FAM FUNDS
Managed by
FENIMORE ASSET MANAGEMENT

FAM DIVIDEND FOCUS FUND

Semi-Annual Shareholder Letter 2023

June 30, 2023

Dear Fellow Dividend Focus Fund Shareholder,

It seems surreal to be writing to you at the year's midpoint with all major U.S. equity indices (i.e., S&P 500, NASDAQ, Dow Jones) in bull markets. This astonishment isn't derived from any company-specific concerns we carried or arbitrary outlooks we held, but rather a result of reflecting on where we stood at the beginning of the year and how unconducive the backdrop felt for short-term equity returns.

Let's recap the situation. The stock market stumbled for almost all of 2022 with the Russell Midcap Index (our primary performance benchmark) down -17.32% for the year.[1] This decline was largely driven by higher interest rates and we entered 2023 with the Federal Reserve still moving forcefully to raise rates in their effort to fight what is proving to be stubbornly persistent inflation.

The economy was also beginning to feel the burden of higher interest rates. This was evidenced by the continuously diminished outlook for 2023 U.S. corporate earnings growth, which declined from 10% at the beginning of 2022 to 5% at the beginning of 2023 (it was 1% on June 30).[2] The brunt of higher interest rates also created liquidity issues that rippled through the banking industry in March, producing three of the four largest bank failures in American history (and the collapse of the second largest bank in Switzerland) and growing commercial real estate concerns.

Given this backdrop, it's unlikely even the most optimistic among us would have predicted one of the best first halves ever for U.S. stocks. And yet here we are, with broader stock market strength driven by the Federal Reserve's first interest rate hike pause after 10 consecutive increases as well as resilient consumer spending and a strong labor market.

The performance of the stock market during the first six months of 2023 reinforced three key tenets:

1. Knowing exactly what's going to impact the business environment and being able to predict stock market returns are two distinct pieces of information.

[1] *FactSet as of 6/30/2023*
[2] *FactSet as of 6/30/2023*

FENIMOREASSET.COM

800.932.3271 • 518.234.7462 • F 518.234.7793 384 North Grand Street, PO Box 399, Cobleskill, NY 12043

2. It “pays” to be an optimist. Stock market returns don’t come in a smooth or uninterrupted manner, despite our desires. And there will always be a myriad of reasons to sell, yet, almost assuredly, we believe the market’s best days are ahead.

3. History continues to demonstrate that trying to time the market’s upswings and downswings is a fruitless endeavor — we can’t predict when we are at the beginning of a bull market run. The proof of its onset surfaces after the fact.

Returns

During the first six months of the year, the FAM Dividend Focus Fund (FAMEX) also benefited from the broader market strength and increased 10.93%. This outpaced our Russell Midcap Index benchmark, which increased 9.01%.[3] Performance was led by technology (AI-driven enthusiasm) and housing-related (strong new home demand) stocks. These two sectors were also some of the worst performers in 2022. The Dividend Focus Fund’s performance was also aided by our lack of exposure to regional banks. We serendipitously exited our last remaining bank prior to the banking crisis that unfolded in early March.

Of course, Fenimore Asset Management’s investment approach seeks to compound capital over longer time periods and we believe six months is too short to fully judge performance. Following the end of this letter is the Dividend Focus Fund’s multi-year performance and we are pleased with this track record.

Dividends

The Dividend Focus Fund seeks to invest in businesses that pay a growing dividend. We believe this is a high-quality investment filter because a sound dividend growth policy is an indicator that the company generates more cash than is needed to run the business and management is confident in the stability and growth of the operation’s future cash generation.

During 2023’s first half, 17 of FAMEX’s 28 holdings (61%) increased their dividend. Of those 17, the average increase was 10.4%. This is in line with our holdings’ 5-year CAGR (compound annual growth rate) of 11.3%.[4]

Portfolio Activity

Purchases

We initiated one new position in **Verisk Analytics (VRSK)**. Verisk provides data solutions for property and casualty insurers that power their underwriting and claims processes and decision making. Verisk’s products often have no substitute and its long-term contracts, which are tied to premium growth, support meaningful revenue growth even during the rockiest of economic periods. We have followed Verisk for some time, but our interest was heightened after they made significant changes. Management divested its non-insurance assets, implemented a more shareholder-friendly capital allocation policy, and enacted several governance reforms.

Importantly, Verisk marks only our third new position in FAMEX since November 2020. It represents a cadence of approximately one new name per year. This underscores that we have a high threshold for a business to be added to the Dividend Focus Fund and continue to like the composition of our existing portfolio.

---

[3] FactSet as of 6/30/2023
[4] FactSet as of 6/30/2023

We also added to two positions in **T. Rowe Price (TROW)** and **Genpact (G)**. T. Rowe has been a long-term but smaller holding in the strategy. After a big down year in 2022, we felt they were poised to benefit from a rebound in asset prices. Our add in Genpact came late in the second quarter after concerns about the impact AI (artificial intelligence) could have on their business process outsourcing model weighed heavily on the stock. Following discussions with management and industry experts, we believe AI does not represent a material headwind to their operation and Genpact remains well-positioned to continue to grow.

Sales
We sold **First Hawaiian Bank (FHB)**, a decision we started to implement in 2022 and finished in January. Our team earmarked FHB for sale because: 1) it was not growing its dividend, 2) of the potential impact to its book value by declining values in its securities portfolio with rising short-term rates, and 3) of concerns about how robust loan growth would be in a recession.

We also trimmed a handful of positions in **Air Products & Chemicals (APD)**, **Arthur J. Gallagher & Co. (AJG)**, **Genpact (G)**, **Steris (STE)**, and **The Hanover Insurance Group (THG)**. These companies remain core FAMEX holdings, but we had to recalibrate their position sizes after they grew above our targeted weightings. We also made some trims to raise capital to fund our Verisk purchase.

Closing Thoughts

As we begin the second half of 2023, the concerns that were top of mind at the beginning of the year still remain. How long will it take inflation to get close to the Federal Reserve's 2% target? How high will interest rates have to go to get us there? Can the economy ultimately withstand higher interest rates or will it force a recession?

As noted earlier in this letter, our views on these matters will likely miss the mark. Fortunately, the success of our investment approach is dependent on investing in what we believe are quality companies that can compound over time and not short-term macro predictions. It's our in-depth research process and unwavering commitment to investing only in quality businesses that give us confidence in the ability of our holdings to compound their earnings power over the next three to five years regardless of what the near-term brings.

As always, we are incredibly grateful to all our shareholders and thank you for your continued support.

Top 5 Contributors and Detractors*
12/31/2022 to 6/30/2023

TOP 5 CONTRIBUTORS		
NAME	AVERAGE WEIGHT (%)	CONTRIBUTION (%)
Entegris	3.79%	2.20%
Microchip Technology	5.74%	1.44%
Arthur J. Gallagher & Co.	7.42%	1.26%
Stryker Corp.	5.17%	1.23%
Broadridge Financial Solutions	4.09%	0.98%

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 (%)
Genpact	3.29%	-0.61%
The Hanover Insurance Group	2.98%	-0.55%
IDEX Corp.	3.11%	-0.19%
Avery Dennison Corp.	3.87%	-0.18%
Ross Stores	4.57%	-0.16%

Past performance does not indicate future results.

Paul Hogan, CFA
Portfolio Manager

William Preston, CFA
Portfolio Manager

The opinions expressed herein are those of the portfolio managers as of the date of the report and are subject to change. There is no guarantee that any forecast made will come to pass. This material does not constitute investment advice and is not intended as an endorsement of any specific investment.

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 6/30/2023

FAM DIVIDEND FOCUS FUND	% OF PORTFOLIO
Arthur J. Gallagher & Co.	7.49%
CDW Corp.	6.52%
Trane Technologies	6.27%
Microchip Technology	6.08%
Stryker Corp.	5.34%
Air Products & Chemicals	4.96%
Entegris	4.59%
Ross Stores	4.40%
Broadridge Financial Solutions	4.32%
Republic Services	3.83%
TOTAL NET ASSETS	**$611,114,883**

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

AVERAGE ANNUAL TOTAL RETURNS

AS OF 6/30/2023

	SINCE INCEPTION	10 YEAR	5 YEAR	3 YEAR	1 YEAR	TOTAL FUND OPERATING EXPENSES*
FAM DIVIDEND FOCUS FUND (4/1/96)	9.48%	11.66%	11.88%	14.35%	21.78%	1.23% (gross) 1.23%*(net)

The performance data quoted represents past performance.

PERFORMANCE DISCLOSURES

Performance data quoted above is historical. Past performance is not indicative of future results, current performance 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

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).

This presentation was prepared by Fenimore Asset Management, Inc. ("Fenimore"). Neither this presentation nor any of its contents may be distributed or used for any other purpose without the prior written consent of Fenimore.

In part, the purpose of this presentation is to provide investors with an update on financial market conditions. The description of certain aspects of the market herein is a condensed summary only. This summary does not purport to be complete and no obligation to update or otherwise revise such information is being assumed. These materials are provided for informational purposes only and are not otherwise intended as an offer to sell, or the solicitation of an offer to purchase, any security or other financial instrument. This summary is not advice, a recommendation or an offer to enter into any transaction with Fenimore or any of their affiliated funds.

This presentation may contain statements based on the current beliefs and expectations of Fenimore's management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements.

Any references herein to any of Fenimore's past or present investments, portfolio characteristics, or performance, have been provided for illustrative purposes only. It should not be assumed that these investments were or will be profit-able or that any future investments will be profitable or will equal the performance of these investments. There can be no guarantee that the investment objectives of Fenimore will be achieved. Any investment entails a risk of loss. Unless otherwise noted, information included herein is presented as of the date indicated on the cover page and may change at any time without notice.

**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, 2022 is 1.22%. The Advisor has contractually agreed, until May 1, 2024, 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 cap Net Fund Operating Expenses for Investor Shares at 1.26%.*

FENIMOREASSET.COM

800.932.3271 • 518.234.7462 • F 518.234.7793 384 North Grand Street, PO Box 399, Cobleskill, NY 12043