

# Fiduciary Management, Inc.

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Quarterly Review – March 31, 2012

## FMI All Cap Equity

### Investment Philosophy:

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

### Investment Process:

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

Once an investment opportunity is identified it is put through our iterative process, which typically includes management interviews and site visits. When an acceptable level of conviction is achieved, the appropriate weighting (considering liquidity, valuation, etc.) is discussed and determined. A new company purchased in the portfolio will have an initial position size of 1-3%. The portfolio consists of 35-45 companies and is well diversified across sectors.

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

### Portfolio Management Committee (PMC)

Jonathan T. Bloom
John S. Brandser
Patrick J. English, CFA
Matthew J. Goetzinger, CFA
Robert M. Helf, CFA
Ted D. Kellner, CFA
Karl T. Poehls, CFA
Andy P. Ramer, CFA
Daniel G. Sievers

### Research Team:

Yes
Yes
Yes
Yes
Yes
Yes
Yes
Yes
Yes

Please note disclosure footnote on reverse side.

Performance	1 Yr	3 Yr	Since Inception
All Cap (Gross)	9.20%	25.26%	6.51%
Russell 3000	7.19%	24.26%	1.66%

Inception: December 31, 2007  
Performance is preliminary and subject to reconciliation.

### Top 10 - Portfolio Holdings:

3M Company.....	3.4%
United Parcel Service – Class B.....	3.1%
Wal-Mart Stores.....	3.0%
Sysco Corp.....	3.0%
Arrow Electronics Inc.....	2.9%
Berkshire Hathaway – Class B.....	2.9%
Nestle SA.....	2.8%
Staples Inc.....	2.8%
Patterson Companies, Inc.....	2.7%
Bank of New York Mellon.....	2.7%

### Portfolio Characteristics:

P/E Ratio (trailing one year).....	16.4x
FY1 P/E Ratio (forward 4 quarters).....	13.9x
P/S Ratio.....	1.4x
P/B Ratio.....	3.3x
EV/EBITA Ratio.....	8.8x
Number of holdings.....	45

### Recent Purchase:

#### Illinois Tool Works (Ticker: ITW): (Added in December 2011)

Illinois Tool Works Inc. is a broadly diversified manufacturer with more than 800 operating units. Approximately two-thirds of revenue can be considered recurring in nature. ITW's sales tend to be more correlated with overall industrial activity as opposed to the more volatile capital goods spending cycle. The company's executive compensation program includes a direct link to ROIC and management appears to be intensely-focused on generating positive economic value for shareholders. Recent concerns about a double-dip recession in Europe and ITW's sizable exposure to the region have weighed on the stock's performance. Over the past decade, ITW's operating margin has averaged 15.4%. It is expected to be 15.3% in 2011. This compares to a current EV/Sales multiple of 1.7x and the 10-year average of 2.0x. Since 2001, the company's earnings and book value per share have grown at compounded annual rates of 11% and 8%, respectively. Further, the dividend yield is 2.5%. At today's price, we are able to invest in a highly diversified global industrial franchise, with leading returns on capital, and at a valuation that is near decade lows. We initiated a 3% position in the company in December 2011.

### Recent Sale:

#### J.B. Hunt Transport Services (Ticker: JBHT) (Sold in February 2012)

J.B. Hunt Transport Services was founded in 1969 and is one of the largest truckload and intermodal transport companies in North America. The company provides a range of transportation services throughout the continental United States, Canada and Mexico. Hunt operates and reports in four specific segments: Full Load Dry-Van, Intermodal, Dedicated Contract Services, and Integrated Capacity Solutions. Over the past 5 years, the company has moved its business aggressively into intermodal transportation, which is taking share from long-haul trucking. This is a high return business and Hunt does it better than anyone. We recently sold our position in February of 2012 because the stock has been a terrific performer, and the valuation currently reflects this positive outlook.

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## All Cap Equity Composite

12/31/2007 - 12/31/2011

Year	Total Return Gross of Fees %	Total Return Net of Fees %	*Benchmark Return %	Number of Portfolios	Dispersion %	Three Year Ex-Post Standard Deviation		Total Composite Assets End of Period (\$ millions)	Total Firm Assets End of Period (\$ millions)	Percentage of Firm Assets %
						Composite	*Benchmark			
2008	-26.65	-27.18	-37.31	12	0.60	n/a	n/a	\$ 56.9	\$ 4,062.5	1.40%
2009	30.19	29.35	28.34	18	0.23	n/a	n/a	\$ 86.9	\$ 7,008.9	1.24%
2010	18.20	17.41	16.93	18	0.26	n/a	n/a	\$ 103.3	\$ 9,816.0	1.05%
2011	3.85	3.14	1.03	23	0.41	19.57%	19.35%	\$ 127.4	\$ 12,273.6	1.04%

\*Benchmark: Russell 3000 Index®

Returns reflect the reinvestment of dividends and other earnings.

The above table reflects past performance. Past performance does not guarantee future results. A client's investment return may be lower or higher than the performance shown above. Clients may suffer an investment loss.

Fiduciary Management, Incorporated (FMI) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. FMI has been independently verified for the periods 12/31/1993 - 12/31/2011. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The All Cap Equity composite has been examined for the periods 12/31/2007 - 12/31/2011. The verification and performance examination reports are available upon request.

FMI was founded in 1980 and is an independent investment counseling firm registered with the SEC and the State of Wisconsin. The firm manages over \$12.2 billion in assets of pension and profit sharing trusts, mutual funds, Taft-Hartley funds, insurance company portfolios, endowments and personal trusts. The firm includes both institutional and mutual fund business. Although the firm has participated in wrap programs, it is a separate and distinct business, and is excluded from firm-wide assets.

The FMI All Cap Equity Composite was created in December 2007. These accounts primarily invest in small, medium and large capitalization US equities.

The FMI All Cap Equity Composite reflects time-weighted and asset-weighted returns for all discretionary accounts. From December 31, 2007 all accounts were managed for at least one month. All returns are calculated using United States Dollars and are based on monthly valuations using trade date accounting. All accounts in this composite are fee paying. Gross of fees returns are calculated gross of management fees and custodial fees and net of transaction costs. Net of fees returns are calculated net of actual management fees and transaction costs and gross of custodial fees. Dispersion is calculated using the standard deviation of all accounts in the composite for the entire period. As of 12/31/2011, the trailing three year annualized ex-post standard deviation for the Composite and Benchmark are required to be stated per GIPS®.

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

Up to \$25,000,000	0.75%
\$25,000,001-\$50,000,000	0.65%
\$50,000,001-\$100,000,000	0.60%
\$100,000,001 and above	0.55%

The firm generally requires a minimum of \$3 million in assets to establish a discretionary account. High Net Worth individuals may establish an account with a minimum of \$1,000,000, however, the firm reserves the right to charge a minimum dollar fee for High Net Worth individuals depending on the client servicing involved. The minimum account sizes do not apply to new accounts for which there is a corporate, family, or other substantial relationship to existing accounts. In addition, the firm reserves the right to waive the minimum account size and minimum annual fee under certain circumstances. A complete list and description of all firm composites is available upon request. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The Russell 3000 Index® measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. The All Cap Equity composite uses the Russell 3000 Index® as its primary index comparison.