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Andrew F. Boord — Research Analyst

Andrew started, “My kids like to read a lot of history. When you read the history about the banking industry going back to at least the 1840s, you discover that banking cycles happen every thirty to forty years. It’s interesting that there is a historical script that we follow very tightly as a society. First we have our banking crisis, then the public gets very angry, and then the Congress decides to find a whole bunch of people to hang publicly. We are well along in that process so that’s good.” He went on to say that Congress is arguing about whether we should have a huge amount of regulation or no regulation, or somewhere in-between. “There will be all kinds of unintended consequences and then we’ll deal with those next, but that’s just the way it goes.”

Andrew continued, “We invest in what we believe are three of the best banks possible for our client portfolios.” M&T Bank is a local bank that we have held throughout the cycle and it has done pretty well. TCF, which is in Minneapolis and Chicago, and Westamerica, which is in California, are the other two strong banks. Fenimore has taken advantage of the cycle and we have also purchased stock in three other very well-run banks. NBT Bank which is local, Bank of the Ozarks, and South Carolina Bank and Trust.

“We have visited NBT in Norwich, New York and you will not find a hedge fund or trading desk or any of the things you are reading about and seeing before Congress with the mega-banks. They offer auto, home, and small business loans. It is a totally different world. The beauty of it though is that most investors are panicky and have decided they just don’t want to own banks of any kind and we’ve taken advantage of that,” Andrew said. Our bank stocks have moved up quite a bit and we are happy about that.

The bank failures we are reading about today are an extremely lagging indicator. Andrew continued that, “We actually love bank failures. Our banks have purchased four failed banks so far and we hope to purchase a whole bunch more. Some of the great banking franchises in this country were assembled in the ‘80s and ‘90s by buying failed banks for pennies on the dollar. Each one of our six banks is out looking at failed banks,” Andrew stated.

Andrew concluded, “I know the headlines are very negative so I don’t want you to leave tonight thinking that those are the types of banks in which we invest. We invest in a totally different set of banks and we are very optimistic about the future. History shows that during banking cycles people panic, they sell all their banks, and the banks go on to have a very nice run of many, many years. The point I want to leave you with is that we are very optimistic!”