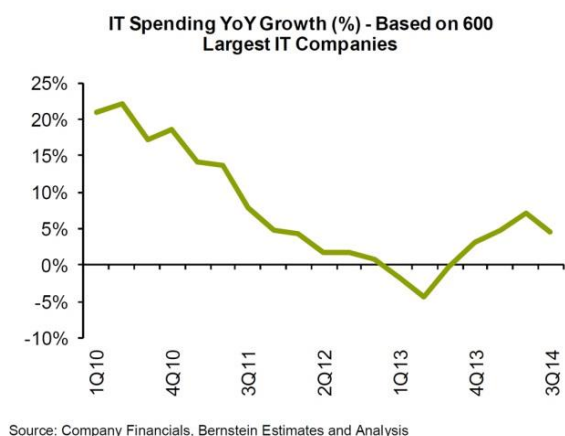
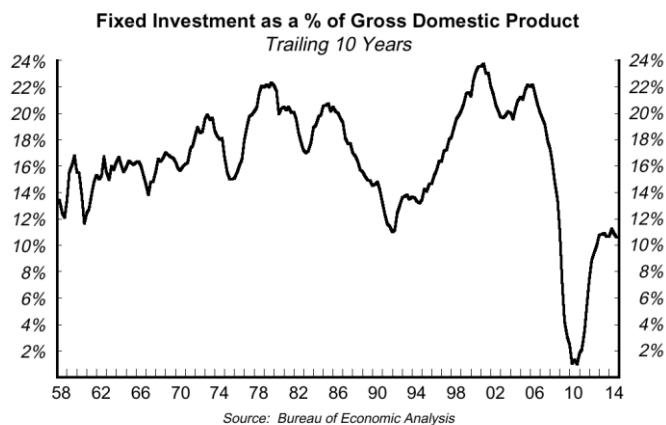


INVESTMENT STRATEGY OUTLOOK – LARGE CAP EQUITY

December 31, 2014

The FMI Large Cap portfolios gained about 5.8% in the quarter ended December 31, 2014. For the calendar year, the portfolios were up approximately 13.5%. This compares to the quarter and calendar year return in the Standard & Poor's 500 Index (S&P 500) of 4.93% and 13.69%, respectively. For the quarter, Producer Manufacturing, Technology Services and Health Services drove group performance. The standouts in these sectors were PACCAR, Accenture and UnitedHealth Group. On the downside, Finance, Consumer Non-Durables and Health Technology (due to its underweighted status) all detracted from sector performance. Comerica and Danone both lagged in the December quarter. The energy-related sectors (net) did not have a meaningful positive or negative relative effect for us in the quarter, although Devon and Schlumberger were both down significantly in absolute terms, along with virtually all energy-related equities. Higher-than-typical cash levels also hurt this quarter and the calendar year.

By most measures the economy has improved since the disastrous first quarter. Real Gross Domestic Product (GDP) growth was near 4.6% in the second quarter, 5.0% in the third quarter, and is estimated to be near 3% in the fourth quarter. Employment has continued to rebound from the bottom, although total employment is still below the prior peak of 2007 (see the table on Page 2) and the country has 15 million more people. Recently most measures of unemployment are better and labor has continued to be modestly more productive, as roughly the same number of people today are generating about 20% higher nominal GDP relative to 2007, but only slightly higher on an inflation-adjusted basis. The rate of labor productivity has slowed significantly over the past decade and further good gains in the economy might be hard to come by if fixed investment does not improve. The age of our capital stock is at an all-time high, owing to weak investment. The past decade has been abysmal with respect to fixed investment. We understand that there is more to the investment equation than just capital expenditures. We have also reviewed Research & Development spending and find little evidence to suggest that this is increasing.



We will take the better economy for now, however, and the possible assist from lower oil prices, but we also caution investors against thinking that money printing and deficit spending is the pathway to long-term prosperity. The Eurozone and Japan have had little success with a similar approach, with both regions experiencing negative or little growth; and several other major economies have employed Keynesian policies to stimulate growth with little

effect on their GDP, and great damage to their collective balance sheets. Most of the major economies of the world are in need of structural reform, primarily lower government spending, lower and simpler tax rates, pension and entitlement reform, and elimination of tax deductions.

Date	Outstanding US Government Debt (\$ Billions)	GDP (\$ Billions)	Debt/GDP	Federal Spending (\$ Billions)	Federal Reserve Balance Sheet (\$ Billions)	Total Employment (Thousands)	U.S. Population (Millions)
9/30/2014	17,824.07	17,555.20	101.5%	3,777.80	4,459.05	119,287	317.00
9/30/2013	16,738.18	16,872.30	99.2%	3,454.23	3,734.02	116,883	316.13
9/30/2012	16,066.24	16,268.90	98.8%	3,538.27	2,806.19	115,229	313.91
9/30/2011	14,790.34	15,587.10	94.9%	3,603.06	2,854.23	112,523	311.59
9/30/2010	13,561.62	15,057.70	90.1%	3,456.21	2,301.87	111,915	308.75
9/30/2009	11,909.83	14,384.10	82.8%	3,517.68	2,144.16	111,513	307.01
9/30/2008	10,024.72	14,843.00	67.5%	2,982.55	1,213.91	119,724	304.06
9/30/2007	9,007.65	14,569.70	61.8%	2,728.70	893.69	121,232	301.62
9/30/2006	8,506.97	13,908.50	61.2%	2,655.06	853.98	120,308	299.40
9/30/2005	7,932.71	13,205.40	60.1%	2,471.97	826.16	117,355	296.51
9/30/2004	7,379.05	12,367.70	59.7%	2,292.85	787.61	114,854	293.64
9/30/2003	6,783.23	11,625.10	58.3%	2,159.91	742.08	113,208	290.80
9/30/2002	6,228.24	11,037.10	56.4%	2,010.91	681.58	113,433	288.13
9/30/2001	5,807.46	10,639.50	54.6%	1,862.91	638.32	113,165	285.23
9/30/2000	5,674.18	10,357.40	54.8%	1,788.96	583.12	113,986	281.42

Source: Bloomberg

The significant decline in oil prices this year has some predicting a huge boost to the economy, but the counter argument is that the U.S. oil shale boom has been one of the strongest drivers of our recent relative economic success, including employment growth. Lower energy costs certainly help the consumer and some industries with high energy input costs, but there are substantial give-backs on the producer side.

We recently ticked past the 69th month since the stock market bottomed on March 9, 2009. On a total return basis since this date, large cap stocks, as measured by the S&P 500, have gained 244.2%, while small cap stocks, using the Russell 2000 Index as a proxy, have appreciated 279.9%. On a compound annual return basis, the S&P 500 and the Russell 2000 have gained 23.7% and 25.8%, respectively. Valuations have moved up smartly. Based on the average of roughly 48 different statistics, stocks have gone from roughly the median 5th decile at the bottom of the 2009 market to the 8th decile recently (10/10/14). Putting unfunded liabilities aside, over the past six years federal government debt went from \$10.02 trillion to \$17.82 trillion and the Federal Reserve has expanded its balance sheet to \$4.46 trillion from \$1.21 trillion. We won't know the ultimate ramifications of the increased spending and quantitative easing until many years pass, but at least we've got higher stock prices! A better question might be, "What have we received for the increase in debt, deficit spending and monetary stimulus?" Measured by nominal GDP, the economy has grown at 2.8% annually over the past six years and is 18.2% larger than it was at the end of 2008. Federal debt has grown \$7 trillion over this time frame, so for every incremental dollar of GDP growth, debt has increased nearly \$3.00. Federal spending has increased at a 50% higher rate than GDP growth over this period. Total employment was 119.7 million six years ago and today it is 119.3 million. Employment is up 7.77 million people from the nadir in 2009, but the cost has been \$1 million in additional debt for every worker gained. Moreover, there are 13 million more people today than six years ago, so it makes the return on investment figure even worse. Where did all of this money go? Most went to transfer payments. China also engaged in a massive debt-fueled government spending spree, but unlike the United States, they at least have some impressive infrastructure to show for it: 33 new airports, 11,000 kilometers of new high speed rail lines, 175,000 kilometers of

There is an important element to be noted as you ponder the preceding paragraph. It has been discussed in prior letters and bears repeating here. The “expensive” market of 1999-2000 was not wildly different for the non-technology/telecom investor than the “cheap” market of 2008-2009. Recall that the late 1990s tech and telecom boom had an enormous influence on the market capitalization weighted averages (S&P 500, Russell 2000, Nasdaq, etc.). It was pretty much “business as usual” outside of these wildly inflated groups. Compared to today, we had little trouble building a portfolio of solid values, not unlike the names mentioned above. For the steady, strong balance sheet companies, the “cheap” market did not look too much different than the “expensive” market. Financials, housing-related stocks and deeper cyclical companies were clobbered in the 2008-2009 market. Those same groups have, for the most part, been the big winners coming out of the bottom of that market. As this bull market has aged, more speculative stocks joined the party. Social media and biotechnology are the two most visible examples of this, and valuations of these stocks are reminiscent of the late 1990s.

Until high-quality businesses are offered again at truly cheap prices, we have to content ourselves with owning high-quality businesses at somewhat elevated prices. Our stocks trade at a significant discount to the benchmarks so the relative story is still as strong as ever. We will be surprised, however, if absolute returns over the next five years are anywhere close to those of the past five years. The increased volatility that we have seen in the fourth quarter may be a harbinger of things to come, perhaps giving us more opportunities to maneuver in 2015. An investment letter we read recently that was discussing the rapid and steep drop in oil prices, quoted the renowned German economist, Rudiger Dornbusch: “In economics things take longer to happen than you think they will, and then happen much quicker than you thought they could.” History shows this also applies to stock markets.

Thank you for your confidence in Fiduciary Management, Inc.

Fiduciary Management Inc.
Large Cap Equity Composite
12/31/2003 - 09/30/2014

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			
2004	19.32	18.46	10.88	10	0.46	n/a	n/a	\$ 48.9	\$ 3,085.8	1.58%
2005	10.22	9.57	4.91	28	0.29	n/a	n/a	\$ 192.2	\$ 3,174.4	6.05%
2006	17.91	17.15	15.79	49	0.30	n/a	n/a	\$ 491.0	\$ 3,589.4	13.68%
2007	5.05	4.34	5.49	86	0.48	n/a	n/a	\$ 1,000.2	\$ 3,960.4	25.26%
2008	-26.38	-26.91	-37.00	130	0.63	n/a	n/a	\$ 1,969.3	\$ 4,062.5	48.48%
2009	30.92	30.09	26.46	252	1.22	n/a	n/a	\$ 3,820.3	\$ 7,008.9	54.51%
2010	12.52	11.81	15.06	394	0.31	n/a	n/a	\$ 5,923.2	\$ 9,816.0	60.34%
2011	2.35	1.74	2.11	509	0.37	18.34%	18.70%	\$ 8,434.8	\$ 12,273.6	68.72%
2012	16.02	15.32	16.00	575	0.32	13.94%	15.09%	\$ 11,270.3	\$ 15,253.5	73.89%
2013	31.87	31.10	32.39	685	0.31	11.38%	11.94%	\$ 15,785.5	\$ 19,705.3	80.11%
Q1 2014	2.75	2.59	1.81	704	0.06	11.92%	12.29%	\$ 15,664.1	\$ 19,764.3	79.25%
Q2 2014	6.01	5.84	5.23	721	0.10	11.81%	12.09%	\$ 16,226.8	\$ 20,679.0	78.47%
Q3 2014	-1.49	-1.65	1.13	723	0.10	10.18%	10.42%	\$ 15,421.4	\$ 19,890.9	77.53%

*Benchmark: S&P 500 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, Inc. (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 - 09/30/2014. 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 Large Cap Equity composite has been examined for the periods 12/31/2000 - 09/30/2014. 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 \$19.8 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 Large Cap Equity Composite was created in December 2000. These accounts primarily invest in medium to large capitalization US equities.

The FMI Large Cap Equity Composite reflects time-weighted and asset-weighted returns for all discretionary accounts with a market value greater than \$500,000 as of month end beginning January 1, 2012. From December 31, 2000 thru September 30, 2002 all accounts included were managed for at least one quarter, from October 1, 2002 to present 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, 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®.

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

Up to \$25,000,000	0.65%
\$25,000,001-\$50,000,000	0.55%
\$50,000,001-\$100,000,000	0.45%
\$100,000,001 and above	0.40%

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 S&P 500 Index® is widely regarded as the best single gauge of the U.S. equities market. This index includes 500 leading companies in leading industries of the U.S. economy. Although the S&P 500® focuses on the large cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market.

The Large Cap Equity composite uses the S&P 500 Index® as its primary index comparison.