



**FENIMORE**  
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## **Client Gathering: December 2, 2009**

### **Chairman's Address – Thomas O. Putnam**

Tom began his presentation on a light note saying he had a confession to make. He said that in December 2008 we were in a financial crisis and “there was a lot of anxiety in this same room” so he got a little exuberant and then said that this “may be the best buying opportunity of a lifetime!” Tom *did mitigate* this forecast stressing that we actually won’t know if this remains true for another two to five years, but “right now it does look that way.” Consequently, Tom said he wouldn’t make any predictions for 2010!

Commenting on the current headlines and knowing that people are concerned about the economy, unemployment, and things in general, Tom stated “This is only natural if all you’re focusing on are the headlines. But if you look back in history, it can guide us — especially in regard to the negative news we’re reading.”

Tom asked, “How do we sustain the economy when unemployment is above 10%?” He cited that if you look back to the 1980 recession, during the first part of the downturn, unemployment rose above 10%. In fact, during about a 10-month period, it stood above 10% and you would think that it was a bad time in the marketplace. However, during that time the Dow Jones Industrial Average actually increased 36% and the S&P 500 Index rose 41% because unemployment is a lagging indicator. He said we’re seeing some of that right now.

#### **HOPEFUL ECONOMIC SIGNS**

Tom cited other encouraging statistics:

- Existing home sales are up.
- There is a small increase in new home sales.
- Personal income has risen.
- Initial unemployment claims have dropped to a level not seen since September 2008.

“I’m not saying that this is a positive trend yet, but this positive news may lead to future upward trends.”

#### **WHAT FENIMORE IS SEEING**

Tom stressed that what we’re seeing is important to note. For example, in 2009, we’ve visited virtually every single company we hold and met with management. One year ago managers were in a defensive mode strategizing about ways to survive and cutting costs. Today, company leaders are communicating a “much different tone” and are very enthusiastic. They’re talking about new product lines and markets (including international ones) while seeking quality people

to help them grow their businesses. “So the mood is the opposite from last year and this is encouraging,” Tom said.

Additionally, Tom emphasized that we researched 66 new investment ideas in-depth this past year. Out of those, we invested in eight new holdings that have been added to individual portfolios to varying degrees. Tom highlighted, “Eight may seem like a small number, but it’s actually a large number for us in any given year. Four or five worthy ideas annually is a significant number for Fenimore, so eight is good!”

He went on to say that the quantity of potential new opportunities we can invest in presently, if the prices are right, is at least nine. And we’re excited about that! However, he pointed out that existing holdings in client portfolios are driving current positive results. *On average*, since the March 9 low, some individual portfolios are up more than 50 percent in just nine months. No one would have predicted this in February. Tom underscored, “This shows that in order to participate in markets like this, you have to be on the train before it leaves the station!”

Tom continued his remarks and said we don’t know if this rally is sustainable, but there’s a portion of each portfolio that has not performed to its potential and remains undervalued — the financial area. He noted that we still think these stocks are favorable so when their economic value is recognized in the marketplace, this may serve as a boost to your portfolios. Tom summarized that we are enthused because there are new ideas, new opportunities, and promising existing holdings in client portfolios that continue to be significantly undervalued.

## **NEW FENIMORE PRODUCTS**

Lastly, Tom mentioned two new Fenimore investment vehicles. The “Research Fund” (a private placement) which focuses on small-cap investments and the “Banking Research Portfolio” (an investment strategy for some separately managed accounts) concentrating on community and regional banks. Tom said they are “creating synergy for the rest of the firm.” “Our roots are in the small-cap area and these companies do grow. As they do, they can become future holdings that can increase private client portfolios and our mutual funds.” There have already been a couple that have augmented some client accounts.

Tom concluded his remarks stating, “We think there are many exciting things going on at Fenimore right now.”