

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, 2018

IMPORTANT NOTE: Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of the Funds' shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports from the Funds 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 Funds 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 Funds 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.

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PARADIGM FUNDS

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Letter to Shareholders

Dear Fellow Shareholders:

What a difference a year makes. In direct contrast to 2017, which was described as a "slow-motion surprise to the upside", 2018 was a year that proved to be another surprise in its abrupt descent into negative territory in the fourth quarter. Very few asset classes were spared in 2018. Instead of the broad-based strength we witnessed across market sectors in 2017, 2018 brought the opposite effect. Moreover, we were certainly in the wrong quadrant in 2018, as large-cap outperformed small-cap, and Growth outperformed Value in the US equity markets.

Clearly 2018 was subject to myriad economic concerns from the outset, including those about the pace and arc of the Fed interest rate tightening trajectory, the possibility of a US economic downturn, coupled with a flattening US housing cycle. When the US-China trade war began escalating in early 2018, that added to market uncertainty regarding the health and resilience of the US economy. These assorted variables continue to roil the equity markets as we move into 2019. A lack of resolution to the US-China trade tensions remains a source of market volatility and a significant overhang. Moreover, recent headlines about an economic slowdown within China itself further fuels concerns about end-market demand for a variety of consumer products, from premium smartphones to autos to homes, with ramifications for US corporations. Lastly, the latest concern is the US government shut-down, with an as of yet unmeasured impact on the US economy, consumer confidence, as well as the very real absence of actual economic data, such as GDP growth.

The optimism of early 2018 has long since dissipated, and a more muted view of the economy has taken hold, from both a corporate and consumer standpoint. We believe it is realistic to expect a slower pace of economic growth and corporate earnings. For example, recent ISM (Institute for Supply Management) manufacturing data were notably lower. The US housing market has slowed, with fears that higher mortgage rates are acting as a deterrent to prospective home buyers. The most recent December existing-home sales data came in sharply lower, sparking alarm that the equity markets' steep fourth-quarter decline further destabilized the US consumer. To wit, after consumer confidence in October of 2018 reached its highest level since 2000, November and December saw two straight months of declines.

Despite these very real concerns, none of which appear likely to dissipate in the immediate future, the US economy generally appears to remain on track. We believe that the overall health of corporate America is far from dire. The unemployment rate remains at historical lows, most recently as of December 31, 2018 3.9%, while wage growth finally has shown some sustained movement. Despite the recent declines in consumer confidence, absolute levels remain very strong. Furthermore, an additional tailwind for the consumer wallet is lower oil and gas prices.

If we were to look for a silver lining to the fourth quarter's downturn, it would be that many quality companies were equally pummeled by the market sell-off when in fact their businesses remain intact and robust. This broad-based market decline provides a new baseline for revisiting familiar names as well as new investment opportunities. In an environment of decelerating growth and increased volatility, we believe that a management team's rigor around capital allocation, working capital efficiency, and cash conversion, should differentiate them within their peer group. These attributes are critical to the success of our investments, and we are confident that a disciplined process that factors in the above criteria should be rewarded over time.

Paradigm Value Fund

The Paradigm Value Fund (PVFAX) declined 2.07% in 2018, compared to a decline of 12.86% for the benchmark Russell 2000 Value. Since inception (January 1, 2003) on an annualized basis, the Fund has returned 12.06%, compared to 9.02% for the benchmark.

The Health Care and Information Technology sectors were the largest contributors to relative outperformance in 2018. The portfolio's Health Care sector gain of 29.81% far outpaced the benchmark's decline of 11.97%. In Information Technology the portfolio's gain of 4.59% outperformed the benchmark's decline of 12.46%. Both sectors' relative outperformance was driven by stock selection.

Industrials was the most challenging sector in 2018 due to contrarian holdings in the Construction industry and overall macro weakness in the building products industry.

Paradigm Select Fund

The Paradigm Select Fund (PFS LX) declined 9.93% in 2018, compared to a decline of 10.00% for the benchmark Russell 2500. Since inception (January 1, 2005) on an annualized basis, the Fund has returned 7.77%, compared to 7.55% for the benchmark.

The Consumer Discretionary and Energy sectors were the largest contributors to relative outperformance in 2018. Both were driven by stock selection while Energy also benefitted from its underweight allocation relative to the benchmark.

Challenging performance in the Industrials sector caused it to be the largest detractor to fund performance in 2018, driven by stock-specific weakness in building products holdings.

Paradigm Opportunity Fund

The Paradigm Opportunity Fund (PFOPX) declined 2.84% in 2018, compared to a decline of 11.01% for the benchmark Russell 2000. Since inception (January 1, 2005) on an annualized basis, the Fund has returned 6.49%, compared to 6.76% for the benchmark.

Relative outperformance was driven primarily by stock selection in the Health Care sector as portfolio holdings gained 31.81%, significantly outpacing the benchmark sector's 6.58% decline. Relative outperformance was primarily driven by holdings in the Health Care Technology and Health Care Equipment & Services industries.

Contribution to relative outperformance was also supported by the Energy, Consumer Discretionary, and Information Technology sectors.

The Industrials sector was the primary underperforming sector due to stock-specific setbacks.

Paradigm Micro-Cap Fund

The Paradigm Micro-Cap Fund (PVIVX) declined 10.96% in 2018, compared to a decline of 13.08% for its benchmark, the Russell Microcap Index. Since inception (January 1, 2008) on an annualized basis, the Fund has returned 6.53%, compared to 5.60% for the benchmark.

Relative outperformance was driven primarily by stock selection in the Health Care and Consumer Discretionary sectors. Performance was particularly strong in the Health Care sector: Portfolio holdings gained 27.19%, significantly outpacing the benchmark sector's 9.20% decline. An overweight allocation to Health Care Equipment & Services coupled with the avoidance of Biotech industry exposure drove the relative outperformance.

The Industrials and Information Technology sectors were the most challenging sectors in 2018 due to stock-specific headwinds.

Sincerely,



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

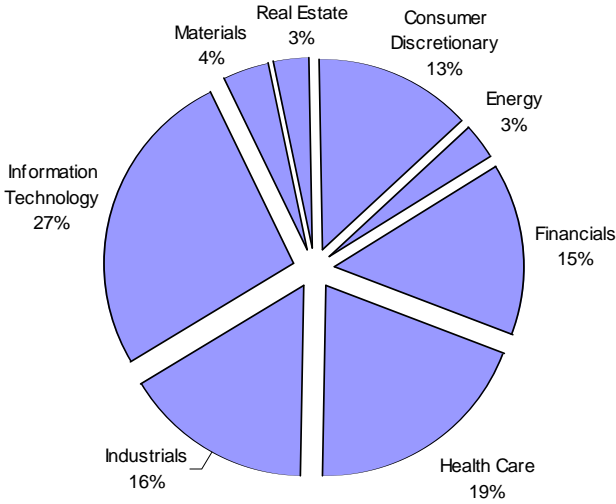


Amelia F. Weir
Senior Vice President
Paradigm Funds Advisor LLC

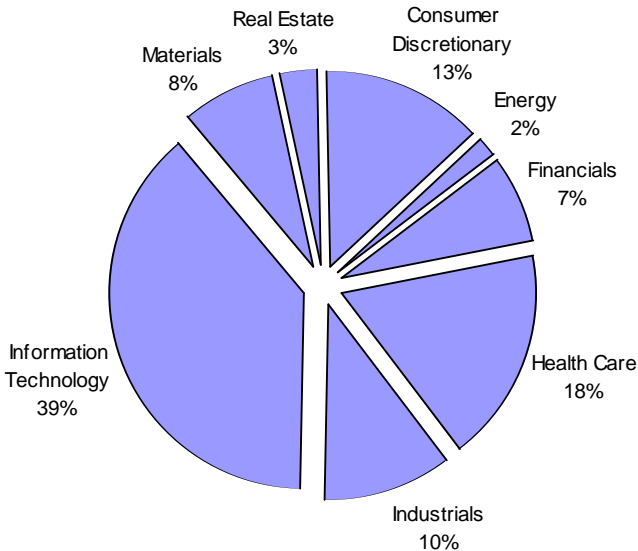
Past performance does not guarantee future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Returns do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption 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.

Paradigm Funds (Unaudited)

PARADIGM VALUE FUND
Sector Allocation as of December 31, 2018
(As a Percentage of Equity Securities Held)

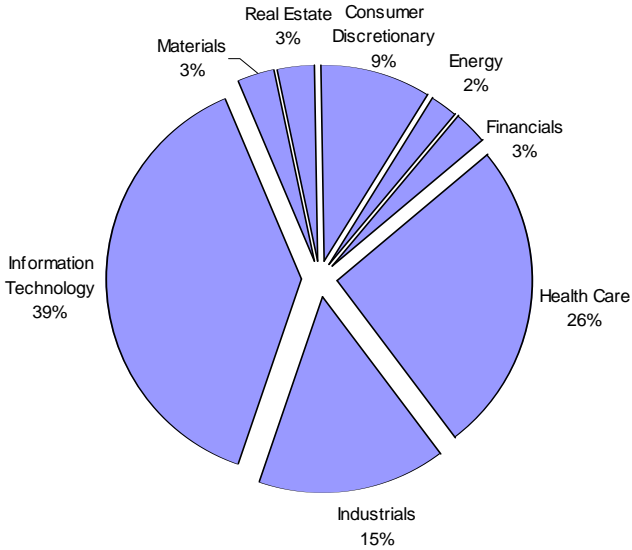


PARADIGM SELECT FUND
Sector Allocation as of December 31, 2018
(As a Percentage of Equity Securities Held)

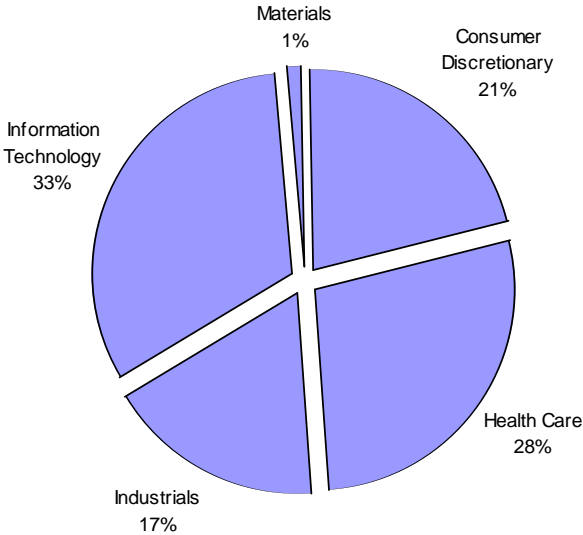


Paradigm Funds (Unaudited)

PARADIGM OPPORTUNITY FUND
Sector Allocation as of December 31, 2018
(As a Percentage of Equity Securities Held)

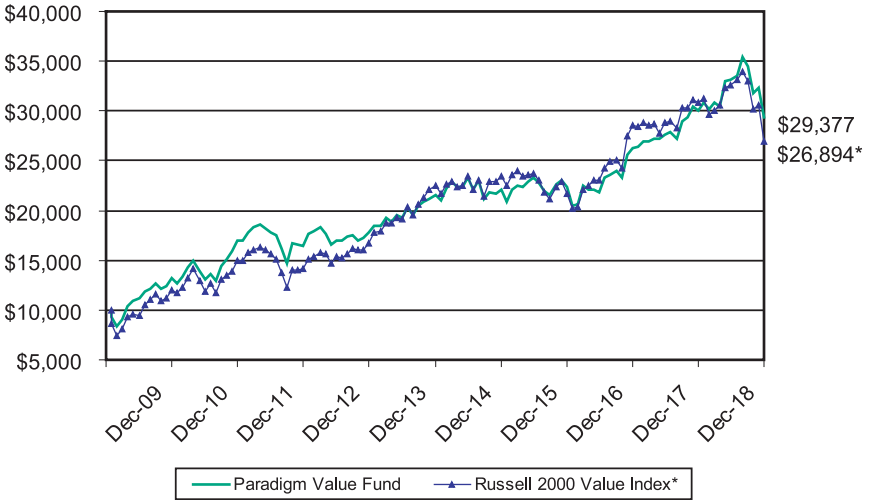


PARADIGM MICRO-CAP FUND
Sector Allocation as of December 31, 2018
(As a Percentage of Equity Securities Held)



Paradigm Value Fund (Unaudited)

The Value of a \$10,000 Investment in Paradigm Value Fund
from January 1, 2009 to December 31, 2018
as Compared to the Russell 2000 Value Index



PERFORMANCE INFORMATION

Average Annual Rate of Return (%) for the Periods Ended December 31, 2018.

December 31, 2018 NAV \$41.94

	1 Year ^(A)	3 Year ^(A)	5 Year ^(A)	10 Year ^(A)
Paradigm Value Fund	-2.07%	9.42%	6.35%	11.38%
Russell 2000® Value Index ^(B)	-12.86%	7.37%	3.61%	10.40%

^(A) 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.

^(B) 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.

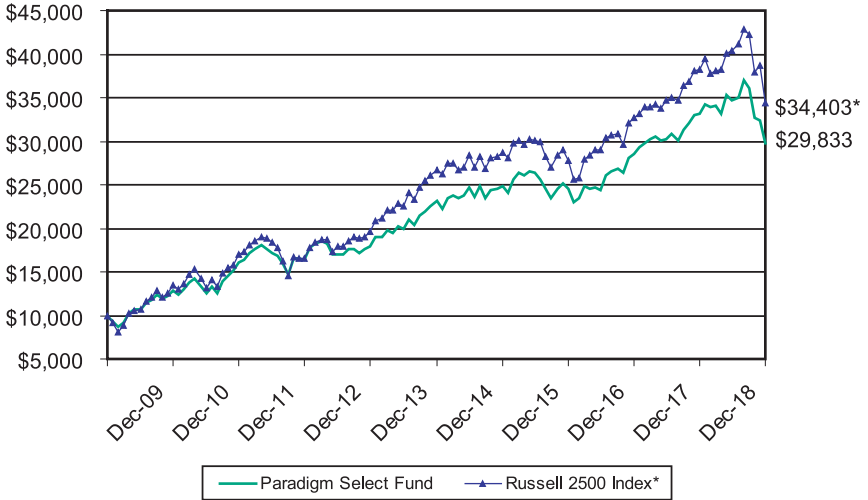
For purposes of the graph and the accompanying table, it is assumed that all dividends and distributions were reinvested.

Per the Fund's most recent prospectus, the Fund's Total Annual Operating Expense Ratio is 1.51%. The Total Annual Operating Expense Ratio may not correlate to the expense ratio in the Fund's financial highlights because the financial highlights only include the direct operating expenses incurred by the Fund, not the indirect costs of investing in acquired funds.

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.

Paradigm Select Fund (Unaudited)

The Value of a \$10,000 Investment in Paradigm Select Fund
from January 1, 2009 to December 31, 2018
as Compared to the Russell 2500 Index



PERFORMANCE INFORMATION

Average Annual Rate of Return (%) for the Periods Ended December 31, 2018.

December 31, 2018 NAV \$32.75

	<u>1 Year^(A)</u>	<u>3 Year^(A)</u>	<u>5 Year^(A)</u>	<u>10 Year^(A)</u>
Paradigm Select Fund	-9.93%	6.65%	5.25%	11.55%
Russell 2500® Index ^(B)	-10.00%	7.32%	5.15%	13.15%

(A) 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.

(B) 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.

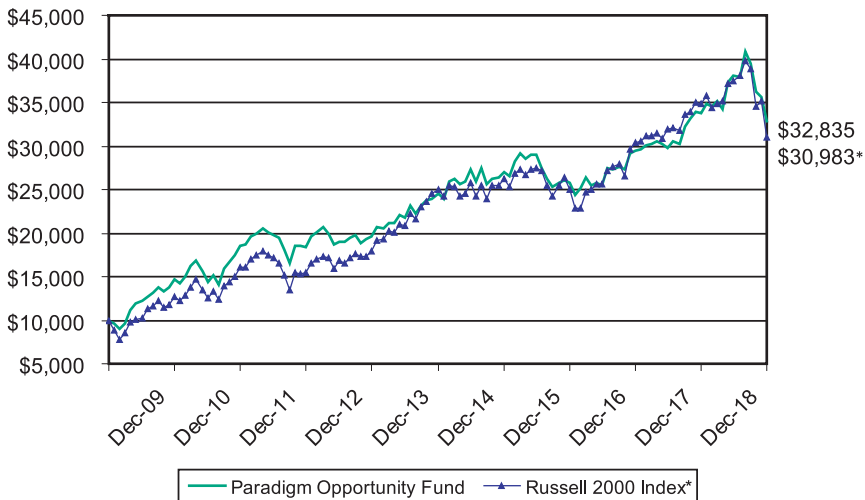
For purposes of the graph and the accompanying table, it is assumed that all dividends and distributions were reinvested.

Per the Fund's most recent prospectus, the Fund's Total Annual Operating Expense Ratio (before any fee waiver) is 1.51%, and 1.16% 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, 2019. The Total Annual Operating Expense Ratio may not correlate to the expense ratio in the Fund's financial highlights because the financial highlights only include the direct operating expenses incurred by the Fund, not the indirect costs of investing in acquired funds.

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Paradigm Opportunity Fund (Unaudited)

The Value of a \$10,000 Investment in Paradigm Opportunity Fund from January 1, 2009 to December 31, 2018 as Compared to the Russell 2000 Index



PERFORMANCE INFORMATION

Average Annual Rate of Return (%) for the Periods Ended December 31, 2018.

December 31, 2018 NAV \$37.73

	1 Year ^(A)	3 Year ^(A)	5 Year ^(A)	10 Year ^(A)
Paradigm Opportunity Fund	-2.84%	8.42%	6.01%	12.62%
Russell 2000® Index ^(B)	-11.01%	7.36%	4.41%	11.97%

^(A) 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.

^(B) 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.

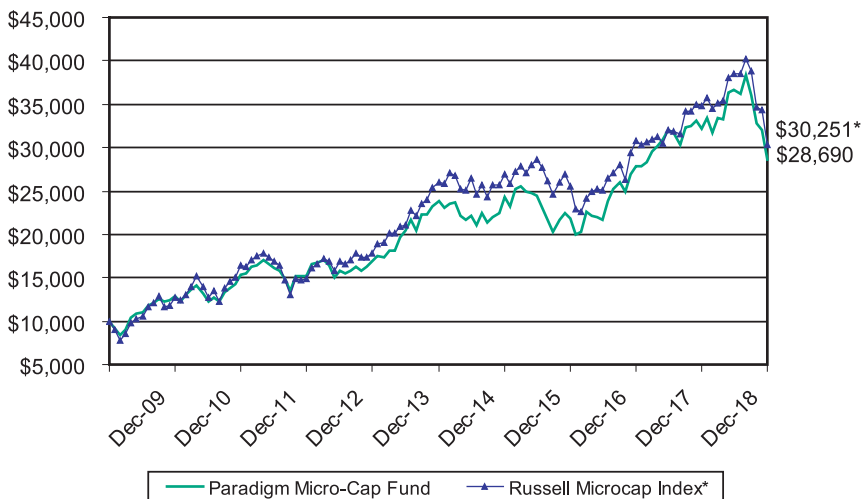
For purposes of the graph and the accompanying table, it is assumed that all dividends and distributions were reinvested.

Per the Fund's most recent prospectus, the Fund's Total Annual Operating Expense Ratio (before any fee waiver) is 1.51%, 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, 2019. The Total Annual Operating Expense Ratio may not correlate to the expense ratio in the Fund's financial highlights because the financial highlights only include the direct operating expenses incurred by the Fund, not the indirect costs of investing in acquired funds.

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Paradigm Micro-Cap Fund (Unaudited)

The Value of a \$10,000 Investment in Paradigm Micro-Cap Fund from January 1, 2009 to December 31, 2018 as Compared to the Russell Microcap Index



PERFORMANCE INFORMATION

Average Annual Rate of Return (%) for the Period Ended December 31, 2018.

December 31, 2018 NAV \$25.26

	1 Year ^(A)	3 Year ^(A)	5 Year ^(A)	10 Year ^(A)
Paradigm Micro-Cap Fund	-10.96%	9.50%	3.75%	11.12%
Russell Microcap® Index ^(B)	-13.08%	5.79%	3.08%	11.71%

^(A) 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 Micro-Cap Fund was January 1, 2008.

^(B) 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 1.26%. The Total Annual Operating Expense Ratio may not correlate to the expense ratio in the Fund's financial highlights because the financial highlights only include the direct operating expenses incurred by the Fund, not the indirect costs of investing in acquired funds.

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Paradigm Value Fund

Schedule of Investments December 31, 2018

Shares	Fair Value	% of Net Assets
COMMON STOCKS		
Air Courier Services		
72,000 Air Transport Services Group, Inc. *	\$ 1,642,320	3.19%
Aircraft Parts & Auxiliary Equipment, NEC		
10,000 Ducommun Incorporated *	363,200	0.71%
Communications Equipment, NEC		
3,816 Lumentum Holdings Inc. *	160,310	
15,000 Vocera Communications, Inc. *	590,250	
	750,560	1.46%
Computer Communications Equipment		
110,300 A10 Networks, Inc. *	688,272	
110,000 Extreme Networks, Inc. *	671,000	
	1,359,272	2.64%
Construction - Special Trade Contractors		
76,800 Matrix Service Co. *	1,377,792	2.68%
Electrical Work		
19,700 EMCOR Group Inc.	1,175,893	2.29%
Electronic Computers		
10,000 Omnicell, Inc. *	612,400	1.19%
Footwear, (No Rubber)		
10,000 Caleres, Inc.	278,300	0.54%
Guided Missiles & Space Vehicles & Parts		
15,000 Kratos Defense & Security Solutions, Inc. *	211,350	0.41%
Heavy Construction Other Than Building Construction - Contractors		
20,000 Granite Construction Incorporated	805,600	1.57%
Industrial Organic Chemicals		
21,700 Sensient Technologies Corporation	1,211,945	2.36%
Instruments for Measure & Testing of Electricity & Electric Signals		
25,000 Cohu, Inc.	401,750	0.78%
Laboratory Analytical Instruments		
19,900 PerkinElmer Inc.	1,563,145	3.04%
Millwood, Veneer, Plywood, & Structural Wood Members		
5,000 American Woodmark Corporation *	278,400	0.54%
Mining & Quarrying of Nonmetallic Minerals (No Fuels)		
55,000 Summit Materials, Inc. - Class A *	682,000	1.33%
Miscellaneous Electrical Machinery, Equipment & Supplies		
50,000 Electro Scientific Industries, Inc. *	1,498,000	2.91%
Motor Vehicle Parts & Accessories		
48,000 Tower International, Inc.	1,142,400	2.22%
National Commercial Banks		
39,500 First Merchants Corporation	1,353,665	
18,936 National Bank Holdings Corporation - Class A	584,554	
	1,938,219	3.77%
Optical Instruments & Lenses		
6,000 II-VI Incorporated *	194,760	0.38%
Orthopedic, Prosthetic & Surgical Appliances & Supplies		
140,000 RTI Surgical, Inc. *	518,000	1.01%
Printed Circuit Boards		
15,000 Jabil Circuit, Inc.	371,850	0.72%
Retail - Apparel & Accessory Stores		
20,000 Citi Trends, Inc.	407,800	
85,400 Express Inc. *	436,394	
33,400 Tailored Brands, Inc.	455,576	
	1,299,770	2.53%

* Non-Income Producing Securities.

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

Paradigm Value Fund

Schedule of Investments December 31, 2018

Shares	Fair Value	% of Net Assets
COMMON STOCKS		
Retail - Catalog & Mail-Order Houses		
5,000 Insight Enterprises, Inc. *	\$ 203,750	0.40%
Retail - Family Clothing Stores		
67,600 American Eagle Outfitters, Inc.	1,306,708	2.54%
Retail - Miscellaneous Shopping Goods Stores		
50,000 Barnes & Noble, Inc.	354,500	0.69%
Retail - Retail Stores, NEC		
9,100 IAC/InterActiveCorp. *	1,665,664	3.24%
Retail - Shoe Stores		
24,800 Foot Locker, Inc.	1,319,360	2.57%
Savings Institution, Federally Chartered		
40,300 LegacyTexas Financial Group, Inc.	1,293,227	2.51%
Semiconductors & Related Devices		
30,000 FormFactor, Inc. *	422,700	
20,000 Ichor Holdings, Ltd. *	326,000	
61,600 Kulicke & Soffa Industries Inc. (Singapore)	1,248,632	
7,588 Marvell Technology Group Ltd. (Bermuda)	122,850	
20,400 Qorvo, Inc. *	1,238,892	
	3,359,074	6.53%
Services - Business Services, NEC		
21,400 Tabula Rasa HealthCare, Inc. *	1,364,464	2.65%
Services - Computer Integrated Systems Design		
16,000 Allscripts Healthcare Solutions, Inc. *	154,240	
60,000 Ribbon Communications Inc. *	289,200	
	443,440	0.86%
Services - Help Supply Services		
44,400 Kforce Inc.	1,372,848	2.67%
Services - Home Health Care Services		
25,200 Addus HomeCare Corporation *	1,710,576	3.33%
Services - Hospitals		
17,400 Magellan Health Services Inc. *	989,886	
21,650 MEDNAX, Inc. *	714,450	
	1,704,336	3.31%
Services - Management Services		
60,000 R1 RCM Inc. *	477,000	0.93%
Services - Skilled Nursing Care Facilities		
10,000 The Ensign Group, Inc.	387,900	0.75%
Special Industry Machinery (No Metalworking Machinery)		
3,500 Kadant Inc.	285,110	0.55%
Special Industry Machinery, NEC		
50,800 Brooks Automation, Inc.	1,329,944	2.59%
State Commercial Banks		
27,000 Banner Corporation	1,443,960	
39,000 Renasant Corporation	1,177,020	
	2,620,980	5.09%
Telegraph & Other Message Communications		
18,900 j2 Global, Inc.	1,311,282	2.55%
Telephone & Telegraph Apparatus		
6,000 Fabrinet (Thailand) *	307,860	0.60%
Transportation Services		
15,400 GATX Corp.	1,090,474	2.12%
Wholesale - Computers & Peripheral Equipment & Software		
18,833 SYNnex Corporation	1,522,446	2.96%

* Non-Income Producing Securities.

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

Paradigm Value Fund

Schedule of Investments December 31, 2018

Shares	Fair Value	% of Net Assets
COMMON STOCKS		
Wholesale - Lumber & Other Construction Materials		
30,000	Foundation Building Materials, Inc. *	\$ 249,300
80,000	Huttig Building Products, Inc. *	<u>144,000</u>
		393,300 0.76%
Women's, Misses', and Juniors Outerwear		
50,000	J.Jill, Inc. *	<u>266,500</u>
		0.52%
Wood Household Furniture, (No Upholstered)		
30,000	Ethan Allen Interiors Inc.	<u>527,700</u>
		1.02%
Total for Common Stocks (Cost \$30,130,186)		
		<u>46,295,369</u> 90.01%
REAL ESTATE INVESTMENT TRUSTS		
41,500	Blackstone Mortgage Trust, Inc. - Class A	1,322,190
14,750	Mid-America Apartment Communities Inc.	<u>1,411,575</u>
Total for Real Estate Investment Trusts (Cost \$1,614,210)		
		2,733,765 5.32%
MONEY MARKET FUNDS		
2,655,207	SEI Daily Income Trust Government Fund CL F 2.17% **	<u>2,655,207</u>
Total for Money Market Funds (Cost \$2,655,207)		
		5.16%
Total Investment Securities		
		51,684,341 100.49%
(Cost \$34,399,603)		
Liabilities in Excess of Other Assets		
		<u>(252,951)</u> -0.49%
Net Assets		
		<u>\$ 51,431,390</u> 100.00%

* Non-Income Producing Securities.

** The Yield Rate shown represents the 7-day yield at December 31, 2018.

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

Paradigm Select Fund

Schedule of Investments December 31, 2018

Shares	Fair Value	% of Net Assets
COMMON STOCKS		
Chemical & Allied Products		
1,775 Innospec Inc.	\$ 109,624	
6,725 Olin Corp.	135,240	
	<u>244,864</u>	1.05%
Communications Equipment, NEC		
8,000 Lumentum Holdings Inc. *	336,080	1.44%
Construction - Special Trade Contractors		
27,300 Matrix Service Co. *	489,762	2.10%
Electrical Work		
5,700 EMCOR Group Inc.	340,233	1.46%
Electromedical & Electrotherapeutic Apparatus		
11,400 Masimo Corporation *	1,224,018	5.25%
Fire, Marine & Casualty Insurance		
3,950 American Financial Group Inc.	357,594	
6,150 Aspen Insurance Holdings Limited (Bermuda)	258,238	
	<u>615,832</u>	2.64%
Footwear (No Rubber)		
12,000 Caleres, Inc.	333,960	1.43%
General Industrial Machinery & Equipment		
12,000 Rexnord Corporation *	275,400	1.18%
Industrial Instruments For Measurement, Display, and Control		
5,800 MKS Instruments, Inc.	374,738	1.61%
Industrial Organic Chemicals		
5,800 Sensient Technologies Corporation	323,930	
4,350 Westlake Chemical Corp.	287,839	
	<u>611,769</u>	2.62%
Instruments For Measurement & Testing of Electricity & Electric Signals		
18,675 Teradyne, Inc.	586,021	2.51%
Laboratory Analytical Instruments		
9,700 PerkinElmer Inc.	761,935	3.27%
Millwood, Veneer, Plywood, & Structural Wood Members		
6,000 American Woodmark Corporation *	334,080	1.43%
Mining & Quarrying of Nonmetallic Minerals (No Fuels)		
10,000 Summit Materials, Inc. - Class A *	124,000	0.53%
Miscellaneous Manufacturing Industries		
6,600 Hillenbrand, Inc.	250,338	1.07%
Optical Instruments & Lenses		
5,000 II-VI Incorporated *	162,300	0.70%
Plastics Products		
12,000 Entegris, Inc.	334,740	1.44%
Printed Circuit Boards		
25,000 Jabil Circuit, Inc.	619,750	
16,000 TTM Technologies, Inc. *	155,680	
	<u>775,430</u>	3.32%
Retail - Apparel & Accessory Stores		
8,950 Tailored Brands, Inc.	122,078	0.52%
Retail - Catalog & Mail-Order Houses		
9,000 Insight Enterprises, Inc. *	366,750	1.57%
Retail - Eating & Drinking Places		
6,700 Cannae Holdings, Inc. *	114,704	0.49%

* Non-Income Producing Securities.

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

Paradigm Select Fund

Schedule of Investments December 31, 2018

Shares	Fair Value	% of Net Assets
COMMON STOCKS		
Retail - Family Clothing Stores		
22,900 American Eagle Outfitters, Inc.	\$ 442,657	1.90%
Retail - Lumber & Other Building Materials Dealers		
33,600 BMC Stock Holdings, Inc. *	520,128	2.23%
Retail - Radio, TV & Consumer Electronics Stores		
12,400 Best Buy Co., Inc.	656,704	2.82%
Retail - Retail Stores, NEC		
6,600 IAC/InterActiveCorp. *	1,208,064	5.18%
Retail - Shoe Stores		
11,000 Foot Locker, Inc.	585,200	2.51%
Savings Institution, Federally Chartered		
7,800 Capitol Federal Financial, Inc.	99,606	0.43%
Search, Detection, Navigation, Guidance, Aeronautical Systems		
6,800 Garmin Ltd. (Switzerland)	430,576	1.85%
Semiconductors & Related Devices		
10,000 Ichor Holdings, Ltd. *	163,000	
20,500 Kulicke & Soffa Industries Inc. (Singapore)	415,535	
32,025 Marvell Technology Group Ltd. (Bermuda)	518,485	
11,200 Qorvo, Inc. *	680,176	
5,800 Skyworks Solutions, Inc.	388,716	
	2,165,912	9.29%
Services - Computer Integrated Systems Design		
22,000 Allscripts Healthcare Solutions, Inc. *	212,080	0.91%
Services - Help Supply Services		
18,625 Kelly Services, Inc. - Class A	381,440	
11,350 Kforce Inc.	350,942	
	732,382	3.14%
Services - Hospitals		
9,000 Magellan Health Services Inc. *	512,010	
8,000 MEDNAX, Inc. *	264,000	
	776,010	3.33%
Services - Prepackaged Software		
1,809 Black Knight, Inc. *	81,514	
8,300 Progress Software Corporation	294,567	
	376,081	1.61%
Steel Pipe & Tubes		
15,750 Allegheny Technologies Incorporated *	342,877	1.47%
Steel Works, Blast Furnaces & Rolling Mills (Coke Ovens)		
6,200 Carpenter Technology Corporation	220,782	0.95%
Surgical & Medical Instruments & Apparatus		
17,700 Globus Medical, Inc. - Class A *	766,056	
5,000 NuVasive, Inc. *	247,800	
	1,013,856	4.35%
Telegraph & Other Message Communications		
7,300 j2 Global, Inc.	506,474	2.17%
Telephone & Telegraph Apparatus		
9,400 Fabrinet * (Thailand)	482,314	2.07%
Title Insurance		
5,900 Fidelity National Financial, Inc.	185,496	0.79%
Wholesale - Computers & Peripheral Equipment & Software		
10,101 SYNnex Corporation	816,544	3.50%

* Non-Income Producing Securities.

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

Paradigm Select Fund

Schedule of Investments December 31, 2018

Shares	Fair Value	% of Net Assets
COMMON STOCKS		
Wholesale - Electrical Apparatus & Equipment, Wiring Supplies		
4,300 EnerSys	\$ 333,723	1.43%
Wholesale - Lumber & Other Construction Materials		
8,400 Boise Cascade Company	200,340	0.86%
Wood Household Furniture, (No Upholstered)		
10,000 Ethan Allen Interiors Inc.	175,900	0.75%
Total for Common Stocks (Cost \$19,018,984)	21,262,738	91.17%
REAL ESTATE INVESTMENT TRUSTS		
5,900 Mid-America Apartment Communities Inc.	564,630	2.42%
Total for Real Estate Investment Trusts (Cost \$500,280)		
MONEY MARKET FUNDS		
1,504,213 SEI Daily Income Trust Government Fund CL F 2.17% **	1,504,213	6.45%
Total for Money Market Funds (Cost \$1,504,213)		
Total Investment Securities	23,331,581	100.04%
(Cost \$21,023,477)		
Liabilities in Excess of Other Assets	(8,871)	-0.04%
Net Assets	\$ 23,322,710	100.00%

* Non-Income Producing Securities.

** The Yield Rate shown represents the 7-day yield at December 31, 2018.

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

Paradigm Opportunity Fund

Schedule of Investments December 31, 2018

Shares	Fair Value	% of Net Assets
COMMON STOCKS		
Cable & Other Pay Television Services		
13,300 Tivo Solutions Inc.	\$ 125,153	1.14%
Communications Equipment, NEC		
7,000 Lumentum Holdings Inc. *	294,070	2.67%
Computer Communications Equipment		
30,700 A10 Networks, Inc. *	191,568	1.74%
Construction - Special Trade Contractors		
12,500 Matrix Service Co. *	224,250	2.04%
Electrical Work		
5,400 EMCOR Group Inc.	322,326	2.93%
General Industrial Machinery & Equipment		
11,400 Rexnord Corporation *	261,630	2.38%
Industrial Organic Chemicals		
6,350 Sensient Technologies Corporation	354,648	3.23%
Instruments For Measurement & Testing of Electricity & Electric Signals		
7,775 Teradyne, Inc.	243,979	2.22%
Laboratory Analytical Instruments		
4,000 PerkinElmer Inc.	314,200	2.86%
Miscellaneous Electrical Machinery, Equipment & Supplies		
9,800 Electro Scientific Industries, Inc. *	293,608	2.67%
Miscellaneous Manufacturing Industries		
5,200 Hillenbrand, Inc.	197,236	1.79%
Orthopedic, Prosthetic & Surgical Appliances & Supplies		
5,700 Avanos Medical, Inc. *	255,303	2.32%
Retail - Apparel & Accessory Stores		
11,875 Express Inc. *	60,681	
4,900 Tailored Brands, Inc.	66,836	
	127,517	1.16%
Retail - Department Stores		
2,500 Dillard's, Inc. - Class A	150,775	1.37%
Retail - Family Clothing Stores		
13,300 American Eagle Outfitters, Inc.	257,089	2.34%
Retail - Lumber & Other Building Materials Dealers		
18,800 BMC Stock Holdings, Inc. *	291,024	2.65%
Retail - Retail Stores, NEC		
2,500 IAC/InterActiveCorp. *	457,600	4.16%
Retail - Shoe Stores		
3,500 DSW Inc. - Class A	86,450	
6,700 Foot Locker, Inc.	356,440	
	442,890	4.03%
Semiconductors & Related Devices		
18,300 Kulicke & Soffa Industries Inc. (Singapore)	370,941	
5,700 Qorvo, Inc. *	346,161	
4,700 Skyworks Solutions, Inc.	314,994	
	1,032,096	9.39%
Services - Business Services, NEC		
6,600 Tabula Rasa HealthCare, Inc. *	420,816	3.83%
Services - Computer Integrated Systems Design		
31,500 Allscripts Healthcare Solutions, Inc. *	303,660	2.76%
Services - Computer Processing & Data Preparation		
17,900 Inovalon Holdings, Inc. *	253,822	2.31%
Services - Help Supply Services		
18,500 Kelly Services, Inc. - Class A	378,880	3.45%

* Non-Income Producing Securities.

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

Paradigm Opportunity Fund

Schedule of Investments December 31, 2018

Shares	Fair Value	% of Net Assets
COMMON STOCKS		
Services - Home Health Care Services		
5,100 Addus HomeCare Corporation *	\$ 346,188	3.15%
Services - Hospitals		
5,900 Magellan Health Services Inc. *	335,651	
4,600 MEDNAX, Inc. *	151,800	
	<u>487,451</u>	4.43%
Services - Prepackaged Software		
5,900 Progress Software Corporation	209,391	1.90%
Special Industry Machinery (No Metalworking Machinery)		
4,300 Kadant Inc.	350,278	3.19%
Special Industry Machinery, NEC		
15,000 Brooks Automation, Inc.	392,700	3.57%
Surgical & Medical Instruments & Apparatus		
10,400 AtriCure, Inc. *	318,240	
18,700 GenMark Diagnostics, Inc. *	90,882	
4,500 OrthoPediatrics Corp. *	156,960	
	<u>566,082</u>	5.15%
Telegraph & Other Message Communications		
5,000 j2 Global, Inc.	346,900	3.15%
Wholesale - Computers & Peripheral Equipment & Software		
1,250 SYNEX Corporation	101,080	0.92%
Total for Common Stocks (Cost \$7,914,328)	<u>9,994,210</u>	90.90%
REAL ESTATE INVESTMENT TRUSTS		
3,700 Mid-America Apartment Communities Inc.	354,090	3.22%
Total for Real Estate Investment Trusts (Cost \$200,380)		
MONEY MARKET FUNDS		
654,067 SEI Daily Income Trust Government Fund CL F 2.17% **	654,067	5.95%
Total for Money Market Funds (Cost \$654,067)		
Total Investment Securities	11,002,367	100.06%
(Cost \$8,768,775)		
Liabilities in Excess of Other Assets	(7,121)	-0.06%
Net Assets	<u>\$ 10,995,246</u>	<u>100.00%</u>

* Non-Income Producing Securities.

** The Yield Rate shown represents the 7-day yield at December 31, 2018.

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

Paradigm Micro-Cap Fund

Schedule of Investments December 31, 2018

Shares	Fair Value	% of Net Assets
COMMON STOCKS		
Aircraft Parts & Auxiliary Equipment, NEC		
25,000 Ducommun Incorporated *	\$ 908,000	2.05%
Communications Equipment, NEC		
50,000 Vocera Communications, Inc. *	1,967,500	4.44%
Computer Communications Equipment		
260,000 Extreme Networks, Inc. *	1,586,000	
20,000 Lumentum Holdings Inc. *	840,217	
	2,426,217	5.47%
Computer Peripheral Equipment, NEC		
160,000 Mitek Systems, Inc. *	1,729,600	3.90%
Concrete Products, Except Block & Brick		
30,000 Forterra, Inc. *	112,800	0.25%
Electromedical & Electrotherapeutic Apparatus		
60,000 Cutera, Inc. *	1,021,200	2.30%
Electronic Computers		
25,000 Omnicell, Inc. *	1,531,000	3.45%
Engines & Turbines		
400,000 Westport Fuel Systems Inc. *	532,000	1.20%
Footwear (No Rubber)		
50,000 Caleres, Inc.	1,391,500	3.14%
Guided Missiles & Space Vehicles & Parts		
100,000 Kratos Defense & Security Solutions, Inc. *	1,409,000	3.18%
Instruments for Measurement & Testing of Electricity & Electric Signals		
50,000 Cohu, Inc.	803,500	1.81%
Mining & Quarrying of Nonmetallic Minerals (No Fuels)		
10,000 Summit Materials, Inc. - Class A *	124,000	0.28%
Motor Vehicle Parts & Accessories		
150,000 Modine Manufacturing Company *	1,621,500	3.66%
Orthopedic, Prosthetic & Surgical Appliances & Supplies		
550,000 RTI Surgical, Inc. *	2,035,000	4.59%
Pharmaceutical Preparations		
60,000 Dermira, Inc. *	431,400	0.97%
Printed Circuit Boards		
80,000 TTM Technologies, Inc. *	778,400	1.76%
Retail - Apparel & Accessory Stores		
80,000 Citi Trends, Inc.	1,631,200	
60,000 Tilly's, Inc. - Class A *	651,600	
	2,282,800	5.15%
Retail - Catalog & Mail-Order Houses		
30,000 Insight Enterprises, Inc. *	1,222,500	2.76%
Retail - Retail Stores, NEC		
191,400 Kirkland's, Inc. *	1,824,042	4.11%
Retail - Variety Stores		
100,000 Fred's, Inc. - Class A	189,000	0.43%
Retail - Women's Clothing Stores		
377,500 RTW Retailwinds, Inc.	1,068,325	2.41%
Semiconductors & Related Devices		
50,000 Finisar Corporation *	1,080,000	
90,000 Ichor Holdings, Ltd. *	1,467,000	
	2,547,000	5.74%

* Non-Income Producing Securities.

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

Paradigm Micro-Cap Fund

Schedule of Investments December 31, 2018

Shares	Fair Value	% of Net Assets
COMMON STOCKS		
Services - Computer Integrated Systems Design		
400,000	Aerohive Networks, Inc. *	\$ 1,304,000
184,600	Allscripts Healthcare Solutions, Inc. *	1,779,544
320,000	Ribbon Communications Inc. *	1,542,400
		<u>4,625,944</u>
		10.43%
Services - Computer Processing & Data Preparation		
200,000	Castlight Health, Inc. *	434,000
		<u>434,000</u>
		0.98%
Services - Management Services		
250,000	R1 RCM Inc. *	1,987,500
		<u>1,987,500</u>
		4.48%
Services - Skilled Nursing Care Facilities		
20,000	The Ensign Group, Inc.	775,800
		<u>775,800</u>
		1.75%
Special Industry Machinery, NEC		
61,463	Axcelis Technologies, Inc. *	1,094,041
		<u>1,094,041</u>
		2.47%
Special Industry Machinery (No Metalworking Machinery)		
10,800	Kadant Inc.	879,768
		<u>879,768</u>
		1.98%
Surgical & Medical Instruments & Apparatus		
100,000	Alphatec Holdings, Inc. *	229,000
20,000	Cerus Corporation *	101,400
40,000	Sensus Healthcare, Inc. *	296,400
		<u>626,800</u>
		1.41%
Wholesale - Computers & Peripheral Equipment & Software		
20,000	ScanSource, Inc. *	687,600
		<u>687,600</u>
		1.55%
Wholesale - Hardware		
110,000	Wesco Aircraft Holdings, Inc. *	869,000
		<u>869,000</u>
		1.96%
Wholesale - Lumber & Other Construction Materials		
140,000	Foundation Building Materials, Inc. *	1,163,400
250,000	Huttig Building Products, Inc. *	450,000
		<u>1,613,400</u>
		3.64%
Women's, Misses', and Juniors Outerwear		
300,000	J.Jill, Inc. *	1,599,000
		<u>1,599,000</u>
		3.60%
Total for Common Stocks (Cost \$42,491,785)		
		<u>43,149,137</u>
		97.30%
MONEY MARKET FUNDS		
3,683,730	SEI Daily Income Trust Government Fund CL F 2.17% **	3,683,730
		<u>3,683,730</u>
		8.31%
Total for Money Market Funds (Cost \$3,683,730)		
Total Investment Securities		46,832,867
	(Cost \$46,175,515)	
		<u>46,832,867</u>
		105.61%
Liabilities in Excess of Other Assets		(2,487,119)
		<u>(2,487,119)</u>
		-5.61%
Net Assets		\$ 44,345,748
		<u><u>44,345,748</u></u>
		100.00%

* Non-Income Producing Securities.

** The Yield Rate shown represents the 7-day yield at December 31, 2018.

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

Paradigm Funds

Statements of Assets and Liabilities

December 31, 2018

	Value Fund	Select Fund
Assets:		
Investment Securities at Fair Value*	\$ 51,684,341	\$ 23,331,581
Cash	-	3,604
Receivable for Fund Shares Sold	32,512	2,600
Dividends Receivable	51,566	8,001
Total Assets	<u>51,768,419</u>	<u>23,345,786</u>
Liabilities:		
Payable for Fund Shares Redeemed	237,845	-
Payable for Securities Purchased	30,761	-
Payable to Advisor	68,423	23,076
Total Liabilities	<u>337,029</u>	<u>23,076</u>
Net Assets	<u>\$ 51,431,390</u>	<u>\$ 23,322,710</u>
Net Assets Consist of:		
Paid In Capital	\$ 34,095,386	\$ 21,033,731
Total Distributable Earnings	17,336,004	2,288,979
Net Assets	<u>\$ 51,431,390</u>	<u>\$ 23,322,710</u>
Net Asset Value, Offering and Redemption Price (Note 2)	<u>\$ 41.94</u>	<u>\$ 32.75</u>
* Investments at Identified Cost	<u>\$ 34,399,603</u>	<u>\$ 21,023,477</u>
Shares Outstanding (Unlimited number of shares authorized without par value)	<u>1,226,301</u>	<u>712,137</u>

Statements of Operations

For the fiscal year ended December 31, 2018

Investment Income:		
Dividends	\$ 792,311	\$ 309,970
Total Investment Income	792,311	309,970
Expenses:		
Investment Advisor Fees	901,890	395,695
Total Expenses	901,890	395,695
Less: Expenses Waived	-	(92,323)
Net Expenses	<u>901,890</u>	<u>303,372</u>
Net Investment Income (Loss)	<u>(109,579)</u>	<u>6,598</u>
Realized and Unrealized Gain (Loss) on Investments:		
Net Realized Gain on Investments	7,032,203	667,245
Net Change in Net Unrealized Appreciation on Investments	(7,753,631)	(3,317,635)
Net Realized and Unrealized Loss on Investments	<u>(721,428)</u>	<u>(2,650,390)</u>
Net Decrease in Net Assets from Operations	<u>\$ (831,007)</u>	<u>\$ (2,643,792)</u>

Paradigm Funds

Statements of Assets and Liabilities

December 31, 2018

	Opportunity Fund	Micro-Cap Fund
Assets:		
Investment Securities at Fair Value*	\$ 11,002,367	\$ 46,832,867
Receivable for Fund Shares Sold	24	166
Dividends Receivable	4,944	9,965
Total Assets	<u>11,007,335</u>	<u>46,842,998</u>
Liabilities:		
Payable for Fund Shares Redeemed	-	28,061
Payable for Securities Purchased	-	2,420,403
Payable to Advisor	12,089	48,786
Total Liabilities	<u>12,089</u>	<u>2,497,250</u>
Net Assets	<u>\$ 10,995,246</u>	<u>\$ 44,345,748</u>
Net Assets Consist of:		
Paid In Capital	\$ 8,774,879	\$ 43,870,806
Total Distributable Earnings	2,220,367	474,942
Net Assets	<u>\$ 10,995,246</u>	<u>\$ 44,345,748</u>
Net Asset Value, Offering and Redemption Price (Note 2)	<u>\$ 37.73</u>	<u>\$ 25.26</u>
* Investments at Identified Cost	<u>\$ 8,768,775</u>	<u>\$ 46,175,515</u>
Shares Outstanding (Unlimited number of shares authorized without par value)	<u>291,383</u>	<u>1,755,716</u>

Statements of Operations

For the fiscal year ended December 31, 2018

Investment Income:		
Dividends	\$ 112,818	\$ 314,589
Total Investment Income	112,818	314,589
Expenses:		
Investment Advisor Fees	157,139	673,800
Total Expenses	157,139	673,800
Less: Expenses Waived	(26,186)	-
Net Expenses	<u>130,953</u>	<u>673,800</u>
Net Investment Loss	<u>(18,135)</u>	<u>(359,211)</u>
Realized and Unrealized Gain (Loss) on Investments:		
Net Realized Gain on Investments	455,563	5,479,445
Net Change in Net Unrealized Appreciation on Investments	(1,314,120)	(11,021,590)
Net Realized and Unrealized Loss on Investments	<u>(858,557)</u>	<u>(5,542,145)</u>
Net Decrease in Net Assets from Operations	<u>\$ (876,692)</u>	<u>\$ (5,901,356)</u>

Paradigm Funds

Statements of Changes in Net Assets

	Value Fund		Select Fund	
	1/1/2018 to 12/31/2018	1/1/2017 to 12/31/2017	1/1/2018 to 12/31/2018	1/1/2017 to 12/31/2017
From Operations:				
Net Investment Income (Loss)	\$ (109,579)	\$ (91,298)	\$ 6,598	\$ (31,071)
Net Realized Gain on Investments	7,032,203	7,234,920	667,245	996,627
Net Change in Unrealized Appreciation on Investments	(7,753,631)	788,997	(3,317,635)	2,597,991
Net Increase (Decrease) in Net Assets from Operations	(831,007)	7,932,619	(2,643,792)	3,563,547
From Distributions to Shareholders:	(6,505,623)	(6,505,753) (a)	(665,584)	(946,144) (b)
From Capital Share Transactions:				
Proceeds From Sale of Shares	2,635,472	2,344,188	1,522,264	5,880,698
Proceeds from Redemption Fees (Note 2)	8,891	15,648	-	24,685
Shares Issued on Reinvestment of Dividends	6,217,194	6,211,305	626,197	934,694
Cost of Shares Redeemed	(9,266,900)	(12,920,673)	(777,882)	(7,065,050)
Net Increase (Decrease) from Shareholder Activity	(405,343)	(4,349,532)	1,370,579	(224,973)
Net Increase (Decrease) in Net Assets	(7,741,973)	(2,922,666)	(1,938,797)	2,392,430
Net Assets at Beginning of Period	59,173,363	62,096,029	25,261,507	22,869,077
Net Assets at End of Period	<u>\$51,431,390</u>	<u>\$59,173,363</u> (c)	<u>\$23,322,710</u>	<u>\$25,261,507</u> (c)
Share Transactions:				
Issued	49,608	46,479	37,898	167,749
Reinvested	149,704	125,760	19,315	24,839
Redeemed	(181,659)	(254,520)	(19,869)	(200,746)
Net Increase (Decrease) in Shares	17,653	(82,281)	37,344	(8,158)
Shares Outstanding Beginning of Period	1,208,648	1,290,929	674,793	682,951
Shares Outstanding End of Period	<u>1,226,301</u>	<u>1,208,648</u>	<u>712,137</u>	<u>674,793</u>

(a) For the prior year ended December 31, 2017, total distributions consisted of Capital Gains of \$6,505,753.

(b) For the prior year ended December 31, 2017, total distributions consisted of Capital Gains of \$946,144.

(c) As of December 31, 2017, Accumulated Undistributed Net Investment Income was \$0.

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

Paradigm Funds

Statements of Changes in Net Assets

	Opportunity Fund		Micro-Cap Fund	
	1/1/2018 to 12/31/2018	1/1/2017 to 12/31/2017	1/1/2018 to 12/31/2018	1/1/2017 to 12/31/2017
From Operations:				
Net Investment Loss	\$ (18,135)	\$ (2,243)	\$ (359,211)	\$ (437,969)
Net Realized Gain on Investments	455,563	237,640	5,479,445	3,447,873
Net Change in Unrealized Appreciation on Investments	(1,314,120)	801,886	(11,021,590)	3,130,584
Net Increase (Decrease) in Net Assets from Operations	(876,692)	1,037,283	(5,901,356)	6,140,488
From Distributions to Shareholders:	(447,555)	(70,402) (a)	(5,495,670)	(3,176,931) (b)
From Capital Share Transactions:				
Proceeds From Sale of Shares	5,994,589	667,051	7,068,123	11,699,509
Proceeds from Redemption Fees (Note 2)	565	-	449	3,202
Shares Issued on Reinvestment of Dividends	336,275	70,402	5,434,220	3,138,877
Cost of Shares Redeemed	(1,801,022)	(613,978)	(6,183,886)	(20,051,176)
Net Increase (Decrease) from Shareholder Activity	4,530,407	123,475	6,318,906	(5,209,588)
Net Increase (Decrease) in Net Assets	3,206,160	1,090,356	(5,078,120)	(2,246,031)
Net Assets at Beginning of Period	7,789,086	6,698,730	49,423,868	51,669,899
Net Assets at End of Period	<u>\$ 10,995,246</u>	<u>\$ 7,789,086</u> (c)	<u>\$44,345,748</u>	<u>\$49,423,868</u> (c)
Share Transactions:				
Issued	130,299	18,158	193,754	356,499
Reinvested	9,001	1,729	216,935	96,108
Redeemed	(40,349)	(15,192)	(180,493)	(655,825)
Net Increase (Decrease) in Shares	98,951	4,695	230,196	(203,218)
Shares Outstanding Beginning of Period	192,432	187,737	1,525,520	1,728,738
Shares Outstanding End of Period	<u>291,383</u>	<u>192,432</u>	<u>1,755,716</u>	<u>1,525,520</u>

(a) For the prior year ended December 31, 2017, total distributions consisted of Capital Gains of \$70,402.

(b) For the prior year ended December 31, 2017, total distributions consisted of Capital Gains of \$3,176,931.

(c) As of December 31, 2017, Accumulated Undistributed Net Investment Income was \$0.

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:	1/1/2018 to 12/31/2018	1/1/2017 to 12/31/2017	1/1/2016 to 12/31/2016	1/1/2015 to 12/31/2015	1/1/2014 to 12/31/2014
Net Asset Value - Beginning of Period	\$ 48.96	\$ 48.10	\$ 43.02	\$ 48.33	\$ 56.37
Net Investment Loss (a)	(0.10)	(0.08)	(0.02)	(0.02)	(0.05)
Net Gain (Loss) on Investments (Realized and Unrealized)	(0.98)	6.89	7.46	0.74	1.50
Total from Investment Operations	(1.08)	6.81	7.44	0.72	1.45
Distributions (From Net Investment Income)	-	-	-	-	-
Distributions (From Capital Gains)	(5.95)	(5.96)	(2.36)	(6.03)	(9.49)
Total Distributions	(5.95)	(5.96)	(2.36)	(6.03)	(9.49)
Proceeds from Redemption Fee (Note 2)	0.01	0.01	-	-	-
Net Asset Value - End of Period	\$ 41.94	\$ 48.96	\$ 48.10	\$ 43.02	\$ 48.33
Total Return (b)	(2.07)%	14.06%	17.29%	1.35%	2.44%

Ratios/Supplemental Data

Net Assets - End of Period (Thousands)	\$ 51,431	\$ 59,173	\$ 62,096	\$ 66,931	\$ 96,162
Before Reimbursement					
Ratio of Expenses to Average Net Assets	1.50%	1.66%	2.00%	2.00%	1.97%
After Reimbursement					
Ratio of Expenses to Average Net Assets (c)	1.50%	1.50%	1.50%	1.50%	1.50%
Ratio of Net Investment Loss to Average Net Assets (c)	(0.18)%	(0.15)%	(0.06)%	(0.05)%	(0.09)%
Portfolio Turnover Rate	20.54%	24.12%	12.68%	14.35%	31.47%

Paradigm Select Fund

Financial Highlights - Paradigm Select Fund

Selected data for a share outstanding throughout the period:	1/1/2018 to 12/31/2018	1/1/2017 to 12/31/2017	1/1/2016 to 12/31/2016	1/1/2015 to 12/31/2015	1/1/2014 to 12/31/2014
Net Asset Value - Beginning of Period	\$ 37.44	\$ 33.49	\$ 29.09	\$ 32.20	\$ 37.05
Net Investment Income (Loss) (a)	0.01	(0.05)	(0.04)	0.07	-
Net Gain (Loss) on Investments (Realized and Unrealized)	(3.74)	5.42	4.69	(0.45)	2.98
Total from Investment Operations	(3.73)	5.37	4.65	(0.38)	2.98
Distributions (From Net Investment Income)	-	-	(0.01)	(0.05)	-
Distributions (From Capital Gains)	(0.96)	(1.46)	(0.24)	(2.68)	(7.83)
Total Distributions	(0.96)	(1.46)	(0.25)	(2.73)	(7.83)
Proceeds from Redemption Fee (Note 2)	-	0.04	-	-	-
Net Asset Value - End of Period	\$ 32.75	\$ 37.44	\$ 33.49	\$ 29.09	\$ 32.20
Total Return (b)	(9.93)%	16.12%	15.98%	(1.26)%	7.86%
Net Assets - End of Period (Thousands)	\$ 23,323	\$ 25,262	\$ 22,869	\$ 5,399	\$ 6,537
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 (c)	1.15%	1.15%	1.15%	1.15%	1.15%
Ratio of Net Investment Income (Loss) to Average Net Assets (c)	0.03%	(0.13)%	(0.14)%	0.21%	0.00% +
Portfolio Turnover Rate	20.28%	21.49%	31.47%	19.57%	36.25%

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

(b) Total return 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 \$0.005/0.005%.

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:	1/1/2018 to 12/31/2018	1/1/2017 to 12/31/2017	1/1/2016 to 12/31/2016	1/1/2015 to 12/31/2015	1/1/2014 to 12/31/2014
Net Asset Value - Beginning of Period	\$ 40.48	\$ 35.68	\$ 31.14	\$ 32.70	\$ 31.25
Net Investment Loss (a)	(0.08)	(0.01)	(0.02)	(0.06)	(0.05)
Net Gain (Loss) on Investments (Realized and Unrealized)	(1.09)	5.18	4.56	(1.50)	3.27
Total from Investment Operations	(1.17)	5.17	4.54	(1.56)	3.22
Distributions (From Net Investment Income)	-	-	-	-	-
Distributions (From Capital Gains)	(1.58)	(0.37)	-	-	(1.77)
Total Distributions	(1.58)	(0.37)	-	-	(1.77)
Proceeds from Redemption Fee (Note 2)	-	-	-	-	-
Net Asset Value - End of Period	\$ 37.73	\$ 40.48	\$ 35.68	\$ 31.14	\$ 32.70
Total Return (b)	(2.84)%	14.48%	14.58%	(4.76)%	10.28%

Ratios/Supplemental Data

Net Assets - End of Period (Thousands)	\$ 10,995	\$ 7,789	\$ 6,699	\$ 6,019	\$ 6,694
Before Reimbursement					
Ratio of Expenses to Average Net Assets	1.50%	1.65%	2.00%	2.00%	2.00%
After Reimbursement					
Ratio of Expenses to Average Net Assets (c)	1.25%	1.25%	1.25%	1.25%	1.25%
Ratio of Net Investment Loss to Average Net Assets (c)	(0.17)%	(0.03)%	(0.08)%	(0.19)%	(0.15)%
Portfolio Turnover Rate	19.31%	14.29%	10.65%	16.21%	7.59%

Paradigm Micro-Cap Fund

Financial Highlights - Paradigm Micro-Cap Fund

Selected data for a share outstanding throughout the period:	1/1/2018 to 12/31/2018	1/1/2017 to 12/31/2017	1/1/2016 to 12/31/2016	1/1/2015 to 12/31/2015	1/1/2014 to 12/31/2014
Net Asset Value - Beginning of Period	\$ 32.40	\$ 29.89	\$ 24.32	\$ 27.39	\$ 30.35
Net Investment Loss (a)	(0.23)	(0.31)	(0.18)	(0.11)	(0.17)
Net Gain (Loss) on Investments (Realized and Unrealized)	(3.35)	5.05	6.83	(2.64)	0.74
Total from Investment Operations	(3.58)	4.74	6.65	(2.75)	0.57
Distributions (From Net Investment Income)	-	-	-	-	-
Distributions (From Capital Gains)	(3.56)	(2.23)	(1.08)	(0.32)	(3.53)
Total Distributions	(3.56)	(2.23)	(1.08)	(0.32)	(3.53)
Proceeds from Redemption Fee (Note 2)	-	-	-	-	-
Net Asset Value - End of Period	\$ 25.26	\$ 32.40	\$ 29.89	\$ 24.32	\$ 27.39
Total Return (b)	(10.96)%	15.79%	27.33%	(10.05)%	1.81%

Ratios/Supplemental Data

Net Assets - End of Period (Thousands)	\$ 44,346	\$ 49,424	\$ 51,670	\$ 42,395	\$ 26,100
Ratio of Expenses to Average Net Assets	1.25%	1.25%	1.25%	1.25%	1.25%
Ratio of Net Investment Loss to Average Net Assets	(0.67)%	(0.96)%	(0.67)%	(0.41)%	(0.58)%
Portfolio Turnover Rate	111.47%	125.90%	88.88%	70.95%	101.19%

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

(b) Total return 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 accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

PARADIGM FUNDS

December 31, 2018

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 offers 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. Value'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. Micro-Cap's investment objective is long-term capital appreciation. Under normal circumstances, Micro-Cap 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 Micro-Cap was to invest primarily in the common stocks of small, mid or large capitalization companies that the Advisor (defined below) 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

The Funds are investment companies and accordingly follow 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 Funds 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.

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, if any, is recognized on an accrual basis. The Funds use the highest cost basis which is a form of specific identification in computing gain or loss on sale of investment 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.

SHARE VALUATION: Each Fund's net asset value (the "NAV") is 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 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, 2018 proceeds from redemption fees were \$8,891, \$0, \$565 and \$449 for Value, Select, Opportunity and Micro-Cap, respectively.

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 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. The Funds identify their major tax jurisdictions as

Notes to Financial Statements - continued

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, 2018, the Funds did not incur any interest or penalties.

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.

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. These adjustments were primarily attributed to the reclassification of net investment loss and the usage of equalization for tax purposes.

Value

Paid In Capital	\$362,792
Total Distributable Earnings	(\$362,792)

Opportunity

Paid In Capital	(\$18,135)
Total Distributable Earnings	\$18,135

Micro-Cap

Paid In Capital	(\$359,211)
Total Distributable Earnings	\$359,211

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 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.

Notes to Financial Statements - continued

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 and real estate investment trusts) 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 fair 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 fair 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 Trust's 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.

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 each Fund's assets measured at fair value as of December 31, 2018:

Value:

<u>Valuation Inputs of Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks	\$46,295,369	\$ -	\$ -	\$46,295,369
Real Estate Investment Trusts	2,733,765	-	-	2,733,765
Money Market Funds	<u>2,655,207</u>	-	-	<u>2,655,207</u>
Total	\$51,684,341	\$ -	\$ -	\$51,684,341

Select:

<u>Valuation Inputs of Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks	\$21,262,738	\$ -	\$ -	\$21,262,738
Real Estate Investment Trusts	564,630	-	-	564,630
Money Market Funds	<u>1,504,213</u>	-	-	<u>1,504,213</u>
Total	\$23,331,581	\$ -	\$ -	\$23,331,581

Opportunity:

<u>Valuation Inputs of Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks	\$9,994,210	\$ -	\$ -	\$9,994,210
Real Estate Investment Trusts	354,090	-	-	354,090
Money Market Funds	<u>654,067</u>	-	-	<u>654,067</u>
Total	\$11,002,367	\$ -	\$ -	\$11,002,367

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	\$43,149,137	\$ -	\$ -	\$43,149,137
Money Market Funds	<u>3,683,730</u>	-	-	<u>3,683,730</u>
Total	\$46,832,867	\$ -	\$ -	\$46,832,867

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, 2018. There were no transfers into or out of the levels during the fiscal year ended December 31, 2018. 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, 2018.

Notes to Financial Statements - continued

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 Trustees and Trust 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, as amended (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%, 1.50%, 1.50%, and 1.25% of the average daily net assets from Value, Select, Opportunity and Micro-Cap, respectively. Prior to May 1, 2017, Value paid 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. Additionally, prior to May 1, 2017, Opportunity's management fee was 2.00% of the average daily net assets. As a result of the above calculations, for the fiscal year ended December 31, 2018, the Advisor earned management fees (before the waivers described below) totaling \$901,890, \$395,695, \$157,139 and \$673,800 for Value, Select, Opportunity, and Micro-Cap, respectively. At December 31, 2018, \$68,423, \$23,076, \$12,089 and \$48,786 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 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 1.15% and 1.25%, respectively, of daily net assets through April 30, 2019. The Advisor waived \$92,323 and \$26,186 for the fiscal year ended December 31, 2018 for Select and Opportunity, respectively, pursuant to their contractual agreements. 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 paid a total of \$36,000, in Trustees fees for the fiscal year ended December 31, 2018 for the Trust. Under the Management Agreements, the Advisor pays these fees.

6.) INVESTMENTS

For the fiscal year ended December 31, 2018, purchases and sales of investment securities other than U.S. Government obligations and short-term investments were as follows:

	Value	Select	Opportunity	Micro-Cap
Purchases	\$11,627,075	\$5,528,936	\$5,549,393	\$59,501,674
Sales	\$19,361,948	\$4,993,838	\$1,875,967	\$57,282,647

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

7.) 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, as amended. At December 31, 2018, National Financial Services, LLC, located at 200 Liberty Street, New York, New York, for the benefit of its customers, held, in aggregate, 36.40% 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, 81.61%, 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, 67.83%, 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, 85.55% of Micro-Cap, and therefore may be deemed to control Micro-Cap.

8.) TAX MATTERS

For federal income tax purposes, at December 31, 2018 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:

Notes to Financial Statements - continued

	<u>Value</u>	<u>Select</u>	<u>Opportunity</u>	<u>Micro-Cap</u>
Cost of Investments	\$34,471,968	\$21,047,530	\$8,782,092	\$46,363,809
Gross Unrealized Appreciation	\$20,132,377	\$4,572,601	\$3,376,820	\$6,933,685
Gross Unrealized Depreciation	(\$2,920,004)	(\$2,288,550)	(\$1,156,545)	(\$6,464,627)
Net Unrealized Appreciation (Depreciation) on Investments	\$17,212,373	\$2,284,051	\$2,220,275	\$469,058

The tax character of distributions paid during the fiscal years ended December 31, 2018 and 2017 were as follows:

	<u>Fiscal Year Ended December 31, 2018</u>	<u>Fiscal Year Ended December 31, 2017</u>
<u>PARADIGM VALUE FUND</u>		
Ordinary Income	\$ 157,414	\$ 607,252
Long-term Capital Gain	<u>6,348,209</u>	<u>5,898,501</u>
	\$ 6,505,623	\$ 6,505,753
<u>PARADIGM SELECT FUND</u>		
Ordinary Income	\$ 62,610	\$ 684,217
Long-term Capital Gain	<u>602,974</u>	<u>261,927</u>
	\$ 665,584	\$ 946,144
<u>PARADIGM OPPORTUNITY FUND</u>		
Ordinary Income	\$ -	\$ -
Long-term Capital Gain	<u>447,555</u>	<u>70,402</u>
	\$ 447,555	\$ 70,402
<u>PARADIGM MICRO-CAP FUND</u>		
Ordinary Income	\$ 45,002	\$ 107,926
Long-term Capital Gain	<u>5,450,668</u>	<u>3,069,005</u>
	\$ 5,495,670	\$ 3,176,931

As of December 31, 2018, the components of distributable earnings on a tax basis were as follows:

	<u>Value</u>	<u>Select</u>
Undistributed ordinary income	\$ 60,862	\$ 4,928
Undistributed capital gain	62,769	-
Unrealized appreciation	<u>17,212,373</u>	<u>2,284,051</u>
	\$ 17,336,004	\$ 2,288,979
	<u>Opportunity</u>	<u>Micro-Cap</u>
Undistributed ordinary income	\$ -	\$ -
Undistributed capital gain	92	5,884
Unrealized appreciation	<u>2,220,275</u>	<u>469,058</u>
	\$ 2,220,367	\$ 474,942

The difference between book basis and tax basis unrealized appreciation (depreciation) is attributable to the tax deferral of losses on wash sales and temporary tax basis adjustments resulting from underlying investment mergers.

9.) 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 to or disclosure in the financial statements.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Trustees of
Paradigm Funds

Opinion on the Financial Statements

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, 2018, 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, including the related notes, and the financial highlights for each of the five years in the period then ended (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Funds as of December 31, 2018, 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.

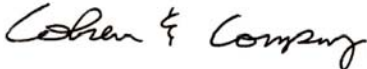
Basis for Opinion

These financial statements are the responsibility of the Funds' management. Our responsibility is to express an opinion on the Funds' financial statements based on our audits. 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 Funds 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 audits 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 audits 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 December 31, 2018, by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. Our audits 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 audits provide a reasonable basis for our opinion.

We have served as the Funds' auditor since 2004.



COHEN & COMPANY, LTD.
Cleveland, Ohio
February 22, 2019

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, 2018 and held through December 31, 2018.

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, 2018</u>	Ending Account Value <u>December 31, 2018</u>	Expenses Paid During the Period* July 1, 2018 to <u>December 31, 2018</u>
Actual	\$1,000.00	\$886.90	\$7.13
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, 2018</u>	Ending Account Value <u>December 31, 2018</u>	Expenses Paid During the Period* July 1, 2018 to <u>December 31, 2018</u>
Actual	\$1,000.00	\$858.25	\$5.39
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, 2018</u>	Ending Account Value <u>December 31, 2018</u>	Expenses Paid During the Period* July 1, 2018 to <u>December 31, 2018</u>
Actual	\$1,000.00	\$863.84	\$5.87
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, 2018</u>	Ending Account Value <u>December 31, 2018</u>	Expenses Paid During the Period* July 1, 2018 to <u>December 31, 2018</u>
Actual	\$1,000.00	\$781.38	\$5.61
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, 2018

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. It is also included in the Funds' Statement of Additional Information, which is available on the SEC'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 SEC's web site at <http://www.sec.gov>.

ADDITIONAL INFORMATION

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

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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, 2018.

Interested Trustees and Officers

Name, Address ¹ , 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 ² (1944)	President and Trustee	Indefinite Term, Since 2002	Co-Portfolio Manager of Paradigm Micro-Cap Fund since 2011, Paradigm Value Fund, Paradigm Select Fund and Paradigm Opportunity Fund since February 2013; 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 2004-2012, Paradigm Funds Advisors LLC since 2005, and Paradigm Capital Management Growth Advisors, Inc. 2007-2012.	4	None
Amelia F. Weir (1975)	Secretary	Indefinite Term, Since 2009	Co-Portfolio Manager of Paradigm Micro-Cap Fund since 2011, Paradigm Value Fund, Paradigm Select Fund and Paradigm Opportunity Fund since February 2013; Portfolio Manager and Director of Research Paradigm Capital Management (2008 - current).	N/A	N/A
Carl A. Florio, CPA ³ (1948)	Trustee	Indefinite Term, Since 2005	Director and Vice Chairman of Paradigm Funds Advisor LLC and affiliated entities (2008 - current).	4	Director, American Bio Medical; Dir., First Niagara Financial Group
Robert A. Benton (1954)	Treasurer, Chief Financial Officer, and Chief Compliance Officer	Indefinite Term, Treasurer and Chief Financial Officer Since 2002, Chief Compliance Officer Since June 2016	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 ¹ , 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
Gary Greenhouse (1943)	Trustee	Indefinite Term, Since 2016	Founder and President, Dr. Woods Products (a consumer products company) (2006 - current); Founder and Managing Partner, Sylvia Woods Food Company (2000 - current).	4	None
Peter H. Heerwagen (1945)	Trustee	Indefinite Term, Since 2009	Peter H. Heerwagen, Attorney at Law (2009 - current).	4	None
William P. Phelan ⁴ , CPA (1956)	Trustee	Indefinite Term, Since 2007	Chief Executive Officer of Bright Hub, Inc. (2006 - current).	4	Director, MTI Micro
George M. Philip (1947)	Trustee	Indefinite Term, Since 2016	Retired (2013 - current); President, University of Albany, State University of New York (2007 - 2013).	4	Director, First Niagara Financial Group, IPic Entertainment Inc., US Airways

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

² 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.

³ 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.

⁴ William P. Phelan is a limited partner in PCM Partners, LP II. As of December 31, 2018 he owned 0.99% of the PCM Partners, LP II partnership, the value of which was \$2.28 million. Candace King Weir is the general partner of PCM Partners, LP II; an interested Trustee of the

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
Gary Greenhouse
Peter H. Heerwagen
Candace King Weir
William P. Phelan
George M. Philip

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 Heights., OH 44147

Fund Administrator

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

Independent Registered Public Accounting Firm

Cohen & Company, 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.