Dear Fellow Shareholders:

It was an eventful start to the second quarter, with the Trump administration announcing massive reciprocal tariffs on April 2, 2025 ("Liberation Day"), thereby swiftly driving stock markets into a steep decline. After a week of chaos, the White House enacted a 90-day pause, leaving 10% baseline tariffs in effect, among several other targeted levies. For some countries, the pause is expected to be extended beyond the July 9 deadline, as few trade deal agreements have been reached thus far. Meanwhile, hostilities in the Middle East ratcheted up, with Israel starting a 12-day war with Iran, which the U.S. joined by bombing Iran's key nuclear sites, before quickly brokering a ceasefire. Early stock market pessimism in the quarter soon turned into optimism, with the S&P 500 (+10.94%), Russell 2000 (+8.50%), and MSCI EAFE (+3.18% in local currency, +10.11% in USD) indices each strongly advancing. After a brief reprieve, investors jumped right back into growth stocks, which substantially outperformed value across the board.

Several stock market indices reached record highs in the period, despite heightened risks including trade wars, actual wars, slowing economic growth, rising fiscal deficits and debt levels, elevated inflation and interest rates, a collapse of the U.S. dollar (worst first half depreciation since 1973, declining to a 3-year low against a basket of currencies), and weakening business and consumer confidence. As reported by *Bloomberg*, "Investors are piling into speculative and volatile edges of the stock market, throwing caution to the wind." Valuations remain at the upper bounds of history, and while this may not be a great predictor of near-term stock market performance, it could increase the market's vulnerability to downside surprises and negative shocks. At a minimum, high valuations are an indicator of high expectations.

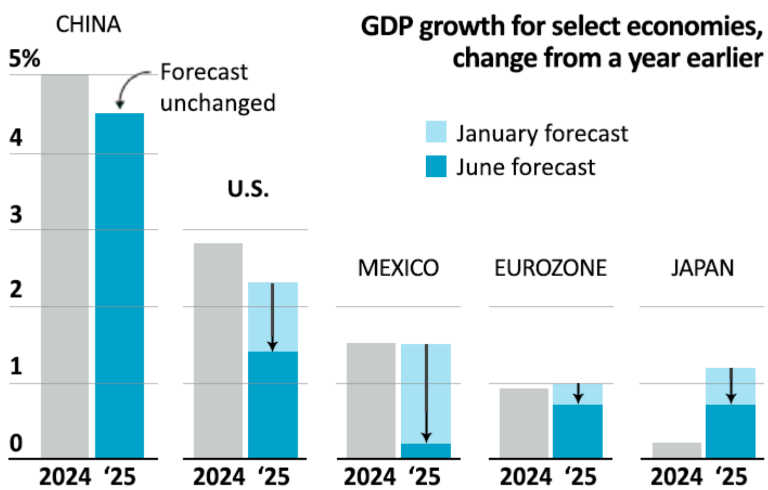
Equity returns are primarily driven by a combination of earnings growth, valuation multiple expansion (or contraction), and dividends. In aggregate, we do not see much room for multiples to expand from here, given we are already in one of the most expensive stock markets on record, *particularly* in the U.S. Earnings growth, which impacts a company's ability to pay and/or increase dividends, is likely to be the most important factor driving equity returns in the years to come. Despite short-term deviations, there should be a strong positive correlation between economic growth and earnings growth over the long-term. Herein lies our trepidation: the range of outcomes has widened, and the economic landscape faces significant headwinds, both near and far.

***<u>Fog In the Forecast</u>***

On the tariff front, after a few weeks of shock and awe, it appears investors are not overly concerned. Perhaps the market is taking the view that President Trump's strategic moves will ultimately land fair trade deals and lower barriers. While possible, it creates significant uncertainty, as management teams try to navigate trade policies that have changed with great frequency. CEO confidence has plummeted, as many corporations have tapped the brakes on hiring and investment. It's difficult to make multi-year strategic decisions when future policies are in doubt. As we wrote in our March shareholder letter, we believe tariffs are ultimately detrimental to economic growth. They will either be absorbed by companies (weighing on corporate margins and earnings) or passed on through higher prices (i.e. inflation), effectively taxing the consumer.

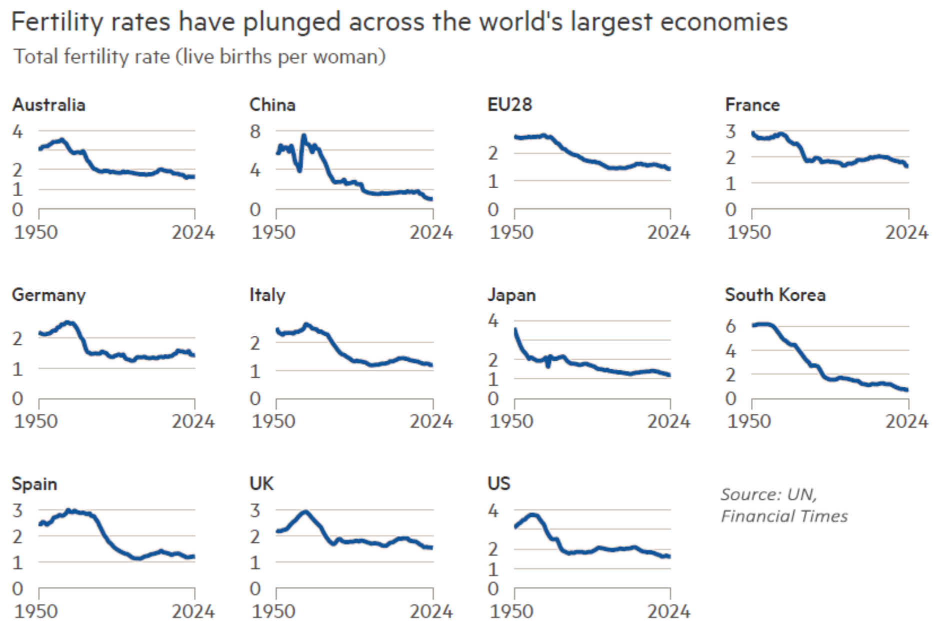
As illustrated in the chart below, the *World Bank* recently cut its estimates for economic growth this year, noting a deterioration in prospects across most of the world's economies. Not surprisingly, trade tensions and increased policy uncertainty were cited. The institution now expects world GDP growth of only 2.3% in 2025, which would be "the weakest performance in 17 years, outside of outright global recessions. By 2027, global GDP growth is expected to average just 2.5 percent in the 2020s—the slowest pace of any decade since the 1960s."

Moreover, on the geopolitical front, while the wars in the Middle East and Russia/Ukraine appear to be reasonably well contained,




*Note: Adjusted for inflation. 2024 data are estimates, 2025 data are year-end forecasts.*
*Source: Worldbank*

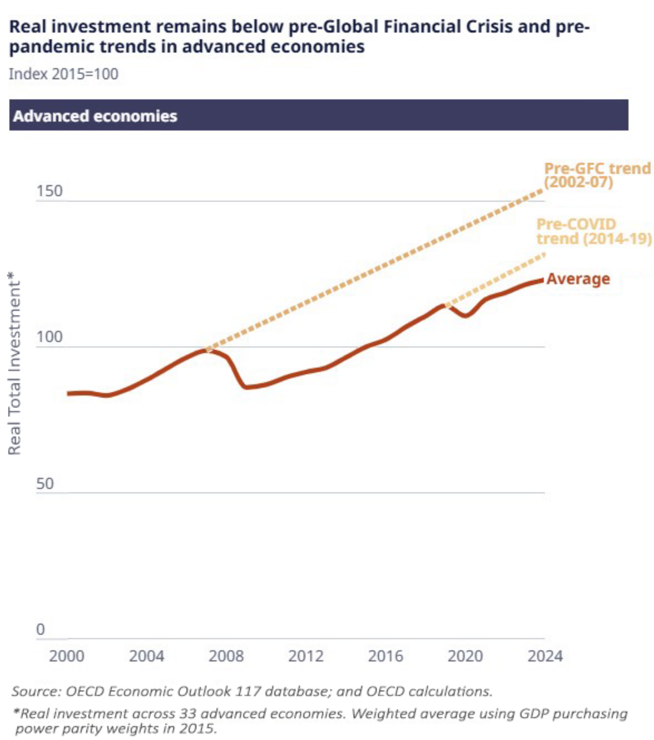
that could change in an instant. Some believe Hamas, Hezbollah, and Iran have all been neutralized militarily, which would be an unequivocal positive, but could also increase the odds of a terrorist strike on the West in the future. Unfortunately, Trump's prediction for a quick end to the Russia/Ukraine war has not come to pass. Both countries appear determined to fight it out for the foreseeable future. Encouragingly, U.S. hardball tactics with China (on trade) appear to be making some progress, though we do not believe the U.S. should be aspiring to produce low-value or labor-intensive goods domestically, given much higher labor costs. The end-goal should be fairer trade, not protectionism.




***__We Have a People Problem__***

While tariff policies and geopolitical developments are important, other long-term economic building blocks are also crucial. At its core, economic growth is driven by a combination of three main factors: more people working, people working more hours, and productivity growth (improvement in output per hour worked). Per the chart above, many economies are facing increasing demographic challenges, as birth rates have plummeted across the globe. Two-thirds of people are now living in countries with fertility rates below the replacement rate of 2.1.

In a recent study, *McKinsey Global Institute* writes that, "Falling fertility rates shift the demographic balance toward youth scarcity and more older people, who are dependent on a shrinking working-age population," noting that the "current calculus of economies cannot support existing income and retirement norms." Working age populations (ages 15-64) in Europe, Japan, and China are already in decline, as would be the case in the U.S., if not for immigration. To change the course of travel, countries will have to increase the number of women in the workforce, push back the retirement age, increase immigration, or improve birth rates. Significant policy changes would be necessary, some of which could face staunch political opposition (i.e. higher retirement age, immigration). Change is never easy, but eventually tough decisions will have to be made, especially if the fiscal deficit and debt levels are to be addressed. Unfortunately, the current demographic headwinds have not plateaued.




***__A New Era of Efficiency?__***

Much of the onus for economic growth will fall on productivity, which can be enhanced by capital investments; advancements in innovation and technology drive efficiency. When fixed assets age, investment in plant, equipment, and research and development (R&D) is vital to driving growth, something that has been deficient in recent years. As illustrated in the chart on the left, real investment levels slowed after the Great Financial Crisis (GFC) of 2007-09 and again after the COVID pandemic, remaining well below prior trends despite historically low financing costs and strong corporate profitability. Similarly, global productivity growth in 2024 and 2025 (2.5%) remains subdued versus pre-GFC levels (2.9%).

Today, there is tremendous enthusiasm around generative AI's potential to enhance productivity. We are hopeful that AI will create significant benefits over time and will be a game changer, as advertised. That said, the magnitude of the required lift is substantial. *McKinsey* estimates that many of the world's largest economies, including the U.S., will have to at least double productivity levels to maintain historical improvements in living standards. Abundant levels of investment have been pouring into AI over the last few years, pulling capital away from other areas of technology and the economy. The underlying return on that investment, which will become increasingly consequential to economic growth, has yet to be determined. It's also worth considering that AI could potentially make numerous jobs redundant, weighing on workforce growth.

Other positive catalysts could also emerge, including more business-friendly tax policies, reduced regulations, fiscal or monetary stimulus, lower inflation and/or interest rates, and clarity around trade and geopolitics. It is important to remember that it has historically paid to be invested in the stock market. Even investors with the worst timing who bought the S&P 500, Russell 2000, or MSCI EAFE at the peak of the 2000 Tech bubble, have received annualized returns of 7.35%, 6.71%, and 4.05%, respectively, *well* in excess of inflation (~2.5%). Businesses are quite resilient and typically find ways to adapt.

In every stock market, there are always attractive values to be uncovered. Businesses with obvious growth and momentum tend to trade at big valuation multiples. Expectations are high which can leave these stocks vulnerable to steep declines when growth inevitably slows. Conversely, FMI builds portfolios with a more value-oriented approach, looking to take advantage of temporary dislocations in business fundamentals or sentiment (i.e., clouds that will eventually clear) causing a business to trade at a significant discount to intrinsic value. When you combine this potential "margin of safety" with business quality and balance sheet strength, it can provide strong downside protection, while also providing an opportunity to compound at above market rates. In a backdrop of elevated risks, a prudent approach may prove to be a valuable attribute.

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Outlined below are a few portfolio holdings where we see an attractive set-up:

***Insight Enterprises Inc. (NSIT) – FMI Common Stock Fund***

Insight Enterprises is a leading provider of information technology solutions in North America (81% of revenue), Europe (16%), and Asia-Pacific (3%). They provide value to customers by assisting them with the design, selection, procurement, integration, and management of their IT solutions. To vendor partners, Insight offers a cost-effective way to reach a large customer base with strong implementation capabilities. The North American IT industry has historically grown at around 4% per annum. Insight, being one of the larger players in the industry, has scale advantages that make them difficult to compete against, particularly for the smaller regional players that make up the majority of the market. Therefore, we believe Insight can outgrow the underlying industry by taking market share over time. When factoring in margin expansion and share buybacks, we believe the company's earnings per share can compound at an attractive, double-digit rate. The shares are trading at low valuation multiples as demand for IT solutions was pulled forward during COVID, which subsequently led to several years of weak customer spending. We think this is a temporary lull, and that end market demand will recover in the coming years providing an opportunity for an attractive return to shareholders.

***Masco Corp. (MAS) – FMI Large Cap and FMI Global Funds***

Masco Corporation is a global leader in the design, manufacture, and distribution of branded home improvement and building products. The company's portfolio of well-recognized brands includes BEHR® paint, DELTA® and HANSGROHE® faucets, bath, and shower fixtures, and Watkins Wellness® hot tubs, spas, and aquatic fitness products. Competitive advantages include brand strength built over several decades and close alignment with advantaged retail and distribution partners. Following several key portfolio actions (2015 spin of installation business serving new construction, 2019 sale of Windows, 2020 sale of Cabinetry, 2024 sale of Lighting), the business is now comprised mostly of low-ticket and high-impact home improvement products for the repair and remodel markets in growing categories (paints, stains, faucets, mixers, etc.). Management has been disciplined at allocating Masco's strong free cash flow (FCF) and has a clear understanding of ROIC, which we estimate to be among best-in-class. The business is conservatively financed, has strong liquidity, low capital requirements, and has generated positive FCF every year for over four decades. Given the backdrop of weak demand (affordability and interest rates) and tariff uncertainty, it currently trades at a depressed valuation.

***Techtronic Industries Co. Ltd. – FMI International Funds***

Techtronic Industries is a global leader in cordless power tool design and manufacturing, with number one positions serving both professional and do-it-yourself (DIY) markets (Milwaukee and Ryobi brands). Competitive advantages include brand equity, channel relationships, and network effect of its battery/tool platforms. The compatibility of its battery platforms across a wide variety of tools promotes loyalty and repeat purchasing, while brand and channel investments have deepened its partner relationships over time. Concerns surrounding the housing market, interest rates, and tariffs have recently weighed on the sentiment, providing an opportunity to own this dynamic, global, market-leading company at a meaningful discount to its historical average valuation. We view Techtronic as an innovative, high-quality company (strong organic growth, ROIC, and balance sheet), occupying a leadership position in the secularly growing global cordless power tool industry. We do not believe these attributes are fully reflected in its current valuation.

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Thank you for your continued support of the FMI Funds.

## Disclosure Information

*__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 Schedules of Investments 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. The referenced securities are owned by the Funds on June 30, 2025 as follows:

FMI Common Stock Fund -Insight Enterprises Inc. - 3.6%
FMI Large Cap and Global Funds -Masco Corp. – 3.5% and 2.5% respectively
FMI International Fund and International Fund II – Techtronic Industries Co. Ltd. – 2.1% and 2.2% respectively.

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.

Annual operating expenses for FMIMX, FMIUX, FMIHX, FMIQX, FMIJX, FMIYX, FMIFX, and FMIGX as of the Prospectus dated 1/31/25 are as follows: 0.98%, 0.85%, 0.84%, 0.70%, 0.94%, 0.80%, 0.90%* and 0.90%*, respectively.

*Note that the annual operating expenses for FMIFX and FMIGX are 1.12% and 1.09% respectively, before the investment adviser's voluntary reimbursement such that the annual operating expenses do not exceed 0.90% for each, which will continue at least through January 31, 2026.

Risks associated with investing in the Funds are as follows:

FMI Large Cap Fund: Stock Market Risk, Medium and Large Capitalization Companies Risks, Value Investing Risk, Foreign Securities Risk (fluctuation of currency, different financial standards, and political instability), Liquidity Risk, and Tax Law Change 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), Liquidity Risk, and Tax Law Change Risk.

FMI International Fund: Stock Market Risk, 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, Liquidity Risk, and Tax Law Change Risk.

FMI International Fund II – Currency Unhedged: Stock Market Risk, Value Investing Risk, Foreign Securities Risk (fluctuation of currency, different financial standards, and political instability), Geographic Concentration Risk, Large Capitalization Companies Risk, Liquidity Risk, and Tax Law Change Risk.

FMI Global Fund: Stock Market Risk, Value Investing Risk, Foreign Securities Risk (fluctuation of currency, different financial standards, and political instability), Emerging Market Risk, Geographic Concentration Risk, Large Capitalization Companies Risk, Liquidity Risk, New Fund Risk, RIC Qualification Risk and Tax Law Change Risk.

For details regarding these risks, please refer to the Funds' Summary or Statutory Prospectuses dated January 31, 2025.

The Funds does not directly invest in Bitcoin or other cryptocurrencies. Bitcoin and other cryptocurrencies are a relatively new asset class and are subject to unique and substantial risks.

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 S&P's Ratings Group designates the stocks 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 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index. 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. 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.

MSCI EAFE is a service mark of MSCI Barra.

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**

**FCF - Free Cash Flow** represents the cash that a company generates after accounting for cash outflows to support its operations and maintain its capital assets.

**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.

**Intrinsic value** is a measure of what an asset is worth. This measure is arrived at by means of an objective calculation or complex financial model. Intrinsic value is different from the current market price of an asset. However, comparing it to that current price can give investors an idea of whether the asset is undervalued or overvalued.

**ROIC - Return on Invested Capital** is 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.

**EPS - Earnings per share** is a commonly used measure of a company's profitability. It indicates how much profit each outstanding share of common stock has earned. Generally speaking, the higher a company's EPS, the more profitable it is considered to be.

**Yield** is the income returned on an investment, such as the interest from holding a security. The yield is usually expressed as an annual percentage rate based on the investment's cost, current market value, or face value. An investor can look at yield as gross yield, which does not deduct taxes and expenses, or net yield, which deducts those expenditures.

**Earnings Growth** is used by analysts and investors to determine how expensive the shares are relative to the company's earnings performance, amongst other factors.  Earnings growth, the rate at which earnings grow between two periods, is typically applied for use in the Price/earnings to growth ration (PEG ratio) which is calculated as price/earnings ratio (P/E Ratio) divided by its percentage growth rate.

Earnings Growth is not a measure of future performance. Dividends are not guaranteed and may fluctuate.

Reference definitions found at Investopedia.com

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