

**September 30, 2022**

## INVESTMENT STRATEGY OUTLOOK - INTERNATIONAL EQUITY

International stock markets continued their descent in the September quarter, with the Ukraine war weighing on economic growth and fueling inflation, particularly in food and energy. World GDP growth is slowing, and most major central banks are tightening monetary policy to stem the persistent upward pressure on prices. Economic indicators point to an outlook that may get worse before it gets better, and several stock and bond markets are in bear market territory. Amidst the carnage lies opportunities.

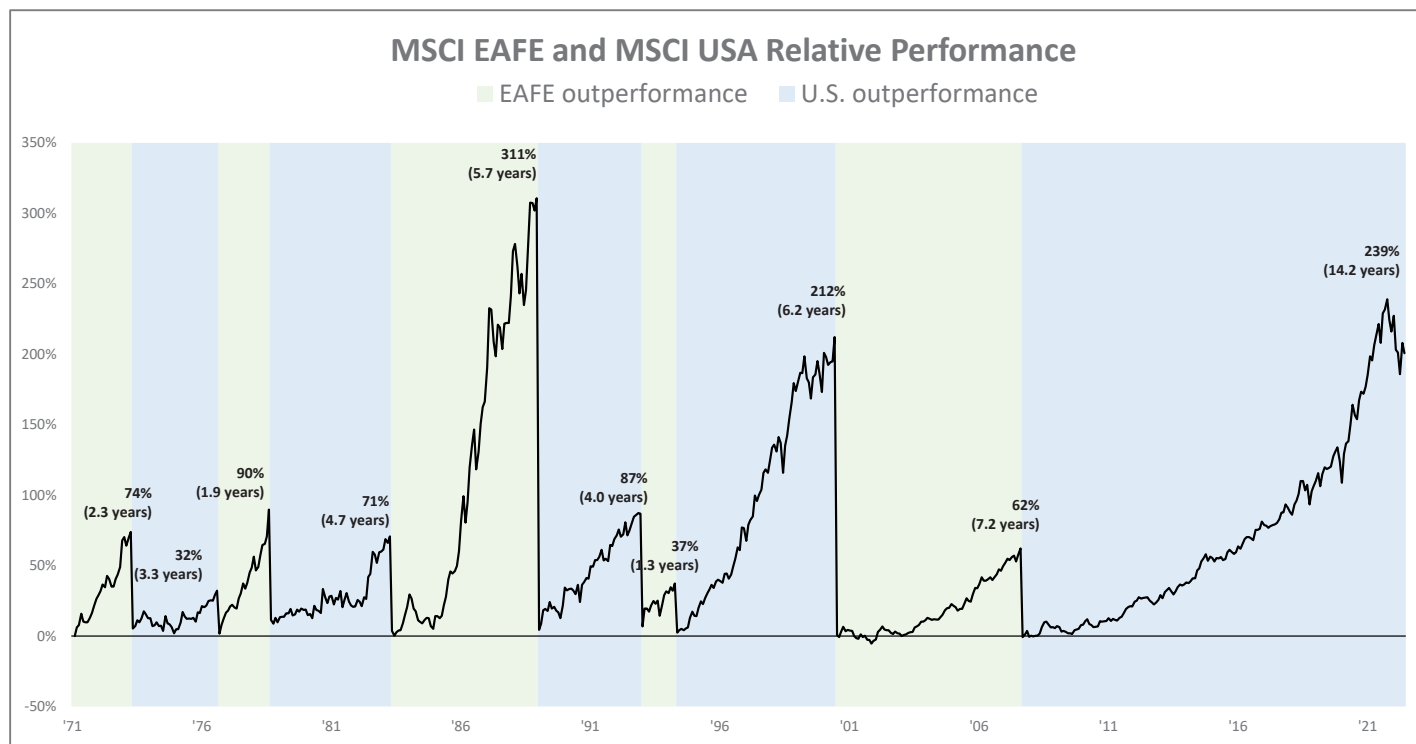
For the quarter, the FMI International strategies fell by approximately 4.0% (gross)/4.2% (net) on a currency hedged basis and 9.3% (gross)/9.5% (net) currency unhedged, compared with the iShares Currency Hedged MSCI EAFE ETF return of -3.68%, and iShares MSCI EAFE ETF's decline of 10.37% and the iShares MSCI EAFE Value ETF decline of -11.22%<sup>1</sup>. FMI's currency hedged performance benefited from a very strong USD. The Consumer Services, Producer Manufacturing, and Distribution Services sectors were additive to performance, while Retail Trade, Health Services, and Electronic Technology detracted. Sodexo S.A., DBS Group Holdings Ltd., and Unilever PLC performed well individually, as Fresenius Medical Care AG & Co. KGaA, B&M European Value Retail S.A., and Koninklijke Philips N.V. each lagged the market. Our

UK consumer exposure has weighed on our relative performance, but we remain constructive over the long-term which we will discuss below.

While global stock markets have been challenging, we are as optimistic about our future performance as we have been in years, for several reasons: valuations are attractive, both on an absolute and relative basis. The sentiment of the market is overwhelmingly negative, which can create exciting prospects for those that are contrarian. The strength and durability of our companies are robust, yet many of our stocks are depressed; we believe we own several coiled springs. Lastly, the era of ultra-low interest rates appears to be ending (Japan is still holding out), which should bode well for our investment approach. We see brighter days ahead for the portfolio and will continue to stay the course during these tough times.

### Long in the Tooth?

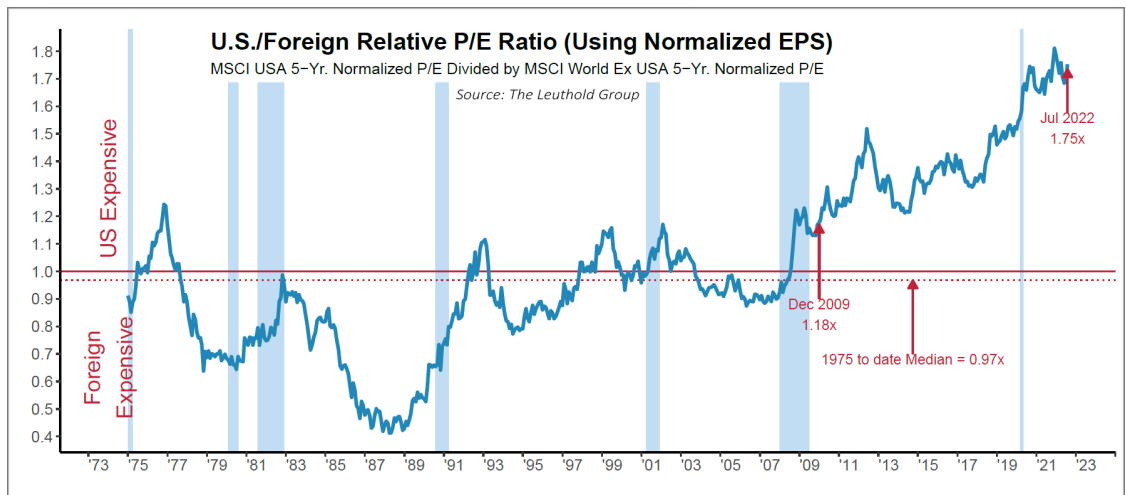
Stock markets move in cycles, and today we are in an especially painful one for international investors. As illustrated in the chart below, we are in the throes of the longest (14.2 years) and widest period of underperformance (239%) for developed international markets versus the U.S. in over 50 years:



<sup>1</sup>Source: Bloomberg - returns do not reflect management fees, transaction costs or expenses. Performance is based on market price returns. Beginning 8/10/20, market price returns are calculated using closing price. Prior to 8/10/20, market price returns were calculated using midpoint bid/ask spread at 4:00 PM ET.

Several headwinds have impacted overseas markets during the period, including the European sovereign debt crisis, Brexit, Europe's proximity to the Ukraine war (and resulting energy crisis), and USD strength, to name a few. Additionally, international stock markets have had more exposure to the financial sector, while U.S. markets are over-indexed to big tech, which has not helped the comparison. Today, Europe is in the eye of the storm, facing higher inflation and weaker economic growth than the U.S., in addition to being well behind the curve in terms of tightening monetary policy. Headline inflation is expected to soon peak in most major economies, but to date has remained stubbornly high. Meanwhile, Japan is still playing with fire, continuing to embrace negative interest rates and quantitative easing, while intervening to prop up the Yen for the first time since 1998.<sup>2</sup> There is no shortage of macro risks.

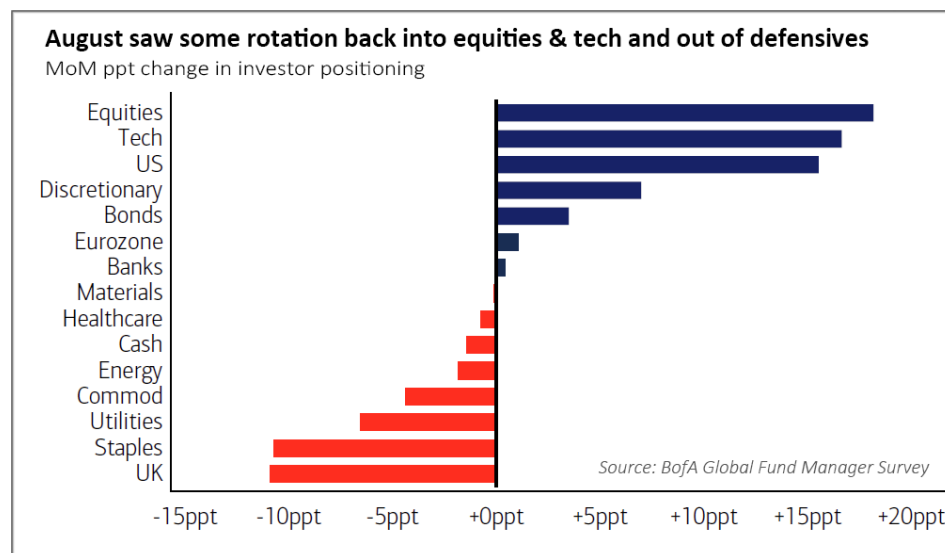
That said, valuations finally appear to be incorporating a lot of bad news, which is consistent with stock market history. In times of excess fear, investors predictably take the prevailing sentiment to the extreme, selling individual stocks to levels far below their intrinsic value. This is the nature of bear markets, and we find ourselves in one today. The opposite is certainly true during periods of market exuberance. Encouragingly, the normalized valuation spread between U.S. and foreign stocks is near an all-time high, as depicted above. This may create an attractive relative opportunity for those investing internationally, as a simple reversion to the mean could work wonders over time.



When markets fall indiscriminately, stock picking becomes paramount. The FMI International portfolio is discerning. Not only does FMI focus on high-quality businesses (compounders) with strong balance sheets, but we remain disciplined on valuation, looking for companies being sold at significant discounts. Today, the portfolio's valuation is compelling, trading at less than 12 times consensus estimates for 2023 earnings, approximately a 25% discount to the iShares MSCI EAFE ETF. The set-up appears attractive. While it is easy to dwell on recent mark-to-market "losses" in the portfolio, if the businesses and balance sheets are sound, the stocks are likely to recover. When companies with strong competitive positions temporarily go on sale, it is reason to be optimistic.

#### House on Fire

Investors are vacating the UK in droves, as depicted by the Bank of America chart on the left, pulled from their recent "Global Fund Manager Survey."<sup>3</sup> Consumer-related stocks, in particular, have been left for dead. Among the 56 European macro themes that Goldman Sachs tracks, UK Consumption ranks second-to-last in terms of year-to-date stock performance, with the representative basket of stocks down ~54%. For comparison, the EU Consumption basket is down ~29%.<sup>4</sup> Are the prospects in the UK that much worse? We have our doubts, and at the very least, believe there are diamonds in the rough.



According to OECD economic forecasts from just last week, the UK economy is expected to outperform the Eurozone this year (3.4% versus 3.1%), but lag by a similar amount in 2023 (0% versus 0.3%).<sup>5</sup> Inflation in the UK was running a bit higher than the Eurozone in August, at 9.9% versus 9.1%. The official statistics at the end of the first quarter showed government debt-to-GDP (UK: 99.6%, Eurozone: 95.6%) and deficit

<sup>2</sup>Kana Inagaki and Leo Lewis. "Japan intervenes to prop up yen for first time since 1998." Financial Times, September 22, 2022.

<sup>3</sup>Michael Hartnett and Myung-Jee Jung. "Global Fund Manager Survey: Bulls Wanted." BofA Global Research, August 16, 2022.

<sup>4</sup>Source: Bloomberg.

<sup>5</sup>Mathias Cormann and Alvaro Santos Pereira. "OECD Economic Outlook: Paying the Price of War." September 26, 2022.

levels (2.6%, 2.3%) within striking distance of one another.<sup>6</sup> So why such an extreme stock price divergence?

New UK Prime Minister, Liz Truss, played a role by spooking markets with a sweeping fiscal proposal of tax cuts (household and corporate), reduced regulations, and emergency energy subsidies, among other measures. The fiscal package would be largely funded with debt. UK stock and bond markets came under intense selling pressure, as did the pound, which touched a record low versus the USD. The Bank of England intervened in the long-dated bond market to ensure stability. Critics voiced concerns around fueling inflation, an increasing government debt burden, and the need to raise rates significantly, while supporters touted improved economic growth prospects and debt falling as a percentage of GDP over the medium term.<sup>7</sup> While the plethora of macro crosscurrents is nearly impossible to predict, we have a more favorable viewpoint than the naysayers. In the early 1980s, after a period of high inflation, many believed that U.S. tax cuts would be catastrophic – yet an economic revival ensued. Lower taxes and regulations have a long history of being quite good for business activity.

We are also skeptical about the fear factor around higher interest rates, given we remain well below historical levels. As we explain in our domestic shareholder letters (and it applies to the UK as well): “Financial markets are apoplectic about interest rates. The overwhelming consensus opinion is that higher rates will crush the economy for an extended period. We think the fear that has been fanned by the rate move may indeed result in a temporary hit to the economy or a recession, but at FMI we like to turn our analysis 180 degrees. Did the move from “normal” interest rates prior to the Great Financial Crisis to zero percent rates for years afterwards cause the economy to boom? No! Economic growth was historically weak over the past 15 years. Abnormally low rates boosted asset prices and set the mergers and acquisitions (M&A) and private equity markets aflame, but it did very little for organic

economic growth. We had a boom in financial engineering. So why will economic growth be terrible when the reverse conditions prevail? We think economic growth will be much better over the next decade than it has been over the last.”

Furthermore, if higher rates and inflation are sustained, we believe the portfolio is well-positioned. Our quality businesses have inherent pricing power given their competitive advantages and barriers to entry, their balance sheets are built for difficult times, and the valuations embed a significant margin of safety. The portfolio has not benefited from ultra-low interest rates like many of the high-flying growth stocks.

As UK consumer stocks have come under extreme pressure, we have been leaning into the wind, adding to each of our related holdings: Greggs PLC (featured in the March shareholder letter), B&M Value European Retail, and Howden Joinery Group PLC (both featured below). We believe their respective stock moves are overblown, as these are strong, durable franchises that will be able to weather the storm. We do not view the sell-off as a permanent impairment of capital. Quite the opposite: we see tremendous upside potential and a very attractive risk/reward from current depressed levels. This is what we have been trained to do...go against the grain and take advantage of mispricing in the market. This is the essence of value investing.

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FMI will continue to hold true to our core principles, as we believe wholeheartedly in our investment process. Investors can take comfort knowing that our team “eats our own cooking,” and is invested right alongside our shareholders in each of our strategies. Our net worth is tied to the very same stocks our clients own.

As promised, a summary of the aforementioned investments is provided on the following pages.

<sup>6</sup><https://www.ons.gov.uk/>, <https://ec.europa.eu/eurostat>

<sup>7</sup>Philip Aldrick. “UK’s Biggest Tax Cuts Since 1972 Trigger Crash in Pound, Bonds” *Bloomberg*, September 23, 2022.

## **B&M European Value Retail S.A. (BME LN)**

Analyst: Jordan Teschendorf

### **Description**

B&M European Value Retail is the largest general merchandise discount retailer in the UK, operating 1,119 stores under the B&M (701 stores; 91% EBITDA<sup>8</sup>) and Heron Foods (311 stores; 4% EBITDA) banners (fiscal year 2022), primarily outside of Southeastern England. The company operates 107 stores in France under the Babou banner (5% EBITDA) and recently sold its German operations (Jawoll). Its core B&M franchise operates low-cost store formats, offering a variety of branded consumables (grocery and fast-moving consumer goods products) and private label general merchandise at “everyday low prices” (typically 20-30% cheaper).

### **Good Business**

- B&M stores perform well in a variety of economic environments, evidenced by consistently growing same store sales over the last decade. B&M generated positive comparisons through the financial crisis (+10.4% average on fiscal years 2008-2010).
- A simple and low-cost operating model (rents, labor, overhead), direct sourcing, and concentrated SKU's allow B&M to offer products at very low prices, while a rotating assortment of seasonal merchandise adds newness and excitement to the offer (“treasure hunt”). B&M's average basket size of ~£13 makes online selling and delivery uneconomic.
- We estimate approximately 75% of B&M's products are priced below £5 and the store's core customers are working class. B&M has progressively broadened its appeal socioeconomically and geographically.
- B&M has consistently gained share in the growing UK discount general merchandise industry and has established itself as a dominant player. Discount retail in the UK remains underpenetrated relative to many other developed markets, including the U.S.
- B&M's five-year average lease-adjusted return on invested capital (ROIC) is in the high-teens, well above the company's cost of capital. B&M stores have cash payback periods of less than 15 months.
- The balance sheet is conservatively capitalized (1.3 times net debt/EBITDA) and the business generates strong cash flow.
- The business is easy to understand.

### **Valuation**

- B&M trades at 9 times forward earnings per share (EPS) estimates, over two standard deviations below its historical average of 18 times.
- The stock trades at less than 1 times EV/Sales, over a standard deviation below its historical average.
- B&M pays an annual dividend targeted at 30-40% of earnings as well as special dividends with excess cash.

### **Management**

- Simon Arora has been CEO of the company since December 2004, following the acquisition of B&M jointly with his family. In April 2022, he announced his intention to retire over the coming year, though he will remain on the board through April 2023. The Arora family owns 7% of the common stock (currently worth £225 million), aligning interests with long-term shareholder value creation.
- Alex Russo, CFO, was recently promoted to CEO. We view Alex as a capable leader with strong retail experience (previous roles at Wilko, Kingfisher PLC, Tesco PLC, Asda) and expect minimal strategic change.
- Compensation for executive officers is modest. Long-term incentives are based on absolute EPS growth (50%) and relative total shareholder return (50%). The company pays an ordinary dividend and aims to return surplus cash to shareholders. Capital returned to shareholders through special dividends alone has totaled £850 million over the last three years.

### **Investment Thesis**

B&M is a relatively defensive and growing business that performs well in most economic environments. Since we established our initial position in late 2018, B&M's fundamentals have been strong (growing sales and profits over 40% and over 85%, respectively) as they have solidified their leading position in UK discount retailing. B&M's stores performed exceptionally well through the pandemic (same store sales +20%), presenting a challenging near-term setup for the stock as it laps these results, while at the same time, the economic backdrop has become more uncertain. These dual concerns have pressured the stock. We think the company will navigate this period better than most, and longer-term, will continue to grow its core B&M banner in the UK at attractive returns on capital for many years to come. The balance sheet is in great shape, liquidity is strong, and B&M has been increasing cash returns to shareholders. Valuation is attractive at 9 times forward EPS estimates and 10-12 times our estimate of EPS in a recessionary environment.

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<sup>8</sup>Earnings before interest, taxes, depreciation, and amortization.

## Howden Joinery Group PLC (HWDN LN)

Analyst: Ben Karek

### Description

Howdens is the UK's largest supplier of fitted kitchens and assorted products. They operate primarily in the UK (788 depots), but also in France/Belgium (42 depots), and Ireland (1 depot). They sell exclusively to tradesmen. The product mix is roughly 80% cabinets/counters/frontals, 10% appliances, and 10% floors/doors. They have 10,000 employees and are headquartered in London.

### Good Business

- Howden has a leading 30% market share for kitchens in the UK. This drives economies of scale in purchasing, manufacturing, and distribution. It allows them to offer similar or lower prices than competitors at a better all-in value proposition. This has driven long-term market share gains.
- Howden's business model is built around using their best-in-class service to engender loyalty/stickiness from their mom-and-pop tradesmen customers. They are a one-stop-shop for everything you could need in a kitchen.
- Effectively all of Howden's business is retrofit/refurbishment. They do not work with the large homebuilders.
- Infrequent end-customer purchases (usually once every 15 years, at a minimum), individually negotiated prices, a cost advantage, and the aforementioned tradesman loyalty has allowed for ~2-3% annual price increases over the last 15 years.
- Although new depot growth will run out in the UK over the next ~5 years, Howden is in the early stages of rolling out depots in France after testing the concept for over a decade. The concept is performing well and should have a long runway.
- Depot staff are incentivized with 5% of depot profits as a bonus. This aligns shareholders and depot managers, yet gives them latitude to manage the business locally. Depot managers choose what product to stock, what price to sell it at, how many employees to hire, etc. This is a unique and finely tuned model.
- The balance sheet has no financial debt and £250 million in cash. Including leases, net debt/EBITDA is 0.7 times.
- ROIC is 25%, fully burdened for leases. After a series of investments over the last 3 years, we expect incremental returns to improve from here.

### Valuation

- Howden trades at 10 times estimated earnings, two standard deviations below its 10-year average. On pre-COVID EPS, below what we believe to be normalized, the shares trade at 16 times earnings, which approximates its 10-year average.
- With a net cash balance sheet, greater than a 25% incremental ROIC, 5-7% revenue growth, and slightly faster EPS growth, we believe the valuation is attractive in absolute terms.

### Management

- CEO Andrew Livingston comes with a strong track record from Screwfix, where he executed a strategy similar to what he's executing at Howdens. Andrew owns ~£1 million in Howden stock.
- The CFO and COO both have long tenures with Howdens. The COO was a founding member of Howden Joinery and owns ~£4 million in stock.
- Howdens' executive compensation program heavily incentivizes growth in pretax profit. Given Howdens' high returns on capital, this is the best lever to create value.

### Investment Thesis

Howden Joinery is a high-quality company that exhibits many of the characteristics we look for: no debt, organic reinvestment focus, a differentiated/hard to replicate business model, and aligned management. This is a simple (but not easy) business model that we understand well through ownership of businesses like Watsco Inc. and Ferguson PLC. The reasons we hadn't invested in the company previously were concerns about UK depot penetration, trading liquidity, and cyclicity due to the product's discretionary nature. In the years we've followed it, the company has continued to demonstrate their ability to execute and take market share from competitors, all while modernizing the business and solidifying plans for an expansion into France. The shares began to reflect that, and the P/E multiple approached 20 times. Howden Joinery came out of COVID much stronger, but we are now in a period of record inflation and recession fears are high, causing the stock to sell off. Although we are cautious on the near-term fundamentals, we think the mid-to-long term outlook for the business is as good or better than it has been in recent history. We think Howden can compound revenue and pretax profit at mid-to-high single digits while earning returns significantly in excess of their cost capital. With no financial debt, and an attractive valuation, we believe Howden Joinery is a strong addition to the International portfolios.

Thank you for your continued support of Fiduciary Management, Inc.

**Fiduciary Management Inc.**  
**International Equity Hedged Composite**  
**12/31/2010 - 12/31/2021**

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 End of Period (\$ millions)			
2012	19.35	18.46	18.82	≤ 5	0.00	n/a	n/a	\$ 76.3	\$ 15,253.5		0.50%
2013	25.89	24.95	21.39	≤ 5	0.00	9.78	16.17	\$ 165.8	\$ 19,705.3		0.84%
2014	5.66	4.87	-6.20	≤ 5	0.00	7.49	13.20	\$ 771.6	\$ 21,001.1		3.67%
2015	4.24	3.46	-1.00	≤ 5	0.00	8.14	12.46	\$ 2,832.9	\$ 21,042.9		13.46%
2016	11.04	10.23	1.38	≤ 5	0.38	7.39	12.00	\$ 5,946.2	\$ 22,626.7		26.28%
2017	16.51	15.70	25.10	≤ 5	0.02	7.04	11.03	\$ 8,209.3	\$ 25,322.0		32.42%
2018	-8.63	-9.27	-13.81	≤ 5	0.06	7.22	10.82	\$ 6,287.8	\$ 19,833.6		31.70%
2019	18.11	17.29	22.03	≤ 5	0.08	8.30	10.97	\$ 7,522.0	\$ 22,609.9		33.27%
2020	0.98	0.25	7.58	≤ 5	0.27	17.52	17.63	\$ 3,576.9	\$ 16,284.2		21.97%
2021	15.81	14.95	11.46	≤ 5	0.00	17.57	16.54	\$ 3,541.7	\$ 17,068.4		20.75%

\*iShares MSCI EAFE ETF®

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 - 12/31/2021. 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 International Equity Hedged Composite has had a performance examination for the periods 12/31/2010 - 12/31/2021. 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 \$17.1 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 Hedged Composite was created and inceptioned on 12/31/2010. Prior to 01/01/2020, this composite was referred to The International Equity Hedged Composite. 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 Hedged 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®. FMI uses gross returns to calculate these.

Currently, the advisory fee structure for the International Equity Hedged 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 and FMI distributed mutual funds are available upon request. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The iShares MSCI EAFE ETF® seeks to track the investment results of the MSCI EAFE Index (the "Underlying Index"), which has been developed by MSCI Inc. (the "Index Provider" or "MSCI"). The Underlying Index is a free float-adjusted, market capitalization-weighted index designed to measure large- and mid-capitalization equity market performance of developed markets outside of the U.S. and Canada. The Underlying Index includes stocks from Europe, Australasia and the Far East and, as of July 31, 2021, consisted of securities from the following 21 developed market countries or regions: 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 (the "U.K."). 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 Hedged composite uses the iShares MSCI EAFE ETF® as its primary benchmark comparison. In September 2022, the benchmark was changed from MSCI EAFE Net Index (USD)® to iShares MSCI EAFE ETF® for all periods.

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						Composite	*Benchmark	Assets	End of Period (\$ millions)		
2020	4.88	4.09	7.58	≤ 5	0.00	n/a	n/a	\$	56.7	\$ 16,284.2	0.35%
2021	10.43	9.64	11.46	≤ 5	0.00	n/a	n/a	\$	108.6	\$ 17,068.4	0.64%

\*iShares MSCI EAFE ETF®

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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%
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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 and FMI distributed mutual funds are available upon request. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The iShares MSCI EAFE ETF® seeks to track the investment results of the MSCI EAFE Index (the "Underlying Index"), which has been developed by MSCI Inc. (the "Index Provider" or "MSCI"). The Underlying Index is a free float-adjusted, market capitalization-weighted index designed to measure large- and mid-capitalization equity market performance of developed markets outside of the U.S. and Canada. The Underlying Index includes stocks from Europe, Australasia and the Far East and, as of July 31, 2021, consisted of securities from the following 21 developed market countries or regions: 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 (the "U.K."). 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 Hedged composite uses the iShares MSCI EAFE ETF® as its primary benchmark comparison. In September 2022, the benchmark was changed from MSCI EAFE Net Index (USD)® to iShares MSCI EAFE ETF® for all periods.

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