YOU CAN MAKE MONEY IN A "NO GROWTH" ENVIRONMENT
Stock Market Commentary

COBLESKILL, NY (August 18, 2009) ─ John Fox, the Director of Research at Fenimore Asset Management & FAM Funds (Fenimore), says it is possible to make money in the stock market even in a "no growth" environment.

"At Fenimore we consistently reiterate the importance of the financial strength of the businesses whose stocks we buy. This has proven to be paramount since the onset of the current recession back in late 2007. The vast majority of the companies we invest in have the luxury of abundant cash and little, if any, debt.

Presently, there is popular speculation that the U.S. economy will have little to no growth for the next few years. This is literally impossible to predict and only time will tell if it occurs. However, by investing in companies in superior financial condition, you can still make money in the stock market.

With a war chest of cash and low debt, a company can acquire faltering competition or new business lines to drive top line growth despite a slowdown in its industry—we are observing this today. A financially sound enterprise can also reinvest in its business without borrowing, or buy back shares at attractive levels. These actions could potentially result in an increase in value of the company's stock even under a no growth scenario.

This is why it is imperative to invest in a company with abundant free cash flow and solid financial posture, especially in challenging economic environments. Additionally, it's important that the business has a strong, ethical, seasoned management team with the ability to allocate capital reserves, without leverage, as it sees fit. Financial stability will help an enterprise endure the remainder of this recession and potentially boost its value so that investors can profit."

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Fenimore Asset Management (Fenimore) is the investment advisor to FAM Funds ─ the FAM Value Fund and FAM Equity-Income Fund. Fenimore is an independent investment advisory firm located in Cobleskill, NY and has been hand-selecting investments for more than three decades. Fenimore manages individual and institutional portfolios, and two mutual funds.