Celebrating 25 Years

FAM DIVIDEND FOCUS FUND

6 KEY LESSONS LEARNED

25 YEARS

FAM FUNDS

Managed by
FENIMORE ASSET MANAGEMENT

FAM DIVIDEND FOCUS FUND

25 YEARS OF INVESTING IN DIVIDENDS

When we launched the FAM Dividend Focus Fund (FAMEX) on April 1, 1996, our investment principles were simple — look to invest in quality companies with strong financials, honest and ethical management teams, and attractive valuations.

Then we applied these principles to companies that paid regular cash dividends to shareholders. More importantly, companies that were growing those dividends at an above-average rate.

Those principles have stood the test of time and continue to guide our investment philosophy today.

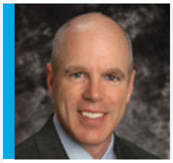
1996 — 2021

As we celebrate 25 years of service to our shareholders, we're pleased to provide an insight into **6 Key Lessons Learned** along the way that have helped contribute to the Fund's long-term success.

Managing Together for 25 Years

This year also marks the silver anniversary of Tom Putnam and Paul Hogan's joint management of the Fund — a rarity in an industry where the average manager tenure is approximately five years. William Preston joined the management team in 2020.

Tom Putnam
FOUNDER & EXECUTIVE CHAIRMAN



Paul Hogan, CFA®
PORTFOLIO MANAGER, FAM DIVIDEND FOCUS FUND

William Preston, CFA®
PORTFOLIO MANAGER, FAM DIVIDEND FOCUS FUND

Dividends are not guaranteed and a company's future ability to pay dividends may be limited. See the prospectus for additional important information.

LESSON 1

LET THE COMPOUNDERS COMPOUND

There are some Fund holdings that we have owned for decades and they have contributed significantly to performance. These are rare, quality businesses, in our opinion, and our investment approach in them has evolved.

EARLY YEARS

We trimmed our positions if prices were ahead of our estimates of value. Then we'd try to buy more shares when the valuation became more attractive. While this was satisfying in the short run, over the long term it hurt returns because quality businesses can surprise on the upside and their stock prices can rise even more, reflecting higher expectations.

TODAY

In hindsight, when we trimmed those positions, we almost never had a chance to buy shares back at prices below where we sold them. After studying our trades, we learned that we should instead hold on to these shares and allow these quality companies to ideally do what they had achieved before — compound our shareholders' capital.

An added benefit of resisting the urge to trim a position solely based on valuation is that any future compounding of a larger position may add a kicker to returns.

KEY TAKEAWAY

If you don't let the compounders compound, it's like trimming the flowers and watering the weeds.

"Our investment philosophy remains strong: Invest in mid-cap companies with the potential to not only grow their earnings but grow the dividends they return to their shareholders."

William Preston, CFA®

PORTFOLIO MANAGER,
FAM DIVIDEND FOCUS FUND

LESSON 2

SELL UNDERPERFORMERS QUICKLY

Occasionally, an investment is made that doesn't track to our thesis and the stock detracts from the Fund's overall performance. There are a few ways to handle this situation:

1. Be patient and wait for things to improve.
2. Buy more shares and wait for things to improve.
3. Sell the position and move on to another investment opportunity.

The problem with the first two options is that another holding may also begin underperforming while we are waiting for the first holding to get back on track. If that happens, the portfolio will have a growing percentage of assets that are detracting from performance.

KEY TAKEAWAY

Sell underperforming holdings quickly so their impact on the portfolio is ideally minimal. Just as we cultivate our flowers (see Lesson 1), we also pull the weeds.

Even though other holdings may be compounding at better rates than expected, when too many names are stuck in the mud our best performers can't overcome the drag. This leads to mediocre Fund performance.

IN THE MEDIA SPOTLIGHT

> *"It's a low turnover strategy where the managers have learned to let their winners run a bit, but where they're also pretty quick to eliminate firms whose prospects have fallen."*

"FAM Dividend Focus: A Mutual Fund Observer 'Star in the Shadows' Fund"
Mutual Fund Observer, FEBRUARY 2020

LESSON 3

CONDUCT FIELD RESEARCH

Our most important investment insights typically come when we are out of the office speaking with the businesses we invest in and building relationships with their leaders. We seek to meet with them at least annually.

These meetings have repeatedly provided invaluable insights into how managements run their operation, gain market share, and keep competitors at bay. The Fund's portfolio managers even tour our holdings' facilities and speak with employees to experience their culture and strategy in action.

Industry trade shows are also helpful. Our research analysts find great value in talking with the salespeople at one company and looking at their new products, and then walking to a competitor's booth and asking how they plan to compete against the first firm. By the end of the show, we have a keen knowledge and understanding that allows us to make better long-term investment decisions.

KEY TAKEAWAY

The more we know an enterprise and its leadership, the more likely we are to stay invested — or even add to our position — during a drop in their stock price and this can increase the Fund's return.

IN THE MEDIA SPOTLIGHT

> *"The best money managers aren't the ones who make no mistakes. They don't exist. The best are ones who learn from their mistakes and improve as a result — and the only way to tell if you've found one is if a manager's been around long enough to see the improvement."*

"Mutual Fund Profile"
Barron's, DECEMBER 4, 2019

LESSON 4

INVEST IN DIVIDEND GROWERS

Unlike many dividend strategies that invest in large-capitalization stocks, the Dividend Focus Fund primarily invests in what we believe are quality, mid-cap companies that pay growing dividends — not simply companies with high current dividend yields.

For example, technology firms tend to have strong growth prospects due to more and more technology creeping into our lives. Just consider:

- Semiconductors were used primarily in PCs, but now are tied to automotive, cloud computing, artificial intelligence, 5G communications, and cryptocurrency mining.
- FinTech (financial technology) enterprises keep our financial institutions safe from fraud and cyber threats and enable next-generation payment systems.
- Companies that sold computer equipment now sell solutions that enable businesses to move their data to the cloud, secure their systems against cyber threats, and allow their employees to better collaborate and work remotely.

These are just a handful of the trends that have allowed technology firms to expand their addressable markets, maintain their robust growth rates, and, in many cases, grow their dividends. The technology sector is currently riding tailwinds to growth, not fighting headwinds. All else being equal, Fenimore believes it is better to invest with the wind at your back.

KEY TAKEAWAY

A growing dividend is better than a static dividend and can be a good indicator of the company's stability and growth potential.

"We know that a growing dividend starts with a growing business, so we are always looking for companies that have a history of growth as well as a runway for future expansion."

Paul Hogan, CFA®

PORTFOLIO MANAGER,
FAM DIVIDEND FOCUS FUND

LESSON 5

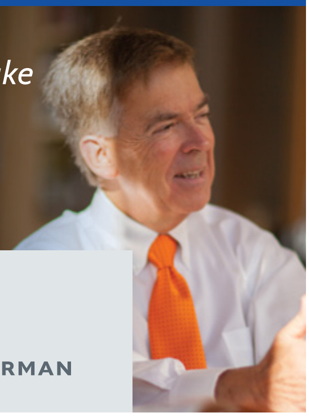
VALUE QUALITY OVER QUANTITY

FAMEX invests in a relatively small cohort of what we deem to be quality businesses. We put extensive work into researching our investments and we want each one to make a meaningful contribution to the Fund's overall return.

Investing in too many companies means we are likely diluting the impact of our best picks. The top-weighted holdings achieve their size because they compound faster than the others and are often held longer. We like to say that the Fund is a "performance meritocracy" where the best-performing names work their way into the Top 10 Holdings.

KEY TAKEAWAY

Our experience shows that a concentrated portfolio has a better opportunity to outperform an overly diversified portfolio in the long run.



"We want to make the train faster, not longer."

Tom Putnam

FOUNDER & EXECUTIVE CHAIRMAN

IN THE MEDIA SPOTLIGHT

"The fund currently has 30 holdings. We are very concentrated and we want to make sure all the investments in the fund are our best ideas. We want every one to have a meaningful impact on the performance of the fund. We like to have about 50% of our assets in the Top 10 Holdings." — *Paul Hogan*

"Mid-Cap Dividend Payers"
ticker, OCTOBER, 2013

LESSON 6

STAY THE COURSE

In the 25 years since FAMEX was established, we have seen a tech bubble and its ugly aftermath, the 9/11 terrorist attacks followed by multiple years of war, a housing bubble that led to a deep financial crisis, the downgrading of the U.S. credit rating from AAA to AA, and a global pandemic that shut down the world economy.

Every time, after short-term downturns, the stock market bounced back meaningfully higher and posted returns generally in line with historical averages.

Going forward, it will be just as important for investors to stay the course and not try to trade around macro events. While these events can cause stock market volatility, you never know when the next upturn will occur and you don't want to miss it. If you don't need the money during a downdraft, try to be rational and stay invested to potentially realize the benefits of the Fund's management over time.

KEY TAKEAWAY

It's time in the market that counts, not market timing.

FAM Dividend Focus Fund's management team will continue to put our time-tested investment principles into action as we serve our shareholders for years to come.

FENIMORE ASSET MANAGEMENT

The FAM Dividend Focus Fund is part of the Fenimore Asset Management (Fenimore) family of mutual funds — FAM Funds — along with the FAM Value Fund and FAM Small Cap Fund.

Fenimore, manager of the FAM Funds, has been providing differentiated investment management solutions for nearly five decades.

Learn more about our unique history and how we partner. Visit **FENIMOREASSET.COM** or call **800.932.3271.**

Guided by Quality. Invested Together.

Past performance is not indicative of future results, current performance may be lower or higher than the performance data quoted. Investment returns may fluctuate; the value of your investment upon redemption may be more or less than the initial amount invested.

Please consider a fund's investment objectives, risks, charges and expenses carefully before investing. The FAM Funds prospectus or summary prospectus contains this and other important information about the FAM Value Fund, FAM Dividend Focus Fund and FAM Small Cap Fund and should be read carefully before you invest or send money. The principal risks of investing in the Funds 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).

To obtain a prospectus or summary prospectus and for performance data that is current to the most recent month-end for each fund as well as other information on the FAM Value Fund, FAM Dividend Focus Fund and FAM Small Cap Fund, please go to fenimoreasset.com or call (800) 932-3271.

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