

## INVESTMENT STRATEGY OUTLOOK – ALL CAP EQUITY

March 31, 2021

The FMI All Cap portfolios returned approximately 7.6% in the March quarter compared to 6.35% for the Russell 3000 Index and 11.89% for the Russell 3000 Value Index. Relative to the Russell 3000, sectors that outperformed included Electronic Technology, Process Industries, and Commercial Services. Underperforming areas included Energy Minerals, Consumer Non-Durables, and Finance. From an individual stock perspective, Robert Half International Inc., The Charles Schwab Corp., and Avery Dennison Corp. were outstanding, while Unilever PLC, Dollar General Corp., and FirstCash Inc. lagged. Most stocks did reasonably well in the quarter; deeper-value names (many of suspect quality) and cyclical enterprises were standouts. Firms with a high probability of default, money-losing companies, and other highly-speculative stocks also continued to perform well. Recall that 2020 was a banner year for the most speculative stocks. Companies with over \$1 billion in market value as of year-end 2020, who also lost money in 2019 (409 money-losing companies), gained on average 123% last year. When the other side of this stock market cycle has been completed, we believe most of these stocks will better reflect fundamental reality.

We lead this note with a reiteration of what we said in December. Vaccines are helping to drive COVID-19 into the background, economies are generally improving, and the outlook is brightening for revenue growth. This should favor value-oriented securities. The absence of generalized growth helped drive a high premium for those relatively few companies that were growing rapidly. There are still nearly ten million Americans out of work, and once the disincentive of a government check is removed, the expectation is that many people will rejoin the workforce. There is pent-up demand, and this should drive good GDP growth.

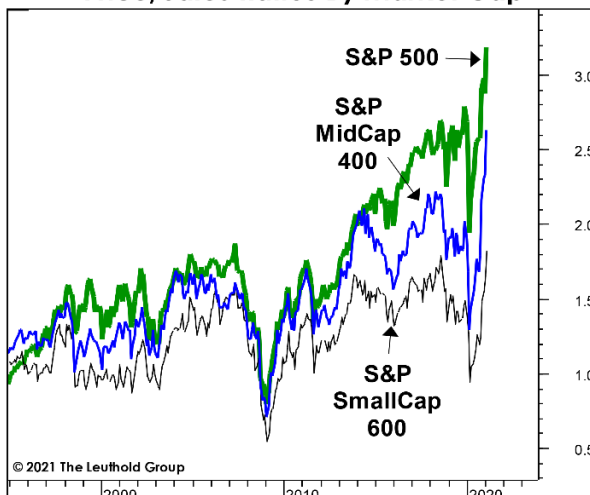
We also have to consider, however, the ramifications of unprecedented deficit spending. The U.S. government is set to borrow more money than it generates in tax receipts, pushing the deficit to likely exceed 20% of GDP this year, and the federal debt at least 30% greater than the total output of the economy. The U.S. has never had such a stretched balance sheet in non-war times. Someday the piper will have to be paid.

The “character” of the stock market is rambunctious, casino-like, and schizophrenic. Stocks rip up or down seemingly based on whether professional traders, CNBC, or the Reddit/Robinhood crowd deem it a “risk-on” or “risk-off” day. Social media-driven campaigns have perhaps mortally wounded short sellers. Short selling is a legitimate and useful endeavor as it helps with price discovery; however, if a loosely-organized mob can run up the stock of a low-quality, heavily-shorted business, it makes the profession untenable. At least one major hedge fund needed a multi-billion-dollar bailout after its short position in GameStop was attacked. Broken bets, at least so far, haven’t curbed the chaotic action in the retail investor camp. Recall last year’s head-scratching rally in the bankrupt rental car company, Hertz Corp. Trading around \$20 per share in February of 2020, it filed for bankruptcy on May 22<sup>nd</sup>. The stock immediately went to \$0.56. Retail traders, taking cues from popular sites on Redditt like WallStreetBets, sent the stock up tenfold in a month. Today, trading in the pink sheets, Hertz is at \$1.72 -- still a highly-speculative price, considering the likelihood of equity investors getting zero in the restructuring.

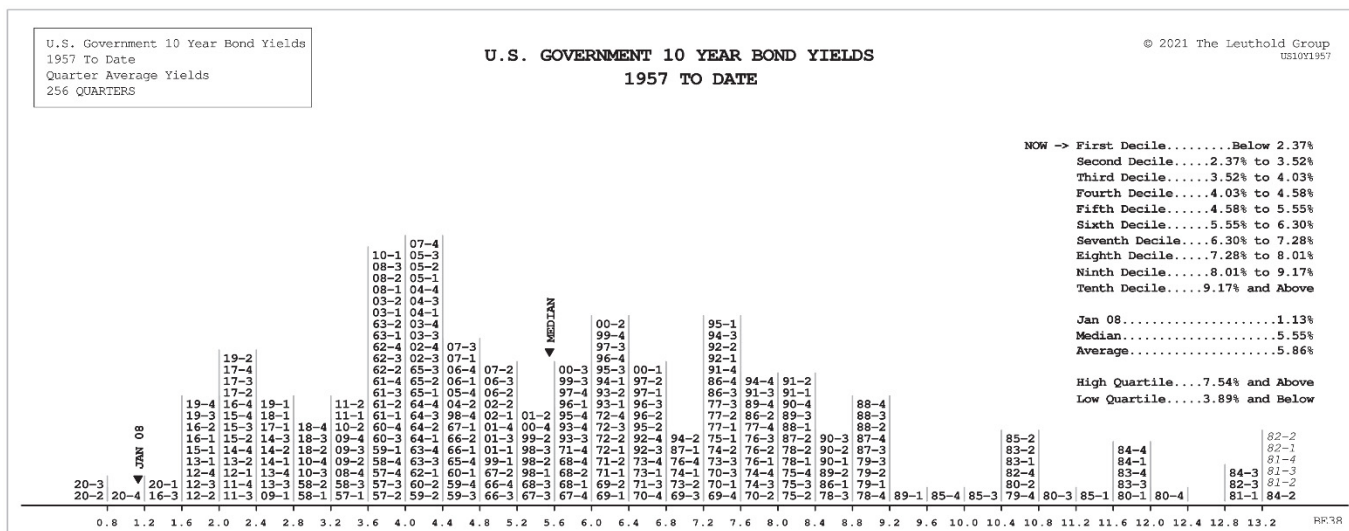
Traders moving “baskets” of securities are causing stocks to lurch back-and-forth between various indices (growth or value) and subsectors (Special Purpose Acquisition Companies, or “SPACs,” shorts, rate-sensitive financials, high-beta reopening stories, non-profitable tech, oil, renewables, high beta coronavirus beneficiaries, infrastructure, etc.), furthering the disconnection between individual stocks and underlying fundamentals. Stocks are viewed by many as pieces of paper, not fractional ownership of businesses. There might be a whole generation of investors who simply do not consider valuation at all in the selection of their investments. It’s possible this multi-year phenomenon can continue. If so, investors can throw away the textbooks and simply follow momentum. Of course, we don’t believe it will persist; there is no historical precedent, and it just violates common sense.

Most valuations are higher than at any time we have studied. Few would buy a company trading at 39.9 times trailing earnings (price-to-earnings), 27.7 times EBITDA<sup>1</sup> (enterprise value-to-EBITDA), or 6.6 times revenue (price-to-sales), yet this is what index investors are paying for the S&P 500 today.<sup>2</sup> It's similar for other market caps. The chart to the right depicts the median price-to-sales ratio for three S&P indices. Lately, around our firm, we've marveled at some Wall Street research reports that literally do not mention a stock's valuation. Many investors have a distorted view of how fast companies grow. Most would be surprised to learn that over the past decade, the median growth rates of the S&P 500 sales and earnings were 2.61% and 2.75%, respectively. Eventually, we expect that reality will be reflected in fundamental valuations.

Price/Sales Ratios By Market Cap



Growth stocks underperformed in the quarter. Higher interest rates are perhaps the culprit, although meeting elevated expectations may also be a factor. The 10-Year Treasury yield rose to 1.74% from 0.93% at the start of the year. As the economy gains speed coming out of coronavirus-induced shutdowns and dormant money starts to get deployed within the banking system, inflation concerns may surface. As mentioned, we are seeing anecdotal evidence of inflation in several places. Perhaps this sets the stage for the long-awaited "normalization" of interest rates. Since 1957, the median 10-Year Treasury yield is 5.55%. As the following histogram reveals, today's level could rise 0.60% and still be in the *first decile*. We've reviewed Wall Street models for some growth companies that incorporate a cost of capital below 2%! Imagine what those long-term discount models would look like with a more normal 10% hurdle rate on equity capital and 5-6% on debt.



Inflation is in almost nobody's muscle memory. Very few investors were around in the early 1980s, the last time inflation was a real problem. Economies were much different back then. Natural resource dependency, labor mobility, supply chain efficiency, technology, and many other elements have fundamentally changed, making high inflation appear less

<sup>1</sup> Earnings before interest, taxes, depreciation, and amortization.

<sup>2</sup> Valuations are estimates based on the following scrubbing criteria: money losing companies are ascribed a 40 P/E ratio to them (which is probably conservative) and those with P/E ratios greater than 100 are capped at 100. For P/S, those with greater than a 30 multiple are capped at 30x. We assign the same multiple for no sales. The EV/EBITDA calculation excludes financials, and uses a cap of a 200 multiple, while those with a negative EV/EBITDA receive a 20 multiple in the calculation.

likely than in the past. Nevertheless, warp speed increases in deficits and overall debt, low productivity, wanton Fed money printing, and complete political disfunction may help foster higher prices. Our companies are telling us their costs are rising. This could begin to change the interest rate environment. It is hard to believe, but the effort to bring inflation under control saw the Federal Funds Rate move from 5% in 1976 to 20% in 1980. Going from today's street-level rates to something even remotely close to the lower end of this range would certainly change the character of what works, and what does not, in the stock market. Nobody has a crystal ball, but the FMI portfolios are not built with the notion that interest rates will stay low forever. Our approach is to buy all-weather vehicles, but with a dollop of contrarianism. We remain optimistic that good-quality, reasonably-valued businesses with solid balance sheets will prevail over the long run. Following are a couple of ideas that reflect this strategy.

### **Masco Corp. (MAS)**

(Analyst: Jordan Teschendorf)

#### **Description**

Masco Corp., headquartered in Livonia, Michigan, is a global leader in the design, manufacture, and distribution of branded home improvement and building products. The company's portfolio of well-recognized brands includes Behr paint, and Delta and Hansgrohe bath and shower fixtures. Operations are divided across two segments: Plumbing Products (58% sales, and 58% operating profit) and Decorative Architectural Products: (42%, and 42%). The company generated a 2020 sales profit of \$7.2 billion, and operating profit of \$1.3 billion. Sales are split between North America (81%), Europe (12%), China (3%), UK (2%), and Other (2%).

#### **Good Business**

- Following several key portfolio actions in recent years (the 2015 spin-off of their installation business serving new construction, and the sale of their windows and cabinetry businesses in 2019 and 2020, respectively), the business has structurally increased its sustainable growth, margin, and return profile.
- Masco is now comprised mostly of low-ticket and high-impact home improvement products in growing categories (paints, stains, faucets, etc.), with a sector-leading 89% of sales from the less cyclical and higher-margin repair and remodel (R&R) market.
- The company generally holds number one or two positions in its major markets. Competitive advantages include its brand strength built over several decades, and close alignment with advantaged retail and distribution partners.
- Masco's return on invested capital (ROIC) was 26% in 2020. The company's ROIC has averaged around 20% over the last 3, 5, and 10-year periods.
- The company has been a terrific generator of free cash flow, is conservatively financed, and is easy to understand.

#### **Valuation**

- The stock trades at a mid-teens forward earnings per share multiple (EPS), a discount to its 10-year average of 19.6 times.
- It also trades at about a 20% discount to the median of its peers on a forward enterprise value-to-EBITDA.
- Masco's discount is particularly notable considering it leads its peer group in ROIC and long-term EPS growth, while also carrying well-below-average exposure to more cyclical new construction markets.

#### **Management**

- Keith Allman has been with Masco since 1998 and has served as Chief Executive Officer since February 2014. Under his leadership, the company has focused the business on higher-margin and less cyclical markets where it has competitive advantage and emphasized innovation and capital discipline. He beneficially owns over 1.1 million shares of the company as of the latest proxy.
- Management demonstrates discipline in allocating free cash flow and has a clear understanding of ROIC (tied to compensation), steering clear of high-priced acquisitions, and accelerating share repurchase activity when the stock has traded below intrinsic value.

### **Investment Thesis**

Masco provides FMI exposure to the residential housing market through a best-in-class branded building products company with strong leverage to the attractive R&R segment. Although the stock has periodically reflected concerns over higher raw material costs, rising interest rates, and the outlook for new construction, we believe the company provides a good balance of offensive and defensive attributes. At a reasonable valuation, considering our expectation for mid-single-digit organic sales and double-digit EPS growth over the long-term, we continue to believe in Masco's prospects.

### **Micron Technology Inc. (MU)**

(Analyst: Dan Sievers)

### **Description**

Micron Technology, founded in 1978 and headquartered in Boise, Idaho, is focused on the production of innovative memory and storage solutions. Approximately 70% of its revenue (85% of operating income) comes from dynamic random-access memory (DRAM) and 25% from "not and" (NAND) solid storage, and the balance from other emerging memory technologies. By broad market segment, 2020 sales were approximately 25% Mobile, 20% Client and Graphics, 20% Enterprise and Cloud Server, 20% Solid State Storage Devices, and 15% Automotive, Industrial, and Consumer.

### **Good Business**

- Following decades of consolidation culminating in the acquisition of Elpida Memory Inc. (out of bankruptcy) by Micron in 2013, DRAM entered a new paradigm, where none of the remaining three large players were seeking to win material market share. By 2019, nearly all of the global DRAM market was controlled by Samsung Electronics Co. Ltd. (46%), SK Hynix Inc. (30%), and Micron (21%) because migrating process technology to the next "node" has become increasingly difficult and costly. Barriers to entry have never been higher and the DRAM industry may soon be entering an extended period of structural undersupply. In the NAND market, where Micron is #4 of 7 (soon to be 6), a similar dynamic is gradually playing out. Industry leader Samsung still intends on near-term market share gains which may drive further consolidation.
- Demand growth remains strong because almost anywhere there is a processing unit, dynamic memory and storage are needed, and as performance increases, memory demand increases. While industry demand growth may come in part from memory being added to new devices, the larger driver will continue to be growth in memory per device, or "content per box."
- PC DRAM and laptop NAND have been somewhat commoditized, but the end market demand for both is broadening. Micron is #1 in specialized DRAM for graphics, automotive, and networking. There are advantages to producing both DRAM and NAND, including shared research and development for other emerging and hybrid memory technologies.
- Full cycle margins have been rising, and the memory industry appears to be becoming somewhat less cyclical because of predictable supply growth trends. With this, we expect Micron will have greater full cycle margin than historically.
- As of 2019, Micron's 5-year trailing ROIC was 18.3%.
- Micron's balance sheet tipped into a net cash position just nine quarters ago and had net cash and investments of \$2.5 billion for the fourth quarter of 2020. Once carrying significant net debt, the company was upgraded to investment grade in recent years by both Moody's and Standard & Poor's.

### **Valuation**

- Micron trades for a high single-digit 2022 EPS estimate.
- While cyclicity remains a trait of Micron, we feel the multiple will be sustainably higher over the next five years due to the oligopolistic nature of the market and the strong secular demand.
- Micron is likely to institute a dividend within a year or two.

### **Management**

- Sanjay Mehrotra joined Micron as CEO in February 2017. On his watch, Micron has significantly closed the technology and cost gap versus Samsung. Mr. Mehrotra is focused on technological competitiveness, continuous

cost reduction, capital expenditure discipline, and return on investment. He initiated the company's first \$10 billion buyback program in May 2018. He co-founded SanDisk Corp. in 1988 and was CEO when SanDisk was sold to Western Digital Corp. in 2016.

**Investment Thesis**

The global memory industry has structurally improved since 2013 due to consolidation, higher barriers to supply growth, and the ongoing broadening of demand. While not recently evident, industry cyclicality is diminishing. Following an extraordinary demand-led increase, DRAM prices surged in fiscal year 2017 and 2018 (hyperscale cloud data center buying), but receded drastically in 2019 and 2020 ended September 30. Prior to COVID, Micron was anticipating a fairly smooth calendar year 2020, but demand was pulled forward from datacenter buyers (work-from-home trends) and Chinese smartphone manufacturers, building inventory anticipating trade frictions. Though smartphone demand rebounded in the second half of 2020, these two factors created a demand hole for a few quarters. Looking forward, the DRAM industry appears headed for structural undersupply, which supports firming prices, rising margins, and significant earnings growth ahead.

Our sincere thanks for your support of Fiduciary Management, Inc.

**Fiduciary Management Inc.**  
**All Cap Equity Composite**  
**12/31/2010 - 12/31/2020**

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		Total Firm Assets End of Period (\$ millions)	Percentage of Firm Assets %
						Composite	*Benchmark	Assets of Period (\$ millions)	End of Period (\$ millions)		
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	\$ 22,626.7	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	\$ 22,609.9	0.92%	
2020	7.19	6.59	20.89	21	0.49	18.11%	19.41%	\$ 206.6	\$ 16,284.2	1.27%	

\*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, 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 - 12/31/2020. 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 - 12/31/2020. 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 \$16.2 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.

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.

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**Fiduciary Management Inc.  
Small Cap Equity Composite  
12/31/2010 - 12/31/2020**

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			
2011	5.64	4.79	-4.18	179	0.34	21.17%	24.99%	\$ 2,523.2	\$ 12,273.6	20.56%
2012	11.34	10.43	16.35	182	0.40	15.46%	20.20%	\$ 2,609.5	\$ 15,253.5	17.11%
2013	33.43	32.33	38.82	180	1.04	12.51%	16.45%	\$ 2,801.8	\$ 19,705.3	14.22%
2014	7.99	7.06	4.89	178	0.39	9.65%	13.12%	\$ 3,006.5	\$ 21,001.1	14.32%
2015	-5.72	-6.52	-4.41	171	0.34	11.18%	13.98%	\$ 2,597.2	\$ 21,042.9	12.34%
2016	21.65	20.65	21.31	171	0.46	12.02%	15.77%	\$ 2,596.0	\$ 22,626.7	11.47%
2017	15.42	14.49	14.65	171	0.84	11.12%	13.91%	\$ 2,774.0	\$ 25,322.0	10.96%
2018	-8.10	-8.83	-11.01	160	0.74	11.73%	15.79%	\$ 2,220.4	\$ 19,833.6	11.20%
2019	27.14	26.17	25.53	119	1.83	12.44%	15.71%	\$ 2,415.0	\$ 22,609.9	10.68%
2020	4.40	3.60	19.96	104	1.49	21.15%	25.27%	\$ 2,079.2	\$ 16,284.2	12.77%

\*Benchmark: Russell 2000 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, 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 - 12/31/2020. 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 Small Cap Equity Composite has had a performance examination for the periods 12/31/1993 - 12/31/2020. 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 \$16.2 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 Small Cap Equity Composite was created and inceptioned in January 1980. These accounts primarily invest in small to medium capitalization US equities.

The FMI Small Cap Equity Composite reflects time-weighted and asset-weighted returns for all discretionary accounts, with a market value greater than \$500,000 as of month end. A small percentage of composite assets (typically ranging from 0-5%) historically has been invested in unmanaged fixed income securities at the direction of account holders. From December 31, 1993 thru September 30, 2002 all accounts included were managed for at least one quarter, from October 1, 2002 to present 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, gross of custodial fees, gross of withholding taxes 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 Small Cap Equity Composite portfolios is as follows:

Up to \$25,000,000	0.85%
\$25,000,001-\$50,000,000	0.80%
\$50,000,001-\$100,000,000	0.70%
\$100,000,001 and above	0.60%

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 portfolios, calculating performance, and preparing compliant presentations are available upon request.

The Russell 2000 Index® measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 8% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Small Cap Equity composite uses the Russell 2000 Index® as its primary index comparison.

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**Fiduciary Management Inc.**  
**Large Cap Equity Composite**  
**12/31/2010 - 12/31/2020**

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						Composite	*Benchmark			
2011	2.35	1.74	2.11	509	0.37	18.34%	18.70%	\$ 8,434.8	\$ 12,273.6	68.72%
2012	16.02	15.32	16.00	575	0.32	13.94%	15.09%	\$ 11,270.3	\$ 15,253.5	73.89%
2013	31.87	31.10	32.39	685	0.31	11.38%	11.94%	\$ 15,785.5	\$ 19,705.3	80.11%
2014	13.52	12.81	13.69	725	0.25	8.54%	8.98%	\$ 16,084.1	\$ 21,001.1	76.59%
2015	-1.54	-2.16	1.38	655	0.27	9.94%	10.48%	\$ 14,304.1	\$ 21,042.9	67.98%
2016	14.85	14.16	11.96	636	0.32	10.48%	10.59%	\$ 12,562.9	\$ 22,626.7	55.52%
2017	19.90	19.24	21.83	628	0.32	9.70%	9.92%	\$ 12,722.2	\$ 25,322.0	50.24%
2018	-3.07	-3.62	-4.38	540	0.29	9.85%	10.80%	\$ 9,901.1	\$ 19,833.6	49.92%
2019	24.58	23.94	31.49	371	0.42	9.95%	11.93%	\$ 10,493.0	\$ 22,609.9	46.41%
2020	11.32	10.70	18.40	266	0.55	17.09%	18.53%	\$ 8,684.6	\$ 16,284.2	53.33%

\*Benchmark: S&P 500 Index®

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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 \$16.2 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 Large Cap Equity Composite was created and inceptioned on 12/31/2000. These accounts primarily invest in medium to large capitalization US equities.

The FMI Large Cap Equity Composite reflects time-weighted and asset-weighted returns for all discretionary accounts with a market value greater than \$500,000 as of month end beginning January 1, 2012. From December 31, 2000 thru September 30, 2002 all accounts included were managed for at least one quarter, from October 1, 2002 to present 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, gross of custodial fees, gross of withholding taxes 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 Large Cap Equity Composite portfolios is as follows:

Up to \$25,000,000	0.55%
\$25,000,001-\$50,000,000	0.50%
\$50,000,001-\$100,000,000	0.45%
\$100,000,001 and above	0.35%

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 portfolios, calculating performance, and preparing compliant presentations are available upon request.

The S&P 500 Index® is widely regarded as the best single gauge of the U.S. equities market. This index includes 500 leading companies in leading industries of the U.S. economy. Although the S&P 500® focuses on the large cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market. The Large Cap Equity composite uses the S&P 500 Index® as its primary index comparison.

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