FAM FUNDS
Managed by
FENIMORE ASSET MANAGEMENT

FAM DIVIDEND FOCUS FUND

Annual Shareholder Letter 2023

December 31, 2023

Dear Fellow FAM Dividend Focus Fund Shareholder,

2023 Highlights

- FAM Dividend Focus Fund posted a return of 19.70% for 2023, besting the Russell Midcap Index† by 247 basis points.[1]
- Portfolio companies increased their cash dividends paid to shareholders by 9.5% for the year.[2]

As we conclude 2023, we are pleased to provide an update on the performance and strategic direction of our portfolio. Looking ahead, 2024 marks a significant milestone for Fenimore Asset Management as we celebrate our 50th Anniversary. This anniversary is not just a testament to our longevity, but also to the consistent value we have tried to deliver to our investors over the decades.

Performance Overview

It was a fantastic year for the stock market and investors in the FAM Dividend Focus Fund in our opinion. Despite the turbulent start to the year with lingering uncertainties from high inflation, rising interest rates, and three large bank failures — and then the market dominance of Artificial Intelligence (AI) — we navigated these waters with resilience.

The Dividend Focus Fund achieved outstanding performance, in our view, with a return of 19.70%. This surpassed our benchmark, the Russell Midcap Index, which posted a return of 17.23%.[3] The outperformance demonstrates our strategic approach of investing in what we believe are high-quality businesses that pay growing dividends over time and letting these companies compound. This approach has stood the test of time and has allowed the portfolio to outperform the benchmark over the last three, five, and 10 years. This performance has earned the fund a 5-Star Overall Morningstar Rating™ and puts the portfolio in the top quartile of its Morningstar category over each of those time periods.*

[1,2,3] *FactSet as of 12/31/2023*

**The Morningstar Rating™ is a quantitative assessment of a fund's past performance — both return and risk — as measured from 1 to 5 stars. It uses focused comparison groups to better measure fund manager skill. The Morningstar Rating™ is intended for use as the first step in the fund evaluation process. A high rating alone is not a sufficient basis for investment decisions.*

The Morningstar Rating™ for funds, or "star rating," is calculated for funds with at least a three-year history. (Exchange traded funds and open-end mutual funds are considered a single population for comparative purposes.) It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly excess performance (excluding the effect of sales charges, if any), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each fund category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star.

The FAM Dividend Focus Fund received a 5-Star Overall Morningstar Rating™ as well as a 5-Star Morningstar Rating™ for the 3-Year, a 5-Star Morningstar Rating™ for the 5-Year, and a 5-Star Morningstar Rating™ for the 10-Year periods ending 12/31/2023 among 385, 363, and 241 Mid-Cap Blend funds, respectively.

Past performance is no guarantee of future results. The Morningstar Analyst Rating should not be used as the sole basis in evaluating a mutual fund. Morningstar Ratings involve unknown risks and uncertainties which may cause Morningstar's expectations not to occur or to differ significantly from what we expected. Rating, risk, and return values are relative to each fund's Morningstar Category. Visit Morningstar.com to see their methodology.

Dividends

The Dividend Focus Fund's primary strategy is investing in businesses that pay growing dividends over time. While the dividend modestly contributes to total return, a growing dividend serves as an effective investment filter for a number of reasons. First, a growing dividend typically signals that the enterprise generates more cash than it needs for reinvestment. Second, a commitment to a sound dividend growth policy is a powerful signal from management about the stability of the company's cash generation and its future growth prospects. Lastly, this strategy enforces discipline in capital allocation decisions, requiring a balance between reinvestment and paying a growing dividend.

Over the last five years, the average annual growth rate of dividends paid by our holdings is 10.5%. Over the last 12 months, the average growth in dividends was 9.5% which is well ahead of inflation. The largest dividend increases were by Microchip Technology (MCHP), which increased their dividend 33.8%, Cintas Corporation (CTAS) with an increase of 17.4%, and Fastenal Company (FAST), which rose 12.9%.[4] Every holding, except one, paid a higher dividend in 2023 than 2022. Entegris (ENTG) held its dividend constant as it focused on paying down debt from its recent acquisition of CMC Materials.

Hands-On Portfolio Management

A cornerstone of our investment philosophy is the deep, hands-on approach we take with every holding. We make it a priority to visit each company, engaging directly with their management teams. This practice has been instrumental in building strong conviction in our holdings, especially during turbulent times in the market. Due to our regular meetings with management over long holding periods, we have accumulated a wealth of knowledge about these businesses and their respective industries. This in-depth understanding underpins our ability to make informed and strategic decisions, contributing significantly to the portfolio's long-term performance.

Portfolio Activity

Purchases

We added **Agilent Technologies (A)** in the fourth quarter. Agilent sells instruments, consumables, and services supporting research and production across a variety of end markets ranging from pharmaceuticals and diagnostics to applied materials and chemicals. Their specialized instruments allow customers to produce very accurate and reliable scientific results. The company was spun off from Hewlett-Packard in 1999. Since then, it has compounded at an impressive rate in our opinion. More recently, Agilent experienced an earnings downturn due mostly to reduced Chinese demand as a result of their weakening economy. We believe this is temporary and it provided us with an excellent opportunity to acquire shares at a favorable price. Longer term, we expect strong growth in revenue and earnings due to its leadership position in most of their technology vertical markets, new product introductions, and M&A opportunities in high-growth areas.

Martin Marietta Materials (MLM) was added to the portfolio late in the year. This supplier of aggregates (crushed stone), cement, ready mixed concrete, and asphalt holds a top position in the industry with 500 locations serving 28 states as well as Canada and the Bahamas. We like this industry because each rock quarry tends to be a local monopoly since rock is costly to transport given its weight and believe higher price and volume should drive future stock returns. Martin Marietta is also divesting non-core assets which should provide them with capital for acquisitions in high-margin areas. We expect that the U.S. infrastructure bill should be additive to historical results. Our team has owned MLM in the past, so we are very familiar with the industry and the management team.

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[4] *FactSet as of 12/31/2023*

We initiated a stake 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.

Sales
Genpact (G) was sold because it has been affected by concerns around the negative impact generative AI will have on its outsourcing business model. The firm also experienced a cyclical downturn in advisory work which will likely depress earnings for some time. Genpact is also dealing with material management turnover, which may be a long-term positive but it also increases near-term uncertainty. Taken together, these concerns significantly compressed its valuation. We moved the capital into other names that we believe have much higher return potential.

We exited **The Hanover Insurance Group (THG)**. THG reported several quarters of above-average catastrophe losses. We ultimately exited the position during the year after determining it could not earn an adequate ROTE (return on tangible equity) with elevated catastrophe losses. This may eventually normalize, but we do not know when and think we have better opportunities over the next five years.

We sold **First Hawaiian Bank (FHB)**, a decision we started to implement in 2022 and finished in January, well before the banking crisis began. 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.

Outlook

While there are many unknowns going into 2024, including if the Federal Reserve will cut interest rates and who will win the presidential election, our holdings should continue to execute on their plans to grow market share, drive earnings growth, and increase dividends. In the long run, this is what makes stock prices go higher. We like all the names in the portfolio and are excited about their prospects. Our team firmly believes that the Dividend Focus Fund is positioned to prosper in the years to come.

Closing Thoughts

As Fenimore celebrates our 50th Anniversary in 2024, our commitment to you remains steadfast. We are dedicated to seeking to maintain the highest standards of integrity, transparency, and performance. Our focus continues to be on delivering sustainable long-term value, navigating market challenges, and capitalizing on opportunities that align with our strategic objectives.

We thank you for your continued trust and support and look forward to a prosperous and exciting year ahead.

TOP 5 CONTRIBUTORS AND DETRACTORS*
12/31/2022 TO 12/31/2023

TOP 5 CONTRIBUTORS		
NAME	AVERAGE WEIGHT (%)	CONTRIBUTION (%)
Trane Technologies	6.80%	3.02%
Entegris	4.12%	2.82%
Broadridge Financial Solutions	4.56%	2.24%
CDW Corp.	7.42%	1.91%
Arthur J. Gallagher & Co.	7.91%	1.82%

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	2.85%	-0.92%
The Hanover Insurance Group	1.88%	-0.77%
Air Products and Chemicals	5.06%	-0.58%
IDEX Corp.	3.45%	-0.26%
Jack Henry & Associates	3.14%	-0.25%

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 12/31/2023

FAM DIVIDEND FOCUS FUND	% OF PORTFOLIO
CDW Corp.	7.31%
Trane Technologies	7.24%
Arthur J. Gallagher & Co.	6.95%
Microchip Technology	5.55%
Ross Stores	4.92%
Broadridge Financial Solutions	4.86%
Stryker Corp.	4.75%
Entegris	4.49%
Republic Services	3.74%
Paychex	3.69%
TOTAL NET ASSETS	**$674,341,659**

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

AVERAGE ANNUAL TOTAL RETURNS

AS OF 12/31/2023

	SINCE INCEPTION	10 YEAR	5 YEAR	3 YEAR	1 YEAR	TOTAL FUND OPERATING EXPENSES*
FAM DIVIDEND FOCUS FUND (4/1/96)	9.60%	11.10%	14.32%	9.18%	19.70%	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 luctuate 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.

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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, 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%.*

†The Russell Midcap is an unmanaged index that measures the performance of a mid-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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