

# Fiduciary Management, Inc.

790 North Water Street, Suite 2100

Milwaukee, WI 53202

414.226.4545

www.fmimgt.com



Quarterly Review - December 31, 2023

## FMI All Cap Equity

Performance	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
All Cap (Gross)	11.36%	19.88%	19.88%	9.84%	12.64%	10.36%	10.19%
All Cap (Net)	11.19%	19.22%	19.22%	9.22%	12.00%	9.67%	9.48%
iShares Russell 3000 ETF <sup>2</sup>	12.14%	25.83%	25.83%	8.43%	14.96%	11.31%	9.53%

Inception: December 31, 2007

Performance is preliminary and subject to reconciliation.

### Investment Philosophy:

Purchase durable business franchises that are selling at a discount to their intrinsic value.

### Investment Process:

We utilize a business owner's approach to investing, thoroughly investigating the economics of the business and the quality of the management team. Some of the characteristics of good businesses include strong recurring revenue and attractive returns-on-invested capital (ROIC). We have a strong orientation to low absolute and relative valuation, which are key to the execution of our investment strategy. A new idea will come from a variety of sources including company visits, screens, conferences, trade periodicals and general reading. All members of the research team are responsible for fundamental research.

Once an investment opportunity is identified it is put through an extensive due diligence process, which typically includes management interviews and site visits. When an acceptable level of conviction is achieved, the appropriate weighting (considering liquidity, valuation, etc.) is discussed and determined. A new company purchased in the portfolio will usually have an initial position size of 1-3%. The portfolio generally consists of 35-45 companies and is well diversified across sectors.

We are long-term investors, a typical holding period for our companies is three to five years, and portfolio turnover averages 20-40% per annum.

### Portfolio Management Committee (PMC) Research Team

Jonathan T. Bloom, CFA	✓
John S. Brandser	
Patrick J. English, CFA	✓
Robert M. Helf, CFA	✓
Benjamin D. Karek, CFA	✓
Julia L. Ramon, CFA	✓
Daniel G. Sievers, CFA	✓
Matthew T. Sullivan, CFA	✓
Jordan S. Teschendorf, CFA	✓
Dain C. Tofson, CFA	✓

Please note disclosure footnote on reverse side.

<sup>1</sup>Estimated valuations are based on a representative account from the FMI All Cap Equity Composite, and are weighted average calculations, not reweighted to exclude cash, and financial companies are excluded from the EV/EBITDA calculation. Valuations for the portfolio are modified based on criteria identified by FMI. For more detailed information regarding these valuations, please contact FMI.

<sup>2</sup>Source: Bloomberg - returns do not reflect management fees, transaction costs or expenses. Performance is based on market price returns. Beginning 8/10/20, market price returns are calculated using closing price. Prior to 8/10/20, market price returns were calculated using midpoint bid/ask spread at 4:00 PM ET.

### Top 10 – Portfolio Holdings:

Skechers U.S.A. Inc. CI A	4.2%
Ferguson PLC	3.8%
Robert Half Inc.	3.6%
Charles Schwab Corp.	3.6%
Alphabet Inc. CI A	3.5%
BJ's Wholesale Club Holdings Inc.	3.4%
Micron Technology Inc.	3.2%
Houlihan Lokey Inc. CI A	3.1%
Booking Holdings Inc.	3.1%
Berkshire Hathaway Inc. CI B	3.1%

### Portfolio Characteristics:<sup>1</sup>

P/E Ratio (trailing one year)	23.8x
FY1 P/E Ratio (forward)	20.0x
FY2 P/E Ratio (forward)	17.2x
P/S Ratio	2.2x
P/B Ratio	4.7x
EV/EBITDA Ratio	16.1x
Number of Holdings	43
Active Share	93%

### Recent Purchase:

Valvoline Inc.	Ticker: VVV	Added: November 2023
----------------	-------------	----------------------

Valvoline provides vehicle fluid exchange (75% of sales) and parts replacement (25%) services, primarily through over 1,800 Valvoline Instant Oil Change locations. Having sold their motor oil business earlier this year, Valvoline has been simplified and is now a pure-play quick lube retailer. We like the business model because it is stable, predictable, has pricing power, high returns on capital, and growth potential. Increased penetration in a fragmented market, expanded usage of synthetic oils, and a consistent experience as consumers continue to shift to do-it-for-me, should drive strong earnings per share growth at high incremental returns. Although we believe we can get an attractive return from just the growth, there is the chance for a higher valuation as Valvoline puts up its first year of (nearly) clean financials in Fiscal Year 2024. We also believe the short-to medium-term threat of electric vehicles is manageable. If our growth expectations are achieved, the downside is modest even if the multiple compresses meaningfully over our five-year investment horizon. We expect investors will increasingly appreciate Valvoline's simple, high return model after a long period of being obfuscated by inferior businesses. We initiated a 1.2% position in November 2023.

### Recent Sale:

LCI Industries	Ticker: LCII	Sold: December 2023
----------------	--------------	---------------------

LCI Industries manufactures a broad array of engineered components for original equipment manufacturers (OEM) primarily in the RV industry but also in other industries including marine and manufactured housing. Products include chassis, windows, doors, furniture, axles, suspension solutions, awnings, doors, towing products, and electronic components. The company reports two segments: OEM and Aftermarket. Revenue is split approximately 75% OEM and 25% Aftermarket. At purchase, the near-term backdrop was favorable with strong demand helped by the pandemic and very low inventories. More recently, there has been a considerable slowdown in demand. We are increasingly concerned that higher interest rates and a recession (if it comes) could depress demand further as RVs are a large ticket discretionary purchase and very sensitive to economic conditions. Despite our concerns, shares have rallied, and we took advantage of the higher share price to sell our 1.2% position in December 2023.

**Fiduciary Management Inc.**  
**All Cap Equity Composite**  
**12/31/2012 - 12/31/2022**

Year	Total Return Gross of Fees %	Total Return Net of Fees %	*Benchmark Return %	Number of Portfolios	Dispersion %	Three Year Ex-Post Standard		Total Composite Assets End of Period (\$ millions)	Total Firm Assets End of Period (\$ millions)	Percentage of Firm Assets %
						Composite	*Benchmark			
2013	29.61	28.70	33.01	35	0.69	11.72%	12.29%	\$ 211.6	\$ 19,705.3	1.07%
2014	12.65	11.91	12.41	41	0.31	8.43%	9.17%	\$ 268.0	\$ 21,001.1	1.28%
2015	-0.14	-0.82	0.33	42	0.45	9.70%	10.55%	\$ 263.7	\$ 21,042.9	1.25%
2016	16.71	15.90	12.63	39	0.37	10.50%	10.97%	\$ 275.9	\$ 22,626.7	1.22%
2017	18.56	17.75	20.97	35	0.35	9.66%	10.17%	\$ 258.8	\$ 25,322.0	1.02%
2018	-5.05	-5.70	-5.42	34	0.38	10.08%	11.15%	\$ 212.8	\$ 19,833.6	1.07%
2019	27.65	26.87	30.66	20	0.83	10.29%	12.09%	\$ 208.5	\$ 22,609.9	0.92%
2020	7.19	6.59	20.55	21	0.49	18.11%	19.24%	\$ 206.6	\$ 16,284.2	1.27%
2021	23.72	23.02	25.53	18	0.36	18.19%	17.79%	\$ 225.9	\$ 17,068.4	1.32%
2022	-10.66	-11.16	-19.28	16	0.48	20.58%	21.39%	\$ 180.4	\$ 13,021.5	1.39%

\*Benchmark: iShares Russell 3000 ETF®

Returns reflect the reinvestment of dividends and other earnings.

The above table reflects past performance. Past performance does not guarantee future results. A client's investment return may be lower or higher than the performance shown above. Clients may suffer an investment loss.

Fiduciary Management, Inc. claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Fiduciary Management, Inc. has been independently verified for the periods 12/31/1993 - 12/31/2022. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The All Cap Equity Composite has had a performance examination for the periods 12/31/2007 - 12/31/2022. The verification and performance examination reports are available upon request.

FMI was founded in 1980 and is an independent investment counseling firm registered with the SEC and the State of Wisconsin. The firm manages over \$13.0 billion in assets of pension and profit sharing trusts, mutual funds, Taft-Hartley funds, insurance company portfolios, endowments and personal trusts. The firm includes both institutional and mutual fund business. Although the firm has participated in wrap programs, it is a separate and distinct business, and is excluded from firm-wide assets.

The FMI All Cap Equity Composite was created and inceptioned on 12/31/2007. These accounts primarily invest in small, medium and large capitalization US equities.

The FMI All Cap Equity Composite reflects time-weighted and asset-weighted returns for all discretionary accounts. From December 31, 2007 all accounts were managed for at least one month. All returns are calculated using United States Dollars and are based on monthly valuations using trade date accounting. All accounts in this composite are fee paying. Gross of fees returns are calculated gross of management fees and custodial fees and net of transaction costs. Net of fees returns are calculated net of actual management fees and transaction costs and gross of custodial fees and withholding taxes. Dispersion is calculated using the equal weighted standard deviation of all accounts in the composite for the entire period. As of 12/31/2011, the trailing three year annualized ex-post standard deviation for the Composite and Benchmark are required to be stated per GIPS®. FMI uses gross returns to calculate these.

Currently, the advisory fee structure for the FMI All Cap Equity Composite portfolios is as follows:

Up to \$25,000,000	0.65%
\$25,000,001-\$50,000,000	0.55%
\$50,000,001-\$100,000,000	0.50%
\$100,000,001 and above	0.45%

The firm generally requires a minimum of \$3 million in assets to establish a discretionary account. High Net Worth individuals may establish an account with a minimum of \$1,000,000, however, the firm reserves the right to charge a minimum dollar fee for High Net Worth individuals depending on the client servicing involved. The minimum account sizes do not apply to new accounts for which there is a corporate, family, or other substantial relationship to existing accounts. In addition, the firm reserves the right to waive the minimum account size and minimum annual fee under certain circumstances. A complete list and description of all firm composites and FMI distributed mutual funds are available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

iShares Russell 3000 ETF® seeks to track the investment results of the Russell 3000® Index (the "Underlying Index"), which measures the performance of the broad U.S. equity market, as defined by FTSE Russell (the "Index Provider" or "Russell"). The Underlying Index is a float-adjusted capitalization-weighted index of the approximately 3,041 largest public issuers domiciled in the U.S. and its territories, as determined by Russell. The Underlying Index includes large-, mid- and small capitalization companies and may change over time. The All Cap Equity composite uses the Russell 3000 Index® as its primary index comparison. In September 2022, the benchmark was changed from the Russell 3000 Index® to iShares Russell 3000 ETF® for all periods.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.