



FAM Funds

MANAGED BY FENIMORE ASSET MANAGEMENT, INC.

WE HAND PICK INVESTMENTS

INVESTMENT PHILOSOPHY

Fenimore Asset Management (Fenimore) is the investment advisor to the **FAM Value Fund** and **FAM Equity-Income Fund**. Fenimore is an independent firm located in Cobleskill, New York and has been hand picking investments for almost four decades. Our serene country location sets us apart from the emotions and short-term views of Wall Street. This physical and psychological distance allows us to patiently and thoroughly inspect and select each investment as if we were going to buy the entire company. Our goal is to maximize long-term total return on capital. We also realize that prudent investors want to minimize risk and protect their assets. Therefore, we employ a **value approach** to investing.



RESEARCH TEAM

Seated: Paul Hogan, Tom Putnam, John Fox, Andrew Boord.

Standing: Marc Roberts, Kevin Gioia.

WHAT DIFFERENTIATES FAM

- Our associates, including Fund managers, are long-term and consistent.
- We believe preservation of capital is as important as growth of capital.
- Our Research Analysts visit every company we own at least annually.
- We conduct exhaustive, original research. This includes creating detailed, five-year models for each stock holding and analyzing balance sheets, cash flow statements, and income statements.
- We speak with competitors and customers and attend industry conferences.
- The Funds are managed as diverse, yet relatively concentrated portfolios.
- Tax efficiency – our average stock holding period of more than five years reduces capital gains distributions.
- We focus on absolute returns – not a benchmark.
- FAM Shareholder Services (FSS), our customer service team, is in-house.
- Our long history of money management spans both prosperous and difficult economic times.

INVESTMENT CRITERIA

In order to achieve our investors' long-term goals, at the center of our research is a precise process we follow consistently – a repeatable pattern that guides us as we invest for lasting value. When we seek high quality company stocks, we look for:

- Good businesses that we understand, have a competitive advantage, and possess high profit margins.
- Companies that have little or no debt, free cash flow, and deploy capital wisely.
- Enterprises with superior management teams; leaders who are honest, ethical, energetic, and have a strong track record of building the economic value of their organizations.
- Businesses we can buy at a discount to our estimate of economic value – this is our margin of safety.

BUY PRICE DETERMINATION

- Determine if a 12%-15% annualized return rate can be achieved over five to six years.
- Discount expected future cash flows to determine present value.
- Apply a "worst case" value baseline of no growth and discount at least 10%.
- Check against historical average multiples (price/earnings, price/cash flow, price/sales).

SELL DISCIPLINE

We sell a company's stock when:

- The valuation is so high that the expected return falls below U.S. Treasuries.
- The valuation is well above long-term historical average multiples.
- The economics of the business are deteriorating.
- The investment is a mistake.