FAM FUNDS
Managed by
FENIMORE ASSET MANAGEMENT

CHAIRMAN'S COMMENTARY

Annual Report 2020

Dear Fellow Shareholder,

The past year has been among the most memorable in my nearly five-decade investment career. When reflecting upon 2020, there are both good and bad memories. To be sure, the virus exacted a nearly incalculable human and economic toll that we have all felt in one way or another. As we exited the year, however, there was much room for optimism.

The pandemic led to great human perseverance and ingenuity resulting in, among other things, the discovery and development of multiple vaccines in less than one-tenth of the time it typically takes. And, while the initial rollout of vaccinations has been slower than expected, we believe we are on track to return to a world that more resembles 2019 than 2020. While there is near-term uncertainty about the pace of economic recovery, we are confident about the long-term prospects of our holdings.

Market Performance

The S&P 500, an index of large U.S. companies, returned +18.4% in one of the most volatile years on record. The index began the year in positive territory hitting a (then) high on February 19 before plummeting -34% in only 23 trading days due to the uncertainty of the impact of a little-understood virus.[1]

Sentiment very quickly reversed on March 23 upon news of a $2 trillion stimulus package, which, along with improving economic data, sent the market soaring to new highs by early September. A resurgence in cases put pause to the rally until the November 9 announcement by Pfizer/BioNTech that their vaccine candidate showed 90+% effectiveness in clinical trials and could be approved and available for distribution by year's end.

With this news, companies and industries that had disproportionally suffered from the economic effects of the pandemic (e.g., airlines, hotels, and restaurants) led a resumption of the bull market to new highs by year-end. Smaller companies did even better than larger companies. The Russell 2000, an index of small-cap businesses, returned 19.9% including its best quarter in two decades.[2]

FAM Fund Performance

Our mutual funds did well on an absolute basis, but underperformed their benchmarks for reasons explained later in this letter. More importantly, we were more active than we have been in years. As a result of the volatility, we were able to invest more in

[1] *FactSet as of 12/31/2020*
[2] *FactSet as of 12/31/2020*

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current holdings as well as new ideas — quality businesses from our perspective. Our investment research team has followed some of these new ideas for years, but they were perennially too expensive for our taste.

In the three funds combined, we initiated 23 positions in companies ranging from uniform rental to semiconductor manufacturing and logistics software to pool supplies. We feel we were able to improve both the quality and expected return of the funds. Please read each of the fund letters for more detail on our 2020 activities.

Resilience: An Update

In our last letter, we talked about the resilience of our portfolio holdings in the face of the pandemic, which, at that point, was only a couple of months old. As the year progressed, our researchers were even more pleased with the performance of our holdings' management teams. Nearly all took extraordinary and effective measures to protect the physical and financial well-being of their employees. They found new ways to provide value to their customers, lowered their cost structures (even with additional COVID costs), and improved their competitive positioning. In some cases, sales have not returned to pre-pandemic levels, but all are poised to grow from our vantage point. Owning what we believe are quality businesses with strong balance sheets and skilled, ethical leaders feels good every year; it felt particularly good in 2020.

Market Timing

Some investors react to alarming headlines and/or market declines by "going to cash" with the anticipation of "getting back in" when things look or feel better. This is despite how much has been researched and written about how hard it is to successfully time the market and how costly it can be to even try. The problem is that the market often sees the light at the end of the tunnel well before the investor — pricing in a recovery before it happens and leaving the market timer waiting for a better time to "get back in." You would be hard pressed to get a better example of this than 2020. Various surveys have shown that up to 25% of investors sold all their equities during the intense March downturn while up to 40% more sold some of their stocks during that time.[3]

A recent study was published on the S&P 500 from 12/31/1980 to 8/31/20. During that time, if you missed just the 5 best days, your annual growth fell from 12.2% to 10.8% and your final account balance was 38% lower than if you were invested all 14,280 days. If you missed the 30 best days, your final account balance would have been 84% lower.[4]

Staying the course can be difficult, especially in an era where the more shocking the headline the more views a story gets. Our associates also understand that countless people faced very difficult situations in 2020 and had no choice but to liquidate their assets. Everyone's circumstances are different. That is why we focus on the long-term investment horizon (measured in years, not months) while seeking to own a collection of quality, well-capitalized, well-run businesses that have a history of growing value through all kinds of circumstances.

Outlook

Following a year of the unprecedented use of the word "unprecedented," outlooks should be greeted with more skepticism than usual. We entered 2020 with a strong economy and record low unemployment while the prevalent concern was trade relations with China — but nobody foresaw what transpired. It was yet another

[3] *Fenimore research*
[4] *Fidelity Investments, 2020, "Keep perspective: downturns are normal."*

reminder that the seas can get stormy unexpectedly and quickly. That is why we always want to sail with a fleet of sturdy ships.

Our holdings are weathering this storm remarkably, in our opinion, with water-tight business models, able crews, and steady-handed (and headed) captains. While we do not know what 2021 will bring, we believe that vaccines, stimulus, and time will continue to mend the economy. Meanwhile, if volatility continues into next year, we will view it as an opportunity — as we always have — seeking to invest in what we deem to be wonderful, durable businesses.

Thank you for the trust you place in us. If you need assistance, please call us at **800-932-3271** or email **info@fenimoreasset.com**. Our associates welcome the opportunity to help you.

Thomas O. Putnam

Thomas O. Putnam
Founder & Executive Chairman

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TOP 10 HOLDINGS

AS OF 12/31/2020

FAM VALUE FUND	% OF PORTFOLIO
Ross Stores	6.97%
IDEX Corp.	6.65%
Brown & Brown	6.37%
CDW Corp.	5.15%
Brookfield Asset Management	4.78%
Markel Corp.	4.40%
CarMax	4.20%
Illinois Tool Works	4.14%
Berkshire Hathaway	4.02%
Graco	3.63%
TOTAL NET ASSETS	**$1,427,876,154**

FAM DIVIDEND FOCUS FUND	% OF PORTFOLIO
Microchip Technology	6.12%
Arthur J. Gallagher & Co.	5.82%
Trane Technologies	5.71%
CDW Corp.	5.61%
Ross Stores	5.51%
Air Products & Chemicals	5.39%
Entegris	5.36%
Stryker Corp.	5.34%
Broadridge Financial Solutions	4.79%
Genpact	4.13%
TOTAL NET ASSETS	**$509,666,284**

FAM SMALL CAP FUND	% OF PORTFOLIO
Floor & Decor Holdings	5.38%
ExlService Holdings	4.76%
Entegris	4.49%
CBIZ	4.45%
Pinnacle Financial Partners	4.45%
Frontdoor	4.42%
Colliers International Group	4.40%
Choice Hotels International	4.26%
Boston Omaha Corp.	4.04%
Landstar System	3.64%
TOTAL NET ASSETS	**$242,749,894**

The portfolios are actively managed and current holdings may be different.

AVERAGE ANNUAL TOTAL RETURNS

AS OF 12/31/2020

	SINCE INCEPTION	10 YEAR	5 YEAR	3 YEAR	1 YEAR	TOTAL FUND OPERATING EXPENSES*
FAM VALUE FUND INVESTOR CLASS (1/2/87)	10.53%	11.25%	12.05%	9.31%	6.82%	1.20%*
INSTITUTIONAL CLASS (1/2/17)	10.56%	N/A	N/A	9.52%	7.03%	1.12%*
FAM DIVIDEND FOCUS FUND (4/1/96)	9.65%	12.98%	15.51%	14.51%	13.20%	1.26%*
FAM SMALL CAP FUND INVESTOR CLASS (3/1/12)	11.40%	N/A	10.46%	8.18%	10.10%	1.29%*
INSTITUTIONAL CLASS (1/1/16)	11.48%	N/A	N/A	8.31%	10.25%	1.20%*

The performance data quoted represents past performance.

Performance Disclosures:

Performance data quoted above is historical. Past performance is not indicative of future results, current perfor-mance may be higher or lower than the performance data quoted. Investment returns may fluctuate; the value of your investment upon redemption may be more or less than the initial amount invested. All returns are net of expenses. To obtain performance data that is current to the most recent month-end for each fund as well as other information on the FAM Funds, please go to fenimoreasset.com or call (800) 932-3271.

Please consider a fund's investment objectives, risks, charges and expenses carefully before investing. The FAM Funds prospectus or summary prospectus contains this and other important information about each Fund and should be read carefully before you invest or send money. To obtain a prospectus or summary prospectus for each fund as well as other information on the FAM Funds, please go to fenimoreasset.com or call (800) 932-3271.

Important Risk Information:

The principal risks of investing in the fund are: stock market risk (stocks fluctuate in response to the activities of individual companies and to general stock market and economic conditions), stock selection risk (Fenimore utilizes a value approach to stock selection and there is risk that the stocks selected may not realize their intrinsic value, or their price may go down over time), and small-cap risk (prices of small-cap companies can fluctuate more than the stocks of larger companies and may not correspond to changes in the stock market in general).

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**FAM Value Fund Disclosure: The Fund's total annual operating expense ratio as stated in the fee table of the Fund's most recent prospectus is 1.26% after fee waivers of (0.01)% for the Investor Class. The Fund's total annual operating expense ratio as stated in the fee table of the Fund's most recent prospectus is 1.00% after fee waivers of (0.12)% for the Institutional Class. When excluding Acquired Funds Fees and Expenses, which are not direct costs paid by the Fund's shareholders, and fee waivers, the total annual operating expense as reported in the FAM Value Fund's audited financial statements for the Investor Class is 1.18% after a fee waiver of (0.01%) and the Institutional Class is 0.99% after a fee waiver of (0.12%) as of 12/31/19. The Advisor has contractually agreed, 5/1/2021, to waive fees and/or reimburse the Fund certain expenses (excluding interest, taxes, brokerage costs, Acquired Fund Fees and Expenses, dividend expense and extraordinary expenses) to the extent necessary to maintain Net Fund Operating Expenses for Investor Shares at 1.18% and Institutional Shares at 0.99%.*

Institutional Class shares became available for sale on January 1, 2017. For performance prior to that date, this table includes the actual performance of the Fund's Investor Class (and uses the Fund's Investor Class' actual expenses), without adjustment. The performance results shown on this and the next page for the periods prior to January 1, 2017, the date of commencement of operations for Institutional Shares, are for the Investor Shares, which are subject to higher fees due to differences in the shareholder administrative services fees and certain other fees paid by each class. Institutional Shares and Investor Shares would have substantially similar performance results because the shares of each class are invested in the same portfolio securities of the Fund. Because of the difference in the level of fees paid by Investor Shares, the returns for the Investor Shares may be lower than the returns of the Institutional Shares.

**FAM Dividend Focus Fund Disclosure: The Fund's total annual operating expense ratio as stated in the fee table of the Fund's most recent prospectus is 1.26%. The total operating expense as reported in the FAM Dividend Focus Fund's audited financial statements as of 12/31/19 is 1.24%. The Advisor has contractually agreed, until 5/1/2021, to waive fees and/or reimburse the Fund certain expenses (excluding interest, taxes, brokerage costs, Acquired Fund Fees and Expenses, dividend expense and extraordinary expenses) to the extent necessary to maintain Net Fund Operating Expenses for Investor Shares at 1.26%.*

**FAM Small Cap Fund Disclosure: The Fund's total annual operating expense ratio as stated in the fee table of the Fund's most recent prospectus is 1.29% for the Investor Class. The Fund's total annual operating expense ratio as stated in the fee table of the Fund's most recent prospectus is 1.20% for the Institutional Class. When excluding Acquired Funds Fees and Expenses, which are not direct costs paid by the Fund's shareholders and fee waivers, the total annual operating expense as reported in the FAM Small Cap Fund's audited financial statements for the Investor Class is 1.28% and the Institutional Class is 1.19% as of 12/31/19. The Advisor has contractually agreed, until 5/1/2021, to waive fees and/or reimburse the Fund certain expenses (excluding interest, taxes, brokerage costs, Acquired Fund Fees and Expenses, dividend expense and extraordinary expenses) to the extent necessary to maintain Net Fund Operating Expenses for Investor Shares at 1.42% and Institutional Shares at 1.20%.*

Institutional Class shares became available for sale on January 1, 2016. For performance prior to that date, this table includes the actual performance of the Fund's Investor Class (and uses the Fund's Investor Class' actual expenses), without adjustment. The performance results shown on this and the next page for the periods prior to January 1, 2016, the date of commencement of operations for Institutional Shares, are for the Investor Shares, which are subject to higher fees due to differences in the shareholder administrative services fees and certain other fees paid by each class. Institutional Shares and Investor Shares would have substantially similar performance results because the shares of each class are invested in the same portfolio securities of the Fund. Because of the difference in the level of fees paid by Investor Shares, the returns for the Investor Shares will be lower than the returns of the Institutional Shares.