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INVESTMENT STRATEGY OUTLOOK – INTERNATIONAL EQUITY

September 30, 2015

Fear and volatility have crept back into view after an extended period of investor complacency. International equities came under pressure in the September quarter as China's overheated stock market collapsed, the People's Bank of China (PBOC) unexpectedly devalued the renminbi (RMB), commodity prices continued to tumble, and growth slowed across a number of emerging and developed economies. Stock markets in Japan (-12.88%), Germany (-11.74%), the UK (-5.64%), and France (-6.79%) all retreated sharply in the quarter.[1] All else considered, the FMI International portfolios held up well on a relative basis, falling by approximately 5.9% in the September quarter, compared with an MSCI EAFE Index decline of 8.98% in local currency and 10.23% in U.S. dollars (USD). The Finance, Consumer Durables and Technology Services sectors have supported performance, while Electronic Technology, Industrial Services and Process Industries weighed on the results. Accenture, Admiral Group and LG Household & Health Care were among the top individual gainers in the quarter, while Potash Corporation, Rolls-Royce and Schlumberger lagged the market.

As valuations became more palatable, we put some cash to work, boosting a number of our existing holdings and adding two new positions to the portfolio: SCA Group and Samsonite International. SCA is a leading global supplier of tissue, personal care and forest products, as well as Europe's largest private forest owner. It's a self-help story with an opportunity for both margin and multiple (valuation) expansion, as profitability lags global peers (more on this later). Samsonite is the world's largest travel luggage company, at over four times the size of the next closest competitor. Economies of scale and brand equity solidify the company's competitive advantage, and secular tailwinds in global travel make for an attractive runway of growth. We previously owned Samsonite in 2012 and 2013 before selling the stock due to valuation. Since then, earnings have improved but the stock has barely budged, creating an attractive re-entry point. Lastly, we exited our holding in Sociedad Química y Minera de Chile (SQM), as we underestimated the political risk of our investment. Despite our efforts to improve the company's corporate governance (e.g., board letter, votes for independent director), improprieties within the leadership ranks have heightened this risk and threatens a valuable lease agreement in the Salar de Atacama, which could permanently impair SQM's asset value.

The global macro environment remains challenging. World debt has grown by $57 trillion since 2007, and astonishingly, no major economy has decreased its debt-to-Gross Domestic Product (GDP) ratio over this time.[2] This is during an economic "recovery." Central bankers have injected roughly $8 trillion into the global economy since the financial crisis, yet the International Monetary Fund (IMF), World Bank and Organisation for Economic Co-operation and Development (OECD) routinely cut global growth forecasts.[3] We are on track for a record level of global mergers and acquisitions (M&A) this year, but in countries such as France, Germany, Italy and Japan, real investment has not even recovered to pre-recession levels (which does not bode well for future growth).[4,5] Stock markets and valuations have soared in recent years, but business fundamentals and management commentary have

[1] The following market indexes are being referred to above: Japan TOPIX, Germany DAX, UK FTSE All-Share, France CAC.

[2] Richard Dobbs, Susan Lund, Jonathan Woetzel, and Mina Mutafchieva. "Debt and (not much) deleveraging." *McKinsey Global Institute Report*, February 2015.

[3] Ian Talley. "Central Banks' Lesson: Easy Money Alone Isn't a Growth Salve." *Wall Street Journal*, September 17, 2015.

[4] Dana Mattioli and Dan Strumpf. "M&A Deal Activity on Pace for Record Year." *Wall Street Journal*, August 10, 2015.

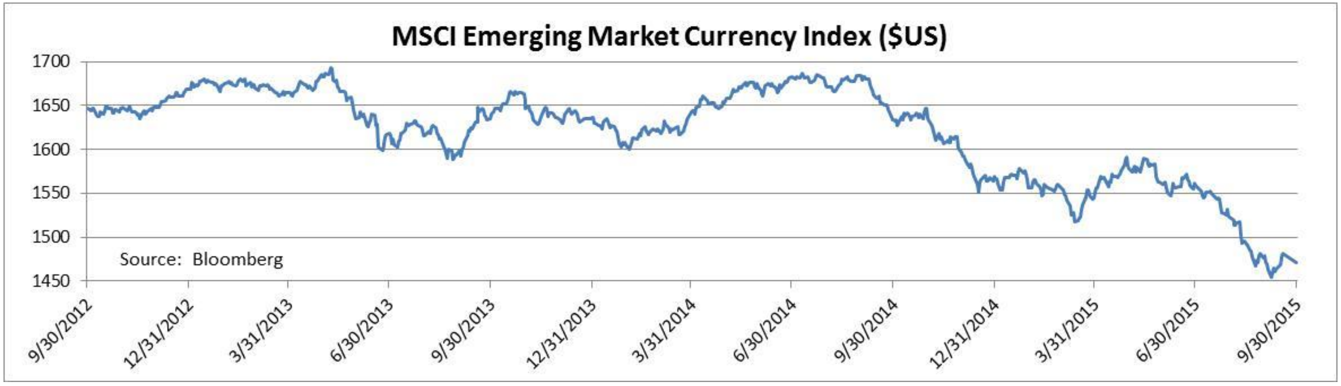
[5] Ryan Banerjee, Jonathan Kearns, and Marco Lombardi. "(Why) Is investment weak?" *BIS Quarterly Review*, March 2015.

remained weak. A forced suppression of interest rates and fiscal stimulus has not worked. While we are hopeful that world leaders and central bankers will eventually get that memo (and get out of the way), for the time being we expect misguided Keynesian policies and choppy economic waters to persist. In the interim, we will remain diligent in our hunt for strong businesses, value prices and downside protection.

Crisis: Made In China

Even with unprecedented intervention to prop up stock prices, the Shanghai and Shenzen Composite indexes still fell by around 28% in the quarter. It's not for a lack of effort, as China has pulled out virtually all the stops: cutting interest rates five times, reducing the required reserve ratio, lowering securities transaction fees (by 30%), relaxing rules on margin trading, suspending accounts from short selling, financing a broker-led stabilization fund ($42 billion), allowing more than half of the companies on the stock exchange to halt trading in their shares, suspending initial public offering (IPO) issuances, ordering State Owned Enterprises (SOEs) not to sell shares, creating a team to investigate illegal market "manipulation," banning officers, directors and listed company shareholders with stakes of 5% or more from selling any shares for six months, publicly prosecuting brokerages and individuals through state media outlets, announcing new stimulus ($40 billion) and government spending initiatives, devaluing the RMB, and directing the purchase of $236 billion of equities, or 9.2% of the free float.[6,7,8,9] Sound a bit ridiculous? We sure think so, and we're not surprised these acts of desperation failed. If anyone should be called out for market manipulation it's the Chinese government! We have never felt comfortable investing directly in China, and our prior reservations have been fully reinforced.

Meanwhile, China's economic growth continues to decelerate. Imports and exports have sharply declined, manufacturing in September hit a 6-year low, and property investment through the first eight months of the year fell to 3.5% (the slowest rate since 2009).[10,11] Official GDP was reported at 7%, but actual GDP is believed to be far lower and deteriorating. To combat the slowdown, the PBOC moved to devalue the RMB, which had previously been pegged (soft) to the U.S. dollar since 2005. This unexpected move took many by surprise, and evoked fears of currency wars and emerging market (EM) capital flight. As illustrated below, EM currencies have been under steady pressure over the past 12 months. China's currency devaluation may create further instability. Similarly, capital flight from EMs has intensified. It had reached nearly $1 trillion in the 13 months through July, nearly double the $480 billion that flowed out during the 2008-09 financial crisis.[12] With EMs making up roughly 35% of global GDP, heightened investor concern is clearly warranted.[13]



Source: Bloomberg

[6] "China's Share Market Intervention." State Street Global Advisors, July 2015.

[7] "Timeline of decline: Key dates in China's stock market slide." *Associated Press*, August 27, 2015.

[8] Heather Long. "China is taking 10 huge actions to save its stock market." *CNN Money*, July 8, 2015.

[9] "China's Stock-Rescue Tab Surges to $236 Billion." Goldman Sachs, September 7, 2015.

[10] "Home Prices Rise in China for Fourth Consecutive Month." *Reuters*, September 18, 2015.

[11] Jamil Anderlini. "China manufacturing contracts at fastest pace in more than 6 years." *Financial Times*, September 23, 2015.

[12] James Kynge and Roger Blitz. "Surge in emerging market capital outflows hits growth and currencies." *Financial Times*, August 18, 2015.

[13] Jonathan Wheatley and James Kynge. "Emerging markets: Trading blow." *Financial Times*, June 10, 2015.

Despite the aforementioned matters, we do not believe China's stock market or currency manipulation is the biggest risk to the global economy (and equity markets). A financial crisis stemming from a real estate or credit market collapse is of far greater concern. We have voiced our distrust of China's excess numerous times. For example, in September 2013 we wrote: "The risk of a housing and/or credit bubble remains […] credit is growing over two times faster than the economy […] it is widely perceived that [China's banks] are understating the true extent of their underperforming loans, hiding significant off-balance-sheet risk […] All bets are off if the housing bubble bursts, as it could potentially make the U.S. housing collapse look like a walk in the park." Not much has improved in recent years to change our opinion. Property speculation continues to grow as prices have increased by 60%+ in 40 Chinese cities since 2008, and even more so in Shanghai and Shenzhen.[14] However, as real estate transaction volumes have slowed, inventory has grown, creating significant oversupply. The plethora of empty apartment and office buildings persists. Smaller cities (Tier 3 and 4) now have roughly three years of unsold inventory.[15] In a best-case scenario (no crisis), a sustained slowdown in property investment would still meaningfully weigh on employment (construction jobs) and GDP growth.

China's economic "miracle" over the past 15+ years has been both astounding and alarming. China has moved from 3.6% of global GDP in 2000, to 6.1% in 2007, and to 13.3% in 2014. It has accounted for as much as half of global GDP growth in recent years.[16] Credit has exploded, far outpacing growth in economic output. In 2000, for example, China had total debt of $2.1 trillion and GDP of $1.2 trillion, a debt-to-GDP ratio of 175%. By 2007, total debt of $7.4 trillion compared with $3.5 trillion in GDP (211%). In mid-2014, debt reached $28.2 trillion vs. GDP of approximately $10 trillion (282%). McKinsey & Company estimates that around $9 trillion of the total debt is related to real estate,[14,17] and "With real estate markets overbuilt, this [debt-to-GDP] ratio is one reason that the return on fixed-asset investment in China is declining. The incremental capital output ratio (ICOR), which shows how much capital is needed to generate a unit of GDP, was 3.4 on average from 1990 to 2010, but it has since risen to 5.4, meaning that it takes 60 percent more capital to generate a unit of GDP."[18] Clearly China is getting a lot less bang for their buck.

The sheer magnitude of China's fixed investment boom is hard to fathom. Historian Vaclav Smil, in his book *Making the Modern World: Materials and Dematerialization*, writes that China has used more cement in three years from 2011-13 (6.6 gigatons) than the U.S. has in the entire 20th century (4.5 gigatons).[19] Mining statistics tell a similar story: In 2002 global mining capital expenditure was $16.1 billion; by 2012 it had grown to a massive $131 billion.[20] The commodities super cycle was born, and China was the driving force. The problem we are left with today is that a number of countries (and companies) invested heavily to meet China's surging demand, and are now suffering from widespread overcapacity as China's economy has slowed and commodity prices have plummeted. It's no surprise that Brazil, Canada, and Russia are all in a recession, and Australia is not far off. Unfortunately, the pain felt by commodity-dependent countries (and companies) is not likely to end anytime soon. An extended adjustment period is underway.

[14] Richard Dobbs, Susan Lund, Jonathan Woetzel, and Mina Mutafchieva. "Debt and (not much) deleveraging." *McKinsey Global Institute Report*, February 2015. Page 9.

[15] "People's Republic of China, 2015 Article IV Consultation." IMF Country Report No. 15/234. August 2015. Page 9.

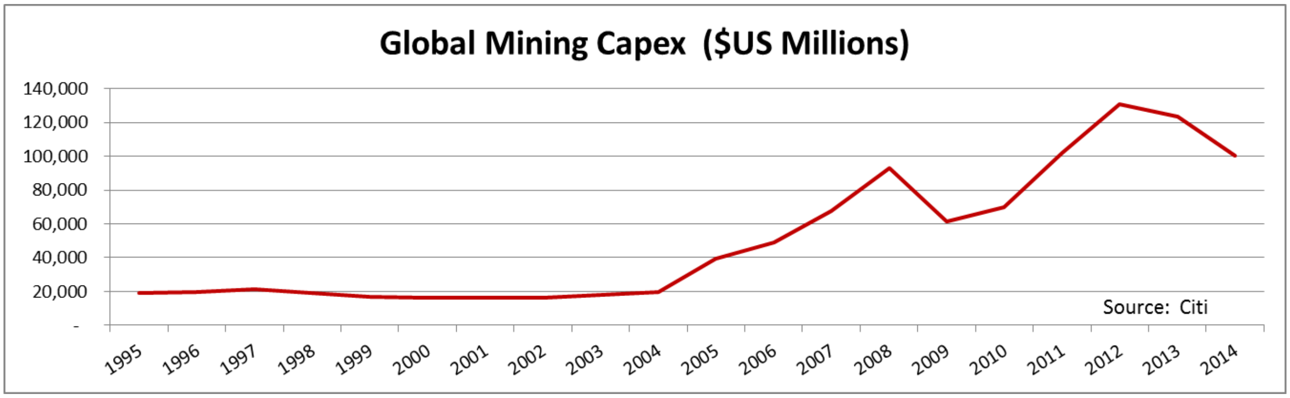
[16] World Bank national accounts data, and OECD National Accounts data files.

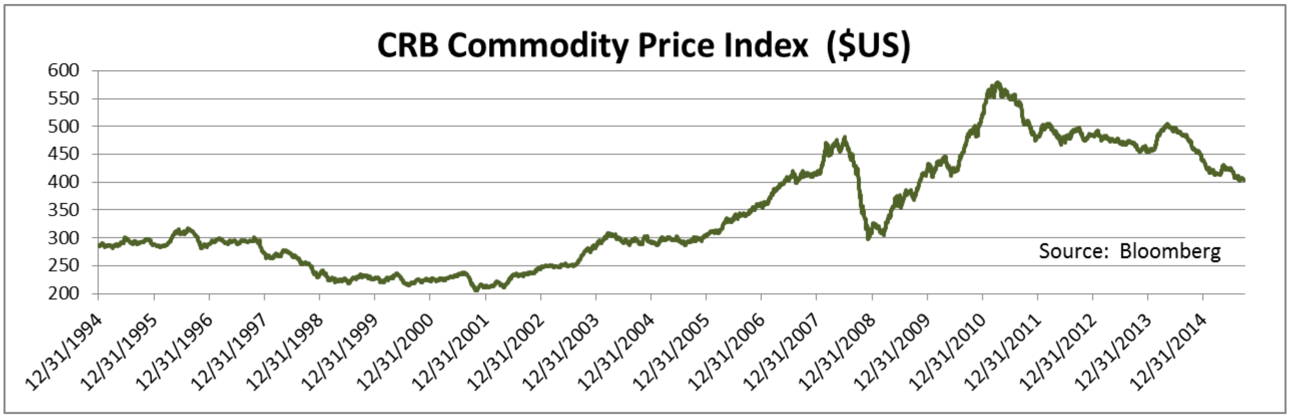
[17] Bloomberg data.

[18] McKinsey & Company. "The China Effect on Global Innovation." *McKinsey Global Institute Research Bulletin*, August, 2015. Page 2.

[19] Bill Gates. "Have You Hugged a Concrete Pillar Today?" http://www.gatesnotes.com/Books/Making-the-Modern-World, June 12, 2014.

[20] Citi research.





While we've presented a pretty dreary view of China, it's important to bear in mind that it is less than 14% of the world economy, and it isn't disappearing. Throwing out the official 7% GDP growth figure and plugging in 3% would still imply that the Chinese economy is not losing share. China is making some progress, moving their economy from one dominated by fixed investment to one driven more by consumption. In 2015, 44% of China's GDP is expected to come from fixed investment, down from 47% five years ago.[21] While they haven't said what they would like the split to be, the U.S. economy is around 20% fixed investment, and our guess is that China would at least like to move toward 30%.[22] A transition of this magnitude will take time and there will be some dislocations, but we feel the rest of the world will be able to weather the storm.

Euro-phoria

While policymakers are hopeful that the European Central Bank's (ECB) aggressive asset-purchasing program will improve the eurozone's economic outlook, we believe such optimism is foolhardy. Growth in the eurozone slowed in the second quarter, as GDP fell to 0.3% (1.3% on an annualized basis) from 0.4% growth in the first quarter. Growth in France stagnated, while Germany's output fell short of expectations.[23] The ECB has cut its growth forecast to 1.4% in 2015 (from 1.5%) and 1.7% in 2016 (from 1.9%).[24] Unemployment (10.9%) remains stubbornly high and deep structural challenges have still not been addressed (discussed at length in previous letters). The eurozone economy has been running in place, with GDP yet to recover to its pre-crisis peak.[24] Eurozone companies have not fared much better. In July the Leuthold Group wrote, "The current forward [earnings per share (EPS)]

[21] "People's Republic of China, 2015 Article IV Consultation." *IMF Country Report No. 15/234*, August 2015. Page 57.

[22] World Bank: http://data.worldbank.org/indicator/NE.GDI.FTOT.ZS.

[23] Nina Adam and Brian Blackstone. "Eurozone Economic Growth Slows." *Wall Street Journal*, August 14, 2015.

[24] "ECB cuts growth and inflation outlook." *BBC News*, September 7, 2015.

estimate for the MSCI Euro area composite matches the forecast made in *December 2004*. We have no way of knowing what the ten-year EPS forecasts of those analysts were at the time, but we doubt they were for *zero* growth."[25]

Elsewhere in Europe, after all the drama, Greece has been forced to sign yet another set of extend-and-pretend bailout terms. Per the IMF's preliminary public debt sustainability analysis, however, "Greece's debt can now only be made sustainable through debt relief measures that go far beyond what Europe has been willing to consider […] If Europe prefers to again provide debt relief through maturity extension, there would have to be a very dramatic extension with grace periods of, say, 30 years on the entire stock of European debt, including new assistance […] Other options include explicit annual transfers to the Greek budget or deep upfront haircuts." Europe (i.e. Germany) appears reluctant to take the necessary steps to ensure Greek sustainability, so it's likely just a matter of time before Greece is back in the headlines.

Land Of The Falling Sun

To avoid sounding like a broken record, we'll keep our Japan discussion to a minimum. The stock market is up over 102% in the last three years and 8% in the last year. However, recent economic developments show a lack of progress. Inflation is near zero, debt is on the rise (debt-to-GDP is expected to reach 247% next year), real wages are falling, consumer spending and net trade is weak, inventory is building, and GDP is contracting (at an annualized rate of 1.2% in the second quarter).[26,27] As we anticipated, Abenomics (AKA quantitative easing on steroids) is not working. Why? Because printing money does not solve structural economic problems. This bears repeating (in case central bankers are listening). If printing money was all that that was needed to fix the world's problems, we'd be in nirvana by now.

In September, Standard & Poor's (S&P) finally decided to downgrade Japan's credit rating from AA- to A+. Bloomberg writes that S&P sees "little chance of the Abe government's strategy turning around the poor outlook for economic growth and inflation over the next few years."[27] We agree with regard to economic growth; inflation, on the other hand, could spin out of control at a moment's notice. The Bank of Japan is playing a dangerous game. If interest rates were to rise significantly it could cripple the country. Debt service already accounts for over 24% of the budget and 43% of tax revenues, and that's with a 10-year bond paying only 0.35%.[28] If interest rates ever returned to more normal or rational levels, Japan would be in a heap of trouble.

Despite our pessimistic view of the macro environment, we are excited about the market's newfound fear and volatility, as it helps create inefficiencies and mispriced assets. As markets retreat and valuation comes our way, we will continue to be opportunistic. A couple of investments where we are currently finding value are described below.

Svenska Cellulosa AB - "SCA Group" (SCAB SS)

(Analyst: Jonathan Bloom)

Description

SCA Group (SCA) is a leading global supplier of tissue (54% of sales, 52% of operating profit), personal care (30%, 28%), and forest products (16%, 20%), operating in about 100 countries. SCA is also Europe's largest private forest owner. Within SCA's hygiene businesses (tissue and personal care), approximately 80% of product sales are branded and about 20% are private label. SCA has a strong global and regional presence, with a #1 or #2 category position in 90 countries. They hold the global #1 market position in incontinence products and Away from Home (AfH) tissue, #2 in consumer tissue, #4 in baby diapers, and #5 in feminine care. The company has a particularly strong position in

[25] The Leuthold Group. "A Kind Word for "Forward Earnings." *Perception for the Professional,* July 2015.
[26] Keiko Ujikane. "Japan Economy Flashes Warning as Inventory Gain Holds Up GDP." *Bloomberg*, September 7, 2015.
[27] Keiko Ujikane. "Japan Rating Cut by S&P as Abe Falls Short of Early Promise." *Bloomberg*, September 16, 2015.
[28] Bank of Japan. "Highlights of the Draft Budget for FY2015."

Europe, where nearly two-thirds of group sales are generated. Approximately 31% of sales and 17% of operating profits are generated in emerging markets. SCA booked sales and operating profit of Swedish Krona (SEK) 104 billion ($15.2 billion) and SEK 11.8 billion (11.4% margin) in 2014.

Good Business

- Economic Value Added (EVA)-Positive: Adjusting for forest assets, the operating businesses generated an average return on invested capital (ROIC) of greater than 9% over the past two years, in excess of their cost of capital. There is further opportunity for ROIC improvement.
- Economies of scale: SCA is the largest acquirer of pulp, globally, creating strong purchasing power. Scale matters with regard to local manufacturing and distribution.
- Recurring revenue: Brand loyalty. Their products are necessities. SCA has long-term relationships with hospitals, businesses, etc.
- Modestly priced products, understandable business. Consumer staples. Easy to understand.
- Modest secular growth: Attractive personal care categories and emerging market exposure. Additional drivers include population growth, aging population, low penetration rates, and rising disposable income.
- Solid balance sheet: Debt-to-capital ratio is 37%; net debt-to-EBITDA,[29] 2 times; interest coverage ratio, 12 times.

Valuation

- The sum-of-the-parts (SOTP) valuation, after stripping out the forest land assets and forest products business, implies a valuation of approximately 14 times 2016 estimated earnings per share for the core hygiene business, which is reasonable on an absolute basis, and attractive on a relative basis. This equates to a discount of approximately 20% to peer Kimberly Clark (KMB), at 17.9 times EPS.
- SCA's earnings power is arguably higher than is being reported today, considering the significant lag to peers with regard to operating margins. Gross margins provide the biggest opportunity for expansion.

Management

- New leadership: the Chairman, CEO, CFO and COO positions have all been changed in the last two years.
- Capital allocation: Focus on organic growth and bolt-on acquisitions. Pays 2.2% dividend, no share buybacks.
- Compensation: Overall compensation levels are modest, with the CEO earning $3.6 million in 2014. Variable compensation for the CEO and those reporting to him are tied to profit before tax, operating cash flow and growth.
- Ownership structure: Dual share class, with the A class having 10 votes per share (same economic interest).

Investment Thesis

SCA Group is an above-average hygiene business and a self-help story. There is an opportunity for margin improvement and multiple expansion, as operating margins are about 430 basis points below peer KMB in tissue, and approximately 690 basis points below in personal care. Management has been overhauled, and a significant cost savings program is in the midst of completion, with additional continuous efficiency programs also being implemented. Margin benefits have yet to fully materialize, however, in part due to the appreciation of the USD (and its impact on increasing raw material costs). Full retention of the cost savings would have resulted in a 280 basis point margin improvement above 2014 levels. There is an opportunity over time to close some of this margin gap. The SOTP valuation, after stripping out the forest land assets and forest products business, implies a valuation of about 14 times 2016 estimated EPS for the core hygiene business, which is reasonable on an absolute basis and attractive on a relative basis. The stock should have defensive characteristics with 80% of profits coming from consumer staples, but less so than a pure play. We view the current risk/reward as attractive.

[29] Earnings before interest, taxes, depreciation and amortization.

Schlumberger Ltd. (SLB)

(Analyst: Andy Ramer)

Description

Schlumberger is the largest oilfield equipment and service firm in the world. The company is regarded as the gold standard in the industry. Markets outside North America account for 70% of revenue.

Good Business

- Schlumberger holds market leading positions across its lines of business in reservoir characterization, drilling, and production. The company maintains a significant advantage in technology and intellectual capital that will remain a challenge for competitors to overcome.
- Notwithstanding the current downturn, there is an ever-present need for innovation to access new resources at attractive returns.
- Return on invested capital was 14% in 2014 and the return on tangible capital excluding cash was 38%. A double-digit return on the Cameron acquisition appears achievable within a few years.
- By focusing on what they can control, Schlumberger has been able to maintain decremental margins that are significantly better than those achieved in the 2009 downturn, in spite of the revenue drop being more severe.
- The balance sheet is solid and the business generates good cash flow.

Valuation

- The shares trade for approximately 20 times depressed 2015 earnings estimate of $3.50 per share, which is a far cry from the $9.00 to $10.00 target for 2017 that was put forth in June 2014.
- At a price-to-book ratio of 2.42 times, the stock trades at the low end of its 5- and 10-year average range of 2.59 to 3.90 and 3.76 to 6.28 times, respectively.
- Shares trade for 2.7 times forecast 2015 sales, below the 5- and 10-year average multiple of 3.0 and 3.5 times, respectively.

Management

- The company culture was founded on driving industry change. CEO Paal Kibsgaard is complemented by a strong and deep bench.
- Schlumberger is taking advantage of the downturn by acquiring Cameron. The combination should drive innovative technology improvements that reduce costs and improve recovery rates.
- The firm has increased the amount of excess capital that is returning to shareholders via share repurchases and dividends.

Investment Thesis

Schlumberger remains in the early stages of its internal transformation efforts, which are intended to drive a significant advancement in the operating performance of the company. The firm targets a tenfold improvement in operational (tool) reliability, 25% reduction in working capital (inventory), 20% increase in people productivity, 10% decrease in unit support costs, and doubling in asset utilization. This transformation should help mitigate the downside risk to earnings in the event of further contraction in customer outlays while positioning Schlumberger well for the next upturn.

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Fiduciary Management Inc.
International Equity Composite
12/31/2010 - 06/30/2015

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	-0.78	-1.52	-12.15	1	0.00	n/a	n/a	$ 16.7	$ 12,273.6	0.14%
2012	19.35	18.46	17.31	1	0.00	n/a	n/a	$ 76.3	$ 15,253.5	0.50%
2013	25.89	24.95	26.93	1	0.00	9.78	12.22	$ 165.8	$ 19,705.3	0.84%
2014	5.66	4.87	5.92	1	0.00	7.49	10.33	$ 771.6	$ 21,001.1	3.67%
Q1 2015	8.22	8.02	10.85	1	0.00	7.31	10.66	$ 1,674.6	$ 21,939.0	7.63%
Q2 2015	-1.79	-1.97	-1.82	1	0.00	6.77	9.42	$ 2,222.8	$ 22,136.3	10.04%

*MSCI EAFE Net Local 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 - 06/30/2015. 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 International Equity Composite has been examined for the periods 12/31/2010-06/30/2015. 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 $22.1 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 Composite was created on December 31, 2010. This composite invests mainly in a limited number (usually between 25-35) of large capitalization (namely, companies with more than $5 billion market capitalization) foreign companies.

The International 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. 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®. For the periods 2011-2012, the information is not available for the International Equity Composite.

Currently, the advisory fee structure for the International Equity Composite portfolios is as follows:
All assets at 1.00% -- Current Expense Ratio. This includes a management fee of 0.75%.

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 Local Index® 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 Local Index 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 Local Index® as its primary index comparison.