

2023 YEAR-END NEWSLETTER

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CEO's MESSAGE

Anne Putnam, CEO

INVESTMENT INSIGHTS John Fox, CIO



A Repeat Message

If you grew up with vinyl records as I did, then you truly understand, “At the risk of sounding like a broken record...” That’s how I feel as I write this communication.

Many of you have been asking questions about the political environment and a second war overseas, and we understand your concerns. However, once again, inflation and interest rates continue to be the main factors affecting the economy and stock market.

High Inflation & Interest Rates

For the past two years, high inflation and higher short-term interest rates have been affecting consumers and businesses. For example:

- Households are experiencing higher rates on mortgages, credit cards, and auto loans. This has led to delayed purchases and less consumption.
- Commercial projects, such as new buildings or production lines that made economic sense when borrowing costs were low, are being canceled.
- Companies with high levels of debt must devote more of their cash flows to paying higher debt cost and this leaves less capital for other investments, dividends, and hiring.

It’s clear that higher interest rates slowed the economy and dampened earnings in certain industries. In turn, this impacted the stock market.

Stabilization

The good news is that we should be closer to the end of this turbulent journey than the beginning. We saw some signs of stabilization with inflation receding in October. This made many optimistic that the Federal Reserve would break their pattern of rapidly increasing short-term interest rates. It also buoyed the market.

Knowing What We Own

Our investment research team continues to tour facilities and meet face-to-face with the management of businesses we own and those

we’re considering buying. We’re gathering firsthand insights into their operations, fact-checking our instincts, and seeking to ensure that the investments we’re making on your behalf meet Fenimore’s strict criteria.

Our fieldwork also includes speaking with competitors, customers, stakeholders, and industry experts. As always, we continue to study financial statements and update our financial models. This is all in an effort to keep deepening our knowledge of each company and strengthen our confidence in their long-term potential and the role they play in delivering value to you.

Outlook

We are hopeful that inflation will be under control in 2024, and economic growth and business fundamentals will be the main topics of conversation. In general, the economy should continue its expansion over the long term because it is ultimately driven by underlying factors such as human ingenuity and the compounding of knowledge and capital.

No one knows what inflation and interest rates will do moving forward. Regardless, we strongly believe that we avoided investing in companies highly exposed to the severe risks of higher interest rates. The financial strength of our holdings should help them power through nearly any economic scenario that arises and grow larger over time.

A POSITION OF STRENGTH

As Fenimore’s new and second-generation CEO, I would like to speak to two important tenets which guide our business: legacy and optimism.

Legacy

My career at Fenimore spans 18 years and I’ve been preparing for this opportunity most of my life. My father, Tom Putnam, founded our firm in 1974 and included me in the family business at an early age. From stuffing envelopes to traveling with my parents to visit investors and companies, Fenimore has been my passion since I was young. As we arrive at our 50th Anniversary in 2024, our vision for the future requires reflecting back. While much has changed, Fenimore remains deeply rooted in our steadfast values and investment philosophy — we are proud of this consistency. For a half-century, we’ve adhered to the same mission:

- Serve our investors with excellence and work to achieve superior investment performance.
- Remain independent so that we can focus on our investors’ best interests.
- Care for our associates like family.

My grandfather, Robert Putnam, who established and grew Fenimore Fabrics into a successful textile manufacturing business, is also part of the legacy. He taught me two characteristics that endure today — quality in all we do and a strong work ethic.

I am blessed to be the family member to succeed John Fox with a focus on continuity in allowing our culture and mission to flourish.

Optimism

Fenimore’s President Christian Snyder and I, along with our associates, are confident in the future. While today’s news headlines can be depressing, we are focused on what we can control and believe the following elements put us in a position of strength:

- 1. Robust Talent** — We have our largest team ever, with gifted associates who will maintain our mission and help us achieve new milestones.
- 2. Enduring Values** — Our core purpose encompasses service excellence and seeking strong investment results. These elements allow us to contribute to the communities in which we live and serve.
- 3. Solid Foundation** — Build on our:
 - Unwavering investment process.
 - Careful stock selection with a value mindset — seeking undervalued, quality companies.
 - Discipline in evaluating company fundamentals and applying this to our investment oversight.
- 4. Continued Growth** — We are expanding our Albany, NY footprint by constructing a new office on Wolf Road that will open in 2024.
 - We want to meet our investors where they are, so being even more accessible is extremely important.
 - Our team will also strengthen and expand our investor relationships throughout the country.

Fenimore’s goals are to be your trusted investment partner, to continue to grow and succeed, and to deepen our community support. We look forward to the next 50 years!

RESEARCH ON THE ROAD

Fenimore’s research analysts had busy travel schedules in 2023. Their trips included more than 140 in-person meetings with leaders of our holdings and prospective holdings as well as facility tours. This personal, company-level fieldwork provides invaluable insights about your investments.

Drew Wilson, CFA®
Portfolio Manager, FAM Value Fund



INVESTOR EDUCATION & PLANNING

3 INVESTING TIPS FOR THE NEW YEAR

A new year is the perfect time to review your investing goals. Here are some simple actions that can make a big difference over time.

- 1. Pay Yourself First:** Treat your savings like a bill that you must pay. Identify your savings goals and get started, or continue saving. Try to increase the amount yearly.
- 2. Put Investing on Autopilot:** Dollar-cost averaging (DCA) is a long-term strategy that involves investing a fixed-dollar amount at regular intervals. DCA can potentially take advantage of the cyclical nature of the stock market and allows you to focus on long-term growth and ignore short-term market conditions.

Since you always invest the same amount, you purchase more shares when the price is low and fewer shares when the price is high. DCA’s premise is that your average cost per share may be less than your average price per share, thus potentially reducing your investment risk over time.

*FAM Funds offers an automatic investing program that is easy to implement.**
- 3. Stay the Course:** An overwhelming amount of research shows that long-term investing, even through a stock market downturn, yields better results over time than trying to time the market. It’s time in the market — not market timing — that counts.

** Dollar-cost averaging is a plan of continuous investment in securities regardless of their inconsistent prices. Of course, you must consider your financial ability to continually purchase shares. As with all investment methods, there is no performance guarantee.*

NEW OPPORTUNITIES FOR RETIREMENT SAVINGS

Congress passed legislation in 2022 that created significant changes to the retirement landscape. Dubbed the “SECURE Act 2.0,” these changes have broad impacts and have created opportunities for not only those who are saving for retirement, but also for those in retirement.

Here are a few highlights:

New RMD rules

SECURE 2.0 raised the age at which retirement savers must begin taking taxable distributions — required minimum distributions (RMDs) — from their traditional IRAs, and most work-based retirement accounts, to 73 beginning in 2023 and 75 in 2033.

Expanded QCDs

The amount eligible for a qualified charitable distribution (QCD) from an IRA will be indexed for inflation starting in 2024. Additionally, since last



year, investors can make a one-time QCD of up to \$50,000 from an IRA to a charitable remainder annuity trust, charitable remainder unitrust, or charitable gift annuity.

Rolling 529 Plans to Roth IRAs

Starting in 2024, account beneficiaries are able to directly roll over up to \$35,000 from 529 plan accounts to Roth IRAs, provided many requirements are met including that the 529 plan was open for at least 15 years.



LEARN MORE



YOUR NEXT GENERATION: WEALTH TRANSFER

We understand that discussing the generational transfer of your wealth with your adult children may feel uncomfortable. Here are some considerations when deciding whether or not to broach this sensitive topic with your children:

- Will the relationship change dramatically if beneficiaries know their inheritance status?

- Will it be advantageous to begin gifting assets during your lifetime?
- Are you anticipating that your children will be involved in your finances as, for example, a trustee or power of attorney while you are alive?
- Can your offspring benefit from learning about investing?

Based on our experience, we encourage you to include the second and even third generations in your update meetings with us. This approach can help provide for a smoother, more tax-efficient transfer of wealth to your loved ones. It can also create opportunities to educate them about financial matters.

It’s important to prepare your family for receiving the transfer of generational wealth. Please connect with us to discuss your situation.



ESTATE PLANNING

Plan Today. Enjoy Tomorrow.

Estate planning is important to all investors, so we created a video that provides a helpful overview and actionable steps you can take. The subject matter focuses on the why, what, when, and how of estate planning.



WATCH NOW

IRA NEWS

2023 Contribution Deadline & 2024 Limits

- Investors have until the tax filing deadline of April 15, 2024, to make a 2023 Individual Retirement Account (IRA) contribution.
- These are the new 2024 IRS annual limits for IRA contributions:
 - Maximum annual IRA contribution (under age 50) = \$7,000
 - Maximum annual IRA contribution (age 50 or over) = \$8,000
- IRAs are one of the most powerful retirement savings tools available. An IRA is a personal savings plan that offers specific tax benefits.
 - Even if you’re contributing to a 401(k) or other plan at work, you might also consider investing in an IRA.
 - The two major types of IRAs are Traditional and Roth.
 - Practically anyone with taxable compensation can open and contribute to a Traditional IRA.
 - Both Traditional and Roth IRAs feature tax-sheltered growth of earnings. However, there are important differences between these two IRAs with respect to eligibility and taxation.

CONSOLIDATE YOUR IRAs

If you and/or your spouse have multiple individual retirement accounts, it may make sense to consolidate them. There are two well-known types of IRAs: Traditional and Roth.

Traditional IRAs, including Rollover and Spousal IRAs (even from different companies), can be consolidated into one Traditional IRA. Roth IRAs may also be combined, including Roth 401(k)s.

Advantages

Consolidating accounts is typically tax-free, puts all of your retirement monies on one easy-to-understand statement, saves you time in monitoring and managing your funds, and reduces the likelihood of a costly mistake.

For example, miscalculating a Required Minimum Distribution (RMD) may lead to a 50% IRS penalty tax. Investors must be careful, however, not to incur a mandatory federal income tax withholding when consolidating.

Direct Rollover Option

Investors with a qualified retirement plan, such as a 401(k), should make sure that a “direct” rollover option is available. This way, the account owner does not take possession of the assets and usually retains their tax-deferred status because the distribution check is payable to the IRA’s custodian or trustee.

There are many factors to consider when consolidating accounts and these options are not right for everyone, so please contact us to discuss your situation. As always, we recommend including your accountant or tax preparer in the final decision.

INVESTOR EDUCATION RESOURCES

Valuable information can help you reach your financial goals. The more you know, the more confident you’ll be as you invest for what’s ahead.



Visit the Investor Education section of Fenimore’s website for more resources.

Questions? We believe Fenimore’s in-house Investor Relations and Research professionals are your best source for information.

Please contact us at 800-721-5391 or info@fenimoreasset.com.

NEW FENIMORE DIRECTOR



Gary Dake, President of Stewart’s Shops Corporation, joined Fenimore Asset Management’s board of directors. Stewart’s is a large, privately owned, and vertically integrated chain of convenience stores and gas stations with more than 355 shops in New York and Vermont. Gary is an accomplished and acclaimed leader who heads a team of more than 5,000 partners (employees). These partners own more than 40% of the company through their Employee Stock Ownership Plan. Employed at Stewart’s since 1985, Gary holds a BA in Economics from St. Lawrence University.

WELCOME ABOARD



Makayla Tebano was named Vice President, Marketing, and leads the firm’s marketing and brand strategy. Prior to joining Fenimore, Makayla was the Senior Director of Marketing for MVP Health Care where she spent 20 years in a variety of marketing and leadership roles. She is a Leadership Capital Region Class of 2016 alumna and earned a BA from The College of Saint Rose.

Palmer Fagnoli joined Fenimore as Regional Sales Director, a role in which he engages individuals, institutions, and organizations about our investment offerings. Palmer has more than 25 years of sales and fundraising experience for higher education institutions and nonprofits. He holds a BA from Union College and two MS degrees from Syracuse University.



Shareholder Services Associate **Wahid Nabi** was hired in the spring. He assists investors with their needs and provides daily support to help them achieve their long-term financial goals. Previously, Wahid worked for Corning Incorporated, a multinational technology company, as a Foreign Exchange Analyst. He earned a BS in Corporate Finance from Ithaca College.

THANK YOU FOR SPREADING THE WORD

We sincerely appreciate your referrals to family and friends. Your positive testimonials have helped Fenimore grow to thousands of investors throughout the U.S. while maintaining our same level of service. Please contact us if you would like a Fenimore introductory package sent to someone. Thank you!



A FOND FAREWELL

The Fenimore team said farewell to an exemplary colleague and friend. **Kathy Davis** retired after serving our investors faithfully for decades.



KATHY DAVIS
Shareholder Services Associate

30 YEARS
OF SERVICE

CONGRATULATIONS!

PROMOTIONS



ANNE PUTNAM

Anne Putnam, second generation, was named Chief Executive Officer. Since joining us in 2006, Anne has contributed significantly to Fenimore’s success, most recently as Senior Vice President. Anne has built strong relationships and carried out a vision of growth over her two-decade investment management career.



SHAUN FAGANT

Shaun Fagant was promoted to Regional Director. In his new role, Shaun shares Fenimore’s distinctive investment approach and solutions with investors. Previously, Shaun served as a Shareholder Relations representative for two years and he brings more than 17 years of service in the industry.



ANTONIO HEBERT

Antonio Hebert, CFA®, was promoted to Investment Research Analyst after earning his CFA® (Chartered Financial Analyst®) designation and serving as an Investment Research Associate for four years. Antonio graduated third in his class from Fordham University before joining Fenimore.



HUNTER FRAYNE

ACHIEVEMENTS

In addition to Antonio Hebert becoming a CFA®, Hunter Frayne, Investment Research Associate, is working toward the Chartered Financial Analyst® designation and he passed the second of three rigorous exams.



50 YEARS IN THE TRUST BUSINESS

“We’re really not in the investment management business, we’re in the trust business.”

Tom Putnam, Founder & Executive Chairman

“As we arrive at our 50th Anniversary in 2024, our vision for the future requires reflecting back. While much has changed, Fenimore remains deeply rooted in our steadfast values and investment philosophy — we are proud of this consistency.”

Anne Putnam, CEO

Fenimore’s associates are very grateful for your friendship and trust!



The Grace Family
Four Generations of
FAM Funds Investors



SUPPORTING OUR COMMUNITY FOR GENERATIONS

A Tradition of Giving

Fenimore is committed to enriching our region through charitable giving, including financial support and community service. *Our vision is to transform lives and transform communities for generations.*

Community Partners

Our team is grateful that we were able to impact the community during 2023 through our relationships with many amazing nonprofits!

Additionally, Fenimore’s volunteerism included: serving on boards; mentoring students; coaching youth sports; supplying housewarming baskets for veterans; preparing hundreds of care packages for the homeless; and serving hundreds of lunches and dinners to those in need.

FAM 5K for Charity

Since 1994, Fenimore has held its annual FAM 5K “Fund” Run/Walk in September. It’s a fun-filled day exhibiting the spirit of family, health, and charity. The proceeds from the race are donated to five different local charities. Each year, one of these charities is featured as the main beneficiary.

This year’s main beneficiary was Cobleskill Regional Hospital. The other beneficiaries included Catholic Charities of Delaware, Otsego, and Schoharie Counties; Helios Care; Schoharie County Community Action Program; and The Arc Lexington.

LET’S CONNECT

We encourage you to provide us with feedback that will help enhance our communications and service. Please feel free to call **800-721-5391** or email us at info@fenimoreasset.com.

We also welcome the opportunity to discuss your financial plan with you:

- At our new Albany location (Wolf Road) or Cobleskill, NY office.
- Via video conference.
- On the phone.



Manager of the **FAM FUNDS**

384 North Grand Street
PO Box 310
Cobleskill, NY 12043

Fenimore 2023 Year-End Newsletter
Your Trusted Investment Partner

800-721-5391
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