FAM FUNDS
Managed by
FENIMORE ASSET MANAGEMENT

FAM DIVIDEND FOCUS FUND
Annual Shareholder Letter 2021

December 31, 2021

Dear Fellow Dividend Focus Fund Shareholder,

2021 Highlights

- FAM Dividend Focus Fund celebrated its 25-year anniversary.
- The Dividend Focus Fund achieved a 25.57% total return for the full year, outpacing its benchmark (Russell Midcap Index) which returned 22.58%.
- Morningstar rated the Dividend Focus Fund as a 5-star mutual fund for 3, 5, and 10 years as well as overall.**

The Dividend Focus Fund posted strong results for the year returning 25.57%, which was well ahead of the Russell Midcap Index. The main contributor to performance was our commitment to letting the compounders compound.

The investment environment over the last 12 months was characterized by a multitude of crosscurrents and shifting investment themes. Investor sentiment bounced between optimism over the reopening of the economy following vaccinations to worries about supply chain disruptions and runaway inflation — and then back to a new COVID variant that could shut down world economies again.

The other side of the coin was the strong economic backdrop as the U.S. economy continued to strengthen throughout the year and companies grew more confident in their outlook. This confidence came from strong demand that translated into record sales and earnings for many businesses. This was also true of our overall portfolio holdings which showed nice earnings growth throughout the year. In most cases, our holdings were on track to have generated record earnings in 2021. We also saw businesses go on the offensive and make acquisitions to grow and bolster their competitive position. More than two-thirds of our portfolio companies made at least one acquisition in 2021. In total, our holdings announced 87 deals, which includes 42 deals by Arthur J. Gallagher alone. Companies have also returned to opening new stores, increasing share buybacks, and growing their dividends.

Dividends

Investing in dividend-paying companies that have a long track record of growing their dividend is a hallmark of the Dividend Focus Fund. In fact, every holding pays a dividend. We view management's willingness to pay a dividend and raise that dividend each year as a sign of confidence in their company's future prospects. We also believe that a growing dividend makes a firm's management team extra sharp on their capital allocation since there is less room for error in making growth investments or acquisitions.

During the early months of the pandemic, many dividend-paying companies held their dividends constant in order to conserve cash due to the uncertain environment. Over the past year, the Dividend Focus Fund's holdings developed greater confidence in the future and resumed their normal dividend growth.

For 2021, the average growth rate in dividends of each holding in the portfolio was 10.2%, which is up approximately 3 points over the 7% growth the previous year (this excludes Ross Stores due to no comparison the previous year and Digital Realty Trust which is being sold). Over the last five years, the portfolio holdings have increased their dividends by 13.4% annually[1] — again, we view this as tangible evidence of managements' confidence in their future growth.

Performance Contributors and Detractors

Performance continues to be led by the largest holdings in the Dividend Focus Fund. A holding gets to be large by performing well and appreciating its way to becoming a top holding. We like to think of the Top 10 Holdings as a performance meritocracy. A company has to perform in order to make it into a top position and it has to continue to perform to maintain its spot on the list.

Our three largest contributors to performance in 2021 were **CDW Corporation (CDW)**, **Trane Technologies (TT)**, and **Arthur J. Gallagher & Co. (AJG)**.

CDW is expected to grow earnings more than 18% for the year and announced a large acquisition of Sirius Computer Solutions. Overall, the company announced 3 deals over the last 12 months. The dividend was increased 10% in 2021 and has grown 29% annually for the last 5 years.

Trane Technologies' earnings are expected to grow 35% for the year setting a new record. The company has benefited from higher demand of HVAC equipment as well as higher prices, which are passed on to offset higher costs. The business increased their dividend by 11% during the year.

Arthur J. Gallagher & Co. is an insurance broker that has a long history of acquiring smaller firms and tucking them into their operations. In 2021, the company continued its strong earnings growth and made 42 acquisitions during the year. AJG increased its dividend by 7% over the previous year.

Our three largest detractors were **Ross Stores (ROST)**, **McCormick & Company (MKC)**, and **Jack Henry & Associates (JKHY)**.

Ross Stores posted a massive increase in sales and strong same-store sales; however, higher transportation costs, COVID-related expenses, and wage inflation ate into their margins. We believe that the off-price retail concept is alive and well and Ross should be able to expand their margins over the next few years. During the year, Ross reinitiated their dividend at the pre-pandemic level and resumed their share buyback program.

While **McCormick** is competitively advantaged, there is uncertainty about what the baseline growth in their consumer spice businesses will be now that we are past the virus lockdowns when the company saw huge spikes in demand. McCormick is also spending a considerable amount on an ERP (Enterprise Resource Planning) system which is muting earnings (likely for the next year or so). We trimmed this position previously based on our muted outlook for near-term earnings growth. As the company's growth profile ideally returns to historical rates, we plan to add to the position. McCormick raised their dividend 10% during the year.

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[3] *FactSet as of 12/31/2021*

Jack Henry & Associates turned in a good financial performance for the year, but the valuation contracted from previous levels. We are pleased with the firm's operating results as well as their future growth prospects. Based on our research of their competitive position, we believe they can continue to grow their operation mid to high single digits going forward. Jack Henry raised the dividend 7% during the year.

Portfolio Activity

Portfolio changes in the Dividend Focus Fund were modest for the year after taking advantage of many opportunities in 2020 during the pandemic and adding 7 new names.

Purchases

In 2021, there were no new positions initiated. The only trades were mostly small additions to 11 holdings. The most significant additions were to **Republic Services (RSG), Jack Henry & Associates,** and **STERIS (STE).** The other trades were primarily putting cash inflows to work at various points throughout the year.

Sales

We trimmed five positions — **Digital Realty Trust (DLR), Microchip Technology (MCHP), Entegris (ENTG), Avery Dennison Corporation (AVY),** and **T. Rowe Price Group (TROW).** The most significant trim was Digital Realty as we are slowly exiting the position for better opportunities.

Outlook

We believe the outlook for the portfolio is solid and that we own a collection of businesses that punch higher than their weight class (to use a boxing analogy). We like all the holdings in the FAM Dividend Focus Fund and expect them to continue to grow their earnings and dividends for many years to come.

As always, we are diligently working on your behalf. Thank you for investing with us.

TOP 5 CONTRIBUTORS AND DETRACTORS*
12/31/2020 TO 12/31/2021

TOP 5 CONTRIBUTORS		
NAME	AVERAGE WEIGHT (%)	CONTRIBUTION (%)
CDW Corp.	6.48%	3.36%
Trane Technologies	6.10%	2.37%
Entegris	5.24%	2.21%
Arthur J. Gallagher & Co.	5.81%	2.15%
Pool Corp.	4.05%	1.83%

This reflects the FAM Dividend Focus Fund's best and worst performers, in descending order, based on individual stock performance and portfolio weighting. Past performance does not indicate future results.

TOP 5 DETRACTORS		
NAME	AVERAGE WEIGHT (%)	CONTRIBUTION (%)
Ross Stores	4.80%	-0.30%
HEICO Corp.	1.90%	0.22%
Jack Henry & Associates	3.03%	0.11%
Graco	0.95%	0.11%
McCormick & Company	0.43%	0.01%

Past performance does not indicate future results.

Paul C. Hogan, CFA
Portfolio Manager

William W. Preston, CFA
Portfolio Manager

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Performance data quoted above is historical. Past performance is no guarantee of future results. Current performance may be higher or lower than the performance data quoted. The principal value and investment return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost.

**Reflects top contributors and top detractors to the fund's performance based on each holding's contribution to the overall fund's return for the period shown. The information provided does not reflect all positions purchased, sold or recommended for advisory clients during the period shown. It should not be assumed that future investments will be profitable or will equal the performance of the security examples discussed. Past performance is no guarantee, nor is it indicative, of future results. For more detailed information on the calculation and methodology as well as a complete list of every holding's contribution to the overall fund's performance during the time period shown, please call (800) 932-3271 or visit the fund's website at famfunds.com. Portfolio composition will change due to ongoing management of the fund. References to individual securities are for informational purposes only and should not be construed as an offer or a recommendation, by the fund, the portfolio managers, or the fund's distributor, to purchase or sell any security or other financial instrument. The summary is not advice, a recommendation or an offer to enter into any transaction with Fenimore or any of its affiliated funds. The portfolio holdings as of the most recent quarter most recent quarter.*

***All investing involves risk including the possible loss of principal. Before investing, carefully read the fund's prospectus which includes investment objectives, risks, charges, expenses and other information about the fund. Please call us at 800-932-3271 or visit fenimoreasset.com for a prospectus or summary prospectus. Past performance and Morningstar ratings are not an indicator of a fund's future returns.*

Securities offered through Fenimore Securities, Inc. Member FINRA/SIPC, and advisory services offered through Fenimore Asset Management, Inc.

The Morningstar Rating™ is a quantitative assessment of a fund's past performance — both return and risk — as measured from 1 to 5 stars. It uses focused comparison groups to better measure fund manager skill. As always, the Morningstar RatingTM is intended for use as the first step in the fund evaluation process. A high rating alone is not a sufficient basis for investment decisions.

The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-

year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

The FAM Dividend Focus Fund received a 5-Star Overall Morningstar Rating™ as well as a 5-Star Morningstar Rating™ for the 3-Year, a 5-Star Morningstar RatingTM for the 5-Year, and a 5-Star Morningstar Rating™ for the 10-Year periods ending 12/31/2021 among 352, 308, and 203 Mid-Cap Blend funds, respectively.

TOP 10 HOLDINGS

AS OF 12/31/2021

FAM DIVIDEND FOCUS FUND	% OF PORTFOLIO
CDW Corp.	6.69%
Arthur J. Gallagher & Co.	6.13%
Trane Technologies	6.09%
Microchip Technology	5.44%
Entegris	5.28%
Air Products & Chemicals	4.74%
Stryker Corp.	4.62%
Pool Corp.	4.59%
Broadridge Financial Solutions	4.39%
Ross Stores	4.13%
TOTAL NET ASSETS	**$664,225,144**

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

AVERAGE ANNUAL TOTAL RETURNS

AS OF 12/31/2021

	SINCE INCEPTION	10 YEAR	5 YEAR	3 YEAR	1 YEAR	TOTAL FUND OPERATING EXPENSES*
FAM DIVIDEND FOCUS FUND (4/1/96)	10.23%	14.82%	16.26%	23.51%	25.57%	1.25%*

The performance data quoted represents past performance.

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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.

Risk Disclosures: 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 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%.*