FAM FUNDS
Managed by
FENIMORE ASSET MANAGEMENT

FAM DIVIDEND FOCUS FUND

Annual Shareholder Letter 2025

December 31, 2025

Dear Fellow FAM Dividend Focus Fund Shareholder,

U.S. equity returns were strong in 2025, though a limited group of stocks drove performance. It feels like a distant memory, but only nine months ago investors were navigating 20%+ drawdowns in the market[1] driven by significant uncertainty around tariffs and trade policy.

Since then, stocks forcibly rebounded, with performance once again concentrated in large-cap technology and a small number of dominant themes tied to artificial intelligence ("AI") and "risk-on" assets. By year-end, despite being down more than -15% in early April, the S&P 500 Index posted a gain of 17.88% while mid- and small-cap stocks delivered solid but more muted returns.[1]

We believe that elevated investor enthusiasm for AI-related stocks, increasingly lofty valuations, and massive investment spending led many to draw parallels to the late 1990s dot-com boom when excitement around a transformative technology concentrated returns in a narrow group of stocks while large portions of the market attracted little investor attention.

Performance

For the year, the Dividend Focus Fund (FAMEX) returned 1.92% compared to 10.60% for the Russell Midcap Index,[2] our benchmark. As was the case last year, the fund outperformed through the first half of the year before lagging as market returns became increasingly concentrated. This dynamic was evident within the index, where approximately 46% of the Russell Midcap constituents posted negative returns for the year with an average decline of -20%.[3]

It is worth sharing a similar message to what we communicated last year: periods of underperformance are inevitable. We do not have the ability to invest only during bull markets. Fenimore's investment strategy is designed with this reality in mind, building portfolios that emphasize long-term compounding while seeking the stability to withstand market downturns. This was evident during the first half of the year when the portfolio held up well, relatively, amid heightened volatility from tariff fears which led to a broad market decline. We firmly believe a concentrated portfolio of high-quality businesses will outperform over time and remain confident the fund continues to be comprised of such companies.

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[1] FactSet as of 12/31/2025.

[2] 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. Any index comparisons are provided for illustrative purposes only; indexes are unmanaged, not available for direct investment, and do not reflect the fees, expenses, or transaction costs associated with an actively managed mutual fund.

[3] FactSet as of 12/31/2025.

Importantly, our holdings continue to deliver results that, on average, reflect strength in underlying fundamentals. FAMEX's weighted average earnings growth is estimated to be more than 11% in 2025, compared to approximately 8% for the Russell Midcap. And this earnings growth is projected to accelerate to about 14% in 2026.[4] We believe this is particularly important in an environment where starting valuations are elevated and future returns are likely to be driven more by underlying earnings growth than by further multiple expansion.

Dividends

A key feature of the Dividend Focus Fund is focusing on businesses that grow their dividends. While the dividend modestly contributes to the fund's total return, a sound dividend growth policy serves as an effective investment filter in our research process. First, it demonstrates that the business generates more cash flow than it needs for reinvestment. Second, management's commitment to growing dividends reflects their confidence in the stability and growth of that cash flow. Finally, it enforces disciplined capital allocation, helping to ensure resources are deployed wisely.

In 2025, 92% of FAMEX's holdings (25 out of 27 companies) increased their dividend, with an average year-over-year increase of approximately 10%.[5] We believe that over multi-year periods dividend growth is a good proxy for underlying cash flow growth.

Portfolio Activity

Purchases

We initiated two new positions during the year in **GE Healthcare (GEHC)** and **FirstService (FSV).**

GE HealthCare Technologies was spun off from GE in 2023 and provides essential medical equipment, including MRIs and ultrasound systems. The business benefits from a large installed base, recurring service revenue, and long product cycles that support durable cash flows and ongoing demand for healthcare innovation.

As a newly independent company, GEHC also has meaningful self-help opportunities to improve R&D priorities, manufacturing efficiency, and capital deployment over time which should support margin improvement and higher returns on invested capital. While results have been uneven, we were encouraged by operational progress during the year, including margin improvement, a growing backlog, and signs of strengthening demand in key markets outside of China. We used periods of tariff-induced volatility to initiate our position in what we believe is a high-quality healthcare franchise with enduring competitive advantages.

FirstService Corporation is a leading provider of residential property management and essential property services across North America. The company operates in highly fragmented markets where scale, service quality, and local relationships matter — this results in recurring revenue, strong customer retention, and durable cash flow generation. We believe FirstService is a high-quality services franchise with resilient end markets and has attractive long-term growth opportunities both organically and inorganically.

We also added to several holdings in the year. These adds were **Avery Dennison (AVY), Houlihan Lokey (HLI), Microchip Technology (MCHP), Steris (STE),** and **Verisk Analytics (VRSK).**

[4,5] *FactSet as of 12/31/2025.*

Sales

We exited two positions in 2025: **McCormick & Company (MKC)** and **Pool Corporation (POOL).**

We sold McCormick earlier in the year during the peak of tariff-induced market volatility. Its globally diversified sourcing footprint exposes it to elevated cost risks during periods of uncertain trade policy that are difficult to fully offset through pricing actions. Combined with lingering inflationary pressures and intensifying private-label competition, we believe those dynamics will constrain earnings growth which already appeared limited to mid-single-digit levels.

We exited Pool Corporation after reassessing its long-term compounding profile. While the company remains a high-quality distributor with leading market share and recurring maintenance revenue in our view, the prolonged downturn in new pool construction, affordability headwinds, and a more competitive industry landscape have weighed on growth. Additionally, changes in capital allocation priorities and greater uncertainty around the durability of future growth reduced our conviction in Pool's ability to compound at historical rates.

In both cases, we reallocated capital to opportunities with more favorable risk-reward profiles in our opinion.

We also made several trims across the portfolio to raise cash, manage position sizes, and be thoughtful about the timing of realized gains and losses. The trims included **Agilent Technologies (A), Arthur J. Gallagher (AJG), CDW Corporation (CDW), IDEX Corporation (IEX), Jack Henry & Associates (JKHY), Paychex (PAYX), Trane Technologies (TT),** and **Watsco (WSO).** As a reminder, our risk management framework caps exposure to any single stock at 9%.

Closing Thoughts

While the past year presented its share of challenges for quality-oriented, long-term investors, the resilience and fundamental strength of many of the businesses we own remained firmly intact. We believe that this was the second consecutive year where we saw decent underlying earnings growth across the portfolio that was not fully reflected in share prices. As a result, we believe many of our holdings are trading at even more attractive valuations today, creating a potentially favorable setup for multi-year compounding as capital investment cycles normalize and broader fundamentals reassert themselves.

As we look toward 2026, the market is confronting a range of macroeconomic uncertainties that will shape investor sentiment and near-term performance. These uncertainties include whether AI infrastructure investments will generate acceptable returns on capital and when investors may care; to what extent the labor market may continue to cool; the future path of interest rates under a new Federal Reserve Chair; and whether inflation and fiscal pressures remain contained. While we form views on these issues, our investment approach does not depend on predicting their outcomes.

Instead, we remain focused on identifying high-quality businesses with durable competitive advantages, strong balance sheets, and the ability to compound shareholder value across a wide range of economic environments. When market sentiment diverges from fundamentals, as we believe it did in parts of 2025's market, it can create compelling opportunities for long-term investors.

As always, we are incredibly grateful to all of our shareholders and thank you for your continued support.

Top 5 Contributors and Detractors*
1/1/2025 to 12/31/2025

TOP 5 CONTRIBUTORS		
NAME	AVERAGE WEIGHT (%)	CONTRIBUTION (%)
HEICO Corp.	5.27	1.46
Amphenol Corp.	2.07	1.38
Ross Stores	4.82	1.05
STERIS	3.82	0.83
Martin Marietta Materials	4.41	0.82

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 (%)
CDW Corp.	3.75	-0.82
Paychex	4.37	-0.77
Entegris	3.46	-0.63
Watsco	1.99	-0.58
IDEX Corp.	3.13	-0.53

Past performance does not indicate future results.

Paul Hogan, CFA
Portfolio Manager

William Preston, 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.*

TOP 10 HOLDINGS

AS OF 12/31/2025

FAM DIVIDEND FOCUS FUND	% OF PORTFOLIO
Trane Technologies	8.07%
Arthur J. Gallagher	6.45%
Ross Stores	5.82%
HEICO Corp.	5.82%
Stryker Corp.	5.20%
Broadridge Financial Solutions	5.19%
Martin Marietta Materials	4.84%
Republic Services	4.48%
Cintas Corp.	4.14%
Steris	4.09%
TOTAL NET ASSETS	**$697,882,293**

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

AVERAGE ANNUAL TOTAL RETURNS

AS OF 12/31/2025

	SINCE INCEPTION	10 YEAR	5 YEAR	3 YEAR	1 YEAR	TOTAL FUND OPERATING EXPENSES*
FAM DIVIDEND FOCUS FUND (3/31/96)	9.26%	11.37%	7.37%	9.49%	1.92%	1.22% (gross) 1.22%* (net)

The performance data quoted represents past performance.

**FAM Dividend Focus Fund Disclosure: The Fund's gross annual operating expense ratio as stated in the fee table of the Fund's most recent prospectus is 1.22%. The gross operating expense as reported in the FAM Dividend Focus Fund's audited financial statements as of December 31, 2024, is 1.21%. The Advisor has contractually agreed, until May 1, 2026, 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%. There are no sales charges.*

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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.

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

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