FAM FUNDS
Managed by
FENIMORE ASSET MANAGEMENT

FAM VALUE FUND

Annual Shareholder Letter 2021

December 31, 2021

Dear Fellow Value Fund Shareholder,

The year 2021 was a fantastic year in U.S. equity markets in our view. The S&P 500, an index of the largest U.S. companies, returned 28.7% while the Russell Midcap Index, our stated benchmark, returned 22.6%.[1] We believe it was also a fantastic year for the FAM Value Fund. Not only did we achieve benchmark-beating returns of 25.6% for the year, but we made a tremendous addition to the Value Fund's management team in October (more on this later).

It is often said, "The stock market is not the economy." Indeed, this was true in 2020 when the S&P 500 returned 18.4% despite a 3.4% decline in U.S. Real Gross Domestic Product (GDP) and one of the deepest recessions on record.[2] This year, however, strong equity returns were driven by a vaccine-fueled rebound in economic activity. Though the final numbers aren't in as of this writing, the U.S. economy (as measured by real GDP) is expected to have grown 5.6% (the fastest rate since 1984). Of course, this is in comparison to 2020's decline; but if you zoom out, we're nearly back on track with our pre-covid trendline of economic growth.

[1] *FactSet as of 12/31/2021*
[2] *FactSet as of 12/31/2021*

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GDP relates to the "sales" of American companies and while sales growth is great, as owners of businesses we're keenly interested in the earnings those sales produce. From that perspective, we could not be more pleased with the performance of our portfolio companies. Granted, growing earnings is easier when sales are growing, but many U.S. firms, including many of our holdings, faced tremendous cost pressures. For many reasons, inflation in everything including raw materials, transportation, and labor created profitability headwinds this year. Despite these pressures, our portfolio companies, collectively, grew earnings much faster than sales through adept strategic decisions, stringent management of costs, productivity improvements and, occasionally, price increases. A skilled management team is often crucial to a good investment experience. The last couple of years have confirmed that we've invested in what we believe are some of the best in American business.

While growth in meme stocks, SPACs, cryptocurrencies, and non-fungible tokens (NFTs) garnered many financial headlines, the Value Fund's returns came from an increase in:

- Cars sold and serviced (ITW, AZO, KMX, ADI, APH)
- Insurance policies written (BRO, PGR, BRK, MKL)
- Highways and buildings constructed (VMC)
- Computers sold (CDW)
- Fluids pumped (IEX, GGG)
- Assets tracked (ZBRA, AVY)
- Goods hauled (BRK.A, LSTR)
- And more…

We've owned many of these businesses for several years and some for more than a decade. The year 2021 was a reminder that, despite the fascination with new, esoteric assets, wealth can be grown owning solid, durable, well-run and, by some people's measure, boring businesses.

Portfolio Activity

In this year's semi-annual letter, we characterized our trading activity in the first half of the year as "quiet." Extending that metaphor, you could hear a pin drop in the second half as valuations continued to rise and volatility remained very low.

Purchases

We purchased one new security, **Clarivate (CLVT),** and added to two existing positions, **Fidelity National Information Services (FIS)** and **Black Knight (BKI),** in the Value Fund during the second half of the year.

Clarivate (CLVT) is an information services company that provides database and workflow solutions to end markets that focus on the creation and protection of new ideas and products such as academia, life sciences, intellectual property law, and other innovation-intensive fields. Their products range from the leading citation database for scientific journals to the most comprehensive database detailing patents in the world. Most of their products are #1 or #2 in their markets, are subscription-based (80% of CLVT's revenue is recurring), and are deeply ingrained in the workflow of their clients as evidenced by a retention rate of 91%. Most experts and users of their products that we talked to could not imagine a workday without them. These are all qualities we love in an information business.

But we're not just betting on a great horse, we're betting on a great jockey too. CEO Jerre Stead has had a long and successful career of buying high-quality, but undermanaged, businesses and vastly improving their earnings power through a combination of internal fixes and strategic acquisitions. His most recent such endeavor prior to Clarivate was IHS Markit and he is using the same playbook at Clarivate that did so well at IHS.

We also added substantially to our **Fidelity National Information Services (FIS)** position throughout the year. FIS is essentially a financial technology company that provides software critical to running banks and investment firms (~70% of revenue). It also processes payments, including credit and debit card transactions, for more than one million businesses throughout the world (~30% of revenue). It has one of the highest quality rankings in the Value Fund according to our internal scoring system. FIS was a performance detractor in 2021 despite impressive earnings growth and improving prospects.

The primary reason for this divergence is that some investors fear that new ways of paying for goods and services (e.g., buy-now-pay-later and cryptocurrencies) will significantly reduce the amount spent with credit and debit cards. Indeed, many firms in the "payments" industry, including Visa and Mastercard (not Value Fund holdings), performed poorly in 2021 on these fears. We feel that these fears are overblown. There has always been innovation in payment methods and we estimate that there is plenty of growth left for traditional formats for years to come as cash and check continue to convert to electronic forms of payment. Also, the 70% of FIS revenue tied to enabling the critical infrastructure of banks and investment firms continues to grow impressively and take market share from competitors. We like FIS and will look for opportunities to continue to build our position.

Sales

In the first half of the year, we sold all our shares of **First Hawaiian Bank (FHB), Heico Corporation (HEI.A), STERIS (STE), The Hanover Insurance Group (THG),** and **White Mountains Insurance Group (WTM).** Please see our discussion of these sales in our semi-annual letter as of June 30, 2021. During the second half of 2021, we sold all our shares of stock in **Landstar (LSTR)** and **Home BancShares (HOMB)** while trimming our holding of **Berkshire Hathaway (BRK.A).**

We started buying **Landstar (LSTR)** in August of 2017 and added to it opportunistically over the past four years. It was a terrific holding from our viewpoint. Landstar is a leading trucking company that owns no trucks and employs no drivers, which is why we like it. The business has been able to grow impressively without spending owner earnings on expensive tractors or having to recruit and keep drivers, a notoriously difficult endeavor. Instead, they lease the trucks of a growing fleet of independent owner/operators. These owner/operators agree to drive only for Landstar during their lease in exchange for access to the firm's long list of available loads to haul. They love driving for Landstar because they can pick load combinations that optimize their income and quality of life.

Landstar is earning record profits in an environment of supply chain disruptions and increasing demand for goods. We feel this supply/demand imbalance will moderate over time causing LSTR's earnings growth to slow — or even reverse — making it difficult to earn attractive returns from these levels. That said, this was our second time owning the company and perhaps there may be a third.

We sold our very small stake in **Home BancShares (HOMB)** to fund purchases of other businesses. Home is a great bank, in our opinion, with a dynamic, skilled leader in John Allison. We like the bank and think it will continue to take share in its served communities.

We trimmed our **Berkshire Hathaway (BRK.A)** position to fund purchases of securities we thought had better return prospects. We think Warren Buffett and his partner Charlie Munger have built a business that will compound value well beyond their years, but the size of the company and the mix of businesses will likely be a governor on that growth.

Closing Thoughts

In our 2021 semi-annual letter, we said the year was "unfolding very much as we expected" with the resumption of a pre-COVID way of life; however, we included the cautionary reminder that, of course, "no one knows." One risk we were watching at that time was the emergence of the Delta variant. Here we are a half-year later and Delta has come and mostly gone, but now the Omicron variant is rapidly sweeping the nation. No one knows. We think, however, that the underpinnings of the economic recovery from the COVID recession remain in place: unemployment is low, jobs are plentiful, wages are rising, consumer confidence is high, business confidence is strong, interest rates are historically low, and personal and corporate balance sheets are in good shape. If initial indications that the new variant will be significantly less harmful than past variants, the economic engine should continue to power corporate earnings growth in 2022. That said, we are keeping an eye on inflation and interest rates. If either get too high, it could dampen both economic growth and investment returns.

Finally, as you may already know, in October Marc Roberts joined the management team of the FAM Value Fund. Marc was co-manager of the FAM Small Cap Fund from 2012 to 2016 before relocating to Chicago. During the intervening time, we stayed in close contact with him, both as friends and as peers. He is a very skilled analyst and portfolio manager and adds a fresh perspective to our team. We couldn't be happier to have him back in the fold.

Thank you for investing with us in the FAM Value Fund.

TOP 5 CONTRIBUTORS AND DETRACTORS*

12/31/2020 TO 12/31/2021

TOP 5 CONTRIBUTORS

NAME	AVERAGE WEIGHT (%)	CONTRIBUTION (%)
CDW Corp.	6.08%	3.05%
Brown & Brown	6.49%	2.87%
Brookfield Asset Management	5.20%	2.30%
CarMax	4.56%	1.90%
EOG Resources	2.29%	1.62%

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

TOP 5 DETRACTORS

NAME	AVERAGE WEIGHT (%)	CONTRIBUTION (%)
Fidelity National Information Services	2.13%	-0.50%
Ross Stores	6.03%	-0.41%
Black Knight	2.46%	-0.29%
Brookfield Asset Management Reinsurance Partners	0.00%	-0.01%
Home BancShares	0.44%	0.00%

Past performance does not indicate future results.

John D. Fox, CFA
Portfolio Manager

Drew P. Wilson, CFA
Portfolio Manager

Marc D. Roberts, 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.*

TOP 10 HOLDINGS AS OF 12/31/2021

FAM VALUE FUND	% OF PORTFOLIO
Brown & Brown	7.77%
CDW Corp.	6.59%
IDEX Corp.	6.09%
Brookfield Asset Management	5.76%
Ross Stores	5.34%
Markel Corp.	4.33%
CarMax	4.20%
Illinois Tool Works	4.12%
Vulcan Materials	3.56%
Graco	3.33%
TOTAL NET ASSETS	**$1,734,059,062**

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 VALUE FUND INVESTOR CLASS (1/2/87)	10.94%	13.86%	13.94%	20.49%	25.63%	1.20%*
INSTITUTIONAL CLASS (1/2/17)	10.97%	13.97%	14.14%	20.71%	25.86%	1.12%*

The performance data quoted represents past performance.

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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.

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