FAM FUNDS
Managed by
FENIMORE ASSET MANAGEMENT

FAM DIVIDEND FOCUS FUND

Annual Shareholder Letter 2022

December 31, 2022

Dear Fellow Dividend Focus Fund Shareholder,

2022 Highlights[1]

- The FAM Dividend Focus Fund (FAMEX) posted a return of -13.42% for the year, 3.90% better than the Russell Midcap Index (FAMEX's benchmark) which finished at -17.32%.
- Earnings for portfolio companies are expected to increase by 10.0% for fiscal 2022.
- Dividends from portfolio companies increased by 12.6% for the year.

The FAM Dividend Focus Fund ("the Fund") focuses on investing in companies that pay a growing dividend over time. We invest in businesses that are primarily in the mid-cap spectrum as they tend to grow faster than larger capitalization corporations. Our research team strives to generate investment returns with lower volatility and less risk than the overall market by investing in what we deem to be competitively advantaged businesses that generate strong cash flow and have modest and manageable debt. In other words, we like to purchase shares in companies that allow our investors and us to sleep well at night.

Performance

After strong performance for stocks in 2021, we were cautious about future return prospects given the worsening inflationary environment and expectation for higher interest rates to help cool economic growth. This played out in 2022 as stocks lost ground for the entire year.

The Fund was not immune to the market weakness; however, our holdings, which skew to the higher quality side of the spectrum in our view, held up significantly better than the overall market and our benchmark. Our holdings typically earn high returns on capital and pay dividends that grow in line with earnings. They have superior management teams, in our estimation, and have a long history of growing their businesses through economic cycles and stiff competition. We believe these attributes are the foundation upon which long-term returns are built.

The Fund declined -13.42% in 2022, which compares favorably to our benchmark, the Russell Midcap Index, which declined -17.32% for the same period. This outperformance is attributable to a few of our larger holdings that put up positive returns for the year. More importantly, the Fund also bested the benchmark over 3, 5, 10, and 15 years.[2]

[1] *FactSet as of 12/31/2022*
[2] *FactSet as of 12/31/2022*

Despite the environment worsening throughout the year from higher inflation, higher interest rates, and a weakening economy, 2022 earnings estimates for the Fund's holdings actually increased by 2.0 percentage points since the beginning of the year.[3] Said differently, while the economic outlook worsened, the profit our holdings were expected to generate in 2022 increased. We attribute this to strong execution of portfolio companies.

For example, **IDEX Corporation (IEX)**, best known for high performance pumps as well as the fire and rescue tool the Jaws of Life, introduced components that are used in laser-based communication between communications satellites. Until this year, this type of satellite-to-satellite communication was done by radio wave. This is a step forward for the industry and IDEX is playing a key role by pushing their technology into new markets. As impressive as this development is in our opinion, many of our shareholders with a sweet tooth will be more impressed that 80% of the world's chocolate production uses an IDEX pump.

Another example of strong execution is **Jack Henry & Associates (JKHY)**, a fintech (financial technology) company that specializes in software for banks and credit unions as well as payments processing. The business has been taking share in the credit union market and they are the fastest growing company among the core processors. In August, they acquired Payrailz, which enhances their Payment-as-a-Service strategy by providing AI-enabled digital payments solutions that allow banks and credit unions to compete with industry disruptors.

Air Products & Chemicals (APD) is a yet another example of a business that is making things happen. This industrial gas company generates more cash than it needs to run its operation. Management embarked on a strategy of taking this excess cash and investing it in large projects around the world such as coal gasification, carbon capture and sequestration, and hydrogen production. Today, Air Products is the largest producer of hydrogen in the world and is directing tremendous amounts of capital toward green hydrogen which uses wind, solar, and hydro as the energy source for producing the hydrogen. APD is being rewarded with contracts in Saudi Arabia, Texas, New York, and Alberta Canada. Once the facilities are completed, they will operate under long-term contracts.

These three examples show how our holdings are moving forward, even while the market and economy stagnate. This is the type of mindset that allows these businesses to be long-term compounders of capital.

Dividends

The overarching strategy of the Fund is to invest in companies that pay a dividend and consistently increase that dividend over time. We believe dividend growth is important because only businesses that are growing their cash flow are able to consistently grow their dividends. We favor investing in businesses that are growing their dividends quickly because it means the underlying operation is expanding. It also means that they are generating more cash than needed to reinvest back into the business. These growing dividends contribute to the total return of the investment.

Over the last five years, the average annual growth rate of dividends paid by our holdings is 12.0% annualized. Over the last 12 months, the average growth in dividends was 12.6%. The largest dividend increases were by **Microchip Technology (MCHP)**, which increased their dividend by 41.4%, and **Entegris (ENTG)** and **Pool Corporation (POOL)**, which increased their dividends by 25.0%. **Cintas Corporation (CTAS)** increased their dividend by 21.1% and **CDW Corporation (CDW)** increased by 18.0%.[4] Every holding, except one, paid a higher dividend in 2022 than the year prior.

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[3] *FactSet as of 12/31/2022*
[4] *FactSet as of 12/31/2022*

Portfolio Activity

While our portfolio activity picked up a little bit in 2022, our overall turnover remained quite low. We continue to be very happy with the Fund's holdings.

Purchases
We took advantage of the increase in market volatility to increase positions in some of our existing names while also investing in two new companies, **Watsco (WSO)** and **Amphenol Corporation (APH)**.

We initiated a position in **Watsco**, a market-leading HVAC distributor primarily in the sunbelt states. Watsco experienced robust demand over the last two years, and we believe they remain well-positioned to benefit from secular tailwinds including higher energy efficiency standards, refrigerant changes, demand for improved indoor air quality, and growing electrification of heating and cooling equipment.

Our other new position was **Amphenol**, a designer and manufacturer of electrical connectors and sensors, or solutions that help transmit power and signals. Amphenol generates industry leading returns, and we believe it has a long runway for continued growth given tailwinds from the ongoing "electronification" of the world (e.g., electric vehicles and increasing bandwidth needs) and fantastic mergers and acquisitions capabilities.

The other additions during the year were in label and tag maker **Avery Dennison (AVY)**, business process outsourcer **Genpact (G)**, replacement aircraft parts manufacturer **HEICO (HEI.A)**, and payroll processor Paychex **(PAYX)**.

Sales
We also exited two positions. The first was data center **Digital Realty (DLR)**, which we believed would be negatively impacted by rising interest rates and struggle with growing customer concentration among large technology titans — namely Google, Amazon, Facebook, and Microsoft. The other sale was our small position in **Graco (GGG)**, a maker of industrial spraying equipment. We did not have reservations about GGG as we did DLR, but rather looked to concentrate capital in other names.

We also trimmed our position in **First Hawaiian Bank (FHB)**, a regional bank in Hawaii. Like GGG, we used the proceeds to help fund purchases.

Closing Thoughts

We are optimistic over the long term. We believe the companies in the Fund should be able to continue their growth which should lead to higher dividends to shareholders. In short, the "compounders" should continue to compound.

In the near term, however, the picture is murkier. We will likely experience more turbulence in the market. While this may be uncomfortable for investors, it has historically provided the Fund managers great purchasing opportunities. We have cash at the ready to invest in what we believe are additional quality companies or to add to existing quality holdings.

As always, we will continue to work diligently on your behalf.

TOP 5 CONTRIBUTORS AND DETRACTORS*

12/31/2021 TO 12/31/2022

TOP 5 CONTRIBUTORS

NAME	AVERAGE WEIGHT (%)	CONTRIBUTION (%)
Arthur J. Gallagher & Co.	7.01%	0.98%
Air Products and Chemicals	4.71%	0.32%
Jack Henry & Associates	3.91%	0.27%
Ross Stores	3.93%	0.19%
Cintas Corp.	2.38%	0.18%

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 (%)
Entegris	4.55%	-3.27%
Pool Corp.	3.65%	-2.31%
Broadridge Financial Solutions	4.26%	-1.13%
Fastenal Company	3.23%	-0.87%
Microchip Technology	5.05%	-0.86%

Past performance does not indicate future results.

Paul Hogan, CFA
Portfolio Manager

William 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.

TOP 10 HOLDINGS

AS OF 12/31/2022

FAM DIVIDEND FOCUS FUND	% OF PORTFOLIO
Arthur J. Gallagher & Co.	7.38%
CDW Corp.	6.93%
Trane Technologies	6.02%
Air Products & Chemicals	5.70%
Microchip Technology	5.21%
Ross Stores	4.98%
Stryker Corp.	4.68%
Avery Dennison Corp.	4.06%
Genpact	3.92%
Broadridge Financial Solutions	3.82%
TOTAL NET ASSETS	**$559,125,919**

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

AVERAGE ANNUAL TOTAL RETURNS

AS OF 12/31/2022

	SINCE INCEPTION	10 YEAR	5 YEAR	3 YEAR	1 YEAR	TOTAL FUND OPERATING EXPENSES*
FAM DIVIDEND FOCUS FUND (4/1/96)	9.24%	12.00%	10.30%	7.16%	-13.42%	1.23% (gross) 1.22%*(net)

The performance data quoted represents past performance.

Important Disclosures:

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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.

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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 1.23%. The total operating expense as reported in the FAM Dividend Focus Fund's audited financial statements as of December 31, 2021 is 1.22%. The Advisor has contractually agreed, until May 1, 2023, 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%.*

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