET FUNDS</b>		
652,748 SEI Daily Income Treasury Government CL A 0.02% *** (Cost \$652,748)	<u>652,748</u>	1.54%
<b>Total Investment Securities</b>	41,717,902	98.40%
(Cost \$42,610,141)		
<b>Other Assets in Excess of Liabilities</b>		
	<u>676,993</u>	1.60%
<b>Net Assets</b>	<b>\$ 42,394,895</b>	<b>100.00%</b>

\* Non-Income Producing Securities.

\*\* Variable Rate Security; the rate shown was the rate at December 31, 2015.

+ Under the terms of the Contingent Value Rights ("CVR"), the holder has the right to receive cash payments of between \$0.50 and \$1.00 if Synergetic's ophthalmology business achieves certain revenue performance milestones.

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

# Paradigm Funds

## Statements of Assets and Liabilities

December 31, 2015

	Value Fund	Select Fund
Assets:		
Investment Securities at Fair Value*	\$ 67,253,619	\$ 5,404,052
Receivable for Fund Shares Sold	366	-
Dividends Receivable	60,939	848
Interest Receivable	54	4
Total Assets	<u>67,314,978</u>	<u>5,404,904</u>
Liabilities:		
Payable for Fund Shares Redeemed	236,518	1,000
Payable for Securities Purchased	58,267	-
Payable to Advisor	89,024	5,280
Total Liabilities	<u>383,809</u>	<u>6,280</u>
Net Assets	<u>\$ 66,931,169</u>	<u>\$ 5,398,624</u>
Net Assets Consist of:		
Paid In Capital	\$ 48,649,527	\$ 4,010,209
Accumulated Undistributed Net Investment Income	3,078	3,421
Accumulated Undistributed Realized Loss on Investments - Net	(24,474)	(37,610)
Unrealized Appreciation in Value of Investment Securities - Net	18,303,038	1,422,604
Net Assets	<u>\$ 66,931,169</u>	<u>\$ 5,398,624</u>
Net Asset Value, Offering and Redemption Price (Note 2)	<u>\$ 43.02</u>	<u>\$ 29.09</u>
* Investments at Identified Cost	<u>\$ 48,950,581</u>	<u>\$ 3,981,448</u>
Shares Outstanding (Unlimited number of shares authorized without par value)	<u>1,555,990</u>	<u>185,567</u>

## Statements of Operations

For the fiscal year ended December 31, 2015

Investment Income:		
Dividends (Net of foreign withholding taxes of \$0 and \$0, respectively)	\$ 1,142,375	\$ 81,617
Interest	339	35
Total Investment Income	<u>1,142,714</u>	<u>81,652</u>
Expenses:		
Investment Advisor Fees	1,571,864	90,323
Total Expenses	1,571,864	90,323
Less: Expenses Waived	(392,966)	(21,075)
Net Expenses	<u>1,178,898</u>	<u>69,248</u>
Net Investment Income (Loss)	<u>(36,184)</u>	<u>12,404</u>
Realized and Unrealized Gain (Loss) on Investments:		
Net Realized Gain on Investments	10,102,364	455,515
Net Change in Unrealized Appreciation on Investments	(8,943,339)	(502,967)
Net Realized and Unrealized Gain (Loss) on Investments	<u>1,159,025</u>	<u>(47,452)</u>
Net Increase (Decrease) in Net Assets from Operations	<u>\$ 1,122,841</u>	<u>\$ (35,048)</u>

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

# Paradigm Funds

## Statements of Assets and Liabilities

December 31, 2015

	Opportunity Fund	Micro-Cap Fund
Assets:		
Investment Securities at Fair Value*	\$ 6,024,976	\$ 41,717,902
Cash	-	189,581
Receivable for Fund Shares Sold	-	594,151
Dividends Receivable	766	75,400
Interest Receivable	6	27
Total Assets	<u>6,025,748</u>	<u>42,577,061</u>
Liabilities:		
Payable for Fund Shares Redeemed	-	49
Payable for Securities Purchased	-	137,909
Payable to Advisor	6,364	44,208
Total Liabilities	<u>6,364</u>	<u>182,166</u>
Net Assets	<u>\$ 6,019,384</u>	<u>\$ 42,394,895</u>
Net Assets Consist of:		
Paid In Capital	\$ 4,322,666	\$ 43,473,865
Accumulated Realized Loss on Investments - Net	(241,495)	(186,731)
Unrealized Appreciation (Depreciation) in Value of Investment Securities - Net	1,938,213	(892,239)
Net Assets	<u>\$ 6,019,384</u>	<u>\$ 42,394,895</u>
Net Asset Value, Offering and Redemption Price (Note 2)	<u>\$ 31.14</u>	<u>\$ 24.32</u>
* Investments at Identified Cost	<u>\$ 4,086,763</u>	<u>\$ 42,610,141</u>
Shares Outstanding (Unlimited number of shares authorized without par value)	<u>193,314</u>	<u>1,743,038</u>

## Statements of Operations

For the fiscal year ended December 31, 2015

Investment Income:		
Dividends (Net of foreign withholding taxes of \$0 and \$0, respectively)	\$ 71,312	\$ 299,130
Interest	62	320
Total Investment Income	<u>71,374</u>	<u>299,450</u>
Expenses:		
Investment Advisor Fees	134,081	448,155
Total Expenses	134,081	448,155
Less: Expenses Waived	(50,280)	-
Net Expenses	<u>83,801</u>	<u>448,155</u>
Net Investment Loss	<u>(12,427)</u>	<u>(148,705)</u>
Realized and Unrealized Gain (Loss) on Investments:		
Net Realized Gain (Loss) on Investments	(201,820)	395,501
Net Change in Unrealized Appreciation (Depreciation) on Investments	(86,400)	(5,063,818)
Net Realized and Unrealized Loss on Investments	<u>(288,220)</u>	<u>(4,668,317)</u>
Net Decrease in Net Assets from Operations	<u>\$ (300,647)</u>	<u>\$ (4,817,022)</u>

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

# Paradigm Funds

## Statements of Changes in Net Assets

	Value Fund		Select Fund	
	1/1/2015 to 12/31/2015	1/1/2014 to 12/31/2014	1/1/2015 to 12/31/2015	1/1/2014 to 12/31/2014
From Operations:				
Net Investment Income (Loss)	\$ (36,184)	\$ (107,161)	\$ 12,404	\$ 137
Net Realized Gain on Investments	10,102,364	18,526,403	455,515	1,307,264
Change in Net Unrealized Appreciation	(8,943,339)	(15,116,940)	(502,967)	(774,706)
Increase (Decrease) in Net Assets from Operations	1,122,841	3,302,302	(35,048)	532,695
From Distributions to Shareholders:				
Net Investment Income	-	-	(9,124)	-
Net Realized Gain from Security Transactions	(8,355,645)	(16,140,005)	(456,985)	(1,288,457)
Total Distributions to Shareholders	(8,355,645)	(16,140,005)	(466,109)	(1,288,457)
From Capital Share Transactions:				
Proceeds From Sale of Shares	3,224,508	5,191,517	485,080	263,258
Proceeds from Redemption Fees (Note 2)	2,584	2,317	500	-
Shares Issued on Reinvestment of Dividends	8,044,376	15,495,221	446,727	1,239,535
Cost of Shares Redeemed	(33,269,143)	(44,803,134)	(1,569,443)	(2,391,358)
Net Decrease from Shareholder Activity	(21,997,675)	(24,114,079)	(637,136)	(888,565)
Net Decrease in Net Assets	(29,230,479)	(36,951,782)	(1,138,293)	(1,644,327)
Net Assets at Beginning of Period	96,161,648	133,113,430	6,536,917	8,181,244
Net Assets at End of Period	\$ 66,931,169	\$ 96,161,648	\$ 5,398,624	\$ 6,536,917
Accumulated Undistributed Net Investment Income	\$ 3,078	\$ -	\$ 3,421	\$ 137
Share Transactions:				
Issued	65,850	89,913	14,617	6,963
Reinvested	184,886	318,308	15,195	38,175
Redeemed	(684,272)	(780,306)	(47,255)	(62,920)
Net Decrease in Shares	(433,536)	(372,085)	(17,443)	(17,782)
Shares Outstanding Beginning of Period	1,989,526	2,361,611	203,010	220,792
Shares Outstanding End of Period	1,555,990	1,989,526	185,567	203,010

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



# Paradigm Funds

## Statements of Changes in Net Assets

	Opportunity Fund		Micro-Cap Fund	
	1/1/2015 to 12/31/2015	1/1/2014 to 12/31/2014	1/1/2015 to 12/31/2015	1/1/2014 to 12/31/2014
From Operations:				
Net Investment Loss	\$ (12,427)	\$ (9,308)	\$ (148,705)	\$ (139,881)
Net Realized Gain (Loss) on Investments	(201,820)	351,681	395,501	3,112,369
Change in Net Unrealized Appreciation (Depreciation)	(86,400)	269,876	(5,063,818)	(2,502,304)
Increase (Decrease) in Net Assets from Operations	(300,647)	612,249	(4,817,022)	470,184
From Distributions to Shareholders:				
Net Investment Income	-	-	-	-
Net Realized Gain from Security Transactions	(872)	(344,703)	(543,398)	(2,982,290)
Total Distributions to Shareholders	(872)	(344,703)	(543,398)	(2,982,290)
From Capital Share Transactions:				
Proceeds From Sale of Shares	394,205	180,230	23,904,401	584,411
Proceeds from Redemption Fees (Note 2)	556	17	-	-
Shares Issued on Reinvestment of Dividends	870	344,703	543,357	2,981,619
Cost of Shares Redeemed	(768,997)	(134,699)	(2,792,347)	(2,163,948)
Net Increase (Decrease) from Shareholder Activity	(373,366)	390,251	21,655,411	1,402,082
Net Increase (Decrease) in Net Assets	(674,885)	657,797	16,294,991	(1,110,024)
Net Assets at Beginning of Period	6,694,269	6,036,472	26,099,904	27,209,928
Net Assets at End of Period	\$ 6,019,384	\$ 6,694,269	\$ 42,394,895	\$ 26,099,904
Accumulated Undistributed Net Investment Income	\$ -	\$ -	\$ -	\$ -
Share Transactions:				
Issued	11,226	5,362	881,559	20,394
Reinvested	28	10,468	22,115	108,344
Redeemed	(22,648)	(4,276)	(113,529)	(72,446)
Net Increase (Decrease) in Shares	(11,394)	11,554	790,145	56,292
Shares Outstanding Beginning of Period	204,708	193,154	952,893	896,601
Shares Outstanding End of Period	193,314	204,708	1,743,038	952,893

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

# Paradigm Value Fund

## Financial Highlights - Paradigm Value Fund

Selected data for a share outstanding throughout the period:	1/1/2015 to 12/31/2015	1/1/2014 to 12/31/2014	1/1/2013 to 12/31/2013	1/1/2012 to 12/31/2012	1/1/2011 to 12/31/2011
Net Asset Value - Beginning of Period	\$ 48.33	\$ 56.37	\$ 56.47	\$ 52.54	\$ 55.09
Net Investment Income (Loss) (a)	(0.02)	(0.05)	(0.19)	0.15	(0.15)
Net Gain (Loss) on Securities (Realized and Unrealized)	0.74	1.50	12.45	4.01	(1.64)
Total from Investment Operations	0.72	1.45	12.26	4.16	(1.79)
Distributions (From Net Investment Income)	-	-	-	(0.16)	-
Distributions (From Capital Gains)	(6.03)	(9.49)	(12.37)	-	(0.78)
Distributions (From Return of Capital)	-	-	-	(0.07)	-
Total Distributions	(6.03)	(9.49)	(12.37)	(0.23)	(0.78)
Proceeds from Redemption Fee (Note 2)	- +	- +	0.01	- +	0.02
Net Asset Value - End of Period	\$ 43.02	\$ 48.33	\$ 56.37	\$ 56.47	\$ 52.54
Total Return (b)	1.35%	2.44%	21.82%	7.93%	(3.22)%

### Ratios/Supplemental Data

Net Assets - End of Period (Thousands)	\$ 66,931	\$ 96,162	\$ 133,113	\$ 244,606	\$ 234,849
Before Reimbursement					
Ratio of Expenses to Average Net Assets	2.00%	1.97%	1.91%	1.84%	1.83%
After Reimbursement					
Ratio of Expenses to Average Net Assets ++	1.50%	1.50%	1.50%	1.50%	1.50%
Ratio of Net Investment Income (Loss) to Average Net Assets ++	(0.05)%	(0.09)%	(0.31)%	0.26%	(0.26)%
Portfolio Turnover Rate	14.35%	31.47%	48.01%	62.22%	83.95%

# Paradigm Select Fund

## Financial Highlights - Paradigm Select Fund

Selected data for a share outstanding throughout the period:	1/1/2015 to 12/31/2015	1/1/2014 to 12/31/2014	1/1/2013 to 12/31/2013	1/1/2012 to 12/31/2012	1/1/2011 to 12/31/2011
Net Asset Value - Beginning of Period	\$ 32.20	\$ 37.05	\$ 32.50	\$ 30.24	\$ 29.71
Net Investment Income (a)	0.07	- +	0.06	0.24	0.06
Net Gain (Loss) on Securities (Realized and Unrealized)	(0.45)	2.98	9.29	2.49	0.52
Total from Investment Operations	(0.38)	2.98	9.35	2.73	0.58
Distributions (From Net Investment Income)	(0.05)	-	(0.05)	(0.28)	(0.05)
Distributions (From Capital Gains)	(2.68)	(7.83)	(4.75)	(0.19)	-
Total Distributions	(2.73)	(7.83)	(4.80)	(0.47)	(0.05)
Proceeds from Redemption Fee (Note 2)	- +	-	- +	- +	- +
Net Asset Value - End of Period	\$ 29.09	\$ 32.20	\$ 37.05	\$ 32.50	\$ 30.24
Total Return (b)	(1.26)%	7.86%	28.83%	9.07%	1.97%
Net Assets - End of Period (Thousands)	\$ 5,399	\$ 6,537	\$ 8,181	\$ 9,462	\$ 7,930
Before Reimbursement					
Ratio of Expenses to Average Net Assets	1.50%	1.50%	1.50%	1.50%	1.50%
After Reimbursement					
Ratio of Expenses to Average Net Assets ++	1.15%	1.15%	1.15%	1.15%	1.20%
Ratio of Net Investment Income to Average Net Assets ++	0.21%	0.00% +	0.16%	0.73%	0.21%
Portfolio Turnover Rate	19.57%	36.25%	46.80%	86.71%	58.40%

(a) Per share amount calculated using the average shares method.

(b) 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. Returns do not reflect the deduction of taxes a shareholder would pay on Fund distributions or redemption of Fund shares.

+ Amount calculated is less than \$0.005/0.005%.

++ Such percentages reflect an expense waiver by the Advisor (for Value since 2010 and for Select since 2011). See Note 4.

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

# Paradigm Opportunity Fund

## Financial Highlights - Paradigm Opportunity Fund

Selected data for a share outstanding throughout the period:	1/1/2015 to 12/31/2015	1/1/2014 to 12/31/2014	1/1/2013 to 12/31/2013	1/1/2012 to 12/31/2012	1/1/2011 to 12/31/2011
Net Asset Value - Beginning of Period	\$ 32.70	\$ 31.25	\$ 26.44	\$ 25.04	\$ 25.59
Net Investment Loss (a)	(0.06)	(0.05)	(0.08)	(0.03)	(0.20)
Net Gain (Loss) on Securities (Realized and Unrealized)	(1.50)	3.27	6.82	1.71	(0.14)
Total from Investment Operations	(1.56)	3.22	6.74	1.68	(0.34)
Distributions (From Net Investment Income)	-	-	-	-	-
Distributions (From Capital Gains)	- +	(1.77)	(1.93)	(0.28)	(0.21)
Distributions (From Return of Capital)	-	-	-	-	-
Total Distributions	-	(1.77)	(1.93)	(0.28)	(0.21)
Proceeds from Redemption Fee (Note 2)	- +	- +	-	-	-
Net Asset Value - End of Period	\$ 31.14	\$ 32.70	\$ 31.25	\$ 26.44	\$ 25.04
Total Return (b)	(4.76)%	10.28%	25.54%	6.72%	(1.34)%
<b>Ratios/Supplemental Data</b>					
Net Assets - End of Period (Thousands)	\$ 6,019	\$ 6,694	\$ 6,036	\$ 4,807	\$ 4,491
Before Reimbursement					
Ratio of Expenses to Average Net Assets	2.00%	2.00%	2.00%	2.00%	2.00%
After Reimbursement					
Ratio of Expenses to Average Net Assets (c)	1.25%	1.25%	1.25%	1.33%	1.50%
Ratio of Net Investment Loss to Average Net Assets (c)	(0.19)%	(0.15)%	(0.28)%	(0.10)%	(0.76)%
Portfolio Turnover Rate	16.21%	7.59%	44.00%	61.11%	65.44%

## Paradigm Micro-Cap Fund

### Financial Highlights - Paradigm Micro-Cap Fund

Selected data for a share outstanding throughout the period:	1/1/2015 to 12/31/2015	1/1/2014 to 12/31/2014	1/1/2013 to 12/31/2013	1/1/2012 to 12/31/2012	1/1/2011 to 12/31/2011
Net Asset Value - Beginning of Period	\$ 27.39	\$ 30.35	\$ 23.24	\$ 21.01	\$ 21.20
Net Investment Income (Loss) (a)	(0.11)	(0.17)	(0.06)	0.09	(0.04)
Net Gain (Loss) on Securities (Realized and Unrealized)	(2.64)	0.74	9.69	2.23	(0.15)
Total from Investment Operations	(2.75)	0.57	9.63	2.32	(0.19)
Distributions (From Net Investment Income)	-	-	-	(0.09)	-
Distributions (From Capital Gains)	(0.32)	(3.53)	(2.52)	-	-
Total Distributions	(0.32)	(3.53)	(2.52)	(0.09)	-
Proceeds from Redemption Fee (Note 2)	-	-	-	- +	-
Net Asset Value - End of Period	\$ 24.32	\$ 27.39	\$ 30.35	\$ 23.24	\$ 21.01
Total Return (b)	(10.05)%	1.81%	41.41%	11.06%	(0.90)%
<b>Ratios/Supplemental Data</b>					
Net Assets - End of Period (Thousands)	\$ 42,395	\$ 26,100	\$ 27,210	\$ 17,598	\$ 7,026
Ratio of Expenses to Average Net Assets	1.25%	1.25%	1.25%	1.25%	1.25%
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.41)%	(0.58)%	(0.21)%	0.38%	(0.20)%
Portfolio Turnover Rate	70.95%	101.19%	70.07%	60.47%	126.43% ++

(a) Per share amount calculated using the average shares method.

(b) 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. Returns do not reflect the deduction of taxes a shareholder would pay on Fund distributions or redemption of Fund shares.

(c) Such percentages reflect an expense waiver by the Advisor. See Note 4.

+ Amount calculated is less than \$0.005.

++ The Fund's portfolio turnover rate increased due to the change in the Fund's principal investment strategy to invest (under normal circumstances) at least 80% of its net assets in the common stocks of U.S. micro-cap companies effective December 27, 2011.

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

# NOTES TO FINANCIAL STATEMENTS

## PARADIGM FUNDS

### December 31, 2015

#### 1.) ORGANIZATION

Paradigm Funds (the "Trust") is an open-end management investment company that was organized in Ohio as a business trust on September 13, 2002 that may offer shares of beneficial interest in a number of separate series, each series representing a distinct fund with its own investment objectives and policies. The Paradigm Value Fund ("Value") commenced operations on January 1, 2003. The Paradigm Value Fund's investment objective is long-term capital appreciation. The Paradigm Select Fund ("Select") and Paradigm Opportunity Fund ("Opportunity") both commenced operations on January 1, 2005 with long-term capital appreciation as their objective. The Paradigm Micro-Cap Fund ("Micro-Cap") commenced operations on January 1, 2008. The Paradigm Micro-Cap Fund's investment objective is long-term capital appreciation. Under normal circumstances, the Micro-Cap Fund invests at least 80% of its net assets in the common stocks of U.S. micro-cap companies. Prior to December 27, 2011, the principal investment strategy of the Fund was to invest primarily in the common stocks of small, mid or large capitalization companies that the Advisor believed had the potential for capital appreciation. Value, Select, Opportunity and Micro-Cap are all diversified funds. The advisor to Value, Select, Opportunity and Micro-Cap (each a "Fund" and collectively the "Funds") is Paradigm Funds Advisor LLC (the "Advisor").

#### 2.) SIGNIFICANT ACCOUNTING POLICIES

**SECURITY VALUATION:** The Funds are investment companies and accordingly follow the investment company accounting and reporting guidance of the Financial Accounting Standards Board ("FASB") Accounting Standard Codification Topic 946 Financial Services - Investment Companies. All investments in securities are recorded at their estimated fair value, as described in Note 3.

**SECURITY TRANSACTIONS AND OTHER:** Security transactions are recorded based on a trade date for financial statement reporting purposes. Dividend income is recognized on the ex-dividend date. Interest income is recognized on an accrual basis. The Funds use the highest cost basis in computing gain or loss on sale of investment securities. Discounts and premiums on fixed income securities purchased are amortized over the lives of the respective securities. Withholding taxes on foreign dividends have been provided for in accordance with the Funds' understanding of the applicable country's tax rules and rates. The Funds 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.

The Funds may hold investments in master limited partnerships ("MLPs"). It is common for distributions from MLPs to exceed taxable earnings and profits resulting in the excess portion of such dividend to be designated as return of capital. Annually, income or loss from MLPs is reclassified upon receipt of the MLPs K-1. For financial reporting purpose management does not estimate the tax character of MLP distributions for which actual information has not been reported.

**SHARE VALUATION:** The net asset value (the "NAV") is calculated as of the close of trading on the New York Stock Exchange (normally 4:00 p.m. Eastern time) every day the Exchange is open. The NAV for each Fund is calculated by taking the total value of the Fund's assets, subtracting its liabilities, and then dividing by the total number of shares outstanding, rounded to the nearest cent. The offering price and redemption price per share is equal to the net asset value per share, except that shares of each Fund are subject to a redemption fee of 2% if redeemed within 90 days of purchase. During the fiscal year ended December 31, 2015 proceeds from redemption fees were \$2,584, \$500, \$556 and \$0 for Value, Select, Opportunity and Micro-Cap, respectively.

**SHORT SALES:** A Fund may sell a security it does not own in anticipation of a decline in the fair value of the security. When a Fund sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale. A gain, limited to the price at which a Fund sold the security short, or a loss, unlimited in size, will be recognized upon the termination of a short sale.

**INCOME TAXES:** The Funds' 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 their taxable income to shareholders. Therefore, no federal income tax provision is required. It is the Funds' 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

## Notes to Financial Statements - continued

the book year-end accumulated income. In addition, it is the Funds' policy to distribute annually, after the end of the fiscal year, any remaining net investment income and net realized capital gains.

The Funds recognize 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 Funds' 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 open tax years (2012-2014), or expected to be taken on the Funds' 2015 tax return. The Funds identify their major tax jurisdictions as U.S. Federal and New York State tax authorities; the Funds are 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 Funds recognize interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statements of Operations. During the fiscal year ended December 31, 2015, the Funds did not incur any interest or penalties.

**ESTIMATES:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") 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.

**DISTRIBUTIONS TO SHAREHOLDERS:** Distributions to shareholders, which are determined in accordance with income tax regulations, are recorded on the ex-dividend date. The Funds may utilize earnings and profits distributed to shareholders on redemptions of shares as part of the dividends paid deduction. The treatment for financial reporting purposes of distributions made to shareholders during the year from net investment 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 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 reclassification will have no effect on net assets, results of operations or net asset values per share of any Fund. At December 31, 2015, the following permanent adjustments were recorded. Such adjustments were attributed to the reclassification of net investment loss, distribution adjustments and the usage of equalization for tax purposes.

### Value

Paid In Capital	\$1,106,713
Accumulated Undistributed Net Investment Income	\$39,262
Accumulated Realized Loss on Investments - Net	(\$1,145,975)

### Opportunity

Paid In Capital	(\$12,427)
Accumulated Undistributed Net Investment Income	\$12,427

### Micro-Cap

Paid In Capital	(\$112,723)
Accumulated Undistributed Net Investment Income	\$148,705
Accumulated Realized Loss on Investments - Net	(\$35,982)

## 3.) SECURITIES VALUATIONS

The Funds utilize various methods to measure the fair value of their 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.

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 Funds' best information about the assumptions a market participant would use in valuing the assets or liabilities.

The availability of 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

## Notes to Financial Statements - continued

based on models or inputs that are less observable or 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 in 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 Funds' major categories of assets measured at fair value on a recurring basis follows.

*Equity securities (common stocks, real estate investment trusts and contingent value rights).* Equity securities that are traded on any exchange or on the NASDAQ over-the-counter market are valued at the last quoted sale price. Lacking a last sale price, a long security is valued at its last bid price except when, in the Advisor's opinion, the last bid price does not accurately reflect the current value of the long security. To the extent these securities are actively traded and valuation adjustments are not applied, they are classified in level 1 of the fair value hierarchy. When market quotations are not readily available, when the Advisor determines the last bid price does not accurately reflect the current value or when restricted securities are being valued, such securities are valued as determined in good faith by the Advisor, in conformity with guidelines adopted by and 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.* Money market funds are valued at net asset value and are classified in level 1 of the fair value hierarchy.

*Fixed income securities.* Fixed income 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 value of such securities. A pricing service utilizes electronic data processing techniques based on yield spreads relating to securities with similar characteristics to determine prices for normal institutional-size trading units of debt securities without regard to sale or bid prices. When prices are not readily available from a pricing service, or when restricted or illiquid securities are being valued, securities are valued at fair value as determined in good faith by the Advisor, subject to review of the Trustees. Short-term investments in fixed income securities with maturities of less than 60 days when acquired, or which subsequently are within 60 days of maturity, are valued by using the amortized cost method of valuation. Generally, fixed income securities are categorized as level 2.

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 standard 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 tables summarize the inputs used to value the Funds' assets measured at fair value as of December 31, 2015:

#### Value:

<u>Valuation Inputs of Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks	\$62,000,631	\$ -	\$ -	\$62,000,631
Real Estate Investment Trusts	4,938,694	-	-	4,938,694
Money Market Funds	<u>314,294</u>	<u>-</u>	<u>-</u>	<u>314,294</u>
Total	\$67,253,619	\$ -	\$ -	\$67,253,619

#### Select:

<u>Valuation Inputs of Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks	\$5,089,729	\$ -	\$ -	\$5,089,729
Real Estate Investment Trusts	127,134	-	-	127,134
Money Market Funds	<u>187,189</u>	<u>-</u>	<u>-</u>	<u>187,189</u>
Total	\$5,404,052	\$ -	\$ -	\$5,404,052

## Notes to Financial Statements - continued

### Opportunity:

<u>Valuation Inputs of Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks	\$5,402,942	\$ -	\$ -	\$5,402,942
Real Estate Investment Trusts	290,592	-	-	290,592
Money Market Funds	<u>331,442</u>	-	-	<u>331,442</u>
Total	\$6,024,976	\$ -	\$ -	\$6,024,976

### Micro-Cap:

<u>Valuation Inputs of Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks	\$41,065,154	\$ -	\$ -	\$41,065,154
Contingent Value Rights	-	-	-	-
Money Market Funds	<u>652,748</u>	-	-	<u>652,748</u>
Total	\$41,717,902	\$ -	\$ -	\$41,717,902

Refer to each Fund's Schedule of Investments for a listing of securities by industry. The Funds did not hold any level 3 assets during the fiscal year ended December 31, 2015. There were no transfers into or out of the levels during the fiscal year ended December 31, 2015. It is the Funds' policy to consider transfers into or out of the levels as of the end of the reporting period.

The Funds did not invest in derivative instruments during the fiscal year ended December 31, 2015.

#### 4.) INVESTMENT ADVISORY AGREEMENTS

The Trust, with respect to each of the Funds, has an investment advisory agreement (collectively the "Management Agreements") with the Advisor. Under the terms of the Management Agreements, the Advisor manages the investment portfolios of the Funds, subject to policies adopted by the Trustees. Under the Management Agreements, the Advisor, 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 assets of the Funds. The Advisor pays all operating expenses of the Funds with the exception of taxes, brokerage fees and commissions, borrowing costs (such as interest and dividend expenses on securities sold short) and such 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 with respect thereto. The Funds will also pay expenses that they are authorized to pay pursuant to Rule 12b-1 under the Investment Company Act of 1940 (none are currently authorized). The Advisor also pays the salaries and fees of all of its officers and employees that serve as officers and trustees of the Trust. For its services and payment of certain Fund expenses as described below, the Advisor receives an annual investment management fee of 1.50% of the average daily net assets from Select; 2.00% of the average daily net assets from Opportunity; and 1.25% of the average daily net assets from Micro-Cap. Value pays the Advisor an annual investment management fee of 2.00% of the average daily net assets on assets up to and including \$100 million and 1.75% of the average daily net assets over \$100 million. As a result of the above calculations, for the fiscal year ended December 31, 2015, the Advisor earned management fees (before the waivers described below) totaling \$1,571,864, \$90,323, \$134,081 and \$448,155 for Value, Select, Opportunity, and Micro-Cap, respectively. At December 31, 2015, \$89,024, \$5,280, \$6,364 and \$44,208 was due to the Advisor from Value, Select, Opportunity and Micro-Cap, respectively. The Advisor has contractually agreed to waive management fees and/or reimburse Value, Select and Opportunity to the extent necessary to maintain total annual operating expenses of the Funds (excluding brokerage fees and commissions, interest and other borrowing expenses, taxes, extraordinary expenses and indirect costs of investing in acquired funds) at 1.50%, 1.15% and 1.25%, respectively, of daily net assets through April 30, 2016. The Advisor waived \$392,966, \$21,075 and \$50,280 for the fiscal year ended December 31, 2015 for Value, Select and Opportunity, respectively. There is no recapture provision to these waivers.

#### 5.) RELATED PARTY TRANSACTIONS

Certain officers and shareholders of the Advisor are also officers and/or a Trustee of the Trust. These individuals may receive benefits from the Advisor resulting from management fees paid to the Advisor from the Funds.

The Trustees who are not interested persons of the Funds were each paid \$8,000, for a total of \$24,000, in Trustees fees for the fiscal year ended December 31, 2015 for the Trust. Under the Management Agreements, the Advisor pays these fees.

#### 6.) INVESTMENTS

For the fiscal year ended December 31, 2015, purchases and sales of investment securities other than U.S. Government obligations and short-term investments were as follows:

## Notes to Financial Statements - continued

	Value	Select	Opportunity	Micro-Cap
Purchases	\$11,046,113	\$1,144,649	\$1,025,780	\$44,330,629
Sales	\$41,277,342	\$2,246,576	\$1,178,549	\$24,375,695

There were no purchases or sales of U.S. Government obligations.

### 7.) CAPITAL SHARES

At December 31, 2015, the Trust was authorized to issue an unlimited number of shares of beneficial interest. The following are the shares issued and paid in capital outstanding for the Funds at December 31, 2015:

	Value	Select	Opportunity	Micro-Cap
Shares Issued and Outstanding	1,555,990	185,567	193,314	1,743,038
Paid in Capital	\$48,649,527	\$4,010,209	\$4,322,666	\$43,473,865

### 8.) CONTROL OWNERSHIP

The beneficial ownership, either directly or indirectly, of more than 25% of the voting shares of a fund creates a presumption of control of the fund, under section 2(a)(9) of the Investment Company Act of 1940. At December 31, 2015, National Financial Services, LLC, located at 200 Liberty Street, New York, New York, for the benefit of its customers, held, in aggregate, 40.39% of Value, and therefore also may be deemed to control Value. Candace King Weir, beneficial owner located at 9 Elk Street, Albany, New York 12207, held, in aggregate, 30.48%, of Select, and therefore may be deemed to control Select. Candace King Weir, beneficial owner located at 9 Elk Street, Albany, New York 12207, held, in aggregate, 91.73%, of Opportunity, and therefore may be deemed to control Opportunity. Candace King Weir, beneficial owner located at 9 Elk Street, Albany, New York 12207, held, in aggregate, 58.07% of Micro-Cap, and therefore may be deemed to control Micro-Cap.

### 9.) TAX MATTERS

For federal income tax purposes, at December 31, 2015 the cost of securities on a tax basis and the composition of gross unrealized appreciation (the excess of value over tax cost) and depreciation (the excess of tax cost over value) were as follows:

	Value	Select	Opportunity	Micro-Cap
Cost of Investments	\$49,041,940	\$4,019,058	\$4,109,112	\$42,796,872
Gross Unrealized Appreciation	\$21,627,524	\$1,675,626	\$2,137,722	\$4,240,339
Gross Unrealized Depreciation	<u>(\$3,415,845)</u>	<u>(\$290,632)</u>	<u>(\$221,858)</u>	<u>(\$5,319,309)</u>
Net Unrealized Appreciation (Depreciation) on Investments	\$18,211,679	\$1,384,994	\$1,915,864	(\$1,078,970)

The tax character of distributions paid during the fiscal years ended December 31, 2015 and 2014 were as follows:

	Fiscal Year Ended December 31, 2015	Fiscal Year Ended December 31, 2014
<b><u>PARADIGM VALUE FUND</u></b>		
Ordinary Income	\$ 351,550	\$ 55,448
Long-term Capital Gain	<u>8,004,095</u>	<u>16,084,557</u>
	\$ 8,355,645	\$16,140,005
<b><u>PARADIGM SELECT FUND</u></b>		
Ordinary Income	\$ 71,087	\$ 62,206
Long-term Capital Gain	<u>395,022</u>	<u>1,226,251</u>
	\$ 466,109	\$ 1,288,457
<b><u>PARADIGM OPPORTUNITY FUND</u></b>		
Ordinary Income	\$ 872	\$ 20,137
Long-term Capital Gain	<u>-</u>	<u>324,566</u>
	\$ 872	\$ 344,703
<b><u>PARADIGM MICRO-CAP FUND</u></b>		
Ordinary Income	\$ 11,095	\$ 14,267
Long-term Capital Gain	<u>532,303</u>	<u>2,968,023</u>
	\$ 543,398	\$ 2,982,290



## Notes to Financial Statements - continued

As of December 31, 2015, the components of distributable earnings on a tax basis were as follows:

	<u>Value</u>	<u>Select</u>
Undistributed ordinary income	\$ 3,426	\$ 3,421
Undistributed capital gain	66,537	-
Unrealized appreciation	<u>18,211,679</u>	<u>1,384,994</u>
	\$ 18,281,642	\$ 1,388,415
	<u>Opportunity</u>	<u>Micro-Cap</u>
Undistributed capital loss	\$ (219,146)	\$ -
Unrealized appreciation (depreciation)	<u>1,915,864</u>	<u>(1,078,970)</u>
	\$ 1,696,718	\$ (1,078,970)

The difference between book basis and tax basis unrealized appreciation/(depreciation) is attributable to the tax deferral of losses on wash sales.

### 10.) CAPITAL LOSS CARRYFORWARDS

As of December 31, 2015, Opportunity had available for federal tax purposes an unused capital loss carry-forward of \$219,146, of which \$121,751 is short-term with no expiration and \$97,395 is long-term with no expiration.

### 11.) SUBSEQUENT EVENTS

Subsequent events after the date of the Statements 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.

## DISCLOSURE OF EXPENSES (Unaudited)

The ongoing costs to shareholders associated with the Paradigm Value Fund, Paradigm Select Fund, Paradigm Opportunity Fund and Paradigm Micro-Cap Fund consist solely of management fees. Although the Funds charge no sales loads or transaction fees, you will be assessed fees for outgoing wire transfers, returned checks and stop payment orders at prevailing rates charged by Mutual Shareholder Services, LLC, the Funds' transfer agent. IRA accounts will be charged an \$8.00 annual maintenance fee. If shares are redeemed within 90 days of purchase from the Funds, the shares are subject to a 2% redemption fee. The following example is intended to help you understand your ongoing costs of investing in the Funds and to compare these costs with similar costs of investing in other mutual funds. The example is based on an investment of \$1,000 invested in the Funds on July 1, 2015 and held through December 31, 2015.

The first line of the table below provides information about actual account values and actual expenses. In order to estimate the expenses a shareholder paid during the period covered by this report, shareholders can divide their account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6) and then multiply the result by the number in the first line under the heading entitled "Expenses Paid During the Period."

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Funds' actual expense ratios and an assumed rate of return of 5% per year before expenses, which is not the Funds' actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses paid by a shareholder for the period. Shareholders may use this information to compare the ongoing costs of investing in the Funds and other funds. In order to do so, compare these 5% hypothetical examples with the 5% hypothetical examples that appear in other funds' shareholder reports.

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 the annual maintenance fee charged to IRA accounts, redemption fees, or exchange fees. 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.

### PARADIGM VALUE FUND

	Beginning Account Value <u>July 1, 2015</u>	Ending Account Value <u>December 31, 2015</u>	Expenses Paid During the Period* July 1, 2015 to <u>December 31, 2015</u>
Actual	\$1,000.00	\$962.48	\$7.42
Hypothetical (5% annual return before expenses)	\$1,000.00	\$1,017.64	\$7.63

\* Expenses are equal to the Fund's annualized expense ratio of 1.50%, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

### PARADIGM SELECT FUND

	Beginning Account Value <u>July 1, 2015</u>	Ending Account Value <u>December 31, 2015</u>	Expenses Paid During the Period* July 1, 2015 to <u>December 31, 2015</u>
Actual	\$1,000.00	\$933.77	\$5.61
Hypothetical (5% annual return before expenses)	\$1,000.00	\$1,019.41	\$5.85

\* Expenses are equal to the Fund's annualized expense ratio of 1.15%, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

## Disclosure of Expenses (Unaudited) - continued

### PARADIGM OPPORTUNITY FUND

	Beginning Account Value <u>July 1, 2015</u>	Ending Account Value <u>December 31, 2015</u>	Expenses Paid During the Period* July 1, 2015 to <u>December 31, 2015</u>
Actual	\$1,000.00	\$889.33	\$5.95
Hypothetical (5% annual return before expenses)	\$1,000.00	\$1,018.90	\$6.36

\* Expenses are equal to the Fund's annualized expense ratio of 1.25%, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

### PARADIGM MICRO-CAP FUND

	Beginning Account Value <u>July 1, 2015</u>	Ending Account Value <u>December 31, 2015</u>	Expenses Paid During the Period* July 1, 2015 to <u>December 31, 2015</u>
Actual	\$1,000.00	\$892.38	\$5.96
Hypothetical (5% annual return before expenses)	\$1,000.00	\$1,018.90	\$6.36

\* Expenses are equal to the Fund's annualized expense ratio of 1.25%, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

## **ADDITIONAL INFORMATION**

**December 31, 2015**

### **AVAILABILITY OF QUARTERLY SCHEDULE OF INVESTMENTS (Unaudited)**

The Funds file their complete schedules 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 Funds' Forms N-Q are available on the SEC's Web site at <http://www.sec.gov>. The Funds' Forms 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)**

Paradigm Funds Advisor LLC, the Funds' Advisor, is responsible for exercising the voting rights associated with the securities held by the Funds. A description of the policies and procedures used by the Advisor in fulfilling this responsibility is available without charge on the Funds' web site at [www.paradigm-funds.com](http://www.paradigm-funds.com). It is also included in the Funds' Statement of Additional Information, which is available on the Securities and Exchange Commission's web site at <http://www.sec.gov>.

Information regarding how the Funds voted proxies, Form N-PX, relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge, upon request, by calling our toll free number(1-800-239-0732). This information is also available on the Securities and Exchange Commission's web site at <http://www.sec.gov>.

### **ADDITIONAL INFORMATION**

You will find more information about the Funds at [www.paradigm-funds.com](http://www.paradigm-funds.com). For shareholder inquiries, please call toll-free in the U.S. at 1-800-239-0732.

**This page was intentionally left blank.**

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and Board of Trustees of  
Paradigm Funds

We have audited the accompanying statements of assets and liabilities, including the schedules of investments, of Paradigm Funds, comprising Paradigm Value Fund, Paradigm Select Fund, Paradigm Opportunity Fund and Paradigm Micro-Cap Fund (the "Funds") as of December 31, 2015 and the related statements 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 Funds' 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 December 31, 2015, 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 provides 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 each of the Funds constituting Paradigm Funds as of December 31, 2015, the results of their operations for the year then ended, the changes in their 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 Fund Audit Services*

COHEN FUND AUDIT SERVICES, LTD.  
Cleveland, Ohio  
February 25, 2016

## TRUSTEES AND OFFICERS (Unaudited)

The Board of Trustees supervises the business activities of the Trust. Each Trustee serves as a trustee until the termination of the Trust unless the Trustee dies, resigns, retires or is removed.

The following table provides information regarding each Trustee who is an "interested person" of the Trust, as defined in the Investment Company Act of 1940, and each officer of the Trust as of December 31, 2015.

### Interested Trustees and Officers

Name, Address <sup>1</sup> , and Year of Birth	Position(s) Held with the Trust	Term of Office and Length of Time Served	Principal Occupation(s) During the Past 5 Years	Number of Portfolios Overseen By Trustee	Other Directorships Held by Trustee During the Past 5 Years
Candace King Weir <sup>2</sup> , (1944)	President and Trustee	Indefinite Term, Since 2002	Co-portfolio Manager of Paradigm Micro-Cap Fund since December 2011; Director, President, Chief Investment Officer, and Portfolio Manager of Paradigm Capital Management, Inc. since 1994; Director and President of C.L. King & Associates, Inc. since 1972; Managing Member of PCM Ventures, LLC since 1996, PCM Ventures International LLC since 2001, PCM Ventures II, LLC since 2003, and PCM Ventures III, LLC since 2010; Chief Executive Officer and Director of PCM Advisors LLC since 2004, Paradigm Funds Advisors LLC since 2005, and Paradigm Capital Management Growth Advisors, Inc. since 2007.	4	Director, Nature's Sunshine Products
Amelia F. Weir (1975)	Secretary	Indefinite Term, Since 2009	Co-portfolio Manager of Paradigm Micro-Cap Fund since December 2011; Portfolio Manager and Director of Research Paradigm Capital Management (2008 - current), Portfolio Manager at William D. Witter, Inc. (2006 - 2008), Equity Analyst and Assistant Portfolio Manager at Tocqueville Asset Management (2005).	N/A	N/A
Carl A. Florio, CPA <sup>3</sup> , (1948)	Trustee	Indefinite Term, Since 2005	Director and Vice Chairman of Paradigm Funds Advisors LLC and affiliated entities (2008 - current); Eastern Regional President of First Niagara Bank (2005 - 2007); President and Chief Executive Officer of Hudson River Bank & Trust Company (1996 - 2005).	4	Director, American Bio Medical; Dir., First Niagara Financial Group
John V. Gulick (1972)	Chief Compliance Officer	Indefinite Term, Since 2006	VP and CCO of Paradigm Funds Advisor LLC and affiliated advisors (February 2007 - current), Compliance Officer of Paradigm Capital Management, Inc. (April 2005 - Feb. 2007); Senior Compliance Analyst of GE Asset Management, Inc. (Feb. 2001 - March 2005).	N/A	N/A
Robert A. Benton, CPA (1954)	Treasurer and Chief Financial Officer	Indefinite Term, Since 2002	SVP and CFO of Paradigm Funds Advisor LLC and affiliated advisors (May 2006 - current), SVP and CFO of C.L. King & Associates, a registered broker dealer (February 2001 - current); SVP and CFO of Paradigm Capital Management, Inc. (February 2001 - March 2004); May 2006 - current.	N/A	N/A

### Independent Trustees

Name, Address <sup>1</sup> , and Year of Birth	Position(s) Held with the Trust	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios Overseen By Trustee	Other Directorships During the Past 5 Years
Peter H. Heerwagen <sup>4</sup> (1945)	Trustee	Indefinite Term, Since 2009	Peter H. Heerwagen, Attorney at Law (2009 - current), Executive Vice President of Ayco / Goldman Sachs (2003 - 2009).	4	None
Anthony J. Mashuta, (1956)	Trustee	Indefinite Term, Since 2004	President and Chairman of the Board of Cool Insuring Agency, Inc. (1988 - current).	4	None
William P. Phelan <sup>5</sup> , (1956)	Trustee	Indefinite Term, Since 2007	Chief Executive Officer of Bright Hub, Inc. (2006 - current); Chief Executive Officer of OneMade, Inc. (1999 - 2004).	4	Director, MTI Corporation

<sup>1</sup> The address of each trustee and officer is c/o Paradigm Funds, Nine Elk Street, Albany, NY 12207.

<sup>2</sup> Candace King Weir is considered an "interested person" as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended, by virtue of her affiliation with the Trust's investment advisor, Paradigm Funds Advisor LLC.

<sup>3</sup> Carl A. Florio is considered an "interested person" as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended, because he is an officer of the Trust's investment advisor, Paradigm Funds Advisor LLC. Carl A. Florio is a member of the Board of Directors of a non-profit foundation that retains Paradigm Capital Management, Inc. to manage a portion of the foundation's assets. Candace King Weir is a Director and the President of Paradigm Capital Management, Inc.; and an interested Trustee of the Trust; and CEO of the Trust's investment advisor, Paradigm Funds Advisor LLC.

<sup>4</sup> Peter Heerwagen is a limited partner in PCM Partners, LP II. As of December 31, 2015 he owned 0.10% of the PCM Partners, LP II partnership, the value of which was \$0.22 million. Candace King Weir is the general partner of PCM Partners, LP II; an interested Trustee of the Trust; and CEO of the Trust's investment advisor, Paradigm Funds Advisor LLC.

<sup>5</sup> William P. Phelan is a limited partner in PCM Partners, LP II. As of December 31, 2015 he owned 1.17% of the PCM Partners, LP II partnership, the value of which was \$2.54 million. Candace King Weir is the general partner of PCM Partners, LP II; an interested Trustee of the Trust; and CEO of the Trust's investment advisor, Paradigm Funds Advisor LLC.

The Statement of Additional Information includes additional information about the Funds' Trustees and may be obtained without charge by calling 1-800-239-0732.

**Board of Trustees**

Carl A. Florio  
Peter H. Heerwagen  
Candace King Weir  
Anthony Mashuta  
William P. Phelan

**Investment Advisor**

Paradigm Funds Advisor LLC  
Nine Elk Street  
Albany, NY 12207-1002

**Counsel**

Thompson Hine LLP  
41 South High Street, Suite 1700  
Columbus, OH 43215

**Custodian**

U.S. Bank, NA  
425 Walnut Street  
P.O. Box 1118  
Cincinnati, OH 45201

**Dividend Paying Agent,  
Shareholders' Servicing Agent,  
Transfer Agent**

Mutual Shareholder Services  
8000 Town Centre Dr., Suite 400  
Broadview Hts., OH 44147

**Fund Administrator**

Premier Fund Solutions, Inc.  
1939 Friendship Drive, Suite C  
El Cajon, CA 92020

**Independent Registered Public Accounting Firm**

Cohen Fund Audit Services, Ltd.  
1350 Euclid Ave., Suite 800  
Cleveland, OH 44115

This report is provided for the general information of the shareholders of the Paradigm Funds. This report is not intended for distribution to prospective investors in the Funds, unless preceded or accompanied by an effective prospectus.