# QUARTERLY REPORT
**June 30, 2019**

FMI Large Cap Fund
Investor Class (FMIHX)
Institutional Class (FMIQX)

FMI Common Stock Fund
Investor Class (FMIMX)
Institutional Class (FMIUX)

FMI International Fund
Investor Class (FMIJX)
Institutional Class (FMIYX)

# FMI Funds, Inc.

**Advised by Fiduciary Management, Inc.**
**www.fmifunds.com**

Beginning on January 1, 2021, as permitted by regulations adopted by the U.S. Securities and Exchange Commission, paper copies of the Funds' annual and semi-annual shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports. Instead, the reports will be made available on the Funds' website www.fmifunds.com, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Funds electronically anytime by contacting your financial intermediary (such as a broker-dealer or a bank) or, if you are a direct investor, by calling 1-800-811-5311.

You may elect to receive all future reports in paper free of charge. If you invest through a financial intermediary, you can contact your financial intermediary to request that you continue to receive paper copies of your shareholder reports. If you invest directly with the Funds, you can call 1-800-811-5311 to let the Funds know you wish to continue receiving paper copies of your shareholder reports. Your election to receive reports in paper will apply to all Funds held in your account if you invest through your financial intermediary or all Funds held with the fund complex if you invest directly with the Funds.

FMI Funds, Inc.

# TABLE OF CONTENTS

# FMI Large Cap Fund

June 30, 2019

Dear Fellow Shareholders:

The FMI Large Cap Fund gained 5.35%[1] in the June quarter compared to 4.30% for the Standard & Poor's 500 Index. Sectors aiding relative returns included Consumer Non-Durables, Health Technology, and Technology Services. Detracting sectors included Finance, Consumer Services, and Industrial Services. Notable stocks having positive relative impact were Nestlé, Cerner Corp., and TE Connectivity. On the flipside, Bank of New York, CenturyLink, and Schlumberger lagged. The modest correction late in 2018 is like a distant memory; stocks have been on fire since then, and valuations are back near record levels. Market participants have seemingly abandoned valuation concerns. Mergers and acquisitions (M&A) activity is feverish, with mind-bending deal prices barely warranting a yawn any more. An unprecedented number of money-losing initial public offerings (IPOs) have hit the market this year and the bullpen of profitless companies looking to go public is deep. Growth stocks have significantly outperformed value stocks year-to-date, although interestingly, the so-called FAANG stocks have cooled in recent quarters. The New York Stock Exchange FANG Plus Index (Facebook, Apple, Alphabet, Amazon, Netflix, Tesla, NVIDIA, Alibaba, Baidu, and Twitter) declined 11.3% over the past twelve months. Some of the more defensive, slow-growing sectors such as Utilities and Consumer Non-Durables did remarkably well over both the last twelve months and in the June quarter, which is interesting and reassuring. FMI's performance compared to the Russell 1000 Value Index is also encouraging; as of 6/30/19, we have outperformed at the 1, 3, 5, 10, 15-year and since inception periods – while on most valuation measures, we have a cheaper portfolio.

> **I think it's essential to remember that just about everything is cyclical. There's little I'm certain of, but these things are true: Cycles always prevail eventually. Nothing goes in one direction forever. Trees don't grow to the sky. Few things go to zero. And there's little that's as dangerous for investor health as insistence on extrapolating today's events into the future.**
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> - Howard Marks, *The Most Important Thing*

Howard Marks, the highly acclaimed co-founder of OakTree Capital Management, developed the cycle concept more fully in his recent book, *Mastering the Market Cycle*. He pointed out four things about cycles:

1. Cycles are inevitable.
2. Cycles' clout is heightened by the inability of investors to remember the past.
3. Cycles are self-correcting.
4. Cycles are often viewed as less symmetrical than they are.

[1] The FMI Large Cap Fund Investor Class (FMIHX) and the FMI Large Cap Fund Institutional Class (FMIQX) had a return of 5.35% and 5.41%, respectively, for the second quarter of 2019.

Marks reminds us that even when cycles go in one direction for an exceptionally long time and people say, "it's different this time," it rarely is. Given how damaging bear markets can be, financial memories are surprisingly short. For example, investors seemed to have already forgotten the dangers of excessive debt, which was at the root of the financial crisis a decade ago. Additionally, investors believe today's methods of valuing hot technology stocks are novel, yet it is not much different than what occurred in the overheated technology arena two decades ago. That cycles are self-correcting should also not come as news, but the key point is that the seeds of any cycle's reversal are sown in the prior cycle phase. Hubris and overconfidence are the seeds of the eventual downcycle; despair and fear are the opposite. In prior letters we have discussed the "pillar of faith" concept. Every cycle has one or two pillars that are widely believed to be true but end up not being so in the fullness of time. In the early 1970s the pillar of faith was that investors had to own the Nifty Fifty stocks, sometimes referred to as the "one-decision" stocks such as Polaroid, Xerox and Sears. These stocks were soon crushed. The pillar of faith in the late 1990s was the infallibility of tech and telecom, and that no price was too dear for the leading players such as Cisco, Applied Materials, Dell and Intel. The 2000-2001 market devastated these stocks. "Home prices never fall" was the dictum of the mid 2000s, which, of course, became spectacularly untrue at the end of that cycle, taking AIG, Washington Mutual and Lehman Brothers down. Later in the letter we will address two pillars of faith in today's market, but first a brief comment on Marks' fourth point on cycles. Market pundits refer to negative price fluctuations as "volatility," while positive moves are called "profit." Capitulation is almost always associated with bottoms of markets but can be equally applied to tops ("melt-ups"). The symmetry in the stock market cycle is that prices have generally gained at roughly 5-6% over the entire period of recorded stock market history. Market moves significantly higher or lower than that over time have faced a cycle reckoning!

Table 1 shows a sample of today's unicorns (over $1 billion in implied value). Nearly all are unprofitable and in many cases the business models, in our opinion, will struggle to ever make money. Investors seem to value top line growth, regardless of the cost to achieve it. WeWork, which provides short-term office leases, is the poster child of this era. Given the price of recent capital raises, its imputed market cap is an astonishing $47 billion. WeWork operates a business with few barriers to entry, and in essence, runs a mismatched loan book, where they sign long-term leases for properties that they, in turn, subdivide and lease out on a short-term basis. In 2018, they managed to lose more money ($1.9 billion) than they earned in revenue ($1.8 billion). What happens when

**Top 10 U.S. Unicorn Companies - January 2019**

| Company | Estimated Revenue ($Billions) | Projected Valuation ($Billions) | Estimated Revenue Multiple | Industry |
|---|---|---|---|---|
| JUUL Labs | $1.0 | $50 | 50.0x | Vaping |
| WeWork | $1.8 | $47 | 26.1x | Shared Workspaces |
| Airbnb | $2.6 | $29 | 11.2x | Travel |
| Stripe | $1.5 | $23 | 15.3x | Fintech |
| SpaceX | $2.0 | $19 | 9.5x | Rocket Launches |
| Epic Games | $4.0 | $15 | 3.8x | Video Games (Fortnite) |
| DoorDash | $1.0 | $13 | 13.0x | Delivery |
| Samumed | $0.0 | $12 | n/a | Anti-Aging Drugs |
| Palantir Technologies | $1.0 | $11 | 11.0x | Data Management & Analytics |
| Infor | $3.1 | $10 | 3.2x | Cloud Data Management |

TABLE 1 Valuation Source: CB Insights

there is a downturn and many of the start-up and fledgling tenants either walk away from, or fail to re-up their leases? The spirit of today's environment is captured by the following quote from Robert Reffkin, the co-founder of Compass, a 2012 startup trying to disrupt the residential real estate brokerage business while sporting a $4.4 billon value and bleeding cash: "Short-term profitability is something that many of the more modern companies are not as focused on." Added the COO: "We're not yet at a stage where I have a very clear monetization strategy because we haven't really talked about it."[2]

Table 2 is a partial list of 2019 IPOs with some pertinent data. We haven't seen this many money-losing IPOs since the 1990s. It's difficult to see how a large percentage of these companies will ever make money. Many are probably better viewed as lottery tickets. We keep several good-sized boxes of late 1990s IPO prospectuses in our storeroom for new analysts to review. All were promising upstarts; nearly all failed. It's a poignant history lesson. The parallels with today's crop are eerily similar.

**Top 10 U.S. IPOs of 2019**

| Company | 2018 Net Income ($Millions) | 2019 Projected Net Income ($Millions) | 6/30/19 Market Cap ($Billions) | 6/30/19 IPO Return | Industry |
|---|---|---|---|---|---|
| Uber Technologies Inc. | -$2,900 | -$3,700 | $78.6 | 3% | Ridesharing |
| Zoom Video Comm. | -$4 | $8 | $24.2 | 147% | Cloud Service |
| Lyft Inc. | -$911 | -$1,427 | $19.1 | -9% | Ridesharing |
| Slack Technologies | -$181 | -$139 | $18.9 | 44% | Software |
| Pinterest Inc. | -$63 | -$52 | $14.8 | 43% | Social Networking |
| Chewy | -$338 | -$268 | $14.2 | 59% | Pet Retailer |
| CrowdStrike Holdings | -$141 | -$140 | $13.6 | 101% | Software |
| Avantor Inc. | -$261 | $367 | $10.8 | 36% | Life Science Equipment |
| Beyond Meat Inc. | -$29 | -$15 | $9.7 | 543% | Plant-Based Protein Products |
| Tradeweb Markets Inc. | $160 | $205 | $9.7 | 63% | Financial Marketplaces |

TABLE 2 Source: Bloomberg

Table 3 depicts some of the bigger deals of 2019. When the ROICs of many recent M&A deals are calculated, the result is likely to be a remarkably low figure, and nowhere near a normalized cost of capital. Low borrowing rates and expectations of an eventual positive spread drive these deals under the banner of "accretive to earnings by year three," or something to that effect. Last quarter's letter touched on this subject in more detail, particularly as it relates to pharmaceutical M&A, so we won't belabor the point. Suffice it to say that we have never seen buy-out multiples as high as those of today.

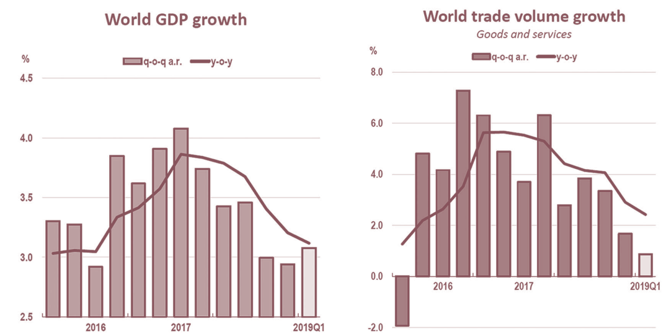
**Top 10 U.S. Mergers & Acquisitions of 2019**

| Acquirer | Target | Estimated Value ($Billions) | Target Value/EBIT |
|---|---|---|---|
| United Technologies | Raytheon | $90.0 | 19.5x |
| Bristol-Myers Squibb | Celgene | $88.8 | 17.1x |
| AbbVie | Allergan | $83.8 | 11.5x |
| Occidental Petroleum | Anadarko Petroleum | $55.2 | 22.7x |
| Fidelity National Info. | Worldpay | $41.0 | 121.0x |
| Fiserv | First Data | $38.2 | 20.1x |
| BB&T | SunTrust Banks | $27.9 | 8.4x |
| Eldorado Resorts | Caesers | $26.7 | 31.3x |
| Global Payments | Total System Services | $25.0 | 29.2x |
| Multiple | Zayo Group | $14.1 | 28.7x |

TABLE 3 Source: Bloomberg

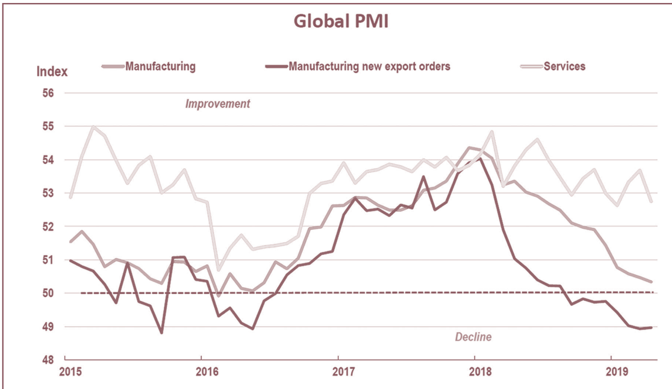
[2] *Grant's Interest Rate Observer*, May 17, 2019.

Abnormally low rates are driving highly speculative M&A, and for the most part, a booming stock market. Returning to the pillar of faith notion, investors' belief in the Fed rivals any market "truth" we have seen. The mantra is that as long as the Fed is accommodative, rates will remain low and little can go wrong. It has been a green light for corporations and governments to lever their balance sheets to the hilt; they appear to not appreciate credit or stock market cycles. Over the years we've tried to note good "contrarian indicators," and this recent quote from National Economic Council Director Larry Kudlow is one for the ages: "I don't think rates will rise in the foreseeable future, maybe never again in my lifetime." The faith will crumble either *slowly*, as people realize that the continuation of decade-long emergency interest rate policies does not drive good sustainable organic economic growth, and in fact, carries unappreciated negatives… or *rapidly*, as a recession or an externality shakes the economy and investor confidence.



Source: OECD Economic Outlook Presentation, May 21, 2019

Regarding the economy, we are more wary than usual. Some smart people, including David Rosenberg at Gluskin Sheff, believe a recession may be unfolding now. He cites significant slowdowns in trade, manufacturing, housing and personal income, along with an inverted yield curve. Some of these elements are also at play globally, as depicted in the three accompanying charts.



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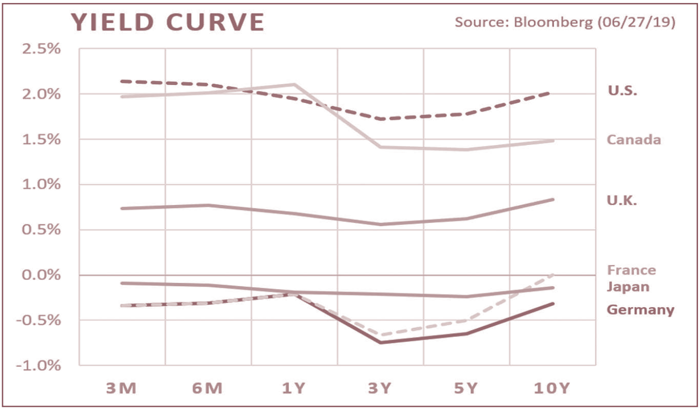


The second pillar of faith in today's market is the powerful belief in passive investing and indexing. As we articulated in last December's letter, for investors who are honestly looking at a multi-decade investment time horizon and are truly unconcerned about large draw-downs, perhaps a S&P 500 index fund makes some sense. Today's index investors, however, seem to view the passive path as somehow less risky – and in our opinion, nothing could be further from the truth. Late in bull markets, index funds get very heavy with the most popular and overvalued constituents. If someone offered you a stock trading at 28.9 times the last 12 months' earnings, 4.5 times revenue and 17.0 times EBITDA,[3] that has averaged less than 3% sales growth over the past decade, and with prospects of even lower growth in the near term, you'd run for the hills. Yet that is the asset (S&P 500[4]) that people can't get enough of today. We think this pillar will erode significantly in the back half of the current cycle.

We are well aware that despite a few interludes, our message has remained essentially the same for some time. When cycles last more than a few years, people no longer view them as cycles. They speak of a new paradigm. Unfortunately, this talk has always proven to be dangerous. It is a shame that there are precious few truly cheap assets to buy. All we can do is own solid businesses that are relatively cheap. We are committed to trying to protect against the downside as much as possible, while still giving our investors with long-term time horizons a chance to participate in a portfolio of promising stocks.

Thank you for your confidence in the FMI Large Cap Fund.

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

[4] Valuations are FMI's weighted average estimates for the iShares Core S&P 500 ETF (a proxy for the S&P 500).

# STATEMENT OF NET ASSETS

June 30, 2019 (Unaudited)

| Shares | | Value (b) |
|---|---|---|
| **COMMON STOCKS — 93.3% (a)** | | |
| **COMMERCIAL SERVICES SECTOR — 3.4%** | | |
| | **Advertising/Marketing Services — 3.4%** | |
| 2,100,000 | Omnicom Group Inc. | $ 172,095,000 |
| **CONSUMER DURABLES SECTOR — 1.8%** | | |
| | **Tools & Hardware — 1.8%** | |
| 650,000 | Stanley Black & Decker Inc. | 93,996,500 |
| **CONSUMER NON-DURABLES SECTOR — 9.9%** | | |
| | **Beverages: Non-Alcoholic — 3.1%** | |
| 1,195,000 | PepsiCo Inc. | 156,700,350 |
| | **Food: Major Diversified — 3.3%** | |
| 1,615,000 | Nestlé S.A. — SP-ADR | 166,991,000 |
| | **Household/Personal Care — 3.5%** | |
| 2,925,000 | Unilever PLC — SP-ADR | 181,262,250 |
| **CONSUMER SERVICES SECTOR — 7.6%** | | |
| | **Broadcasting — 2.4%** | |
| 1,550,000 | Fox Corp. — Cl A | 56,792,000 |
| 1,858,333 | Fox Corp. — Cl B | 67,884,904 |
| | | 124,676,904 |
| | **Other Consumer Services — 5.2%** | |
| 33,722 | Booking Holdings Inc.* | 63,218,971 |
| 5,090,000 | eBay Inc. | 201,055,000 |
| | | 264,273,971 |
| **DISTRIBUTION SERVICES SECTOR — 1.6%** | | |
| | **Wholesale Distributors — 1.6%** | |
| 2,030,000 | HD Supply Holdings Inc.* | 81,768,400 |
| **ELECTRONIC TECHNOLOGY SECTOR — 2.5%** | | |
| | **Electronic Components — 2.5%** | |
| 1,325,000 | TE Connectivity Ltd. | 126,908,500 |
| **FINANCE SECTOR — 16.1%** | | |
| | **Investment Managers — 1.3%** | |
| 1,930,000 | Franklin Resources Inc. | 67,164,000 |
| | **Major Banks — 6.4%** | |
| 2,825,000 | Bank of New York Mellon Corp. | 124,723,750 |
| 1,820,000 | JPMorgan Chase & Co. | 203,476,000 |
| | | 328,199,750 |
| | **Multi-Line Insurance — 5.2%** | |
| 1,240,000 | Berkshire Hathaway Inc. — Cl B* | 264,330,800 |
| | **Property/Casualty Insurance — 3.2%** | |
| 1,110,000 | Chubb Ltd. | 163,491,900 |

| Shares | | Value (b) |
|---|---|---|
| **COMMON STOCKS — 93.3% (a) (Continued)** | | |
| **HEALTH SERVICES SECTOR — 8.0%** | | |
| | **Health Industry Services — 3.6%** | |
| 1,800,000 | Quest Diagnostics Inc. | $ 183,258,000 |
| | **Managed Health Care — 4.4%** | |
| 915,000 | UnitedHealth Group Inc. | 223,269,150 |
| **HEALTH TECHNOLOGY SECTOR — 3.0%** | | |
| | **Medical Specialties — 3.0%** | |
| 3,490,000 | Smith & Nephew PLC — SP-ADR | 151,954,600 |
| **INDUSTRIAL SERVICES SECTOR — 2.4%** | | |
| | **Oilfield Services/Equipment — 2.4%** | |
| 3,055,000 | Schlumberger Ltd. | 121,405,700 |
| **PROCESS INDUSTRIES SECTOR — 5.1%** | | |
| | **Chemicals: Agricultural — 2.7%** | |
| 2,600,000 | Nutrien Ltd. | 138,996,000 |
| | **Industrial Specialties — 2.4%** | |
| 1,060,000 | PPG Industries Inc. | 123,712,600 |
| **PRODUCER MANUFACTURING SECTOR — 11.3%** | | |
| | **Building Products — 4.0%** | |
| 5,165,000 | Masco Corp. | 202,674,600 |
| | **Industrial Conglomerates — 4.9%** | |
| 1,440,000 | Honeywell International Inc. | 251,409,600 |
| | **Trucks/Construction/Farm Machinery — 2.4%** | |
| 1,690,000 | PACCAR Inc. | 121,105,400 |
| **RETAIL TRADE SECTOR — 11.3%** | | |
| | **Apparel/Footwear Retail — 3.1%** | |
| 3,050,000 | The TJX Companies Inc. | 161,284,000 |
| | **Discount Stores — 8.2%** | |
| 1,660,000 | Dollar General Corp. | 224,365,600 |
| 1,830,000 | Dollar Tree Inc.* | 196,523,700 |
| | | 420,889,300 |
| **TECHNOLOGY SERVICES SECTOR — 6.4%** | | |
| | **Information Technology Services — 6.4%** | |
| 885,000 | Accenture PLC | 163,521,450 |
| 2,265,000 | Cerner Corp. | 166,024,500 |
| | | 329,545,950 |
| **TRANSPORTATION SECTOR — 2.9%** | | |
| | **Air Freight/Couriers — 2.9%** | |
| 1,930,000 | Expeditors International of Washington Inc. | 146,409,800 |
| | Total common stocks | 4,767,774,025 |

| Principal Amount | | Value (b) |
|---|---|---|
| **SHORT-TERM INVESTMENTS — 6.7% (a)** | | |
| | **Bank Deposit Account — 6.7%** | |
| $340,935,638 | U.S. Bank N.A., 2.30%^ | $ 340,935,638 |
| | Total short-term investments | 340,935,638 |
| | Total investments — 100.0% | 5,108,709,663 |
| | Other assets, less liabilities — **0.0% (a)** | 3,335,543 |
| | **TOTAL NET ASSETS — 100.0%** | $5,112,045,206 |
| | **Investor Class** – Net Asset Value Per Share ($0.0001 par value, 400,000,000 shares authorized), offering and redemption price ($2,445,204,635 ÷ 121,701,013 shares outstanding) | $ 20.09 |
| | **Institutional Class** – Net Asset Value Per Share ($0.0001 par value, 200,000,000 shares authorized), offering and redemption price ($2,666,840,571 ÷ 132,881,102 shares outstanding) | $ 20.07 |

* Non-income producing security.
^ The rate shown is as of June 30, 2019.
(a) Percentages for the various classifications relate to total net assets.
(b) Each security is valued at the current day last sale price reported by the principal security exchange on which the issue is traded. Securities that are traded on Nasdaq Markets are valued at the Nasdaq Official Closing Price, or if no sale is reported, the latest bid price. Securities that are traded over-the-counter, including U.S. Treasury securities are valued at the close price, if not close, then at the latest bid price. Bank deposits are valued at acquisition cost which approximates fair value.
PLC Public Limited Company
SP-ADR Sponsored American Depositary Receipt

# FMI Common Stock Fund

June 30, 2019

Dear Fellow Shareholders:

The FMI Common Stock Fund gained 4.84%[1] in the June quarter compared to 2.10% for the Russell 2000 Index. Sectors aiding relative returns included Producer Manufacturing, Finance, and Commercial Services. Detracting sectors included Distribution Services, Electronic Technology, and Technology Services. Notable stocks having positive relative impact were Armstrong World Industries, Woodward, and FirstCash. On the flipside, ePlus, MSC Industrial Direct, and Ryder System lagged. The modest correction late in 2018 is like a distant memory. Stocks have been on fire since then, and valuations are back near record levels. Market participants have seemingly abandoned valuation concerns. Mergers and acquisitions (M&A) activity is feverish, with mind-bending deal prices barely warranting a yawn any more. An unprecedented number of money-losing initial public offerings (IPOs) have hit the market this year and the bullpen of profitless companies looking to go public is deep. Growth stocks have significantly outperformed value stocks year-to-date, although interestingly, the so-called FAANG stocks have cooled in recent quarters. The New York Stock Exchange FANG Plus Index (Facebook, Apple, Alphabet, Amazon, Netflix, Tesla, NVIDIA, Alibaba, Baidu, and Twitter) declined 11.3% over the past twelve months. Some of the more defensive, slow-growing sectors such as Utilities and Consumer Non-Durables did remarkably well over both the last twelve months and in the June quarter, which is interesting and reassuring. FMI's performance compared to the Russell 2000 Value Index is also encouraging; as of 6/30/19 we have outperformed over 1, 3, 5, 10, 15, 20-year, and since inception periods – while on most valuation measures, we have a cheaper portfolio.

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Table 2 is a partial list of 2019 IPOs with some pertinent data. We haven't seen this many money-losing IPOs since the 1990s. It's difficult to see how a large percentage of these companies will ever make money. Many are probably better viewed as lottery tickets. We keep several good-sized boxes of late 1990s IPO prospectuses in our storeroom for new analysts to review. All were promising upstarts; nearly all failed. It's a poignant history lesson. The parallels with today's crop are eerily similar.

**Top 10 U.S. IPOs of 2019**

| Company | 2018 Net Income ($Millions) | 2019 Projected Net Income ($Millions) | 6/30/19 Market Cap ($Billions) | 6/30/19 IPO Return | Industry |
|---|---|---|---|---|---|
| Uber Technologies Inc. | -$2,900 | -$3,700 | $78.6 | 3% | Ridesharing |
| Zoom Video Comm. | -$4 | $8 | $24.2 | 147% | Cloud Service |
| Lyft Inc. | -$911 | -$1,427 | $19.1 | -9% | Ridesharing |
| Slack Technologies | -$181 | -$139 | $18.9 | 44% | Software |
| Pinterest Inc. | -$63 | -$52 | $14.8 | 43% | Social Networking |
| Chewy | -$338 | -$268 | $14.2 | 59% | Pet Retailer |
| CrowdStrike Holdings | -$141 | -$140 | $13.6 | 101% | Software |
| Avantor Inc. | -$261 | $367 | $10.8 | 36% | Life Science Equipment |
| Beyond Meat Inc. | -$29 | -$15 | $9.7 | 543% | Plant-Based Protein Products |
| Tradeweb Markets Inc. | $160 | $205 | $9.7 | 63% | Financial Marketplaces |

TABLE 2 — Source: Bloomberg

Table 3 depicts some of the bigger deals of 2019. When the ROICs of many recent M&A deals are calculated, the result is likely to be a remarkably low figure, and nowhere near a normalized cost of capital. Low borrowing rates and expectations of an eventual positive spread drive these deals under the banner of "accretive to earnings by year three," or something to that effect. Last quarter's letter touched on this subject in more detail, particularly as it relates to pharmaceutical M&A, so we won't belabor the point. Suffice it to say that we have never seen buy-out multiples as high as those of today.

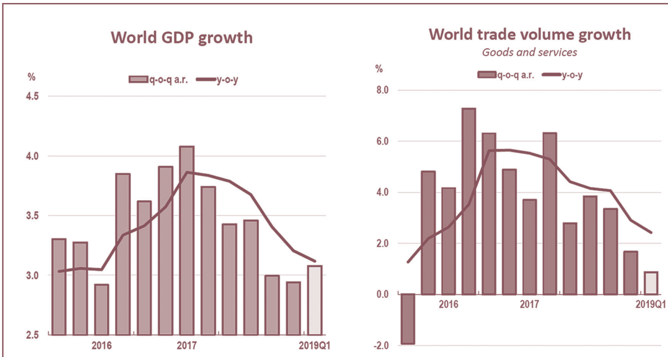
**Top 10 U.S. Mergers & Acquisitions of 2019**

| Acquirer | Target | Estimated Value ($Billions) | Target Value/EBIT |
|---|---|---|---|
| United Technologies | Raytheon | $90.0 | 19.5x |
| Bristol-Myers Squibb | Celgene | $88.8 | 17.1x |
| AbbVie | Allergan | $83.8 | 11.5x |
| Occidental Petroleum | Anadarko Petroleum | $55.2 | 22.7x |
| Fidelity National Info. | Worldpay | $41.0 | 121.0x |
| Fiserv | First Data | $38.2 | 20.1x |
| BB&T | SunTrust Banks | $27.9 | 8.4x |
| Eldorado Resorts | Caesers | $26.7 | 31.3x |
| Global Payments | Total System Services | $25.0 | 29.2x |
| Multiple | Zayo Group | $14.1 | 28.7x |

TABLE 3 — Source: Bloomberg

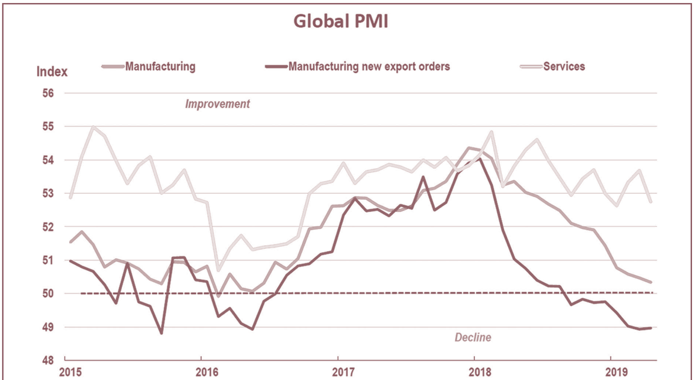
2 *Grant's Interest Rate Observer*, May 17, 2019.

Abnormally low rates are driving highly speculative M&A, and for the most part, a booming stock market. Returning to the pillar of faith notion, investors' belief in the Fed rivals any market "truth" we have seen. The mantra is that as long as the Fed is accommodative, rates will remain low and little can go wrong. It has been a green light for corporations and governments to lever their balance sheets to the hilt; they appear to not appreciate credit or stock market cycles. Over the years we've tried to note good "contrarian indicators," and this recent quote from National Economic Council Director Larry Kudlow is one for the ages: "I don't think rates will rise in the foreseeable future, maybe never again in my lifetime." The faith will crumble either *slowly*, as people realize that the continuation of decade-long emergency interest rate policies does not drive good sustainable organic economic growth, and in fact, carries unappreciated negatives… or *rapidly*, as a recession or an externality shakes the economy and investor confidence.



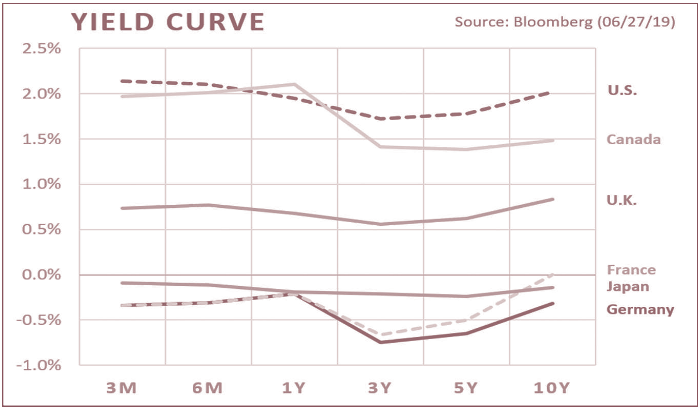
Source: OECD Economic Outlook Presentation, May 21, 2019

Regarding the economy, we are more wary than usual. Some smart people, including David Rosenberg at Gluskin Sheff, believe a recession may be unfolding now. He cites significant slowdowns in trade, manufacturing, housing and personal income, along with an inverted yield curve. Some of these elements are also at play globally, as depicted in the three accompanying charts.



Source: OECD Economic Outlook Presentation, May 21, 2019

The second pillar of faith in today's market is the powerful belief in passive investing and indexing. As we articulated in last December's letter, for investors who are honestly looking at a multi-decade investment time horizon and are truly unconcerned about large draw-downs, perhaps a S&P 500 index fund makes some sense. Today's index investors, however, seem to view the passive path as somehow less risky – and in our opinion, nothing could be further from the truth. Late in bull markets, index funds get very heavy with the most popular and overvalued constituents. If someone offered you a stock trading at 28.9 times the last 12 months' earnings, 4.5 times revenue and 17.0 times EBITDA,[3] that has averaged less than 3% sales growth over the past decade, and with prospects of even lower growth in the near term, you'd run for the hills. Yet that is the asset (S&P 500[4]) that people can't get enough of today. We think this pillar will erode significantly in the back half of the current cycle. Using the same methodology, the analogous figures for the iShares Russell 2000 ETF are 34.2 times earnings, 5.2 times revenue and 21.2 times EBITDA, all extraordinarily expensive from a long-term historical perspective.




We are well aware that despite a few interludes, our message has remained essentially the same for some time. When cycles last more than a few years, people no longer view them as cycles. They speak of a new paradigm. Unfortunately, this talk has always proven to be dangerous. It is a shame that there are precious few truly cheap assets to buy. All we can do is own solid businesses that are relatively cheap. We are committed to trying to protect against the downside as much as possible, while still giving our investors with long-term time horizons a chance to participate in a portfolio of promising stocks.

Thank you for your confidence in the FMI Common Stock Fund.

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3 Earnings before interest, taxes, depreciation and amortization.

4 Valuations are FMI's weighted average estimates for the iShares Core S&P 500 ETF (a proxy for the S&P 500).

# STATEMENT OF NET ASSETS

June 30, 2019 (Unaudited)

| Shares | | Value (b) |
|---|---|---|
| **COMMON STOCKS — 85.1% (a)** | | |
| **COMMERCIAL SERVICES SECTOR — 12.9%** | | |
| | **Advertising/Marketing Services — 3.2%** | |
| 1,430,000 | Interpublic Group of Cos. Inc. | $ 32,303,700 |
| | **Miscellaneous Commercial Services — 5.2%** | |
| 1,375,000 | Genpact Ltd. | 52,373,750 |
| | **Personnel Services — 4.5%** | |
| 315,000 | ManpowerGroup Inc. | 30,429,000 |
| 250,000 | Robert Half International Inc. | 14,252,500 |
| | | 44,681,500 |
| **CONSUMER SERVICES SECTOR — 5.6%** | | |
| | **Cable/Satellite TV — 1.1%** | |
| 9,000 | Cable One Inc. | 10,538,910 |
| | **Other Consumer Services — 4.5%** | |
| 65,000 | Graham Holdings Co. | 44,851,950 |
| **DISTRIBUTION SERVICES SECTOR — 6.8%** | | |
| | **Electronics Distributors — 3.2%** | |
| 188,000 | Arrow Electronics Inc.* | 13,398,760 |
| 270,000 | ePlus Inc.* | 18,613,800 |
| | | 32,012,560 |
| | **Wholesale Distributors — 3.6%** | |
| 500,000 | HD Supply Holdings Inc.* | 20,140,000 |
| 210,000 | MSC Industrial Direct Co. Inc. | 15,594,600 |
| | | 35,734,600 |
| **ELECTRONIC TECHNOLOGY SECTOR — 2.5%** | | |
| | **Telecommunications Equipment — 2.5%** | |
| 310,000 | ViaSat Inc.* | 25,054,200 |
| **FINANCE SECTOR — 23.3%** | | |
| | **Finance/Rental/Leasing — 6.5%** | |
| 385,000 | FirstCash Inc. | 38,507,700 |
| 446,000 | Ryder System Inc. | 26,001,800 |
| | | 64,509,500 |
| | **Property/Casualty Insurance — 9.4%** | |
| 275,000 | Argo Group International Holdings Ltd. | 20,363,750 |
| 565,500 | W.R. Berkley Corp. | 37,283,415 |
| 36,000 | White Mountains Insurance Group Ltd. | 36,772,560 |
| | | 94,419,725 |
| | **Real Estate Development — 5.3%** | |
| 217,000 | The Howard Hughes Corp.* | 26,873,280 |
| 1,250,000 | Kennedy-Wilson Holdings Inc. | 25,712,500 |
| | | 52,585,780 |
| | **Regional Banks — 2.1%** | |
| 450,000 | Zions Bancorporation | 20,691,000 |

| Shares | | Value (b) |
|---|---|---|
| **COMMON STOCKS — 85.1% (a) (Continued)** | | |
| **HEALTH TECHNOLOGY SECTOR — 1.1%** | | |
| | **Pharmaceuticals: Major — 1.1%** | |
| 340,000 | Phibro Animal Health Corp. | $ 10,801,800 |
| **PROCESS INDUSTRIES SECTOR — 7.1%** | | |
| | **Containers/Packaging — 5.6%** | |
| 488,000 | Avery Dennison Corp. | 56,451,840 |
| | **Industrial Specialties — 1.5%** | |
| 288,000 | Donaldson Co. Inc. | 14,647,680 |
| **PRODUCER MANUFACTURING SECTOR — 22.6%** | | |
| | **Auto Parts: OEM — 2.0%** | |
| 152,000 | WABCO Holdings Inc.* | 20,155,200 |
| | **Building Products — 3.3%** | |
| 200,000 | Armstrong World Industries Inc. | 19,440,000 |
| 85,000 | Watsco Inc. | 13,900,050 |
| | | 33,340,050 |
| | **Industrial Machinery — 5.5%** | |
| 228,000 | EnPro Industries Inc. | 14,555,520 |
| 355,000 | Woodward Inc. | 40,171,800 |
| | | 54,727,320 |
| | **Metal Fabrication — 1.7%** | |
| 136,000 | Valmont Industries Inc. | 17,246,160 |
| | **Miscellaneous Manufacturing — 8.1%** | |
| 365,000 | Carlisle Cos. Inc. | 51,249,650 |
| 950,000 | TriMas Corp.* | 29,421,500 |
| | | 80,671,150 |
| | **Trucks/Construction/Farm Machinery — 2.0%** | |
| 970,000 | Trinity Industries Inc. | 20,127,500 |
| **RETAIL TRADE SECTOR — 2.1%** | | |
| | **Specialty Stores — 2.1%** | |
| 440,000 | Penske Automotive Group Inc. | 20,812,000 |
| **TECHNOLOGY SERVICES SECTOR — 1.1%** | | |
| | **Internet Software/Services — 1.1%** | |
| 560,000 | Cars.com Inc.* | 11,043,200 |
| | Total common stocks | 849,781,075 |

| Principal Amount | | Value (b) |
|---|---|---|
| **SHORT-TERM INVESTMENTS — 14.9% (a)** | | |
| | **Bank Deposit Account — 7.4%** | |
| $73,877,997 | U.S. Bank N.A., 2.30%^ | $ 73,877,997 |
| | **U.S. Treasury Securities — 7.5%** | |
| 25,000,000 | U.S. Treasury Bills, 1.872%, due 07/25/19^ | 24,967,500 |
| 25,000,000 | U.S. Treasury Bills, 2.047%, due 08/15/19^ | 24,934,609 |
| 25,000,000 | U.S. Treasury Bills, 2.052%, due 09/19/19^ | 24,884,574 |
| | Total U.S. treasury securities | 74,786,683 |
| | Total short-term investments | 148,664,680 |
| | Total investments — 100.0% | 998,445,755 |
| | Other assets, less liabilities — **0.0% (a)** | 257,056 |
| | **TOTAL NET ASSETS — 100.0%** | $998,702,811 |
| | **Investor Class** – Net Asset Value Per Share ($0.0001 par value, 200,000,000 shares authorized), offering and redemption price ($555,826,572 ÷ 20,848,525 shares outstanding) | $ 26.66 |
| | **Institutional Class** – Net Asset Value Per Share ($0.0001 par value, 100,000,000 shares authorized), offering and redemption price ($442,876,239 ÷ 16,597,176 shares outstanding) | $ 26.68 |

* Non-income producing security.

^ The rate shown is as of June 30, 2019.

(a) Percentages for the various classifications relate to total net assets.

(b) Each security is valued at the current day last sale price reported by the principal security exchange on which the issue is traded. Securities that are traded on Nasdaq Markets are valued at the Nasdaq Official Closing Price, or if no sale is reported, the latest bid price. Securities that are traded over-the-counter, including U.S. Treasury securities are valued at the close price, if not close, then at the latest bid price. Bank deposits are valued at acquisition cost which approximates fair value.

# FMI International Fund

June 30, 2019

Dear Fellow Shareholders:

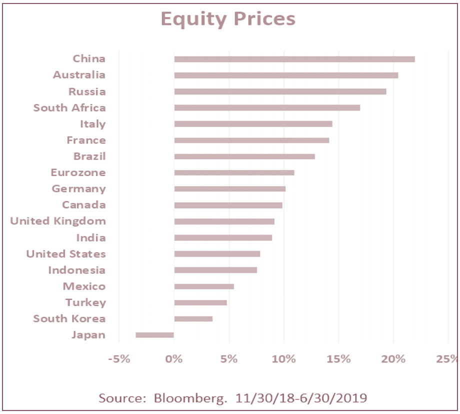
Global stock markets continued to climb in the second quarter. The FMI International Fund ("Fund") gained 2.74%[1] in the period, compared with the MSCI EAFE Index's return of 2.80% in local currency and 3.68% in U.S. Dollars (USD). Sector outperformance was led by Distribution Services, Electronic Technology and Health Technology, while Retail Trade, Consumer Non-Durables, and Consumer Services underperformed. Top individual contributors included Merlin Entertainments, Ferguson and TE Connectivity, as Whitbread, Isuzu Motors and Grupo Televisa each detracted. Our underweight position in Japan helped our relative performance, while our residual cash position weighed on the results. Global growth stocks significantly outpaced value stocks in the period, which has been an ongoing headwind.

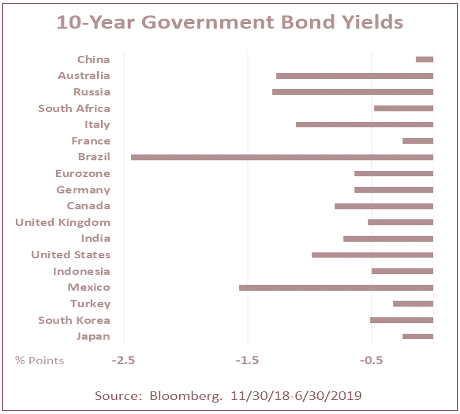
We were excited to see some volatility re-surface in the month of May, as it's important to our research process. Great businesses do not typically go on sale for no reason, so a little bad news can go a long way in terms of creating dislocation in the market. Between the fourth quarter of 2018 and some pockets in 2019, a few interesting opportunities came our way. We added B&M European Value Retail (BME LN) and Booking Holdings (BKNG) to the Fund as the stocks came under pressure, upgrading the quality of our U.K. retail and European travel exposure by swapping out of Travis Perkins (TPK LN) and Dufry (DUFN SW). In both cases we traded up for better businesses with more favorable long-term growth prospects and secular outlooks. Unfortunately, the volatility did not last long, and markets soon rallied. Given the elevated valuation environment and subpar growth outlook, we continue to proceed with caution.

## "Easy Money Is Back"

Central banks quickly sprang into action in the quarter, just as global economic growth and stock markets started to wobble. Among others, the European Central Bank (ECB) re-opened the door for lower rates and Quantitative Easing (QE), the Bank of Japan (BOJ) pledged to keep ultra-low interest rates for at least another year (and "much longer" if necessary), and the Federal Reserve (Fed) is expected to cut rates three times by year end. Investor behavior has been fairly predictable – we have seen a knee-jerk reaction into risk assets, aggressively bidding up prices with little regard for fundamental valuation. Per the charts on the following page, the bounce in fixed income (lower bond yields) and equity markets is without discrimination:

[1] The FMI International Fund Investor Class (FMIJX) and the FMI International Fund Institutional Class (FMIYX) had a return of 2.74% and 2.77%, respectively, for the second quarter of 2019.




As the cover of *Barron's* proclaimed: "Easy Money Is Back." Indeed it is. According to *Bloomberg*, negative-yielding bonds have now reached $13 trillion, exceeding their 2016 peak. ECB President Draghi's "dovish comments sent a jolt through fixed income markets," and remarkably, "pushed another $714bn worth of bonds into sub-zero yield territory," (*Financial Times*). French and Swedish 10-year government bonds traded below zero for the first time, and the German 10-year bond yield reached -0.33% (from 0.57% less than a year ago), an all-time low. The 10-Year U.S. Treasury yield fell below 2%, the lowest level since 2016, and the average yield of the global bond market tumbled to 1.76% from 2.51% in November.[2] Five central banks have adopted negative rates, and others may eventually follow. The Federal Reserve Bank of San Francisco recently wrote an economic letter titled, *How Much Could Negative Rates Have Helped the Recovery?*[3] – a troubling development. We can only hope that the Fed doesn't take the bait.

Manipulating interest rates is a dangerous game. Grant's Interest Rate Observer's founder and editor James Grant describes it best:

> *Interest rates are probably the most sensitive and consequential prices in capitalism. They balance savings and investment, discount future cash flows, define investment hurdle rates, measure financial risk […] Low rates – by some measures, the lowest in 4,000 years – have penalized savers, incentivized dubious risk-taking, expedited the growth in federal indebtedness and perpetuated the lives of businesses that would have ended in the absence of easy credit. They have widened the gulf between rich and poor, thrown a spanner into our politics and inflated the cost of retirement […] The trouble is that the costs of radical monetary policy are dark and prospective; the gifts they bestow are bright and immediate. Those gifts are likewise transitory. Over-encumbered businesses finally fail, inflated asset prices ultimately revert to lower, more reasonable levels. The dividends and yields that income-needy people have stretched to reach sadly prove illusory.*[4]

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[2] Robin Wigglesworth. "Value of negative yielding debt hits high of $12.5tn on signals of ECB stimulus." *Financial Times*, June 19, 2019.

[3] https://www.frbsf.org/economic-research/publications/economic-letter/2019/february/how-much-could-negative-rates-have-helped-recovery/

[4] "Free Interest Rates!" *Grant's Interest Rate Observer*, Vol. 37, No. 10, May 17, 2019.

It's likely just a matter of time before the unintended consequences start to surface.

Ground-hugging interest rates have led to a misallocation of resources. Instead of funding capital investment and research & development to drive organic growth, companies are all-too-often engaging in financial engineering. Balance sheets are being levered-up to chase value-destructive mergers & acquisitions and expensive share buybacks, neither of which provide much benefit to the economy. Meanwhile, the world's four biggest central banks have purchased $13.2 trillion in assets since the end of 2007.[5] At these vast sums, they are not just influencing the market's pricing mechanism – in some cases they *are* the pricing mechanism. Should the ECB have been purchasing 50% and 26% of Italy's gross bond issuance in 2017 and 2018?[6] Does it make sense for the BOJ to own nearly 80% of the country's exchange traded funds (ETFs)?[7] We think not. Central banks have ventured well beyond their mandates, and at a significant cost. In the end, printing money to prop up asset prices and suppress interest rates will not solve the world's problems. There is little to show for this extraordinary profligacy.

**A Time to be Bullish?**

We find it fascinating (and telling) that the market views easy money as an unequivocal "buy signal," despite global stock indices (i.e., MSCI ACWI) trading near all-time highs. Shouldn't investors be questioning why these policies are necessary in the first place? Do people stop to consider that central banks are easing because economic growth is faltering, geopolitical tensions have intensified, debt has reached record heights, and monetary and fiscal stimuli have not achieved the desired results? Central banks see dark clouds on the horizon (for good reason), and they are desperately trying to prevent the next recession by the wrong means.

The World Bank, International Monetary Fund (IMF) and Organisation for Economic Co-operation and Development (OECD) have all lowered global GDP growth figures in their latest projections, citing plunging trade growth, weak manufacturing, subpar investment, heightened policy uncertainty, soft housing and auto markets, and a host of other factors. The latest economic readings show further deterioration. In June, the Purchasing Manager's Index for U.S. manufacturing activity declined to 50.1, the lowest level in nearly a decade (a figure above 50 indicates growth). Manufacturing activity in Europe contracted, rounding out the weakest quarter in six years, while Japan hit a 3-year low.[8] As the trade war heats up, China's industrial production is feeling the pain, growing at the slowest pace since 2002.[9] The World Trade Organization has slashed its global trade growth projections, while the IMF estimates that the U.S.-China trade war could knock 0.5% off global GDP growth, or approximately $455 billion.[10] Policy uncertainty

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5 James Grant. "Bad Actors: Hamilton Pans Central Bankers." *Barron's*, June 24, 2019.

6 Dhara Ranasinghe, Giulio Piovaccari. "Italy needs to woo private bond buyers as ECB bows out." *Reuters*, December 19, 2018.

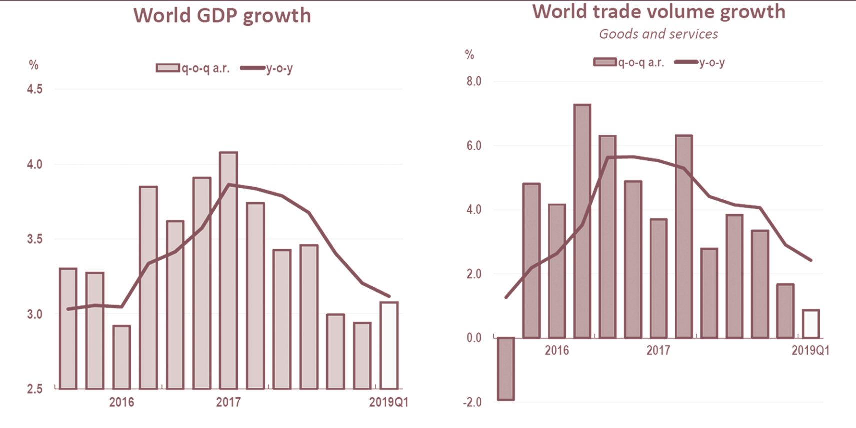
7 Andrew Whiffin. "BoJ's dominance over ETFs raises concern on distorting influence." *Financial Times*, March 31, 2019.

8 Paul Hannon, Sarah Chaney, and Austen Hufford. "Factory Slowdown Casts Gloom on Global Economy." *The Wall Street Journal*, June 21, 2019.

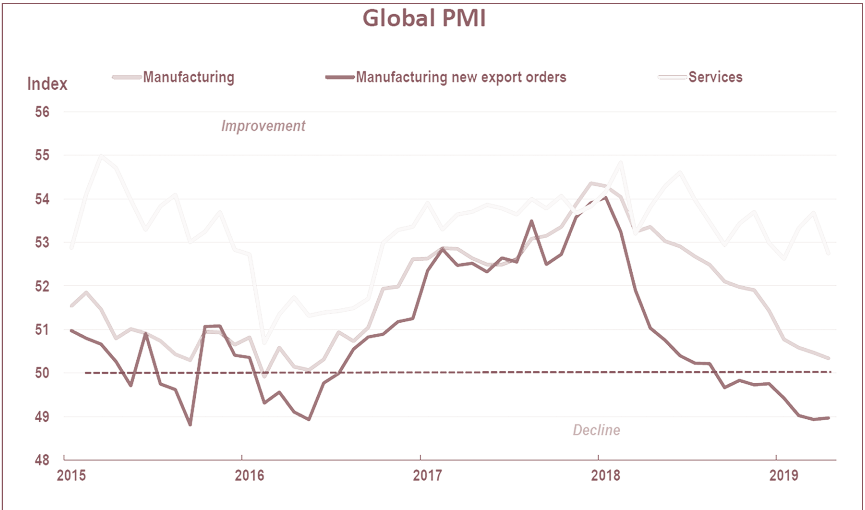
9 "As Trade War Hits, China Factories See Slowest Growth Since 2002." *Bloomberg News*, June 14, 2019.

10 Matthew Rocco, Pan Kwan Yuk, and Adam Samson. "US-China tariff war will knock 0.5% off global growth, says IMF." *Financial Times*, June 5, 2019.

continues to rise, as there is no end in sight for the U.S.-China trade dispute, and Prime Minister Theresa May's departure from office in the U.K. is widely thought to increase the chances of a hard Brexit. Meanwhile, debt levels are climbing and credit quality is declining. The following charts are all trending in the wrong direction, and do not instill confidence that we are heading down the right path:




Source: OECD Economic Outlook Presentation, May 21, 2019




Source: OECD Economic Outlook Presentation, May 21, 2019

We've seen this story play out before, with Japan as the cautionary tale. The BOJ was the first central bank in modern times to adopt a zero-interest rate policy in February of 1999. They introduced QE in 2001 and started buying ETFs in 2010. In 2016 they turned to negative rates and adopted yield curve control measures.[11] But after 20 years of aggressive policy action, economic prosperity continues to be elusive. From early 1999,

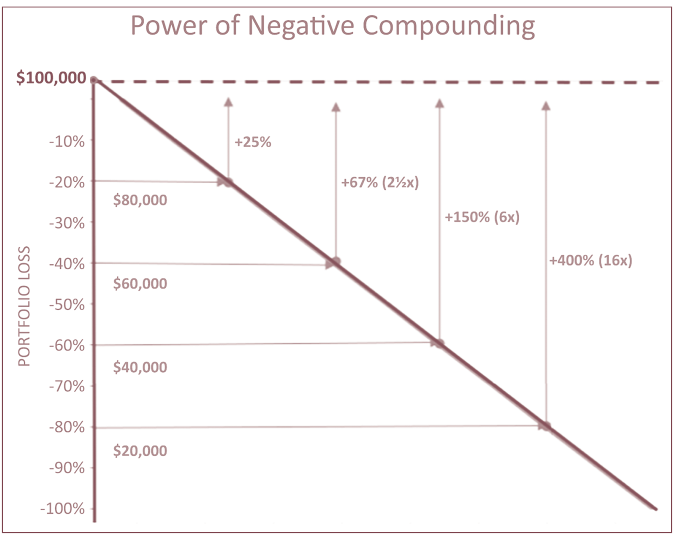
[11] Takuji Okubo. "Japan's desperate times should call for desperate measures from BoJ." *Financial Times*, May 27, 2019.

Japan's economic output has compounded at less than 1%, and the broader Japanese stock market has gained only 3.2% per year,[12] yet Japan has become the single-most indebted country in the developed world, with government debt service expected to account for a whopping ~38% of their tax revenue in 2019.[13] The normalization of interest rates could cripple the country. Interestingly, they continue to use virtually the same playbook despite more than 20 years of futility. It appears they are trapped. Why else would they repeat the same thing year-after-year if it hasn't been working? Could the U.S. and Europe start to look like Japan in ten years if they continue on this journey? While we certainly hope not, it's not outside the realm of possibility.

The BOJ, Fed and ECB clearly do not have the answers. At some point we hope they will step aside and let market forces discover prices and interest rates organically, instead of by brute force.

**<u>Importance of Downside Protection</u>**

While risks are plentiful, we remain optimistic over the long term and are well-positioned for whatever the future may hold. The FMI International Fund features a focused yet diverse portfolio of high-quality businesses – durable franchises that generate attractive returns on invested capital (ROIC) and trade at a discount to intrinsic value, creating a margin of safety. Through self-selection, we seek to avoid inferior businesses and balance sheets, and pair up with management teams that think and act like shareholders. We focus more on what can go wrong than what can go right. In other words, we strive to win by not losing. Over FMI's long history (39+ years), our Fund shareholders have come to expect superior performance in declining stock markets, leading to outperformance through a full cycle. As illustrated in the chart below, downside protection is paramount:




[12] World Bank GDP database. Bloomberg stock index database: TOPIX.

[13] "Highlights of the Draft FY2019 Budget." Ministry of Finance, January 18, 2019. Website: https://www.mof.go.jp/english/budget/budget/index.html

When a stock falls by 20%, you need a 25% recovery just to break even. Down 40%, and it will require a 67% gain. Down 60%, and a 150% return would be necessary. The power of negative compounding becomes apparent: a 40% loss is not 2 times worse than a 20% loss, it is 2.5 times worse. A 60% decline is not 3 times worse, it is 6 times worse. An 80% fall is not 4 times worse, it is 16 times worse. Navigating the big declines is absolutely crucial. Historically, FMI has strived to capture most of the upside in rising stock markets, while creating significant value when markets unravel. We've had great success not just during bear market corrections, but in the early stages of a recovery, as we look to cycle out of the more defensive stocks into some of the high-quality cyclical names that have lagged. While painful to go through, bear markets can unearth some of the best buying opportunities and prospects for future value creation. When times get tough, we're poised to act.

## Never Say Never

As value managers, the 10+ year run in growth stock outperformance has been an enduring challenge. However, the deeper we venture into the cycle, the greater our conviction that there will be better days ahead for value. In prior quarterly letters, we've written at length as to why value investing works over the long term (i.e., fear and greed), and promised our shareholders that we would not change our stripes. Year-to-date, growth has picked up a massive 890 basis points of performance vs. value, as illustrated below.

| Through 6/30/2019 | QTD | YTD | 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|---|---|---|
| MSCI EAFE Value Index | 1.5% | 9.6% | -2.1% | 8.5% | 0.1% | 5.5% |
| MSCI EAFE Growth Index | 5.7% | 18.5% | 4.2% | 9.7% | 4.4% | 8.2% |
| *Value performance* | *-4.2%* | *-8.9%* | *-6.3%* | *-1.2%* | *-4.3%* | *-2.7%* |

Source: Bloomberg

Even as the drumbeat grows louder and value continues to lose ground on a relative basis in the near term, we will not waver. It could be difficult for us to keep up in a market where growth is the only game in town and valuations are an afterthought. High-quality businesses are expensive today when compared to FMI's history. That said, we are encouraged to read some of the more recent headlines below, as these are the types of bold statements you see when you are late in a cycle.

**Is value investing dead? It might be and here's what killed it.** *- CNBC (June 23, 2019)*
**Reversion to the Mean Is Dead. Investors Beware.** *- Barron's (May 3, 2019)*
**Fed, central banks have almost eliminated recessions…** *- CNBC (April 30, 2019)*
**What If the Bull Market Just Never Ends?** *- Bloomberg (April 24, 2019)*
**"I don't think rates will rise in the foreseeable future, maybe never again in my lifetime."**
*- National Economic Council Director Larry Kudlow (April 11, 2019)*

Conventional wisdom appears to be gravitating toward the belief that value investing is dead, central banks can cure all evils (i.e., recessions and bear markets), and interest rates will stay low forever. These notions fly in the face of over a century of financial market history. This is eerily reminiscent of the lead-up to the U.S. housing bubble and Great Financial Crisis, where the prevailing belief was that "house prices will never go down." As Sir John Templeton wisely said, "The four most expensive words in the English language are, 'This time it's different.'" What people view as universal truths today, will almost certainly be proven wrong tomorrow. We would not be surprised to see the very things materialize that people are least expecting.

Flashes of volatility have returned over the past year, with a big stock market decline in the fourth quarter of 2018, followed by a stumble in May of 2019. We are encouraged to see stocks starting to once again respond to the fundamentals, with earnings misses followed by sizeable stock price declines. Perhaps investor complacency is starting to wane, although the recent easy money rally would suggest we still have some time to go. In the meantime, we will let valuation be our guide and let the business fundamentals lead the way.

Thank you for your support of the FMI International Fund.

| Shares | | Value (b) |
|---|---|---|
| **LONG-TERM INVESTMENTS — 86.4% (a)** | | |
| **COMMON STOCKS — 78.6% (a)** | | |
| **COMMERCIAL SERVICES SECTOR — 10.3%** | | |
| | **Advertising/Marketing Services — 2.5%** | |
| 14,200,000 | WPP PLC (Jersey) | $ 178,870,354 |
| | **Miscellaneous Commercial Services — 5.3%** | |
| 3,600,000 | Bureau Veritas S.A. (France) | 88,858,220 |
| 2,030,000 | DKSH Holding AG (Switzerland) | 118,949,031 |
| 2,025,000 | Secom Co. Ltd. (Japan) | 174,493,887 |
| | | 382,301,138 |
| | **Personnel Services — 2.5%** | |
| 3,080,000 | Adecco Group AG (Switzerland) | 185,099,951 |
| **COMMUNICATIONS SECTOR — 2.2%** | | |
| | **Wireless Telecommunications — 2.2%** | |
| 2,793,500 | Millicom International Cellular S.A. (Luxembourg) | 156,058,878 |
| **CONSUMER DURABLES SECTOR — 4.1%** | | |
| | **Electronics/Appliances — 2.3%** | |
| 6,570,000 | Electrolux AB — Series B (Sweden) | 168,412,317 |
| | **Motor Vehicles — 1.8%** | |
| 11,580,000 | Isuzu Motors Ltd. (Japan) | 132,256,089 |
| **CONSUMER NON-DURABLES SECTOR — 8.6%** | | |
| | **Food: Major Diversified — 3.0%** | |
| 2,080,000 | Nestlé S.A. (Switzerland) | 215,326,264 |
| | **Household/Personal Care — 5.6%** | |
| 2,320,000 | Henkel AG & Co. KGaA (Germany) | 213,224,950 |
| 3,165,000 | Unilever PLC (Britain) | 196,468,950 |
| | | 409,693,900 |
| **CONSUMER SERVICES SECTOR — 13.5%** | | |
| | **Broadcasting — 0.9%** | |
| 7,750,000 | Grupo Televisa S.A.B. — SP-ADR (Mexico) | 65,410,000 |
| | **Cable/Satellite TV — 1.0%** | |
| 3,410,000 | Shaw Communications Inc. (Canada) | 69,577,488 |
| | **Movies/Entertainment — 4.5%** | |
| 37,700,000 | Merlin Entertainments PLC (Britain) | 215,499,909 |
| 4,000,000 | Vivendi S.A. (France) | 109,770,761 |
| | | 325,270,670 |
| | **Other Consumer Services — 1.3%** | |
| 48,648 | Booking Holdings Inc. (United States)* | 91,200,892 |
| | **Restaurants — 5.8%** | |
| 7,375,000 | Compass Group PLC (Britain) | 176,792,442 |
| 4,223,000 | Whitbread PLC (Britain) | 248,472,470 |
| | | 425,264,912 |

| Shares | | Value (b) |
|---|---|---|
| **LONG-TERM INVESTMENTS — 86.4% (a) (Continued)** | | |
| **COMMON STOCKS — 78.6% (a) (Continued)** | | |
| **DISTRIBUTION SERVICES SECTOR — 4.8%** | | |
| | **Wholesale Distributors — 4.8%** | |
| 4,950,000 | Ferguson PLC (Jersey) | $ 352,391,489 |
| **ELECTRONIC TECHNOLOGY SECTOR — 4.6%** | | |
| | **Aerospace & Defense — 2.4%** | |
| 1,210,000 | Safran S.A. (France) | 177,013,100 |
| | **Electronic Components — 2.2%** | |
| 1,700,000 | TE Connectivity Ltd. (Switzerland) | 162,826,000 |
| **FINANCE SECTOR — 6.1%** | | |
| | **Property/Casualty Insurance — 6.1%** | |
| 1,400,000 | Chubb Ltd. (Switzerland) | 206,206,000 |
| 477,000 | Fairfax Financial Holdings Ltd. (Canada) | 234,123,569 |
| | | 440,329,569 |
| **HEALTH TECHNOLOGY SECTOR — 2.7%** | | |
| | **Medical Specialties — 2.7%** | |
| 9,150,000 | Smith & Nephew PLC (Britain) | 198,689,456 |
| **INDUSTRIAL SERVICES SECTOR — 2.2%** | | |
| | **Oilfield Services/Equipment — 2.2%** | |
| 4,065,000 | Schlumberger Ltd. (Curacao) | 161,543,100 |
| **PROCESS INDUSTRIES SECTOR — 2.8%** | | |
| | **Chemicals: Agricultural — 2.8%** | |
| 3,870,000 | Nutrien Ltd. (Canada) | 206,890,200 |
| **PRODUCER MANUFACTURING SECTOR — 6.2%** | | |
| | **Industrial Conglomerates — 6.2%** | |
| 5,215,000 | Jardine Strategic Holdings Ltd. (Bermuda) | 198,989,986 |
| 12,825,000 | Smiths Group PLC (Britain) | 255,168,606 |
| | | 454,158,592 |
| **RETAIL TRADE SECTOR — 3.9%** | | |
| | **Department Stores — 1.7%** | |
| 29,849,000 | B&M European Value Retail S.A. (Luxembourg) | 126,428,481 |
| | **Specialty Stores — 2.2%** | |
| 16,450,000 | CK Hutchison Holdings Ltd. (Cayman Islands) | 162,258,681 |
| **TECHNOLOGY SERVICES SECTOR — 2.9%** | | |
| | **Information Technology Services — 2.9%** | |
| 1,160,000 | Accenture PLC (Ireland) | 214,333,200 |

| Shares | | Value (b) |
|---|---|---|
| **LONG-TERM INVESTMENTS — 86.4% (a) (Continued)** | | |
| **COMMON STOCKS — 78.6% (a) (Continued)** | | |
| **TRANSPORTATION SECTOR — 3.7%** | | |
| | **Air Freight/Couriers — 1.4%** | |
| 1,365,000 | Expeditors International of Washington Inc. (United States) | $ 103,548,900 |
| | **Other Transportation — 2.3%** | |
| 37,413,000 | Bolloré (France) | 165,081,932 |
| | Total common stocks | 5,730,235,553 |
| **PREFERRED STOCKS — 7.8% (a)** | | |
| **CONSUMER DURABLES SECTOR — 1.4%** | | |
| | **Motor Vehicles — 1.4%** | |
| 1,395,000 | Hyundai Motor Co. (South Korea) | 104,363,822 |
| **CONSUMER NON-DURABLES SECTOR — 3.0%** | | |
| | **Household/Personal Care — 3.0%** | |
| 1,147,000 | Amorepacific Corp. (South Korea) | 85,794,027 |
| 187,000 | LG Household & Health Care Ltd. (South Korea) | 130,605,009 |
| | | 216,399,036 |
| **ELECTRONIC TECHNOLOGY SECTOR — 3.4%** | | |
| | **Telecommunications Equipment — 3.4%** | |
| 7,350,000 | Samsung Electronics Co. Ltd. (South Korea) | 243,758,058 |
| | Total preferred stocks | 564,520,916 |
| | Total long-term investments | 6,294,756,469 |

| Principal Amount | | Value (b) |
|---|---|---|
| **SHORT-TERM INVESTMENTS — 13.3% (a)** | | |
| | **Bank Deposit Account — 9.2%** | |
| $670,883,462 | U.S. Bank N.A., 2.30%^ | $ 670,883,462 |
| | **U.S. Treasury Securities — 4.1%** | |
| 100,000,000 | U.S. Treasury Bills, 1.872%, due 07/25/19^ | 99,870,000 |
| 100,000,000 | U.S. Treasury Bills, 2.047%, due 08/15/19^ | 99,738,437 |
| 100,000,000 | U.S. Treasury Bills, 2.052%, due 09/19/19^ | 99,538,296 |
| | Total U.S. treasury securities | 299,146,733 |
| | Total short-term investments | 970,030,195 |
| | Total investments — 99.7% | 7,264,786,664 |
| | Other assets, less liabilities — **0.3% (a)** | 21,148,720 |
| | **TOTAL NET ASSETS — 100.0%** | $7,285,935,384 |
| | **Investor Class** – Net Asset Value Per Share ($0.0001 par value, 300,000,000 shares authorized), offering and redemption price ($2,891,047,032 ÷ 90,690,816 shares outstanding) | $ 31.88 |
| | **Institutional Class** – Net Asset Value Per Share ($0.0001 par value, 200,000,000 shares authorized), offering and redemption price ($4,394,888,352 ÷ 137,741,568 shares outstanding) | $ 31.91 |

^ The rate shown is as of June 30, 2019.
(a) Percentages for the various classifications relate to total net assets.
(b) Each security is valued at the current day last sale price reported by the principal security exchange on which the issue is traded. Securities that are traded on Nasdaq Markets are valued at the Nasdaq Official Closing Price, or if no sale is reported, the latest bid price. Securities that are traded over-the-counter, including U.S. Treasury securities are valued at the close price, if not close, then at the latest bid price. Bank deposits are valued at acquisition cost which approximates fair value. For securities that do not trade during New York Stock Exchange hours, fair value determinations are based on analyses of market movements after the close of those securities' primary markets, and may include reviews of developments in foreign markets, the performance of U.S. securities markets, and the performance of instruments trading in U.S. markets that represent foreign securities and baskets of foreign securities. The Board of Directors utilizes a service provided by an independent third party to assist in fair valuation of certain securities.
PLC Public Limited Company
SP-ADR Sponsored American Depositary Receipt

# SCHEDULE OF FORWARD CURRENCY CONTRACTS

June 30, 2019 (Unaudited)

| Settlement Date | Counterparty | Currency to be Delivered | U.S. $ Value on June 30, 2019 of Currency to be Delivered | Currency to be Received | U.S. $ Value on June 30, 2019 of Currency to be Received | Unrealized Appreciation (Depreciation) |
|---|---|---|---|---|---|---|
| 07/26/19 | The Bank of New York Mellon | 1,260,000,000 British Pound | $1,602,458,652 | 1,639,209,600 U.S. Dollar | $1,639,209,600 | $ 36,750,948 |
| 07/26/19 | JPMorgan Chase Bank, N.A. | 350,000,000 Canadian Dollar | 267,450,391 | 259,898,417 U.S. Dollar | 259,898,417 | (7,551,974) |
| 07/26/19 | State Street Bank and Trust Co. | 655,000,000 Euro | 746,583,384 | 738,574,725 U.S. Dollar | 738,574,725 | (8,008,659) |
| 07/26/19 | Goldman Sachs & Co. LLC | 31,000,000,000 Japanese Yen | 288,174,118 | 279,498,093 U.S. Dollar | 279,498,093 | (8,676,025) |
| 07/26/19 | The Bank of New York Mellon | 750,000,000 Mexican Peso | 38,891,644 | 38,938,788 U.S. Dollar | 38,938,788 | 47,144 |
| 07/26/19 | State Street Bank and Trust Co. | 625,000,000,000 South Korea Won | 541,749,578 | 541,664,861 U.S. Dollar | 541,664,861 | (84,717) |
| 07/26/19 | JPMorgan Chase Bank, N.A. | 1,500,000,000 Swedish Krona | 161,887,288 | 160,625,368 U.S. Dollar | 160,625,368 | (1,261,920) |
| 07/26/19 | JPMorgan Chase Bank, N.A. | 575,000,000 Swiss Franc | 590,621,159 | 569,484,542 U.S. Dollar | 569,484,542 | (21,136,617) |
| | | | $4,237,816,214 | | $4,227,894,394 | $ (9,921,820) |
| 07/26/19 | JPMorgan Chase Bank, N.A. | 118,611,727 U.S. Dollar | 118,611,727 | 115,000,000 Swiss Franc | 118,124,232 | (487,495) |
| | | | $4,356,427,941 | | $4,346,018,626 | $(10,409,315) |

**Performance for Period Ended June 30, 2019**

| | | | Average Annual Total Returns | | | | |
|---|---|---|---|---|---|---|---|
| **FMI FUND / INDEX** | **3 Months[1]** | **1 Year** | **3 Year** | **5 Year** | **10 Year** | **Since Inception** | **Inception Date** |
| Large Cap – Investor Class | 5.35% | 9.73% | 13.01% | 8.98% | 13.30% | 9.20% | 12-31-01 |
| S&P 500 | 4.30% | 10.42% | 14.19% | 10.71% | 14.70% | 7.68% | 12-31-01 |
| Large Cap – Institutional Class | 5.41% | 9.90% | N/A | N/A | N/A | 14.63% | 10-31-16 |
| S&P 500 | 4.30% | 10.42% | 14.19% | 10.71% | 14.70% | 15.28% | 10-31-16 |
| Common Stock – Investor Class | 4.84% | 9.42% | 12.39% | 6.96% | 12.92% | 11.84% | 12-18-81 |
| Russell 2000 | 2.10% | -3.31% | 12.30% | 7.06% | 13.45% | 10.24% | 12-18-81 |
| Common Stock – Institutional Class | 4.83% | 9.54% | N/A | N/A | N/A | 13.30% | 10-31-16 |
| Russell 2000 | 2.10% | -3.31% | 12.30% | 7.06% | 13.45% | 12.36% | 10-31-16 |
| International – Investor Class | 2.74% | 1.75% | 7.44% | 5.55% | N/A | 8.50% | 12-31-10 |
| MSCI EAFE Net (USD) | 3.68% | 1.08% | 9.11% | 2.25% | 6.90% | 4.74% | 12-31-10 |
| MSCI EAFE Net (LOC) | 2.80% | 2.17% | 9.80% | 5.85% | 8.35% | 7.11% | 12-31-10 |
| International – Institutional Class | 2.77% | 1.87% | N/A | N/A | N/A | 6.85% | 10-31-16 |
| MSCI EAFE Net (USD) | 3.68% | 1.08% | 9.11% | 2.25% | 6.90% | 8.60% | 10-31-16 |
| MSCI EAFE Net (LOC) | 2.80% | 2.17% | 9.80% | 5.85% | 8.35% | 8.21% | 10-31-16 |

[1] Returns for periods less than one year are not annualized.

*Performance data quoted represents past performance; past performance does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of a Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting www.fmifunds.com or by calling 1-800-811-5311. The returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.*

Securities named in the Letters to Shareholders, but not listed in the Statements of Net Assets are not held in the Funds as of the date of this disclosure. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual securities.

This report is not authorized for use as an offer of sale or a solicitation of an offer to buy shares of the Funds unless accompanied or preceded by the Funds' current prospectus.

As of the Funds' Prospectus dated January 31, 2019, the FMI Large Cap Fund, FMI Common Stock Fund and FMI International Funds' Investor Class annual operating expense ratios are: 0.80%, 0.99% and 0.90%, respectively. The FMI Large Cap Fund, FMI Common Stock Fund and FMI International Funds' Institutional Class annual operating expense ratios are: 0.66%, 0.89%, and 0.76%, respectively.

Risks associated with investing in the Funds are as follows:

> FMI Large Cap Fund: Stock Market Risk, Medium and Large Capitalization Companies Risks, Non-Diversification Risk (Non-Diversified funds are subject to higher volatility than funds that are invested more broadly), Value Investing Risk, Foreign Securities Risk (fluctuation of currency, different financial standards, and political instability) and Liquidity Risk.

> FMI Common Stock Fund: Stock Market Risk, Medium and Small Capitalization Companies Risks (which includes the potential for greater volatility and less financial resources than Large-Cap Companies), Value Investing Risk, Foreign Securities Risk (fluctuation of currency, different financial standards, and political instability) and Liquidity Risk.

FMI International Fund: Stock Market Risk, Non-Diversification Risk (Non-Diversified funds are subject to higher volatility than funds that are invested more broadly), Value Investing Risk, Foreign Securities Risk (fluctuation of currency, different financial standards, and political instability), Geographic Concentration Risk, Currency Hedging Risk, Large Capitalization Companies Risk and Liquidity Risk.

For details regarding these risks, please refer to the Funds' Summary or Statutory Prospectuses dated January 31, 2019.

*For more information about the FMI Funds, call 1-800-811-5311 for a free Prospectus or Summary Prospectus. Please read these Prospectuses carefully to consider the investment objectives, risks, charges and expenses, before investing or sending money. These Prospectuses contain this and more information about the FMI Funds. Please read the Prospectuses or Summary Prospectuses carefully before investing.*

The Standard and Poor's 500 Index (S&P 500) consists of 500 selected common stocks, most of which are listed on the New York Stock Exchange. The Standard & Poor's Ratings Group designates the stock to be included in the Index on a statistical basis. A particular stock's weighting in the Index is based on its relative total market value (i.e., its market price per share times the number of shares outstanding). Stocks may be added or deleted from the Index from time to time.

The Russell 1000 Value Index measures the performance of the 1,000 largest companies in the Russell 3000 Index which comprises the 3,000 largest U.S. companies based on total market capitalization. The Russell 1000 Value Index includes equities that exhibit value characteristics.

The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index which comprises the 3,000 largest U.S. companies based on total market capitalization. The Russell 2000 Value Index includes equities that exhibit value characteristics and the Russell 2000 Growth Index includes equities that exhibit growth characteristics.

The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. The MSCI EAFE 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. The MSCI EAFE Index is unmanaged and investors cannot invest directly in the Index. Index results are inclusive of dividends and net of foreign withholding taxes. The reported figures include reinvestment of dividends and capital gains distributions and do not reflect any fees or expenses.

The MSCI EAFE Index is calculated in local currency (LOC) as well as in U.S. Dollars (USD). The concept of a LOC calculation excludes the impact of currency fluctuations. All currencies of listing are considered in the Index calculation in LOC where current prices (t) and previous day prices (t-1) are converted into USD using the same exchange rate (exchange rate t-1) in the numerator and denominator. As a consequence, the FX factor drops out of the equation. The USD calculation includes exchange rates at t and t-1. Therefore, the LOC calculation only represents the price appreciation or depreciation of the securities, whereas the USD calculation also accounts for the performance of the currency (or currencies) relative to the USD.

The MSCI EAFE Value Index captures large and mid cap securities exhibiting overall value style characteristics across Developed Markets countries around the world, excluding the U.S. and Canada. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.

The MSCI EAFE Growth Index captures large and mid cap securities exhibiting overall growth style characteristics across Developed Markets countries around the world, excluding the U.S. and Canada. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.

The MSCI ACWI Index is free float-adjusted market capitalization index that is designed to measure the equity market performance of large and mid cap stocks across 23 developed and 26 emerging markets.

MSCI EAFE and MSCI ACWI are service marks of MSCI, Inc.

The New York Stock Exchange FANG Plus Index is an equal weighted index composed of Facebook, Apple, Alphabet, Amazon, Netflix, Tesla, NVIDIA, Alibaba, Baidu, and Twitter.

The Purchasing Managers Index (PMI) is an indicator of economic health for manufacturing and service sectors. The PMI is based on a monthly survey sent to senior executives at over 400 companies. The surveys include questions about business conditions and any changes, whether it be improving, no changes, or deteriorating.

All indices are unmanaged. These indices are used herein for comparative purposes in accordance with the Securities and Exchange Commission regulations. It is not possible to invest directly into an index.

**GLOSSARY**

EBITDA – Earnings Before Interest Taxes Depreciation and Amortization – net income with interest, taxes, depreciation, and amortization added back to it, and can be used to analyze and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.

GDP – Gross Domestic Product is the monetary value of all finished goods and services produced within a country's borders in a specific time period.

ROIC – Return on Invested Capital – a calculation used to assess a company's efficiency at allocating the capital under its control to profitable investments. The return on invested capital measure gives a sense of how well a company is using its money to generate returns.

Reference definitions found at Investopedia.com

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**FMI Large Cap Fund** **FMI Common Stock Fund** **FMI International Fund**

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