

# FAM Value Fund (FAMVX & FAMWX)



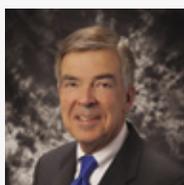
FAM FUNDS

In-depth research. Insightful investing.

## Quarterly Advisor Commentary

for Professional Investment Advisors  
data as of 3/31/19

### Portfolio Managers



**THOMAS O. PUTNAM**  
since  
1/2/1987



**JOHN D. FOX, CFA**  
since  
5/1/2000



**DREW P. WILSON, CFA**  
since  
7/17/2017

### First Quarter 2019

#### TOP CONTRIBUTORS (stock price change in %)

CDW Corp.	1.07%
IDEX Corp.	0.98%
Waters Corp.	0.86%
Brookfield Asset Management	0.74%
Ross Stores	0.66%

#### TOP DETRACTORS (stock price change in %)

Markel Corp.	-0.19%
Covetrus	-0.13%
Berkshire Hathaway	-0.06%
Henry Schein	-0.02%
Franklin Resources	0.04%

### MARKET AND PERFORMANCE REVIEW

Stocks rallied in the quarter and seemed to be driven, in large part, by a looser tenor to global central bank policy. After a difficult fourth quarter of 2018 in the financial markets, the Federal Reserve signaled patience entering 2019 with respect to future interest rate hikes and ultimately made it clear that it planned to hold rates steady through year-end. Taken together with an end to the U.S. government shutdown and improved prospects for a resolution to the U.S.-China trade dispute, the Fed's policy pivot apparently outweighed concerns about slowing growth and led to a significant market advance. The broad U.S. market, as gauged by the S&P 500 Index, returned 13.65% for the quarter.<sup>1</sup>

The benchmark Russell Midcap Index returned 16.54% for the first quarter. The information technology and energy sectors led performance within mid-cap stocks, while communication services, consumer staples, utilities and financial stocks lagged.<sup>2</sup> The return for FAM Value Fund in the quarter lagged that of the mid-cap benchmark. Underperformance was largely driven by an overweight to and selection within financials along with an underweight to and selection within information technology. Selection within materials led positive contributions to performance.

### NOTABLE FUND HOLDINGS

- Positive contributions to relative performance in the first quarter were led by **CDW Corp. (CDW)**, a provider of technology products and services to businesses, governments and educational institutions. CDW shares were supported by the larger rebound in technology stocks along with the company posting an earnings beat.
- **IDEX Corp. (IEX)**, a manufacturer of fluidics systems and specialized pumps and flow meters utilized across a range of industries, was another leading contributor. Shares of IDEX rose on improved sentiment with respect to the broader industrials sector and an above-expectations earnings report.
- Life sciences laboratory instrument manufacturer **Waters Corp. (WAT)** also saw its shares benefit from an earnings beat and a better outlook for industrial companies, along with a favorably received recapitalization plan.
- Detractors included property and casualty company **Markel Corp. (MKL)**, which experienced disappointing underwriting results and a write-down in one of its private market investments.
- **MEDNAX (MD)**, a health services company with a specialization in neonatal screening and care, also detracted notably. MEDNAX is in a turnaround phase as a result of deteriorating industry dynamics. It appears that the turnaround is going to take longer and be more costly than expected and we eliminated the position in the quarter.

### PORTFOLIO ACTIVITY

- The Fund did not initiate or add materially to a position during the quarter. However, we did receive a spin-off – **Covetrus (CVET)** – from our holding in **Henry Schein (HSIC)**.

<sup>1</sup>FactSet & Bloomberg, 3/31/19

<sup>2</sup>FactSet & Bloomberg, 3/31/19

## Top 10 Holdings

CDW Corp.	6.58%
Ross Stores	6.01%
IDEX Corp.	5.76%
Markel Corp.	4.59%
Brown & Brown	4.51%
Brookfield Asset Management	4.09%
Berkshire Hathaway	3.91%
Waters Corp.	3.44%
CarMax	3.42%
Illinois Tool Works	3.31%

## Portfolio Information

**FAMVX** (Investor Shares)  
CUSIP: 314465105  
Inception Date: 1/2/1987

**FAMWX** (Institutional Shares)  
CUSIP: 314465709  
Inception Date: 1/1/2017

Fund Size: \$1,256,247,872

- In addition to MEDNAX, the Fund exited its remaining position in global advertising firm **Interpublic Group of Companies (IPG)** on uncertainty around an appropriate valuation in the wake of secular changes to the advertising industry brought about by challengers such as Google and Facebook. **Franklin Resources (BEN)** was also eliminated from the portfolio on the view that the company has failed to adapt to the changing asset management landscape. The portfolio's position in retailer **AutoZone (AZO)** was trimmed on valuation concerns.
- The Fund began the quarter with a 5.5% cash position and ended with a 7.6% cash position, both within the normal range. Our cash position was a drag on performance given the quarter's strong market.

## OUTLOOK

Stocks rebounded in the first quarter, despite slower global growth, with the aid of accommodative central banks and an easing in trade concerns. Should volatility return to the market, we have cash at the ready to build positions as well as buy new names on our watchlist.

The market has been responding to the progress of trade negotiations and expectations for earnings growth against the backdrop of a slowing global economy. As long-term investors, these factors do not materially impact our portfolio positioning.

Part of our investment approach is to invest in enterprises whose managers are adept at both operations and capital allocation. From an operations perspective, the majority are executing operational excellence initiatives that should allow them to grow earnings even in a slowing economy.

Regarding capital allocation, overall, the companies in which we invest are generating significant cash profits. This gives their management teams options including internal investment, mergers and acquisitions, dividend payments and share repurchases. We believe we have invested in management teams that can use these cash profits wisely and create value per share.

Past performance is not indicative of future results, current performance may be higher or lower than the performance date 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 and should be read carefully before you invest or send money. The principal risks of investing in the fund 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 performance data that is current to the most recent month-end for each fund as well as other information on the FAM Value Fund, please go to [famfunds.com](http://famfunds.com) or call (800) 932-3271.

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