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INVESTMENT STRATEGY OUTLOOK – ALL CAP EQUITY

March 31, 2020

The FMI All Cap portfolios fell approximately 25.3% in the first quarter compared to the benchmark Russell 3000 Index decline of 20.90%. Sectors that contributed to relative performance included Energy Minerals, Consumer Non-Durables, and Consumer Durables. Detracting sectors included Technology Services, Commercial Services, and Health Technology. Dollar General, Nestlé and UnitedHealth Group held up from a relative standpoint but were still down in the quarter. Schlumberger, Woodward, Robert Half and several others declined sharply. Fears about COVID-19 and reactions to this caused a sharp and widespread drop in stock prices over a very short 30-day span, followed by a remarkable bounce over three days. In addition to this turmoil, a price war broke out in oil, with Saudi Arabia apparently making the decision to punish the Russians for not cooperating with an OPEC supply cut, but more likely intending to cripple the U.S. shale (frack oil) market. World economies were already slowing prior to COVID-19. The severe response both here and abroad, with "shelter in place" orders and temporary suspensions of many activities and business closures will send most economies into a deep recession. In the last week of March, Goldman Sachs projected a 34% (annualized rate) decline in second quarter U.S. GDP. The market slide was largely indiscriminate, with most equities precipitously falling. Stocks related to travel, hospitality, financials and industrials were some of the worst hit. Many of these sectors were on the value side of the investment spectrum, resulting in underperformance of value-oriented strategies versus growth ones during the quarter. The Russell 3000 Value Index underperformed the Russell 3000 Growth Index by 12.47% in the March quarter, continuing a multi-year pattern. While the FMI All Cap equity portfolio outperformed the Russell 3000 Value, it lagged the Russell 3000. For the first time in a long time, however, we no longer have to sing the "relative value" song. Good absolute values have emerged and today we are more enthusiastic about future long-term equity returns.

By the time this letter is read we will have a much greater understanding of COVID-19, so it is hazardous to make too many definitive statements now. On the optimistic front, it appears that the ultimate mortality rate is likely to be lower than some of the figures bandied about in early March. With antibody testing just beginning as of the date of this writing (March 31), we will start to gain a better understanding in a few weeks of how prevalent the infection is and how to structure a more optimal treatment and quarantine regimen. It is hard to keep calm in the midst of these unsettling events. Deaths are heartbreaking and images of turmoil in emergency departments are frightening. If the latest mortality projections from the Administration's point person ("up to 240,000 U.S. deaths") prove accurate, it will be a very deadly disease. It is important, however, to keep perspective on COVID-19. Assuming the 240,000 figure ends up being accurate and all the people who die from this virus would not have passed from other comorbidities (highly unlikely), it would represent 8.6% of the approximately 2.8 million people who die every year in the United States. The point is, the disease is awful and seems overwhelming, but it is manageable.

What has been most unusual in this crisis is the response. We have not seen anything quite like it in peacetime. Implementing shelter-in-place orders and shutting down large swaths of the economy may very well be the best approach, but it is not the only option, and it is not shared by all highly-respected experts or countries. It forces a set of trade-offs that perhaps people have not fully considered. This is not the place to debate something that has already been decided and is unlikely to be reversed. Investors must deal in realities. What we know for sure is that the response to this crisis has put the economy in a deep hole with massive unemployment. Leaders are trying to cushion the blow with $2.2 trillion of programs, loans and grants, with all of it coming from additional borrowing. Recall that prior to the outbreak, the economy wasn't robust. Growth was uneven and fairly slow, and the budget deficit had already surged to $1 trillion. With CARES, the deficit will soon exceed $3 trillion, juxtaposed to the Federal budget of $4.9 trillion, collections of approximately $3.9 trillion (pre-COVID-19), and existing total Federal

debt load of over $22 trillion. Given how sharply GDP will plunge, it is conceivable that the deficit will exceed Federal collections. All this debt (as well as increased corporate borrowings) will be a headwind to long-term growth. Combining the fiscal picture with an activist Fed, who gained new powers from the CARES Act, poses significant long-term challenges. But this reckoning is down the road…

In the meantime, there is the short and intermediate term to consider. What will an economic "restart" actually look like? Will people act normally? We have already seen cancellations of many things into August. Will governors even allow certain activities like ballgames, concerts, conferences, etc.? We think it will take some time. Earnings for the most affected industries such as hospitality, airlines, restaurants, and many cyclicals have declined dramatically and are unlikely to recover quickly. We believe most of these concerns are already in the stocks. Predicting people's fears and behaviors, however, is difficult. Second order effects will be widespread, hurting earnings across a very broad spectrum of sectors. Few companies will be spared. The Fed made its predictable move, lowering its benchmark interest rate to near zero percent, which has hurt the financial sector. For the first time in memory, short-term interest rates ticked negative late in the quarter. Balance sheet strength will be critical throughout the intermediate term, even with government assistance. More than a few of the popular growth stocks rely on equity financing, which can turn fickle when fear arises. Companies like Airbnb, Uber and Lyft may be in deep trouble if risk appetites go dormant. Even Tesla, which has been remarkably resilient, could face a rougher future if the demand for big ticket luxuries weakens and financing needs remain high. Corporate borrowing spreads, particularly in the sub-investment-grade area, have blown out over the past several weeks. The cost of capital has changed dramatically over the past month.

This type of environment should work in our favor. The FMI All Cap strategy has a portfolio of financially strong enterprises. We are confident in their ability to weather a longer-than-expected recession. Value stocks should regain their multiples as the economy stabilizes. The All Cap portfolio trades at a large discount to the Russell 3000 (depicted in the nearby table). As a rule of thumb, we are using 2019 earnings as a peak which we think most companies will return to by roughly 2023, give or take a year. Some firms will recover more quickly, but our experience is that recoveries generally take longer than expected. Still, we think valuations largely incorporate these worries. Volatility is extreme, however, so investors must focus a few years out and not on the day-to-day.

March 31, 2020 Weighted Average Valuations*	FMI All Cap	iShares Russell 3000	Discount to the Benchmark
P/E (1 Year Trailing)	16.2x	28.6x	43%
FY1 P/E (1 Year Forward)	16.3x	24.6x	34%
P/S	1.6x	4.5x	64%
EV/EBITDA	10.6x	18.6x	43%
Average Valuation Discount			46%

** Estimated valuations for FMI and the iShares are weighted average valuation calculations, not reweighted to exclude cash, and financial companies are excluded from the EV/EBITDA calculation. Valuations for both the portfolio and the ETF are modified based on criteria identified by FMI. For more detailed information regarding these valuations, please contact FMI.*

Below, in a shortened presentation format, we highlight several of our attractive stocks.

A.O. Smith Corp. (AOS) — Analyst: Benjamin Karek

A.O. Smith is a leading manufacturer of water heaters, boilers and purification systems. Effectively all of the company's current operating profit comes from North America, and ~80% of that business is replacement demand

for water heaters and boilers. These are necessary products that are typically replaced within 24-48 hours of breaking, making this a steady, high return-on-invested capital (ROIC) business. A.O. Smith is suffering from challenges in China, but at today's valuation we are only paying a nominal amount for the Chinese business. In North America, 85% of the company's distribution is exclusive, and we believe the stickiness of this network will help insulate it from competitive pressures. Additionally, by 2025 we will have lapped the replacement cycle headwind in 2022/2023 and investors will be staring at a decade-long increase in replacement volumes. A.O. Smith has net cash on the balance sheet and good liquidity and trades at a discount to its historical valuation.

Berkshire Hathaway Inc. Class B (BRK/B)— Analyst: Robert Helf

Berkshire Hathaway is a diversified holding company engaged in insurance, rail transportation, utilities and energy, manufacturing, services, retail and finance. Chairman and CEO Warren Buffett has assembled a collection of industry-leading companies that utilize the advantage of large, permanent capital to drive superior returns (Berkshire has compounded at a 20% rate, versus 10% in the S&P 500 since 1965). In 2019, Berkshire generated $254 billion in revenues and $24 billion in net operating earnings. The largest contributors to Berkshire's pre-tax earnings were: Insurance (26%), Manufacturing, Service and Retail (33%) and BNSF (22%). Insurance, Finance and Utilities cumulatively account for 45% of after-tax income. The company's track record in underwriting in its Property & Casualty Insurance business is excellent, with underwriting profits in 16 out of the past 17 years and $28 billion in underwriting gains during this time frame. The shares have sold off meaningfully in the COVID-19 crisis and are at one of the widest discounts to intrinsic value in a long time. Buffett likes to use "look through earnings" to approximate the economic earnings of Berkshire Hathaway. If we apply a modest mid-teen multiple to these earnings, we get more than the current stock price. This does not give any value to the $129 billion in insurance float that Berkshire has on its books. The stock is trading at book value and the company has historically repurchased stock at 1.2 times book value or lower. We would be surprised if Buffett wasn't repurchasing Berkshire stock aggressively and/or preparing to make a significant acquisition. With Buffett nearing 90 years old, some investors worry about Berkshire's future. The company is decentralized; we are not concerned about the operating companies. We think the sum-of-the-parts valuation is far in excess of the current enterprise value.

Charles Schwab Corp. (SCHW) — Analyst: Benjamin Karek

Charles Schwab is a discount broker. The discount brokerage industry has been subject to persistent pricing pressure over time (equity trades are now free) and as a result, we expect that this market will continue to consolidate into the hands of the two largest players: Fidelity and Charles Schwab. Despite the pricing pressure, this is a great business. The franchise benefits from long-term market appreciation, and Schwab's excellent interface and customer service has allowed it to gain market share. Revenue has grown approximately 10% over time, while earning a 30-year average return on equity of 20%. Schwab's scale is large enough that they can now monetize the business primarily through net interest income on idle client cash (~2/3 of sales). This is a big change for an established business, but we think it has two benefits: 1) client cash generates revenue for Schwab, yet it is not an explicit cost for the client. As a result, we think pricing pressure will be modest over time; and 2) clients shift from risk assets to cash in volatile markets. This acts as a natural hedge in down markets, and we are currently seeing this play out today. Schwab's balance sheet has little-to-no credit risk (a good position going into a recession) and they are well-capitalized with a tier 1 equity ratio of 7.3%. The shares currently trade at a significant discount to history.

Emerson Electric Co. (EMR) — Analyst: Andy Ramer

Emerson Electric offers a wide range of products and services primarily in the areas of Automation, HVAC & Refrigeration, and Construction. The company is comprised of Automation Solutions, Climate Technologies, and Tools & Home Products. Emerson has market-leading positions thanks to their domain knowledge, innovation (differentiated technology), and services & solutions capability to address complex challenges in critical markets. Automation Solutions enable customers to maximize production while reducing costs, and Climate Technologies improves energy efficiency, enhances comfort, and protects food quality. Although a cyclical company, nearly 40%

of total sales come from the maintenance, repair and optimization portion of Automation Solutions (significant installed base). The replacement nature of Climate Technologies also helps this part of the business be less cyclical in a downturn. In addition to contingency plans in the current economic environment, the company's balance sheet is positioned very conservatively (strong investment-grade credit) and they have plenty of liquidity. With a compelling valuation, we feel that Emerson is an attractive investment opportunity over our time horizon.

Kennedy-Wilson Holdings Inc. (KW) — Analyst: Jordan Teschendorf

Kennedy-Wilson is an integrated real estate investment company which acquires, manages, and sells real estate properties and related investments. The company invests predominantly in multifamily (46% of net operating income [NOI]), and commercial properties (47%), and to a lesser extent, hotel & industrial (7%), with a focus on growing in the Western United States (51% NOI), the United Kingdom (24%) and Ireland (21%). The company has generated an impressive investment record across multiple geographies and economic environments, often providing liquidity when it has been scarce. In recent years, the company has been a net seller of assets, building its liquidity position to record levels, deploying capital to internal NOI growth initiatives, and growing its fee income. Notwithstanding potential near-term issues related to COVID-19, we think the company will continue to capitalize on market volatility and grow its recurring property NOI. Kennedy-Wilson's balance sheet is healthy, with strong liquidity. We conservatively estimate the net asset value to be more than double the current stock price, with growth opportunities aplenty.

Koninklijke Philips N.V. SP ADR (PHG) — Analyst: Daniel Sievers

Philips is a leading global Healthcare/MedTech company with 60% of sales from #1 or #2 market positions. Segments include Diagnosis & Treatment (44%), Connected Care (24%), Personal Health (30%), and Other (2%). Philips is among the top three players that collectively have greater than 70% share of the global diagnostic imaging market. They are particularly strong in the growing area of Image-Guided Therapy (40% global share) and specialized cardiac ultrasound (60% global share). Philips' connected care segment includes patient monitoring and respiratory care (ventilators and CPAP). Lastly, Philips has Norelco (Grooming), Sonicare (Oral), Avent (Baby) and a small appliance business that will be sold. Philips is likely to grow 4-6%, with potential for a few hundred basis point margin improvement. High research and development spending has led to strong new product launches. COVID-19 will likely impact diagnostic imaging system orders/sales to hospitals for a while, but more than 40% of segment sales and profits are recurring software, services, and support. Philips balance sheet is solid. The stock trades at a nice discount to MedTech peers, has a mid-teens earnings multiple and a 2.4% dividend yield.

Quest Diagnostics Inc. (DGX) — Analyst: Daniel Sievers

Quest Diagnostics is normally a very steady business, as medical testing typically follows a consistent cadence. Quest and Lab Corporation together are the most efficient, lowest-cost lab network providers in the United States, gradually taking market share from both small labs that aren't as efficient, and hospital labs that charge much more per test. Prior to COVID-19, the story was one of solid mid-single-digit volume growth, driven by share gains (small labs struggling due to Medicare reimbursement pressure), and the early innings of UnitedHealth's preferred lab opportunity, which was designed to force volumes out of high-cost hospital labs and towards Quest & Lab Corporation. This was being offset by normal declines in commercial price, and a much bigger near-term slide in Medicare prices, due to regulatory edicts. We expect the regulatory pressure to wane. Although partially offset by COVID-19 tests, in the near-term, COVID-19 is resulting in a deferral of many medical visits and procedures that would normally send test volumes to Quest. We view this as a temporary setback. Quest is a durable business, has a good balance sheet, trades at a low-teens earnings multiple and has a 2.5% dividend yield.

Robert Half International Inc. (RHI) — Analyst: Robert Helf

Robert Half is the market share and innovative leader in professional staffing to small and medium-sized businesses. The company has a very strong franchise in the field of accounting (Accountemps) and finance, while its Protiviti professional consultancy has grown nicely over the last decade. The temporary staffing business is cyclical, and the

company will experience profit contraction during the COVID-19-induced recession. The company has the balance sheet to withstand a deep recession. Historically, the time to buy Robert Half is when the near-term outlook is bleak. Once the economy recovers, earnings should snap back quickly. Additionally, the business generates significant cash from working capital during the early periods of contraction. Robert Half has $200 million of net cash on the balance sheet. The enterprise value-to-sales ratio is about half of its 20-year average.

UnitedHealth Group Inc. (UNH) — Analyst: Daniel Sievers

UnitedHealth Group is the combination of UnitedHealthcare (UHC), a leader in U.S. health insurance, and Optum, a data-centric powerhouse that provides services to UHC, other health insurers, and medical businesses of all types. In November 2019, UnitedHealth projected 2020 revenues of $209 billion for UHC (5.4% operating margins) and $128 billion for Optum (8.4% operating margins) before $76 billion in intercompany eliminations. UHC is 51% of profits and Optum is 49%. COVID-19 is creating some uncertainty in the near-term that may result in a spike in direct medical costs, but there are two short-run offsets: (1) near-term deferral of complicated and costly procedures, and (2) less risky population-level behavior (fewer 'other' infectious diseases, car crashes, sports injuries, etc.). Longer-term, the two biggest growth drivers for UnitedHealth continue to be (1) private insurers' increasing penetration of Medicare Advantage and Medicaid Managed Care, and (2) medical cost trends (units + price) running about 5.5% in the U.S. (supported by demographics). The company believes it can achieve several years of 13%-16% EPS growth. It trades at a very reasonable mid-teens 2019 earnings multiple, pays a healthy dividend, and has a strong balance sheet.

Thank you for your confidence in Fiduciary Management, Inc.

Fiduciary Management Inc.
All Cap Equity Composite
12/31/2009 - 12/31/2019

Year	Total Return Gross of Fees %	Total Return Net of Fees %	*Benchmark Return %	Number of Portfolios	Dispersion %	Three Year Ex-Post Standard Deviation		Total Composite Assets End of Period ($ millions)	Total Firm Assets End of Period ($ millions)	Percentage of Firm Assets %
						Composite	*Benchmark			
2010	18.20	17.41	16.93	18	0.26	n/a	n/a	$ 103.3	$ 9,816.0	1.05%
2011	3.85	3.14	1.03	23	0.41	19.57%	19.35%	$ 127.4	$ 12,273.6	1.04%
2012	16.06	15.34	16.42	30	0.27	14.87%	15.73%	$ 168.5	$ 15,253.5	1.10%
2013	29.61	28.70	33.55	35	0.69	11.72%	12.53%	$ 211.6	$ 19,705.3	1.07%
2014	12.65	11.91	12.56	41	0.31	8.43%	9.29%	$ 268.0	$ 21,001.1	1.28%
2015	-0.14	-0.82	0.48	42	0.45	9.70%	10.58%	$ 263.7	$ 21,042.9	1.25%
2016	16.71	15.90	12.74	39	0.37	10.50%	10.88%	$ 275.9	$ 22,636.7	1.22%
2017	18.56	17.75	21.13	35	0.35	9.66%	10.09%	$ 258.8	$ 25,322.0	1.02%
2018	-5.05	-5.70	-5.24	34	0.38	10.08%	11.18%	$ 212.8	$ 19,833.6	1.07%
2019	27.65	26.87	31.02	20	0.83	10.29%	12.21%	$ 208.5	$ 22,609.8	0.92%

*Benchmark: Russell 3000 Index®

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, Incorporated (FMI) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. FMI has been independently verified for the periods 12/31/1993 - 12/31/2019. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The All Cap Equity composite has been examined for the periods 12/31/2007 - 12/31/2019. The verification and performance examination reports are available upon request. Benchmark returns are not covered by the report of independent verifiers.

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 $22.6 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 in December 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®.

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 is available upon request.
Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The Russell 3000 Index® measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. The All Cap Equity composite uses the Russell 3000 Index® as its primary index comparison.