FAM FUNDS
Managed by
FENIMORE ASSET MANAGEMENT

FAM VALUE FUND

Semi-Annual Shareholder Letter 2022

June 30, 2022

Dear Fellow Value Fund Shareholder,

In our December 31, 2021, Annual Letter, we highlighted the risk of sustained inflation on the U.S. economy and equity markets while repeating the caveat "nobody knows" what's going to happen. Six months later, those risks are being realized in an economic slowdown and a "bear market" in U.S. stocks.

At the end of 2021, inflation was running high due to supply chain constraints, COVID lockdowns in China, and the residual effects of fiscal and monetary stimulus. At that time, it was widely anticipated that the Federal Reserve ("the Fed") would begin a slow and measured effort to combat inflation with higher rates and a smaller balance sheet throughout 2022. However, the Fed's timeline was shortened dramatically with Russia's invasion of Ukraine on February 24, which, among its many terrible consequences, caused a rapid increase in the price of oil, grains, and other commodities and helped send inflation in the U.S. to a 40-year high.

With a new sense of urgency to reduce inflation, the Fed raised the federal funds target rate aggressively in the first half of this year — including the largest increase (75 basis points) since 1994[1] — and signaled a continued hawkish stance. With rising rates and prices making goods and services less affordable, certain measures of consumer confidence have dropped to decade lows. Understandably, activity levels have slowed in areas including housing, auto, and many categories of retail.

As a result of these factors, we've seen a rerating of asset prices, first from the impact of higher interest rates and second from the market's reaction to a potential recession. The areas that have been hit hardest from this rerating include many of what we would consider the more speculative areas of the market — including meme stocks, SPACs, and alternative investments such as cryptocurrencies and non-fungible tokens (NFTs).

As we've written in the past, we avoided what we viewed as speculative bubbles and egregiously valued moon shots and stuck to what we do best (and what's worked for the 35 years since the FAM Value Fund was established): invest in understandable, good businesses with a competitive advantage, a strong financial position, and astute leaders, while demanding a purchase price that is below what we think the stock is worth.

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[1] *bls.gov as of 6/3/2022*

Although these firms have declined in value as well, we remain confident in their long-term prospects. We couldn't be more pleased with the quality and financial condition of the companies that we own.

Helped by our focus on quality businesses at reasonable prices, the FAM Value Fund (FAMVX) outperformed its benchmark in this challenging market environment, down -20.69% versus the Russell Midcap Index down -21.57% as of June 30, 2022.[2]

Portfolio Activity

In our 2021 year-end letter, we categorized our trading activity as "quiet … as valuations continued to rise and volatility remained very low." The opposite is true for the first half of 2022. Valuations have declined, while volatility has picked up. And because we view volatility as an opportunity, our activity levels have picked up as well. In fact, we have purchased a greater dollar amount of securities in the first half of 2022 than we did throughout the entirety of 2021.

Purchases
We purchased two new securities, **Booking Holdings (BKNG)** and **Burlington Stores (BURL)**, and added to **Amphenol (APH)**, **Analog Devices (ADI)**, **Clarivate (CLVT)**, **Fidelity National Information Services (FIS)**, **M&T Bank (MTB)**, **Pinnacle Financial Partners (PNFP)**, **SouthState Corporation (SSB)**, and **Zebra Technologies (ZBRA)**.

Booking Holdings (BKNG) is the world's largest online travel agent (OTA) offering the greatest supply of accommodation (hotel/vacation rentals) properties globally. As travel continues to rebound to pre-pandemic levels, Booking Holdings is a key beneficiary. With industry-leading profit margins and opportunities to expand the business deeper into a growing menu of categories (e.g., airfares) and geographies (e.g., U.S. expansion), we see a pathway for the company to expand earnings at a healthy pace for years to come. Currently, expectations are being tempered by questions over the health of the consumer and recessionary fears. We used the resulting volatility to add to our initial position at what we estimate are more attractive prices.

Burlington Stores (BURL) is the #3 off-price retailer, following TJ Maxx (not held in the portfolio) and longtime holding **Ross Stores (ROST)**. Increasingly, Burlington Stores is being led by former employees of Ross Stores. As the Ross playbook is further implemented at Burlington, there is an opportunity for faster inventory turns, better capital efficiency, and margin expansion. This plan, if executed, along with greater store growth opportunity, could lead to faster profit growth than their peers on a prospective basis. As 2022 progressed, it became increasingly apparent that execution would be difficult in the near term with product delays leading to understocked shelves and poor sales performance, exacerbated by continued cost headwinds from shipping, supply chain, and labor.

The result was a greater-than-expected decline in near-term earnings power. This — combined with a drastically changing retail landscape, increased inventory levels, and lower consumer confidence — led us to sell our shares in Burlington Stores while retaining our exposure to the off-price retail industry through Ross Stores. This sale freed up capital that we could invest elsewhere in this volatile environment, with the addition of harvesting tax losses for those shareholders with taxable accounts. We remain favorable on the outlook for the off-price retail space longer term and will consider the repurchase of Burlington Stores in the future.

[2] *FactSet as of 6/30/2022*

Our addition to **Zebra Technologies (ZBRA)** follows the sale of half of our position in 2021. We trimmed the position as we felt the stock price continued to move above our estimate of what the business was worth. In 2022, as the stock price fell, we were able to repurchase this position at much more attractive prices in our view. This is a good example of our disciplined process at work.

Sales
To fund our purchases, we used cash on hand and made several trims/sales. We trimmed **Berkshire Hathaway (BRK.A)**, **Brown & Brown (BRO)**, **Clarivate (CLVT)**, **EOG Resources (EOG)**, **IDEX Corporation (IEX)**, **Illinois Tool Works (ITW)**, and **Markel Corporation (MKL)**.

Our complete sales included **Broadridge Financial (BR)**, **Genpact (G)**, **Burlington Stores (BURL)**, and **NVR Inc. (NVR)**.

Most of these sales were made to free up funds for our previously mentioned purchases. We decided to exit **NVR** following our successful purchase in June 2020. As the dynamics of the economy changed, particularly the beginning of a sharp move higher in interest rates and therefore mortgage rates, we decided to move on from NVR but believe they remain among the best operators within the homebuilding space.

Closing Thoughts

We know that bear markets and their attendant volatility can be (extremely) unpleasant, so we’d like to offer a few words of encouragement. First, prospective returns from these current levels are likely to improve. The combination of lower valuations and less aggressive earnings growth forecasts means that many companies are much more reasonably valued and should perform well over the medium to long term. History supports this outlook, as bear markets inevitably turn to bull markets and stocks reach new highs. Secondly, with the right temperament, time horizon, and investment approach, volatility creates opportunities to further enhance returns.

In times like these, many investors panic sell or are driven to liquidate positions due to leverage or other extenuating circumstances without any consideration for the long-term earnings power of the companies they are selling. At Fenimore, our research process helps us build the necessary conviction in our holdings that allows us to use volatility to our advantage and purchase shares of what we believe are great businesses at reduced prices. Our investment research team remains active re-evaluating existing holdings and performing due diligence on new names. This includes communicating with and visiting management teams across the country. If volatility continues, we expect portfolio activity to remain elevated and to improve both the quality and the expected return of our holdings.

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

TOP 5 CONTRIBUTORS AND DETRACTORS*
12/31/2021 TO 6/30/2022

TOP 5 CONTRIBUTORS		
NAME	AVERAGE WEIGHT (%)	CONTRIBUTION (%)
EOG Resources	3.51%	0.63%
Markel Corp.	5.11%	0.31%
Progressive Corp.	1.74%	0.23%
Dollar General Corp.	2.14%	0.15%
AutoZone	2.99%	0.15%

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 (%)
Ross Stores	4.88%	-2.10%
CDW Corp.	6.41%	-1.53%
Brookfield Asset Management	5.67%	-1.46%
Zebra Technologies Corp.	2.50%	-1.37%
IDEX Corp.	5.55%	-1.20%

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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**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 6/30/2022

FAM VALUE FUND	% OF PORTFOLIO
Brown & Brown	7.19%
CDW Corp.	6.46%
IDEX Corp.	5.75%
Brookfield Asset Management	5.40%
Markel Corp.	5.11%
Ross Stores	4.18%
CarMax	3.72%
Illinois Tool Works	3.60%
AutoZone	3.58%
Zebra Technologies Corp.	3.15%
TOTAL NET ASSETS	**$1,360,951,030**

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

AVERAGE ANNUAL TOTAL RETURNS AS OF 6/30/2022

	SINCE INCEPTION	10 YEAR	5 YEAR	3 YEAR	1 YEAR	TOTAL FUND OPERATING EXPENSES*
FAM VALUE FUND INVESTOR CLASS (1/2/87)	10.06%	10.52%	7.64%	4.81%	-13.50%	1.19% (gross) 1.18%* (net)
INSTITUTIONAL CLASS (1/2/17)	10.09%	10.63%	7.84%	5.02%	-13.33%	1.12% (gross) 0.99%* (net)

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 1.19% 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% and the Institutional Class is 0.99% after a fee waiver of (0.12%) as of December 31, 2021. 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.

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