

Fiduciary Management, Inc.

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Quarterly Review – September 30, 2018

FMI International Equity

Performance	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
International (Gross)	0.71%	0.25%	3.19%	10.55%	8.98%	N/A	10.25%
MSCI EAFE-Local Index	2.36%	1.38%	5.09%	9.38%	7.87%	6.70%	7.85%
MSCI EAFE-USD Index	1.35%	-1.43%	2.74%	9.23%	4.42%	5.38%	5.24%

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.

Top 10 – Portfolio Holdings:

Ferguson PLC	4.6%
Whitbread PLC	4.4%
Nutrein Ltd.	3.8%
Fairfax Financial Holdings Ltd.	3.6%
Accenture PLC Class A	3.5%
Smiths Group PLC	3.4%
Henkel AG & Co. KGaA	3.2%
Samsung Electronics Co. Ltd. PFD	3.2%
Secom Co., Ltd.	3.1%
Nestlé S.A.	2.8%

Portfolio Characteristics: ⁽¹⁾

P/E Ratio (trailing one year)	20.9x
FY1 P/E Ratio (forward 4 quarters)	15.6x
P/S Ratio	1.4x
P/B Ratio	2.8x
EV/EBITDA Ratio	10.1x
Number of Holdings	37
Active Share	99%

Recent Purchase:

Chubb Limited Ticker: **CB** Added: **July 2018**

Chubb is one of the largest publicly traded property and casualty (P&C) insurance companies globally. In aggregate, the company has operations in 54 countries and territories. Chubb provides commercial, personal property, casualty, personal accident and supplemental health insurance to a diverse group of clients. Approximately 63% of premiums are from the U.S., 13% from Europe/Eurasia & Africa, 11% from Asia, 8% from Latin America, and 5% from Bermuda and Canada. Chubb's current multi-year low valuation provides a unique opportunity to invest in one of the best businesses in P&C. Over the past 25 years, the stock's price-to-book multiple has averaged approximately 1.5 times, ranging from a low of around 1 times to a high of over 2 times (currently 1.1 times book value). The franchise is stewarded by one of the industry's most respected management teams, who are expected to continue operating the company with a disciplined focus on underwriting cycle management and maintaining a conservative balance sheet. Gradual deployment of the company's excess capital into organic premium growth, small complimentary tuck-in acquisitions outside the U.S., and share repurchases at an attractive discount to intrinsic value should continue the company's 15-year track record of 10% compound annual growth in book value per share. We initiated a 2.0% position in July 2018.

Recent Sale:

Liberty Latin America Ltd. Cl C Ticker: **LILAK** Sold: **Aug. 2018**

Liberty Latin America (LiLAC) is a leading cable and broadband company with operations predominantly in the Caribbean and Latin America. The company passes 6.2 million homes and businesses and provides video, broadband, and/or fixed telephony services to 2.89 million customers. From a geographic perspective, the company's sales are derived from the Caribbean (47% of sales), Chile (25% of sales), Panama (18% of sales), and Puerto Rico (10% of sales). There is nothing materially wrong with the company. Due to the complex nature of the organization and a higher debt level than we are comfortable with, we decided to sell LiLAC to be more defensively positioned. We sold our 1.0% position in August 2018.

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 based on criteria identified by FMI. For more detailed information regarding these valuations, please contact FMI.

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

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 Assets End of Period (\$ millions)	Total Firm Assets End of Period (\$ millions)	Percentage of Firm Assets %
						Composite	*Benchmark			
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%
2017	16.51	15.70	15.23	3	0.02	7.04	11.20	\$ 8,209.3	\$ 25,322.0	32.42%

*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 - 12/31/2017. 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 12/31/2010-12/31/2017. 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 \$25.3 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.