

### “Quality Matters” White Paper Addendum

The accompanying thought paper outlines ways to assist your investors in thinking long term. While we cannot temper market fluctuations, our disciplined, thorough approach seeks to purchase shares of companies at a discount to mitigate volatility within our portfolios. If successful, we will have invested in companies with typically higher-than-average returns on invested capital that we believe can provide long-term performance in excess of historical market averages. With the diligent oversight and review by our research team, comprised of seven analysts, we aim to provide you, and your investors, peace of mind with the knowledge that we, and you, are seeking to preserve capital and grow your portfolios over the long term.

The following statistics illustrate how FAM Funds compare to the data presented in our white paper on quality investments (high profitability, low debt).

	ROE % (TTM*)	ROIC (TTM)	Debt to Capital % (trailing)
FAM Value Fund	17.17	14.25	31.04
FAM Equity-Income Fund	29.18	14.07	34.57
FAM Small Cap Fund	10.38	10.29	23.24
iShares Russell Midcap	15.75	10.61	40.34
iShares Russell 2000	7.25	1.95	35.43
Morningstar Direct, 9/30/14			

\* TTM = Trailing Twelve Months

Return on Equity (ROE), a measure of profitability, is calculated by net income/equity. Note – it’s important to understand the differences of an ROE percent. For example, a higher ROE can be the result of a business taking on more debt, rather than funding their operation with equity (our preference). By design, our funds, on average, have both a higher ROE *and* lower levels of debt as compared to their benchmarks. What this means is that the companies we invest in are more profitable and better equipped to endure various financial and market cycles.

Return on Invested Capital (ROIC) measures the profitability of companies, less financial businesses. ROIC is measured by operating earnings after taxes/debt + equity. Our funds note higher ROIC, compared to their respective benchmarks, due to more cash generation and less debt.

Debt to Capital is a measurement Morningstar uses to assess indebtedness: long-term debt/total capitalization. When thinking about financial leverage, we prefer a lower ratio or low debt which reflects well in each of our funds.

Cash from Operations is cited within our paper to determine how much cash flow a company is able to generate after capital expenditures. To understand this measurement, earnings and cash flow largely depend on the specific business. A corporation that makes a lot of acquisitions will likely have many expenses that come from the accounting of depreciation and amortization. In some instances, these expenses can artificially detract from earnings. Alternatively, businesses that franchise typically have little capital expenditure and generate lots of cash. FAM Funds prefers



companies that generate considerable cash flow with few capital expenditures, recognizing that capital deployment may be necessary to grow the business.

We look forward to serving you further and would gladly schedule a call with an analyst to explain each measure in depth. Thank you for your partnership with our fund family.

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**Average Annual Returns: 9/30/2014**

<b>Fund &amp; Inception Date</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>10 Year</b>	<b>Inception</b>
FAM Value Fund (1/2/87)	11.13%	20.27%	13.41%	6.82%	10.48%
FAM Equity-Income Fund (4/1/96)	8.56%	19.42%	13.87%	6.44%	8.48%
FAM Small Cap Fund (3/1/12)	4.39%				15.66%

*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, FAM Equity-Income Fund, and FAM Small Cap Fund and should be read carefully before you invest or send money.*

*The principal risks of investing in the FAM 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 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 Equity-Income Fund, and FAM Small Cap Fund please go to [famfunds.com](http://famfunds.com) or call (800) 932-3271.*

**\*\*** The FAM Value and FAM Equity-Income Funds recently changed their primary benchmark index to the Russell Midcap Index because it was determined that this index is more reflective of each fund's investment style. This benchmark is used for comparative purposes only and very generally reflects the risk or investment style of the investments reported. The Russell Midcap is an unmanaged index that measures the performance of a small-cap segment of the U.S. equity universe. Prior to the recent change, the benchmark was the Russell 2000. The Russell 2000 is also an unmanaged index that measures the performance of a small-cap segment of the U.S. equity universe. The FAM Small Cap Fund's primary benchmark is the Russell 2000 Index.