Fiduciary Management, Inc.

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Quarterly Review – December 31, 2018

FMI Large Cap Equity

Performance	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Large Cap (Gross)	-9.36%	-3.08%	-3.08%	10.10%	8.33%	13.15%	10.24%
S&P 500 Index	-13.52%	-4.38%	-4.38%	9.26%	8.49%	13.12%	5.70%

Inception: December 31, 2000
Performance is preliminary and subject to reconciliation.

Investment Philosophy:

Purchase durable business franchises that are selling at a discount to their intrinsic value.

Investment Process:

We utilize a business owner's approach to investing, thoroughly investigating the economics of the business and the quality of the management team. Some of the characteristics of good businesses include strong recurring revenue and attractive returns-on-invested capital (ROIC). We have a strong orientation to low absolute or relative valuation, which are key to the execution of our investment strategy. A new idea will come from a variety of sources including company visits, screens, conferences, trade periodicals and general reading. All members of the research team are responsible for fundamental research.

Once an investment opportunity is identified it is put through an extensive due diligence process, which typically includes management interviews and site visits. When an acceptable level of conviction is achieved, the appropriate weighting (considering liquidity, valuation, etc.) is discussed and determined. A new company purchased in the portfolio will usually have an initial position size of 2-4%. The portfolio generally consists of 20-30 companies and is well diversified across sectors.

We are long-term investors, a typical holding period for our companies is three to five years, and portfolio turnover averages 20-40% per annum.

Portfolio Management Committee (PMC)	Research Team
Jonathan T. Bloom, CFA	√
John S. Brandser	
Patrick J. English, CFA	√
Matthew J. Goetzinger, CFA	√
Robert M. Helf, CFA	√
Benjamin D. Karek	√
Andy P. Ramer, CFA	√
Daniel G. Sievers, CFA	√
Matthew T. Sullivan, CFA	√
Jordan S. Teschendorf, CFA	√

Please note disclosure footnote on reverse side.

(1) Estimated valuations are based on a representative account from the FMI Large Cap Equity Composite, and are weighted average calculations, not reweighted to exclude cash, and financial companies are excluded from the EV/EBITDA calculation. Valuations for the portfolio are modified based on criteria identified by FMI. For more detailed information regarding these valuations, please contact FMI.

Top 10 – Portfolio Holdings:	
Berkshire Hathaway Inc. Class B	5.4%
Dollar General Corporation	5.4%
Twenty-First Century Fox Class B	5.3%
UnitedHealth Group, Inc.	4.8%
Honeywell International Inc.	4.1%
JPMorgan Chase & Co.	3.8%
PepsiCo, Inc.	3.3%
Accenture PLC Class A	3.2%
Nestlé S.A. ADR	3.2%
Quest Diagnostics Inc.	3.1%

Portfolio Characteristics: (1)	
P/E Ratio (trailing one year)	18.8x
FY1 P/E Ratio (forward 4 quarters)	15.4x
P/S Ratio	1.8x
P/B Ratio	3.9x
EV/EBITDA Ratio	10.3x
Number of Holdings	30
Active Share	91%

Recent Purchase:

PPG Industries, Inc. **Ticker: PPG** **Added: October 2018**

PPG is a global manufacturer of paints and coatings with sales of more than $15 billion. PPG's products are used by customers to protect their assets from corrosion (thus extending useful lives) and for aesthetic and functional purposes. The industry has pricing power, as the cost of the product is typically insignificant compared with the labor or capital costs of the customer's application process, but the product is critical to the end-customer's satisfaction. The intensifying technical specifications and performance qualifications of customers is benefiting large sophisticated companies like PPG who can spend the necessary capital on R&D. At the time of purchase, shares of PPG had underperformed the S&P 500 significantly over the prior 12 months as the company had been challenged by higher raw materials costs and mixed sales growth. Our investment case for PPG is predicated upon margin recovery through price increases and stabilization of raw materials, renewed organic volume growth, and effective deployment of capital. If the company can deliver on these and return to double-digit EPS growth, then investors will likely re-rate the business higher. We purchased a 1.5% position in October 2018.

Recent Sale:

Aetna Inc. **Ticker: AET** **Sold: October 2018**

We view Aetna's Health Insurance business as attractive on a stand-alone basis given its strong balance sheet, attractive growth profile, and reasonable valuation. At the time of our purchase in April 2018, CVS was in the process of acquiring Aetna, the price of which was to include a combination of $145 in cash + CVS stock. With AET shares near $170, the cash component exceeded 85% of the share price and left a healthy discount relative to the deal price, given that the merger had to be approved by regulators. Fast forward to the early 4th quarter: the deal was approved, and AET's stock price had moved from $170 to $203. While the potential for the combined company to deliver more basic healthcare through existing brick and mortar CVS pharmacy stores is intriguing and worth monitoring in the future, CVS will need to contend with a high level of indebtedness post-merger, which may prove more difficult in a more volatile market environment. After an approximately 6-month holding period, we sold our 2.2% position in October 2018.

Fiduciary Management Inc.
Large Cap Equity Composite
12/31/2007 - 12/31/2017

Year	Total Return Gross of Fees %	Total Return Net of Fees %	*Benchmark Return %	Number of Portfolios	Dispersion %	Three Year Ex-Post Standard Deviation Composite	Three Year Ex-Post Standard Deviation *Benchmark	Total Composite Assets End of Period ($ millions)	Total Firm Assets End of Period ($ millions)	Percentage of Firm Assets %
2008	-26.38	-26.91	-37.00	130	0.63	n/a	n/a	$ 1,969.3	$ 4,062.5	48.48%
2009	30.92	30.09	26.46	252	1.22	n/a	n/a	$ 3,820.3	$ 7,008.9	54.51%
2010	12.52	11.81	15.06	394	0.31	n/a	n/a	$ 5,923.2	$ 9,816.0	60.34%
2011	2.35	1.74	2.11	509	0.37	18.34%	18.70%	$ 8,434.8	$ 12,273.6	68.72%
2012	16.02	15.32	16.00	575	0.32	13.94%	15.09%	$ 11,270.3	$ 15,253.5	73.89%
2013	31.87	31.10	32.39	685	0.31	11.38%	11.94%	$ 15,785.5	$ 19,705.3	80.11%
2014	13.52	12.81	13.69	725	0.25	8.54%	8.98%	$ 16,084.1	$ 21,001.1	76.59%
2015	-1.54	-2.16	1.38	655	0.27	9.94%	10.48%	$ 14,304.1	$ 21,042.9	67.98%
2016	14.85	14.16	11.96	636	0.32	10.48%	10.59%	$ 12,562.9	$ 22,626.7	55.52%
2017	19.90	19.24	21.83	628	0.32	9.70%	9.92%	$ 12,722.2	$ 25,322.0	50.24%

*Benchmark: S&P 500 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, Inc. (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 - 12/31/2017. 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 Large Cap Equity composite has been examined for the periods 12/31/2000 - 12/31/2017. 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 $25.3 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 FMI Large Cap Equity Composite was created in December 2000. These accounts primarily invest in medium to large capitalization US equities.

The FMI Large Cap Equity Composite reflects time-weighted and asset-weighted returns for all discretionary accounts with a market value greater than $500,000 as of month end beginning January 1, 2012. From December 31, 2000 thru September 30, 2002 all accounts included were managed for at least one quarter, from October 1, 2002 to present all accounts were managed for at least one month. 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®.

Currently, the advisory fee structure for the FMI Large Cap Equity Composite portfolios is as follows:

Up to $25,000,000	0.60%
$25,000,001-$50,000,000	0.55%
$50,000,001-$100,000,000	0.45%
$100,000,001 and above	0.35%

The firm generally requires a minimum of $3 million in assets to establish a discretionary account. High Net Worth individuals may establish an account with a minimum of $1,000,000, however, the firm reserves the right to charge a minimum dollar fee for High Net Worth individuals depending on the client servicing involved. 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 S&P 500 Index® is widely regarded as the best single gauge of the U.S. equities market. This index includes 500 leading companies in leading industries of the U.S. economy. Although the S&P 500® focuses on the large cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market.
The Large Cap Equity composite uses the S&P 500 Index® as its primary index comparison.