

Fiduciary Management, Inc.

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Quarterly Review – June 30, 2020

FMI International Equity - Unhedged

Performance	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
International Unhedged (Gross)	14.54%	-18.78%	N/A	N/A	N/A	N/A	-18.78%
MSCI EAFE-USD Index	14.88%	-11.34%	-5.13%	0.81%	2.05%	5.73%	-11.34%
MSCI EAFE-Value Index	12.43%	-19.27%	-14.48%	-4.43%	-1.59%	3.53%	-19.27%

Inception: December 31, 2019

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 1-4%. The portfolio generally consists of 25-40 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	✓
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.

⁽¹⁾ Estimated valuations are based on a representative account from the FMI International Equity Unhedged 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:

Ferguson Plc	5.4%
Samsung Electronics Co. Ltd. Pfd	4.7%
B&M European Value Retail SA	4.3%
Sony Corporation	4.0%
Booking Holdings Inc.	3.9%
Unilever PLC	3.5%
Smiths Group Plc	3.4%
Chubb Limited	3.3%
Koninklijke Philips N.V.	3.2%
Safran S.A.	3.1%

Portfolio Characteristics: ⁽¹⁾

P/E Ratio (trailing one year)	19.4x
FY1 P/E Ratio (forward 4 quarters)	24.3x
P/S Ratio	1.4x
P/B Ratio	2.9x
EV/EBITDA Ratio	9.7x
Number of Holdings	38
Active Share	97%

Recent Purchase:

Akzo Nobel N.V.	Ticker: AKZA NA	Added: March 2020
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Akzo Nobel is a global manufacturer of paints and coatings. Akzo's products are used to extend useful lives of assets, and for aesthetic and functional purposes. Almost everything that's manufactured gets painted and coated. The cost of the product is typically small compared to either the labor or capital costs of the customer's application process, but the product is critical to customer satisfaction. The industry has pricing power, albeit with a lag. Prices have generally kept up with cost inflation and remain resilient in periods of cost deflation. End markets carry elements of cyclicality, but recurring revenue related to maintenance and repair activity help mitigate this. With a strong balance sheet and cash flow generation, it will help Akzo weather the downturn. Highlighting their resilience, in 2009, volumes declined by a little more than 10%, and EBITDA declined by a little less than 10%. We initiated a 1% position in March 2020.

Recent Sale:

Isuzu Motors Limited	Ticker: 7202 JP	Sold: April 2020
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Isuzu Motors is headquartered in Japan and is the #5 global producer of commercial vehicles by units. The company manufactures and sells commercial vehicles, pickup trucks, SUVs, buses, and industrial diesel engines. In 2019, geographic revenue was 40% Japan, 31% Asia, 14% North America, 11% Europe, and 4% other markets. Our original purchase came in 2015 as weakness in China (8% of revenues) and other emerging markets knocked down Isuzu's share price. This provided an attractive entry point into a geographically diversified company with greatly improved efficiency, a net cash balance sheet, and attractive emerging markets exposure. Much of the recent weakness in the fundamental performance of the company continues to be end market-related rather than something specific to Isuzu. In late 2019, we became concerned about the company's pending purchase of UD Trucks Corporation from Volvo (expected to close at the end of 2020). This is a sizable deal at 250 billion yen (USD \$2.3 billion) for a company that is not profitable. Management has not shown how they expect to generate a return on this investment. Although Isuzu's stock is cheap and the company currently has no debt, based on their recent capital allocation decision, we trimmed our investment early in 2020, and sold the remaining 0.9% position in April 2020.

Fiduciary Management Inc.
International Equity Unhedged Composite
12/31/2019 - 06/30/2020

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			
Q1 2020	-29.09	-29.22	-20.55	1	0.00	n/a	n/a	\$ 26.5	\$ 15,121.8	0.17%
Q2 2020	14.54	14.32	12.60	1	0.00	n/a	n/a	\$ 31.7	\$ 15,293.9	0.21%

*MSCI EAFE Net Index (USD)[®]

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 \$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 International Equity Unhedged Composite was created on December 31, 2019. This composite invests mainly in a limited number (usually between 25-40) of large capitalization (namely, companies with more than \$5 billion market capitalization) foreign companies.

The International Equity Unhedged 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. As of 12/31/2019, 36 months of performance is not available; therefore the three year annualized ex-post standard deviation is not presented for the composite or the benchmark.

Currently, the advisory fee structure for the International Equity Unhedged Composite portfolios is as follows:

Up to \$25,000,000	0.70%
\$25,000,001-\$50,000,000	0.65%
\$50,000,001-\$100,000,000	0.60%
\$100,000,001 and above	0.55%

The firm generally requires a minimum of \$25 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 EAFE Net Index (USD)[®] is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Net Index (USD)[®] consists of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. It is reported in local currency and net of hedges. The International Equity composite uses the MSCI EAFE Net Index (USD)[®] as its primary index comparison.