CHAIRMAN'S COMMENTARY

Semi-Annual Report 2021

June 30, 2021

Dear Fellow Shareholder,

As I write this, 67.1% of Americans, 18 and older, have received at least one dose of a COVID-19 vaccine.[1] Infection rates are at lows and most pandemic-related restrictions have been lifted throughout the country. The economy has come roaring back from the deepest recession of modern times and is growing at the fastest rate in nearly four decades while major U.S. equity indices are hitting all-time highs. We are undergoing what many are describing as a "return to normalcy" in American life and the "reopening" or "recovery" of our economy. Although true, these descriptions seem inapt. Whatever "normal" was in February of 2020, we are not likely going to return to it and "reopening" and "recovery" suggest the economy is set to resume business as usual.

However, the experience of the last 16 months has changed individuals and institutions – some trivially, some profoundly. We realized many truths that otherwise might have gone undiscovered. Here are just a few examples:

- Some realized that they missed their calling as a teacher while others gained tremendous respect (and empathy!) for their children's teachers.
- Some realized how much they took our local restaurants for granted while others learned to love to cook.
- Some realized how much they need their friends and family while others gained a new appreciation for solitude.
- Some realized they are more productive at home than in the office while others had difficulty innovating without spontaneous, face-to-face interactions.
- Many realized that a simpler life is a better life.

Market Performance

The rally that began November 9, 2020 with the announcement of the effectiveness of the Pfizer/Moderna vaccine, continued into 2021. Large-cap stocks, as represented by the S&P 500 Index, returned 15.25% in the first half of the year and was the second-best performance since 1998. Just as they did last year, smaller companies performed even better with the Russell 2000 Index returning 17.54%. Coincidentally, mid-sized firms split the difference with the Russell Midcap Index returning 16.25%.[2] The march higher of U.S. equities has been broad and steady so far this year with relatively low volatility and many stocks and indices achieving multiple new highs.

[1] *https://covid.cdc.gov/covid-data-tracker/#vaccinations, as of 7/6/2021*
[2] *FactSet, as of 6/30/2021*

FAM Fund Performance

With this as a market backdrop, our mutual funds performed well on an absolute basis, but it was a mixed bag relative to our benchmarks. The Value Fund returned 15.20%, Dividend Focus Fund returned 13.46%, and Small Cap Fund returned 18.00% (please see each fund's letter for more detail).

There was not much portfolio activity in the three funds, particularly when compared to last year at this time. In all, we initiated positions in five companies and sold two. Additionally, we added to or trimmed a few positions as opportunities warranted. While low volatility and generally full valuations contributed to low portfolio activity, the more important reason is that we really like the collection of businesses we own and the management teams running their operations. In other words, "If it ain't broke…"

Supply Chains

Many global supply chains are groaning under the weight of the recovery. At the height of the pandemic, many factories were either unable to operate or ran at significantly lower capacity because demand for their product had become uncertain. Inventories plummeted. Then vaccines, along with fiscal stimulus, reignited demand with a ferocity that caught many companies by surprise and, consequently, shorthanded. Not only have firms been unable to secure their raw materials and other supplies, but finding workers has become difficult. Exacerbating these issues are bottlenecks in the global transportation/logistics system most memorably symbolized by the grounding of the cargo ship in the Suez Canal in late March. The shortage of semiconductors gets much publicity now, but the reality is that many things are in short supply.

Our portfolio holdings are managing ably through these shortages. First, many of our companies sell services rather than products so supply chains are not an issue. Those that do manufacturer are developing creative solutions such as finding new sources, in-sourcing, or redesigning their products. Several holdings, including our semiconductor and trucking businesses, are benefiting from stressed supply chains. For the most part, our management teams expect that these issues should be resolved in short order and without much disruption, though some of their changes may be lasting.

Inflation

Another effect of the recovery has been an increase in the price of certain goods and services such as used cars, homes, airline tickets, restaurant prices, copper, semiconductors, and more. Each scenario has its own backstory, but all can be explained by some combination of constrained supply or the release of pent-up demand. The working assumption of the Federal Reserve — whose twin mandates include keeping inflation in check — is that these episodes are "transitory" and will ebb with time. Truth is, nobody knows.

Our focus is on owning a collection of quality, well-run companies that can do well in any scenario. Besides pure commodities, some of the best firms to own in inflationary environments, in our view, are those that are asset light, competitively advantaged, and market leading. These businesses have less exposure to rising prices and are more able to raise prices. Furthermore, well-run operations should be more likely to creatively contain costs as we have seen in the past. Many of our holdings fit these bills and we feel good about our portfolios should inflation turn out to be more than transitory.

Outlook

The Conference Board forecasts that U.S. real gross domestic product growth should rise to 9.0% (annualized) in this year's second quarter and 6.6% (year-over-year) in 2021. If achieved, this will be the strongest growth since 1984. Except for a setback on the coronavirus front, we do not see much to derail impressive near-term economic growth. By our estimation, however, the stock market prices of many businesses already reflect this rosy scenario, even where earnings have not recovered to pre-virus levels. We would not be surprised to see an increase in volatility as the recovery unfolds throughout the year and into 2022. Adding to this potential will be market reactions to the Fed's efforts (or non-efforts) to rein in easy-money policies. Regardless, we really like the business we own and if we get a chance to buy more of them — or even new ones — at lower prices, we will be ready!

Fenimore Update

Here is a side note on life here at Fenimore. A couple of things are beginning to return to something resembling normal. First, I am happy to say that we are all back in the office(s) on a regular basis. Secondly, after 16 months of countless Zoom meetings, the research team is starting to hit the road again. Companies are opening their doors to investors and conferences are going from "virtual" to live. In either case, we could not be happier. Though our team, like many firms, was surprised at how well we did given the challenges, we missed the in-person camaraderie. It is a pleasure to see the managers of our holdings, each other, and, most important, our investors!

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 6/30/2021

FAM VALUE FUND	% OF PORTFOLIO
Brown & Brown	6.30%
Ross Stores	6.21%
IDEX Corp.	6.07%
CDW Corp.	6.02%
Brookfield Asset Management	5.21%
CarMax	4.47%
Markel Corp.	4.46%
Illinois Tool Works	4.00%
Berkshire Hathaway	3.75%
Graco	3.35%
TOTAL NET ASSETS	**$1,619,352,670**

FAM DIVIDEND FOCUS FUND	% OF PORTFOLIO
CDW Corp.	6.38%
Trane Technologies	6.21%
Arthur J. Gallagher & Co.	5.66%
Entegris	5.24%
Microchip Technology	5.07%
Ross Stores	5.01%
Air Products & Chemicals	4.87%
Stryker Corp.	4.85%
Broadridge Financial Solutions	4.33%
Avery Dennison Corp.	4.26%
TOTAL NET ASSETS	**$594,193,125**

FAM SMALL CAP FUND	% OF PORTFOLIO
ExlService Holdings	5.67%
Pinnacle Financial Partners	5.07%
CBIZ	5.03%
Colliers International Group	4.59%
Trisura Group	4.26%
Brookfield Infrastructure Corp.	4.06%
Choice Hotels International	3.94%
Monro	3.73%
Frontdoor	3.65%
Landstar System	3.55%
TOTAL NET ASSETS	**$293,568,937**

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

AVERAGE ANNUAL TOTAL RETURNS

AS OF 6/30/2021

	SINCE INCEPTION	10 YEAR	5 YEAR	3 YEAR	1 YEAR	TOTAL FUND OPERATING EXPENSES*
FAM VALUE FUND INVESTOR CLASS (1/2/87)	10.83%	12.07%	14.08%	14.39%	39.39%	1.20%*
INSTITUTIONAL CLASS (1/2/17)	10.86%	12.16%	14.27%	14.60%	39.63%	1.12%*
FAM DIVIDEND FOCUS FUND (4/1/96)	10.00%	13.73%	16.49%	18.15%	40.68%	1.25%*
FAM SMALL CAP FUND INVESTOR CLASS (3/1/12)	12.75%	N/A	12.53%	12.19%	54.11%	1.29%*
INSTITUTIONAL CLASS (1/1/16)	12.83%	N/A	12.66%	12.29%	54.21%	1.19%*

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 1.19% 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, 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 December 31, 2020. The Advisor has contractually agreed, May 1, 2022, 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 1.25%. The total operating expense as reported in the FAM Dividend Focus Fund's audited financial statements as of December 31, 2020 is 1.24%. The Advisor has contractually agreed, until May 1, 2022, 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 1.19% 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 1.18% as of December 31, 2020. The Advisor has contractually agreed, until May 1, 2022, 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.