FAM FUNDS
Managed by
FENIMORE ASSET MANAGEMENT

FAM VALUE FUND
Annual Shareholder Letter 2024

December 31, 2024

Dear Fellow FAM Value Fund Shareholder,

In 2024, the Federal Reserve began lowering the federal funds rate, bringing an end to one of its most aggressive tightening campaigns. Contrary to widespread fears, the two-year effort to slow demand and tame inflation did not lead to a recession. Instead, the economy demonstrated remarkable resilience, continuing to grow while inflation eased. Additionally, the rapid advancements and potential of generative AI (artificial intelligence) drew significant attention and investment. Lastly, the presidential election raised hopes for policies focused on lower taxes and reduced business regulations. While not exhaustive, these were the primary factors that contributed to another year of strong U.S. equity returns.

Within this context, the FAM Value Fund (FAMVX – Investor Shares) delivered a healthy 15.57% return, slightly beating our benchmark, the Russell Midcap Index,* which returned 15.34%. The Value Fund's performance was driven by the strong fundamentals of many of our holdings, which grew earnings by approximately 15% on a weighted-average basis.[1]

Several of our top contributors were holdings in the financial sector, driven by the prospect of lower short-term interest rates and rising insurance premiums. Additionally, while the AI infrastructure buildout is still in its early stages and the application of AI tools to businesses and consumers remains nascent, some of our top performers benefited from their current and potential exposure to these trends.

Our largest detractors to performance served different end markets, but several shared a common challenge of (still!) too much inventory in their distribution channels. In almost every case, excess inventory was a lingering impact of pandemic-era ordering patterns and/or supply-chain challenges. Nearly five years later, businesses are still grappling with these effects. However, we believe most of these issues should be resolved in 2025.

Portfolio Activity

In 2024, we initiated two new positions and exited five. Additionally, we trimmed our holdings in three companies. The imbalance between purchases and sales was primarily a natural outcome of a stock market that hit multiple new highs throughout the year. It also aligned with our objective of maintaining a focused portfolio, allowing us to concentrate on what we deemed to be our best ideas. As a result, the Value Fund began the year with 30 holdings and ended with 27.

[1] FactSet as of 12/31/2024
** 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.*

Purchases

- **AMETEK (AME)** (1.3%):[2] Ametek is a global manufacturer of advanced industrial products and services. We've been monitoring AME for years and completed an in-depth review of the business in 2020. The company has the goal of being a number-one or number-two provider in niche end markets across a diversified set of industries including medical, aerospace, power, and industrial. Management has a long track record of operational excellence and astute capital management, particularly in acquiring niche, market-leading businesses. An opportunity to purchase shares arose during the third quarter when AME lowered guidance due to inventory normalization within its OEM customer base and cautious customer spending — this caused short-term project delays. Following a meeting with management at headquarters, we decided to capitalize on the short-term volatility and purchase shares at what we believed to be a reasonable price.

- We refer you to the 2024 Semi-Annual Letter in which we discuss **Keysight Technologies (KEYS)** (2.2%), which was purchased in the first half of 2024.

Sales

- **CarMax (KMX)** (0.0%): First purchased in 2004, CarMax was a successful long-term holding that struggled recently. Initially, its used-car superstores with no-haggle pricing offered a superior customer experience, while the high volume of transactions gave KMX a valuable informational edge. However, advancements in technology and data accessibility across dealerships, along with competition from innovative players like Carvana and its online-only model, eroded KMX's competitive advantages and diminished its earnings power. While it is possible management will eventually right the ship, we felt the uncertainty was too high.

- **SouthState Corp. (SSB)** (0.0%): A regional bank first purchased in 2009, SSB was also a successful long-term holding. Although it remains a solid institution with strong profitability and robust credit metrics in our view, we concluded that other opportunities offered more compelling long-term prospects.

- We refer you to the 2024 Semi-Annual Letter in which we discuss our full sales of **Dollar General (DG)** (0.0%), **Fortune Brands (FBIN)** (0.0%), and **T. Rowe Price (TROW)** (0.0%).

Positions trimmed throughout the year included **Berkshire Hathaway (BRK.A)** (1.8%) and **Brown & Brown (BRO)** (8.0%).

Commentary

The S&P 500, an index of the largest publicly traded corporations in the United States and a widely accepted proxy for the stock market, returned 25.02% in 2024 and outperformed most other broad indices. Part of this outperformance was due to the stronger performance of large-cap companies compared to mid- and small-cap firms. However, much of it was driven by the structure of the S&P 500 itself — a market-weighted index where the biggest corporations have the greatest influence on returns.

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[2] Percentage is the company's weight in the portfolio as of 12/31/2024.

This weighted approach is usually not a concern, but when the largest companies grow disproportionately bigger and their performance deviates significantly from the rest of the index, it creates a compounding effect on index returns. This was the case in 2024. More than 50% of the S&P 500's returns came from seven corporations — the so-called "Magnificent 7"[3] — which posted an average return of 63%. Notably, Nvidia alone contributed nearly 25% of the S&P 500's total return. By year-end, the nine largest enterprises represented nearly 35% of the index's total market capitalization.[4]

This concentration, or "narrowness," has several implications, but we'll focus on two. First, the mega-cap companies driving these returns are dominant, highly profitable businesses with strong growth prospects. Historically, narrow markets like this can persist for extended periods. However, future S&P 500 returns are now heavily reliant on continued optimism about the growth of just a few firms, much of which is tied to AI's anticipated potential. While we are optimistic about AI's transformative potential, it remains uncertain with many scenarios that could fall short of expectations, possibly leading to significant market volatility.

That said, we don't own "the market." Instead, we are invested carefully in a selected basket of what we believe are high-quality companies with strong balance sheets and skilled management teams. One upside of this narrow market is that we are starting to see what we think are great businesses that haven't caught the current fancy — or fantasy — of Wall Street beginning to trade at more reasonable valuations. This presents compelling opportunities for disciplined, long-term investors like us.

Closing Thoughts

It should come as no surprise that most Wall Street strategists did not anticipate 2024's strong equity returns. We've often written about the futility of predicting equity market performance and this year was no exception. The median forecast from top Wall Street strategists projected the S&P 500 to end the year at 4,500[5] — 23% below its actual closing level. In fact, over the past 16 years, the average strategist has underestimated market returns for 13 of them.[6]

As we look ahead, we won't pretend to know what 2025 will bring for equity markets. Inflation, interest rates, tariffs, taxes, AI, and other factors will undoubtedly provide more news and challenges to assess. What we do know is that we are confident in the competitive positioning, innovation, resilience, and long-term growth potential of our holdings. We welcome the opportunity to add to these positions — or to invest in similarly high-quality businesses — and pursue our goal of continuing to build long-term value in the portfolio.

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[3] Or, "Mag 7", which includes: Apple, Nvidia, Microsoft, Amazon, Alphabet, Meta, and Tesla
[4] FactSet as of 12/31/2024
[5] Business Insider: https://www.businessinsider.com/top-market-forecasts-predictions-for-2025-oracles-of-wall-street-2024-12
[6] Nationwide Insurance, FactSet: https://www.nationwide.com/financial-professionals/blog/markets-economy/articles/be-skeptical-of-stock-market-predictions-for-the-coming-year

TOP 5 CONTRIBUTORS AND DETRACTORS*
12/31/2023 to 12/31/2024

TOP 5 CONTRIBUTORS		
NAME	AVERAGE WEIGHT (%)	CONTRIBUTION (%)
Brown & Brown	7.69	3.07
Progressive Corp.	4.33	1.89
Brookfield Corp.	4.29	1.68
Amphenol Corp.	4.17	1.55
Zebra Technologies Corp.	3.37	1.20

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 (%)
CDW Corp.	7.21	-1.54
Microchip Technology	1.25	-0.45
IDEX Corp.	5.43	-0.16
Fortune Brands Innovations	0.47	-0.12
Graco	3.32	-0.09

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

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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 VALUE FUND	% OF PORTFOLIO
Brown & Brown	8.04%
Ross Stores	6.94%
CDW Corp.	5.50%
Markel Corp.	5.26%
Brookfield Corp.	5.18%
IDEX Corp.	5.11%
Progressive Corp.	4.61%
Amphenol Corp.	4.51%
Vulcan Materials Co.	4.34%
Stryker Corp.	4.24%
TOTAL NET ASSETS	**$1,765,025,014**

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 VALUE FUND INVESTOR CLASS (1/2/87)	10.45%	9.65%	9.11%	4.84%	15.57%	1.17% (gross) 1.18%* (net)
INSTITUTIONAL CLASS (1/2/17)	10.49%	9.82%	9.32%	5.04%	15.79%	1.14% (gross) 0.99%* (net)

The performance data quoted represents past performance.

**FAM Value Fund Disclosure: The Fund's gross annual operating expense ratio as stated in the fee table of the Fund's most recent prospectus is 1.17% 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 1.14% after fee waivers of (0.15)% for the Institutional Class. The annual operating expense as reported in the FAM Value Fund's audited financial statements for the Investor Class is 1.18% after net fee recoupment of 0.01% and the Institutional Class is 0.99% after fee waivers of (0.15)% 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 1.18% and Institutional Shares at 0.99%. There are no sales charges.*

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.

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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 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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