FMI International Fund

March 31, 2011

Dear Fellow Shareholders:

The FMI International Fund gained 0.75%[(1)] in the quarter ending March 31. The Technology Services, Producer Manufacturing, and Health Technology sectors were the strongest contributors to the Fund's overall performance, while Retail Trade, Finance, and Electronic Technology lagged. Solid performance by Accenture and CRH was partially offset by underperformance from Tesco and Shin-Etsu Chemical. During the period, the MSCI EAFE Index[i] returned 0.99% in local currency and 3.36% in U.S. Dollars (USD). Since the FMI International Fund is essentially fully hedged against foreign currency exposure, the most relevant benchmark for comparison is the 0.99% return in local currency. *Please note that we include a mention of the MSCI EAFE Index only insofar as international investors have grown accustomed to seeing this benchmark. We do not consider the benchmark in the management of the Fund and we would expect significant divergence in performance over quarterly periods. Our long-term goal is to achieve returns that comfortably exceed inflation.*

This being the inaugural shareholder letter for the FMI International Fund, we want to briefly explain our investment philosophy and objectives for FMIJX. For over 30 years, the Fund's advisor has endeavored to purchase strong, durable business franchises at a discount valuation. This discount may be due to company or industry-specific issues and our research attempts to not only get a full grasp of the business, but also to determine whether the problems are temporary or permanent, and whether management is capable. Our outlook is long-term; investors should expect relatively low turnover.

Many outstanding businesses are domiciled outside of the United States. Increasingly, U.S. companies are moving headquarters and operations offshore. Our investment philosophy, strategy and research tactics can be applied in many locales and this ability will be increasingly important as the world shrinks. The lack of good data, transparency and trust with respect to management strategy, return on invested capital, governance and a host of other factors make it impossible to look at many international companies in a way that is comparable to how we operate domestically. While there may be a few good Chinese and Russian companies, for example, we cannot conduct our customary due diligence and therefore, for the time being, choose not to risk our shareholder's money there. FMIJX will have broad exposure to major economic sectors and industries, however, a company's country of origin is not a major consideration. The vast majority of investments will be in firms that are global in nature. The Fund will have exposure to emerging markets, but only as it relates to the global footprint of the businesses in which we invest.

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(1) The inception date of the FMI International Fund is December 31, 2010. Therefore, the 1- year and annualized 5- year returns are N/A and since inception through March 31, 2011 is 3.08% annualized.

i 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. & Canada. As of May 27, 2010 the MSCI EAFE Index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, 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.

Since launching the Fund, we have initiated four investments in Japan: SMC Corporation, SHIMANO, SECOM, and Shin-Etsu Chemical. We were originally drawn to these companies because the valuations were low, the balance sheets were robust, and the underlying businesses featured dominant global franchises with top market positions. Excluding SECOM, the vast majority of revenues were generated overseas, reducing the dependence on domestic Japanese demand. In addition, while many Japanese companies do not focus on return on capital and shareholder returns, we believe our collection of businesses are among the exceptions to the rule. Even though Japan faces many challenges in the wake of the tragic earthquake and tsunami, we do not believe these four businesses have been permanently impaired, and we expect them to continue to thrive in the years to come. In fact, during the panic selling in the days following the tsunami, we took advantage of the opportunity and increased certain holdings.

Listed below is a brief summary of SHIMANO, which is provided as an example of a snapshot of our investment process. Please note that in featuring SHIMANO we are not suggesting this stock is better than other holdings in the portfolio.

SHIMANO Inc.
(Analyst: Jonathan Bloom)

Description

SHIMANO is the world's leading manufacturer of bicycle components, with an estimated market share of over 50% in the mid- and high-end segments of the market. Key bicycle components include derailleurs, brakes, shifters, pedals, cranksets, chains, hubs, cassettes, wheels, et al. Over the past five years, bicycle components have accounted for 77% of total sales and 92% of operating profits. SHIMANO is also the world's leading manufacturer of fishing tackle, representing 22% of total sales and 8% of operating profits. While the company is based in Japan, approximately 87% of total sales (96% of bicycle component sales) come from overseas, with a geographic distribution as follows – Japan: 13.1%, North America: 12.4%, Europe: 38.3%, Asia: 32.5%, Australia & South America: 3.7%.

Good Business

- *Attractive returns:* 5- and 10-year average return on invested capital (ROIC) of approximately 16% and 14% respectively, comfortably exceeding the company's cost of capital.
- *Economies of scale:* At over 2x the size of its closest competitor (SRAM), SHIMANO benefits from economies of scale related to manufacturing, R&D spending, sales & marketing, global distribution, etc.
- *Barriers to entry:* Patents and advanced performance requirements make entry into the mid- and high-end of the market difficult, as illustrated by a three-player oligopoly (SHIMANO, SRAM and Campagnolo).
- *Robust balance sheet:* Virtually no debt. Total debt/capital of < 1%. Net cash of ¥71.5 billion ($863 million).
- *Easy to understand, reasonable ability to control destiny:* Narrow focus with two core competencies.

Valuation

- Currently trading at EV/Sales of 1.50x and EV/ EBITDA of 7.55x, below 5-year historical averages of 1.63x and 9.16x respectively. This compares with a normalized operating margin of 15-16%.
- P/E 2011E = 17.8x, which is below its 5-year historical average. P/E 2011E (excluding cash) is 14.5x.
- Currently trading at a 6.8% free cash flow (FCF) yield, based on a 3-year average of FCF.
- Dividend yield is 1.5%. P/B is 2.3x, which is roughly in line with its 5-year historical average.

Management

- SHIMANO is family owned and operated, with Mr. Yoshizo Shimano and Mr. Yozo Shimano serving as the Chairman and President of the company, respectively. They have significant skin in the game, with ownership interests of approximately $170 million (3.6% of shares outstanding) between the two of them.
- Management returns a significant amount of cash to shareholders, having bought back nearly a third of the company's total shares outstanding over the past decade, in addition to paying a 1% dividend.

Investment Thesis

SHIMANO is the dominant player in a niche market, operating in a global oligopoly with more than a 50% market share. The company benefits from economies of scale and barriers to entry, and as a result has steadily earned a return above its cost of capital. Management has a strong long-term track record, returns a significant amount of cash to shareholders, and has a meaningful position in the stock. The industry has benefited from long-term structural growth, and with a rise in global income and increased awareness for the importance of exercise and healthy living, demand for mid- and high-end bicycles is expected to continue to increase. The stock is trading near a standard deviation below several key historical valuation metrics, and is attractively priced for a high-quality global franchise with a sizeable moat.

In the context of the current global economic environment, we remain more defensive than most funds, especially in light of the underlying macro risks faced by the developed world. Whether it be the sovereign debt crisis in Europe, unrest in the Middle East, the aftermath of the tsunami in Japan (not to mention the country's mountain of debt and shrinking population), or a looming real estate bubble in China, there are plenty of big picture issues which need to be closely monitored. Until markets properly discount these risks, or we start to see some meaningful stabilization in the global economic environment, we will continue to be more cautious than usual.

Our investors should know that the advisor is invested alongside of them in the Fund, as with all of our investment products. We will always "eat our own cooking!"

Thank you for your confidence in the FMI International Fund.

Ted D. Kellner, CFA
Executive Chairman

Patrick J. English, CFA
CEO and Chief Investment Officer

The MSCI EAFE Index is calculated in local currency as well as in USD. The concept of a local currency calculation excludes the impact of currency fluctuations. All currencies of listing are considered in the Index calculation in local currency 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 local currency 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.

MSCI EAFE is a service mark of MSCI Barra.

The returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Performance data quoted represents past performance; past performance does not guarantee future results. The 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 since the above time period 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. As of the Fund's Prospectus dated December 31, 2010, the Fund's annual operating expense ratio is 1.00%

As of March 31, 2011, the security holdings mentioned above represented the following percentage of the Fund's total assets: Accenture PLC 4.6%; CRH PLC 4.2%; SECOM Co., Ltd. 3.7%; SHIMANO Inc. 3.9%; Shin-Etsu Chemical Co., Ltd. 3.7%; SMC Corporation 3.8%; and Tesco PLC 3.7%. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual securities.

For more information about the FMI International Fund, call (800) 811-5311 for a free prospectus. Please read the prospectus carefully to consider the investment objectives, risks, charges and expenses, before investing or sending money. The prospectus contains this and more information about the FMI International Fund. Please read the prospectus carefully before investing.

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www.fmifunds.com

As a shareholder of the Fund you incur ongoing costs, including management fees and other Fund expenses. You do not incur transaction costs such as sales charges (loads) on purchase payments, reinvested dividends, or other distributions; redemption fees; and exchange fees because the Fund does not charge these fees. This example is intended to help you understand your ongoing costs (in dollars) of investing in FMI International Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period from December 31, 2010 (Commencement of Operations) through March 31, 2011.

Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

In addition to the costs highlighted and described below, the only Fund transaction costs you might currently incur would be wire fees ($15 per wire), if you choose to have proceeds from a redemption wired to your bank account instead of receiving a check. Additionally, U.S. Bank charges an annual processing fee ($15) if you maintain an IRA account with the Fund. To determine your total costs of investing in the Fund, you would need to add any applicable wire or IRA processing fees you've incurred during the period to the costs provided in the example at the end of this article.

Hypothetical Example for Comparison Purposes

The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire six month period from October 1, 2010 through March 31, 2011.

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads), redemption fees or exchange fees. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning Account Value 12/31/10*	Ending Account Value 3/31/11	Expenses Paid During Period 12/31/10*-3/31/11
FMI International Fund Actual	$1,000.00	$1,007.50	$2.50**
	Beginning Account Value 10/1/10	**Ending Account Value 3/31/11**	**Expenses Paid During Period 10/1/10-3/31/11**
Hypothetical (5% return before expenses)	$1,000.00	$1,019.90	$5.04***

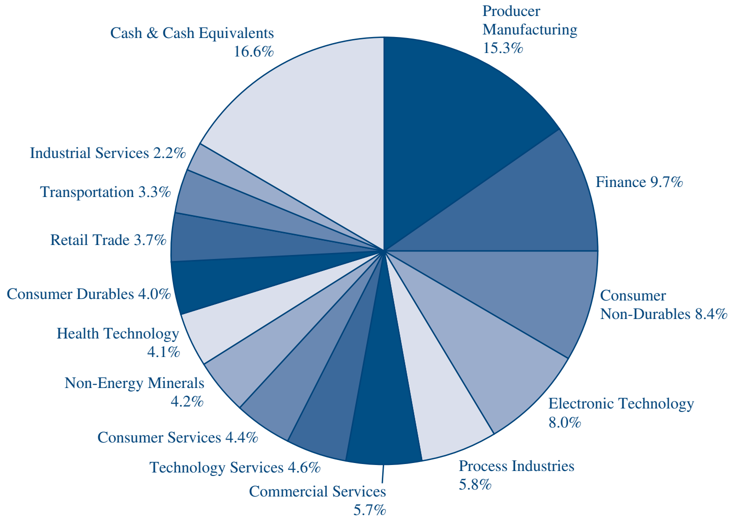
* Commencement of Operations.

** Expenses are equal to the Fund's annualized expense ratio of 1.00%, multiplied by the average account value over the period, multiplied by 91/365 (to reflect the period between December 31, 2010 (commencement of operations) and March 31, 2011).

*** Expenses are equal to the Fund's annualized expense ratio of 1.00%, multiplied by the average account value over the period, multiplied by 182/365 (to reflect the assumed six month period between October 1, 2010 and March 31, 2011).

INDUSTRY SECTORS

March 31, 2011 (Unaudited)



STATEMENT OF ASSETS AND LIABILITIES

March 31, 2011 (Unaudited)

ASSETS:	
Investments in securities, at value (cost $11,175,649)	$11,278,236
Dividends receivable	38,698
Receivable from shareholders for purchases	22,000
Receivable for forward currency contracts	19,661
Cash	12,763
Total assets	$11,371,358
LIABILITIES:	
Payable for forward currency contracts	$ 109,152
Payable to adviser for management fees	1,555
Other liabilities	19,476
Total liabilities	130,183
NET ASSETS:	
Capital Stock, $0.0001 par value; 300,000,000 shares authorized; 557,827 shares outstanding	11,178,223
Net unrealized appreciation on investments	102,587
Net unrealized depreciation on forward currency contracts	(89,491)
Net unrealized depreciation on foreign currency transactions	(167)
Accumulated net realized loss on foreign currency transactions	(3,132)
Undistributed net investment income	53,155
Net assets	11,241,175
Total liabilities and net assets	$11,371,358
CALCULATION OF NET ASSET VALUE PER SHARE:	
Net asset value, offering and redemption price per share ($11,241,175 ÷ 557,827 shares outstanding)	$ 20.15

The accompanying notes to financial statements are an integral part of this statement.

SCHEDULE OF INVESTMENTS

March 31, 2011 (Unaudited)

Shares		Cost	Value
COMMON STOCKS — 83.4% (a)			
COMMERCIAL SERVICES SECTOR — 5.7%			
	Miscellaneous Commercial Services — 5.7%		
9,000	SECOM Co., Ltd. (Japan)	$ 424,438	$ 418,483
125	SGS S.A. (Switzerland)	210,584	222,287
		635,022	640,770
CONSUMER DURABLES SECTOR — 4.0%			
	Recreational Products — 4.0%		
8,900	SHIMANO Inc. (Japan)	451,665	445,483
CONSUMER NON-DURABLES SECTOR — 8.4%			
	Beverages: Alcoholic — 4.0%		
23,450	Diageo PLC (United Kingdom)	449,429	445,747
	Food: Major Diversified — 4.4%		
8,725	Nestlé S.A. (Switzerland)	495,644	499,638
CONSUMER SERVICES SECTOR — 4.4%			
	Restaurants — 4.4%		
55,550	Compass Group PLC (United Kingdom)	500,313	499,333
ELECTRONIC TECHNOLOGY SECTOR — 8.0%			
	Aerospace & Defense — 4.1%		
46,775	Rolls-Royce Group PLC (United Kingdom)*	468,542	463,804
	Electronic Components — 3.9%		
12,500	TE Connectivity Limited (Switzerland)	447,862	435,250
FINANCE SECTOR — 9.7%			
	Financial Conglomerates — 3.5%		
11,950	Brookfield Asset Management Inc. (Canada)	392,754	388,390
	Insurance Brokers/Services — 1.8%		
5,000	Willis Group Holdings PLC (Ireland)	181,840	201,800
	Property/Casualty Insurance — 4.4%		
1,300	Fairfax Financial Holdings Limited (Canada)*	523,298	491,439

Shares		Cost	Value
HEALTH TECHNOLOGY SECTOR — 4.1%			
	Medical Specialties — 4.1%		
8,950	Coviden PLC (Ireland)	$ 415,957	$ 464,863
INDUSTRIAL SERVICES SECTOR — 2.2%			
	Oilfield Services/Equipment — 2.2%		
2,625	Schlumberger Limited (Netherlands)	221,921	244,807
NON-ENERGY MINERALS SECTOR — 4.2%			
	Construction Materials — 4.2%		
20,650	CRH PLC (Ireland)	425,456	474,017
PROCESS INDUSTRIES SECTOR — 5.8%			
	Chemicals: Agricultural — 2.0%		
700	Syngenta AG (Switzerland)	212,339	227,728
	Chemicals: Specialty — 3.8%		
8,500	Shin-Etsu Chemical Co., Ltd. (Japan)	466,797	423,048
PRODUCER MANUFACTURING SECTOR — 15.3%			
	Industrial Conglomerates — 7.8%		
8,525	Ingersoll-Rand PLC (Ireland)	399,021	411,843
10,475	Tyco International Ltd. (Switzerland)	451,383	468,966
		850,404	880,809
	Industrial Machinery — 7.5%		
3,475	Schindler Holding AG (Switzerland)	392,571	417,602
2,600	SMC Corporation (Japan)	447,067	427,942
		839,638	845,544
RETAIL TRADE SECTOR — 3.7%			
	Food Retail — 3.7%		
68,400	Tesco PLC (United Kingdom)	453,883	417,835
TECHNOLOGY SERVICES SECTOR — 4.6%			
	Information Technology Services — 4.6%		
9,450	Accenture PLC (Ireland)	468,808	519,466

Shares or Principal Amount		Cost	Value
COMMON STOCKS — 83.4% (a) (Continued)			
TRANSPORTATION SECTOR — 3.3%			
	Air Freight/Couriers — 3.3%		
14,350	TNT N.V. (Netherlands)	$ 374,077	$ 368,465
	Total common stocks	9,275,649	9,378,236
SHORT-TERM INVESTMENTS — 16.9% (a)			
	Commercial Paper — 16.9%		
$1,900,000	U.S. Bank, N.A., 0.02%, due 04/01/11	1,900,000	1,900,000
	Total short-term investments	1,900,000	1,900,000
	Total investments — 100.3%	$11,175,649	11,278,236
	Liabilities, less cash and receivables — **(0.3%) (a)**		(37,061)
	TOTAL NET ASSETS — 100.0%		$11,241,175

* Non-income producing security.
(a) Percentages for the various classifications relate to net assets.
PLC – Public Limited Company

SCHEDULE OF FORWARD CURRENCY CONTRACTS

Settlement Date	Counterparty	Currency to be Delivered	U.S. $ Value at March 31, 2011	Currency to be Received	U.S. $ Value at March 31, 2011	Unrealized Appreciation (Depreciation)
6/30/11	U.S. Bank, N.A.	600,002 Canadian Dollars	$ 617,558	599,659 U.S. Dollars	$ 599,659	$(17,899)
6/30/11	U.S. Bank, N.A.	790,000 Swiss Franc	860,661	836,610 U.S. Dollars	836,610	(24,051)
6/30/11	U.S. Bank, N.A.	455,000 Euro	643,621	605,376 U.S. Dollars	605,376	(38,245)
6/30/11	U.S. Bank, N.A.	945,000 British Pound	1,514,006	1,485,049 U.S. Dollars	1,485,049	(28,957)
6/30/11	U.S. Bank, N.A.	123,194,926 Japanese Yen	1,481,977	1,501,638 U.S. Dollars	1,501,638	19,661
			$5,117,823		$5,028,332	$(89,491)

The accompanying notes to financial statements are an integral part of these schedules.

STATEMENT OF OPERATIONS

For the Period from December 31, 2010 (Commencement of Operations) to March 31, 2011 (Unaudited)

INCOME:	
Dividends	$ 77,939
Interest	39
Total income	77,978
EXPENSES:	
Management fees	18,617
Professional fees	11,660
Transfer agent fees	6,275
Custodian fees	5,810
Administrative and accounting services	5,469
Registration fees	4,286
Board of Directors fees	2,000
Printing and postage expense	95
Other expenses	7,695
Total expenses before reimbursement	61,907
Less expenses reimbursed by adviser	(37,084)
Net expenses	24,823
NET INVESTMENT INCOME	53,155
NET REALIZED GAIN (LOSS) ON INVESTMENTS:	
Foreign currency transactions	(3,132)
Forward currency contracts	—
NET REALIZED LOSS ON INVESTMENTS	(3,132)
NET CHANGE IN UNREALIZED APPRECIATION OF:	
Investments	102,587
Forward currency contracts	(89,491)
Foreign currency transactions	(167)
NET CHANGE IN UNREALIZED APPRECIATION	12,929
NET GAIN ON INVESTMENTS	9,797
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$ 62,952

The accompanying notes to financial statements are an integral part of this statement.

STATEMENT OF CHANGES IN NET ASSETS

For the Period from December 31, 2010 (Commencement of Operations) to March 31, 2011 (Unaudited)

	2011
OPERATIONS:	
Net investment income	$ 53,155
Net realized loss on foreign currency transactions	(3,132)
Net increase in unrealized appreciation on investments	102,587
Net decrease in unrealized appreciation on forward currency contracts	(89,491)
Net decrease in unrealized appreciation on foreign currency transactions	(167)
Net increase in net assets from operations	62,952
FUND SHARE ACTIVITIES:	
Proceeds from shares issued (557,837 shares)	11,178,424
Cost of shares redeemed (10 shares)	(201)
Net increase in net assets derived from Fund share activities	11,178,223
TOTAL INCREASE	11,241,175
NET ASSETS AT THE BEGINNING OF THE PERIOD	0
NET ASSETS AT THE END OF THE PERIOD (Includes undistributed net investment income of $53,155)	$11,241,175

FINANCIAL HIGHLIGHTS

(Selected data for each share of the Fund outstanding throughout the period)

	(Unaudited) For the Period from December 31, 2010* to March 31, 2011
PER SHARE OPERATING PERFORMANCE:	
Net asset value, beginning of period	$20.00
Income from investment operations:	
Net investment income	0.11
Net realized and unrealized gains on investments	0.04
Total from investment operations	0.15
Less distributions:	
Distributions from net investment income	—
Distributions from net realized gains	—
Total from distributions	—
Net asset value, end of period	$20.15
TOTAL RETURN	0.75%(1)
RATIOS/SUPPLEMENTAL DATA:	
Net assets, end of period (in 000's $)	11,241
Ratio of expenses (after reimbursement) to average net assets (a)	1.00%(2)
Ratio of net investment income to average net assets (b)	2.14%(2)
Portfolio turnover rate	0%

* Commencement of Operations

(1) Not annualized.

(2) Annualized.

(a) Computed after giving effect to adviser's expense limitation undertaking. If the Fund had paid all of its expenses for the period from December 31, 2010* to March 31, 2011, the ratio would have been 2.49%(2).

(b) If the Fund had paid all of its expenses for the period December 31, 2010* to March 31, 2011, the ratio would have been 0.65%(2).

The accompanying notes to financial statements are an integral part of these statements.

(1) **Summary of Significant Accounting Policies —**

The following is a summary of significant accounting policies of the FMI International Fund (the "Fund"), a series of FMI Funds, Inc. (the "Company") which is registered as a non-diversified, open-end management investment company under the Investment Company Act of 1940 (the "Act"), as amended. The Company was incorporated under the laws of Maryland on September 5, 1996 and the Fund commenced operations on December 31, 2010. The assets and liabilities of each Fund in the Company are segregated as a shareholder's interest is limited to the Fund in which the shareholder owns shares. The investment objective of the Fund is to seek capital appreciation principally through investing in non-U.S. common stock.

(a) Each security, excluding short-term investments, is valued at the last sale price reported by the principal security exchange on which the issue is traded. Securities that are traded on the Nasdaq Markets are valued at the Nasdaq Official Closing Price or if no sale is reported, at the latest bid price. Securities which are traded over-the-counter are valued at the latest bid price. Securities sold short which are listed on a national securities exchange or the Nasdaq Stock Market but which were not traded on the valuation date are valued at the most recent ask price. Unlisted equity securities for which market quotations are readily available are valued at the most recent bid price. Options purchased or written by the Fund are valued at the average of the most recent bid and ask prices. Securities for which quotations are not readily available are valued at fair value as determined by the investment adviser under the supervision of the Board of Directors. The fair value of a security is the amount which the Fund might reasonably expect to receive upon a current sale. The fair value of a security may differ from the last quoted price and the Fund may not be able to sell a security at the estimated fair value. Market quotations may not be available, for example, if trading in particular securities was halted during the day and not resumed prior to the close of trading on the New York Stock Exchange. 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 may also utilize a service provided by an independent third party to assist in fair valuation of certain securities. As of March 31, 2011 there were no securities that were internally fair valued. Variable rate demand notes are recorded at par value which approximates market value. Short-term investments with maturities of 60 days or less are valued at amortized cost which approximates value. For financial reporting purposes, investment transactions are recorded on the trade date.

The Fund applies the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification "Fair Value Measurements and Disclosures" Topic 820 ("ASC 820"), which defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Fund uses various valuation approaches. ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by generally requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Fund. Unobservable inputs reflect the Fund's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The inputs or methodologies used for valuing securities are not necessarily an indication of the risks associated with investing in those securities. Over the counter derivatives such as forward currency contracts may be valued using quantitative models. These models may use pricing curves based on market inputs including current exchange rates or indices. These curves are combined with volatility factors to value the overall positions. The market inputs are generally significant and can be corroborated with observable market data and therefore are classified in level 2.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 — Valuations based on unadjusted quoted prices in active markets for identical assets.

Level 2 — Valuations based on quoted prices for similar securities or in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

(1) **Summary of Significant Accounting Policies — (Continued)**

The following table summarizes the Fund's investments as of March 31, 2011, based on the inputs used to value them:

Valuation Inputs	Investments in Securities
Level 1 — Common Stocks	$ 9,378,236
Level 2 — Short-Term Commercial Paper	1,900,000
Forward currency contracts	(89,491)
Total Level 2	1,810,509
Level 3 —	—
Total	$11,188,745

It is the Fund's policy to recognize transfers between levels at the end of the quarterly reporting period. There were no transfers between levels during the period ending March 31, 2011.

See the Schedule of Investments for investments detailed by industry classification.

(b) Net realized gains and losses on sales of securities are computed on the identified cost basis.

(c) Dividend income is recorded on the ex-dividend date. Interest income is recorded on an accrual basis.

(d) The Fund may have investments in short-term variable rate demand notes, which are unsecured instruments. The Fund may be susceptible to credit risk with respect to these notes to the extent the issuer defaults on its payment obligation. The Fund's policy is to monitor the creditworthiness of the issuer and nonperformance by these issuers is not anticipated.

(e) The Fund may enter into forward currency contracts in order to hedge its exposure to changes in foreign currency rates on its foreign portfolio holdings or to hedge certain purchase and sale commitments denominated in foreign currencies. A forward currency contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated rate. These contracts are valued daily and the asset or liability therein represents unrealized gain or loss on the contracts as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date. There were on average five forward currency contracts outstanding during the period December 31, 2010 (Commencement of Operations) to March 31, 2011.

The fair value of the forward currency contracts as of March 31, 2011 is included in the following locations on the statement of assets and liabilities:

	Location	Fair Value of Asset Forward Currency Contracts	Location	Fair Value of Liability Forward Currency Contracts
Forward currency contracts	Receivable for forward currency contracts	$19,661	Payable for forward currency contracts	$109,152

Realized and unrealized gains and losses on forward currency contracts entered into during the period December 31, 2010 (Commencement of Operations) to March 31, 2011 by the Fund are recorded in the following locations on the statement of operations:

	Location	Realized Gain/Loss	Location	Unrealized Gain/Loss
Forward currency contracts	Net realized loss on forward currency contracts	$0	Net change in unrealized depreciation on forward currency contracts	$(89,491)

These instruments involve market risk, credit risk, or both kinds of risks, in excess of the amount recognized in the statement of assets and liabilities. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities values and interest rates.

(1) **Summary of Significant Accounting Policies — (Continued)**

(f) Accounting principles generally accepted in the United States of America ("GAAP") require that permanent differences between income for financial reporting and tax purposes be reclassified in the capital accounts.

(g) The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(h) No provision has been made for Federal income taxes since the Fund will elect to be taxed as a "regulated investment company" and intends to distribute substantially all net investment company taxable income and net capital gains to its shareholders and otherwise comply with the provisions of the Internal Revenue Code applicable to regulated investment companies.

(i) The Fund has reviewed the current tax year ending September 30, 2011 and major jurisdictions, which include Federal and the state of Maryland, and concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. The Fund has no examinations in progress and is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

(2) **Investment Adviser and Management Agreement and Transactions With Related Parties —**

The Fund has a management agreement with Fiduciary Management, Inc. ("FMI"), with whom certain officers and directors of the Fund are affiliated, to serve as investment adviser and manager. Under the terms of the current agreement, the Fund will pay FMI a monthly management fee at an annual rate of 0.75% of the daily net assets. The Fund is responsible for paying its proportionate share of the compensation, benefits and expenses of its Chief Compliance Officer. For administrative convenience, FMI initially makes these payments and is later reimbursed by the Fund.

FMI is contractually obligated to reimburse the Fund for expenses over 1.75% of the daily net assets of the Fund. In addition to the reimbursement required under the management agreement, FMI has voluntarily reimbursed the Fund for expenses over 1.00% of the Fund's daily net assets. All such reimbursements amounted to $37,084 for the period December 31, 2010 (Commencement of Operations) to March 31, 2011.

The Fund has entered into a Distribution Plan (the "Plan"), pursuant to Rule 12b-1 under the Act. The Plan provides that the Fund may incur certain costs which may not exceed the lesser of a monthly amount equal to 0.25% of the Fund's daily net assets or the actual distribution costs incurred during the year. Amounts payable under the Plan are paid monthly for any activities or expenses primarily intended to result in the sale of shares of the Fund. For the period December 31, 2010 (Commencement of Operations) to March 31, 2011, no such expenses were incurred.

Under the Fund's organizational documents, each director, officer, employee or other agent of the Fund (including the Fund's investment manager) is indemnified, to the extent permitted by the Act, against certain liabilities that may arise out of performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts that contain a variety of indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund has not had prior claims or losses pursuant to these contracts and believes the risk of loss to be remote.

At March 31, 2011, one of the Fund's Directors owned directly and indirectly approximately 60% of the Fund's shares and another Director owned approximately 9% of the Fund's shares.

(3) **Distribution to Shareholders —**

Net investment income and net realized gains, if any, are distributed to shareholders at least annually.

(4) **Investment Transactions —**

For the period December 31, 2010 (Commencement of Operations) to March 31, 2011, purchases and proceeds of sales of investment securities (excluding short-term investments) were $9,275,649 and $0, respectively.

ADVISORY AGREEMENT

On December 17, 2010, the Board of Directors of FMI Funds, Inc. (the "Directors"), evaluated such information as is necessary for the Directors to make an informed determination that the Investment Advisory Agreement with Fiduciary Management, Inc. (the "Adviser") for the FMI International Fund, a new series of FMI Funds, Inc. (the "New Fund"), be approved. Prior to approving the adoption of the Investment Advisory Agreement, the Directors considered:

- the advisory services to be provided by the Adviser are services required for the operation of the New Fund;
- the Adviser can provide advisory services, the nature and quality of which are at least equal to those provided by others offering the same or similar services;
- that the fees for the advisory services to be rendered by the Adviser are fair and reasonable in light of the usual and customary charges made by others offering the same or similar services; and
- the terms of the Investment Advisory Agreement are fair and reasonable;

Based upon its review, the Directors determined that the Adviser has the capabilities, resources and personnel necessary to manage the New Fund effectively, and that, based on the services the Adviser is required to render under the Investment Advisory Agreement, the compensation to be paid to the Adviser is fair and reasonable and the terms of the Investment Advisory Agreement are fair and reasonable.

The Directors concluded that it would be in the best interests of the New Fund and its shareholders to enter into the Investment Advisory Agreement with the Adviser and therefore, the Investment Advisory Agreement and the fees provided for were approved.

For additional information about the Directors and Officers or for a description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities, please call (800) 811-5311 and request a Statement of Additional Information. One will be mailed to you free of charge. The Statement of Additional Information is also available on the website of the Securities and Exchange Commission (the "Commission") at http://www.sec.gov. Information on how the Fund voted proxies relating to portfolio securities will be available on the Fund's website at http://www.fmifunds.com or the website of the Commission no later than August 31 for the prior 12 months ending June 30. The Fund files its complete schedule of portfolio holdings with the Commission for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Q is available on the Commission's website. The Fund's Form N-Q may be reviewed and copied at the Commission's Public Reference Room in Washington, D.C., and that information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

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SEMIANNUAL REPORT
March 31, 2011

FMI International Fund

(FMIJX)

A NO-LOAD MUTUAL FUND