

INVESTMENT STRATEGY OUTLOOK – INTERNATIONAL EQUITY

March 31, 2021

Value investing's resurgence continued in the March quarter, marking the second consecutive period of outperformance. Growth stocks had been the primary beneficiary of low inflation, unprecedented interest rates, and coronavirus lockdowns, but the tide finally appears to be turning. Improving global economic growth prospects are now working in favor of the value trade, driven by increased vaccine production and roll-outs, the gradual re-opening of hard-hit sectors of the economy, rebounding industrial production and global trade, and continued fiscal and monetary support (helping fuel concerns over higher inflation and interest rates). With the world economy on the mend and value stocks trading at a significant discount to their growth counterparts, the relative outlook from here looks attractive.

In the first quarter, the FMI International portfolios gained approximately 7.2% (currency hedged) and 4.9% (currency unhedged), respectively, which compares with an MSCI EAFE Index gain of 7.59% in local currency (LOC) and 3.48% in U.S. Dollars (USD). The MSCI EAFE Value Index advanced 11.32% in LOC and 7.44% in USD, outpacing the MSCI EAFE Growth Indices by over 8%. "Deep" value stocks (e.g., lower-quality, significantly out-of-favor, having poor balance sheets), including the financial and energy sectors, led the charge. FMI's focus on business quality and conservative balance sheets weighed on the relative comparison. The FMI International portfolios generated strong results from the Retail Trade, Consumer Services, and Consumer Non-Durables sectors, but lagged in Electronic Technology, Distribution Services, and Finance. Individual stock performance was driven by Shaw Communications Inc., Jardine Strategic Holdings Ltd., and CNH Industrial N.V., while Samsung Electronics Co. Ltd., Ferguson PLC, and Smith & Nephew PLC came up short. FMI's currency hedged performance benefited from a strong USD in the period.

Diverging Paths

Despite an encouraging global economic outlook, it's been a challenging period for continental Europe. As of late March, the European Union (EU) had fallen behind on the vaccine front, having administered only 12 doses per 100 people, compared with 34.1 in the U.S. and 40.5 in the UK. Infections and deaths have fallen significantly in the U.S. and UK, while cases and hospitalizations in the EU are on the rise.¹ New COVID-19 variants are spreading and the EU retreated to tighter restrictions and lockdowns amid concern that Europe could be headed toward another disappointing summer tourism season. Economists are cutting growth expectations, as reported by the *Financial Times*:

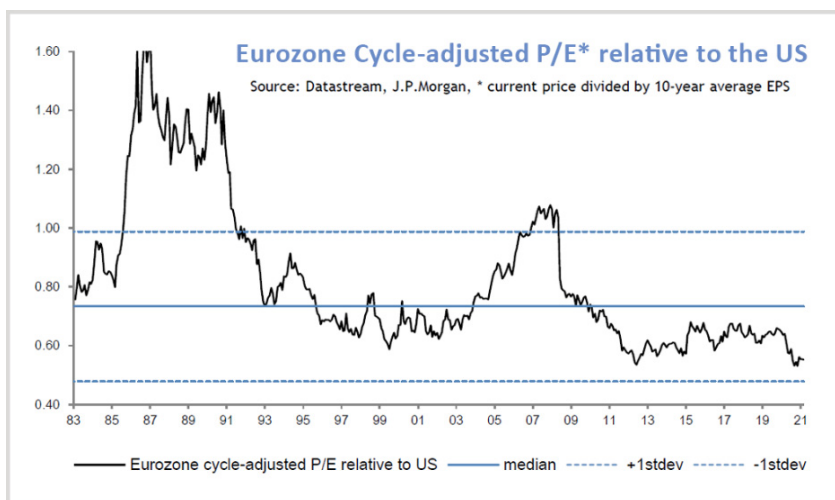
"From the outset, the pandemic inflicted deeper economic scars on Europe than the US. Now, their responses to the crisis mean the economies are about to drift further apart. The EU's 'output gap' – the shortfall in what the bloc was producing compared with its full potential at the start of this year – was double the equivalent in the US, meaning the EU was creating fewer jobs, yielding weaker demand and generating lower inflation."

The U.S. is expected to catch up with its pre-crisis growth trajectory by 2021, while it may be 2023 before Europe can say the same.²

¹ Ben Hall, Michael Peel, Sam Fleming, Leila Abboud and Guy Chazan. "Europe's vaccine disarray." *Financial Times*, March 19, 2021.

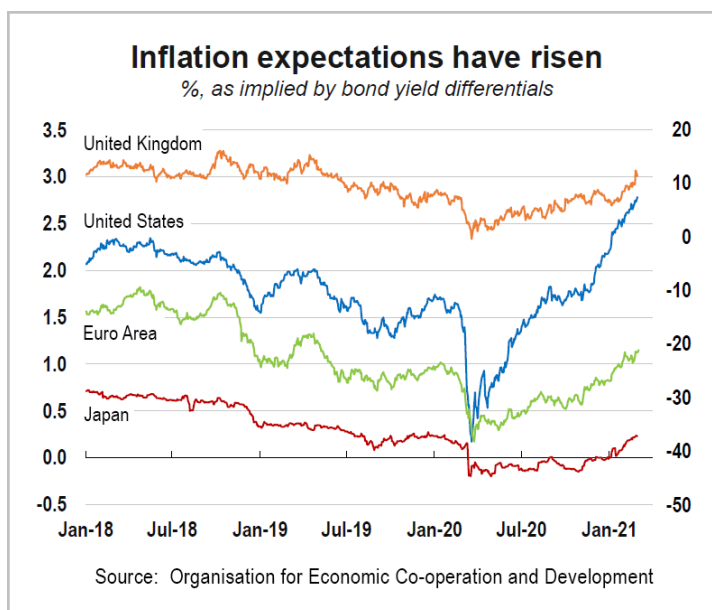
² Martin Arnold and James Politi. "US to leave EU trailing in race for recovery after pandemic." *Financial Times*, March 16, 2021.

While it may sound bleak, it is not all gloom and doom for Europe. The EU will eventually arrest the spread of the virus and re-open its economies, however many months behind the U.S. and UK. Having a 3 to 5-year investment time horizon works to FMI's advantage in this scenario, with most investors focused on the here and now. As we wait for the business activity in Europe to resume, cheaper relative valuations abound. The eurozone now trades at a historic discount to the U.S. (see chart to the right),³ boding well for future returns.



Onward and Upward

After an extraordinary (and worrisome) period of ultra-low interest rates, inflation expectations have started to rise in the U.S., Europe and Japan, with the eurozone Consumer Price Index jumping the most in over a decade.⁴ Yields for U.S. Treasuries, German Bunds, UK Gilts, and Japanese Government Bonds have all started to move upward, but with \$13.4 trillion of negative-yielding bonds globally (from December's peak of \$18.4 trillion), there is still plenty of room to run.⁵ Apparently \$28 trillion of money printing (a.k.a. fiscal and monetary stimulus) over the past 12 months,⁶ combined with vaccine relief and an improving economic outlook, has finally started to spark concerns about a long-overdue increase in the cost of capital.



On that topic, BofA Global Research opined about the “mother-of-all policy bubbles” in February, calculating that global central banks had purchased “\$1.1 billion of financial assets every hour since March.” This profligacy helped inflate the “mother-of-all-asset bubbles,” as global market capitalizations increased by “\$6.2 billion per hour,” or over “\$50 trillion in 11 months.”⁷ No, these are not figures taken from an article in *The Onion*. Central banks have taken market manipulation to unthinkable levels.

Print money, buy assets, drive up asset prices, rinse, and repeat. This has been the central bank playbook. However, money printing is a dangerous game with serious negative consequences (just ask Venezuela or Argentina). Rising interest rates seem inevitable over the long run, and are most detrimental for growth stocks, which have a far greater proportion of their value derived from earnings many years into the future, and thus are more sensitive to

³ Mislav Matejka, Prabhav Bhadani and Nitya Saldanha. “Equity Strategy.” *J.P. Morgan Cazenove*, March 1, 2021.

⁴ Martin Arnold. “Eurozone inflation in biggest jump for decade.” *Financial Times*, February 3, 2021.

⁵ Source: Bloomberg.

⁶ Michael Hartnett, David Jones, Shirley Wu. “The Flow Show.” *BofA Global Research*, March 11, 2021.

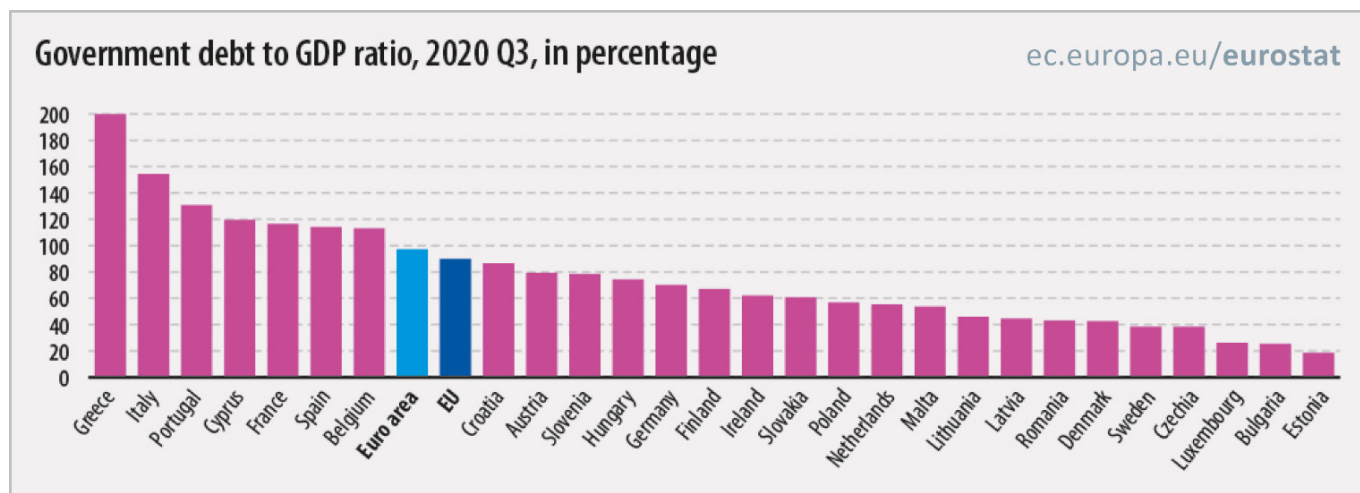
⁷ Michael Hartnett, David Jones, Shirley Wu. “The Flow Show.” *BofA Global Research*, February 18, 2021.

higher discount rates. The days of speculative fervor being rewarded may be numbered, as justifying sky-high valuations with aggressively low discount rates can only go on for so long.

Portfolio Positioning

Most financial stocks fall into the value camp, and as such, financials make up a significant portion of the MSCI EAFE (~20% of sector weight) and MSCI EAFE Value (~31%) indices. The sector, and the banking industry in particular, has significantly outperformed to start the year. The FMI International portfolios are underweight financials, because we have struggled to find higher-quality companies with solid balance sheets. Many of the businesses are commoditized in nature. We think a good measure of the strong upward move in the second-tier players will not last.

In the first quarter of 2020, we purchased Lloyds Banking Group PLC, which is the market leader in the homogenous and consolidated UK market. With Lloyds we were able to buy a well-capitalized, low-cost, high-quality bank that traded down to around half of tangible book value. The loan book is roughly two-thirds residential mortgages with an average loan-to-value of under 45%, allowing us to sleep at night. In the eurozone, however, it has been much more challenging to find suitable investments in the banking industry that meet our quality standards and also have transparency. To start, capital controls vary by regions, making underlying economic viability and returns more difficult to assess. In addition, eurozone banks have been piling on government debt, raising their holdings by 19% to €1.2 trillion in late 2020. Banks have set aside little-to-no capital to account for sovereign debt because regulators consider these to be “risk-free” assets.⁸ This is where we part ways. We believe European sovereign debt carries tremendous risk, especially at the current price levels. The European debt crisis, which took place less than a decade ago, is a case in point. Given that these same eurozone countries are starting from a place of weakness today (huge fiscal deficits and record debt-to-GDP), caution appears warranted.



Eurozone banks could also be facing significant bad debt problems from their corporate loan books. As noted by *The Wall Street Journal (WSJ)*, “The region’s generous lockdown-support programs and patchwork of insolvency laws could create [more] so-called zombie firms,”⁹ or companies whose interest expense exceeds their earnings before interest and taxes. Support from eurozone governments has included significant loan guarantees, subsidies for millions of employee wages, and bailouts for large numbers of companies. What happens when the money fountain runs dry? Per the *Financial Times*, French bank Natixis “estimates that the proportion of [European] companies that are ‘zombies’ has risen from 3.5 per cent at the beginning of the 1990s, to close to 11 per cent in

⁸ Patricia Kowsmann. “Banks Pile Into Government Debt, Setting Up ‘Doom Loop’ Sequel in Europe.” *The Wall Street Journal*, December 30, 2020.

⁹ Rochelle Toplensky. “Zombies Could Stunt the Bank Recovery.” *The Wall Street Journal*, January 12, 2021.

2008, to 21 per cent in 2019.”¹⁰ And that was *before* a once-in-a-lifetime global pandemic! Unproductive zombie companies have been kept on life support for years with low interest rates and accommodative policies, which may spell trouble down the road. While we continue to assess eurozone banks because they are statistically cheap, in most cases we believe the risks outweigh the potential rewards.

An additional contributor for the MSCI EAFE indices was the Energy Minerals sector (another FMI underweight), driven in large part by Integrated Oil. These exploration and production (E&P) companies have rarely aligned well with our investment principles. The E&P space is generally a low-returning sector over a full cycle. Discipline is in short supply, and illogical capital flows tend to ruin the economics of this business; E&P can have wonderful ‘trading’ moves from time to time, but it is a difficult place for long-term buy-and-hold type investors. E&P is a commodity business where differentiation is next to impossible and companies don’t control their own destiny. FMI has opted for energy exposure through the likes of Schlumberger Ltd., among other tangential exposure through Yokogawa Electric Corp. and Smiths Group PLC. Schlumberger supplies the “picks and shovels” to a broad array of producers. Among service providers, Schlumberger is the gold standard, given the breadth and value-added nature of their products, technology and services, exposure to the entire lifecycle of the well, and broad geographic exposure. They are also a leader in emerging carbon-neutral technologies, which is becoming an increasing area of focus for the industry. While the company has disappointed in recent years, we believe the outlook is bright.

Our largest sector overweight is in Retail Trade, where we own B&M European Value Retail S.A., the largest general merchandise discounter in the UK. The company’s competitive positioning was strengthened during the pandemic, as more affluent shoppers traded down to the concept, expanding their addressable market. This quarter, we also purchased Greggs PLC, the UK’s leading convenience food-to-go store operator, which closed stores for nearly 15 weeks during the pandemic, culminating in the *first loss* in the company’s history. We believe Greggs is poised for a swift recovery as the UK economy reopens. We have also found opportunities in Consumer Services (our second-largest sector overweight), where corporate action has been plentiful. A spinoff of Universal Music Group (#1 in global recorded music) is unlocking significant value at both our Vivendi and Bolloré holdings, while Shaw Communications Inc. is being acquired by Rogers Communications Inc. (we sold our shares following the March announcement). Our exposure to Electronic Technology also exceeds that of the MSCI EAFE, led by Samsung Electronics Co. Ltd. Samsung dominates the world’s semiconductor memory business (#1 in DRAM & NAND storage technologies) as it has become a much more consolidated industry in recent years. Based on exchange classification, our greatest country overweight continues to be the UK, where a cocktail of Brexit and COVID-19 sent investors running for the exits. We have taken a contrarian approach, as we believe Brexit will be a long-term positive for the UK as they further distance themselves from the dysfunction of the EU. With COVID cases down over 90%, as soon as restrictions and lockdowns ease, it should only be a matter of time before the economy starts to regain its footing.

Valuation Discipline

Even great companies can get too expensive. In early January, we sold our long-standing position in Accenture PLC after the company’s valuation exceeded 30 times next 12 months (NTM) earnings per share (EPS). We originally invested in Accenture at the launch of the FMI International strategy at a valuation below 15 times NTM EPS and held the stock for over ten years. We added to the holding numerous times in the early years, growing the position size to as high as 5.5% in late 2014, before dialing it back in recent years as the valuation became less compelling. It is one of the world’s largest information technology services firms, specializing in helping complex, global businesses navigate disruption, and focusing on next-generation services like digital, cloud, and security. For years, the investment allowed FMI to capture the inherently higher growth of technology-related industries (GDP+) without investing directly in pure “invention-oriented” technology companies. Through Accenture we were able to avoid some of the shortfalls of tech investing: technology obsolescence, short product cycles, and subpar return on

¹⁰ Claire Jones. “European Zombification becomes even scarier.” *Financial Times*, December 2, 2021.

invested capital (ROIC). It grew steadily, was solidly profitable, capital-light, and generated high returns, all while maintaining a rock-solid balance sheet. It compounded its business value for many years, outperforming the MSCI EAFE indices by over 450% during our holding period. Unfortunately, the market increasingly recognized the company's positive attributes, and the stock's discount to intrinsic value slowly evaporated. Despite our admiration for the business, it exceeded our valuation threshold. We will continue to follow the company closely for future opportunities. Outlined below are a couple of out-of-favor investments that soaked up the Accenture proceeds.

Fresenius Medical Care AG & Co. KGaA (FME GR)

(Analyst: Dan Sievers)

Description

Fresenius Medical Care is the #1 global provider of products and services for patients with chronic kidney failure and end stage renal disease (ESRD), providing over 53 million dialysis treatments to about 350,000 patients annually. Fresenius equipment (with more than 11,000 patents) and related products are used to treat more than half of worldwide dialysis patients. The company operates a global network of about 4,100 outpatient dialysis clinics in the U.S. (2,600) and about 50 other countries (1,500). In 2020, Fresenius revenue was €17.9 billion with €14.1 billion (79%) from Services and €3.7 billion (21%) from Products. This understates the size of its razor and blade-type products business, as Fresenius eliminates intercompany revenue.

Good Business

- In 2019, the number of worldwide dialysis patients grew to 3.5 million, up 6% year-over-year, in line with the long-term average. In 2020, COVID-related excess mortality contributed to slower-than-expected worldwide patient growth of just 3%.
- Fresenius Medical and DaVita, Inc. are the low-cost providers in the U.S., accounting for just over 80% of treatments in the \$25 billion U.S. dialysis services industry (\$30-\$40 lower cost per treatment).
- While Fresenius and DaVita have historically had significant influence over pricing from private insurers, they are mostly price-takers from Medicare.
- Treatment is necessary several times a week and clinic utilization is high, with limited excess capacity nationwide.
- About 88% of patients receive in-center treatment with 12% receiving treatment at home (increasing).
- The U.S. market is shifting toward home treatment (more profitable and less capital intensive) and coordinated care models (value-based care), which will sometimes entail broader patient healthcare cost risk in exchange for greater oversight. In 2021, Medicare Advantage is newly mandated to provide broad access to care for ESRD and these negotiated rates are often 10 percentage points higher than traditional Medicare.
- The company's internal ROIC was 6% for 2020, with one-third of long-term executive compensation tied to increasing this ROIC level 100-150 basis points by 2025. If adjusting for goodwill (because industry consolidation is mostly behind us), the underlying tangible ROIC is in the mid-to-upper teens.
- 2020 Net debt-to-EBITDA¹¹ finished at 2.7 times, with a 2.3% weighted average cost of debt.

Valuation

- Fresenius shares trade for a mid-teens multiple of 2020, and of 2021 EPS estimates. The roll-off of COVID-related costs and a return to something like conventional patient growth during 2022 should result in a meaningful earnings rebound (making the stock attractive in absolute terms) and represents a large discount to medical technology sector averages.

¹¹ Earnings before interest, taxes, depreciation, and amortization.

- Fresenius' shares are more than 30% below their early 2018 highs, and its enterprise value-to-sales ratio is 1.5 times, versus the 5-year average of 1.8 times. Despite advantages from larger scale, vertical integration, and a stronger international footprint, the stock's historical premium to DiVita has recently become a discount.

Management

- Chief Executive Officer Rice Powell has been with Fresenius for 24 years. During his tenure, patient outcomes have improved. With U.S. dialysis service consolidation via mergers and acquisitions largely in the rearview mirror, Mr. Powell has made several investments in home dialysis, related chronic kidney disease treatments, and care coordination that should advantage the company in the future. ROIC was added to the compensation plan in 2016 and a €1 billion buyback was announced in 2019.

Investment Thesis

Fresenius Medical is a dependable top-line grower with low exposure to the typical business cycle. Despite the pandemic, it grew in 2020 and increased its dividend more than 10%. That said, unlike medical technology peers who saw their most severe COVID-related business impact from deferred procedures in the middle of 2020, the company will see the greatest business impact throughout 2021 from excess mortality in its patient population. A difficult 2021 outlook has resulted in an interesting multi-year investment opportunity, as COVID-related costs begin to roll off later this year, the dialysis services patient population resumes growth in 2022, and the company begins to adjust its clinic and cost base as necessary. While investments in Care Coordination and Home Dialysis contributed to recent margin compression, these same investments, along with expanded Medicare Advantage coverage, should contribute toward improving financial metrics and multiple expansion back towards historical averages.

Henkel AG & Co. KGaA (HEN GR)

(Analyst: Dain Tofson)

Description

Henkel is the global leader in adhesives and has strong regional market positions in laundry, home care, and beauty care products. Henkel reports three segments: Adhesives (45% of sales and 49% of operating profit), Laundry & Home Care (35% and 37%), and Beauty Care (20% and 14%). Key brands for Henkel include Loctite, Persil, all, Bref, Schwarzkopf, Dial, and Syoss. Sales by geography are split Western Europe (30%), North America (27%), Asia-Pacific (16%), Eastern Europe (15%), Africa/Middle East (6%), and Latin America (6%). Emerging markets represent approximately 40% of sales.

Good Business

- As the global leader in Adhesives and a top three player in key Laundry & Home Care and Beauty Care categories, Henkel benefits from economies of scale compared with smaller competitors.
- Henkel earns a mid-teens return on capital over a market cycle.
- The Adhesives segment benefits from the secular trends of electrification, connectivity, and sustainability, and represents a low share of total product/project cost, but high cost of failure.
- Adhesives and consumer staple products (laundry detergent, cleaning products, hair care, etc.) are recurring in nature; trust and brand loyalty tend to foster repeat consumption.
- Henkel's products are necessary, and the business is easy to understand.
- The balance sheet is strong, with net debt-to-EBITDA at only 0.3 times.

Valuation

- Henkel trades at an upper-teens price-to-earnings (P/E) multiple on estimates that are depressed due to COVID; this valuation is attractive given the growth prospects of the business and mid-teens return on capital profile.
- The current P/E is around a 20% discount to peers, a level last seen in the Global Financial Crisis.
- The ordinary shares, which we own, trade at a 12% discount to the preferred shares.

Management

- Carsten Knobel, CEO, is executing a strategic plan to improve the business through reinvesting in innovation, sustainability, and digital initiatives, disposing of or fixing underperforming businesses, reorganizing closer to the customer, and transforming the culture.
- The Henkel family controls the business through their majority ownership of the ordinary shares, which we believe allows management to take a long-term view.
- Management compensation is tied to return on capital.

Investment Thesis

Henkel is the global leader in Adhesives and a top three player in key Laundry & Home Care and Beauty Care categories. Henkel is currently performing below its potential due to COVID impacts in Adhesives and Beauty Care, challenges related to North American laundry, and two years of elevated reinvestment costs in Laundry & Home Care and Beauty Care to correct previous underinvestment in innovation. While these challenges have weighed on past performance, the outlook is attractive as growth is accelerating in Adhesives, and Laundry & Home Care and Beauty Care are set to benefit from the reinvestments and continued execution of the strategic plan. Given this setup, we are confident management can meet its target for mid-to-high single-digit EPS growth (compound annual growth rate) over the medium term. The valuation is undemanding for this growth potential, and the balance sheet is very strong.

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

Fiduciary Management Inc.
International Equity Hedged 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	-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%
2015	4.24	3.46	5.33	2	0.00	8.14	11.73	\$ 2,832.9	\$ 21,042.9	13.46%
2016	11.04	10.23	5.34	3	0.38	7.39	11.53	\$ 5,946.2	\$ 22,626.7	26.28%
2017	16.51	15.70	15.23	3	0.02	7.04	11.20	\$ 8,209.3	\$ 25,322.0	32.42%
2018	-8.63	-9.27	-10.99	3	0.06	7.22	9.69	\$ 6,287.8	\$ 19,833.6	31.70%
2019	18.11	17.29	21.67	3	0.08	8.30	9.48	\$ 7,522.0	\$ 22,609.9	33.27%
2020	0.98	0.25	0.84	3	0.27	17.52	15.65	\$ 3,576.9	\$ 16,284.2	21.97%

*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 - 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 International Equity Composite has been examined for the periods 12/31/2010-12/31/2020. 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 \$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 International Equity Composite was created on December 31, 2010. 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 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:

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 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.

Fiduciary Management Inc.
International Equity Unhedged Composite
12/31/2019 - 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		
2020	4.88	4.09	7.82	1	0.00	n/a	n/a	\$	56.7	\$ 16,284.2	0.35%

*MSCI EAFE Net Index (USD)[®]

Returns reflect the reinvestment of dividends and other earnings.

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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 12/31/2020, 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.