

**FENIMORE ASSET MANAGEMENT, INC.**

Form ADV, Part 2A (the “*Brochure*”)

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384 North Grand Street  
Cobleskill, New York 12043-0310  
(518) 234-4393  
[www.fenimoreasset.com](http://www.fenimoreasset.com)

This Brochure provides information about the qualifications and business practices of Fenimore Asset Management, Inc. (“Fenimore”). If you have any questions about the contents of this Brochure, please contact us at (518) 234-4393 or at [info@fenimoreasset.com](mailto:info@fenimoreasset.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Fenimore also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Fenimore also refers to itself as a “registered investment adviser” or “RIA”. You should be aware that registration with the SEC does not imply a certain level of skill or training.

## **ITEM 2: MATERIAL CHANGES**

Below is a summary of the material changes that Fenimore has made to this brochure since the last Form ADV update:

In October 2023, Anne Putnam became Chief Executive Officer of Fenimore Asset Management, Inc., replacing John Fox.

## **IMPORTANT NOTE ABOUT THIS BROCHURE**

*This Brochure is not:*

- **an offer or agreement to provide advisory services to any person;**
- **an offer to sell interests (or a solicitation of an offer to purchase interests) in any investment fund; or**
- **a complete discussion of the features, risks or conflicts associated with any investment fund or advisory service.**

As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), Fenimore provides this Brochure to current and prospective clients and reserves the right to, in its discretion, provide this brochure to current or prospective investors in an investment fund, together with other relevant documents, such as the investment fund’s offering or private placement memorandum, organizational documents, and related transaction documents, as applicable, prior to, or in connection with, such persons’ investment. Additionally, this Brochure is available through the SEC’s Investment Adviser Public Disclosure website.

Although this publicly available Brochure describes investment advisory services and products of Fenimore, persons who receive this Brochure (whether or not from Fenimore) should be aware that it is designed solely to provide information about Fenimore as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure can differ from information provided in other relevant documents. More complete information about each investment vehicle is included in such relevant documents, certain of which can be provided to current and eligible prospective investors only by Fenimore or its affiliate.

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## **ITEM 4: ADVISORY BUSINESS**

### **Firm Overview**

Fenimore Asset Management, Inc. (“Fenimore” or the “Firm”) provides investment advisory services on a discretionary basis to its clients, including: (1) Fenimore Asset Management Trust (the “Trust”), an investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”), consisting of three separate investment series, FAM Value Fund, FAM Dividend Focus Fund, and FAM Small Cap Fund (the “Registered Funds”); (2) separately managed investment advisory accounts, each subject to the Firm’s Investment Advisory Agreement (“IAA”), for individuals, corporations, trusts, pension and profit sharing plans, and non-profit organizations, (“SMA Clients”); and (3) a privately placed pooled investment vehicle organized as a Delaware limited liability company (the “Private Fund” and, together with the Registered Funds, the “Funds”). Thomas O. Putnam, who founded Fenimore in 1974, is the majority shareholder and principal owner of Fenimore.

Fenimore offers investment advisory services on a non-discretionary basis to unaffiliated investment advisers ("Advisers"). Such services include the delivery of model portfolios to Advisers. Advisers may use such model portfolios as part of their own investment recommendations and in the management of their own client accounts.

Fenimore also manages its corporate account and accounts for certain employees and related family members. Fenimore receives no advisory fee for these accounts. In some instances, Fenimore has agreed to provide at no charge certain services such as reporting and order placement on securities owned by clients or their related persons, which Fenimore does not manage on a supervisory basis. Fenimore offers these services in its sole discretion. Fenimore also manages a small number of accounts related to a charitable organization without payment of a fee, but no longer offers such services.

In connection with the management of each account, Fenimore seeks to establish an understanding of each SMA Client’s individual investment objectives and restrictions through, in the case of separate accounts, communications with the SMA Client or the SMA Client’s agent or representative (*e.g.*, the sponsor of a wrap fee program through which the SMA Client obtains Fenimore’s services). Fenimore formulates an investment program structured to achieve each SMA Client’s goals consistent with established investment guidelines and restrictions. However, advice is generally limited to the specific mandate for the account and Fenimore does not take into account other assets that might be owned by the SMA Client (except to the extent such assets could bear on, and could be made a part of, the SMA Client’s stated investment guidelines and restrictions); Fenimore’s only responsibility with respect to diversification is to diversify the account in accordance with established investment guidelines.

Fenimore may, as an accommodation and in its sole discretion, furnish certain SMA Clients with financial planning services. Such services will be delivered in writing and are generally responsive to such SMA Client’s individual financial goals and needs. Planning services may cover areas including investment planning, retirement planning, education planning, charitable planning, cash

flow planning, and estate planning. Planning services will generally vary according to many factors, including SMA Client circumstances.

Where Fenimore, in its sole discretion, elects to provide financial planning services, such services are advisory only. Neither Fenimore, nor its representatives provide tax, legal, or accounting advice. Furthermore, SMA Clients are under no obligation to implement any recommendations through Fenimore or otherwise.

Each Fund is managed only in accordance with its relevant and stated investment objectives, guidelines, and restrictions and is not tailored to the individualized needs of any particular investor in the Fund (with respect to the Private Fund, each an “Investor” and, with respect to the Registered Funds, each a “Shareholder”). Accordingly, current and potential Shareholders or Investors must consider whether a Fund meets their investment objectives and risk tolerance prior to investing. Each Registered Fund’s investment objectives, guidelines, and restrictions are set forth in the Trust’s prospectus and statement of additional information (the “Registration Statement”), which is available through Fenimore Securities, Inc. (“FSI”), the distributor of the shares of the Registered Funds, or another authorized party and publicly through the SEC’s EDGAR website. Similar information about the Private Fund is set forth in the Private Fund’s Private Placement Memorandum (“PPM”) and limited liability company operating agreement (together with the PPM, the “Governing Documents”), which are available to current and prospective Investors only through FSI or another authorized party. While this Brochure can be provided or otherwise made available to Shareholders or Investors, and includes information about the Funds, this Brochure is intended solely to provide information about Fenimore and is not an offer of interests or shares in any Fund.

### **Assets Under Management**

As of September 30, 2023, Fenimore managed approximately \$4,194,642,675 in assets on a discretionary basis. Fenimore does not currently manage any assets on a nondiscretionary basis.

### **ITEM 5: FEES AND COMPENSATION**

Fenimore’s advisory fees are described generally below and are detailed in relevant investment advisory agreements for separately managed accounts, the Governing Documents for the Private Fund, and the Registration Statement for the Registered Funds. However, Fenimore reserves the right, in its sole discretion, to charge different fees or waive fees for certain accounts based on the SMA Client’s particular needs as well as overall financial condition, goals, risk tolerance, and other factors. Additionally, Fenimore retains the right to waive or reduce fees charged to any Investor in its sole and absolute discretion. Fenimore may waive or reduce fees for SMA Clients or Investors who are associated with Fenimore. Fees for certain SMA Clients may also differ based on account inception dates. Fenimore does not currently charge performance-based fees.

SMA Clients of Fenimore, as well as indirectly, Shareholders in the Registered Funds and Investors in the Private Fund, bear certain other fees, expenses, and costs (in addition to Fenimore’s advisory fees) which are incidental or related to the maintenance of an account or the buying, selling, and holding of investments including, but not necessarily limited to: (1) custodial charges;

(2) brokerage fees, commissions, and other related transaction costs and expenses; (3) governmental charges, taxes, and duties; (4) transfer fees, registration fees, and other expenses associated with buying, selling, or holding investments; (5) withholding taxes payable and required to be withheld by issuers or their agents; and (6) other fees and expenses authorized by or otherwise disclosed in the relevant investment advisory agreements for separately managed accounts, the Governing Documents for the Private Fund, and the Registration Statement for the Registered Funds (*e.g.*, legal, accounting, offering and printing, regulatory, or tax compliance expenses, operational expenses, audit expenses, and administrative expenses). For additional information about brokerage practices, please refer to the section entitled “Brokerage Practices.”

Except as otherwise provided herein, or in the relevant advisory agreements or Governing Documents, fee payments are divided into quarterly installments and due at the beginning of each quarter for the preceding quarter. Initial fees are calculated based on the number of days in the quarterly period that the account was under Fenimore’s management. All subsequent quarters are billed for the full quarter. Generally, Fenimore’s investment advisory agreements are mutually revocable at any time without penalty and continue in effect until written notice of termination is given by either party. There is no requirement for prepayment of fees, and in the event of termination, any outstanding fees are prorated for the number of days prior to termination. Fenimore currently does not accept prepayment of more than, either \$1,200 in fees per client, or six months in advance.

### **Registered Fund Advisory Fees and Other Non-Advisory Fees**

Investment advisory services are provided to the Registered Funds at the annual rate of .90% of net assets computed and paid monthly. In advising the Registered Funds, Fenimore is subject to the supervision and direction of the Trust’s Board of Trustees. The advisory contract between Fenimore and a Registered Fund can be terminated without penalty by the Registered Fund, generally upon 30 days’ notice, and terminates automatically upon assignment as defined in the 1940 Act.

Fenimore also receives certain non-advisory fees for services that it provides to the Registered Funds, including a business management fee for providing certain types of non-advisory business management services. These services include the oversight of service providers to the Registered Funds. Fenimore also receives certain fund accounting and shareholder administrative servicing fees from the Registered Funds for providing or procuring fund accounting and shareholder administrative servicing for the Registered Funds. In addition, Fenimore receives fees from the Registered Funds for providing or procuring certain shareholder account services to the Registered Funds.

### **Private Fund Advisory Fees**

Fenimore serves as managing member of the Private Fund. Services provided to the Private Fund by Fenimore, as managing member, include, in addition to investment advice: (1) organizing and managing their business affairs; (2) executing and reconciling trades; (3) preparing financial

statements and providing audit support; (4) preparing tax related schedules; and (5) drafting, printing, and distributing correspondence to Investors.

Fees paid by Investors with respect to the Private Fund are outlined in the offering documents. Fenimore may waive or reduce fees payable by certain Investors in its discretion. Expenses paid by the Private Fund may vary depending on the nature of the services provided. For advisory services provided, the Private Fund pays Fenimore an asset-based management fee monthly, in arrears, in an amount equal to 1%, *per annum*, of the net asset value of each Investor's capital account (subject to any fee waivers or reductions granted to a particular Investor), adjusted, *pro rata*, for any capital contributions, withdrawals, or distributions during a calendar month. The Private Fund also bears certain other expenses, as described above and in more detail in the relevant Governing Documents.

Following the first anniversary of an Investor's initial investment in the Private Fund, the Investor may withdraw all or a portion of its capital account quarterly, as of the last business day of the calendar quarter, upon 30 days' prior written notice to Fenimore. The Private Fund has authority to impose minimum withdrawal amounts and, except in the case of a full liquidation by an Investor, require that a minimum capital account balance be maintained. Fenimore has the right, in advance or from time to time, to waive, reduce, or modify any such restrictions on withdrawals for an Investor or establish separate classes of interests having different restrictions. Additionally, Fenimore has the authority to require an Investor to redeem all or part of its capital account upon provision of reasonable notice, or without such notice if necessary or appropriate to assure compliance with applicable law or the Private Fund's Governing Documents.

### **Separate Account Advisory Fees**

Fees for separately managed accounts are based on an annual percentage of the account's assets under management, and may vary based on strategy, fee negotiation, and changes in fee schedules over time. For accounts opened on or after October 21, 2013, in the Core Value Strategy and/or Equity Income Strategy, and the Small Cap Equity Strategy the annual fee for accounts under \$1 million of assets under management is 1.5%. For accounts with \$1 million to \$5 million of assets under management, the annual fee is 1.00%. For accounts with over \$5 million and up to \$10 million of assets under management, the annual fee is .85% and 0.75% on accounts over \$10 million. The annual fee for a fixed income portfolio opened on or after October 21, 2013, structured at the request of the SMA Client, is up to .50% of fixed income assets under management.

As noted below, SMA Client assets invested in a Registered Fund are not included in the account's assets under management for purposes of calculating and charging separate account advisory fees.

If authorized by the particular SMA Client, Fenimore will have the right to bill fees directly to an SMA Client's account, which would be paid from that account by the SMA Client's qualified custodian. The custodian will send quarterly statements showing all transactions in the account, including fees paid to Fenimore, directly to such SMA Clients in accordance with applicable law, with a copy to Fenimore.

## **Valuation**

Fenimore is compensated based on the market value of the accounts it manages. As a result, to the extent that Fenimore values a security higher than its current market value (or where such market values are unreliable), Fenimore would benefit by receiving a management fee that is increased by the impact, if any, of such valuation discrepancy. Additionally, where an Investor or Shareholder purchases or redeems interests in a Fund at a net asset value that is impacted by a discrepancy in valuation, such Investor or Shareholder would receive a greater or lesser interest in (or increased or decreased redemption proceeds from) such Fund than would have been the case absent the discrepancy. Similarly, existing and continuing Investors and Shareholders can be subject to dilution or accretion.

Accounts managed by Fenimore can, at any time or from time to time, invest in assets that are illiquid, thinly traded, or otherwise difficult to value. As a result, Fenimore employs various valuation policies and procedures to mitigate the conflicts and potential for material pricing discrepancies in respect to account assets and to assure that assets are valued in good faith and as accurately as is reasonably practicable. Fenimore also will rely on values and information provided by third-party pricing services, custodians, or (with respect to assets held by the Registered Funds) as determined by the Registered Funds' valuation policies and procedures..

In certain circumstances, Fenimore will manually price or "fair value" one or more assets held by, or on behalf of, an account. Fair valuation will typically occur where pricing or valuation information is not readily available or is unreliable. It is possible that Fenimore's good faith judgment as to whether an event would constitute a "significant event" or whether a valuation is not readily available or otherwise unreliable will, in hindsight, prove to be incorrect.

Fenimore is authorized to use a variety of fair value techniques or methodologies and is permitted to rely on third-party service providers to assist in valuations when market quotations are not readily available or are believed by Fenimore to be unreliable. These processes, as well as any information and/or underlying assumptions utilized, will not always allow Fenimore to correctly capture the fair value of an asset; rather fair valuation is intended to yield a good faith approximation of the value of an asset and cannot be guaranteed to have reflected the actual or empirical value of any asset, as might be determined with the benefit of hindsight (particularly in periods of market distress) as fair value price adjustments can prove incorrect as to direction and magnitude.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Fenimore does not charge performance-based fees; however, Fenimore has the right to manage accounts (including the Funds) in which it or its personnel or affiliates have pecuniary interests alongside other accounts in which such persons have lesser (or no) pecuniary interest, which may create a conflict of interest. As discussed in the section entitled "Code of Ethics, Participation, or Interest in Client Transactions and Personal Trading", Fenimore has adopted policies and procedures to address such conflicts of interest.

As noted above, Fenimore advises different types of clients and accounts having different fee arrangements, including fee arrangements that are negotiated. Differences in fee arrangements can

create an incentive for Fenimore to favor that pay higher fees over those that pay lower fees, including with respect to the allocation of investment opportunities. Fenimore seeks to address the conflicts associated with differing fee arrangements through its trade allocation and batch transaction policy and other compliance policies and procedures.

## **ITEM 7: TYPES OF CLIENTS**

As discussed above, collectively, Fenimore’s clients include: (1) investment companies registered under the 1940 Act (*i.e.*, the Registered Funds); (2) separately managed investment advisory accounts (*i.e.*, SMA Clients) for individuals, corporations, trusts, pension and profit sharing plans, and non-profit organizations; and (3) a privately placed pooled investment vehicle (*i.e.*, the Private Fund). The Private Fund is organized as a limited liability company under the laws of the State of Delaware. The Private Fund is exempted from the definition of an “investment company” under the 1940 Act in reliance on Section 3(c)(1) of that Act and offers its interests to Investors pursuant to Section 4(2) of, and Regulation D under, the Securities Act of 1933, as amended (the “1933 Act”). As a result, this Brochure discusses information relevant to such Investors, as necessary or appropriate. Nonetheless, this Brochure is designed solely to provide information about Fenimore and is not an offer of interests in the Private Fund.

*Investors.* Investors include a variety of high net worth individuals and institutional investors (*e.g.*, trusts, employee benefit plans, endowments, foundations, corporations, and other types of entities) wishing to invest in accordance with the Private Fund’s investment objective. Each Investor must meet certain eligibility requirements imposed by the exceptions and exemptions under which the Private Fund operates.

*SMA Clients.* The minimum account size for individually managed accounts is generally \$1 million but varies based on the type of account and relationship. In addition, Fenimore has the right to reject any such account in its discretion. SMA Clients generally are high net worth individuals, trusts, estates, charitable organizations, or businesses. Fenimore reserves the right to enter into a ‘Discretionary Trading Agreement’ on one or more accounts that are not included in an SMA Client’s IAA. *See also* Material Investment Risks, Legacy Investments.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

This Item 8 describes the general investment strategies employed by Fenimore. in managing Client accounts as well as the primary risks associated with these investment strategies. However, it is not possible to identify all of the risks associated with investing and the particular risks applicable to a client account will depend on the nature of the account, its investment strategy or strategies, and the types of securities held.

Fenimore seeks to manage accounts so that risks are appropriate to the return potential for the strategy. However, it is often not possible or desirable to fully mitigate risks. Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. Clients should understand that they could lose some or all of their investment and should be prepared to bear the risk of such potential losses.

## **Methods of Analysis and Investment Strategies**

Fenimore seeks to invest in companies that are well managed, financially sound, and that are undervalued in the marketplace. Utilizing investment principles based on the teachings of Benjamin Graham and David Dodd, whose book *Securities Analysis* provides the foundation for valuing investing, Fenimore is categorized as a bottom-up manager. As such, Fenimore focuses on identifying, analyzing, and selecting individual companies that meet Fenimore's long-term growth expectation.

Fenimore's investment philosophy is based on the premise that securities should be selected for sound economic principles. In general, this means that stocks are selected for client portfolios based on their potential for economic growth, market recognition, and capital gain. Fixed income securities are selected based on their potential for financial stability and payment of all interest outstanding as well as return of principal in an unencumbered fashion.

Bonds and other fixed income securities are selected according to investor objectives and the analyzed risk of the investment. Security selection is determined, in part, by several fundamental criteria.

In executing an investment decision on behalf of a client in a particular fixed income security, we consider a number of factors including price, coupon, yield-to-maturity, and duration. The credit rating from third-party rating agencies is considered; however, we rely on our fundamental analysis in determining our view of the quality of the issuer. In addition, we review the terms of the fixed income security, including such facets as subordination, default, sinking fund, and early redemption provisions.

Fixed income instruments are reviewed on a periodic basis to ensure that the underlying issuers are continually capable of interest and principal repayment.

With respect to its equity investments, Fenimore employs a "value approach" in making investment decisions. This approach is based on Fenimore's belief that, at any given point in time, the stock price of a company may sell below the company's "true net worth". Factors considered in evaluating the true business worth include the company's current earnings and Fenimore's opinion as to its future earnings potential. After identifying a company whose securities are determined to have a favorable price-to-earnings relationship, Fenimore invests in such securities until the "true business worth" nears the market price of the company's securities.

## **Material Investment Risks**

Clients, Investors, and Shareholders should understand that all investments are subject to risks and that the return and the principal value of investments fluctuate depending on general market conditions and other factors. Material risks may include, but are not limited to, market, liquidity, economic, currency, and political risks, amongst others. There can be no assurance that any account will meet its stated investment objective. Accordingly, from time to time, the value of an

investment (including an account or an interest in the Funds) may be worth more or less than its original cost. Some of the principal risks associated with any account or investment, as well as specific risks associated with certain strategies or investment objectives, are described below.

*Legacy Investments* - From time to time, Fenimore has agreed to manage accounts for SMA Clients that include certain legacy investments. However, Fenimore does not accept any investment advisory responsibilities with respect to legacy investments and does not accept any obligation to monitor or manage such assets. Legacy investments are also excluded from advisory fee calculations. When Fenimore agrees to manage an account with one or more legacy investments, Fenimore generally does so solely as a convenience for an SMA Client that wishes to review, information about their legacy investments alongside information about the investments that are advised by Fenimore. SMA Clients should be aware, however, that they bear all risks with respect to legacy assets, including risk of loss, and SMA Clients that maintain legacy assets are solely responsible for appropriately diversifying their legacy assets and taking other steps to guard against risk of loss with respect to legacy assets.

General market risk includes political, regulatory, economic, social, and health risks (including the risks presented by the spread of infectious diseases), which can lead to increased market volatility and negative impacts on local and global financial markets, and the duration and severity of the impact of these risks on markets cannot be reasonably estimated.

In addition, financial markets have become increasingly interconnected on a global basis and, as a result, the occurrence of events related to any of these market risks in various global regions can thus cause volatility to occur in the domestic and global markets and can cause declines in the value of assets held by the Firm's clients in response. Changes in the value of portfolio assets could be short-term or long-term, depending on the applicable circumstances.

Material risks associated with the types of equity investments that Fenimore generally makes include, but are not limited to, the following:

*Stock Market Risk* – the value of stocks fluctuates in response to activities of individual companies and general stock market and economic conditions. Stock prices can decline over short or extended periods of time. Stocks are more volatile and riskier than some other forms of investments, which means that you could lose money on your investment.

*Stock Selection Risk* – the value stocks chosen for accounts are subject to the risk that the market might never realize their intrinsic value or their prices may go down.

*Small Cap Risk* – small capitalization companies generally do not have the size, resources, or other assets of large capitalization companies. In addition, they may be subject to greater market risks and fluctuations in value than large capitalization companies and the value of their stock has not always corresponded to changes in the stock market in general.

*Foreign Investment Risk* – Investments in non-U.S. securities may involve additional risks including exchange rate fluctuation, political, or economic instability, the imposition of exchange controls, expropriation, limited disclosure, and illiquid markets.

Material risks associated with the types of fixed income investments that Fenimore generally makes include, but are not limited to, the following:

*Interest Rate Risk* – the market values of fixed income securities are significantly affected by changes in interest rates. Generally, the longer the average maturity of the instruments in an investment portfolio, the more the value of the portfolio will fluctuate in response to interest rate changes.

*Credit Risk* – the value of fixed income securities generally decline if the credit rating of the issuer declines, and an issuer whose credit rating has declined could be unable to make payments of principal and/or interest.

*Call Risk* – various types of fixed income instruments can be called (redeemed) at the option of the issuer at a specified price before reaching their stated maturity date. This risk increases when interest rates are declining because issuers find it desirable to refinance by issuing new instruments at lower interest rates.

More detail about risks is set forth in the Governing Documents (with respect to the Private Fund) and the Registration Statement (with respect to the Registered Funds).

#### **ITEM 9: DISCIPLINARY INFORMATION**

Not Applicable

#### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

**Broker-Dealer.** Fenimore is affiliated with Fenimore Securities, Inc. (“FSI”), which is a broker-dealer wholly owned by Thomas O. Putnam, the majority shareholder of Fenimore. FSI is a limited purpose broker-dealer created for the purpose of distributing mutual funds affiliated with and advised by Fenimore. FSI does not execute any portfolio brokerage for the accounts managed by Fenimore. Certain Fenimore Investment Adviser Representatives (“IAR”) are registered representatives of the broker-dealer, FSI. Each IAR, in his or her capacity as a registered representative, is authorized to recommend securities, including the Funds.

**Registered Investment Company.** Fenimore furnishes investment advice to Fenimore Asset Management Trust (the “Trust”), an investment company registered under the 1940 Act. The Trust currently consists of FAM Value Fund, FAM Dividend Focus Fund, and FAM Small Cap Fund; however, additional series could be added to the Trust in the future. The FAM Value Fund and the FAM Small Cap Fund have two share classes, Investor Shares and Institutional Shares. Institutional Shares are designed for certain institutional investors who can meet minimum investment requirements and are intended for purchase through various third-party intermediaries

including broker-dealers, banks, trust companies, savings institutions, insurance companies, and other financial intermediaries. Investor Shares are designed for investors that invest directly in the Funds and that do not invest through eligible institutions. Investor Shares are subject to higher shareholder administrative servicing fees than Institutional Shares. Because Institutional Shares are limited to access through investments made by certain eligible institutions, Institutional Shares might not be available for purchase by Fenimore. clients. Eligibility to purchase a particular share class, either Investor Shares or Institutional Shares, of the Registered Funds is dependent on conditions set forth in the Registered Funds' Prospectuses. Each Registered Fund's investment objectives, guidelines, and restrictions are set forth in the Trust's Prospectus and statement of additional information (the "Registration Statement"), which are available through FSI, the distributor of the shares of the Registered Funds, or another authorized party and publicly through the SEC's EDGAR website. Fenimore does not generally charge its SMA Clients a fee other than the Registered Fund's fees on assets that are invested in such funds, nor do Fenimore or any of its related persons generally receive additional advisory compensation on such assets. Fenimore is entitled to receive certain non-advisory fees from the Registered Funds, as discussed in Item 5 and in the Registration Statement. Thomas O. Putnam is also President, and a Trustee, of the Trust.

**Co-Transfer Agent.** The Trust is a registered transfer agent ("Transfer Agent") with the SEC and acts as Co-Transfer Agent for its own shares of beneficial interest. The Trust, therefore, maintains the "master security holder file," which is the official list of individual security holder accounts as used in Rule 17Ad-9(b) under the Securities Exchange Act of 1934, as amended. Ultimus Fund Solutions, LLC ("Ultimus") serves as co-transfer agent to FAM Value Fund, FAM Dividend Focus Fund, and the FAM Small Cap Fund (*i.e.*, the Registered Funds) with the Trust. Ultimus provides the operational aspect of shareholder services. Ultimus maintains a record of ownership, including contact information, of the Registered Fund's registered shareholders. Ultimus is also responsible for, among other things, the transfer, issuance, and cancellation of the Registered Funds' shares.

**Private Fund.** As described above, Fenimore serves as managing member of the Private Fund. Fenimore reserves the right, in its discretion, to offer its SMA Clients the opportunity to invest in the Private Fund, but will not make such investments on a discretionary basis on the SMA Client's behalf. Investment in the Private Fund are not expected to be appropriate for all SMA Clients (and not all SMA clients will be eligible to invest), not all SMA Clients will be offered the opportunity to invest, and not all SMA Clients who are offered that opportunity will choose to invest. As with SMA Client investments in the Registered Funds, Fenimore SMA Clients investing in the Private Fund will not be charged any account-level fees with respect to their investment in the Private Fund but will be subject to the fees and expenses of the Private Fund as an Investor. Further information about the Private Fund is available in the Private Fund's Governing Documents, which will be provided to the relevant SMA Client prior to investment. Fenimore and Fenimore's personnel (including Mr. Putnam) have significant investments in the Funds. Fenimore has adopted policies and procedures to address such conflicts of interest in its Code of Ethics.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING**

## **Code of Ethics**

To avoid potential conflicts of interest involving trading, Fenimore has adopted a Code of Ethics, as amended from time to time (the “Code”), the fundamental principles of which are that (i) the interests of clients must always come first; (ii) Fenimore employees must not take inappropriate advantage of their positions; and (iii) both actual and potential conflicts of interest must be identified and resolved in favor of the client or, if appropriate, disclosed to them.

Fenimore’s Code was adopted in accordance with both Advisers Act Rule 204A-1 and 1940 Act Rule 17j-1 to govern personal transactions by Fenimore, its affiliates, or their respective “Access Persons” (as defined by the 1940 Act and the Advisers Act), as well as its affiliated broker-dealer and the Trust, to ensure that the interests of Access Persons do not conflict with the interests of Fenimore clients, including the Trust and its Shareholders and the Private Fund and its Investors. The Code includes standards of business conduct that require Access Persons to comply with the federal securities laws and to observe the fiduciary obligations of an investment adviser to its clients. A basic tenet of the Code is that Access Persons should always seek to place the interests of Clients first.

The Code generally restricts the purchase and sale by Access Persons for their own accounts of any Covered Security (as defined in 1940 Act Rule 17j-1) within five (5) days before or after execution of a transaction in any such security for clients. Access Persons must pre-clear personal securities transactions in Covered Securities.

All Access Persons must provide quarterly reports of their personal transactions within 30 days of the end of each calendar quarter, which generally consist of monthly brokerage statements for all accounts in which they have a beneficial interest to the Chief Compliance Officer (“CCO”). In addition, Access Persons must direct their brokers to send copies of all brokerage confirmations relating to all personal securities transactions in which they have a beneficial ownership interest.

The Code also requires all Access Persons and all “Supervised Persons” (as defined in the Advisers Act) of Fenimore to comply with ethical restraints relating to clients and their accounts, including restrictions on giving gifts/entertainment to, and receiving gifts/entertainment from, Clients in violation of Fenimore’s gift and entertainment policies.

A summary of the Fenimore Code of Ethics is available to any client or prospective client upon request.

## **Conflicts and Outside Activities**

Employees are encouraged to support the local community, including serving on boards, becoming a committee member, and being an officer of 501(c)3 non-profit organizations. Nonetheless, employees serving in such a capacity must be aware of potential conflicts of interest, such as when the organization is evaluating potential investment advisers, and when one’s responsibilities could impact the Firm’s custody status (this would include the position’s ability to disburse funds if the Firm is managing assets of the non-profit organization). Therefore, employees are required to inform the CCO of all involvement as a board member, officer, or decision maker at a non-profit

entity. Employees will recuse themselves from any decision making where there is a potential conflict of interest. Additionally, employees will not assume responsibilities where they have the ability to disburse funds for organizations with assets managed by the Firm.

It is possible that a Fenimore member of the board of directors will have an affiliation with a company owned by Fenimore clients. If this were to occur, it would represent a conflict of interest. Fenimore addresses such conflict based on the facts and circumstances presented by each situation and attempts to employ measures to ensure that neither Fenimore nor the board member acquires confidential or material non-public information.

### **Material Non-Public Information**

Fenimore, and its related persons may, from time to time, come into possession of material nonpublic and other confidential information, which if disclosed, might affect an investor's decision to buy, sell, or hold a security. Under applicable law, Fenimore and its related persons are prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, regardless of whether such other person is a Fenimore client. Accordingly, should such persons come into possession of material nonpublic or other confidential information with respect to any company, they would be prohibited from improperly communicating such information to, or using such information for the benefit of, their respective clients, and have no obligation or responsibility to disclose such information to, nor responsibility to use such information for the benefit of, their clients when following policies and procedures designed to comply with applicable law.

Fenimore has adopted a "Policy Statement on Insider Trading" in accordance with Advisers Act Section 204A that establishes procedures to prevent the misuse of material information by Fenimore's Supervised Persons. Among other things, these provisions include a requirement that Supervised Persons shall direct their brokers to forward copies of all personal securities transactions confirmations as well as brokerage statements for every account in which they or their immediate family members have a beneficial interest. These confirmations and statements are submitted to and reviewed by Fenimore's CCO.

Any officer, director, trustee, or employee of Fenimore who fails to observe the above-described policies risks serious sanctions, including dismissal and personal liability.

### **Treatment of the Private Fund under the Code**

The Private Fund can consist substantially of Fenimore's own assets and/or personal investments made by Fenimore Access Persons ("Fenimore Investments"). Thus, investments for the Private Fund may, in the future, be subject to certain restrictions until such time as the Fenimore Investments constitute less than 25% of the value of the total beneficial interests issued by the Private Fund.

### **Conflicts Related to the Funds**

has discretion to recommend that SMA Clients consider an investment in one or more Funds. A prospectus and other materials, such as the relevant Governing Documents, are provided to any SMA Client that indicates an interest in such an investment. As noted above, SMA Clients should consider the information provided, independently, before making a decision to invest. SMA clients who are offered an opportunity to invest should understand that Fenimore receives advisory fees and certain non-advisory fees from the Funds as disclosed in Item 5 of this Brochure, and in the Registration Statement or Governing Documents, as applicable. While shares in the Funds are not included in an SMA Client's assets for purposes of determining the SMA Client's management fee, the total amount of advisory fees paid to Fenimore when an SMA Client invests in a Fund can exceed that which would have been paid had the assets instead been invested in other securities. Additionally, incidental expenses associated with an investment in a Fund can exceed those associated with SMA Client accounts, and the Funds carry additional or different risks than direct investments.

*Fenimore and its personnel and affiliates have significant investments in the Funds.* Fenimore, Fenimore's personnel (including Mr. Putnam), and Fenimore's affiliates have significant investments in the Funds. In addition, Fenimore's personnel (including but not limited to portfolio management personnel who are "knowledgeable employees" for purposes of the 1940 Act) and Fenimore's affiliates may (subject to eligibility requirements) invest in the Private Fund. Currently, Mr. Putnam and Fenimore affiliates have significant interests in the Private Fund.

These interests may create an incentive to favor a Fund over other client accounts when, for example, placing trades, aggregating orders, selling short, or engaging in cross trades. Fenimore maintains policies and procedures, including the Code and policies and procedures regarding batch transactions (described in Item 12), reasonably designed to assure that Fenimore and its personnel service all Client accounts in a manner consistent with the duties an adviser owes to its Clients and applicable law and without considering such persons' ownership, compensatory, or other pecuniary or financial interests.

To the extent that a Fund is deemed to be controlled by Fenimore and its related persons (generally, if more than 25% of a Fund's assets are attributable to proprietary and personal investments by Fenimore and its related persons), any transaction between the Fund and another account advised by Fenimore will be treated as a "principal transaction." Principal transactions require disclosure of, and consent by the other participating accounts to, the transaction on a transaction-specific basis. While these restrictions are intended to mitigate conflicts of interest, Investors in the Private Fund should be aware that these restrictions can adversely impact performance.

#### **ITEM 12: BROKERAGE PRACTICES**

Generally, Fenimore is retained with respect to its clients on a discretionary basis and is authorized to make the following determinations in accordance with the client's specified investment objectives without client consultation or consent before a transaction is effected:

- Which securities to buy or sell.
- The total amount of securities to buy or sell.

- The broker or dealer through whom securities are bought or sold.
- The commission rates at which securities transactions for client accounts are effected.
- The prices at which securities are to be bought or sold, which may include dealer spreads or mark-ups and transaction costs.

However, Fenimore can accept advisory accounts with limited discretion where investments are SMA Client-directed pursuant to the management agreement.

### **Investment and Brokerage Decisions and Review**

Investment and brokerage decisions for Client accounts, to the extent such discretion has been granted to Fenimore, are made by Fenimore's portfolio managers and traders, with assistance from other relevant personnel. In placing brokerage for accounts with respect to which Fenimore has been granted brokerage discretion, Fenimore seeks to: (1) determine the account's trading requirements; (2) select appropriate trading methods, venues, and agents to execute the trades under the circumstances; (3) evaluate market conditions and liquidity and take appropriate steps to mitigate market impact, to the extent practicable; (4) maintain Client confidentiality and proprietary information inherent in the decision to trade; and (5) review the results of executions on a periodic basis.

At least quarterly, relevant personnel within Fenimore review Fenimore's trading practices, including the quality of executions received and commission rates paid by discretionary accounts, to determine what changes, if any, should be made in its brokerage arrangements. Fenimore's goal in this process is to exercise reasonable, good faith judgment in seeking to execute trades through those brokers, dealers, or other trading venues that Fenimore expects will consistently provide quality execution at acceptable cost. The following summarizes Fenimore's policies and procedures with respect to the exercise of investment and brokerage discretion on behalf of relevant client accounts.

### **Selection Criteria for Brokers and Dealers**

Fenimore places orders for the purchase or sale of securities with the primary objective of obtaining prompt execution, at the most favorable price and execution readily obtainable under the circumstances, from responsible broker-dealers at competitive rates. Fenimore seeks to execute transactions only through brokers, dealers, and other trading venues that can meet Fenimore's standards of quality. Fenimore also places value on useful brokerage and research assistance provided by brokers.

Fenimore's objective in selecting brokers and dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution with respect to its accounts' portfolio transactions. The best net price, giving effect to brokerage commissions, spreads, and other costs, is normally an important factor in this decision, but a number of other judgmental factors are considered as they are deemed relevant. In applying these factors, Fenimore recognizes that

different broker-dealers may have different execution capabilities with respect to different types of securities and transactions.

The factors include, but are not limited to: (1) Fenimore's knowledge of negotiated commission rates and spreads currently available; (2) the nature of the security being traded; (3) the size and type of the transaction; (4) the nature and character of the markets for the security to be purchased or sold; (5) the desired timing of the trade; (6) the activity existing and expected in the market for the particular security; (7) confidentiality; (8) the execution, clearance, and settlement capabilities as well as the reputation and perceived soundness of the broker-dealer selected and others that are considered; (9) Fenimore's knowledge of actual or apparent operational problems of any broker-dealer; (10) the broker-dealer's execution services rendered on a continuing basis and in other transactions; and (11) the reasonableness of spreads or commissions.

When buying or selling securities in dealer markets, Fenimore has discretion, subject to its best execution obligation, to deal directly with market makers either on a commission basis or on a "net" basis, without paying the market maker any commission, commission equivalent, or markup/markdown other than the "spread." Net trades mean that the market maker profits from the "spread," that is, the difference between the price paid (or received) by Fenimore and the price received (or paid) by the market maker in trades with other broker-dealers or other customers. Most NASDAQ securities are now traded on a commission basis as more and more market makers shift from principal to agency trading. Fenimore may also use an Electronic Communications Network ("ECN") or Alternative Trading System ("ATS") to effect over-the-counter and listed trades when, in Fenimore's judgment, the use of an ECN or ATS may result in equal or more favorable overall executions for the transactions. Fenimore will pay a commission to an ECN or ATS that when added to the price is still better than the overall execution price that might have been attained trading "net" with a market maker.

Additionally, Fenimore has discretion to cause its clients to engage in "step out" transactions in which the client pays commissions in respect of a transaction to one broker, but the transaction is executed by a second broker. Fenimore will only cause its clients to engage in such transactions to the extent that doing so is consistent with Fenimore's duty to seek best execution.

Fenimore does not enter into agreements with, or make commitments to, any broker-dealer that would bind Fenimore to compensate that broker-dealer, directly or indirectly, for client referrals (or sale of interests in a Fund) through the placement of brokerage transactions. However, except for ERISA accounts and Registered Funds, when one or more broker-dealers is believed capable of providing equivalent quality of execution with respect to a particular portfolio transaction, Fenimore can select a broker-dealer in recognition of the past referral of the client for which the transaction is being executed, or of other clients, or in anticipation of possible future referrals from the broker-dealer. In doing so, unless otherwise specifically disclosed to the client, Fenimore does not pay higher commissions, concessions, or mark-ups/downs than would otherwise be obtainable from broker-dealers that do not provide such referrals. Of course, SMA Clients can, as discussed below, limit Fenimore's discretion by directing Fenimore to trade through a particular broker-dealer, including one which may have referred that SMA Client to Fenimore. Additionally, Fenimore can exercise its discretion to execute transactions through any broker-dealer, including

those that have also referred clients or sold Registered Fund shares, when the use of such a broker-dealer is consistent with Fenimore's duty to seek best execution. In these circumstances, Fenimore follows procedures reasonably designed to ensure that such referrals or Fund sales are not a factor in the decision to execute a trade, or a particular amount of trades, through such broker-dealer.

In some cases, a broker will be recommended to an individual account to provide custodial or other services for the client. In those cases, transactions are effected for the account through the custodial broker while maintaining the primary objective noted above of seeking the best price and execution at competitive commission rates (see also "Client-Directed Brokerage Transactions", below).

### **Commission Rates or Equivalents Policy**

Fenimore endeavors to be aware of current charges of eligible broker-dealers and to minimize the expense incurred for effecting portfolio transactions to the extent consistent with the interests and policies of its accounts. As noted above, Fenimore periodically reviews the quality of executions received from broker-dealers who execute client transactions when evaluating Fenimore's best execution efforts. Any broker-dealer that has provided (or may reasonably be expected to provide) acceptable performance and whose financial condition and commission rates are acceptable to Fenimore can be selected to execute transactions for client accounts.

However, Fenimore will not select broker-dealers solely on the basis of "posted" commission rates nor always seek in advance competitive bidding for the most favorable commission rate applicable to any particular portfolio transaction. Fenimore uses a number of different broker-dealers and can pay higher commission rates to those whose execution abilities, brokerage and research services, or other legitimate and appropriate services are particularly helpful in seeking good investment results for client accounts. Although Fenimore generally seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent. As part of Fenimore's brokerage determinations, Fenimore recognizes that some brokerage firms are better at executing some types of orders than others. Thus, it can be in the best interest of clients to utilize a broker-dealer whose commission rates are not the lowest, but whose executions could result in lower overall transaction costs or other benefits to client accounts. Certain transactions involve specialized services on the part of the broker-dealer involved resulting in higher commissions or their equivalents than would be the case with transactions requiring more routine services. The overriding consideration in allocating client orders for execution is the attempt to maximize client profits (or minimize losses) through a combination of controlling transaction and securities costs and seeking the most effective uses of the brokers' relevant capabilities.

The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, research, and other services that will help Fenimore in providing investment management services to clients.

Recognizing the value of these factors, Fenimore can cause managed accounts to pay a brokerage commission in excess of what another broker who offers no research services and/or minimal

transaction assistance might have charged for the same transaction. Although the extent to which commission rates or net prices charged reflects the value of these services, Fenimore makes a good faith determination that the amount of commission is reasonable in relation to the value of the research and brokerage services provided, viewed in terms of either the specific transaction or Fenimore's overall responsibilities to its clients.

### **“Soft Dollar” or Research/Execution Policy**

In allocating brokerage, and consistent with Fenimore's policies and procedures, Fenimore takes into account the value of brokerage and research services provided by a broker-dealer, as long as such consideration does not jeopardize the objective of seeking best price and execution for Client transactions. When appropriate under its discretionary authority and consistent with the duty to seek best execution, Fenimore can direct brokerage transactions for client accounts to broker-dealers who provide Fenimore with useful research and brokerage products and services.

Research services provided by a broker-dealer can be either proprietary (*i.e.*, created and provided by the broker-dealer, including tangible research products as well as access to analysts and traders) or third-party (*i.e.*, created by a third party but provided by the broker-dealer). The brokerage commissions used to acquire research (as well as brokerage) services in these arrangements are known as “soft dollars.” Fenimore can use soft dollars to acquire either type of research and any permissible brokerage services. However, Fenimore will not enter into any agreement or understanding with a broker-dealer that would obligate Fenimore to direct a specific amount of brokerage transactions or commissions in return for such research (or brokerage) services. Nonetheless, certain broker-dealers may state in advance the amount of brokerage commissions they require for certain services and the applicable cash equivalent.

Fenimore can allocate client brokerage commissions for brokerage and research services that are also available for cash, where appropriate and permitted by law (or choose to pay cash for certain services acquired from external sources). Section 28(e) of the Securities Exchange Act of 1934, as amended, provides a “safe harbor” that allows an investment adviser to pay for research and brokerage services with the commission dollars generated by client transactions. Under SEC interpretations, client commissions may be used for certain research- and brokerage-related products and services that assist Fenimore in meeting its clients' investment objectives or in managing client accounts. The receipt of these services in exchange for soft dollars benefits Fenimore by allowing Fenimore, at no cost to it, to (1) supplement its own research and analysis activities; (2) receive the views and information of individuals and research staffs of other securities firms; and (3) gain access to persons having special expertise on certain companies, industries, areas of the economy, and market factors. Research and brokerage services acquired with soft dollars can include reports on the economy, industries, sectors, and individual companies or issuers; statistical information; accounting and tax law interpretations; political analyses; reports on legal developments affecting portfolio securities; information on technical market actions; credit analyses; on-line quotation and trading systems; risk measurement; analyses of corporate responsibility issues; and financial and market database services. Soft dollars benefit Fenimore in that Fenimore does not then need to produce or pay for the soft dollar items from its own resources. This creates a conflict of interest in that Fenimore has an incentive to select broker-dealers based

on Fenimore's interest in receiving soft dollar items rather than on the client's interest in receiving the most favorable execution. The safe harbor provides a way for investment advisers to manage this conflict.

Fenimore uses soft dollars consistent with the safe harbor provided by Section 28(e). As such, in determining whether to pay up for a particular execution, Fenimore evaluates whether the product or service provided by the broker:

- consists of advice, analyses, or reports containing substantive content with respect to appropriate subject matter(s) or is sufficiently related to the effectuation, clearance, or settlement of a transaction and is provided by and/or used during the time period commencing when Fenimore communicates with the relevant broker-dealer for the purpose of transmitting an order for execution and concluding when the funds or securities are delivered or credited to the account or accountholder's agent;
- provides lawful and appropriate assistance to Fenimore in carrying out its relevant responsibilities to client accounts; and
- is acquired for an amount of soft dollars which is reasonable in relation to the value of the product or service.

These determinations are based primarily on the professional opinions of the persons responsible for the placement and review of such transactions. Such opinions are formed on the basis of, among other things, the experience of these individuals in the securities industry and information available to them concerning the level of commissions being paid by other investors of comparable size and type. Fenimore selects broker-dealers based on its assessment of each broker-dealer's ability to provide quality executions and their belief that the research, information, and other services provided by such broker-dealer may benefit client accounts. It is not possible to place a dollar value on the quality executions or on the brokerage and/or research services Fenimore receives from broker-dealers effecting transactions in portfolio securities. Accordingly, broker-dealers selected by Fenimore can be paid commissions for effecting portfolio transactions for client accounts in excess of amounts other broker-dealers would have charged for effecting similar transactions if Fenimore determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or Fenimore's overall duty to discretionary accounts.

Research obtained with soft dollars will not always be utilized by Fenimore for the specific account that generated the soft dollars. It should be noted that the value of brokerage and research services cannot be measured precisely and commissions paid for such services certainly cannot always be allocated to clients in direct proportion to the value of the services to each client. Because, as discussed below, Fenimore has authority to batch client transactions, brokerage commissions attributable to one or more client accounts can be allocated to brokers that provide statistical data and other research used by Fenimore in managing the accounts of other clients, and vice versa. Although it is often inevitable (at least in the short run) that commissions paid by one account can, in effect, subsidize services that benefited another account, since any distortions should balance out over time as Fenimore's various sources of research and brokerage services enable Fenimore to make better investment decisions and execute more effective trades, Fenimore does not usually

attempt to allocate the relative costs or benefits of research or brokerage services among client accounts. Fenimore believes that, in the aggregate, the services it receives benefit clients and assist Fenimore in fulfilling its overall duty to clients.

Fenimore does not currently use soft dollars to pay for any specific service or for any portion of its “mixed use” items (products or services that provide both research and non-research benefits). However, if Fenimore should choose to obtain a particular product, it can use its available soft dollar credits and pay cash to make up any difference. Further, if the product or service obtained by Fenimore is a mixed-use item, Fenimore can use soft dollars for the research portion and pay cash for the non-research portion. Although the allocation between soft dollars and cash is not always capable of precise calculation, Fenimore will make a good faith effort to allocate such items reasonably. Records of any such allocations and payments will be prepared.

When Fenimore accepts directives from a client to make a “best effort” to transact business with one or more specified brokers in consideration of services provided by such brokers to that client, only the particular client’s own “soft dollars” are used. Unless contrary written instructions are provided by the client (see “Client-Directed Brokerage Transactions”, below), primary consideration is still given to seeking best execution.

### **Batch Transaction Policy**

It is the policy of Fenimore that when a decision is made to aggregate transactions on behalf of more than one account, such transactions will be allocated to all participating client accounts in a fair and equitable manner over time. Consistent with each participating client’s investment advisory agreement, Fenimore can batch orders for more than one managed account to facilitate best execution, including negotiating more favorable prices, obtaining more timely or equitable execution, or reducing overall commission charges. Client accounts can trade the same securities before or after other client accounts, proprietary accounts, or proprietary funds, which could impact execution prices. The Firm periodically reviews trades to ensure that prices obtained are within an acceptable range.

When decisions are made to purchase or sell the same securities simultaneously for more than one client account, Fenimore has the ability to aggregate several contemporaneous client trade orders for a specific security into a block order via the “Merge Orders” function in Moxy, the order management system provided by Advent™, an unaffiliated service provider. Generally, orders entered for additional accounts that are placed with the trading desk after a block order has already begun work will be merged with the original block order.

Fenimore can invest in limited availability or thinly traded securities in which it might be unable to acquire substantial positions. Because block orders for such securities are rarely completed in a single trade, and to avoid allocating tiny blocks of such securities, which can increase settlement and transaction costs, Fenimore generally uses the Random Allocation method based on Moxy’s random allocation program and randomly fills the total amount for a client before randomly selecting the next client. On its own, the random allocation method would usually result in a partial fill for the last account selected. To avoid a partial fill, Fenimore will manually seek to identify an account with a pre-allocation request that matches the remaining shares. If such an account is

identified, Fenimore will fill that account and place the account which would have received only a partial fill back in the group of accounts eligible for a fill on the next trading day. Random allocation should ensure that all eligible accounts have an opportunity to participate in such transactions over time. Random allocation is especially appropriate when the transaction size is too limited to be effectively allocated *pro rata* among all eligible managed accounts.

Fenimore can also consider the following when allocating trades: (1) cash flow changes (including available cash, redemptions, exchanges, capital additions, and capital withdrawals) can provide a basis to deviate from a pre-established allocation as long as it does not result in an unfair advantage to specific accounts or types of accounts over time; (2) accounts with specialized investment objectives or restrictions emphasizing investment in a specific category of securities can be given priority over other accounts in allocating such securities; and (3) for bond trades, street convention and good delivery can dictate the minimum size and par amounts.

*Pro rata* allocation is expected to be used when a batch order, which generally involves only non-directed accounts and seeks only liquid, actively traded securities, cannot be fully executed in a single day unless the client has expressly directed otherwise. The partial fill is generally allocated among the participating client accounts based on the size of each account's original order, subject to rounding in order to achieve "round lots". Unexecuted orders will continue until the block order is completed or until all component orders have been cancelled. New orders for the same security will be aggregated with any remaining unexecuted orders and will continue in the same manner. The Moxy system will be updated to reflect partial executions until the block order is completed or to reflect that outstanding orders have been cancelled. Fenimore will generally apply a minimum order allocation amount of 100 shares, which can be adjusted based on market convention associated with the particular security. If remaining positions are too small to satisfy the minimum order amount, Fenimore can decide to allocate the remaining shares to those accounts seeking large positions which were unfilled. Fenimore can also decide to allocate remaining shares to those accounts whose orders would be completed as a result of the allocation.

Fenimore generally does not aggregate trades for accounts custodied at Schwab with the Funds or other Client accounts that it manages due to minimum ticket charges which are imposed on those accounts by Schwab in lieu of custody fees. In addition, Fenimore generally will not aggregate trades for wrap fee clients with the Funds or other client accounts that it manages to the extent that wrap fee clients have directed their brokerage to the sponsoring broker-dealer under the wrap fee agreement and generally pay comprehensive fees that already include the costs of executing transactions through such broker-dealer. Orders for accounts custodied at Schwab are generally aggregated only with each other and generally allocated randomly using the same random allocation program described above to select which Schwab accounts will participate in any given offering. Similarly, orders for wrap fee clients will generally be aggregated only with each other within the particular wrap fee program and allocated in the same manner as the Schwab accounts. The same manual process described above is implemented for these accounts if random allocation would result in a partial fill for the last account selected. Fenimore may "trade away" for specific trades, executing trades through brokers other than the custodian in order to gain access to greater inventory or better price or execution. Fenimore may choose to trade away if the Firm reasonably believes that another broker-dealer will provide a more favorable execution under the circumstances, notwithstanding any additional costs that the client may incur.

## **Cross Trades**

Fenimore generally has discretion to cause an account to purchase or sell securities from or to, as the case may be, another account in a “cross trade”. Fenimore has adopted policies and procedures designed to comply with applicable law with respect to cross trades including, with respect to cross trades involving a Registered Fund, Rule 17a-7 under the 1940 Act. These procedures are designed to assure that participating accounts are treated fairly and that an appropriate price is assigned to the crossed security. In certain circumstances, cross trades can reduce execution related costs for participating accounts. Under applicable law, ERISA accounts and proprietary funds are limited in their ability to participate in cross trades. When Fenimore is unable (or chooses, in its discretion) not to execute the contemporaneous purchase of a security for one account and sale of the same security for another account as a cross trade but, instead, executes such a trade through the market, each client will bear transaction costs, the price at which the transaction is executed will differ for (and may be less favorable to) each client, and Fenimore might, consistent with its soft dollar practices described above, obtain certain permissible benefits in connection with the transaction. Fenimore typically will not hold transactions on the expectation or possibility that the opportunity for a cross trade will be presented.

## **Allocation of “New Issues”**

If Fenimore determines to invest client accounts in “new issues”, as defined in relevant rules established by the Financial Industry Regulatory Authority (“FINRA”), such investments will be allocated fairly and consistently with FINRA Rule 5130, which limits the ability of broker-dealers, their affiliates, and certain other persons (“restricted persons”) to participate in new issues. Only accounts that are eligible under FINRA Rule 5130 to participate in profits and losses attributable to new issues (“eligible accounts”) are permitted to receive allocations of new issues. Generally, Fenimore makes allocations of “new issues” on a *pro rata* basis among eligible accounts.

Fenimore’s Code requires that any investment in new issues by Access Persons be pre-cleared by the CCO.

## **Client-Directed Brokerage Transactions**

While Fenimore generally selects broker-dealers for discretionary accounts, SMA clients can elect to direct Fenimore to use particular broker-dealers to execute portfolio transactions for their accounts. SMA Clients choosing to designate the use of a particular broker-dealer should be aware that, in doing so, they limit or remove Fenimore’s discretion to select broker-dealers to execute account transactions, which can adversely affect Fenimore’s ability to seek best price and execution by, for example, negotiating commission rates or executing their orders utilizing the latest trading technology. SMA Clients who have directed brokerage might not achieve best price and execution.

In addition, transactions for an SMA Client that directs brokerage might not be combined or “merged” for execution purposes with orders for the same securities for other accounts managed

by Fenimore. Trades for an SMA Client that has directed use of a particular broker or dealer can be placed at the end of merged trading activity for a particular security. Accordingly, directed transactions will be subject to price movements, particularly in volatile markets, that might result in the SMA Client receiving a price that is less favorable than the price obtained for the merged order. Under these circumstances, the direction by an SMA Client of a particular broker or dealer to execute transactions might result in higher commissions, greater spreads, or less favorable net prices than might be the case if Fenimore could negotiate commission rates, or select brokers or dealers based on best execution.

Fenimore participates in the Schwab Institutional Manager (“SIM”) program, which is sponsored by Schwab. Through participation in the SIM program, SMA Clients of Fenimore who elect to place their accounts in custody with Schwab also receive Schwab brokerage services at commission rates established by Schwab in connection with transactions that Fenimore executes through Schwab’s trading facilities. Schwab does not exercise investment discretion over these SMA Client accounts. In deciding to enter into the SIM program and to utilize Schwab’s custody/brokerage services, Fenimore took into consideration Schwab’s execution, clearance, and settlement capabilities; its financial strength and resources; the quality of its service; and the commission rate that Schwab offers on SMA Client transactions for SIM program participants. Fenimore pays certain fees to Schwab in connection with its participation in SIM for various account services it receives from Schwab. In accordance with the terms of the SIM program, Fenimore can direct certain brokerage transactions to other brokers with settlement of the transaction in the SMA client’s account at Schwab. Schwab charges SMA Clients a nominal service fee to settle transactions placed with brokers other than Schwab.

### **Services Provided by a Prime Broker or Custodian**

Fenimore will select one or more firms to serve as custodian (“Custodian”) to hold the funds and securities of the Private Fund. The Custodian also serves as the prime broker and executes transactions on behalf of the Private Fund. In addition to custody and execution, the prime broker provides other core functions (such as reporting, clearing, financing, securities lending, and client service) as well as value added items (such as capital introductions, advanced research, and analytics and technology services) to the Private Fund. Certain of these services could be deemed to be outside the soft dollar safe harbor, described above; however, the Private Fund is typically responsible for and benefits from such services.

Fenimore also has discretion to choose which broker effects a particular transaction and, on occasion, the amount of commission the Private Fund pays for such trade. Fenimore may “trade away” for specific trades, executing trades through brokers other than the Custodian in order to gain access to greater inventory or better price or execution. Fenimore may select Custodians that it believes will provide specific services to the Private Fund, allowing the Private Fund to operate effectively and efficiently by, for example, providing Fenimore with electronic access to account information and trade confirmations, bulk mailing of statements to Investors, and access to specialized customer service personnel. The Custodian is generally compensated for its services through transaction-based compensation as Fenimore executes trades through the Custodian in its role as prime broker.

Fenimore reserves the right, in its sole discretion, to change the brokerage arrangements described herein without further notice to Investors in the Private Fund. However, Fenimore will, to the extent required by applicable law, provide appropriate notice upon opening such an account and upon any changes to relevant information about the Custodian or the manner of custody.

### **ITEM 13: REVIEW OF ACCOUNTS**

Investment strategies for the Registered Funds, the Private Fund, and the private accounts are monitored on an ongoing basis by the portfolio managers, investment analysts, and/or other Fenimore personnel, in light of changing market conditions, securities prices, liquidity, and fundamental investment considerations.

The Firm monitors SMA Client accounts on a periodic basis for deviations in account holdings from the investment strategy. Fenimore has established certain thresholds by which account holdings are measured. In the event such deviations outside the thresholds are detected, appropriate action is taken, including the purchase and/or sale of securities, to re-balance the account with the investment strategy. The information in this Brochure does not include all the specific review features associated with each investment strategy or applicable to a particular client account.

Senior members of the back office staff in the Operations, Compliance, Finance, and Trading Departments review the Client accounts. A review of a Client account may be triggered by any suspicious or unusual activity, deviations or special circumstances.

Quarterly written reports are provided to each Shareholder in the Registered Funds, each Investor in the Private Fund, and each SMA Client, showing the value of the account and the performance of the respective Registered Fund, Private Fund, or SMA. Private Fund Investors and SMA Clients also receive on a quarterly basis, written reports with respect to the market value of the securities in the applicable Private Fund or SMA. Financial statements are provided annually to investors in the Private Fund. SMA Clients can negotiate for additional financial statements and written reports in their investment advisory agreements. Investment personnel are available for individual personal meetings with SMA Clients upon request.

### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

#### **Schwab's SIM Program**

As discussed above in Item 12, Fenimore participates in Schwab's SIM program. While there is no direct linkage between investment advice given and participation in the SIM program, certain economic benefits are received by Fenimore that it would not otherwise receive if no SMA Clients participated in the SIM program. The benefits that Fenimore receives include: receipt of duplicate SMA Client confirmations and bundled duplicate statements; access to a trading desk serving SIM program participants exclusively; access to block trading; ability to have access, for a fee, to an electronic communications network for SMA Client order entry and account information; receipt of compliance publications; the ability to have SMA Client advisory fees directly debited from

SMA Client accounts (in accordance with applicable federal and state requirements); industry education and conference attendance; and access to certain investment companies that generally are available only to institutional investors. The benefits received through participation in the SIM program do not depend on the amount of transactions directed to Schwab.

### **Referral Arrangements**

Fenimore maintains various arrangements pursuant to which certain persons and entities can be compensated, directly or indirectly, for referring SMA clients to Fenimore. To the extent deemed applicable, such arrangements are entered into in accordance with the terms and conditions of Rule 206(4)-1 under the Advisers Act. Arrangements have been entered into with independent third parties including banks, brokerages, and other financial institutions. The compensation paid for referrals varies and can include either fixed or annual fees or can depend upon the total amount of the assets referred and ultimately managed by Fenimore. SMA Clients are advised of the nature of these arrangements prior to the time of the referral.

The parties with which Fenimore has entered into such referral arrangements include the Bank of Greene County, Wayne Bank, Seaport Securities Corp., Charles Schwab and PlanMember Services Corp. (collectively “Referral Entities”). Under a written agreement, Fenimore pays the Referral Entity a portion of each SMA Client’s estimated annualized investment management fee received by Fenimore, based on the SMA Client’s initial investment and any subsequent additions to the account. These payments continue as long as each individual customer of the Referral Entity referred to Fenimore maintains a Fenimore SMA Client account. The solicitation fee does not increase Fenimore’s usual advisory fees and compensates the Referral Entity for ongoing SMA Client services, which include regular telephone and in person contact for portfolio reviews, re-evaluations of SMA Client investment objectives, and investment policy guidelines as needed and requested by the SMA Client, as well as such other services as necessary from time to time to assist SMA Clients in understanding Fenimore’s advisory services.

### **ITEM 15: CUSTODY**

Because Fenimore serves as managing member of the Private Fund, it could be deemed to have “custody” over the Private Fund’s assets within the meaning of Rule 206(4)-2 (the “Custody Rule”) under the Advisers Act. In conformity with the Custody Rule, Fenimore seeks to assure that Investors receive audited financial statements, annually, within 120 days following the conclusion of the Private Fund’s fiscal year.

With respect to SMA Client accounts, if Fenimore is deemed to have custody over such accounts, the SMA Client custodian will send the SMA Client periodic account statements (generally on a quarterly basis) indicating the amounts of any funds or securities in the account as of the end of the statement period and any transactions in the account during the statement period.

### **ITEM 16: INVESTMENT DISCRETION**

Fenimore manages discretionary accounts. Each account is managed in accordance with the

agreed upon investment objectives, which limit Fenimore's authority to purchase securities that are inconsistent with the investment objectives. Additionally, SMA Clients can (but typically do not) further limit Fenimore's discretion through reasonable restrictions on the account. These restrictions generally take the form of prohibitions on particular securities or types of securities that can be held in the account (e.g., tobacco companies).

Prior to commencing management of an SMA Client's account, Fenimore and the SMA Client will determine the investment objectives that will be followed by the account as well as any reasonable restrictions.

If discretionary authority is not granted to Fenimore, then clients may grant Fenimore a limited power of attorney, limited to the power of executing trades on a non-discretionary basis. Fenimore may be given view only access to non-discretionary accounts to review accounts on an ongoing basis. Trades in these accounts must be at the direction of the SMA Client. Fenimore will be bound by the Firm's Investment Advisory Agreement with the SMA Client, which will indicate Fenimore's authority as to discretion or non-discretion.

For the Funds, the investment objectives and restrictions are set forth in the relevant Governing Documents and Registration Statement, as applicable. Individual Investors or Shareholders in the Funds do not have authority to impose any restrictions upon Fenimore's discretion. For SMA Clients, discretionary authority will be evidenced in writing, generally through the advisory agreement.

#### **ITEM 17: VOTING CLIENT SECURITIES**

Fenimore has written proxy voting policies and procedures as required by Advisers Act Rule 206(4)-6. Under these policies and procedures, Fenimore votes proxies relating to equity portfolio securities in the best interests of clients, unless the client contract specifies that Fenimore will not vote. Fenimore seeks to develop relationships with the management of portfolio companies to encourage transparency and improvements in the treatment of shareholders. Thus, Fenimore may engage in dialogue with the management of portfolio companies with respect to pending proxy voting issues. While Fenimore has written guidelines for certain issues on which votes may be cast, each vote is ultimately cast on a case-by-case basis, taking into consideration all relevant facts and circumstances at the time of the vote. Fenimore may cast proxy votes in favor of management proposals or seek to change the views of management, considering specific issues on their merits.

Fenimore's proxy administrator is responsible for ensuring that votes are cast and records are maintained. Fenimore's research analysts are responsible for considering the substantive issues relating to any vote, deciding how the shares will be voted, documenting the rationale for the decision, and instructing the proxy administrator how to vote the proxies. In determining how to vote a given proxy, the analysts follow Fenimore's policies and procedures except to the extent superseded by client proxy voting policies or to the extent that a material conflict of interest is identified. If there is no material conflict of interest, the vote recommendation will be forwarded to Fenimore's proxy administrator to be cast. In the event of a personal material conflict of interest, the responsible analyst will refer the decision to another Fenimore analyst who has no such conflict. In the event of an organizational conflict, Fenimore will follow its procedures for

resolving material conflicts as identified below. SMA Clients with separately managed investment advisory accounts can choose to vote their own proxies as indicated in writing in their IAA.

Fenimore acknowledges its responsibility for identifying material conflicts of interest relating to voting proxies. Senior management, portfolio managers, and research analysts of Fenimore must disclose to the proxy administrator any personal conflicts such as officer or director positions held by them, their spouses, or close relatives in the portfolio company. Conflicts based on business relationships with Fenimore or any affiliates of Fenimore will only be considered to the extent that Fenimore has actual knowledge of such relationships. When a material conflict of interest between Fenimore's interests and its clients' interests appears to exist, Fenimore will take steps to address or eliminate the conflict which can include but are not limited to: (1) vote in accordance with Fenimore's policies and procedures if it involves little or no discretion; (2) vote as recommended by a third-party service when Fenimore utilizes such a service; (3) "mirror vote" the proxies in the same proportion as the votes of other proxy holders that are not Fenimore clients; (4) if possible, erect information barriers around the person or persons making voting decisions sufficient to insulate the decision from the conflict; (5) if practical, notify affected Clients of the conflict of interest and seek a waiver of the conflict; or (6) if agreed on in writing with the client, forward the proxies to affected clients allowing them to vote their own proxies.

Fenimore will not disclose proxy votes for a client to other clients or third parties, other than as required for the Registered Funds, unless specifically requested, in writing, by the client. However, if Fenimore serves as a sub-adviser to another adviser to a client in the future, Fenimore will be deemed to be authorized to provide proxy-voting records on such client accounts to such other adviser.

#### **ITEM 18: FINANCIAL INFORMATION**

Not Applicable