

# FAM FUNDS

Managed by  
FENIMORE ASSET MANAGEMENT

## FAM SMALL CAP FUND

Annual Shareholder  
Letter 2024

December 31, 2024

Dear Fellow FAM Small Cap Fund Shareholder,

For 2024, the FAM Small Cap Fund (FAMFX – Investor Shares) rose 12.49%, outperforming the Russell 2000 Index\* which increased 11.54%. While we are pleased to report a strong year, we believe long-term performance is a more meaningful measure of success. Over the past 10 years, the fund has returned an annualized 9.14% compared to the Russell 2000's 7.82%. Since its inception on March 1, 2012, the Small Cap Fund has delivered an annualized return of 11.24%, outpacing the Russell 2000's 9.65%.<sup>1</sup>

### 2024 Recap

The election year brought a change in administration, prompting questions about its potential impact on markets. As part of our investment research process, we regularly consult with experts and company management teams to understand their perspectives. The reality is that no one can predict with certainty how political changes will influence markets. However, history demonstrates that markets have performed well over time regardless of which political party is in power. This resilience underscores the strength of American businesses — a quality that, from our viewpoint, should continue to drive long-term success in stock markets.

Our team remains dedicated to identifying and investing in what we believe are high-quality companies with exceptional leadership and robust financial health. We prioritize businesses with sustainable competitive advantages and focus on acquiring them at what we think are reasonable or compelling valuations. Often, these opportunities are found among firms that are underappreciated or navigating temporary challenges. While we acknowledge the possibility of missteps, we are confident that a disciplined, long-term focus on high-quality enterprises should deliver strong returns while safeguarding capital.

In 2024, our commitment to owning what we deem to be high-quality businesses contributed to solid performance. A notable source of this year's outperformance was our underweight position in healthcare. This decision was not based on a sector prediction, an economic forecast, or the presidential election's outcome. Instead, it reflects our disciplined approach to investing in what we believe are high-quality businesses. Within the healthcare sector, we often encounter speculative enterprises with exciting potential but limited profitability. As such, we have chosen to allocate capital elsewhere where we see better opportunities aligned with our investment philosophy.

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<sup>1</sup> FactSet as of 12/31/2024

\* 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.

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](https://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](https://fenimoreasset.com) or call (800) 932-3271.

## Portfolio Activity

Our research process is a continuous balance of monitoring existing holdings and identifying new opportunities. We maintain high standards and a long-term investment horizon. As a result, some years involve substantial research activity but only modest trading — 2024 was such a year.

### Purchases

Three new positions were initiated and we added to 10 existing holdings.

Our first “new” investment was **OneSpaWorld Holdings (OSW)** (3.4%),<sup>2</sup> the leading provider of outsourced spa services to the cruise industry. Long-term shareholders may recall that we previously owned OneSpaWorld but sold our position during COVID-19 due to balance sheet challenges. With the industry recovering and the firm’s financial health restored, we were pleased to reinitiate our position. The company holds a significant competitive advantage, in our opinion, as the primary service provider for all major cruise lines. They should continue to benefit from growth in the cruise industry and their ability to offer more value-added services to guests.

In June, we purchased shares in **Esab Corporation (ESAB)** (2.4%). Esab is one of the top three global providers of welding equipment and consumables, holding a leading market position in India, South America, and the Asia-Pacific region. The company’s strong brand recognition, product reputation, and 120-year history provide it with a durable competitive advantage in our view. We initiated our position as competitors announced softening conditions in the industry. This allowed us to acquire shares at what we believed was an attractive valuation.

Our third purchase was **Altus Group (ASGTF)** (2.9%), a provider of analytics and services for the commercial real estate industry. The firm’s flagship product, Argus, is the leader for commercial real estate valuation software and benefits from a powerful network effect. Management has been strategically transitioning Altus away from slower-growth service businesses and redeploying the capital into its analytics platform. We believe these efforts should lead to a faster growing business with greater reinvestment opportunities into incremental applications.

Finally, we were pleased to take advantage of opportunities to add to several holdings.

### Sales

Our portfolio management team exited two positions and made four trims to existing holdings.

We sold our position in **Ollie’s Bargain Outlet Holdings (OLLI)** (0.0%) in June. We owned Ollie’s through a volatile operating environment, particularly during the 2021 supply-chain challenges. While this volatility created opportunities for a profitable investment, our recent analysis suggested that the company’s future growth potential may be more difficult to achieve than we had initially projected. Given the stock’s strong performance and our higher conviction in other businesses, we decided to fully exit the position.

In September, we sold our position in **SouthState Bank (SSB)** (0.0%). SouthState is a well-run bank with a quality management team, in our opinion, and we believe it should continue to perform well. However, new investment opportunities and greater confidence in our other bank holdings led to our decision to redeploy capital elsewhere.

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<sup>2</sup> Percentage is the company’s weight in the portfolio as of 12/31/2024.

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We trimmed positions in **CBIZ (CBZ)** (6.9%), **Dutch Bros (BROS)** (4.5%), **Dream Finders Homes (DFH)** (2.4%), and **Frontdoor (FTDR)** (3.5%).

- We trimmed our CBIZ position due to a combination of valuation and its size within the portfolio.
- Dutch Bros, a rapidly growing coffee chain, saw its stock price rise 65.4% in 2024 and it reached a valuation where trimming was prudent in our view.
- Dream Finders, a fast-growing homebuilder, continued to perform well despite concerns about higher mortgage rates. The stock’s rapid valuation increase in 2023 prompted a trim.
- Frontdoor, a leading provider of home service plans, benefited from easing inflationary pressures — this led to improved results and a higher valuation. We added to this position earlier in the year and trimmed it after achieving a strong valuation.

## Closing Thoughts

In recent years, inflation and restrictive monetary policy have been the dominant economic issues influencing markets. As we enter 2025, inflation has moderated significantly but remains above the Federal Reserve’s target rate. We do not make economic predictions or base our investment decisions on forecasts. Instead, our analysts remain focused on in-depth company research to identify what we deem to be the best opportunities, regardless of the economic environment.

Our investment research team remains cautiously optimistic about our holdings and will continue to identify new potential investments that can enhance the portfolio. Many high-quality businesses we would like to own are currently trading at valuations that we consider to be too elevated. Such environments are normal in markets, therefore we will maintain our disciplined approach to valuations while staying nimble enough to act when opportunities arise.

Finally, we want to thank our fellow shareholders for entrusting us with your capital. It is truly an honor to serve you.

## TOP 5 CONTRIBUTORS AND DETRACTORS\*

12/31/2023 to 12/31/2024

TOP 5 CONTRIBUTORS		
NAME	AVERAGE WEIGHT (%)	CONTRIBUTION (%)
ExlService Holdings	5.60	2.22
CBIZ	6.89	2.12
Frontdoors	3.25	1.76
Dutch Bros	3.27	1.68
OneSpaWorld Holdings	2.04	1.32

*This reflects the FAM Small Cap 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 (%)
Dream Finders Homes	3.25	-1.31
SiteOne Landscape Supply	3.48	-0.70
Chemed Corp.	3.35	-0.36
Boston Omaha Corp.	2.65	-0.35
Landstar System	3.21	-0.33

Past performance does not indicate future results.



**Andrew F. Boord**  
Portfolio Manager



**Kevin D. Gioia, 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 12/31/2024

FAM SMALL CAP FUND	% OF PORTFOLIO
CBIZ	6.89%
ExlService Holdings	6.74%
Colliers International Group	5.45%
Pinnacle Financial Partners.	5.04%
Dutch Bros	4.17%
Brookfield Infrastructure Corp	4.16%
Choice Hotels International	3.92%
OneSpaWorld Holdings	3.54%
Frontdoor	3.47%
FirstService Corp.	3.43%
<b>TOTAL NET ASSETS</b>	<b>\$417,408,909</b>

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

## AVERAGE ANNUAL TOTAL RETURNS

AS OF 12/31/2024

	SINCE INCEPTION	10 YEAR	5 YEAR	3 YEAR	1 YEAR	TOTAL FUND OPERATING EXPENSES*
FAM SMALL CAP FUND INVESTOR CLASS (3/1/12)	11.24%	9.14%	10.72%	5.77%	12.49%	1.25% (gross) 1.25%* (net)
INSTITUTIONAL CLASS (1/1/16)	11.33%	9.25%	10.84%	5.88%	12.65%	1.15% (gross) 1.15%* (net)

The performance data quoted represents past performance.

*\*FAM Small Cap Fund Disclosure: The Fund's gross annual operating expense ratio as stated in the fee table of the Fund's most recent prospectus is 1.25% for the Investor Class. The Fund's gross annual operating expense ratio as stated in the fee table of the Fund's most recent prospectus is 1.15% 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 gross annual operating expense as reported in the FAM Small Cap Fund's audited financial statements for the Investor Class is 1.24% and the Institutional Class is 1.14% as of December 31, 2023. 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 1.42% and Institutional Shares at 1.20%. There are no sales charges.*

*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.*

## 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**

*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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