



# Letter from Cobleskill

## SPRING 2015



**FAM FUNDS**

In-depth research.  
Insightful investing.

Dear Fellow Shareholder,

The elusive thaw came first and then the arrival of spring. With the severe winter we had throughout America, including record cold and snowfalls, the change of seasons could not have come soon enough. “Cabin fever” took on a whole new meaning this year. In our neck of the woods the weather warmed up nicely on the sixth anniversary of the bull market, March 9. It was a balmy 44 degrees, the sun shone brightly, the sky was a vivid blue, and our associates had a bounce in their step around the office. Another contributing factor to their boost in spirit may have been the fact that since the market bottomed on March 9, 2009, the S&P 500 Index is up more than 200%. In fact, in each of the past three years, the market has posted double-digit returns. While it’s possible that future returns may be lower and more in line with historical norms, we are still optimistic for a few salient reasons.

Firstly, many believe that 2014 was when our economy made it over the hump and gained traction with strong employment increases and consumer confidence hitting a five-year high. This good news is in contrast to the rest of the world where there are various challenges and conflicts. Despite some uncertainty overseas, we expect the U.S. economy to continue to improve in 2015.

Secondly, corporate earnings growth was a considerable contributor to the S&P 500’s rise last year and a common theme among our portfolio holdings as well. These profits are the result of modest revenue expansion and excellent cost control as many corporations are posting their best margins. It’s our experience that stock prices should eventually follow the earnings growth of businesses, regardless of inevitable short-term market fluctuations. We have certainly seen this during the bull market and believe that profits should expand again this year.

Thirdly, numerous companies are allocating their excess capital wisely to enhance shareholder value including mergers and acquisitions, stock buybacks, and increased dividends. These actions are typically positive for stock prices. For example, a strong company that acquires another can accelerate its growth. Also, when a corporation buys back stock, the outcome is that the outstanding shares decrease in quantity but increase in earnings per share. Additionally, dividends have been an important part of equity returns over time and should be meaningful going forward. We have been pleased to see many of the Funds’ holdings increase shareholder value during recent years and our outlook is for more of the same.

Naturally, many investors recognize these positive elements so the optimistic view for Corporate America is presently reflected in the prices you have to pay to purchase stocks. We see most stocks priced reasonably, certainly not inexpensively, and it is more difficult to find a bargain compared to a few years ago. However, as concentrated mutual funds, we only need to find a handful of new names each year to keep the portfolios well-positioned for the long term.

## Managing Risk

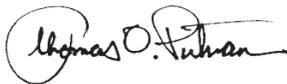
Due to oil price fluctuations, a relatively strong dollar, and a potential increase in interest rates, we would not be surprised if equity markets are more volatile in 2015 than they have been in recent years. We see volatility as an opportunity — not as a risk — and will be eager to invest in great businesses at discounted prices during market dips.

Risk to us is the permanent loss of capital. Managing risk is crucial for creating a favorable long-term plan and that's why we think it is vital to know what you own. Since we conduct diligent research and know the businesses behind the stocks intimately, it gives us high conviction to maintain, and even increase, our number of shares in these enduring corporations during downturns.

Through March we had already visited more than 20 companies (held in FAM Funds and new ideas) and, in aggregate, these management teams expect their earnings and intrinsic values to continue to grow this year. Many are reinvesting in their operations, another way to create shareholder value. This includes new products, more salespeople, additional store locations, and more manufacturing facilities as they focus on increasing revenues. We know what we own and this helps to mitigate risk for our shareholders.

While the seasons have changed, our rational, intelligent, and consistent process that we have used to manage money through multiple economic and market cycles is steadfast. If you have any questions or concerns, please contact us at **800-932-3271** or stop by. Thank you for your ongoing trust in us.

Sincerely,



Thomas O. Putnam, Founder & Chairman

## FAM Small Cap Fund's (FAMFX) Third Anniversary

The Small Cap Fund marked its three-year anniversary on March 1, 2015. This is a landmark in the investment industry. The Fund already has more than \$66 million in assets due to, among other factors, investor interest. It focuses on the smallest end of the small-cap space where we feel there are ample quality, bargain-priced, and long-term opportunities. *We thank all of you who have invested in this portfolio!*

---

*This letter is intended for FAM Shareholders and is authorized for distribution only when preceded or accompanied by a prospectus or summary prospectus for the FAM Value Fund, FAM Equity-Income Fund and FAM Small Cap Fund. Past performance is not indicative of future results. Investment returns may fluctuate: the value of your investment upon redemption may be more or less than the initial amount invested. Please read the prospectus or summary prospectus for more complete details, including investment objectives, risk considerations and expenses, before you invest. FAM Funds are distributed by Fenimore Securities, Inc., Cobleskill, NY 12043 (800) 932-3271. Current performance numbers are available at [famfunds.com](http://famfunds.com). Member FINRA/SIPC*



**FAM FUNDS**

PO Box 399, Cobleskill, NY 12043 / 800.932.3271 / [famfunds.com](http://famfunds.com)  
Distributed by Fenimore Securities, Inc. Member FINRA/SIPC