FAM FUNDS
Managed by
FENIMORE ASSET MANAGEMENT

FAM SMALL CAP FUND

Semi-Annual Shareholder Letter 2023

June 30, 2023

Dear Fellow Small Cap Fund Shareholder,

For the first half of 2023, the FAM Small Cap Fund (FAMFX) returned 10.92%. In comparison, the Russell 2000 Index (the benchmark we use for performance comparisons) rose 8.09%. We find longer-term returns more meaningful. Over the prior 10 years, the Small Cap Fund returned 9.63% versus the Russell 2000's 8.26%. Since its inception on March 1, 2012, the Small Cap Fund has returned 10.87% versus the Russell 2000's 9.17%.[1] We are quite pleased with this performance.

Our team focuses exclusively on what we consider to be quality companies with strong leadership and a solid financial position. These businesses usually have some competitive advantage which allows them to be more profitable and/or grow faster than their peers. Furthermore, we want to invest in these potential jewels at reasonable, if not attractive, valuations. This typically means that the business is "under a cloud" (i.e., temporarily stumbling) or "under a rock" (i.e., unknown by many investors) at the time of purchase. If we get all this right, then our holdings should be larger and more profitable in the future and lead to healthy returns.

Owning quality businesses for the long term, with the occasional adjustment, continues to be our game plan in 2023.

Contributors & Detractors

Our top three contributors to performance in the first half of 2023 were **Dream Finders Homes (DFH)**, **SPS Commerce (SPSC)**, and **Penske Automotive Group (PAG)**.

- **Dream Finders** is a highly profitable home builder that uses an asset-light business model where, instead of owning vast quantities of raw land, they use options to buy lots as needed from land banks. This approach both enhances cash earnings and reduces risk during inevitable downturns. A year ago, investors were quite concerned that higher interest rates would squash demand for new homes. Thankfully, home buyers have proven more resilient than many expected, so the profits of home builders like DFH held up quite well. This led to a rebound in stock prices.
- **SPS Commerce** is a software company that connects thousands of suppliers to major retailers. Their offering is superior to tedious manual processes and inferior older software and it is increasingly an easy decision for most suppliers. SPSC continues to add subscribers driving profits ever higher, which has led to a wonderful return for investors in our view.

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

- **Penske Automotive Group** is a collection of businesses, primarily auto and big truck dealerships. After COVID, they actually benefited from the shortage of new vehicles making higher margins on both new and used vehicle transactions while learning to operate with less staff. There was fear that a return to normal availability of new vehicles might lead to lower vehicle prices and profits while higher interest rates might reduce consumers' ability to buy all vehicles. So far, some of these pressures have emerged, but not to the extent feared. As this became clear, the stock moved higher.

Our top three detractors from performance in the first half of 2023 were **Boston Omaha Corporation (BOC)**, **Pinnacle Financial Partners (PNFP)**, and **ExlService Holdings (EXLS)**.

- **Boston Omaha Corporation** is essentially a small conglomerate with a billboard business, a surety insurer, and a fiber-to-the-home operation along with a collection of other investments (the largest of which is an interest in a business that rents hangars to owners of large private jets). While BOC is relatively unique among our holdings because most of their businesses are in an early high-growth stage with only modest profits, they each seem to be on track and have impressive futures in our opinion. Frankly, we are not sure why the stock price fell lately, but we were happy to buy a few more shares at a discount to what we think the businesses are worth.
- **Pinnacle Financial Partners** is a relatively high-growth bank operating primarily in Tennessee, the Carolinas, and, more recently, Atlanta. While results have been excellent, investors are worried about all banks today. It doesn't help that several other banks that were also previously considered "high-growth" have failed, such as Silicon Valley Bancshares and First Republic. We continue to believe that PNFP is one of the best run banks in the country and were pleased to buy a few more shares at what we believed were attractive valuations.
- **ExlService Holdings** provides business process outsourcing and data analytics services, primarily for companies in the insurance, healthcare, and banking industries. For years, these industries have moved more toward outsourcing and using data to both remove costs and improve customer experiences — this greatly benefits EXLS. Current operations already include dozens of applications of artificial intelligence (AI), yet EXLS and its peers have seen their stock prices decline as investors contemplate how the increasing use of AI may impact demand. We spoke with these companies as well as industry experts. They all confirmed our belief that EXLS should be a net beneficiary as AI tools spread.

Portfolio Activity

Like past years, we began 2023 with what we thought was a fine collection of quality businesses run by impressive leadership teams. But, as always, we kept digging, retesting our conclusions, and looking for opportunities to improve the portfolio.

Sales

During the first half of the year, we sold one holding completely and trimmed two others.

We sold our position in **Paya Holdings (PAYA)** in January after they announced their sale to a larger competitor. We purchased our shares in the second half of 2021 as the stock price was declining. At the time, we thought it was a nice opportunity to invest in what we considered to be a quality business that could grow at a fast pace for many years. But as sometimes happens, we did not get the opportunity to hold our shares for the long term.

Our first trim in 2023 was a small portion of our position in **CBIZ (CBIZ)**, a large accounting and financial services firm. Due to a few years of strong returns, CBIZ remains our largest holding and one of our favorite companies. While we believe they can grow earnings for many more years and we hope to be long-term shareholders, the combination of the large position size, high valuation, and some evidence from peers that demand might be slowing a bit led us to make a modest trim.

Carriage Services (CSV) was our last trim. Carriage is one of the larger owners of funeral homes and cemeteries in the U.S. On June 29, a competitor, Park Lawn ([PLC] not held in the Small Cap Fund), announced they were attempting to negotiate the purchase of CSV and the stock price spiked up on the news. We still don't know what price has been offered or if Carriage's board of directors will ultimately vote for a transaction. While CSV may yet receive a higher price from Park Lawn or another bidder, there is a risk that no transaction happens. Or, if it does, it occurs at a lower stock price. Therefore, we decided to reduce that risk and lock in some of the gain by selling a portion of our shares.

Purchases
Despite our determination, we did not invest in any new ideas as of June 30. While we have our eyes on a few interesting companies, in each case we are either analyzing the business more or waiting for an attractive entry price.

However, some of our existing positions fell to attractive prices in our estimation. We already know these businesses quite well so it made sense to make the contrarian move and buy a few more shares in nine of our holdings.

Most of those opportunities came from one-off, unrelated issues including expectations of slower leisure travel demand (e.g., **Choice Hotels International [CHH]**), continuing supply chain and inflation challenges (e.g., **Nomad Foods [NOMD]**), and frustration following a disappointing first quarter (e.g., **Trisura Group [TRRSF]**). After thorough study, we expect that each of these situations should pass in time, therefore buying a few more shares seemed logical.

Our other purchases tie into investors' fears about commercial real estate and banking. Obviously, fear peaked after the failures of a few large banks in early 2023, but there remains a lingering concern that higher interest rates will lead to a recession and lower values for some properties banks have lent money against. While we too have concerns, banks differ significantly and many leadership teams have done a great job reducing these risks at their institutions in our view.

Ultimately, these fears gave us opportunities to add to two of our banks, **Pinnacle Financial Partners (PNFP)** and **SouthState Corporation (SSB)** plus **Cass Information Systems (CASS)**, which is basically one-half transaction processor and one-half bank. Additionally, we added to commercial real estate broker/services provider **Colliers International Group (CIGI)**. While we don't doubt that all will experience a pressure on earnings for the next year or two due to falling values of office buildings (in particular), in our opinion stock prices declined enough to more than reflect this risk and each seems well-positioned to prosper over the long term.

Closing Thoughts

Before writing these letters, we prepare in part by rereading our previous letters. It's striking that a year ago we were worrying and writing about the same issues. How bad will inflation be? When will it slow? Will higher interest rates not just slow the economy but drive it into a recession? How will the war in Ukraine get resolved? How will each industry and our holdings adjust to these pressures?

Certainly, some things have changed in the past year, but it's amazing how we still don't know the answers to these major economic questions. In recent days, we read pieces by experts predicting everything from no recession and a new normal of interest rates in the current range to a hard landing (soon) leading to lower interest rates. Honestly, we don't know the answers either and are distrustful of anyone who proclaims they have it all figured out.

Rather than making guesses about near-term conditions, our plan is to keep following our quality/value investing process. We want to own shares in 25 to 30 companies that we believe can post better-than-average stock performance over the medium to long term. To do this, we must keep studying our holdings and regularly retest our thesis on each firm.

Simultaneously, we continue to learn about potential new investments. Occasionally, we take advantage of what we believe are quality, but mispriced securities and make purchases. Our goal is to carefully study a limited number of what we deem to be excellent enterprises so that we can make the right portfolio decisions that ideally lead to impressive long-term results.

Thank you for investing with us and for your ongoing trust. We will continue to work diligently on your behalf.

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

TOP 5 CONTRIBUTORS		
NAME	AVERAGE WEIGHT (%)	CONTRIBUTION (%)
Dream Finders Homes	2.04%	2.32%
SPS Commerce	3.40%	1.45%
Penske Automotive Group	3.23%	1.23%
SiteOne Landscape Supply	3.26%	1.19%
Frontdoor	2.25%	0.97%

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

TOP 5 DETRACTORS		
NAME	AVERAGE WEIGHT (%)	CONTRIBUTION (%)
Boston Omaha Corp.	3.00%	-1.02%
Pinnacle Financial Partners	3.40%	-0.89%
ExlService Holdings	6.63%	-0.76%
Trisura Group	3.80%	-0.65%
Cass Information Systems	2.96%	-0.43%

Past performance does not indicate future results.

Andrew F. Boord
Portfolio Manager

Kevin D. Gioia, 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 6/30/2023

FAM SMALL CAP FUND	% OF PORTFOLIO
CBIZ	6.75%
ExlService Holdings	5.85%
Colliers International Group	4.20%
SPS Commerce	4.09%
Hostess Brands	4.08%
Trisura Group	3.89%
Landstar System	3.86%
Chemed Corp.	3.75%
Penske Automotive Group	3.68%
Choice Hotels International	3.67%
TOTAL NET ASSETS	**$328,534,361**

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 SMALL CAP FUND INVESTOR CLASS (3/1/12)	10.87%	9.63%	8.22%	17.45%	15.18%	1.26% (gross) 1.26%* (net)
INSTITUTIONAL CLASS (1/1/16)	10.96%	9.72%	8.34%	17.58%	15.33%	1.16% (gross) 1.16%* (net)

The performance data quoted represents past performance.

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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).

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**FAM Small Cap 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% 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 1.16% 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 Small Cap Fund's audited financial statements for the Investor Class is 1.25% and the Institutional Class is 1.15% as of December 31, 2022. 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 1.42% and Institutional Shares at 1.20%.*

Institutional Class shares became available for sale on January 1, 2016. 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, 2016, 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 will be lower than the returns of the Institutional Shares.