



FAM FUNDS

Managed by
FENIMORE ASSET MANAGEMENT

FAMEX

FAM DIVIDEND

FOCUS FUND

QUARTERLY ADVISOR

COMMENTARY Q2•2019

For Professional Investment Advisors
Data as of June 30, 2019

PORTFOLIO MANAGERS



PAUL C. HOGAN, CFA
since 4/1/1996



THOMAS O. PUTNAM
since 4/1/1996

PORTFOLIO INFORMATION

FAMEX (Investor Shares)
CUSIP: 314465204
Inception Date: 4/1/1996

Fund Size: \$358,844,173

Market and Performance Review

U.S. equities delivered positive returns in the second quarter, although there was significant interim volatility. After a strong April, stocks declined in May on data suggesting slower economic growth and President Trump's announcement of plans to impose 25% tariffs on some \$200 billion in imports from China. The stock market rebounded in June, as the Fed signaled that it was prepared to cut rates one or more times before year-end. Once again, "growth" stocks performed better than "value" stocks at all capitalization levels.

The Fund's performance benchmark, the Russell Midcap Index, returned 4.13% for the second quarter. The materials, financials, information technology, and industrial sectors led performance within mid-cap stocks, while energy, consumer staples, and real estate stocks lagged. The FAM Dividend Focus Fund's return in the quarter exceeded that of the mid-cap benchmark. Positive contributions were broad-based in terms of sectors, led by selection within materials and information technology, along with an overweight to and selection within industrials. A lack of exposure to communications services detracted slightly.

Notable Fund Holdings

- Positive contributions to performance were led by **CDW Corp. (CDW)**, a technology reseller of hardware and IT solutions. CDW revenue and earnings exceeded expectations in the most recent quarter, driven by upgrades of client devices. The firm's balance sheet supports the potential for acquisitions going forward, and we believe CDW's competitive advantages should increase as it gets larger.
- **Air Products & Chemicals (APD)**, a leading industrial gas supplier globally, also delivered strong performance. Pricing power in the segment is rising and management is investing significant capital in projects which should generate returns of at least 10% over time. In addition, the company's valuation has expanded due to an increase in "take-or-pay" contracts under which customers agree to purchase a certain volume of gas or pay a penalty.
- **Broadridge Financial Solutions (BR)**, a provider of corporate services such as proxy statements and annual reports to public companies, was the third leading contributor. This is a transition year for Broadridge as it onboards some new clients and disengages from others. Recurring revenue continues to grow, however, and management has made several bolt-on acquisitions which should be additive to results.
- **Robert Half International (RHI)**, a staffing and consulting company, was the largest detractor during the quarter. The company is seeing sluggish demand in Europe even as its U.S. customers are becoming more selective in choosing candidates. Protivity, Robert Half's consulting business, continues to post strong growth while management continues to engage in stock repurchases and grow the dividend.
- Semiconductor firm **Xilinx (XLNX)** was the second largest detractor. While sales were healthy, the product mix weighed on margins and some new products will have higher expenses until volumes increase. We expect Xilinx should be a prime beneficiary from 5G deployments, growth in data centers, and the expansion of the Internet of Things.
- **National Instruments Corp. (NI)**, a software-based test and measurement company with products that enable the automation of industrial production, was the third largest detractor. Overall order activity has been sluggish and 5G-related sales have yet to materialize. Despite some revenue headwinds, profitability for the company is improving.

Portfolio Activity

- New positions in the quarter included semiconductor materials company **Entegris (ENTG)**. Entegris provides micro contamination filtration, specialty chemicals, and material handling products. The firm's products enable semiconductor companies to advance to the next smallest node as well as improve production yields.
- Business processing outsourcing company **Genpact (G)** is another new holding. Genpact takes over a customer's business operation such as finance and accounting, customer service, or IT, and runs it for them at a lower cost without compromising quality.

- Property and casualty insurer **The Hanover Insurance Group (THG)** was added. The company offers specialized insurance protection for small- and mid-sized businesses, as well as homes and automobiles. Hanover has strong partnerships through which they help select small independent agencies grow, in turn driving its own growth.
- First Hawaiian (FHB)**, Hawaii's oldest and largest bank, was invested in during the quarter. We believe that the bank is efficiently run and has a conservative credit culture. It also has a low-cost deposit franchise supported by a geographic location that helps insulate First Hawaiian from mainland competition.
- We liquidated our position in **Stock Yards Bancorp (SYBT)** in order to fund the position in First Hawaiian, which we believe is a better performing bank serving a more attractive market.
- The Fund ended the quarter with a 7.5% cash position, well within its normal range.

Outlook

The global economy is showing signs of slowing growth, particularly in Asia and Europe. The cyclical backdrop, along with fears of the consequences of a protracted trade dispute with China, could create headwinds to revenue growth here in the U.S. We are monitoring organic top-line growth for our holdings as well as the overall market. We expect that portfolio companies should continue to generate excess cash flow which could be used in part to increase dividends. We will continue to "let our compounders compound" as stocks tend to reflect the growth of underlying businesses over time.

TOP 10 HOLDINGS	
CDW Corp.	6.54%
Air Products & Chemicals	5.34%
Stryker Corp.	4.94%
Arthur J. Gallagher & Co.	4.85%
Broadridge Financial Solutions	4.73%

Microchip Technology	4.66%
Ross Stores	4.62%
Ingersoll Rand	4.50%
Avery Dennison Corp.	4.08%
IDEX Corp.	3.41%

TOP 5 CONTRIBUTORS*		
Name	Average Weight (%)	Contribution (%)
CDW Corp.	6.54%	0.90%
Air Products & Chemicals	5.34%	0.89%
Broadridge Financial Solutions	4.73%	0.85%
Ingersoll Rand	4.50%	0.67%
Arthur J. Gallagher & Co.	4.85%	0.53%

TOP 5 DETRACTORS*		
Name	Average Weight (%)	Detraction (%)
Robert Half International	1.70%	-0.24%
Xilinx	3.05%	-0.23%
National Instruments	1.39%	-0.07%
EOG Resources	2.58%	-0.04%
First Hawaiian	0.83%	-0.04%

*Reflects top contributors and top detractors to the fund's performance based on each holding's contribution to the overall fund's return for the period shown. The information provided does not reflect all positions purchased, sold or recommended for advisory clients during the period shown. It should not be assumed that future investments will be profitable or will equal the performance of the security examples discussed. Past performance is no guarantee, nor is it indicative, of future results. For more detailed information on the calculation and methodology as well as a complete list of every holding's contribution to the overall fund's performance during the time period shown, please call (800) 932-3271 or visit the fund's website at famfunds.com. Portfolio composition will change due to ongoing management of the fund. References to individual securities are for informational purposes only and should not be construed as an offer or a recommendation, by the fund, the portfolio managers, or the fund's distributor, to purchase or sell any security or other financial instrument. The summary is not advice, a recommendation or an offer to enter into any transaction with Fenimore or any of its affiliated funds. The portfolio holdings as of the most recent quarter.

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 or call (800) 932-3271.

Neither this presentation nor any of its contents may be distributed or used for any other purpose without the prior written consent of Fenimore. The description of certain aspects of the market herein is a condensed summary only. This summary does not purport to be complete and no obligation to update or otherwise revise such information is being assumed. These materials are provided for informational purposes only and are not otherwise intended as an offer to sell, or the solicitation of an offer to purchase, any security or other financial instrument. This summary is not advice, a recommendation or an offer to enter into any transaction with Fenimore or any of their affiliated funds. This presentation may contain statements based on the current beliefs and expectations of Fenimore's management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. Any references herein to any of Fenimore's past or present investments, portfolio characteristics, or performance, have been provided for illustrative purposes only. It should not be assumed that these investments were or will be profitable or that any future investments will be profitable or will equal the performance of these investments. There can be no guarantee that the investment objectives of Fenimore will be achieved. Any investment entails a risk of loss. Unless otherwise noted, information included herein is presented as of the date indicated on the cover page and may change at any time without notice.

FAMFUNDS.COM

800.932.3271 • 518.234.7462 • F 518.234.7793
384 North Grand Street, PO Box 399, Cobleskill, NY 12043

Securities offered through Fenimore Securities, Inc.
Member FINRA/SIPC, and advisory services offered
through Fenimore Asset Management, Inc.