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Investment Strategy Outlook – Large Cap Equity

Quarter Ended September 30, 2005

Portfolios advanced roughly in line with the 3.6% Standard & Poor's 500 return during the September quarter. For the nine months ending September 30, portfolios generally exceeded the S&P 500 by about 2.2% after fees. Sectors aiding performance included finance, distribution and materials. Loews, Grainger and BHP Billiton were standout stocks in these respective sectors this quarter. The tremendous run-up in commodities and energy over the past few years has been reflected in BHP's stock and the position was recently eliminated. This investment was a bit unusual for Fiduciary Management as the vast majority of our investments are in non-commodity-oriented areas. At the time we purchased BHP, it was trading at an extraordinary discount to its net asset value. We viewed it as a hedge in the portfolio and fortunately it worked out well.

The retail and health services sectors, and an underweight position in a strong energy sector, detracted from the quarter's results. High gasoline and energy prices impacted consumer spending significantly, and this was reflected by declines in Wal-Mart and TJX Companies. We are confident of the position and strategy of each of these two strong companies and remain committed to both stocks.

The stock market performance was remarkable in view of extremely high gasoline and energy costs, inflation, natural disasters, another rate hike and a significant loss of consumer confidence. In fact, the stocks generally considered to be the most aggressive -- that is, those with the highest betas -- outperformed those with the lowest betas. Analyzing the S&P 500 constituents' betas by quintiles shows the highest betas returning 9.1% (un-weighted) in the quarter compared to the lowest quintile's return of 0.8%. On the margin, this data seems to suggest that investors are feeling more confident about the future. Anecdotally, it also appears that so-called growth funds outperformed value funds in the quarter. If the market continues to move toward more aggressive stocks, or those that are popularly perceived as growth stocks, then we are likely to under-perform. We find the companies that are growing sales or earnings rapidly to be extraordinarily expensive today.

We remain somewhat cautious on the outlook for returns in the foreseeable future, primarily due to valuations, which remain high by historical standards. Most valuations for the market are in the upper third of their long-term averages. As you can see from the table below, your portfolio trades at a significant discount to the market. All figures are weighted averages as of September 30, 2005.

	P/E Year 1	Price/Sales	EV/EBITDA	Price/Book
FMI Large Cap Equity Portfolio	15.2	1.3	7.5	2.7
Standard & Poor's 500 Index	18.8	2.7	11.5	4.1

Below we highlight a couple of portfolio holdings.

Berkshire Hathaway Inc.

Description

Berkshire Hathaway is a diversified holding company that consists of businesses in insurance, manufacturing, retail, and other industries. The insurance business consists of four companies including General Re, GEICO, Berkshire Hathaway Reinsurance Group, and Berkshire Hathaway Primary Insurance Group. The non-insurance lines of the company include ownership interests in over 40 companies including International Dairy Queen, See's Candies, NetJets, Fruit of Loom, Shaw Industries, Scott Fetzer, and Benjamin Moore Paints. Berkshire's Chairman and Chief Executive Officer is Warren Buffett, a legendary investor and business acquirer.

Good Business

- The insurance products Berkshire offers are necessities for their clients. The insurance premiums are paid annually so there is a high degree of recurring revenue. "Float" income is generated, which historically has been invested prudently and quite successfully.
- The key to satisfactory results in the insurance business is good underwriting. Berkshire has the wherewithal to underwrite both standard and nonstandard risks. There is limited competition in certain lines of their business. The combined ratio is currently running at 93.2%, one of the best levels in the industry. General Re is the only reinsurance company with an "AAA" credit rating.
- The non-insurance businesses consist of companies that are easy to understand, and many of them have a high degree of recurring revenue or a very solid franchise niche.
- Berkshire has an extraordinary balance sheet. The company currently has over $40 billion of cash and minimal net debt.

Valuation

- The company's price-to-book (P/B) ratio of 1.4 is near the low end of its historical range. Over the past ten years the P/B ratio has generally ranged from 2.5 on the high end to 1.4 on the low end.
- The relative (compared to the S&P 500) book multiple is at the low end of its long-term range.
- While difficult to calculate, a sum-of-the-parts analysis suggest the stock is meaningfully undervalued. More importantly, Buffett himself has said so publicly, indicating that he believes the intrinsic value of Berkshire is significantly higher than the stock price. Years ago, when Berkshire's valuation was much higher, he said the opposite.
- The $40+ billion of cash, if deployed at a 9% return (roughly 6 points higher than cash) would result in earnings over 40% higher.

Management

- Warren Buffett, Chairman and Chief Executive Officer, age 75; and Charlie Munger, Vice Chairman, age 79, are the largest shareholders and have been at the helm for over 39 years. Buffett's investment reputation is legendary and as long as he stays healthy, the outlook is positive.

- Management has a solid history of making sensible acquisitions and paying reasonable multiples for those companies. Several outstanding managers have been identified as potential successors if Buffett relinquishes his position.
- Berkshire has an "ownership" culture with respect to executive compensation and options.

Investment Thesis

Buffett believes the intrinsic value of Berkshire exceeds its share price. The enormous cash balances, if deployed at only half the rate of historical returns, should boost earnings dramatically. Berkshire's financial position gives it an advantage in the insurance marketplace. The company has amassed a broad stable of operating businesses in necessary industries. All of these features combined with a book multiple that is less than half of the S&P 500 make the stock attractive. We believe the current turmoil in the insurance industry related to finite insurance and regulatory investigations is a short-term issue, rather than long-term. When this cloud lifts, perhaps in conjunction with a stronger insurance market, investors are likely to rediscover Berkshire Hathaway.

TJX Companies, Inc.

Description

TJX Companies is the leading off-price retailer of apparel and home goods in the United States and worldwide. Through its family of seven divisions, the company offers branded apparel, accessories, home furnishings, shoes and jewelry at substantially lower prices than department stores or specialty stores. The company operates over 2,200 stores globally, with 1,450 being the Marmaxx division (T.J. Maxx and Marshalls). Newer concepts include A.J.Wright, HomeGoods, T.K. Maxx and Winners. In general, TJX targets the department store customer, a middle- to upper-middle income shopper, who is fashion- and value-conscious.

Good Business

- The company is the leading off-price retailer, with a strong brand name and superior locations.
- The business is fairly steady and predictable, as the company does not attempt to create fashion.
- The profitability, as measured by return on invested capital, (ROIC) is among the best in retailing. ROIC has been over 20% since 1997.
- Square-footage and same-store growth combined should approximate 10%, and earnings per share (EPS) growth, 10-12%, over the next 3-5 years.
- TJX generates over $500 million annually in free cash flow, about $1.00 per share. This allows the company to reinvest in the business, buy back shares and pay a dividend.
- The balance sheet is very healthy. Long-term debt, which approximates $600 million, is just equivalent to the annual free cash flow.

Valuation

- On a price-to-earnings (P/E) basis, the stock trades at 14x this year's EPS. The 10-year mean P/E range is 14-28.
- The price-to-sales ratio is just over 0.6x, which compares to a 10-year range of 0.6-1.1.

- The shares trade at a 30% discount to the market, which is near the low end of its historical valuation range.

Management

- Bernard Cammarata, Chairman of the Board, was named Acting President and Chief Executive Officer in September 2005, replacing Edmond English. Mr. Cammarata was Chief Executive Officer of the company from 1989 to 2000. He has been instrumental in developing the company and its track record over the past two decades.
- Edmond English resigned in September 2005 due to inconsistent performance in the non-Marmaxx businesses. A search is underway to hire a permanent leader.
- TJX has a deep pool of divisional management and well-trained merchandise buyers.

Investment Thesis

TJX is a well-run off-price retailer with an impressive track record and an industry-leading financial model. The shares have dramatically underperformed the overall market in 2005 due to inconsistent results in the newer concepts, as well as overall sluggish customer traffic. Current share valuation more than discounts the challenges in the non-Marmaxx divisions. The company is addressing strategy, merchandising and inventory in the non-Marmaxx businesses, which should result in more consistent results. Over time, the multiple should reflect the strength of the core franchise, resulting in strong share price appreciation.

Thank you for your confidence in Fiduciary Management, Inc.

Fiduciary Management Inc.
Large Cap Equity Composite
12/31/2000 - 09/30/2011

Year	Total Return Gross of Fees %	Total Return Net of Fees %	*Benchmark Return %	Number of Portfolios	Dispersion %	Total Composite Assets End of Period ($ millions)	Total Firm Assets End of Period ($ millions)	Percentage of Firm Assets %
2001	20.47	19.70	-11.89	1	0.00	$ 3.6	$ 1,458.2	0.25%
2002	-13.33	-14.11	-22.10	8	0.17	$ 14.0	$ 1,731.0	0.81%
2003	34.29	33.15	28.68	4	0.86	$ 20.8	$ 2,927.0	0.71%
2004	19.32	18.46	10.88	10	0.46	$ 48.9	$ 3,085.8	1.58%
2005	10.22	9.57	4.91	28	0.29	$ 192.2	$ 3,174.4	6.05%
2006	17.91	17.15	15.79	49	0.30	$ 491.0	$ 3,589.4	13.68%
2007	5.05	4.34	5.49	86	0.48	$ 1,000.2	$ 3,960.4	25.26%
2008	-26.38	-26.91	-37.00	130	0.63	$ 1,969.3	$ 4,062.5	48.48%
2009	30.92	30.09	26.46	252	1.22	$ 3,820.3	$ 7,008.9	54.51%
2010	12.52	11.81	15.06	394	0.31	$ 5,923.2	$ 9,816.0	60.34%
Q1 2011	5.01	4.85	5.92	436	0.12	$ 6,717.9	$ 11,338.0	59.25%
Q2 2011	2.07	1.91	0.10	459	0.11	$ 7,701.2	$ 11,819.6	65.16%
Q3 2011	-13.91	-14.04	-13.87	485	0.18	$ 6,989.5	$ 10,357.9	67.48%

*Benchmark: S&P 500 Index®

Effective January 2012, 2004 – 2011 gross and net composite returns were restated due to an error.
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 - 09/30/2011. 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 Large Cap Equity composite has been examined for the periods 12/31/2000 - 09/30/2011. 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 $10.3 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 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. 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 standard deviation of all accounts in the composite for the entire period.

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.