



# CASTLE TANDEM FUND

## **TANDX** *Institutional Shares*

For Investors Seeking Long-Term Capital Appreciation

**Annual Report**  
June 30, 2019

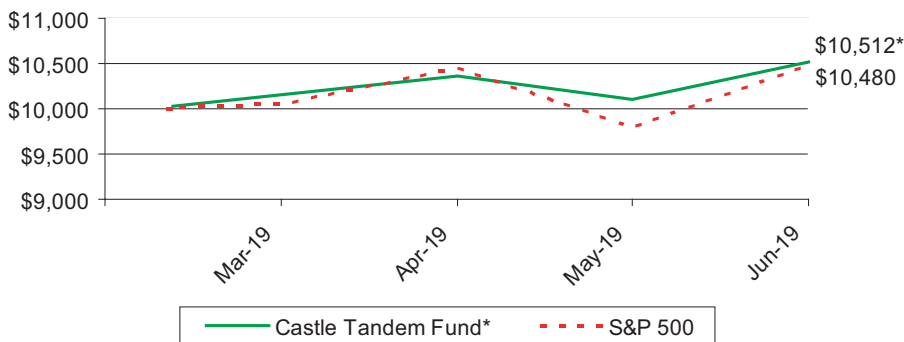
**IMPORTANT NOTE:** Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of the Fund's shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports from the Fund or from your financial intermediary, such as a broker-dealer or bank. Instead, the reports will be made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Fund or your financial intermediary electronically by calling or sending an email request.

You may elect to receive all future reports in paper free of charge. You can inform the Fund or your financial intermediary that you wish to continue receiving paper copies of your shareholder reports by calling or sending an email request. Your election to receive reports in paper will apply to all funds held with the fund complex/your financial intermediary.

## CASTLE TANDEM FUND (Unaudited)

### The Value of a \$10,000 Investment in the Castle Tandem Fund from March 15, 2019 to June 30, 2019 as Compared to the Standard & Poor's 500 Index



## CASTLE TANDEM FUND PERFORMANCE INFORMATION

### TOTAL RETURNS AS OF JUNE 30, 2019

	Since <u>Inception</u> <sup>(A)</sup>
<b>Institutional Shares</b>	<b>5.12%</b>
<b>S&amp;P 500® Index</b> <sup>(B)</sup>	<b>4.80%</b>

### The Fund's Total Annual Operating Expense Ratios (from March 15, 2019 Prospectus): Institutional Shares – Gross 1.58%, Net 1.18%

The Fund's actual expense ratios for the period March 15, 2019 through June 30, 2019 can be found in the financial highlights included in this report. The Total Annual Operating Expense Ratios reported above will not correlate to the expense ratio in the Fund's financial highlights because (a) the financial highlights include only the direct operating expenses incurred by the Fund, not the indirect costs of investing in the Fund and (b) the expense ratios may be for different periods.

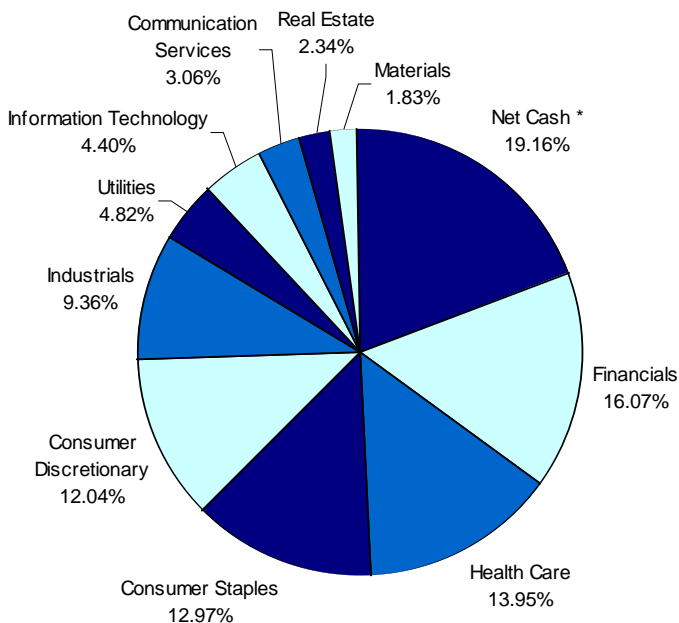
<sup>(A)</sup> Since Inception returns include change in share prices and in each case includes reinvestment of any dividends and capital gain distributions. The Castle Tandem Fund commenced operations on March 15, 2019.

<sup>(B)</sup> The S&P 500® Index is an unmanaged index comprised of the stocks of large capitalization issues in the United States and it is considered representative of the U.S. equity markets as a whole.

**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 1-877-743-7820. AN INVESTMENT IN THE FUND IS SUBJECT TO INVESTMENT RISKS, INCLUDING THE POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED. THE FUND'S DISTRIBUTOR IS RAFFERTY CAPITAL MARKETS, LLC.**

## CASTLE TANDEM FUND (Unaudited)

### Castle Tandem Fund by Sectors (as a percentage of Net Assets) June 30, 2019



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

### Availability of Quarterly Schedule of Investments

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Q is available on the SEC's website at <http://www.sec.gov>. The Fund's Form N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

### Proxy Voting Guidelines

Castle Investment Management, LLC (the "Adviser") is responsible for exercising the voting rights associated with the securities held by the Fund. A description of the policies and procedures used by the Adviser in fulfilling this responsibility is available without charge by calling 1-877-743-7820. It is also included in the Fund's Statement of Additional Information, which is available on the SEC's website at <http://www.sec.gov>.

Information regarding how the Fund voted proxies, Form N-PX, relating to portfolio securities during the most recent 12-month period ended June 30, is available without charge, upon request, by calling 1-877-743-7820. This information is also available on the SEC's website at <http://www.sec.gov>.

## Disclosure of Expenses (Unaudited)

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments; and (2) ongoing costs, including management fees; distribution and/or service (12b-1) fees; and other Fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. 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 Fund's transfer agent, and IRA accounts will be charged an \$8.00 annual maintenance fee.

The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the period March 15, 2019 through June 30, 2019.

### Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

### Hypothetical Example for Comparison Purposes

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

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as, the charges assessed by Mutual Shareholder Services, LLC as described above or the expenses of underlying funds. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

### Institutional Shares

	Beginning Account Value <u>March 15, 2019</u>	Ending Account Value <u>June 30, 2019</u>	Expenses Paid During the Period March 15, 2019 to June 30, 2019
Actual	\$1,000.00	\$1,051.20	\$3.55*
Hypothetical** (5% annual return before expenses)	\$1,000.00	\$1,018.94	\$5.91

\* Expenses are equal to the Fund's annualized expense ratio of 1.18%, multiplied by the average account value over the period, multiplied by 107/365 (to reflect the partial period).

\*\* The hypothetical example is calculated assuming that the Fund has been in operation for the full six-month period from January 1, 2019 to June 30, 2019. As a result, expenses shown in this row are equal to the Fund's annualized expense ratio of 1.18%, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).

# Castle Tandem Fund

## Schedule of Investments June 30, 2019

Shares	Fair Value	% of Net Assets
<b>COMMON STOCKS</b>		
<b>Aircraft Engines &amp; Engine Parts</b>		
585 United Technologies Corp.	\$ 76,167	2.05%
<b>Arrangement of Transportation of Freight &amp; Cargo</b>		
1,160 Expeditors International Of Washington, Inc.	87,998	2.36%
<b>Beverages</b>		
930 Brown-Forman Corporation - Class B	51,550	1.38%
<b>Cable &amp; Other Pay Television Services</b>		
2,690 Comcast Corporation - Class A	113,733	3.06%
<b>Canned, Fruits, Vegetables, Preserves, Jams &amp; Jellies</b>		
1,035 The J.M. Smucker Company	119,222	3.20%
<b>Electric Services</b>		
1,550 Dominion Energy, Inc.	119,846	
290 NextEra Energy Inc.	59,409	
	179,255	4.82%
<b>Insurance Agents, Brokers &amp; Services</b>		
3,855 Brown & Brown, Inc.	129,143	3.47%
<b>Meat Packing Plants</b>		
1,145 Hormel Foods Corporation	46,418	1.25%
<b>Pharmaceutical Preparations</b>		
2,210 Abbott Laboratories	185,861	
1,425 AbbVie Inc.	103,626	
	289,487	7.77%
<b>Real Estate Investment Trusts</b>		
1,640 National Retail Properties, Inc.	86,936	2.34%
<b>Refuse Systems</b>		
1,255 Republic Services, Inc.	108,733	
790 Waste Connections, Inc. (Canada)	75,508	
	184,241	4.95%
<b>Retail - Drug Stores And Proprietary Stores</b>		
1,585 CVS Health Corporation	86,367	
1,615 Walgreens Boots Alliance, Inc.	88,292	
	174,659	4.69%
<b>Retail - Family Clothing Stores</b>		
2,020 The TJX Companies, Inc.	106,818	2.87%
<b>Retail - Building Materials, Hardware, Garden Supply</b>		
1,165 Tractor Supply Company	126,752	3.40%
<b>Retail - Variety Stores</b>		
345 Costco Wholesale Corporation	91,170	
955 Dollar General Corporation	129,078	
	220,248	5.92%
<b>Rubber &amp; Plastics Footwear</b>		
1,020 Nike, Inc. - Class B	85,629	2.30%
<b>Security &amp; Commodity Brokers, Dealers, Exchanges &amp; Services</b>		
1,185 Intercontinental Exchange, Inc.	101,839	
945 T. Rowe Price Group, Inc.	103,676	
	205,515	5.52%
<b>Services - Business Services, NEC</b>		
350 Accenture PLC - Class A (Ireland)	64,669	1.74%
<b>Services - Computer Programming, Data Processing, Etc.</b>		
530 FactSet Research Systems, Inc.	151,877	4.08%

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

# Castle Tandem Fund

## Schedule of Investments June 30, 2019

Shares	Fair Value	% of Net Assets
<b>COMMON STOCKS</b>		
<b>Services - Prepackaged Software</b>		
740 Microsoft Corporation	\$ 99,130	2.66%
<b>Soap, Detergent, Cleaning Preparations, Perfumes, Cosmetics</b>		
345 Ecolab, Inc.	68,117	1.83%
<b>State Commercial Banks</b>		
925 Signature Bank	111,777	3.00%
<b>Surgical &amp; Medical Instruments &amp; Apparatus</b>		
330 Becton, Dickinson and Company	83,163	
540 ResMed, Inc.	65,896	
395 Stryker Corporation	81,204	
	230,263	6.18%
<b>Total for Common Stocks (Cost - \$2,903,633)</b>	3,009,604	80.84%
<b>MONEY MARKET FUNDS</b>		
349,810 First American Treasury Obligations Fund X - Class 2.27% * (Cost - \$349,810)	349,810	9.40%
<b>UNITED STATES GOVERNMENT TREASURY OBLIGATIONS</b>		
365,000 United States Treasury Bill 7/16/2019 - 0.00% ** (Cost - \$364,679)	364,688	9.80%
Total Investments (Cost - \$3,618,122)	3,724,102	100.04%
Liabilities in Excess of Other Assets	(1,451)	-0.04%
Net Assets	\$ 3,722,651	100.00%

\* The yield shown represents the 7-day yield at June 30, 2019.

\*\* Zero Coupon Bonds. Level 2 Security. See Note 3.

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

# Castle Tandem Fund

## Statement of Assets and Liabilities

June 30, 2019

Assets:	
Investment Securities at Fair Value	\$ 3,724,102
(Cost - \$3,618,122)	
Receivables:	
Dividends	1,799
Total Assets	<u>3,725,901</u>
Liabilities:	
Accrued Advisory Fees	2,754
Accrued Service Fees	496
Total Liabilities	<u>3,250</u>
Net Assets	<u>\$ 3,722,651</u>
Net Assets Consist of:	
Paid In Capital	\$ 3,612,640
Total Distributable Earnings	110,011
Net Assets, for 141,675 Shares Outstanding (Unlimited shares authorized)	<u>\$ 3,722,651</u>
Net Asset Value, Offering and Redemption Price Per Share (\$3,722,651/141,675 shares)	<u>\$ 26.28</u>

## Statement of Operations

For the period March 15, 2019\* through June 30, 2019

Investment Income:	
Dividends (Net of foreign withholding tax of \$10)	\$ 10,076
Interest	728
Total Investment Income	<u>10,804</u>
Expenses:	
Advisory Fees	5,330
Service Fees	3,091
Total Expenses	<u>8,421</u>
Less: Expenses Waived	<u>(2,132)</u>
Net Expenses	<u>6,289</u>
Net Investment Income	4,515
Realized and Unrealized Gain/(Loss) on Investments	
Realized Loss on Investments	(484)
Net Change in Unrealized Appreciation on Investments	<u>105,980</u>
Net Realized and Unrealized Gain on Investments	<u>105,496</u>
Net Increase in Net Assets from Operations	<u>\$ 110,011</u>

\* Commencement of Operations.

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

# Castle Tandem Fund

## Statement of Changes in Net Assets

	3/15/2019*
	to
	<u>6/30/2019</u>
From Operations:	
Net Investment Income	\$ 4,515
Net Realized Loss on Investments	(484)
Change in Net Unrealized Appreciation	<u>105,980</u>
Increase in Net Assets from Operations	110,011
From Distributions to Shareholders:	-
From Capital Share Transactions:	
Proceeds From Sale of Shares	3,667,170
Shares Issued on Reinvestment of Dividends	-
Cost of Shares Redeemed	<u>(54,530)</u>
Net Increase from Shareholder Activity	<u>3,612,640</u>
Net Increase in Net Assets	3,722,651
Net Assets at Beginning of Period	-
Net Assets at End of Period	<u>\$ 3,722,651</u>
Share Transactions:	
Issued	143,746
Reinvested	-
Redeemed	<u>(2,071)</u>
Net Increase in Shares	141,675
Shares Outstanding Beginning of Period	-
Shares Outstanding End of Period	<u>141,675</u>

## Financial Highlights

	3/15/2019*
	to
	<u>6/30/2019</u>
Net Asset Value -	
Beginning of Period	\$ 25.00
Net Investment Income <sup>(a)</sup>	0.06
Net Gain on Securities <sup>(b)</sup>	
(Realized and Unrealized)	<u>1.22</u>
Total from Investment Operations	1.28
Distributions (From Net Investment Income)	-
Distributions (From Realized Capital Gains)	-
Total Distributions	<u>-</u>
Proceeds from Redemption Fee (Note 2)	<u>-</u>
Net Asset Value -	
End of Period	<u>\$ 26.28</u>
Total Return <sup>(c)</sup>	5.12% **
Ratios/Supplemental Data	
Net Assets - End of Period (Thousands)	\$ 3,723
Before Waiver	
Ratio of Expenses to Average Net Assets	1.58% ***
Ratio of Net Investment Income to Average Net Assets	0.45% ***
After Waiver	
Ratio of Expenses to Average Net Assets	1.18% ***
Ratio of Net Investment Income to Average Net Assets	0.85% ***
Portfolio Turnover Rate	1.59 % **

\* Commencement of Operations.

\*\* Not Annualized.

\*\*\* Annualized.

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

(b) Realized and unrealized gains and losses per share in this caption are balancing amounts necessary to reconcile the change in net asset value for the period, and may not reconcile with the aggregate gains and losses in the Statement of Operations due to share transactions for the period.

(c) Total return represents the rate that the investor would have earned or lost on an investment in the Fund assuming reinvestment of dividends and distributions, if any.

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

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## NOTES TO THE FINANCIAL STATEMENTS

### CASTLE TANDEM FUND

June 30, 2019

#### 1.) ORGANIZATION

Castle Tandem Fund (the "Fund") was organized as a diversified series of the PFS Funds (the "Trust") on March 5, 2019 and commenced operations on March 15, 2019. The Trust is an open-end investment company established under the laws of Massachusetts by an Agreement and Declaration of Trust dated January 13, 2000, as amended on January 20, 2011 (the "Trust Agreement"). The Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of multiple separate and distinct portfolio series the assets and liabilities of which are separate and distinct from the assets and liabilities of the other series portfolios of the Trust. As of June 30, 2019, there were eight series authorized by the Trust. The investment adviser to the Fund is Castle Investment Management, LLC (the "Adviser") and the sub-adviser to the Fund is Tandem Investment Advisors, Inc. (the "Sub-Adviser"). Significant accounting policies of the Fund are presented below.

#### 2.) SIGNIFICANT ACCOUNTING POLICIES

The Fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 946 *Financial Services - Investment Companies*. The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Fund follows the significant accounting policies described in this section.

##### *SECURITY VALUATION:*

All investments in securities are recorded at their estimated fair value, as described in Note 3.

##### *SHARE VALUATION:*

The NAV is generally calculated as of the close of trading on the New York Stock Exchange (the "Exchange") (normally 4:00 p.m. Eastern time) every day the Exchange is open. The NAV 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.

##### *FEDERAL INCOME TAXES:*

The Fund's policy is to continue to comply with the requirements of the Internal Revenue Code that are applicable to regulated investment companies and to distribute all of its taxable income to shareholders. Therefore, no federal income tax provision is required. It is the Fund's policy to distribute annually, prior to the end of the calendar year, dividends sufficient to satisfy excise tax requirements of the Internal Revenue Code. This Internal Revenue Code requirement may cause an excess of distributions over the book year-end accumulated income. In addition, it is the Fund's policy to distribute annually, after the end of the fiscal year, any remaining net investment income and net realized capital gains.

The Fund recognizes the tax benefits of certain tax positions only where the position is "more likely than not" to be sustained assuming examination by tax authorities. Management has analyzed the Fund's tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for open tax years. The Fund identifies its major tax jurisdictions as U.S. Federal tax authorities; however, the Fund is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next twelve months. The Fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statement of Operations. During the period March 15, 2019 through June 30, 2019, the Fund did not incur any interest or penalties.

##### *DISTRIBUTIONS TO SHAREHOLDERS:*

Distributions to shareholders, which are determined in accordance with income tax regulations, are recorded on the ex-dividend date.

The treatment for financial reporting purposes of distributions made to shareholders during the period 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 the recognition of certain components of income, expense, or realized capital gain for federal income tax purposes. Where such differences are permanent in nature, they are reclassified in the components of the net assets based on their ultimate characterization for federal income tax purposes. Any such reclassifications will have no effect on net assets, results of operations, or net asset value per share of the Fund.

## Notes to the Financial Statements - continued

### *USE OF ESTIMATES:*

The financial statements are prepared in accordance with GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

### *ORGANIZATIONAL & OFFERING EXPENSES:*

All costs incurred by the Fund in connection with the organization, offering and initial registration of the Fund, principally professional fees, were paid on behalf of the Fund by the Adviser and will not be borne by the Fund.

### *EXPENSES:*

Expenses incurred by the Trust that do not relate to a specific fund of the Trust are allocated to the individual funds based on each fund's relative net assets or another appropriate basis.

### *OTHER:*

The Fund records security transactions based on a trade date for financial reporting purposes. Dividend income is recognized on the ex-dividend date, and interest income, if any, is recognized on an accrual basis. The Fund uses the specific identification method in computing gain or loss on the sale of investment securities. Withholding taxes on foreign dividends have been provided for in accordance with the Fund's understanding of the applicable country's tax rules and rates. Discounts and premiums on securities purchased are amortized over the lives of the respective securities.

### 3.) SECURITIES VALUATIONS

The Fund utilizes various methods to measure the fair value of most of its investments on a recurring basis. GAAP establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.

Level 2 - Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 - Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Fund's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or 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 Fund's major categories of assets and liabilities measured at fair value on a recurring basis follows.

*Equity securities (common stocks).* Equity securities generally are valued by using market quotations, but may be valued on the basis of prices furnished by a pricing service when the Adviser believes such prices accurately reflect the fair value of such securities. Securities that are traded on any stock exchange or on the NASDAQ over-the-counter market are generally valued by the pricing service at the last quoted sale price. Lacking a last sale price, an equity security is generally valued by the pricing service at its last bid price. Generally, if the security is traded in an active market and is valued at the last sale price, the security is categorized as a level 1 security, and if an equity security is valued

## Notes to the Financial Statements - continued

by the pricing service at its last bid, it is generally categorized as a level 2 security. When market quotations are not readily available, when the Adviser determines that the market quotation or the price provided by the pricing service does not accurately reflect the current fair value, or when restricted securities are being valued, such securities are valued as determined in good faith by the Adviser, subject to review of the Board of Trustees (the "Trustees" or the "Board") and are categorized in level 2 or level 3, when appropriate.

*Fixed income securities (including United States Government Treasury Obligations).* 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 Adviser 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 Adviser, in conformity with guidelines adopted by and subject to review of the Trustees. Generally, fixed income securities are categorized as level 2.

*Money market funds.* Money market funds are valued at net asset value provided by the funds and are classified in level 1 of the fair value hierarchy.

In accordance with the Trust's good faith pricing guidelines, the Adviser 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 Adviser would appear to be the amount which the owner might reasonably expect to receive for them upon their current sale. Methods which are in accordance with this principle may, for example, be based on (i) a multiple of earnings; (ii) a discount from market of a similar freely traded security (including a derivative security or a basket of securities traded on other markets, exchanges or among dealers); or (iii) yield to maturity with respect to debt issues, or a combination of these and other methods.

The following table summarizes the inputs used to value the Fund's assets measured at fair value as of June 30, 2019:

<u>Valuation Inputs of Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks	\$ 3,009,604	\$ 0	\$0	\$ 3,009,604
Money Market Funds	349,810	0	0	349,810
US Government Treasury Obligations	0	364,688	0	364,688
Total	\$ 3,359,414	\$364,688	\$0	\$ 3,724,102

The Fund did not hold any Level 3 assets during the period March 15, 2019 through June 30, 2019.

The Fund did not invest in derivative instruments during the period March 15, 2019 through June 30, 2019.

#### 4.) INVESTMENT ADVISORY AGREEMENT AND SERVICES AGREEMENT

The Fund entered into an Investment Management Agreement with Castle Investment Management, LLC as the investment adviser of the Fund. Under the terms of the Investment Management Agreement, the Adviser manages the investment portfolio of the Fund, subject to policies adopted by the Trust's Trustees. The Adviser, furnishes office space and all necessary office facilities, equipment and executive personnel necessary for managing the assets of the Fund. For its services, the Adviser receives an annual investment management fee of 1.00% of the average daily net assets of the Fund. The Sub-Adviser of the Fund has responsibility for providing investment ideas and recommendations for the assets of the Fund, subject to the supervision of the Adviser. As full compensation for all services rendered, including investment ideas and recommendations for the assets of the Fund, the Adviser pays the Sub-Adviser a sub-adviser fee. For the period March 15, 2019 through June 30, 2019, the Adviser received management fees totaling \$5,330. At June 30, 2019, the Fund owed \$2,754 to the Adviser.

The Fund also has a Services Agreement with the Adviser (the "Services Agreement"), under which the Fund pays the Adviser. Under the Services Agreement, the Adviser shall supervise the Fund's business affairs and is obligated to pay the operating expenses of the Fund excluding management fees, brokerage fees and commissions, taxes, borrowing costs (such as (a) interest and (b) dividend expenses on securities sold short), underlying fund fees and expenses, and extraordinary or non-

## Notes to the Financial Statements - continued

recurring expenses. In addition, to the extent not otherwise provided by other parties under agreements with the Trust, the Adviser shall supply: (i) non-investment related statistical and research data; (ii) the services of a Chief Compliance Officer for the Trust; and (iii) executive and administrative services. The Adviser shall also assist with and/or supervise the preparation by the Trust's administrator, transfer agent, and/or auditors of: (i) tax returns; (ii) reports to shareholders of the Fund; (iii) reports to, and filings with, the SEC, state securities commissions and Blue Sky authorities including preliminary and definitive proxy materials and post-effective amendments to the Trust's registration statement; and (iv) necessary materials for meetings of the Trust's Board of Trustees. The Adviser shall provide personnel to serve as officers of the Trust if so elected by the Trustees. Executive and administrative services include, but are not limited to, the coordination of all third parties furnishing services to the Fund, review of the books and records of the Fund maintained by such third parties, and the review and submission to the officers of the Fund for their approval, of invoices or other requests for payment of Fund expenses; and such other action with respect to the Fund as may be necessary in the opinion of the Adviser to perform its duties. For its services, the Adviser receives a service fee equal to 0.58% of the average daily net assets of the Fund. For the period March 15, 2019 through June 30, 2019, the Adviser earned service fees of \$3,091. At June 30, 2019, the Fund owed the Adviser service fees of \$496. Effective March 15, 2019 the Adviser contractually agreed to waive Services Agreement fees by 0.40% of its average daily net assets through October 31, 2020. The Services Agreement fee waiver will automatically terminate on October 31, 2020 unless it is renewed by the Adviser. The Adviser may not terminate the fee waiver before October 31, 2020. There are no recoupment provisions for the waivers described above. A total of \$2,132 was waived for the period March 15, 2019 through June 30, 2019.

### 5.) RELATED PARTY TRANSACTIONS

Jeffrey R. Provence of Premier Fund Solutions, Inc. (the "Administrator") also serves as a trustee/officer of the Fund. This individual receives benefits from the Administrator resulting from administration fees paid to the Administrator by the Adviser.

The Trustees who are not interested persons of the Fund were paid \$250 each, for a total of \$750, in Trustees' fees for the period March 15, 2019 through June 30, 2019 by the Adviser.

### 6.) INVESTMENT TRANSACTIONS

For the period March 15, 2019 through June 30, 2019, purchases and sales of investment securities other than U.S. Government obligations and short-term investments aggregated \$2,925,112 and \$20,995, respectively. Purchases and sales of U.S. Government obligations aggregated \$0 and \$0, respectively.

### 7.) CONTROL OWNERSHIP

The beneficial ownership, either directly or indirectly, of more than 25% of the voting securities of a fund creates a presumption of control of the fund, under Section 2(a)(9) of the Investment Company Act of 1940. As of June 30, 2019, Charles Schwab & Co. Inc., held for the benefit of its customers, in the aggregate, 77.98% of Fund shares. The Trust does not know whether the foregoing entity or any of the underlying beneficial holders owned or controlled 25% or more of the voting securities of the Fund.

### 8.) TAX MATTERS

For Federal income tax purposes, the cost of securities owned at June 30, 2019 was \$3,618,519.

At June 30, 2019, the composition of gross unrealized appreciation (the excess of value over tax cost) and depreciation (the excess of tax cost over value) of investments on a tax basis was as follows:

<u>Appreciation</u>	<u>(Depreciation)</u>	<u>Net Appreciation (Depreciation)</u>
\$135,657	(\$30,074)	\$105,583

The tax character of distributions was as follows:

	March 15, 2019* through <u>June 30, 2019</u>
Ordinary Income	\$ 0
Long-term Capital Gain	0
	<u>\$ 0</u>

\* Commencement of Operations.

## Notes to the Financial Statements - continued

As of June 30, 2019, the components of distributable earnings (accumulated losses) on a tax basis were as follows:

Undistributed ordinary income	\$ 4,515
Other accumulated gains (accumulated losses)	(87)
Unrealized appreciation (depreciation) – net	<u>105,583</u>
	\$ 110,011

Book to tax differences are primarily attributable to the tax deferral of wash sales. As of June 30, 2019, the Fund deferred post-October losses of \$87, which is included in other accumulated gains (accumulated losses).

### 9.) SUBSEQUENT EVENTS

Subsequent events after the date of the Statement of Assets and Liabilities have been evaluated through the date the financial statements were issued. Management has concluded that there is no impact requiring adjustment to or disclosure in the financial statements.

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

To the Shareholders of Castle Tandem Fund and  
Board of Trustees of PFS Funds

### Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Castle Tandem Fund (the "Fund"), a series of PFS Funds, as of June 30, 2019, and the related statements of operations and changes in net assets, including the related notes, and the financial highlights for the period March 15, 2019 (commencement of operations) through June 30, 2019 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of June 30, 2019, the results of its operations, the changes in its net assets, and the financial highlights for the period March 15, 2019 (commencement of operations) through June 30, 2019, in conformity with accounting principles generally accepted in the United States of America.

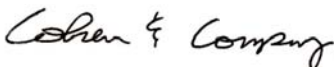
### Basis for Opinion

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of June 30, 2019, by correspondence with the custodian. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

We have served as auditor of one or more investment companies within the family of Funds since 2010.



COHEN & COMPANY, LTD.  
Cleveland, Ohio  
August 23, 2019

**ADDITIONAL INFORMATION**  
**June 30, 2019**  
**(Unaudited)**

**APPROVAL OF THE MANAGEMENT AGREEMENT BETWEEN THE TRUST AND CASTLE INVESTMENT MANAGEMENT, LLC ON BEHALF OF THE CASTLE TANDEM FUND AND THE INVESTMENT SUB-ADVISORY AGREEMENT BETWEEN CASTLE INVESTMENT MANAGEMENT, LLC AND TANDEM INVESTMENT ADVISORS, INC. ON BEHALF OF THE CASTLE TANDEM FUND**

On March 5, 2019, the Board of Trustees (the "Board" or the "Trustees") considered the approval of the management agreement between the Trust and Castle Investment Management, LLC ("Castle") on behalf of the Castle Tandem Fund and the Investment Sub-Advisory Agreement between Castle and Tandem Investment Advisors, Inc. ("Tandem") on behalf of the Castle Tandem Fund (the "Agreements"), as well as the amendments to the various proposed service agreements between the Trust and the service providers. The Board discussed the arrangements between Castle, Tandem and the Trust concerning the Fund. The Board reflected on its discussions with representatives from Castle and Tandem regarding the proposed Agreements and the way the Fund was to be managed. Counsel referred the Board to the Board Materials, which included, among other things, a memorandum from Counsel addressing the duties of Trustees regarding the approval of the proposed Agreements, a letter from Counsel to Castle and Tandem and their respective responses thereto, financial information from both firms, a copy of both firms Form ADV, and a fee comparison analysis of the Fund and comparable mutual funds. Counsel reviewed with the Board the memorandum from Counsel and the proposed Agreements and outlined the various factors the Board should consider in deciding whether to approve the Agreements. The Board also reflected on Castle and Tandem's discussion with the Board at today's meeting.

In deciding whether to approve the Agreements, the Trustees considered numerous factors, including:

1. Nature, Extent, and Quality of the Services Provided by Castle and Tandem

In considering the nature, extent, and quality of the services provided by Castle and Tandem, the Trustees reviewed the responsibilities of Castle and Tandem under the Agreements. The Trustees reviewed the services that will be provided by Castle and Tandem including, without limitation: investment advisory services (including research and recommendations with respect to portfolio securities); the process for formulating investment recommendations and assuring compliance with the Castle Tandem Fund's investment objective, strategies and limitations, and regulatory requirements. The Trustees reflected on their earlier discussions with representatives from Castle and Tandem. The Trustees considered the coordination of services for the Castle Tandem Fund among Castle and the service providers (including Tandem) and Castle's expected interactions with the Independent Trustees; and the expected efforts of Castle to promote the Castle Tandem Fund and grow its assets. The Trustees noted Castle and Tandem's commitment to retain qualified personnel and to maintain and enhance their resources and systems in order to serve the Castle Tandem Fund. The Trustees evaluated Castle and Tandem's personnel, including the education and experience of their personnel. They considered their positive interactions with Castle as it relates to another fund in the Trust. The Trustees discussed the professionalism of the representative from Tandem and the overall quality of his presentation to the Board. After reviewing the foregoing information and further information in the materials provided by Castle and Tandem, the Board concluded that, considering all the facts and circumstances, the nature, extent, and quality of the services provided by Castle and Tandem were satisfactory and adequate for the Castle Tandem Fund.

2. Investment Performance of the Castle Tandem Fund, Castle, and Tandem

In considering the investment performance of the Castle Tandem Fund, Castle, and Tandem, the Trustees considered the short-term and longer-term performance of Tandem's Large Cap Core Strategy, which is the strategy that will be used for the Fund, with the performance of the S&P 500® Index and to a group of funds with similar objectives managed by other investment advisers, as well as with aggregated peer group data. The Trustees noted that Castle's only other client is a fund in the

## **Additional Information (Unaudited) - continued**

Trust. They discussed the responsibilities of Castle in monitoring the investment and operational performance of Tandem. The Board discussed Tandem's Large Cap Core Strategy's performance for the calendar year ended December 31, 2018 and compared it to the performance of funds in Morningstar's Large Growth category, noting that the Large Cap Core Strategy outperformed the average fund in the Large Growth category. The Trustees discussed the limitations of comparing mutual fund performance and non-mutual fund performance. After reviewing the foregoing and further information from Tandem, the Board concluded that Tandem's performance record as it relates to managing accounts with a similar strategy as the Fund was satisfactory and adequate for the Fund.

### **3. Costs of the Services to be Provided and Profits to be Realized by Castle and Tandem**

In considering the costs of the services to be provided and profits to be realized by Castle and Tandem from the relationship with the Castle Tandem Fund, the Trustees considered: (1) Castle's and Tandem's financial condition and the level of commitment to the Castle Tandem Fund by the principals of Castle; (2) the expected asset level of the Castle Tandem Fund; (3) the projected overall expenses of the Castle Tandem Fund, which includes the fees paid to Castle under the Services Agreement; and (4) the nature and frequency of advisory and sub-advisory fee payments. The Trustees reviewed the information provided by Castle and Tandem regarding their respective projected profits associated with managing the Castle Tandem Fund. The Trustees also considered potential benefits for Castle and Tandem in managing the Castle Tandem Fund. The Trustees then compared the fees and expenses of the Castle Tandem Fund (including the management fee) to other comparable mutual funds. The Trustees reviewed the Fund's net expense ratio and compared it to Morningstar's Large Cap Growth category (the "Category") and a sub-set of the category, which contained large growth funds with assets ranging from \$20 million to \$60 million (the "Peer Group"), noting that the net expense ratio for the Fund was slightly above the Peer Group average and 0.09% above the Category average. The Trustees also reviewed the management fee as compared to the Peer Group and Category averages and noted that the management fee was within the range of management fees of the Peer Group and the Category. They further noted that the management fee was higher than average management fee for the Peer Group and the Category. The Trustees also received information on the sub-advisory portion of the fee as compared to other sub-advised funds in the Category and noted that the sub-advisory fee was within the range of fees charged by these other sub-advisers. The Trustees also considered the fees charged by Tandem relative to the fees it charged to its other clients, noting that the fees charged to the Castle Tandem Fund were less than those charged to the other clients. The Trustees recognized that Castle has agreed to waive a portion of its fees under the Services Agreement with the Trust, effective through the first year of operations, which is recognized in the current net expense ratio. The Trustees considered that under the contractual arrangements with Castle, it was required to pay most of the Castle Tandem Fund's operating expenses out of its assets. Based on the foregoing, the Board concluded that the projected fees to be paid to Castle (and in turn Castle's payment to Tandem) and the projected profits to be realized by Castle and Tandem, in light of all the facts and circumstances, were fair and reasonable in relation to the nature and quality of the services to be provided by Castle and Tandem.

### **4. Economies of Scale**

The Trustees next considered the impact of economies of scale on the Castle Tandem Fund's size and whether advisory fee levels will reflect those economies of scale for the benefit of the Castle Tandem Fund's investors. The Trustees considered that while the management fee remained the same at all asset levels, the Castle Tandem Fund's shareholders will experience benefits from the fact that Castle is obligated to pay certain of the Castle Tandem Fund's operating expenses, which has the effect of limiting the overall fees paid by the Castle Tandem Fund. The Trustees also recognized, as noted above, that Castle instituted a waiver of a portion of its fees under the Services Agreement through at least a year from the start of operations. The Trustees also noted that the contractual arrangements with the Trust required that Castle effectively cap the expenses of the Castle Tandem Fund, which has a similar effect as a breakpoint, although the Trustees noted that shareholders would benefit without the need for the Castle Tandem Fund's assets to reach or be maintained at certain asset thresholds. The Trustees also noted that the fees payable to Tandem were paid from the amounts paid to Castle and not paid directly by Castle Tandem Fund shareholders. In light of its ongoing consideration of the Castle Tandem Fund's projected asset levels, expectations for growth in the Castle Tandem Fund, and fee levels, the Board determined that the Castle Tandem



## **Additional Information (Unaudited) - continued**

Fund's fee arrangements, in light of all the facts and circumstances, were fair and reasonable in relation to the nature and quality of the services provided by Castle and Tandem.

### 5. Possible Conflicts of Interest and Benefits to Castle and Tandem

In considering Castle and Tandem's practices regarding conflicts of interest, the Trustees evaluated the potential for conflicts of interest and considered such matters as the experience and ability of the advisory personnel assigned to the Castle Tandem Fund; the basis of decisions to buy or sell securities for the Castle Tandem Fund; and the substance and administration of Castle's and Tandem's respective codes of ethics. The Trustees also considered disclosure in the registration statement of the Trust related to Castle and Tandem's potential conflicts of interest. The Trustees noted that Castle has no other clients other than another fund in the Trust. The Trustees considered Castle's role in monitoring Tandem's compliance with such things as personal trading, brokerage and portfolio transactions, and trade allocations among clients. The Trustees noted that Tandem does not utilize soft dollars. The Trustees discussed the potential benefit of additional public exposure of Tandem based on marketing that is done for the Castle Tandem Fund. No other potential benefits (other than the management and service fees paid to Castle and sub-advisory fees paid to Tandem) were identified by the Trustees. Based on the foregoing, the Board determined that Castle's and Tandem's standards and practices relating to the identification and mitigation of possible conflicts of interest were satisfactory.

The Independent Trustees met in executive session along with Counsel to discuss the approval of the Agreements. The officers of the Trust and others present were excused during this discussion.

After further review and discussion, it was the Board's determination to approve the Agreements.

## Trustees and Officers (Unaudited)

The Board of Trustees supervises the business activities of the Trust. The names of the Trustees and executive officers of the Trust are shown below. For more information regarding the Trustees, please refer to the Statement of Additional Information, which is available upon request by calling 1-877-743-7820. Each Trustee serves until the Trustee sooner dies, resigns, retires, or is removed.

The Trustees and Officers of the Trust and their principal business activities during the past five years are:

### 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 Past 5 Years	Number of Portfolios In Fund Complex Overseen By Trustee	Other Directorships Held By Trustee
Ross C. Provence, Year of Birth: 1938	President	Indefinite Term; Since 2000	General Partner and Portfolio Manager for Value Trend Capital Management, LP (1995 to current). Estate planning attorney (1963 to current).	N/A	N/A
Jeffrey R. Provence <sup>(2)</sup> , Year of Birth: 1969	Trustee, Secretary and Treasurer	Indefinite Term; Since 2000	CEO, Premier Fund Solutions, Inc. (2001 to current). General Partner and Portfolio Manager for Value Trend Capital Management, LP (1995 to current).	8	Blue Chip Investor Funds, Meeder Funds
Julian G. Winters, Year of Birth: 1968	Chief Compliance Officer	Chief Compliance Officer Since 2010	Managing Member, Watermark Solutions LLC (investment compliance and consulting) since March 2007.	N/A	N/A

<sup>(1)</sup> The address of each trustee and officer is c/o PFS Funds, 1939 Friendship Drive, Suite C, El Cajon, California 92020.

<sup>(2)</sup> Jeffrey R. Provence is considered an "interested person" as defined in Section 2(a)(19) of the Investment Company Act of 1940 by virtue of his position with the Trust.

### Independent Trustees

Name, Address <sup>(1)</sup> , and Year of Birth	Position Held With the Trust	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios In Fund Complex Overseen By Trustee	Other Directorships Held By Trustee
Thomas H. Addis III, Year of Birth: 1945	Independent Trustee	Indefinite Term; Since 2000	Executive Director/CEO, Southern California PGA (2006 to current).	8	None
Allen C. Brown, Year of Birth: 1943	Independent Trustee	Indefinite Term; Since 2010	Law Office of Allen C. Brown, Estate planning and business attorney (1970 to current).	8	Blue Chip Investor Funds
George Cossolias, CPA, Year of Birth: 1935	Independent Trustee	Indefinite Term; Since 2000	Partner of CWDL, CPAs (February 1, 2014 to current). Owner of George Cossolias & Company, CPAs (1972 to January 31, 2014). President of LubricationSpecialists, Inc. (1996 to current).	8	Blue Chip Investor Funds

<sup>(1)</sup> The address of each trustee and officer is c/o PFS Funds, 1939 Friendship Drive, Suite C, El Cajon, California 92020.

**Investment Adviser**

Castle Investment Management, LLC

**Sub-Adviser**

Tandem Investment Advisors, Inc.

**Legal Counsel**

Practus, LLP

**Custodian**

US Bank, N.A.

**Distributor**

Rafferty Capital Markets, LLC

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

Mutual Shareholder Services, LLC

**Fund Administrator**

Premier Fund Solutions, Inc.

**Independent Registered Public Accounting Firm**

Cohen & Company, Ltd.

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

**Castle Tandem Fund**

277 South Washington Street, Suite 335

Alexandria, Virginia 22314

[www.castleim.com](http://www.castleim.com)

703-260-1921