FAM FUNDS
Managed by
FENIMORE ASSET MANAGEMENT

FAM VALUE FUND

Annual Shareholder Letter 2023

December 31, 2023

Dear Fellow FAM Value Fund Shareholder,

If you survey all the 2023 U.S. economic retrospectives, chances are you will encounter a number of quotes about the futility of trying to predict the stock market — and for good reason. Few predicted the economic strength and bull market we experienced last year. Entering the year, debate centered on whether the Federal Reserve engineered economic slowdown to cool inflation would lead to a "hard" or "soft" landing, yet we exited the year at cruising altitude with near record low unemployment and impressive GDP (gross domestic product) growth. Furthermore, the median prediction by 20 Wall Street firms was that the S&P 500 Index would return 4.5% in 2023, and yet it finished over 26% and near all-time highs.[1] All this despite an unexpectedly moribund Chinese economic recovery, the sudden failure of three U.S. banks, and the outbreak of war in the Mideast.

Within this context, the Value Fund registered great absolute performance of 16.09%, in our opinion, but lagged our benchmark, the Russell Midcap Index,[†] which returned 17.23%.[2] As we have said in the past, we typically outperform broad indices — including our benchmark — in down years and underperform in strong markets such as the past year.

It is often as difficult to explain market behavior as it is to predict it. Among the many factors that surprised pundits in 2023 were avoidance of a recession, slower inflation, and (relatedly) expectations of lower interest rates. The sudden emergence of generative artificial intelligence (AI) also contributed, especially as hope and hype drove the stocks of the largest technology companies, warranted or not.

Throughout the year, we engaged in hundreds of calls and meetings with the management teams of our holdings to discuss these issues, and more. We talked about changes in customer demand, what they are seeing — and expect to see — on the inflation front, how interest rate changes will affect their earnings power, and how they intend to improve that earnings power using AI. These discussions are a bedrock to our business-like approach to investing because we seek to own a few great, well-run businesses rather than owning the stock market. These discussions with management are just a part of a process designed to help us reduce the uncertainty and surprises that plague those who focus on markets.

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

Portfolio Activity

Similar to last year, we were more active than usual in 2023 as the relatively volatile market gave us several opportunities to make what we deemed to be value-enhancing alterations to the fund. We initiated three new positions, sold six holdings, and added to or trimmed a myriad of positions.

Purchases
The three new companies we invested in were **Waters (WAT)**, **McCormick & Co. (MKC)**, and **ExlService Holdings (EXLS)**.

- **Waters**: Waters is a leading manufacturer of life science instruments and related equipment. Their liquid chromatography, mass spectrometry, and thermal analyzer instruments can be found in leading laboratories throughout the world and are used in everything from the discovery of new drugs to ensuring the safety of the food you eat. Some investors might recognize this name as we first bought it in 2011. We exited our original position in 2020 for several reasons, including lost confidence in the management team. Soon after, they hired a new CEO who, we feel, understands how to grow this high-quality business. We were able to reestablish a position because Waters, and its life sciences peers, are facing slowing sales in China and restrained demand by their biotech and pharmaceutical customers in the U.S. We believe both dynamics are transitory and will continue to build the position as opportunities arise.

- **McCormick**: McCormick is a leading supplier of spices and condiments to consumers and institutional food services. Their red caps are familiar sights in grocery spice aisles. Other brands include French's mustard, Frank's Red Hot, Cholula, and Old Bay, all of which are number one in their respective categories. McCormick's leadership has translated into impressive profitability and steady growth. We were able to initiate a position at what we feel should prove to be attractive prices as the company faced challenges with sales in China.

- **ExlService Holdings:** ExlService is a business process outsourcing company (BPO). Historically, BPOs focused on taking over non-core activities from a company and managing them overseas. While this is still part of ExlService's offering, they now perform much higher-value services like data collection, standardization, and analysis as well as business process improvement. EXLS specializes in the insurance, finance, and healthcare industries where demand for their outsource expertise is large and growing. EXLS sold off during the year, partially due to fear of competition from generative AI. We take the contrary view — we expect that EXLS will actually benefit from AI.

We refer you to the 2023 Semi-Annual Report in which we discuss the positions added in the first half of 2023: **Amphenol (APH)**, **Fortune Brands Holding (FBIN)**, **Microchip (MCHP)**, **Pinnacle Financial Partners (PNFP)**, and **T. Rowe Price (TROW)**. In the second half of the year, we added to **Progressive (PGR)**.

Sales
Our full sales during the first half of year were **Black Knight (BKI)**, **M&T Bank (MTB)**, and **MasterBrand (MBC)**. Please refer to the Semi-Annual Report for our discussion on those sales.

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

During the second half of 2023, we sold all our shares of **Air Products and Chemicals (APD)**, **Avery Denison (AVY)**, and **Fidelity Information Services (FIS)**. We sold **Air Products and Chemicals** because they are pivoting from their core business of supplying bottled and onsite industrial gases to becoming a large-scale producer of environmentally friendly hydrogen. Though we like the transition in concept, it comes with significant financial and operational risk in our opinion. We may own APD again if their new business model is proven durable and profitable. We sold **Fidelity Information Services** after a series of earnings disappointments and questionable management decisions which resulted in the firm (partially) undoing their value-destroying 2019 acquisition of Worldpay. We sold **Avery Dennison** to make room for the purchase of EXLS. Avery is a fine company in our view that we may own again.

As a reminder, most of our full sales fall into five categories:

1. We made a mistake on the business, including misreading the competitive dynamics.
2. We changed our view on the company due to management's actions or inactions (e.g., a large acquisition in a different industry).
3. We put the capital into an enterprise we feel has better return prospects.
4. The price gets so high relative to our estimate of value that we think future returns are likely to be disappointing.
5. The shares originated from, or are involved in, a special situation such as a spinoff or pending acquisition.

Our sale of Fidelity Information Services falls into category 1; APD in category 2; and AVY in category 3.

Positions trimmed throughout the year include **Berkshire Hathaway (BRK.A)**, **Brown and Brown (BRO)**, **CarMax (KMX)**, **EOG Resources (EOG)**, **Illinois Tool Works (ITW)**, and **T. Rowe Price**.

Closing

We prepare for markets rather than predict them. Developing a deep understanding of businesses and a good sense of their worth allows us to welcome market volatility rather than fear it. Sometimes, that means moving on to what we think are better opportunities — as we did several times this year. Other times, it means buying more shares in the face of market panic. We believe that having a long-term perspective, knowing what you own, and investing in high-quality, well-run businesses is the best way to preserve and grow wealth.

Thank you for your trust in us.

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

TOP 5 CONTRIBUTORS		
NAME	AVERAGE WEIGHT (%)	CONTRIBUTION (%)
Brown & Brown	7.38%	2.06%
CDW Corp.	7.57%	1.98%
Ross Stores	6.42%	1.39%
Vulcan Materials Co.	4.12%	1.30%
Booking Holdings	2.20%	1.29%

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

TOP 5 DETRACTORS		
NAME	AVERAGE WEIGHT (%)	CONTRIBUTION (%)
Dollar General Corp.	1.77%	-1.29%
Air Products and Chemicals	3.34%	-0.40%
IDEX Corp.	6.42%	-0.39%
Fidelity National Information Services	1.01%	-0.28%
Black Knight	0.29%	-0.08%

Past performance does not indicate future results.

John D. Fox, CFA
Portfolio Manager

Drew P. Wilson, CFA
Portfolio Manager

Marc D. Roberts, 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.*

TOP 10 HOLDINGS

AS OF 12/31/2023

FAM VALUE FUND	% OF PORTFOLIO
CDW Corp.	7.92%
Ross Stores	7.00%
Brown & Brown	6.40%
IDEX Corp.	5.85%
Markel Corp.	4.77%
Vulcan Materials Co.	4.22%
Brookfield Corp.	3.98%
Illinois Tool Works	3.96%
Stryker Corp.	3.89%
Graco	3.63%
TOTAL NET ASSETS	**$1,601,821,268**

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 VALUE FUND INVESTOR CLASS (1/2/87)	10.31%	9.45%	11.76%	7.79%	16.09%	1.18% (gross) 1.18%* (net)
INSTITUTIONAL CLASS (1/2/17)	10.35%	9.59%	11.97%	8.00%	16.32%	1.14% (gross) 0.99%* (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).*

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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%.*

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.

[†]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.