FAM FUNDS
Managed by
FENIMORE ASSET MANAGEMENT

FENIMORE ASSET MANAGEMENT 1974 50 YEARS 2024

FAM DIVIDEND FOCUS FUND

Semi-Annual Shareholder Letter 2024

June 30, 2024

Dear Fellow FAM Dividend Focus Fund Shareholder,

In the first half of 2024, the U.S. stock market ascended to new all-time highs and the FAM Dividend Focus Fund (FAMEX) was no different, with the strategy achieving 20 new all-time highs year-to-date.[1] Our strong performance was recently recognized by *Kiplinger* as an actively managed mutual fund that has "racked up peer-beating returns over the past decade" in the Morningstar Mid-Cap Blend category.[2]

Equity markets started 2024 with optimism for potential federal funds interest rate cuts. While those rate cuts have not yet materialized, the economy has powered through hawkish monetary policy with the labor market continuing to add jobs at a healthy pace and the unemployment rate remaining near all-time lows.

Many previously predicted that lowering inflation would be unattainable without an ensuing recession. Yet, the resilient performance of the U.S. economy, despite higher interest rates, is another reminder to ignore market predictions and stay the course of remaining invested.

The positive returns in the U.S. stock market in the first half of 2024 were driven by growing optimism about AI (artificial intelligence) and significant investments in AI infrastructure. This enthusiasm bolstered the performance of mega-cap technology companies and contributed to the narrowing market breadth we are seeing today. While it remains to be seen if the AI hype (and recent runup in stock prices) will be justified longer term, we expect many industries we invest in to be beneficiaries of increased AI investment.

Returns

Over the first six months of the year, the FAMEX increased 7.41%. This strong start bested the Russell Midcap Index[†] benchmark return of 4.96% by 245 basis points.[3]

As we state every year, we prefer to focus on long-term performance and are pleased that the fund continues to outperform the benchmark on trailing 3-, 5-, and 10-year periods.

[1] *FactSet as of 6/30/2024*
[2] *Kiplinger August 2024, performance data as of 5/31/2024. Fund selection was determined by the author's criteria.*
[3] *FactSet as of 6/30/2024*

The FAMEX is beating its benchmark by 480 basis points annually over a 3-year period, 170 basis points annually over a 5-year period, and 230 basis points annually over a 10-year period.[4] In our view, the fund's outperformance is derived from our consistent investing approach of identifying what we believe are competitively advantaged businesses and letting them compound over long periods.

Dividends

A key tenet of the FAMEX strategy is to invest in companies that consistently grow their dividend over time. In our experience, a sound dividend growth policy 1) implies the business is generating excess free cash flow and that their cash flow stream is growing, and 2) encourages management to prioritize the highest return reinvestment opportunities.

Over the past 12 months, 26 of FAMEX's 27 holdings (approximately 96%) increased their dividend. The average dividend increase for the portfolio was 9.1%. The top three dividend growers were Microchip (MCHP): 18%, Cintas (CTAS): 17%, and Verisk Analytics (VRSK): 15%.[5]

The average 5-year compound annual dividend growth rate for the total portfolio is 10.6%.[6] We view this as an underlying proxy for cash flow growth and are pleased with our holdings' ability to increase their dividends well in excess of the rate of inflation.

Portfolio Activity

Purchases

We initiated one new position: **Houlihan Lokey (HLI)** (0.81%)*. Houlihan is a leader in mid-market M&A (mergers and acquisitions) advisory, restructuring, and valuation advisory. HLI assists companies in the process of selling their business by finding buyers and maximizing the value for the seller. Houlihan is a partner of choice in the mid-market space due to the firm's vast financial sponsor network across almost all industries. Additionally, its restructuring business provides a countercyclical revenue stream during times when M&A activity slows.

We also added to a handful of existing positions, primarily putting fund inflows to work in names such as **Entegris (ENTG)** (4.88%), **HEICO Corporation (HEI)** (3.94%), **IDEX Corporation (IEX)** (3.62%), **Jack Henry & Associates (JKHY)** (2.69%), **Martin Marietta Materials (MLM)** (3.62%), **Paychex (PAYX)** (3.65%), **Watsco (WSO)** (1.63%), **STERIS (STE)** (2.53%), and **Verisk (VRSK)** (2.52%). We added to these holdings because we have great conviction in their long-term competitive position and they were trading at attractive valuations.

Sales

We sold two positions, **Air Products and Chemicals (APD)** (0.00%) and **T. Rowe Price (TROW)** (0.00%).

In the case of Air Products, the company started making a big bet on renewable hydrogen, and the speed and scale at which they were investing created uncharacteristic execution issues. While renewable hydrogen may prove to be a long-term winning investment, this strategy reduced transparency around future volumes, pricing, and unit economics, and, in our view, elevated the risk profile of the business. Our concerns remained after in-person meetings with management, so we decided to move on to reduce potential risk.

**Percentage is the company's weight in the portfolio as of 6/30/2024.*
[4] FactSet as of 6/30/2024
[5] FactSet as of 6/30/2024
[6] FactSet as of 6/30/2024

With respect to T. Rowe, we determined the traditional asset management model faces long-term structural headwinds given fee compression and the growing investor preference for exposure to alternative assets, which has often come at the expense of actively managed equities. Lingering question marks remain over T. Rowe's ability to slow, let alone reverse, negative asset flows.

Closing Thoughts

Changing times, unchanging principles.
As we lap the halfway mark in 2024, we remain committed to our goal of owning a concentrated portfolio of high-quality companies that pay growing dividends. Our track record of long-term ownership in conservatively leveraged businesses and partnering with what we believe are great management teams, gives us conviction regardless of the economic environment.

As we head into the latter half of the year, questions over the direction of the economy will remain front and center. The path of inflation will be a key indicator, as it will determine how quickly the Federal Reserve can lower interest rates. A close eye will be kept on the health of the consumer and the level of unemployment, both of which have held up well in the face of restrictive monetary policy. And, of course, the level of AI adoption by both consumers and businesses will be scrutinized.

No matter the outcome of these heavily discussed issues, the FAM Dividend Focus Fund's 28-year history shows the strategy has stood the test of time. We remain confident in our holdings' ability to execute their respective long-term plans and endure periods of short-term economic stress when they do arise.

As always, we appreciate your continued trust in us.

Top 5 Contributors and Detractors*
12/31/2023 to 6/30/2024

TOP 5 CONTRIBUTORS		
NAME	AVERAGE WEIGHT (%)	CONTRIBUTION (%)
Trane Technologies	8.10%	2.26%
Arthur J. Gallagher & Co.	7.00%	1.09%
HEICO Corp.	3.51%	0.76%
Stryker Corp.	4.96%	0.66%
Republic Services	3.84%	0.63%

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 (%)
Pool Corp.	2.79%	-0.64%
IDEX Corp.	3.80%	-0.33%
Broadridge Financial Solutions	4.39%	-0.19%
CDW Corp.	7.00%	-0.18%
Agilent Technologies	1.90%	-0.18%

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.*

TOP 10 HOLDINGS AS OF 6/30/2024

FAM DIVIDEND FOCUS FUND	% OF PORTFOLIO
Trane Technologies	8.77%
Arthur J. Gallagher & Co.	7.20%
CDW Corp.	6.46%
Microchip Technology	5.05%
Entegris	4.88%
Stryker Corp.	4.85%
Ross Stores	4.64%
Broadridge Financial Solutions	4.18%
Republic Services	3.95%
HEICO Corp.	3.94%
TOTAL NET ASSETS	**$751,252,575**

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

AVERAGE ANNUAL TOTAL RETURNS AS OF 6/30/2024

	SINCE INCEPTION	10 YEAR	5 YEAR	3 YEAR	1 YEAR	TOTAL FUND OPERATING EXPENSES*
FAM DIVIDEND FOCUS FUND (4/1/96)	9.70%	11.30%	11.18%	7.20%	15.90%	1.22% (gross) 1.22%*(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).

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.

In part, the purpose of this presentation is to provide investors with an update on financial market conditions. The description of certain aspects of the market herein is a condensed summary only. This summary does not purport to be complete and no obligation to update or otherwise revise such information is being assumed. These materials are provided for informational purposes only and are not otherwise intended as an offer to sell, or the solicitation of an offer to purchase, any security or other financial instrument. This summary is not advice, a recommendation or an offer to enter into any transaction with Fenimore or any of their affiliated funds.

This presentation may contain statements based on the current beliefs and expectations of Fenimore's management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements.

Any references herein to any of Fenimore's past or present investments, portfolio characteristics, or performance, have been provided for illustrative purposes only. It should not be assumed that these investments were or will be profit-able or that any future investments will be profitable or will equal the performance of these investments. There can be no guarantee that the investment objectives of Fenimore will be achieved. Any investment entails a risk of loss. Unless otherwise noted, information included herein is presented as of the date indicated on the cover page and may change at any time without notice.

**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 1.22%. The total operating expense as reported in the FAM Dividend Focus Fund's audited financial statements as of December 31, 2023, is 1.21%. The Advisor has contractually agreed, until May 1, 2025, 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.*

800.932.3271 • 518.234.7462 • F 518.234.7793 384 North Grand Street, PO Box 399, Cobleskill, NY 12043

Securities offered through Fenimore Securities, Inc. Member FINRA/SIPC, and advisory services offered through Fenimore Asset Management, Inc.