FMI Shareholder Letter
June 30, 2026

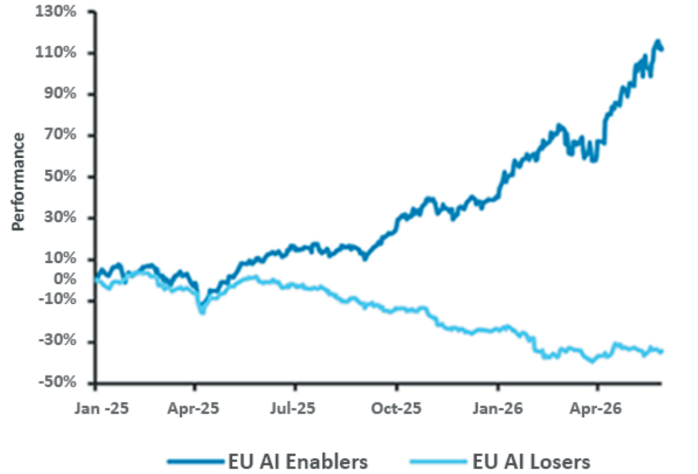
Dear Fellow Shareholders:

The market spent the quarter pricing in a future that hasn't happened yet; we spent it buying businesses the market has already written out of the story. The returns speak for themselves. Global stock markets were carried higher by a wave of momentum in the second quarter, with the Russell 2000, S&P 500, MSCI EAFE (Local/USD), and MSCI World gaining 21.49%, 15.20%, 11.54%/10.82%, and 13.76%, respectively. This was the best quarterly return for each of these benchmarks since 2020.[1] The catalyst, Artificial Intelligence (AI), swept across market caps and geographies alike. Semiconductor stocks, data center operators, optical network suppliers, and AI infrastructure plays went parabolic, producing returns that would have been impressive over an entire decade, let alone a couple of quarters. Year-to-date (YTD), U.S. AI themes tracked by Goldman Sachs (GS) have skyrocketed: Memory +250%, NeoClouds +171%, AI Inference Beneficiaries +127%, Optical Networks +115%, Data Centers +115%, and AI Semis +101%. Meanwhile, Quality Compounders (also tracked by GS), a reasonable proxy for the type of companies we favor, fell by 1%. The gap is hard to overstate. Given the technology-driven backdrop, our portfolios did not keep pace, as expected. Nevertheless, investor euphoria surrounding AI has many of the hallmarks of a bubble, casting doubt on its sustainability. What the market reads as our limitation, an unwillingness to pay today's prices for tomorrow's promises, we view as our advantage.

Chipping Away at Reality

Remarkably, the recent move in chip stocks may go down as the sub-sector's *best quarter ever*, with the Philadelphia Stock Exchange Semiconductor Index gaining 88% (and 102% YTD). As illustrated in the charts below, the semiconductor weight in the S&P 500 is now at an all-time high, as are median enterprise value-to-sales valuations, at over four standard deviations above historical averages. Investor expectations are extraordinarily high, leaving minimal room for error.

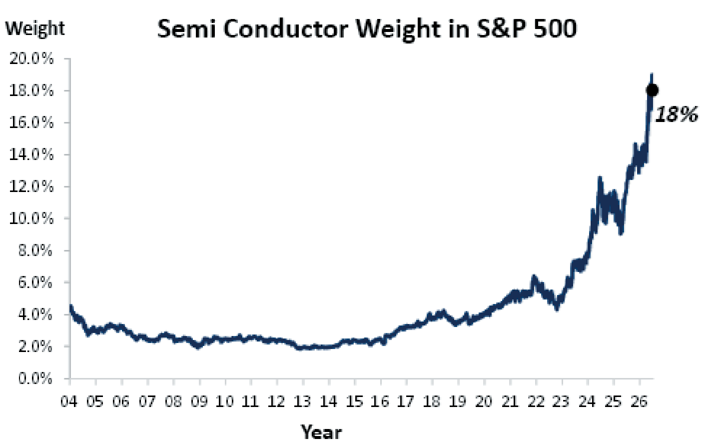
The performance gap between EU AI Enablers and AI Losers keeps widening, at 145% since 2025 and 82% YTD

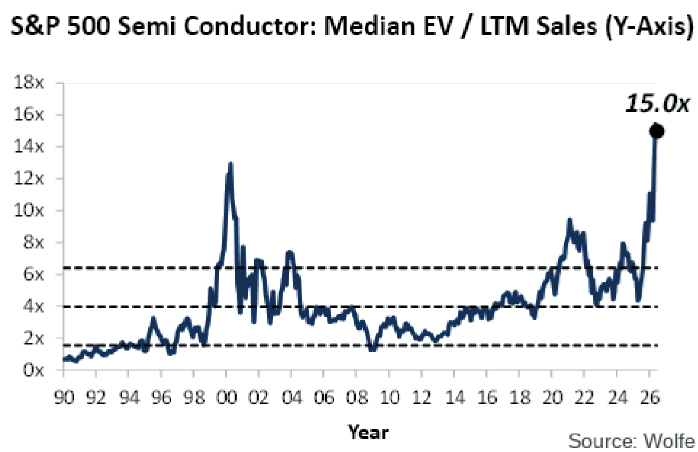


Source: Bloomberg, Barclays Research. Past performance is not indicative of future results.

Additionally, J.P. Morgan tracks 42 AI-related stocks in the S&P 500. Since ChatGPT crashed on the scene in November 2022, these 42 companies have accounted for an overwhelming ~76% of the S&P 500's return (~81% since November 2024). They represent less than 10% of the companies in the index, but almost 45% of the aggregate market cap.

This is not just a U.S. phenomenon. As illustrated in the chart above, European stocks have been heavily influenced by AI momentum trades, as well. Companies deemed to be "AI enablers" have outperformed "AI losers" by 145% since the start of 2025 and 82% YTD.





Source: Wolfe

[1]In local currency returns.

What we are witnessing today is far from broad-based prosperity. It is narrow, concentrated, and circular: the kind of speculative excess that has historically marked major market peaks.

Trading Salaries for Servers

At its foundation, AI is a capital-for-labor swap. Like replacing a factory worker with a robot, the economics must eventually justify the investment. The robot must generate sufficient labor savings to produce an adequate return on the capital deployed (ROI, or return on investment). This is basic finance, and it remains true regardless of how transformative a technology may be.

Today, few companies are making ROI-based decisions on AI spending. Many are investing aggressively because they do not want to risk falling behind (FOMO). At times, the spending appears haphazard, as evidenced by large companies paying bonuses based on higher token usage. The result is a capital expenditure (capex) sprint that, by any historical measure, is extraordinary. The five largest cloud and AI infrastructure giants (Amazon, Alphabet, Meta, Microsoft, and Oracle) are projected to spend over *$725 billion* on capex in 2026 alone, nearly double last year's already eye-popping levels. Remarkably, over the four quarters ending March 2026, tech-related investments are estimated to account for over 90% of U.S. GDP growth. For comparison, during the peak of the dot-com bubble, tech's contribution barely hit 60%.

The current math for generating an adequate return for hyperscalers is challenging. The *Financial Times*, drawing on analysis by economist Joachim Klement, computed the expected 2025–30 return on AI data center investment for each of the major hyperscalers – assuming *zero operating costs.* As illustrated in the graphic below, only Amazon would generate a positive return under these generous assumptions. To earn a 10% return on capital, the hyperscalers would collectively need to generate $2 to $5 trillion of incremental annual revenue, a high hurdle for a group whose total revenue currently stands at ~$1.5 trillion per year. If this analysis is even directionally correct, spending will fade or prices will need to go up across the ecosystem, testing the price elasticity of demand.

A period of rationalization may be at hand. Businesses across the economy will eventually have to ask a key question: is the spending worth it? The average business is paying 13 times more for AI tokens than it was in January 2025. Token costs have fallen by over 99% since the GPT-3 era, yet enterprise AI bills have tripled. The adoption of AI agents is part of the challenge, as agents can multiply token usage by 50–500 times per task. As costs rise, there are some early signs that a spend-as-much-as-you-can mentality could be shifting to a more thoughtful and measured approach. If this has legs, it could dampen end-market demand. For example, companies like Uber and Microsoft have reportedly discontinued some of their Claude Code licenses due to unmanageable costs and elusive productivity. Elsewhere, executives are reportedly reining in unstructured usage budgets (addressing "tokenmaxxing"), while a growing number of major corporations are scaling back on premium models and shifting some of their workloads to smaller, cheaper, or open-source alternatives.

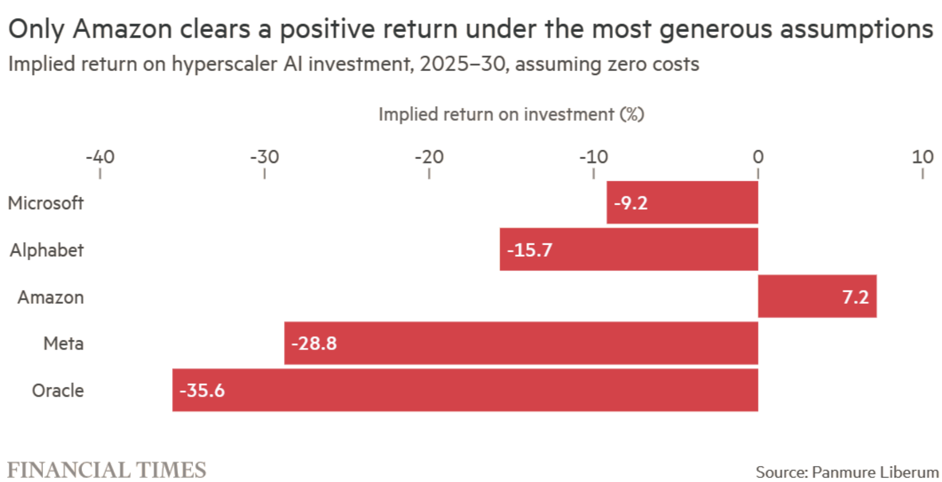
Finding Value in "Everything Else"

In the stock market, there has been a stark bifurcation between companies that benefit from AI capex today (where we are seeing irrational exuberance) and everything else. At some point, we will reach a crossroads. AI needs to create an attractive return for real, everyday businesses, for AI capex demand to be sustained. These businesses will need to realize productivity gains through margin expansion or accelerating revenue growth. McKinsey finds that only 6% of enterprises have seen a 5%+ EBIT impact from AI use, yet budgets continue to expand rapidly. When the math gets scrutinized, companies benefiting from AI on the cost side, rather than selling into the investment cycle, should look very different to investors.

On the other hand, if AI's productivity benefits are overstated, AI capex will likely slow and the whole complex will derate significantly. Either way, we think you will do better as an equity investor owning businesses that *could* benefit from AI in the future *but* are not being priced for it today, versus those turning AI capex into revenue now that are already being priced with extremely high expectations. This will be true in spades if AI benefits are overblown.

As we look at our portfolios over the medium term, we think 90%+ of the AI opportunity for our companies will be on the cost side of the equation, where it is easier to measure ROI on AI spending. This adds conviction that our businesses will capture their share of the available AI benefits. While opportunities will exist across every company we own, there are some notable examples that include Accenture (featured in our March shareholder letter), Booking Holdings (March letter), Schwab, Capital One (featured below), PNC, Huron Consulting (March letter), FTI Consulting (featured below), Lloyds, and Houlihan Lokey.

If AI is the greatest cost-efficiency tool of our lifetime, our largest positions will have much to gain. Moreover, many of these same stocks are being priced as AI losers, which we do not think will be the case. This combination presents an attractive risk/reward, no matter AI's path. Heads we win, tails we think there is an adequate margin of safety. If the AI productivity story does not materialize, stocks being priced today for spectacular AI-driven revenue growth



Source: FT.com - The impossible maths of the AI boom by Joachim Klement should face severe earnings disappointments. We believe our holdings, with modest expectations and low valuations, will remain resilient in that scenario. History offers a useful parallel: after the Nasdaq peaked in March 2000, the FMI Common Stock Fund outperformed the Nasdaq Composite by over 127 percentage points on a cumulative basis in the subsequent five years. The stocks overlooked during the frenzy — traditional businesses with real earnings and modest valuations — compounded quietly while the bubble deflated and speculators suffered meaningful losses.

Today, the long-term setup for our portfolios is the strongest we have seen in many years. The valuation gap between the AI complex and the rest of the market now rivals levels last seen at the height of the dot-com bubble. For long-term, value-oriented investors, that reads less as a warning than as a signpost. The absolute values of our holdings are compelling. We own businesses with durable competitive advantages, high returns on invested capital, strong management, and conservative balance sheets, trading at meaningful discounts to intrinsic value. Several of them are being priced as if none of that is true. We think the market has it wrong. We remain steadfast in our research process and discipline, with a continued focus on capital preservation. On a 3- to 5-year time horizon, we believe the picture for FMI looks very bright — not in spite of the current mania, but partly because of it.

The following stock examples illustrate a few areas where we are finding value today:

FTI Consulting Inc. (FCN) – Common Stock Fund

FTI Consulting is a leading global consulting firm specializing in crisis management and business transformation, with more than 8,100 employees across 32 countries and territories. The company operates through five segments: Corporate Finance and Restructuring, Forensic and Litigation Consulting, Economic Consulting, Strategic Communications, and Technology. Roughly 64% of revenue is domestic, with the remaining 36% generated internationally. FTI's competitive advantages are well-established: a strong track record, respected brand, broad capabilities, and deep subject-matter expertise across its segments. Together, these qualities underpin a durable consulting franchise with a track record of organic growth. Against that backdrop, two headwinds have weighed on the shares and created our entry point. First, a rare defection by a group of Economic Consulting employees in early 2025 caused financial disruption and reputational damage. Second, broader concerns about AI displacing the consulting model have pressured FTI's valuation. We view both risks as largely misunderstood or already resolved. The defection appears to be an isolated incident that the company has effectively put behind it. On AI, FTI's niche as a specialist consultant delivering mission-critical work (most often for clients in the middle of a crisis) insulates it far more than most other consulting models. We believe management's target of at least mid-single-digit organic EBITDA growth is achievable. Capital allocation has been sound, highlighted by a mid-teens reduction in shares outstanding in 2025, with buybacks continuing into 2026 as the stock remains depressed. We see the valuation as compelling within an otherwise expensive small-cap market.

Capital One Financial Corp (COF) – Large Cap/Global Funds

Capital One is one of the largest banks and card issuers in the U.S. Our investment thesis centers on Capital One's acquisition of Discover. Meaningful value creation could come from cost synergies and converting a portion of Capital One's card portfolio to Discover's network. Importantly, these synergies require no additional capital or credit risk and should increase returns while reducing earnings cyclicality relative to Capital One on a standalone basis. Over the longer term, there is a potentially game-changing opportunity to build a more competitive network to challenge Visa and Mastercard. Capital One is also uniquely positioned to benefit from AI: the bank operates on a modern, fully cloud-based technology infrastructure, a rarity in the industry. AI could drive value across marketing efficiency, credit underwriting, fraud detection, and customer service. We forecast accelerated earnings growth and higher returns versus history. We think that the stock should re-rate as investors appreciate Capital One's transformation. Finally, we have a favorable view of the management team led by founder Richard Fairbank and expect that capital allocation will be skewed toward share repurchases given the discounted valuation and overcapitalized balance sheet.

Fluidra S.A. (FRD SM) – International

Fluidra is a global pool equipment manufacturer and distributor focused primarily on the residential pool market. Its product portfolio spans pumps, automation, sanitization, heaters, filters, lighting, water features, cleaners, pool chemicals, and more. Roughly 70% of revenue is tied to the existing installed base of pools, most of which is repair and replacement, making the business resilient to economic cycles. Fluidra also benefits from strong pricing power: purchase decisions are typically made by pool service professionals rather than end consumers, and these professionals tend to be price-insensitive and brand-loyal, gravitating toward established industry leaders. The result is a business with high margins and strong returns on invested capital. The pool industry saw an outsized surge in demand in the early years of COVID, followed by a sharp reversal as end-market activity weakened and the distribution channel worked through elevated inventory. That destocking cycle has largely run its course, though demand for new pool construction and remodels remains soft. Over time, we expect the more discretionary segments of the business to recover. In the interim, Fluidra should continue to grow through price increases and volume gains within the installed base and expand earnings through cost reduction efforts. The company has a solid balance sheet, is led by a capable management team, and trades at an attractive valuation.

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, 2026 as follows:

FMI Common Stock Fund: Huron Consulting – 3.01%; FTI Consulting – 3.68%; Houlihan Lokey – 3.25%
FMI Large Cap Fund: Accenture – 3.50%, Booking Holdings – 6.51%; Schwab – 6.87%; Capital One – 4.98%; PNC – 3.46%
FMI International Fund and FMI International II – Currency Unhedged Fund: Booking Holdings – 6.42% and 6.17% respectively
FMI Global Fund: Accenture – 3.46%; Booking Holdings – 6.00%, Schwab – 4.56%; Capital One – 4.53%; PNC – 2.89%

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 1/31/26 are as follows: 0.96%, 0.84%, 0.84%, 0.71%, 0.95%, 0.80%, 0.90%* and 0.90%*, respectively.

*Note that the annual operating expenses for FMIFX and FMIGX are 1.16% and 3.47% 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, 2027.

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, Large Shareholder 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, 2026.

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.

The MSCI World Index is a free-float adjusted market capitalization index that measures large and mid-cap performance of developed market countries which include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the UK and the US. With 1,395 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

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

Capex – Capital Expenditures are the funds companies allocate to acquire, upgrade, and maintain essential physical assets like property, technology, or equipment, crucial for expanding operational capacity and securing long-term economic benefits.

EBIT - Earnings Before Interest and Taxes is calculated as revenue minus expenses excluding tax and interest. EBIT is also called operating earnings, operating profit, and profit before interest and taxes and indicates a company's profitability.

EBITDA - Earnings Before Interest Taxes Depreciation and Amortization is 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.

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.

EV / LTM - Enterprise Value to Last Twelve Months EBITDA ratio is a valuation metric that compares a company's total enterprise value to its EBITDA over the most recent 12 months.

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.

ROC - Return on Capital is a financial ratio that can be used to assess a company's profitability and capital efficiency. In other words, this ratio can help to understand how well a company is generating profits from its capital

ROI is a financial ratio that measures the profit generated by an investment relative to its cost. Key factors influencing ROI include the initial investment amount, ongoing maintenance costs, and the cash flow generated by the investment.

Reference definitions found at Investopedia.com

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