

# Fiduciary Management, Inc.

100 East Wisconsin Avenue, Suite 2200  
Milwaukee, Wisconsin 53202  
414.226.4545  
www.fmimgt.com



Quarterly Review – December 31, 2020

## FMI Focused Global Equity

Performance	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
<b>Focused Global Equity (Gross)</b>	22.27%	23.29%	23.29%	14.50%	16.14%	N/A	12.17%
<b>MSCI World Index</b>	13.96%	15.90%	15.90%	10.54%	12.19%	9.87%	9.89%
<b>MSCI ACWI Index</b>	14.68%	16.25%	16.25%	10.06%	12.26%	9.13%	9.40%

Inception: May 17, 2013

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 3-8%. The portfolio generally consists of 10-15 companies and is diversified across industries.

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	✓
Julia L. Jensen	✓
Benjamin D. Karek, CFA	✓
Andy P. Ramer, 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 Focused Global 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.

### Top 10 – Portfolio Holdings:

Samsung Electronics Co. Ltd. Pfd	12.4%
Berkshire Hathaway Inc. Cl B	12.1%
Ferguson Plc	8.7%
Booking Holdings Inc.	8.2%
UnitedHealth Group, Inc.	7.5%
CK Hutchison Holdings Ltd.	7.1%
Charles Schwab Corporation	7.0%
Quest Diagnostics Inc.	6.9%
Koninklijke Philips N.V.	6.7%
TJX Companies Inc.	6.4%

### Portfolio Characteristics: (1)

P/E Ratio (trailing one year)	30.8x
FY1 P/E Ratio (forward 4 quarters)	31.8x
P/S Ratio	3.0x
P/B Ratio	4.0x
EV/EBITDA Ratio	18.0x
Number of Holdings	13
Active Share	100%

### Recent Purchase:

<b>CK Hutchison Holdings Ltd.</b>	<b>Ticker: 1 HK</b>	<b>Added: Nov 2020</b>
-----------------------------------	---------------------	------------------------

CK Hutchinson is a Hong Kong-based conglomerate whose operations consist of five core businesses: Infrastructure (e.g., utilities), Ports, Retail (health & beauty), Energy, and Mobile Telecom. Most of the company's businesses provide essential goods and services, and they command leading positions in their respective markets. At the 12/31/2020 price of HKD \$54, based on our estimates, the stock is valued at over a 60% discount to its sum-of-the-parts price, which is more than two standard deviations below its long-term average. We believe the stock is pricing in much of the pessimism surrounding the macro risk from Brexit and the unrest in Hong Kong (both countries combined represent approximately 30% of company revenues), as well as the economic impact from COVID-19. The company continues to optimize the business and enhance its return profile through divestitures and acquisitions. The Li family remains closely aligned with public shareholders. Recently they took advantage of the valuation disparity to NAV and purchased a significant number of shares bringing their ownership to 30% of the company. We initiated a 7% position in November 2020 in the focused global portfolio.

### Recent Sale:

<b>Honeywell International Inc.</b>	<b>Ticker: HON</b>	<b>Sold: Nov 2020</b>
-------------------------------------	--------------------	-----------------------

Honeywell provides a range of industrial products and services to a variety of end markets, including Aerospace (23% of revenues), Industrial Productivity (21%), Non-Residential Controls (20%), Oil & Gas/Petrochemicals (15%), Defense (13%), and Specialty Chemicals (8%). With innovative technology and an excellent service and support network, Honeywell has established market-leading positions in their industries. In addition, they have a large installed base of equipment that is mission critical to their customers. This creates the opportunity for follow-on sales in the aftermarket. The company has an ROIC greater than 20%. Honeywell's business was certainly impacted by the 2020 slowdown in the Aerospace and Energy end markets, which are just starting to improve. The stock price recovered back to prior levels and in November 2020 we sold our 6.2% position in Honeywell in favor of CK Hutchison.

**Fiduciary Management Inc.**  
**Focused Global Composite**  
**05/17/2013 - 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			
2013*	13.09	12.79	10.97	1	0.00	n/a	n/a	\$ 60.9	\$ 19,705.3	0.31%
2014	8.44	7.93	4.94	1	0.00	n/a	n/a	\$ 62.5	\$ 21,001.1	0.30%
2015	-7.40	-7.89	-0.87	1	0.00	n/a	n/a	\$ 48.3	\$ 21,042.9	0.23%
2016	15.74	15.14	7.51	1	0.00	10.83	10.92	\$ 46.6	\$ 22,636.7	0.21%
2017	21.64	21.06	22.40	1	0.00	9.65	10.23	\$ 49.9	\$ 25,322.0	0.20%
2018	-7.17	-7.62	-8.71	1	0.00	10.28	10.38	\$ 39.6	\$ 19,833.6	0.20%
2019	31.15	30.53	27.67	1	0.00	10.75	11.14	\$ 42.1	\$ 20,609.9	0.20%
2020	23.29	22.70	15.90	1	0.00	18.09	18.27	\$ 46.6	\$ 16,282.4	0.29%

\*MSCI World Index®

\*Performance for 2013 reflects returns for the period from inception 5/17/2013 to 12/31/2013.

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. The verification report is available upon request. 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. Verification does not ensure the accuracy of any specific composite presentation.

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 Focused Global Equity Composite was created on May 17, 2013. This composite invests mainly in a limited number (usually between 10-20) of mid-capitalization (namely, companies with more than \$5 billion market capitalization) U.S. and foreign companies. Currency exposure is not hedged.

The Focused Global Equity Composite reflects time-weighted and asset-weighted returns for all discretionary accounts. 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.

Currently, the advisory fee structure for the Focused Global Equity Composite portfolios is as follows:

Up to \$25,000,000	0.65%
\$25,000,001-\$50,000,000	0.60%
\$50,000,001-\$100,000,000	0.55%
\$100,000,001 and above	0.50%

The firm generally requires a minimum of \$10 million in assets to establish a discretionary account. 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 MSCI World Index® is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets. The MSCI World Index® consists of the following 23 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. It is reported in USD. The Focused Global Equity composite uses the MSCI World Index® as its primary index comparison.