

Fiduciary Management, Inc.

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Quarterly Review – December 31, 2017

FMI International Equity

Performance	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
International (Gross)	2.93%	16.51%	16.51%	10.47%	12.39%	N/A	11.35%
MSCI EAFE-Local Index	3.66%	15.23%	15.23%	8.54%	11.44%	3.30%	8.51%
MSCI EAFE-USD Index	4.23%	25.03%	25.03%	7.80%	7.90%	1.94%	6.04%

Inception: December 31, 2010

Performance is preliminary and subject to reconciliation.

Investment Philosophy:

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

Investment Process:

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

Once an investment opportunity is identified it is put through an extensive due diligence process, which typically includes management interviews and site visits. When an acceptable level of conviction is achieved, the appropriate weighting (considering liquidity, valuation, etc.) is discussed and determined. A new company purchased in the portfolio will usually have an initial position size of 1-4%. The portfolio generally consists of 25-40 companies and is well diversified across sectors.

We are long-term investors, a typical holding period for our companies is three to five years, and portfolio turnover averages 20-40% per annum. Since inception, the strategy has generally hedged a significant portion of its currency.

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

Please note disclosure footnote on reverse side.

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

Top 10 – Portfolio Holdings:

Accenture PLC Class A	4.5%
Samsung Electronics Co. Ltd. PFD	4.1%
Ferguson PLC	4.1%
Whitbread PLC	3.9%
Smiths Group PLC	3.6%
Fairfax Financial Holdings Ltd.	3.5%
Potash Corporation of Saskatchewan Inc.	3.3%
TE Connectivity Ltd.	3.2%
Adecco Group AG	3.0%
Schlumberger NV	2.9%

Portfolio Characteristics: (1)

P/E Ratio (trailing one year)	23.0x
FY1 P/E Ratio (forward 4 quarters)	16.3x
P/S Ratio	1.5x
P/B Ratio	2.9x
EV/EBITDA Ratio	8.8x
Number of Holdings	36
Active Share	99%

Recent Purchase:

Bureau Veritas SA Ticker: **BVI FR** Added: **October 2017**

Bureau Veritas is the world's second largest testing, inspection and certification company. Across the company's six reportable business segments, BV provides recognized independent inspection services leveraging over 3,500 global accreditation standards within a diverse set of global markets. Over the past several years the stock price has been approximately flat and the company's valuation has compressed. Bureau Veritas has worked through cyclical weakness in several business units which now are improving. The management team continues to transition its business model to focus on recurring inspection-related testing businesses that are more immune to market cycles. We believe the company's value-add will grow as regulation and verification services increase in an expanding global economy. Ultimately, BV's franchise value should hold up well in a tough market environment. We initiated a 1.0% weighting in October 2017.

Recent Sale:

Makita Corp. Ticker: **6586 JP** Sold: **November 2017**

Makita is the second largest global manufacturer of power tools. The Power Tools group is the company's dominant business at 70% of revenues. Garden Equipment, Household and Other products accounts for 15% of total revenues, and Recurring Parts, Repairs and Accessories account for the residual 15% of revenues. As the industry's low-cost producer, Makita maintains a market leadership position within the consolidated global power tools market. The company has produced solid results over our 2.5-year holding period driving a nearly 10-point increase in the company's P/E multiple to over 20 times. Given the consolidated industry structure and generally favorable outlook for returns on capital, we would revisit Makita at a cheaper valuation. We sold our 2.2% position in November 2017.

Fiduciary Management Inc.
International Equity Composite
12/31/2010 - 09/30/2017

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		Total Firm Assets End of Period (\$ millions)	Percentage of Firm Assets %
						Composite	*Benchmark	Assets End of Period (\$ millions)	End of Period (\$ millions)		
2011	-0.78	-1.52	-12.15	1	0.00	n/a	n/a	\$ 16.7	\$ 12,273.6	0.14%	
2012	19.35	18.46	17.31	1	0.00	n/a	n/a	\$ 76.3	\$ 15,253.5	0.50%	
2013	25.89	24.95	26.93	1	0.00	9.78	12.22	\$ 165.8	\$ 19,705.3	0.84%	
2014	5.66	4.87	5.92	1	0.00	7.49	10.33	\$ 771.6	\$ 21,001.1	3.67%	
2015	4.24	3.46	5.33	2	0.00	8.14	11.73	\$ 2,832.9	\$ 21,042.9	13.46%	
2016	11.04	10.23	5.34	3	0.38	7.39	11.53	\$ 5,946.2	\$ 22,626.7	26.28%	
Q1 2017	5.94	5.75	4.71	3	0.05	7.16	11.23	\$ 7,376.1	\$ 24,541.9	30.06%	
Q2 2017	3.74	3.56	2.71	3	0.02	7.31	11.25	\$ 8,132.7	\$ 24,881.5	32.69%	
Q3 2017	3.00	2.82	3.36	3	0.03	7.06	11.30	\$ 8,147.9	\$ 25,072.9	32.50%	

*MSCI EAFE Net Local 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 - 09/30/2017. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The International Equity Composite has been examined for the periods 12/31/2010-09/30/2017. The verification and performance examination reports are available upon request. Benchmark returns are not covered by the report of independent verifiers.

FMI was founded in 1980 and is an independent investment counseling firm registered with the SEC and the State of Wisconsin. The firm manages over \$25.1 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 International Equity Composite was created on December 31, 2010. This composite invests mainly in a limited number (usually between 25-40) of large capitalization (namely, companies with more than \$5 billion market capitalization) foreign companies.

The International Equity Composite reflects time-weighted and asset-weighted returns for all discretionary accounts. All returns are calculated using United States Dollars and are based on monthly valuations using trade date accounting. All accounts in this composite are fee paying. Gross of fees returns are calculated gross of management fees, gross of custodial fees, gross of withholding taxes and net of transaction costs. Net of fees returns are calculated net of actual management fees and transaction costs and gross of custodial fees and withholding taxes. Dispersion is calculated using the equal weighted standard deviation of all accounts in the composite for the entire period. As of 12/31/2011, the trailing three year annualized ex-post standard deviation for the Composite and Benchmark are required to be stated per GIPS®. For the periods 2011-2012, the information is not available for the International Equity Composite.

Currently, the advisory fee structure for the International Equity Composite portfolios is as follows:

Up to \$25,000,000	0.70%
\$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 \$25 million in assets to establish a discretionary account. 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 MSCI EAFE Net Local Index® is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Net Local 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. It is reported in local currency and net of hedges. The International Equity composite uses the MSCI EAFE Net Local Index® as its primary index comparison.