FAM FUNDS

Managed by
FENIMORE ASSET MANAGEMENT

FAM SMALL CAP FUND

Annual Shareholder Letter 2025

December 31, 2025

Dear Fellow FAM Small Cap Fund Shareholder,

What we view as speculative and lower-quality businesses outperformed during 2025. While our relative performance was disappointing over these 12 months, we continue to focus on high-quality businesses and seek to invest in them at reasonable prices. In our experience, stock prices eventually follow profits so we maintain our positive long-term outlook. Before we get into performance details, we want to reiterate the Small Cap Fund's approach.

Our Approach

We are quality investors with an approach inspired by Warren Buffett and Charlie Munger. Our team seeks companies with a sustainable advantage or "moat" such as a well-known brand, permanent cost advantage, or network effect.[1] This moat allows the advantaged business to potentially be highly profitable and generate considerable free cash flow.

The next step is to find businesses with both high-return reinvestment opportunities and talented leadership that allocates this free cash flow well. Strong free cash flow, reinvested wisely, typically leads to earnings per share ("EPS") growth — not just for today, but preferably for a long, long time.

Finally, if we do not considerably overpay for our shares, the compounding EPS should eventually drive strong investment returns. Ideally, we want to hold stock in these compounders for many years. The strategy is simple, but quite difficult to execute.

In our investable universe of approximately 2,000 U.S. small-cap stocks, about 100 meet our quality criteria. The portfolio currently holds stock in what we deem to be 28 high-quality businesses spread across many industries, with shares purchased when we determined that the stock prices were attractive. The remaining 1,900 firms we largely ignore are what we consider to be a collection of lesser businesses that do not meet our rigorous standards. Many are disadvantaged, second-tier competitors lacking a moat while others talk a good game about dreams of success that will likely never come to fruition.

Overall, most of our holdings performed well. Many will announce quarterly earnings in the coming weeks, but we estimate 2025 median EPS growth in the 8% to 9% range. The outlook for 2026 is even better as EPS are estimated to increase around 14%.[2] We believe that long-term returns for investors should mimic the underlying earnings growth rate. For us, the disappointing part was that, even with solid EPS growth, the fund performed poorly.

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[1] *"The network effect is a phenomenon that increases the value of a product or service as more people use it and relate their experiences to others. This engagement contributes to the increased value and reach of a product." Investopedia.com, 12/31/2025.*

[2] *FactSet as of 12/31/2025.*

Speculation

So why did the Small Cap Fund underperform so dramatically? We believe the primary answer is the spirit of speculation or gambling that drove so many small-cap stocks higher. Prudence looks very boring in a booming, speculative market.

A review of the 100 best performing stocks in the Russell 2000 Index[3] is illustrative. These stocks rose anywhere from 126% to 1,052% in 2025. Of the top 100, 72 were unprofitable over the prior four quarters.[4] These best performers lost a combined $21 billion! About 45 were in healthcare (the vast majority of which were unprofitable biotechnology firms hoping for a major drug discovery), 15 had some connection to artificial intelligence ("AI") and data centers, and 10 were precious metals miners. The remainder included exciting but unproven areas like rare earth minerals mines, nuclear technologies, EV/autonomous systems, satellites, drones, lasers, and quantum computing. In short, not even one of the top 100 performing companies met our quality criteria. If you continue down the list to the top 200, the pattern essentially continues.[5] It was a great year for speculators.

This is not our first rodeo — we lived through several similar periods. This includes large bubbles like the Tech & Telecom Bubble of the late 1990s as well as many smaller booms including oil stocks in 2008, precious metals in 2011, unprofitable biotech stocks in 2015, cannabis legalization in 2018, the first "meme stock" bubble in 2020, the SPAC issuance surge in 2020 to 2021, and various cryptocurrency spikes. We understand that some people are drawn to the excitement of a new idea and tend to get carried away. This past year was filled with many exciting new ideas and "hot stocks" for people to chase. Unfortunately for them, history shows that most of the time the initial enthusiasm does not lead to impressive long-term returns.

Absolutely nothing fundamentally changed with our process or philosophy. Our investment research team continually strives to improve, but we never cast off our long-term disciplined approach to chase short-term fads. Just as with past speculative booms, we stuck to our knitting. We even found opportunities to allocate money into attractive stocks that mainstream investors ignored. Nobody really knows how long this low-quality rally will last, but we remain confident that our focus on what we see as high-quality businesses should produce healthy long-term returns.

Performance

In 2025, the FAM Small Cap Fund (FAMFX — Investor Shares) fell -11.57%, considerably behind the Russell 2000 Index which rose 12.81%. The vast majority of the differential occurred in the second half of the year when many speculative stocks boomed. Because of the difficult year, our long-term performance edge evaporated. At the end of June, our 10-year compound was 8.48%, a nice spread over the Russell 2000's 7.12%. By the end of the year, the 10-year return was 8.19% and it fell behind the Russell 2000's 9.62% return.[6]

Top Contributors

The three positions that contributed the most to performance were **Dutch Bros (BROS), Colliers International Group (CIGI),** and **Brookfield Infrastructure (BIPC).**

Dutch Bros is a growing system of more than 1,000 beverage shops featuring highly caffeinated and brightly colored sweet beverages like lattes and energy drinks. We purchased

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[3] 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. 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.

[4,5,6] FactSet as of 12/31/2025.

our shares in 2023's third quarter when investors were worried about factors like rising construction costs and the slow ramp-up of some of their new Texas shops. Those issues passed without much impact and BROS continues to report strong results. In the most recent quarter, the number of shops, revenues, and adjusted EPS grew 14%, 25%, and 19%, respectively.[7] We believe BROS is positioned well to grow fast for many years by adding potentially several thousand shops as well as introducing more food options and enhancing mobile ordering. We trimmed BROS twice in 2025 to rebalance the position size to reflect its heightened valuation level.

Colliers International is a global real estate services firm providing many services — including management, property management, transaction brokerage, and appraisals — to building owners, lessors, lenders, and more. Additionally, they have smaller divisions competing in engineering and real estate investment management. Colliers is the top player in a robust, yet cyclical business. We purchased our first shares in 2018 and opportunistically added to the position several times, including in 2023 when difficulties around higher interest rates and slow return to work at office buildings pressured real estate industry transaction volumes. Since then, results have improved and they positively impacted the fund.

Brookfield Infrastructure is a conglomerate owning interests in hundreds of infrastructure assets around the world. This includes both traditional assets like electrical transmission lines, toll roads, and railroads as well as digital assets such as data centers, fiber optic systems, and cell towers. While the assets vary considerably, they are almost always long-lived assets leased to investment-grade customers (often with built-in inflation adjustments) and financed with long-duration, asset-level debt. Each asset should generate considerable free cash flow for many years. It also helps that Brookfield recycles capital, selling mature assets at healthy prices while reinvesting to buy and fix underperforming assets. All of this leads to a sizeable dividend, which management hopes to grow at a 5% to 9% pace.

Top Detractors

The largest detractors from performance were **CBIZ (CBZ), SPS Commerce (SPSC),** and **The Baldwin Insurance Group (BWIN).**

CBIZ, a sizeable holding, is one of the largest American accounting firms. It also operates a few related businesses like actuarial services and insurance brokerage. The big news for recent quarters was the acquisition of Marcum, a key competitor. This seems to be a good transaction for shareholders, evidenced in part by the approximate 35% EPS growth expected for 2025.[8] However, revenue guidance (not earnings guidance) was slightly reduced due to factors like tariffs, the federal government shutdown, and cautious corporate clients delaying project work. Some investors were already concerned about their large acquisition and these additional worries seemed to be too much to stomach as the stock fell considerably to what we believed was an attractive valuation. Our team and CBIZ both responded to the opportunity by buying additional shares. Next year, the success of the Marcum integration should become evident and allow CBIZ to potentially return to their normal pace of low- to mid-teens EPS growth.

SPS Commerce (SPSC) provides software that connects suppliers to major retailers. Each retailer has its own rule book on how suppliers must interact with them and exchange information. SPS provides the software required for suppliers to comply with retailers' systems. The firm has significant competitive advantages, in our view, and has grown consistently at a fast pace for several years; however, 2025 proved to be a difficult year. Revenues, both for the year and 2026 estimates, are under pressure from a combination of macro and tariff uncertainty delaying system upgrades at many customers. Furthermore, they had a highly disappointing acquisition. The seemingly temporary demand softness is

[7,8] FactSet as of 12/31/2025.

understandable and the underlying business moat seems as deep as ever. However, the poor acquisition is frustrating and causes us to wonder if the new CEO is up to our standards. As we write this, we are studying these issues in detail including monitoring an activist fund that may pressure SPS to replace the CEO or sell its operation.

Baldwin Insurance Group (BWIN) is an insurance broker and manager of insurance programs that we added to the fund. Our team began studying Baldwin around their 2019 initial public offering. We quickly realized it was a good business with dynamic leadership that met our criteria but deferred purchasing stock due to their high debt levels and concerns about the sophistication of their infrastructure. Our research continued as they evolved, debt levels improved, and systems strengthened. Finally, we purchased our initial shares during the first quarter when the stock declined to a more reasonable valuation. Unfortunately, just after our purchase it became clear that insurance rates were falling in many business lines, pressuring BWIN's earnings growth rate. This hurt our performance, but we believe that BWIN should do well over the long term. We added to our position at these lower prices.

Portfolio Activity

Purchases

With so many high-quality businesses seemingly falling through the cracks and reaching attractive valuations in the speculative environment, it was a good year to fine-tune our portfolio. We believe these moves improved the overall quality of our fund and positioned us for better long-term returns. In total, we added three new positions — **Baldwin Insurance Group (BWIN), Casella Waste (CWST),** and **Novanta (NOVT)**. Simultaneously, we exited four positions — **Cass Information Systems (CASS), Hagerty (HGTY), Nomad Foods (NOMD),** and **Pinnacle Financial Partners (PNFP).**

As described earlier, Baldwin is an insurance broker and operator of insurance programs. FAM Funds has invested in other insurance brokers since the 1980s, so we know this business well. Insurance services can be cyclical, but they tend to grow well over time. Revenues are basically driven by the amount the customer pays for insurance which tends to go up as insurance rates rise over time, more units are insured (e.g., trucks or buildings), and new areas of insurance emerge (e.g., cyber). Furthermore, as the world grows more litigious and storms increase in intensity, demand for insurance rises. It also helps that insurance coverage is often mandated.

Casella Waste is one of the largest trash haulers and recyclers in the Northeast and Mid-Atlantic U.S. Waste is a sound business with minimal cyclicality. Casella is particularly well run in our view and benefits from controlling some of the few remaining solid waste disposal facilities in their markets. They also have a solid track record of buying and integrating smaller players. We watched and admired Casella for years and were pleased to finally see it trading at an attractive valuation.

Novanta makes highly specialized components that help medical and industrial equipment work better, more accurately, and at a lower cost. Its products are used inside important devices, such as robotic surgery systems and industrial lasers, where precision and reliability matter. In most cases, Novanta is the sole supplier of these mission-critical components, which makes Novanta a vital partner for its customers. Demand for some of their products was soft for a few quarters. As a result, the stock traded down to a reasonable valuation level.

Sales

We sold our positions in Hagerty, Nomad Foods, Cass Information Systems, and Pinnacle Financial Partners — not because of any major problems, but primarily to reinvest the proceeds into companies we expect should be even better holdings. Moreover, after its most recent merger, Pinnacle became too large for the portfolio.

Additions & Trims

Finally, we made a number of additions and trims. In periods like 2025 when many quality businesses traded down while continuing to grow their earnings power, we often find attractive opportunities to add to existing positions. We increased our shares in nine holdings while trimming six positions where either the valuation or size dictated a move. Often, the trims helped fund additions.

Closing Thoughts

These are fascinating times, especially given the evolution of AI which is improving many of our portfolio businesses. As such, our plan for 2026 is to keep learning, especially as it relates to these newer developments. Our goals include continually interacting with the leaders of our companies, talking to industry experts who can augment our understanding, and reading for several hours each day. Share prices could continue to bounce around in the near term, sometimes making us look smart and sometimes dumb. However, we maintain that strong long-term results should come by having an in-depth understanding of a collection of high-quality businesses and investing in them at reasonable prices.

Thank you for entrusting us with your capital. It is truly an honor to serve you.

TOP 5 CONTRIBUTORS AND DETRACTORS*

1/1/2025 to 12/31/2025

TOP 5 CONTRIBUTORS		
NAME	AVERAGE WEIGHT (%)	CONTRIBUTION (%)
Dutch Bros.	5.07	0.80
Brookfield Infrastructure Corp.	4.37	0.74
Trisura Group	3.52	0.62
Colliers International Group	5.89	0.50
Frontdoor	3.55	0.37

This reflects the FAM Small Cap Fund's best and worst performers, in descending order, based on individual stock per-formance and portfolio weighting. Past performance does not indicate future results.

TOP 5 DETRACTORS		
NAME	AVERAGE WEIGHT (%)	CONTRIBUTION (%)
CBIZ	6.16	-2.61
SPS Commerce	3.18	-2.06
Baldwin Insurance Group	2.50	-1.76
Choice Hotels International	3.69	-1.37
Floor & Decor Holdings	2.34	-1.02

Past performance does not indicate future results.

Andrew F. Boord
Portfolio Manager

Kevin D. Gioia, CFA
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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 SMALL CAP FUND	% OF PORTFOLIO
ExlService Holdings	7.15%
Colliers International Group	6.54%
Brookfield Infrastructure Corp.	5.23%
CBIZ	4.88%
Dutch Bros	4.62%
OneSpaWorld Holdings	4.09%
Trisura Group	4.08%
Frontdoor	4.06%
SiteOne Landscape Supply	3.85%
Landstar System	3.49%
TOTAL NET ASSETS	**$357,395,303**

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 SMALL CAP FUND INVESTOR CLASS (3/1/12)	9.41%	8.19%	5.97%	6.11%	-11.57%	1.24% (gross) 1.24%* (net)
INSTITUTIONAL CLASS (3/1/12)	9.50%	8.31%	6.07%	6.21%	-11.50%	1.14% (gross) 1.14%* (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 1.24% 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% 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 1.23% and the Institutional Class is 1.13% as of December 31, 2024. 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 1.42% 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 ofthe 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.

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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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