

KIRR, MARBACH PARTNERS  
VALUE FUND



**Kirr, Marbach  
Partners Funds**



# KIRR, MARBACH PARTNERS

## VALUE FUND

"Sitting on a sofa on a Sunday afternoon. Going to the candidates' debate. Laugh about it; shout about it when you've got to choose. Every way you look at this you lose."

– "Mrs. Robinson" – Simon & Garfunkel (1968)

November 16, 2016

Dear Fellow Shareholders:

We are pleased to report Value Fund performed well in the September 30, 2016 quarter, posting both strong absolute and relative performance. Fortunately, the "Brexit" shock at the end of the June 30, 2016 quarter proved to be short-lived. Stocks owned in Value Fund tend to have less trading "liquidity" than the mega-capitalization stocks. When bouts of panic selling set in, over the *short-term* the *prices* of our stocks (but not the long-term value of the underlying businesses) tend to be negatively impacted more on a relative basis. With the return of relative calm, prices recovered.

The past twelve months were extremely tumultuous for investors. "Active" managers struggled with performance. Unfortunately, we are among this group. Still, we think there are reasons to remain optimistic. *First*, we're still able to find good companies with stocks we believe are cheap. *Second*, with all of the uncertainty surrounding the economic impact of Brexit, we expected central banks around the globe to keep interest rates low for many months to come, a positive for stocks and favoring stocks vs. bonds. *Third*, investor sentiment (even before Brexit) continues to be very pessimistic. *Finally*, while the U.S. certainly has plenty of warts, given the troubles popping up around the globe, we believe the U.S. stock market could be the "best house on the world's block." If this is the case, more funds could seek shelter here.

We understand we have a long way to go to make-up our performance shortfall over the past two and a half years and think we're up to the task.

The U.S. economy continues to "muddle through" with weak capital spending and mediocre growth, but we don't think there is a recession on the horizon. With the labor market still healthy and energy prices and inflation ticking higher, the Federal Reserve has signaled it intends to resume raising short-term interest rates, probably in December. Finally, the election will continue to be at the forefront of investors' minds. As you can see from the lyrics at the top, extreme cynicism about presidential elections is nothing new!

Periods ending	Value Fund <sup>(1)</sup>	Russell 3000 <sup>(2)</sup>	S&P 500 <sup>(3)</sup>
September 30, 2016 <sup>(4)</sup>	Total Return	Index	Index
Three-months	9.84%	4.40%	3.85%
Six-months	4.81%	7.14%	6.40%
One-year	6.29%	14.96%	15.43%
Two-years	0.88%	6.96%	7.11%
Three-years	2.86%	10.44%	11.16%
Five-years	14.04%	16.36%	16.37%
Ten-years	5.64%	7.37%	7.24%
Since Inception (December 31, 1998)	7.07%	5.67%	5.22%

The Fund's Gross Expense Ratio and Net Expense Ratio were 1.47% and 1.46%, respectively, according to the Prospectus dated January 28, 2016. Until February 28, 2017, the Adviser has contractually agreed to waive its management fee and/or reimburse the Fund's other expenses to the extent necessary to ensure that the Expense Cap does not exceed 1.45% of its average net assets, excluding Acquired Fund Fees and Expenses. Investment performance reflects previous fee waivers in effect. In the absence of such waivers, total return would be reduced.

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Performance data quoted represents past performance, past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month-end may be obtained by calling 1-800-870-8039. The fund imposes a 1.00% redemption fee on shares held less than 30 days. Performance data quoted does not reflect the redemption fee. If reflected, total returns would be reduced.

- (1) The performance data quoted assumes the reinvestment of capital gains and income distributions. The performance does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.
- (2) The Russell 3000 Index is an unmanaged, capitalization-weighted index generally representative of the overall U.S. stock market. This Index cannot be invested in directly.
- (3) The S&P 500 Index is an unmanaged, capitalization-weighted index generally representative of the U.S. market for large capitalization stocks. This Index cannot be invested in directly.
- (4) One-year, Two-years, Three-years, Five-years, Ten-years and Since Inception returns are Average Annualized Returns.

### Percent Change in Top Ten Holdings from Book Cost (as of 9/30/2016)

1. Alliance Data Systems Corp.	+168.4%	6. Alere, Inc.	+47.5%
2. Tessera Technologies Inc.	+101.6%	7. Cognizant Technology Solutions Corp.	+350.8%
3. LyondellBasell Industries NV	+257.3%	8. American International Group, Inc.	+61.6%
4. NCR Corporation	+97.4%	9. AutoZone, Inc.	+ 534.2%
5. Canadian Pacific Railway LTD	+350.9%	10. Dollar Tree, Inc.	+646.6%

Performance quoted represents past performance and is no guarantee of future results.

Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security.

### SUMMARY

We thank you for the opportunity to manage your precious assets. We're invested alongside you and are working hard each day to make-up lost ground.

Regards,



Mark D. Foster, CFA  
President



Mickey Kim, CFA  
Vice-President, Treasurer and Secretary

Value Fund invests in foreign securities, which involves greater volatility and political, economic and currency risks and differences in accounting methods. Value Fund may also invest in small- and medium-capitalization companies, which tend to have more limited liquidity and greater price volatility than large-capitalization companies.

Past performance is not a guarantee of future results.

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## VALUE FUND

Please refer to the Schedule of Investments for complete fund holdings information.

The information provided herein represents the opinion of Value Fund's investment adviser and is not intended to be a forecast of future events, a guarantee of future results, nor investment advice.

This material must be preceded or accompanied by a current Prospectus.

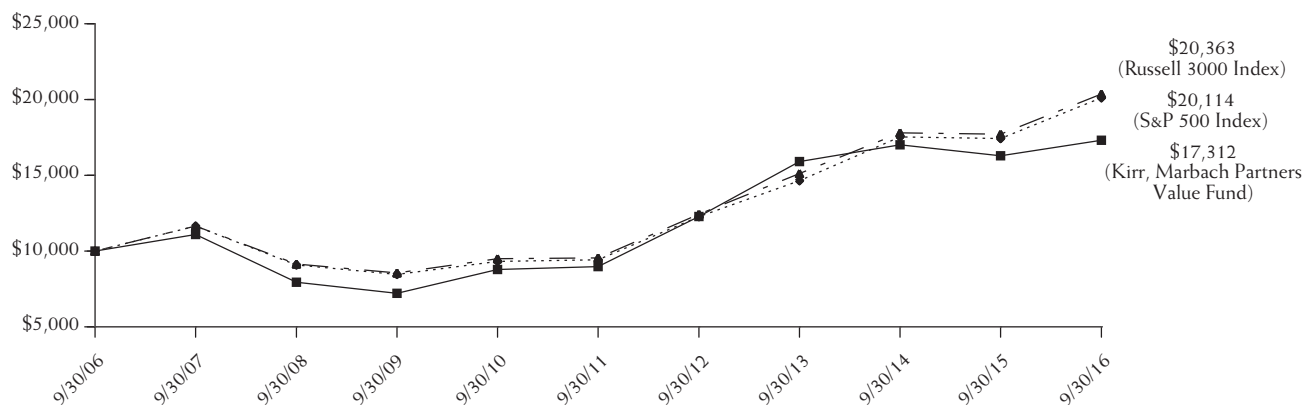
Quasar Distributors, LLC is the Distributor for Value Fund.

For further information about Value Fund and/or an account application, please call Matt Kirr at Value Fund at (812) 376-9444 or (800) 808-9444 or write to Value Fund at 621 Washington Street, Columbus, IN 47202-1729.

# KIRR, MARBACH PARTNERS

## VALUE FUND

### VALUE OF \$10,000 INVESTMENT (UNAUDITED)



*This chart assumes an initial investment of \$10,000. Performance reflects fee waivers in effect. In the absence of fee waivers, total return would be reduced. Past performance is not predictive of future performance. Investment return and principal value will fluctuate, so that your shares, when redeemed maybe worth more or less than their original cost. Performance assumes the reinvestment of capital gains and income distributions. The performance does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.*

### Average Annual Rate of Return (%)

	One Year Ended September 30, 2016	Five Years Ended September 30, 2016	Ten Years Ended September 30, 2016	Since Inception* to September 30, 2016
Kirr Marbach Partners Value Fund	6.29%	14.04%	5.64%	7.07%
Russell 3000 Index**	14.96%	16.36%	7.37%	5.67%
S&P 500 Index***	15.43%	16.37%	7.24%	5.22%

\* December 31, 1998

\*\* The Russell 3000 Index is an unmanaged, capitalization-weighted index generally representative of the overall U.S. stock market. This Index cannot be invested in directly.

\*\*\* The Standard & Poor's 500 Index (S&P 500) is an unmanaged, capitalization-weighted index generally representative of the U.S. market for large capitalization stocks. This Index cannot be invested in directly.

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## VALUE FUND

### EXPENSE EXAMPLE – SEPTEMBER 30, 2016

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, which may include redemption fees; and exchange fees; and (2) ongoing costs, including management fees; distribution 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. The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period (April 1, 2016 – September 30, 2016).

#### ACTUAL EXPENSES

The first line of the table below provides information about actual account values and actual expenses. Although the Fund charges no sales load or transaction fees, you will be assessed fees for outgoing wire transfers, returned checks and stop payment orders at prevailing rates charged by U.S. Bancorp Fund Services, LLC, the Fund's transfer agent. If you request that a redemption be made by wire transfer, currently a \$15.00 fee is charged by the Fund's transfer agent. You will be charged a transaction fee equal to 1.00% of the net amount of the redemption if you redeem your shares within 30 days of purchase. IRA accounts will be charged a \$15.00 annual maintenance fee. To the extent the Fund invests in shares of other investment companies as part of its investment strategy, you will indirectly bear your proportionate share of any fees and expenses charged by the underlying funds in which the Fund invests in addition to the expenses of the Fund. Actual expenses of the underlying funds are expected to vary among the various underlying funds. These expenses are not included in the example below. The example below includes, but is not limited to, management fees, shareholder servicing fees, fund accounting, custody and transfer agent fees. However, the example below does not include portfolio trading commissions and related expenses, interest expense and other extraordinary expenses as determined under generally accepted accounting principles. 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 the 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 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.

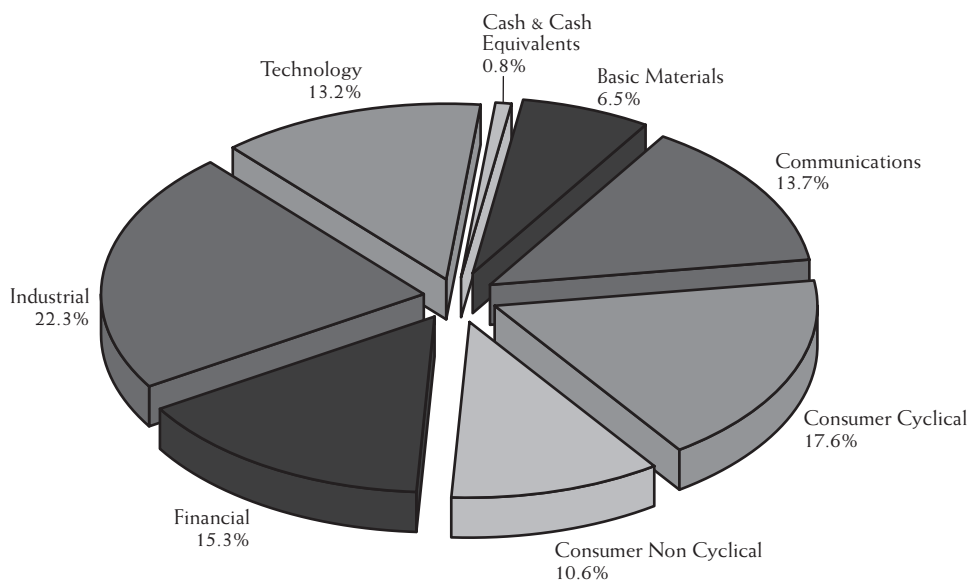
	Beginning Account Value 4/1/16	Ending Account Value 9/30/16	Expense Paid During Period 4/1/16 – 9/30/16 <sup>(1)</sup>
Actual	\$1,000.00	\$1,048.10	\$7.42
Hypothetical (5% return before expenses)	1,000.00	1,017.75	7.31

(1) Expenses are equal to the Fund's annualized expense ratio after reimbursement of 1.45% multiplied by the average account value over the period, multiplied by 183/366 to reflect the one-half year period. The annualized expense ratio prior to reimbursement was 1.49%.

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## VALUE FUND

### ALLOCATION OF PORTFOLIO NET ASSETS SEPTEMBER 30, 2016



### TOP TEN EQUITY HOLDINGS AS OF SEPTEMBER 30, 2016 (% OF NET ASSETS)

Alliance Data Systems Corp.	4.1%
Tessera Technologies, Inc.	3.8%
LyondellBasell Industries NV – Class A	3.7%
NCR Corp.	3.7%
Canadian Pacific Railway Ltd.	3.5%
Alere, Inc.	3.5%
Cognizant Technology Solutions Corp. – Class A	3.4%
American International Group, Inc.	3.4%
AutoZone, Inc.	3.2%
Dollar Tree, Inc.	3.1%



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### SCHEDULE OF INVESTMENTS SEPTEMBER 30, 2016

<u>Number of Shares</u>		<u>Value</u>	<u>Number of Shares</u>		<u>Value</u>
<b>COMMON STOCKS – 99.2%</b>			<b>Industrial – 22.3%</b>		
<b>Basic Materials – 6.5%</b>					
32,175	Innospec, Inc.	\$ 1,956,562	52,447	Babcock & Wilcox Enterprises, Inc.*	\$ 865,376
32,397	LyondellBasell Industries NV – Class A	<u>2,613,142</u>	49,155	BWX Technologies, Inc.	1,886,077
		<u>4,569,704</u>	16,163	Canadian Pacific Railway Ltd.	2,468,090
<b>Communications – 13.7%</b>			33,460	EMCOR Group, Inc.	1,994,885
13,500	Alliance Data Systems Corp.*	2,896,155	95,595	Gentex Corp.	1,678,648
74,630	ARRIS International plc*	2,114,268	40,915	KLX, Inc.*	1,440,208
4,075	Liberty Broadband Corp. – Class A*	285,902	57,630	MasTec, Inc.*	1,713,916
10,835	Liberty Broadband Corp. – Class C*	774,486	18,875	Orbital ATK, Inc.	1,438,841
16,700	Liberty SiriusXM Group – Class A*	567,466	18,858	WABCO Holdings, Inc.*	<u>2,140,949</u>
33,600	Liberty SiriusXM Group – Class C*	1,122,576			<u>15,626,990</u>
33,975	NeuStar, Inc. – Class A*	903,395	<b>Technology – 13.2%</b>		
25,630	Tribune Co.	<u>936,007</u>	50,000	Cognizant Technology Solutions Corp. – Class A*	2,385,500
		<u>9,600,255</u>	22,535	CSRA, Inc.	606,191
<b>Consumer Cyclical – 17.6%</b>			81,064	NCR Corp.*	2,609,450
8,865	Advance Auto Parts, Inc.	1,321,949	33,950	NetScout Systems, Inc.*	993,038
46,825	American Airlines Group, Inc.	1,714,263	69,190	Tessera Technologies, Inc.	<u>2,659,664</u>
2,885	AutoZone, Inc.*	2,216,661			<u>9,253,843</u>
27,795	Dollar Tree, Inc.*	2,193,859	<b>TOTAL COMMON STOCKS</b>		
71,140	Extended Stay America, Inc.	1,010,188	<b>(Cost \$43,738,031)</b>		
101,505	Interval Leisure Group, Inc.	1,742,841	<u>69,595,736</u>		
28,905	Motorcar Parts of America, Inc.*	831,886	<b>SHORT-TERM INVESTMENT – 0.9%</b>		
18,325	Visteon Corp.	<u>1,313,170</u>	651,418	Fidelity Institutional Government Portfolio – Class I, 0.26%**	
		<u>12,344,817</u>		<b>(Cost \$651,418)</b>	<u>651,418</u>
<b>Consumer Non Cyclical – 10.6%</b>			<b>Total Investments</b>		
56,480	Alere, Inc.*	2,442,195	<b>(Cost \$44,389,449) – 100.1%</b>		
8,515	Allergan plc*	1,961,090	<u>70,247,154</u>		
18,545	Express Scripts Holding Co.*	1,307,979	<b>Other Assets and</b>		
13,515	Zimmer Biomet Holdings, Inc.*	<u>1,757,220</u>	<b>Liabilities, Net (0.1%)</b>		
		<u>7,468,484</u>	<u>(81,155)</u>		
<b>Financial – 15.3%</b>			<b>TOTAL NET ASSETS – 100.0%</b>		
39,925	American International Group, Inc.	2,369,149	<u>\$70,165,999</u>		
16,265	Aon plc	1,829,650			
42,590	Colliers International Group, Inc.	1,791,761			
1,976	Markel Corp.*	1,835,250			
47,730	Synchrony Financial	1,336,440			
54,455	Voya Financial, Inc.	<u>1,569,393</u>			
		<u>10,731,643</u>			

\* Non-income producing security.

\*\* Rate in effect as of September 30, 2016.

See Notes to the Financial Statements

# KIRR, MARBACH PARTNERS

## VALUE FUND

### STATEMENT OF ASSETS AND LIABILITIES SEPTEMBER 30, 2016

<b>ASSETS:</b>	
Investments, at current value (cost \$44,389,449)	\$70,247,154
Prepaid expenses	13,222
Dividends receivable	11,265
Receivable for Fund shares sold	5,080
Interest receivable	380
Total Assets	<u>70,277,101</u>
<b>LIABILITIES:</b>	
Payable to Adviser	54,068
Accrued expenses	49,843
Accrued distribution fees	7,191
Total Liabilities	<u>111,102</u>
<b>NET ASSETS</b>	<u><u>\$70,165,999</u></u>
<b>NET ASSETS CONSIST OF:</b>	
Capital Stock	\$40,685,612
Undistributed net investment income	421,960
Undistributed net realized gain on investments	3,200,688
Net unrealized appreciation on investments	25,857,739
Total Net Assets	<u><u>\$70,165,999</u></u>
Shares outstanding (500,000,000 shares of \$0.01 par value authorized)	3,097,880
Net asset value and offering price per share <sup>(1)</sup>	<u><u>\$ 22.65</u></u>

(1) A redemption fee of 1.00% is assessed against shares redeemed within 30 days of purchase.

### STATEMENT OF OPERATIONS YEAR ENDED SEPTEMBER 30, 2016

<b>INVESTMENT INCOME:</b>	
Dividend income (net of withholding of \$6,741)	\$ 1,506,704
Interest income	5,384
Total Investment Income	<u>1,512,088</u>
<b>EXPENSES:</b>	
Investment Adviser fees	690,310
Distribution fees	64,638
Legal fees	63,226
Administration fees	42,530
Transfer agent fees	41,678
Federal & state registration fees	27,666
Fund accounting fees	26,866
Audit fees	22,194
Postage & printing fees	15,792
Custody fees	14,282
Directors fees	12,008
Other	8,822
Total expenses before reimbursement	1,030,012
Less: Reimbursement from Investment Adviser	(29,062)
Net Expenses	<u>1,000,950</u>
<b>NET INVESTMENT INCOME</b>	<u>511,138</u>
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:</b>	
Net realized gain on investments	5,735,189
Net change in unrealized appreciation on investments	<u>(1,968,885)</u>
Net realized and unrealized gain on investments	<u>3,766,304</u>
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<u><u>\$ 4,277,442</u></u>

See Notes to the Financial Statements

# KIRR, MARBACH PARTNERS

## VALUE FUND

### STATEMENT OF CHANGES IN NET ASSETS

	Year Ended September 30, 2016	Year Ended September 30, 2015
<b>OPERATIONS:</b>		
Net investment income (loss)	\$ 511,138	\$ (521,341)
Net realized gain on investments	5,735,189	4,595,921
Net change in unrealized appreciation on investments	<u>(1,968,885)</u>	<u>(7,055,677)</u>
Net increase (decrease) in net assets resulting from operations	<u>4,277,442</u>	<u>(2,981,097)</u>
<b>CAPITAL SHARE TRANSACTIONS:</b>		
Proceeds from shares sold	2,929,954	6,518,087
Proceeds from reinvestment of distributions	228,591	—
Payments for shares redeemed	(7,064,214)	(7,168,705)
Redemption fees	<u>2</u>	<u>78</u>
Net decrease in net assets resulting from capital share transactions	<u>(3,905,667)</u>	<u>(650,540)</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS:</b>		
From net investment income	—	—
From net realized gains	<u>(236,748)</u>	<u>—</u>
Total distributions to shareholders	<u>(236,748)</u>	<u>—</u>
<b>TOTAL INCREASE (DECREASE) IN NET ASSETS</b>	<u>135,027</u>	<u>(3,631,637)</u>
<b>NET ASSETS:</b>		
Beginning of period	<u>70,030,972</u>	<u>73,662,609</u>
End of period (including undistributed net investment income (loss) of \$421,960 and (\$343,536), respectively)	<u>\$70,165,999</u>	<u>\$70,030,972</u>
<b>CHANGES IN SHARES OUTSTANDING:</b>		
Shares sold	139,070	287,827
Shares issued to holders in reinvestment of dividends	10,278	—
Shares redeemed	<u>(327,362)</u>	<u>(310,204)</u>
Net decrease in shares outstanding	<u>(178,014)</u>	<u>(22,377)</u>

See Notes to the Financial Statements

# KIRR, MARBACH PARTNERS

## VALUE FUND

### FINANCIAL HIGHLIGHTS

For a Fund share outstanding throughout the period.

	Year Ended September 30,				
	2016	2015	2014	2013	2012
<b>PER SHARE DATA:</b>					
Net asset value, beginning of period	<u>\$21.38</u>	<u>\$22.33</u>	<u>\$20.88</u>	<u>\$16.12</u>	<u>\$11.78</u>
Investment operations:					
Net investment income (loss)	0.16	(0.16)	(0.19)	(0.06)	(0.07)
Net realized and unrealized gain (loss) on investments	<u>1.18</u>	<u>(0.79)</u>	<u>1.64</u>	<u>4.82</u>	<u>4.41</u>
Total from investment operations	<u>1.34</u>	<u>(0.95)</u>	<u>1.45</u>	<u>4.76</u>	<u>4.34</u>
Less distributions:					
Dividends from net investment income	—	—	—	—	—
Dividends from net capital gains	<u>(0.07)</u>	—	—	—	—
Total distributions	<u>(0.07)</u>	—	—	—	—
Paid in capital from redemption fees	<u>—<sup>(1)</sup></u>	<u>—<sup>(1)</sup></u>	<u>—<sup>(1)</sup></u>	<u>—<sup>(1)</sup></u>	<u>—<sup>(1)</sup></u>
Net asset value, end of period	<u>\$22.65</u>	<u>\$21.38</u>	<u>\$22.33</u>	<u>\$20.88</u>	<u>\$16.12</u>
<b>TOTAL RETURN</b>	6.29%	(4.25)%	6.94%	29.53%	36.84%
<b>SUPPLEMENTAL DATA AND RATIOS:</b>					
Net assets, end of period (in millions)	\$70.2	\$70.0	\$73.7	\$66.6	\$48.4
Ratio of expenses to average net assets:					
Before expense reimbursement/recoupment	1.49%	1.46%	1.45%	1.54%	1.66%
After expense reimbursement/recoupment	1.45%	1.45%	1.45%	1.45%	1.45%
Ratio of net investment income (loss) to average net assets:					
Before expense reimbursement/recoupment	0.70%	(0.69)%	(0.85)%	(0.45)%	(0.63)%
After expense reimbursement/recoupment	0.74%	(0.68)%	(0.85)%	(0.36)%	(0.42)%
Portfolio turnover rate	23%	21%	11%	21%	14%

<sup>(1)</sup> Less than \$0.01 per share.

See Notes to the Financial Statements

# KIRR, MARBACH PARTNERS

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## VALUE FUND

### NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2016

#### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Kirr, Marbach Partners Funds, Inc. (the "Corporation") was organized as a Maryland corporation on September 23, 1998 and is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end diversified management investment company issuing its shares in series, each series representing a distinct portfolio with its own investment objective and 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 Codification Topic 946 "Financial Services – Investment Companies." The one series presently authorized is the Kirr, Marbach Partners Value Fund (the "Fund"). The investment objective of the Fund is to seek long-term capital growth. The Fund commenced operations on December 31, 1998.

The following is a summary of significant accounting policies consistently followed by the Fund. These policies are in conformity with generally accepted accounting principles in the United States of America ("GAAP").

- a) Investment Valuation – Securities listed on the Nasdaq National Market are valued at the Nasdaq Official Closing Price ("NOCP"). Other securities traded on a national securities exchange (including options on indices so traded) are valued at the last sales price on the exchange where the security is primarily traded. Exchange-traded securities for which there were no transactions and Nasdaq-traded securities for which there is no NOCP are valued at the mean of the bid and asked prices. Securities for which market quotations are not readily available are valued at fair value as determined in good faith under the supervision of the Board of Directors. Foreign securities have been issued by foreign private issuers registered on United States exchanges in accordance with Section 12 of the Securities Exchange Act of 1934. Debt securities, including short-term debt instruments having maturities less than 60 days, are valued at the mean between the bid and asked prices as reported by an approved pricing service.

The Fund has performed an analysis of all existing investments to determine the significance and character of all inputs to their fair value determination. Various inputs are used in determining the value of each of the Fund's investments. These inputs are summarized in the following three broad categories:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the company has the ability to access.
- 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 instruments 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 that relevant observable inputs are not available, representing the company's own assumptions about the assumptions that a market participant would use in valuing the asset or liability, and that 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.

# KIRR, MARBACH PARTNERS

## VALUE FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2016

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.

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the Fund's investments as of September 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks	\$69,595,736	\$ —	\$ —	\$69,595,736
Short-Term Investment	651,418	—	—	651,418
Total Investments	<u>\$70,247,154</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$70,247,154</u>

Refer to the Schedule of Investments for industry classifications. Transfers between levels are recognized at the end of the reporting period. During the year ended September 30, 2016, the Fund recognized no transfers between levels. The Fund did not invest in any Level 3 investments during the year.

- b) Federal Income Taxes – A provision, for federal income taxes or excise taxes, has not been made since the Fund has elected to be taxed as a “regulated investment company” and intends to distribute substantially all taxable income to its shareholders and otherwise comply with the provisions of the Internal Revenue Code applicable to regulated investment companies. There is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken on the tax return for the fiscal year ended September 30, 2016, or for any other tax years which are open for exam. As of September 30, 2016, open tax years include the tax years ended September 30, 2013 through 2016. The Fund is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change 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 year ended September 30, 2016, the Fund did not incur any interest or penalties.
- c) Income and Expenses – The Fund is charged for those expenses that are directly attributable to the Fund, such as advisory, administration and certain shareholder service fees.
- d) Distributions to Shareholders – Dividends from net investment income and distributions of net realized capital gains, if any, will be declared and paid at least annually. The character of distributions made during the period from net investment income or net realized gains may differ from the characterization for federal income tax purposes due to differences in the recognition of income, expense and gain items for financial statement and tax purposes. All short term capital gains are included in ordinary income for tax purposes.
- e) Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- f) Repurchase Agreements – The Fund may enter into repurchase agreements with certain banks or non-bank dealers. The Adviser will monitor, on an ongoing basis, the value of the underlying securities to ensure that the value always equals or exceeds the repurchase price plus accrued interest.

# KIRR, MARBACH PARTNERS

## VALUE FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2016

g) Security Transactions and Investment Income – The Fund follows industry practice and records security transactions on the trade date. Realized gains and losses on sales of securities are calculated on the basis of identified cost. Dividend income is recorded on the ex-dividend date and interest income is recorded on an accrual basis. Withholding taxes on foreign dividends have been provided for in accordance with the Fund's understanding of the applicable country's tax rules and regulations. Discounts and premiums on securities purchased are amortized over the expected life of the respective securities.

The Fund distributes all net investment income, if any, and net realized capital gains, if any, annually. Distributions to shareholders are recorded on the ex-dividend date. 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 the recognition of certain components of income, expense or realized capital gain for federal income tax purposes. Where such differences are permanent in nature, GAAP requires that they be 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 values per share of the Fund. For the year ended September 30, 2016 the Fund increased undistributed net investment income by \$254,358, increased undistributed realized gain by \$111 and decreased capital stock by \$254,469.

h) Subsequent Events – Management has evaluated Fund related events and transactions that occurred subsequent to September 30, 2016, through the date of issuance of the Fund's financial statements. There were no events or transactions that occurred during this period that materially impacted the amounts or disclosures in the Fund's financial statements.

## 2. INVESTMENT TRANSACTIONS

The aggregate purchases and sales of securities, excluding short-term investments, by the Fund for the year ended September 30, 2016, were as follows:

	Purchases	Sales
U.S. Government	\$ —	\$ —
Other	\$15,380,501	\$16,390,694

At September 30, 2016, the components of accumulated earnings (losses) on a tax basis were as follows:

Cost of investments	\$ 44,384,798
Gross unrealized appreciation	\$ 28,154,267
Gross unrealized depreciation	\$ (2,291,877)
Net unrealized appreciation	\$ 25,862,390
Undistributed ordinary income	—
Undistributed long-term capital gain	3,872,046
Total distributable earnings	3,872,046
Other accumulated losses	\$ (254,049)
Total accumulated earnings	\$ 29,480,387

# KIRR, MARBACH PARTNERS

## VALUE FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2016

As of September 30, 2016, the Fund did not have any capital loss carryovers. A regulated investment company may elect for any taxable year to treat any portion of any qualified late year loss as arising on the first day of the next taxable year. Qualified late year losses are certain capital, and ordinary losses which occur during the portion of the Fund's taxable year subsequent to October 31. For the taxable year ended September 30, 2016, the Fund deferred on a tax-basis, late year ordinary losses of \$254,049.

The tax character of distributions paid during the year ended September 30, 2016, were as follows:

**Long Term Capital Gains**  
\$236,748

The Fund paid no distributions during the year ended September 30, 2015.

### 3. AGREEMENTS

The Fund has entered into an Investment Advisory Agreement with Kirr, Marbach & Company, LLC (the "Investment Adviser"). Pursuant to its advisory agreement with the Fund, the Investment Adviser is entitled to receive a fee, calculated daily and payable monthly, at the annual rate of 1.00% as applied to the Fund's daily net assets.

The Investment Adviser has contractually agreed to waive its management fee and/or reimburse the Fund's other expenses to the extent necessary to ensure that the Fund's total annual operating expenses (excluding acquired fund fees and expenses, interest, taxes, brokerage commissions and extraordinary expenses) do not exceed 1.45% of its average daily net assets until February 28, 2017. The Investment Adviser may decide to continue the agreement, or revise the total annual operating expense limitations after February 28, 2017. Any waiver or reimbursement is subject to later adjustment to allow the Investment Adviser to recoup amounts waived or reimbursed to the extent actual fees and expenses for a period are less than the expense limitation cap of 1.45%, provided, however, that the Investment Adviser shall only be entitled to recoup such amounts for a period of three years from the date such amount was waived or reimbursed. Waived/reimbursed fees and expenses subject to potential recovery by year of expiration are as follows.

Year of Expiration	Amount
9/30/2017	\$ —
9/30/2018	5,165
9/30/2019	<u>29,062</u>
Total	<u>\$34,227</u>

As of September 30, 2016, it was possible, but not probable, those amounts would be recovered by the Investment Adviser. At the end of each fiscal year in the future, the Fund will continue to assess the potential recovery of waived/reimbursed fees and expenses for financial reporting purposes.

Quasar Distributors, LLC, (the "Distributor") serves as principal underwriter of the shares of the Fund pursuant to a Distribution Agreement between the Distributor and the Corporation. The Fund's shares are sold on a no-load basis and, therefore, the Distributor receives no sales commission or sales load for providing services to the Fund. The Corporation has adopted a plan pursuant to Rule 12b-1 under the 1940 Act (the "12b-1 Plan"), which authorizes the Corporation to pay the Distributor and certain financial intermediaries who assist in distributing



# KIRR, MARBACH PARTNERS

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## VALUE FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2016

the Fund shares or who provided shareholder services to Fund shareholders a distribution and shareholder servicing fee of up to 0.25% of the Fund's average daily net assets (computed on an annual basis). All or a portion of the fee may be used by the Fund or the Distributor to pay its distribution fee and costs of printing reports and prospectuses for potential investors and the costs of other distribution and shareholder servicing expenses. During the year ended September 30, 2016, the Fund incurred expenses of \$64,638 pursuant to the 12b-1 Plan.

U.S Bancorp Fund Services, LLC serves as transfer agent, administrator and accounting services agent for the Fund. U.S. Bank, N.A. serves as custodian for the Fund.

The Fund imposes a 1% redemption fee on shares held 30 days or less. For the years end September 30, 2016 and the year ended September 30, 2015, the Fund collected \$2 and \$78, respectively, in redemption fees.

# KIRR, MARBACH PARTNERS

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## VALUE FUND

### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders  
Kirr, Marbach Partners Funds, Inc.

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Kirr, Marbach Partners Value Fund (the "Fund"), a series of Kirr, Marbach Partners Funds, Inc., as of September 30, 2016 and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of September 30, 2016, by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Kirr, Marbach Partners Value Fund, as of September 30, 2016, the results of its operations for the year then ended, the changes in its 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.

TAIT, WELLER & BAKER LLP

Philadelphia, Pennsylvania  
November 28, 2016

# KIRR, MARBACH PARTNERS

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## VALUE FUND

ADDITIONAL INFORMATION  
SEPTEMBER 30, 2016 (UNAUDITED)

### AVAILABILITY OF FUND PORTFOLIO INFORMATION

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q, which is available on the SEC's website at [www.sec.gov](http://www.sec.gov). The Fund's Form N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington D.C. For information on the Public Reference Room call 1-800-SEC-0330. In addition, the Fund will post its complete schedule of portfolio holdings as of the end of its last completed fiscal quarter as part of its quarterly shareholder update on the Fund's website on or soon after the 14th day after the end of each fiscal quarter.

### AVAILABILITY OF PROXY VOTING INFORMATION

Both a description of the Fund's Proxy Voting Policies and Procedures and information about the Fund's proxy voting record will be available (1) without charge, upon request, by calling 1-800-870-8039, and (2) on the SEC's website at [www.sec.gov](http://www.sec.gov).

### QUALIFIED DIVIDEND INCOME/DIVIDENDS RECEIVED DEDUCTION

For the fiscal year ended September 30, 2016, certain dividends paid by the Fund may be subject to a maximum tax rate of 23.8%, as provided for by the American Taxpayer Relief Act of 2012. The percentage of dividends declared from ordinary income designated as qualified dividend income was 0% for the Fund.

For corporate shareholders, the percent of ordinary income distributions qualifying for the corporate dividends received deduction for the fiscal year ended September 30, 2016, was 0% for the Fund.

# KIRR, MARBACH PARTNERS

## VALUE FUND

### ADDITIONAL INFORMATION (CONTINUED) SEPTEMBER 30, 2016 (UNAUDITED)

Name, Address and Age	Position with the Corporation	Term of Office and Length of Time Served	Principal Occupation During Past Five Years	Other Directorships Held	Number of Funds Overseen in Complex
<b>INTERESTED DIRECTORS</b>					
Mark D. Foster* Born 1958	Director, Chairman and President	Indefinite term since 1998	Chief Investment Officer, Kirr, Marbach & Company, LLC	None	1
Mickey Kim* Born 1958	Director, Vice President, Secretary, Treasurer, and Chief Compliance Officer	Indefinite term since 1998	Chief Compliance Officer and Chief Operating Officer, Kirr, Marbach & Company, LLC	None	1
<b>DIS-INTERESTED DIRECTORS</b>					
Jeffrey N. Brown* Born 1959	Director	Indefinite term since 1998	President, Home News Enterprises	None	1
Mark E. Chesnut* Born 1947	Director	Indefinite term since 1998	Retired, Formerly Vice-President, Cummins Engine Company	None	1
John F. Dorenbusch* Born 1938	Director	Indefinite term since 1998	Retired, Formerly President, Irwin Management Company and Tipton Lakes Company	None	1

\* The address for all directors is Kirr, Marbach & Company, LLC, 621 Washington Street, Columbus, Indiana 47201

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DIRECTORS

Mark D. Foster, CFA  
Mickey Kim, CFA  
Jeffrey N. Brown  
Mark E. Chesnut  
John F. Dorenbusch

PRINCIPAL OFFICERS

Mark D. Foster, CFA, President  
Mickey Kim, CFA, Vice President, Treasurer and Secretary

INVESTMENT ADVISER

Kirr, Marbach & Company, LLC  
621 Washington Street  
Columbus, IN 47201

DISTRIBUTOR

Quasar Distributors, LLC  
615 East Michigan Street  
Milwaukee, WI 53202

CUSTODIAN

U.S. Bank, N.A.  
1555 North River Center Drive  
Milwaukee, WI 53212

ADMINISTRATOR,  
TRANSFER AGENT AND  
DIVIDEND – DISBURSING AGENT  
U.S. Bancorp Fund Services, LLC  
615 E. Michigan Street  
Milwaukee, WI 53202

INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM

Tait, Weller & Baker LLP  
1818 Market Street, Suite 2400  
Philadelphia, PA 19103

LEGAL COUNSEL

Kirkland & Ellis LLP  
300 North LaSalle  
Chicago, IL 60654

*This report should be accompanied or preceded by a prospectus.*

*The Fund's Statement of Additional Information contains additional information about the Fund's directors and is available without charge upon request by calling 1-800-808-9444.*

*The Fund's Proxy Voting Policies and Procedures are available without charge upon request by calling 1-800-808-9444. A description of the Fund's proxy voting policies and procedures is available on the Fund's website, [www.kmpartnersfunds.com](http://www.kmpartnersfunds.com), or on the SEC's website, at [www.sec.gov](http://www.sec.gov). Information regarding how the Fund voted proxies relating to portfolio securities during the twelve months ended June 30, is available without charge upon request by calling 1-800-808-9444 or on the SEC's website, at [www.sec.gov](http://www.sec.gov).*

ANNUAL REPORT

SEPTEMBER 30, 2016