



FAM FUNDS

Managed by
FENIMORE ASSET MANAGEMENT



Dear Fellow Shareholder,

March Madness, the NCAA Division I Men's Basketball Tournament, has a single-elimination format that has created heart-pounding pandemonium for decades! It is a very popular event that has seen multiple repeat champions, but UCLA has won the most earning 11 titles. The university's storied history centers around coaching legend John Wooden who won 10 championships, including a remarkable seven in a row. Mr. Wooden has a library of timeless quotes. One quote epitomizes the extensive research we conduct on your behalf, "You can't have confidence unless you are prepared. Failure to prepare is preparing to fail." Our fieldwork equips us to make purchases even during times of adversity.

PREPARATION

Although March 9 just marked the 10th Anniversary of the market's bull run, there have been significant corrections along the way including September 20 to December 24, 2018.¹ We think many investors overreacted at that time and made emotional sales. While the frenzied sell-off was occurring, FAM Funds' research team enhanced, in our view, the overall quality and long-term positioning of each portfolio. We invested in several new businesses while adding to existing holdings at what we estimated were bargain prices.

PATIENCE

Because of the decline, from our perspective, stocks were a better value in 2018's fourth quarter offering more opportunities. In fact, we believe the drop allowed us to invest in excellent companies that our analysts had sought after for a long time, but thought they were too expensive. All the research in the world is for naught if we do not wait patiently for a stock to be available at what we assess is the right price. It is our belief that an attractive purchase price is one of the keys to long-term wealth creation.

POTENTIAL

Since the end of last year, the S&P 500 Index has rebounded significantly. The catalysts, in our opinion, are the Federal Reserve putting a hold on raising rates, improved U.S. and China relations, and satisfactory corporate earnings reports in January and February. Although it is still early in the year, we are optimistic about the short and long term. Here are two highlights:

- ♦ **Earnings Growth** – Over the long term, stock prices typically follow earnings. Our research analysts continually track a group of 28 domestic companies that includes some of FAM Funds' names and a variety of industries. All these firms have reported their outlook for 2019 and, on average, expect 6% earnings growth.² This is down 2% from last fall's projection, but still acceptable as the U.S. economy continues to expand. Although tariffs are the major unknown, we believe these operations should grow their earnings throughout the rest of the year.
- ♦ **Value Creation** – Overall, the holdings within all three FAM Funds are generating substantial cash profits. We think these businesses have managers who will use this money wisely for initiatives such as reinvestment, acquisitions, paying dividends, or stock buybacks. As a result, this should increase shareholder value for the stockholders.

¹Bloomberg & FactSet as of 3/15/19

²FactSet as of 3/15/19

While we feel positive about the future, our analysts always monitor current trends such as the trade issue, inflationary pressures, and the potential for a prolonged economic downturn in China.

PERSISTENCE

The research team works relentlessly for you – studying companies and their competitors, visiting facilities, speaking with management face-to-face and over the phone, attending conferences, and more. Our quest for quality businesses was evident again last year as analysts spent endless hours conducting research and on the road. Likewise, 2019 is already off to a robust start. There are no shortcuts to building wealth. As John Wooden also said, “It takes time to create excellence. If it could be done quickly, more people would do it.”

PEOPLE

Our associates are here to serve you. Whether researchers or service professionals, all our people are accessible and available. Please visit us in Albany or Cobleskill or call **800-932-3271** if we can be of assistance.

Moving forward, the FAM Funds team will continue to stick to our playbook and prepare ourselves for what other investors may see as difficult times, but we see as opportunities. Thank you for the ongoing trust and confidence that you place in us.

Sincerely,



Thomas O. Putnam
FOUNDER & CHAIRMAN

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