FAM FUNDS
Managed by
FENIMORE ASSET MANAGEMENT

FAM Small Cap Fund

Semi-Annual Shareholder Letter 2020

June 30, 2020

Dear Fellow Small Cap Fund Shareholder,

Most professional investors love puzzles. Every day we learn something new, adding a piece to the stack in front of us. We try to plug these new pieces into our puzzle. Sometimes they fit perfectly. Other times we realize that some of our earlier pieces do not belong, so we pull them out. Usually, after some struggle, a picture slowly emerges; however, even though the puzzle evolves it is never complete.

Today, we are facing an extremely complicated puzzle. We have never seen this many pieces scattered before us.

Many macro factors including the pandemic, the government response, the election, economics, interest rates, and the moods of other investors could produce various scenarios. At the same time, all the micro company-specific issues like cost pressures, competitive dynamics, and capital allocation decisions are just as relevant as ever. Additionally, we believe other factors like falling interest rates and crowd psychology continue to lead to the outperformance of "growth" stocks over "value" stocks. As a result, there is much to consider in today's stock market!

As we reflect on our execution in the first half of 2020 (and especially over the longer term), we feel it is solid. This is an industry where the best participants are right only about two-thirds of the time. We have made mistakes, but we believe we have also made many good decisions. We confess to some frustration that unprofitable companies have outperformed those with profits year-to-date. But we think our focus on quality, profitable companies with strong leaders and a sound balance sheet relative to the underlying business helped during the contraction. The FAM Small Cap Fund (the "Fund") is well-positioned for the future in our opinion.

We "stress test" each of our holdings to make sure they can muscle through challenging situations. Often companies that should have a bright future never reach their potential because they enter a downturn with too much debt and do not survive. However, we had never run a test involving a simultaneous global pandemic, recession, plunge in oil prices, government-mandated closures, and more. As outlined below, some of our businesses suffered, but most handled it quite well through a combination of a strong financial position and/or being deemed "essential." Additionally, most showed impressive ingenuity in their responses to these unprecedented times.

Finally, we continued our long history of never letting a bear market go to waste. We went on a shopping spree and picked up shares in what we believe are wonderful companies that should grow nicely for years.

Many people may assume that the Fund's managers are trying to predict a single future which will come to pass. Instead, we understand that many scenarios are possible and try to design our portfolios to do well in as many situations as possible. As we write this letter in early July, there are still a tremendous number of unknowns. To a large extent, the coronavirus will dictate the near term. We do not know if we will see a sharp economic rebound, a return to contraction as activity declines to avoid a second wave of the virus, or some other unforeseen circumstance. Longer term, however, we remain convinced that conditions will improve and the economy should continue to grow nicely. With this recognition, we set out to construct a portfolio of strong businesses with the financial strength to survive whatever happens, along with the potential to create significant value over the next decade or so as conditions improve.

Activity

Relative to our normal pace of trading, this was an incredibly busy time. In a typical six-month period, we might sell a few positions when we learn a company, while solid, is not quite up to our high standards. Similarly, a very impressive business with strong leadership might temporarily hit a rough patch so we are able to buy some shares at an attractive valuation. This "normal" pattern was in effect during January and February, but March and April were two of the busiest months of our careers. May and June, while still challenging, were almost a calm after the storm.

Clearly, everything changed when COVID-19 arrived on the scene, the economy slowed, and then OPEC and Russia crushed oil prices to compete for market share. We responded aggressively. While we could no longer travel, we hit the phones hard. We not only spoke to our companies, but tracked down competitors, customers, suppliers, and other industry experts. Similarly, we read everything we could find. Our focus was to first make sure all our holdings could survive these extraordinary challenges. At the same time, we realized that investors were selling everything – including what we estimated were some fantastic businesses with great futures.

Pre-Virus

In the pre-virus period, we made three moves – selling **PC Connection (CNXN)** as well as buying **Nomad Foods (NOMD)** and **OneSpaWorld (OSW)**.

After a wonderful run, we decided to sell long-term holding **PC Connection (CNXN)**. CNXN, a distributor of computer equipment and software, is a solid but cyclical business. After reporting strong earnings for several quarters, the stock traded at a valuation considerably above its historical norm. Furthermore, while we consider the business and leadership better than average, we thought we could do even better.

The proceeds were primarily invested into a new idea – **Nomad Foods (NOMD)**, a producer of branded frozen food products in Europe. Product categories include fish, vegetables, and meat substitutes. Management's plan is to continually improve the brands they control while seeking opportunities to buy and upgrade similar companies. In the past, key members of senior management pursued this strategy at other businesses and created significant returns for shareholders. As COVID-19 rolled across Europe, Nomad became one of the few beneficiaries of the pandemic as consumers stopped visiting restaurants and increasingly ate at home.

In late January, we introduced a new idea into the Fund – **OneSpaWorld (OSW)**. In hindsight, this move was unfortunate; however, we only built a modest position. OSW's primary business lies in managing spas on cruise ships, almost all of which outsource spa services. OSW dominates the business with more than 90% market share and is typically highly profitable. Historically, OSW grew through recessions and past virus outbreaks like H1N1, SARS, and MERS, as cruise ship owners slashed ticket prices to keep their vessels full. At the time of our purchase, COVID-19 looked, to us, comparable to past viruses. By the time it was clear that it was a serious threat to the industry, the stock price had collapsed. While we were both frustrated and disappointed, we decided that the right course of action was to hold our now very small position. We believe that, eventually, the public will resume cruising and OSW should benefit.

We also took advantage of pullbacks in **Monro (MNRO)**, **Boston Omaha Corp. (BOMN)**, and **Landstar Systems (LSTR)** to add to our existing positions. Additionally, we trimmed **Franklin Electric (FELE)**. While we continue to admire the company, the valuation was high enough that it made sense to sell a few shares.

The Virus Emerges

Virtually overnight, everything changed. We responded with a two-pronged approach. First, we wanted to make sure that all our holdings could make it through the downturn and removed any problematic positions. Second, we looked for opportunities to "go on offense" and purchased shares in what we estimated were outstanding companies while they were "on sale."

As the market retreated, our first new idea of the pandemic was **Descartes Systems (DSGX)**. DSGX offers a variety of software products for logistics companies across the globe for tasks like tracking packages, routing trucks, and complying with a litany of customs regulations. We studied DSGX for a few years, but this was the first time the stock price was reasonably priced in our view.

Sadly, in the middle of the advancing storm, our longtime holding **Hallmark Financial (HALL)** reported they were having significant problems in their insurance line for small trucking operators. A series of massive jury verdicts threw the industry into turmoil. As a result, even for HALL's small fleet customers, litigation is now more prevalent and costly. We decided the best move was to exit the position.

After selling our shares in Hallmark, we quickly redeployed the proceeds into two other insurers – **The Hanover Group (THG)** and **White Mountains Insurance Group (WTM)**. You will be glad to know that neither has a large truck insurance business. Both are solid insurers we have known for years that were available at reasonable if not attractive prices.

A few months earlier, two of our banks – **CenterState Bank Corp. (CSFL)** and **South State Corp. (SSB)** – announced they were merging. As a result, two modest positions would eventually become one large position. We chose to trim both positions, which added to our dry powder to make opportunistic purchases during the contraction.

In mid-March, we began buying a position in **SPS Commerce (SPSC)**, the dominant player in supply chain software. Thousands of suppliers worldwide pay SPSC a fee to communicate with retailers like Costco, Fastenal, and Walgreens. SPSC is another example of a dynamic, high-growth company that rarely trades at an attractive valuation level.

Later in March, we opened a new position in **ONE Gas (OGS)**, the natural gas utility for most of Kansas, Oklahoma, and parts of Texas. OGS is a solid operator with strong management, whom we have met with several times over the years. After the decline, the price was low enough that, in our opinion, their nice dividend plus reasonable growth should lead to solid shareholder returns in just about any economic scenario possible.

In early April, we introduced another new idea – **Ollie's Bargain Outlet Holdings (OLLI)**. OLLI is an off-price retailer that buys unwanted inventory cheaply from manufacturers and retailers (e.g., end of season extras, label changes, or the inventory of failed stores) and then passes those bargains to consumers through hundreds of modest stores. We long admired OLLI and were pleased to finally be able to buy shares at an attractive valuation. While initially OLLI was impacted by less store traffic, they were considered "essential" and had significant financial strength – so we felt confident they could not only survive but return to growth when conditions improved. Furthermore, we theorized that in these tough times consumers would increasingly seek out bargains just as more excess inventory was available.

In addition to buying new positions as prices fell, we added to several existing positions. We think **Floor & Decor (FND)** can take share from the big-box hardware stores and "mom-and-pop" flooring stores for many years. While it was shocking to see so many of their stores closed, we felt confident they would survive; in part, because of their quick pivot to using FaceTime to serve customers and allowing order pickups off the loading docks.

In late April, we added to our position in **Pinnacle Financial Partners (PNFP)**, a bank held in the Fund for many years. It is obvious most banks will struggle for a while in our opinion. However, we felt the prices were overly pessimistic given PNFP's favorable medium- to long-term prospects.

With so many opportunities to purchase new ideas and add to existing holdings, it made sense to trim or exit some positions. In April, we trimmed our position in **Carriage Services (CSV)**, an operator of funeral homes and cemeteries, and sold all our shares in **Thermon Group (THR)**, a provider of heating systems used primarily by companies in the petrochemical industry. While we admire Thermon, in our view the collapse in oil prices and lack of economic growth means they are probably facing a multi-year period of few new construction projects. In both cases, we expected to redeploy the proceeds into better opportunities.

Conditions Improve

The stock prices of most smaller companies bottomed between mid-March and early April and then began marching higher. As a result, our trading activity slowed.

In late May, we added an initial position in **Trisura Group (TRRSF)**, a small insurer serving clients in both Canada and the U.S. At the same time, we funded the purchase in part by trimming both of our food industry positions – **Hostess Brands (TWNK)** and **Nomad Foods (NOMD)**.

In June, after a decent rebound from the scariest moments of the downturn, we sold our shares in our lone energy company – **Matador Resources (MTDR)**. The proceeds were largely redeployed into **U.S. Physical Therapy (USPH)**.

USPH, a company in which we held shares from 2013 to 2015, is a large operator of physical therapy offices. Typically, they partner with a local physical therapist well positioned to obtain referrals from local doctors. USPH handles the business aspects while the local partner focuses on building relationships and serving patients. While hurt by a drop in non-essential surgeries and sports injuries, we expect patient volumes to rebuild eventually. Additionally, we expect that USPH should continue to organically add offices and purchase small competitors.

Closing Thoughts

Clearly, we are facing conditions that none of us ever contemplated. We believe our focus on quality companies with safe financial positions and strong leadership positioned us well going into this environment. While we did have to remove some investments to reflect the new challenges, we were also able to buy shares in some extremely impressive enterprises from our vantage point. We cannot know what will happen in the next few months; however, we think the Fund is now even better positioned for the next few years. If the virus triggers another drop in stock prices, we are ready to aggressively invest in attractively priced strong companies.

We remain honored that you place your trust and capital with us. Thank you for investing alongside us in the FAM Small Cap Fund.

Best & Worst Performers for 12/31/19 to 6/30/20*

Top 5 Contributors	Average Weight (%)	Contribution (%)	Top 5 Detractors	Average Weight (%)	Detraction (%)
Ollie's Bargain Outlet Holdings	3.80%	0.88%	Pinnacle Financial Partners	3.32%	-0.69%
SPS Commerce	3.20%	0.64%	Thermon Group Holdings	SOLD	-0.71%
Descartes Systems Group	2.80%	0.39%	South State Corp.	2.76%	-0.87%
Floor & Decor Holdings	4.45%	0.33%	OneSpaWorld Holdings	1.02%	-1.05%
Entegris	4.53%	0.31%	Hallmark Financial Services	SOLD	-1.21%

This reflects the FAM Small Cap Fund's best and worst performers, in descending order, based on individual stock performance and portfolio weighting. Past performance does not indicate future results.

Performance (as of 6/30/20)

	YTD	1-Year	3-Year	5-Year	Since Inception 3/1/2012
FAM Small Cap Fund Investor Shares	-15.70%	-7.74%	0.36%	3.32%	8.60%
Russell 2000 Index	-12.98%	-6.63%	2.01%	4.29%	8.59%
S&P 500 Index	-3.08%%	7.51%	10.73%	10.73%	12.57%

Past performance does not indicate future results.

Andrew F. Boord
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**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.*

FAM SMALL CAP FUND TOP 10 HOLDINGS

As of 6/30/20

Name	% of Total Net Assets
CBIZ, Inc.	5.34%
Frontdoor, Inc.	5.20%
ExlService Holdings, Inc.	4.73%
Entegris, Inc.	4.53%
Floor & Decor Holdings, Inc.	4.45%
Monro, Inc.	4.32%
Choice Hotels International	4.20%
Landstar System, Inc.	4.05%
Ollie's Bargain Outlet	3.80%
Hostess Brands, Inc.	3.70%
TOTAL NET ASSETS	$182,407,450

AVERAGE ANNUAL TOTAL RETURNS AS OF JUNE 30, 2020
The performance data quoted represents past performance.

	SINCE INCEPTION	10 YEAR	5 YEAR	3 YEAR	1 YEAR	TOTAL FUND OPERATING EXPENSES*
FAM SMALL CAP FUND *Investor Class* (3/1/12)	8.60%	N/A	3.32%	0.36%	-7.74%	1.29%*
Institutional Class (1/1/16)	8.67%	N/A	N/A	N/A	-7.65%	1.20%*

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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 each Fund and should be read carefully before you invest or send money. To obtain a prospectus or summary prospectus for each fund as well as other information on the FAM Funds, please go to fenimoreasset.com or call (800) 932-3271.

Risk Disclosures: 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).

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**FAM Small Cap Fund Disclosure: The Fund's total annual operating expense ratio as stated in the fee table of the Fund's most recent prospectus is 1.29% for the Investor Class. The Fund's total annual operating expense ratio as stated in the fee table of the Fund's most recent prospectus is 1.20% for the Institutional Class. When excluding Acquired Funds Fees and Expenses, which are not direct costs paid by the Fund's shareholders and fee waivers, the total annual operating expense as reported in the FAM Small Cap Fund's audited financial statements for the Investor Class is 1.28% and the Institutional Class is 1.19% as of 12/31/19. The Advisor has contractually agreed, until 5/1/2021, to waive fees and/or reimburse the Fund certain expenses (excluding interest, taxes, brokerage costs, Acquired Fund Fees and Expenses, dividend expense and extraordinary expenses) to the extent necessary to maintain Net Fund Operating Expenses for Investor Shares at 1.42% and Institutional Shares at 1.20%.*

Institutional Class shares became available for sale on January 1, 2016. For performance prior to that date, this table includes the actual performance of the Fund's Investor Class (and uses the Fund's Investor Class' actual expenses), without adjustment. The performance results shown on this and the next page for the periods prior to January 1, 2016, the date of commencement of operations for Institutional Shares, are for the Investor Shares, which are subject to higher fees due to differences in the shareholder administrative services fees and certain other fees paid by each class. Institutional Shares and Investor Shares would have substantially similar performance results because the shares of each class are invested in the same portfolio securities of the Fund. Because of the difference in the level of fees paid by Investor Shares, the returns for the Investor Shares will be lower than the returns of the Institutional Shares.