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**MARKET REVIEW**

After a seven-month rally to start the year, the stock market bowed to rising interest rates and other factors to post a third-quarter decline. The S&P 500 Index fell -3.3%, while the Russell 2000 Index fell -5.1%, and the Russell Midcap Index dipped -4.7%.<sup>1</sup>

The market lost momentum starting in August, as it became evident that the Federal Reserve (“Fed”) would keep interest rates “higher for longer” rather than pivoting to rate cuts as anticipated. The interest-rate environment likely helps to explain why value stocks, which investors often look to for their more-reliable future cash flows, beat growth stocks. For the quarter, the Russell 2000 Value Index declined just -2.8% while the Russell 2000 Growth Index fell -7.4%.<sup>2</sup>

**ECONOMY**

The Fed’s battle against inflation continued to play out, with the central bank raising the benchmark federal funds rate by 0.25% in July. The Fed’s target fed funds rate ended the quarter between 5.25% and 5.5%. Prior to this year, the fed funds rate had not been above 5% since 2001.<sup>3</sup>

Despite the rate increases, inflation remained well above the Fed’s target rate of 2%, with the Consumer Price Index rising 3.7% for the 12 months through August.<sup>4</sup> The Fed has signaled that raising rates again this year remains on the table. There’s no doubt that higher rates are filtering through the economy: the average rate on a 30-year mortgage is well over 7%, the highest level in more than two decades.<sup>5</sup>

Yet there are signs of continuing economic strength. Employers added 336,000 jobs in September, the largest increase since January. The Fed indicated that although job growth has slowed recently, it still remains strong and unemployment remains low at 3.8% as of the end of August.<sup>6</sup> The Atlanta Fed estimates that the economy expanded by 4.9% in the third quarter, more than double the second quarter’s rate.

**A COMPANY-LEVEL VIEW**

High-quality companies, which FAM Funds favors, often hold up better during difficult market environments as investors seek out names with strong fundamentals and other reassuring characteristics. This dynamic was evident during the downturn between July 31 and September 28. During the selloff, FAM Value Fund (FAMVX), FAM Dividend Focus Fund (FAMEX), and FAM Small Cap Fund (FAMFX) outperformed their benchmarks.

Fenimore seeks out companies with attractive pricing, ethical management, straightforward business models, strong balance sheets, clear competitive advantages, ample free cash flow, and growing profits.

<sup>1</sup> FactSet as of 9/30/23

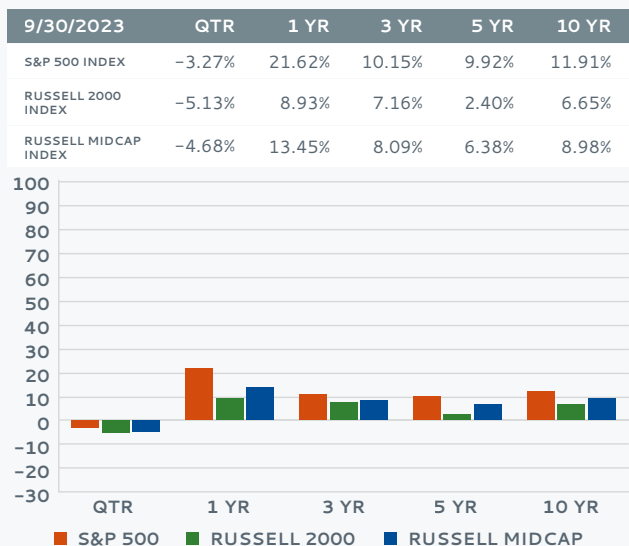
<sup>2</sup> FactSet as of 9/30/23

<sup>3</sup> federalreserve.gov as of 7/26/23

**THIRD QUARTER HIGHLIGHTS**

- Stocks fell in the third quarter, with the S&P 500 Index declining by -3.3%, as rising interest rates weighed on the market.
- The Federal Reserve has signaled that another interest-rate increase is possible before year-end, adding pressure to stocks.
- FAM Dividend Focus Fund, FAM Small Cap Fund, and FAM Value Fund all beat their respective benchmarks.

**MARKET SNAPSHOT**



Past performance does not indicate future results.

Due to these factors, long-term portfolio growth can occur in challenging economic times and under favorable conditions. There will always be high-flying stocks that are powered by low interest rates or excessive debt, and we will always look beyond them for businesses that we believe represent durable value.

**OUTLOOK**

Should expectations of sustained higher interest rates prove warranted, companies with significant debt will face earnings headwinds and their stock prices could suffer. That’s a big reason many market observers expect a bumpy ride through the end of the year. We remain confident in our holdings and their overall strong balance sheets are a key reason why.

With the Fed signaling it may not be finished raising rates, expect the market to be hard at work trying to determine the central bank’s intentions. Our team will keep abreast of economic developments, of course, while keeping our eye firmly on the long term and continually focusing on quality companies that we believe are built for all kinds of market conditions.

<sup>4</sup> bls.gov as of 9/13/23

<sup>5</sup> Mortgage Bankers Association as of 9/22/23

<sup>6</sup> bls.gov as of 9/1/23

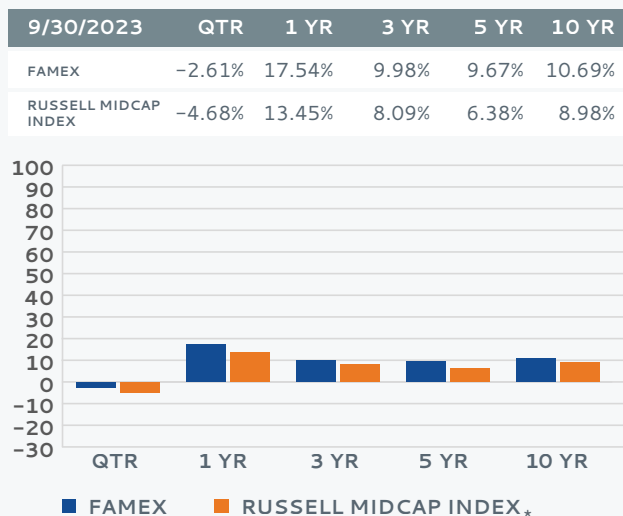
## ABOUT FENIMORE ASSET MANAGEMENT

- SEC-Registered Investment Advisor established in 1974
- Nationally recognized, in publications such as *Barron's*, and employee owned
- Offering a series of long-equity investment solutions in separately managed accounts and mutual funds
- 10 Investment Research Analysts creating proprietary, detailed, financial models
- Long-term, risk-adjusted focus on quality equities through concentrated portfolios
- \$4.12B in Assets Under Management as of 9/30/2023

## FENIMORE DIVIDEND FOCUS STRATEGY

### FAM DIVIDEND FOCUS FUND (FAMEX)

- FAMEX was down -2.6% during the third quarter, outperforming by more than two points the Russell Midcap Index benchmark, which returned -4.7%.
- Our top contributors were CDW Corp. (CDW) and Trane Technologies (TT).
  - These businesses are two of our biggest holdings with each representing a position of greater than 6%. Their large relative weightings positively influenced performance in the quarter, validating our approach of “letting compounders compound.” In other words, we seek to own more shares of good businesses every year, not fewer.
  - Each stock performed well for its own specific reasons. CDW’s earnings surpassed expectations and showed that information technology spending was normalizing after signs of a pullback in the first quarter. TT has seen resilient commercial HVAC demand offset slowing residential volumes, while hot weather in July and August likely foreshadowed a strong summer selling season.
- Our two biggest detractors were Microchip Technology (MCHP) and Entegris (ENTG).
  - After strong first-half performance, primarily driven by artificial intelligence (AI) hype, semiconductor performance cooled in the third quarter. As order backlogs have returned to normal, the overall weakness in the broader economy has led to a slowdown in demand for semiconductors. Year-over-year, worldwide sales of semiconductors were down -17% in the second quarter, a trend that continued in July and August.
- As of September 30, 21 of the fund’s 27 holdings had increased their dividend year-over-year. Of those 21 holdings, the average dividend growth rate was 10.1% and the median was 9.7%. Microchip Technology led the way with a quarterly dividend that rose 36.2% year-over-year.<sup>8</sup>



### Purchases

- We added to our positions in IDEX (IEX), McCormick (MKC), Paychex (PAYX), and Roper (ROP) by reinvesting the proceeds from the sale of our position in The Hanover Insurance Group (THG). We also added to our Cintas (CTAS) position late in the quarter after the stock traded down following its earnings report. The company continues to execute at a high level and even raised its full-year guidance given the strength of the quarter. Even with growing concerns about an economic slowdown, CTAS is forecasting 7% organic revenue growth for its fiscal 2024.

### Sales

- We sold The Hanover Insurance Group as the property and casualty insurer struggled to earn an adequate return on equity due to elevated catastrophe losses. We had little visibility into when the losses would normalize, so we decided to move on and reinvest in what we considered to be more attractive opportunities. We also trimmed Avery Dennison (AVY) as the magnitude and duration of inventory destocking and general retail weakness have proven greater than anticipated. The company is also undergoing a CEO transition. While we like AVY long term, particularly given the secular growth tailwinds from radio-frequency identification (RFID), we wanted to resize the position to reflect our near-term concerns. Overall, trading activity was modest for the quarter with turnover at about 3%.

*\*The Russell Midcap is an unmanaged index that measures the performance of a midcap segment of the U.S. equity universe. This benchmark is used for comparative purposes only and very generally reflects the risk or investment style of the investments reported.*

*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](http://fenimoreasset.com) or call (800) 932-3271. To obtain a prospectus or summary prospectus for each fund as well as other information on the FAM Funds, please go to [fenimoreasset.com](http://fenimoreasset.com) or call (800) 932-3271.*

## FENIMORE SMALL CAP STRATEGY

### FAM SMALL CAP FUND (FAMFX, FAMDX)

- The FAM Small Cap Fund declined -4.0% for the quarter, besting the Russell 2000 Index, which lost -5.1%. We're pleased that the fund outperformed its benchmark, 8.3% versus 6.7%, over a 10-year period.<sup>9</sup>
- Our third-quarter outperformance was partly attributable to our holdings in consumer staples, a sector boosted by the recent announcement that J.M. Smucker Co. (not held in the fund) is set to acquire our holding Hostess Brands (TWNK). We also benefited from our lack of exposure to healthcare. We expect to remain less exposed to healthcare for now because of the dearth of high-quality small-cap names, specifically in the biotechnology industry. The outperformance of value stocks also helped the fund.

#### Purchases

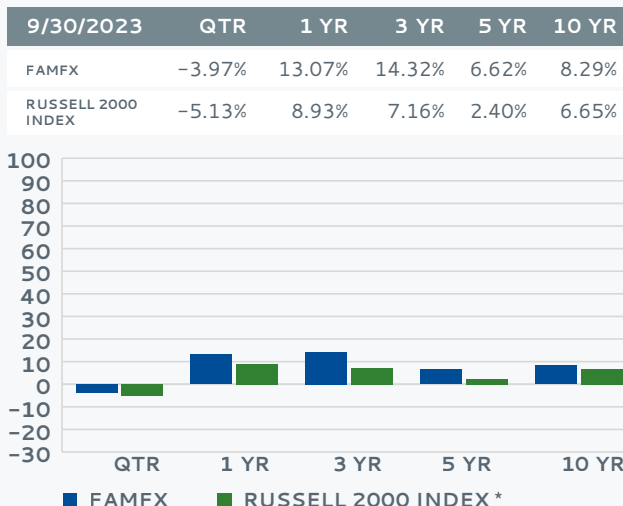
- We added to our positions in Boston Omaha (BOC), Brookfield Infrastructure Partners (BIP), Colliers International Group (CIGI), and Nomad Foods (NOMD). And we established new positions in Element Solutions (ESI) and Exponent (EXPO). With an 11% cash position in the portfolio, we're considering adding to existing positions and are studying potential holdings.

#### Sales

- Our only sale was Hostess, which was acquired by J.M. Smucker. It's noteworthy that the fund no longer owns Hostess or Penske Automotive Group (PAG), which we recently sold. Both companies have significant debt levels, which are a headwind in the current higher-interest-rate environment. During the quarter, we also trimmed our holdings of SPS Commerce (SPSC), which has appreciated strongly, and Carriage Services (CSV), which is the target of a hostile takeover bid.

*\*The Russell 2000 is an unmanaged index that measures the performance of a small-cap segment of the U.S. equity universe. This benchmark is used for comparative purposes only and very generally reflects the risk or investment style of the investments reported.*

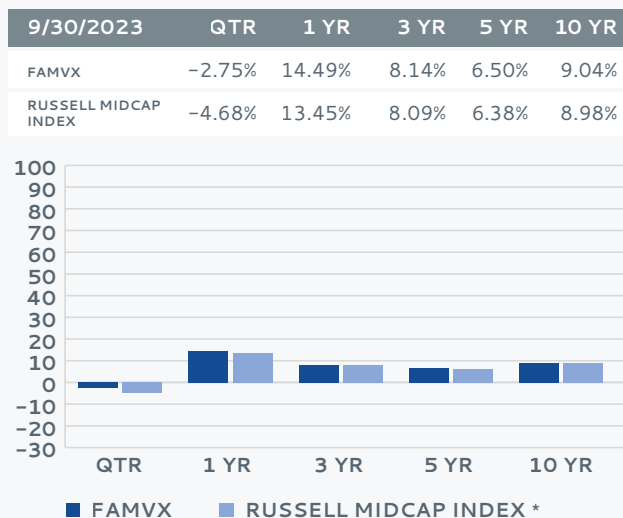
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## FENIMORE VALUE STRATEGY

### FAM VALUE FUND (FAMVX, FAMWX)

- The FAM Value Fund declined -2.8%, outperforming the Russell Midcap Index, which declined -4.7%. Our portfolio of what we believe are quality businesses held up better than our benchmark in a declining market.<sup>10</sup>
- Our top contributors were CDW Corp. (CDW), Markel Group (MKL), and Booking Holdings (BKNG). CDW, a top detractor in the second quarter, rebounded nicely as the company began to see early signs of stabilization and improving sentiment in the information technology end markets it serves. MKL and BKNG are both benefiting from favorable industry conditions, the former from a "hard" insurance market and the latter from strong leisure travel demand.
- Our top detractors were Zebra Technologies (ZBRA), Dollar General (DG), and Graco (GGG). For the second quarter in a row, disappointing earnings results were common among our top detractors. ZBRA, after a period of surging demand for employee productivity solutions, is currently dealing with substantially weaker orders as large customers have tightened budgets. DG, in addition to continued slow spending from its primary consumer, is seeing profit margins squeezed by incremental investments to improve store operations.



<sup>9</sup> FactSet as of 9/30/23

<sup>10</sup> FactSet as of 9/30/23

- By sector, industrials accounted for our largest relative underperformance. This was driven in part by weaker conditions in our housing-exposed holdings, which have been impacted by the continued rise in interest rates. The consumer discretionary sector delivered our largest relative outperformance, as four out of our five holdings in the sector outperformed the sector benchmark.

#### Purchases

- We purchased two new holdings, ExlService Holdings (EXLS) and Waters Corp. (WAT), and added to our position in Progressive Corp. (PGR). EXLS, a business-process management and analytics company, is a business that's earned our respect over the years as it has been a successful holding in our FAM Small Cap Fund. WAT, a healthcare analytical instrumentation company, is a business we have a long history with, having owned a stake in the company from 2011 to 2020. We decided to reinstate a position in the stock as the price fell to a reasonable level and we became more comfortable with the strategy and execution of the new management team.

#### Sales

- We completely sold two holdings and trimmed several others. Our complete sales were Avery Dennison (AVY) and Fidelity National Information Services (FIS). We decided to move on from FIS, a stock that was a mistake for us, after the company failed to create value for shareholders with the acquisition of Worldpay. Our trims, largely to raise cash for new purchases, included Berkshire Hathaway (BRK-A), EOG Resources (EOG), Illinois Tool Works (ITW), and T. Rowe Price Group (TROW).

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## FENIMORE PORTFOLIO CHARACTERISTICS AS OF 9/30/2023

### FAM DIVIDEND FOCUS FUND (FAMEX)

PORTFOLIO CHARACTERISTICS					TIME PERIOD: 10/1/2018 to 9/30/2023		
	ALPHA	BETA	STANDARD DEVIATION	SHARPE RATIO	SORTINO RATIO	UPSIDE CAPTURE	DOWNSIDE CAPTURE
FAM DIVIDEND FOCUS FUND INVESTOR (FAMEX)	3.58%	0.84%	19.14%	0.48%	0.74%	95.88%	83.76%
RUSSELL MID CAP TR USD	0.00%	1.00%	21.68%	0.31%	0.44%	100.00%	100.00%

### FAM SMALL CAP FUND (FAMFX, FAMDX)

PORTFOLIO CHARACTERISTICS					TIME PERIOD: 10/1/2018 to 9/30/2023		
	ALPHA	BETA	STANDARD DEVIATION	SHARPE RATIO	SORTINO RATIO	UPSIDE CAPTURE	DOWNSIDE CAPTURE
FAM SMALL CAP FUND INVESTOR (FAMFX)	3.94%	0.81%	20.77%	0.32%	0.47%	85.98%	73.18%
RUSSELL 2000 TR USD	0.00%	1.00%	24.37%	0.14%	0.20%	100.00%	100.00%

### FAM VALUE FUND (FAMVX, FAMWX)

PORTFOLIO CHARACTERISTICS					TIME PERIOD: 10/1/2018 to 9/30/2023		
	ALPHA	BETA	STANDARD DEVIATION	SHARPE RATIO	SORTINO RATIO	UPSIDE CAPTURE	DOWNSIDE CAPTURE
FAM VALUE FUND INVESTOR (FAMVX)	0.57%	0.86%	19.30%	0.33%	0.48%	91.55%	89.60%
RUSSELL MID CAP TR USD	0.00%	1.00%	21.68%	0.31%	0.44%	100.00%	100.00%

**Alpha** is a measure of the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by beta. **Beta** is a measure of systematic risk with respect to a benchmark. **Standard Deviation** is a statistical measurement of dispersion about an average, which, for a mutual fund, depicts how widely the returns varied over a certain period of time. **Sharpe Ratio** is a risk-adjusted measure calculated by using standard deviation and excess return to determine reward per unit of risk. **Sortino Ratio** is similar to Sharpe Ratio except it uses downside risk (Downside Deviation) in the denominator. **Upside Capture Ratio** is a statistical measure of a fund's overall performance relative to an index during up markets. **Downside Capture Ratio** is a statistical measure of a fund's overall performance relative to an index during down markets.

# FAM FUNDS PORTFOLIO HOLDINGS UPDATE AS OF 9/30/2023

## TOP 10 HOLDINGS

FAM DIVIDEND FOCUS FUND		FAM SMALL CAP FUND		FAM VALUE FUND	
Arthur J. Gallagher & Co.	7.96%	CBIZ	6.84%	CDW Corporation	7.80%
CDW Corporation	7.33%	ExlService Holdings	5.64%	Brown & Brown	6.97%
Trane Technologies	6.80%	Colliers International Group	4.69%	Ross Stores	6.34%
Microchip Technology	5.42%	Choice Hotels International	3.98%	IDEX Corporation	6.21%
Stryker Corporation	4.90%	Pinnacle Financial Partners	3.91%	Markel Corporation	5.49%
Air Products & Chemicals	4.81%	Brookfield Infrastructure Partners	3.77%	Vulcan Materials Co.	4.17%
Broadridge Financial Solutions	4.78%	Chemed Corporation	3.73%	Stryker Corporation	3.93%
Ross Stores	4.54%	Landstar System	3.69%	Illinois Tool Works	3.87%
Entegris	3.98%	Ollie's Bargain Outlet Holdings	3.69%	Air Products & Chemicals	3.45%
IDEX Corporation	3.86%	SiteOne Landscape Supply	3.66%	Analog Devices	3.44%

## FAM DIVIDEND FOCUS FUND (FAMEX) (AS OF 9/30/2023)

TOP 5 CONTRIBUTORS*			TOP 5 DETRACTORS*		
NAME	AVERAGE WEIGHT (%)	CONTRIBUTION (%)	NAME	AVERAGE WEIGHT (%)	CONTRIBUTION (%)
CDW Corp.	7.07	0.63	Microchip Technology	5.70	-0.73
Trane Technologies	6.56	0.40	Entegris	4.17	-0.67
Broadridge Financial Solutions	4.62	0.35	Stryker Corp.	5.03	-0.55
Arthur J. Gallagher & Co.	7.64	0.28	Vulcan Materials Co.	3.67	-0.39
Avery Dennison Corp.	3.52	0.24	Jack Henry & Associates	2.97	-0.28

## FAM SMALL CAP FUND (FAMFX) (AS OF 9/30/2023)

TOP 5 CONTRIBUTORS*			TOP 5 DETRACTORS*		
NAME	AVERAGE WEIGHT (%)	CONTRIBUTION (%)	NAME	AVERAGE WEIGHT (%)	CONTRIBUTION (%)
Hostess Brands	3.55	1.28	Brookfield Infrastructure Corp.	3.64	-0.88
Ollie's Bargain Outlet Holdings	3.31	0.84	Trisura Group	3.41	-0.83
Pinnacle Financial Partners	3.75	0.52	Nomad Foods	3.33	-0.46
Choice Hotels International	3.89	0.14	SPS Commerce	3.65	-0.41
Penske Automotive Group	1.71	0.10	Franklin Electric Co.	3.07	-0.40

## FAM VALUE FUND (FAMVX) (AS OF 9/30/2023)

TOP 5 CONTRIBUTORS*			TOP 5 DETRACTORS*		
NAME	AVERAGE WEIGHT (%)	CONTRIBUTION (%)	NAME	AVERAGE WEIGHT (%)	CONTRIBUTION (%)
CDW Corp.	7.29	0.65	Zebra Technologies Corp.	3.21	-0.65
Markel Group	5.16	0.28	Dollar General Corp.	1.44	-0.58
Booking Holdings	2.25	0.27	Graco	3.49	-0.55
Pinnacle Financial Partners	1.70	0.26	Vulcan Materials Co.	4.26	-0.44
EOG Resources	2.01	0.21	Stryker Corp.	3.92	-0.42

\*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 [fenimoreasset.com](http://fenimoreasset.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.

## IMPORTANT DISCLOSURES

### FAM FUNDS AVERAGE ANNUAL TOTAL RETURNS (AS OF 9/30/2023)

	SINCE INCEPTION	10 YEAR	5 YEAR	3 YEAR	1 YEAR	TOTAL FUND OPERATING EXPENSES
FAM DIVIDEND FOCUS FUND (4/1/96)	9.28%	10.69%	9.67%	9.98%	17.54%	1.23% (gross) 1.23%* (net)
FAM SMALL CAP FUND INVESTOR CLASS (3/1/12)	10.24%	8.29%	6.62%	14.32%	13.07%	1.26% (gross) 1.26%* (net)
INSTITUTIONAL CLASS (1/1/16)	10.32%	8.39%	6.72%	14.45%	13.20%	1.16% (gross) 1.16%* (net)
FAM VALUE FUND INVESTOR CLASS (1/2/87)	10.06%	9.04%	6.50%	8.14%	14.49%	1.18% (gross) 1.18%* (net)
INSTITUTIONAL CLASS (1/2/17)	10.10%	9.17%	6.70%	8.34%	14.69%	1.14% (gross) 0.99%* (net)

The performance data quoted represents past performance.

## PERFORMANCE 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](http://fenimoreasset.com) or call (800) 932-3271.**

## IMPORTANT RISK INFORMATION

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 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 1.18% 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 0.99% after fee waivers of (0.15)% for the Institutional Class. The Advisor has contractually agreed, 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 1.18% and Institutional Shares at 0.99%.

DISCLOSURE CONTINUED ON PG. 7

*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.*

*\*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%.*

*\*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.*