ValueInvestor INSIGHT
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Investor Insight: Jonathan Bloom

Fiduciary Management's Jonathan Bloom explains why he favors all-weather business models, the opportunity that arises in simplification stories, how he competes against an S&P 500 index that has become a "concentrated growth fund," and why he sees upside today in B&M European Retail, Genpact, Gates Industrial, Fortune Brands and Sodexo.

INVESTOR INSIGHT

Jonathan Bloom
Fiduciary Management

Baseball metaphors abound in investing, at least in the U.S., and Fiduciary Management's Jonathan Bloom uses an apt one to describe his firm's approach: "It's as true as ever that investors are looking to hit home runs," he says. "We're content to hit singles and doubles and actually think the secret to the business is more in reducing strikeouts."

Now with $16 billion in assets under management, Fiduciary's put-the-ball-in-play strategy has served clients quite well. Its Small Cap Equity strategy launched at the firm's inception in 1980 has earned a net annualized 13.2%, vs. 10.3% for the Russell 2000 index. Its Large Cap Equity strategy since the beginning of 2001 has earned a net annualized 10.1%, beating the S&P 500 index by nearly 200 basis points per year.

Looking to pay "sufficiently cheap" prices for advantaged businesses that prosper when times are good and gain ground when times are difficult, Bloom and his team are finding idiosyncratic opportunities today in such areas as U.K. discount retail, business process and IT outsourcing, industrial supply, building products, and contract food services.

You describe your goal to invest in companies with "solid business franchises" when they're trading for less than you think they're worth. Describe what a solid business franchise is to you.

Jonathan Bloom: There's probably not a lot of argument on what makes a solid business franchise. We're looking for understandable, durable businesses with sustainable competitive advantages and barriers to entry. They typically have recurring revenues and/or modestly priced products and services and consistently generate returns on invested capital that exceed their normalized cost of capital. The balance sheet has only modest leverage and reflects thoughtful and value-focused capital allocation.

You can ask why all that's so important, and the answer for us mostly relates to downside protection. As we research new ideas we focus more on what can go wrong than what can go right, expecting over time to win by not losing. These types of businesses tend to be all-weather vehicles, not only built to survive tough times but to increase their advantage in such times against weaker competitors. One key way to avoid permanent capital impairment is to stay away from deeper-value types of stories where there can be secular industry challenges or inferior business models.

The other primary way of protecting against downside is by being very disciplined on valuation. Buying at 60 to 70 cents on the dollar of what you believe something is worth helps you to avoid impairing capital even in cases where you turn out to be wrong. If we execute against this approach – as we've tried to do over the past 40-plus years – we believe we can outperform over time while taking less risk and with lower volatility.

As you've noted in the past, "Good businesses typically don't go on sale for no reason." What are some of the more common reasons the types of businesses you target can become attractively priced?

JB: Our value orientation normally leads us to stocks that suffer from controversy, misunderstanding or some other fundamental issue, and our research focuses on whether the issues are temporary or permanent. Our holding period tends to be three to five years, which is usually enough time for uncertainty to lift or the problems to ameliorate.

A common situation would be when there are cyclical or macro factors currently impacting the business. A good example would be in 2022 and into 2023 when the prevailing view was that higher interest rates and a weakening economy meant a difficult time ahead for anything related to housing and building materials. Nobody wanted exposure to those end markets because of the risk to near-term fundamentals, but our view was that secular industry trends and longer-term fundamentals were positive and not reflected in valuations. We leaned into that across our small-cap, large-cap and international strategies, adding to names including Simpson Manufacturing [SSD], Beacon Roofing Supply [BECN], Masco [MAS], Ferguson [FERG], Howden Joinery [London: HWDN] and Ashtead Group [London: AHT].

A more recent example would be Techtronic Industries [Hong Kong: 669], in which we finished establishing our initial position in December of last year. The company's primary business is power tools and equipment sold in the United States and Europe, with key brands including Milwaukee, Ryobi and AEG. The stock was down over 50% from its late-2021 high on the back of several concerns, including Covid normalization in the do-it-yourself market, a slowdown in the professional segment, inventory destocking, and geopolitical concerns related to Hong Kong, where the shares are listed. That's a fairly common setup for us. We thought the move in the stock – which traded at a meaningful discount to its historical average valuation – was overdone for temporary reasons relative to the underlying quality and prospects of the business going forward. [*Note*: As low as HK$76 in December, Techtronic shares currently trade at around HK$89.]

You've spoken about finding opportunity in simplification stories. Describe the setup there.

JB: The simplification framework relates to a company that historically diversified away from a superior core business or businesses, which comes eventually to realize where its true advantage lies and begins investing behind that advantage while divesting from everything else. We've had success many times over the years in these types of cases.

An excellent example we've owned for a long time is Carlisle [CSL]. When Chris Koch took over as the CEO in 2016 he inherited a business with five unrelated segments, one of which – focused on commercial roofing products – had a superior competitive position and generated higher returns on capital. He changed the trajectory of the company by selling off the non-core businesses and reinvesting in commercial roofing to add both products and scale. The business has developed a superior customer value proposition and has taken market share.

You can own something like this for a long time as shareholder value accrues both from the business transition and then also from the compounding implicit in a pure-play market leader. During the time we've owned it the stock is up around 14-fold but [at today's price of around $411] we still consider it attractively valued with a lot of opportunity ahead.

ON CURRENT OPPORTUNITY:

The market is inherently driven by fear and greed and we're always looking for opportunities where there's fear.

You recently added to your position in consumer-goods giant Unilever [London: ULVR]. Is that a simplification story that's been a particularly long time in coming?

JB: That would be a fair description. The company has a number of strong brands in attractive end markets, with a majority of revenues coming from emerging markets that offer incremental volume growth over time. It's been fairly well acknowledged for some time that Unilever's product portfolio and organization were bloated, but unfortunately on our watch the company struggled with execution and didn't move fast or far enough to refocus the business on its particular areas of strength.

We recently took up our position size because we believe the change agents are now in place. Within the past year a new CEO, Hein Schumacher, CFO, Fernando Fernandez, and Board Chairman, Ian Meakins, have been named and they appear to be making the right moves. They're streamlining the operating structure, changing incentive systems and essentially following the playbook Procter & Gamble put in place a couple years ago, focusing research and development, capex

Jonathan Bloom

Art and Science

While he had a natural affinity for finding deals – he started a business as a teenager selling sports cards and comic books on eBay – a chance encounter inspired Jonathan Bloom to apply that interest to stocks. He had moved to New York City after graduating from Brown University in 2003, and through family connections had landed a job running an antique art and map gallery on Madison Avenue. At dinner one evening with a client, Bloom described the thrill he got from finding great values for the gallery and the client suggested he sounded just like a value investor and followed up by sending him books on the subject, including Seth Klarman's *Margin of Safety*. "That was it," Bloom says. "I knew this was what I wanted to do for the rest of my life."

Assuming the transition from art to finance might not be easy, he returned to school for an M.B.A. at Columbia Business School and after one interim step landed his dream job in 2010 as an analyst at Milwaukee's Fiduciary Management. The fit was obviously a good one, as he rose through the ranks and at the beginning of this year took over as the firm's sole Chief Investment Officer in anticipation of the retirement next year of firm Executive Chairman Pat English.

and marketing on the biggest and strongest brands with the best global distribution and moving on from those less well situated. As that plays out we expect revenue growth to accelerate and margins to increase, but expectations are still pretty low and the stock today [at around £44] still trades at a healthy discount to best-in-class peers.

It's not at all uncommon for us to gravitate to businesses like this where we believe the issues currently at hand aren't permanent and that the potential earnings power going forward is meaningfully higher. If we're right, buying depressed earnings at a depressed multiple can be quite interesting when fundamentals improve and there's a good case for upside in the valuation.

You invest across market caps, market sectors and geographies. In today's environment where are you finding the most fertile ground for ideas?

JB: In an environment like we're in today where we're in the 10th decile of historical valuations and stocks are generally pretty elevated, discounts in general to our estimates of intrinsic value are narrowing. With that said, our portfolios look very different from the benchmarks – active share is above 90% in all cases – so we're finding individual opportunities with idiosyncratic drivers across the board. The market is inherently driven by fear and greed and we're always looking for opportunities where there's fear.

After an unbelievable run I would say the large-cap U.S. market is probably where we see the most excess today and where investors seem to be the most complacent. To us, the S&P 500 has become a concentrated growth fund. Valuations and margins are at generational highs, which at the very least should argue against complacency. Also in the U.S. profitable small-cap companies are trading at one of the largest discounts to profitable large-cap companies that we've ever seen. Likewise, international valuations look quite compelling relative to those in the domestic market.

Detail your broader investment case for the U.K.'s B&M European Value Retail [London: BME].

JB: This is the largest general-merchandise discount retailer in the U.K., offering a mix of consumer goods, general merchandise and seasonal merchandise in small-format, 20,000 sq. ft. or so stores. Half the mix is branded products they want to sell at 20% cheaper prices than their supermarket competitors. The other half is direct-sourced private-label general merchandise, which they target selling at 30% discounts versus normal specialty retailers. In U.S. terms it's somewhat like a Dollar General mixed with a little bit of T.J. Maxx.

It's a defensive, resilient business with a simple and low-cost operating model. They concentrate the number of SKUs [stock keeping units] and take advantage of high-volume buying power to keep down supply costs. The store sizing and where they're located help keep rent, labor and overhead costs low. All that allows pricing that is extremely competitive and offers a value proposition that resonates in most economic environments – same-store sales have been positive through the

INVESTMENT SNAPSHOT

B&M European Value Retail
(London: BME)

Business: General-merchandise retailer selling branded and private-label products at 20-30% discounts to mainstream competitors; operations are mostly in the U.K. and France.

Share Information
(@6/27/24, Exchange Rate: $1 = £0.79):

Price	**£4.45**
52-Week Range	£4.42 – £6.18
Dividend Yield	7.7%
Market Cap	£4.46 billion

Financials (TTM):

Revenue	£5.48 billion
Operating Profit Margin	11.3%
Net Profit Margin	6.7%

Valuation Metrics
(@6/27/24):

	BME	S&P 500
P/E (TTM)	12.2	24.0
Forward P/E (Est.)	11.4	22.3

Largest Institutional Owners
(@3/31/24 or latest filing):

Company	% Owned
Capital Research & Mgmt	9.9%
Orbis Inv Mgmt	8.9%
Fidelity Mgmt & Research	7.3%
Orbis Allan Gray Ltd	5.0%
Vanguard Group	4.8%

Short Interest (as of 6/15/24):

Shares Short/Float	n/a

BME PRICE HISTORY

THE BOTTOM LINE

How its stock is currently valued doesn't adequately reflect the company's sustainable competitive advantages, resilient business model and attractive growth profile, says Jonathan Bloom. On his estimates of earnings growth plus the dividend he would expect a 10%-plus annual shareholder return, with material potential for re-rating on top of that.

Sources: S&P Capital IQ, company reports, other publicly available information

Great Financial Crisis, Brexit and Covid. Another positive is that most of the products for sale are priced below £5 per unit, with average basket sizes around £15, so online selling and delivery isn't economical and doesn't pose a big competitive threat.

There's still considerable runway to grow the store base. Discount retail in the U.K. is underpenetrated relative to a number of other developed markets and the company's long-term target is for 1,200 stores in the country, up from around 740 today. At the current pace of U.K. new openings, that would result in at least a decade of continued expansion. The company has also been successful in expanding into France, where it bought a small retailer called Babou in October of 2018 for just over €90 million. Since then they've rebranded the stores as B&M and implemented operating best practices such that we estimate the French division is earning more than €50 million in annual EBITDA. From a base of 124 stores they plan to open 10-15 new units there per year and expect margins to continue to expand.

How attractive do you consider the shares at today's price of around £4.50?

JB: We've owned this since 2018 but have leaned in more recently as the U.K. market has been under pressure, especially in companies with domestic consumer exposure. There's also been some negativity around the stock as growth rates normalize from particularly good performance during the pandemic.

The stock at today's price trades at around 11.5x estimated forward earnings, for a company that we believe has sustainable competitive advantages, a resilient business model and an attractive growth profile. We expect sales and EBITDA to grow over the next three to five years in the high single digits annually. There's a healthy dividend, augmented by special dividends from time to time. Even without a change in valuation we'd expect an attractive return as shareholders, but we also think there's plenty of room for multiple expansion. A business of this quality and makeup in the U.S. typically trades at north of 20x earnings.

From discount retail to business process and IT outsourcing, describe your interest in Genpact [G].

JB: The company works with clients to redesign, transform and run business-critical operations through the application of technology. They report under two segments. Data-Tech-AI, which is 45% of total revenue, consists of project and implementation work that helps clients take advantage of digital technologies – including data analytics, the cloud and artificial intelligence – in order to drive growth and improve efficiency. Digital Operations, 55% of sales, is more traditional business outsourcing work for a number of IT, HR, finance and other functions. The Data-Tech-AI business is growing incrementally faster and while the company doesn't separately break out profitability, is generally assumed to be higher margin.

We think Genpact's competitive advantage is rooted in strong domain expertise across a wide variety of industry verticals, unique end-to-end capabilities,

INVESTMENT SNAPSHOT

Genpact
(NYSE: G)

Business: Provider of consulting and outsourcing services meant to help clients operate more efficiently and effectively through the improved application of technology.

Share Information (@6/27/24):

Price	**31.99**
52-Week Range	29.41 – 39.58
Dividend Yield	1.9%
Market Cap	$5.76 billion

Financials (TTM):

Revenue	$4.52 billion
Operating Profit Margin	14.0%
Net Profit Margin	14.2%

Valuation Metrics
(@6/27/24):

	G	S&P 500
P/E (TTM)	9.2	24.0
Forward P/E (Est.)	10.5	22.3

Largest Institutional Owners
(@3/31/24 or latest filing):

Company	% Owned
BlackRock	11.2%
Fidelity Mgmt & Research	10.9%
Vanguard Group	9.5%
Nalanda Capital	7.3%
Victory Capital Mgmt	5.1%

Short Interest (as of 6/15/24):

Shares Short/Float	3.0%

G PRICE HISTORY

THE BOTTOM LINE

Jonathan Bloom believes the company is likely to surprise the market by benefitting more than it is hurt by the use of new generative AI tools and by improved operational execution under a new CEO. While the shares growing in step with his estimates of earnings would produce an attractive return, he sees potential upside from multiple expansion as well.

Sources: S&P Capital IQ, company reports, other publicly available information

and a client-centric culture that supports a strong industry reputation. The company says more than 70% of its revenues are recurring, with an average deal length of around three years and annual client retention in the high-90% range. Roughly 40% of the business is sole-sourced, meaning clients just re-up without going out to bid. The business also has the global scale required for *Fortune* 500 clients, with nearly 130,000 professionals operating in over 30 countries.

The stock has come under pressure for three main reasons. One is a weakening industry backdrop that has seen clients more or less maintain spending on longer-cycle digital operations work while postponing shorter-cycle advisory projects. You're seeing that across the industry at competitors such as Accenture and Cognizant as well, but we consider that a temporary cyclical cloud.

There also seems to be some concern around the potential negative impact generative AI could have on the company's business. We think these are overblown and would argue that AI is more opportunity than risk as clients look to experts like Genpact to help them examine and implement AI solutions broadly across their operations.

Finally, in recent years the company hasn't fired on all cylinders from an executional standpoint. We see that more as an opportunity as the new CEO who took over earlier this year, BK Kalra, seems to be very focused on blocking-and-tackling operational improvement and simplification. He's reducing organizational complexity and reconfiguring incentive systems to increase accountability and to put incremental focus on profitability relative to revenue growth.

The shares at a recent $32 are near five-year lows. How are you looking at upside from here?

JB: We expect the company to grow revenue in the mid-to-high single digits over the next few years and to expand margins through operational improvements and a continued mix shift toward more value-added work. But the stock today trades at only 10.5x estimated forward earnings, versus a 10-year average of closer to 16x. If the shares just grow along with the earnings we expect shareholders should be well rewarded. We also see meaningful potential upside on top of that from multiple expansion.

What do you think the market might be missing today in industrial supplier Gates Industrial [GTES]?

JB: Gates produces engineered power-transmission and fluid-power products that are built into large manufactured machinery, equipment and vehicles. The company is the global leader in power transmission, which accounts for just over 60% of revenues and is best known for its line of belts that are used in a range of applications to enable and control motion. The fluid-power segment is #3 globally, accounts for nearly 40% of sales and primarily consists of advanced hoses and tubing.

Both of those markets remain highly fragmented and demand is roughly two-thirds replacement and one-third original equipment, reducing cyclicality. The prod-

INVESTMENT SNAPSHOT

Gates Industrial
(NYSE: GTES)

Business: Global producer of engineered power-transmission and fluid-power products – mostly belts and hoses – built into manufactured machinery, equipment and vehicles.

Share Information (@6/27/24):

Price	**15.76**
52-Week Range	10.68 – 17.98
Dividend Yield	0.0%
Market Cap	$4.12 billion

Financials (TTM):

Revenue	$3.54 billion
Operating Profit Margin	13.8%
Net Profit Margin	7.0%

Valuation Metrics
(@6/27/24):

	GTES	S&P 500
P/E (TTM)	17.3	24.0
Forward P/E (Est.)	10.5	22.3

Largest Institutional Owners
(@3/31/24 or latest filing):

Company	% Owned
Blackstone	19.8%
Vanguard Group	6.9%
Allspring Global	5.6%
Dimensional Fund Adv	4.2%
AllianceBernstein	3.2%

Short Interest (as of 6/15/24):

Shares Short/Float	5.1%

GTES PRICE HISTORY

THE BOTTOM LINE

While the company earns well above its cost of capital, has strong global market positions and an improving margin profile, its valuation today makes it "one of the cheapest industrial companies in the market," says Jonathan Bloom. On higher earnings in two years he sees potential for the shares to trade at a mid to high-teens forward multiple, from 10.5x today.

Sources: S&P Capital IQ, company reports, other publicly available information

ucts are low-cost relative to what they're built into but have an outsized impact if they fail. Customers are generally willing to pay a premium for performance and for product availability, a benefit to market leaders like Gates with a strong reputation for both.

This is not a complicated investment thesis. We think this is a well-run company that has solid growth potential beyond underlying industrial production growth as it benefits from a secular shift in many end markets from chains to belts and as it capitalizes on scale advantages to take market share globally. We also believe there's considerable opportunity for margin improvement from ongoing and broad-based cost-reduction efforts. Management over the next few years is targeting 3-5% annual organic revenue growth and 260 to 460 basis points of margin improvement. That would result in earnings growth that we don't believe is priced into a stock that currently trades at less than 11x consensus next-12-months estimated earnings, making it one of the cheapest industrial companies in the market.

How is the company positioned against a transition to electric vehicles?

JB: That's clearly an important issue, as many of the belts currently in internal-combustion engines go away in an EV. But Gates will have significantly more and higher-priced thermal-management content – water pumps and hoses – in an EV than an ICE vehicle. The company estimates its total content per vehicle will increase from $125 to $300 moving from ICE to EV.

What would you consider a more reasonable valuation for the shares, now trading at around $15.75?

JB: Management is targeting $1.90 to $2.30 in earnings per share by 2026, so using the midpoint of that range the stock trades at a less than 8x P/E. For an industrial company earning well above its cost of capital and with a margin profile that should stack up well against other high-quality peers, there's potential for this to trade at a mid to high-teens multiple.

The company agrees that the stock is cheap and has bought back more than 10% of the outstanding shares since the fourth quarter of 2021. We would expect opportunistic share repurchases to remain a capital-allocation priority.

One last thing I'd mention is that Blackstone brought Gates public in early 2018 and remains the largest shareholder with a roughly 20% stake. They have been selling down their position, which has been and may continue to be an overhang on the stock. That becomes less of an issue over time, especially if the sentiment toward the shares improves.

Why are you high on the investment prospects for Fortune Brands [FBIN]?

JB: This is another of the stocks we bought in late 2022 when there was a lot of concern over what rising interest rates, high inflation and weak consumer confidence would mean for housing fundamentals. The company has one of the highest-quality portfolios of branded building products in the world, with recognizable brands that include Moen, Therma-Tru, Larson,

INVESTMENT SNAPSHOT

Fortune Brands Innovations
(NYSE: FBIN)

Business: Manufactures a range of building materials and products, including Moen faucets, Therma-Tru entry doors, Larson storm doors and Fiberon composite decking.

Share Information (@6/27/24):

Price	**65.47**
52-Week Range	54.10 – 84.92
Dividend Yield	1.4%
Market Cap	$8.19 billion

Financials (TTM):

Revenue	$4.70 billion
Operating Profit Margin	14.3%
Net Profit Margin	8.9%

Valuation Metrics
(@6/27/24):

	FBIN	S&P 500
P/E (TTM)	20.1	24.0
Forward P/E (Est.)	14.8	22.3

Largest Institutional Owners
(@3/31/24 or latest filing):

Company	% Owned
BlackRock	12.2%
Vanguard Group	9.9%
State Street Global	4.3%
Pictet Asset Mgmt	4.0%
J.P. Morgan Asset Mgmt	3.9%

Short Interest (as of 6/15/24):

Shares Short/Float	2.4%

FBIN PRICE HISTORY

THE BOTTOM LINE

Despite the market's current lack of enthusiasm for suppliers to the U.S. housing market, the company is positioned with high-quality brands to benefit from long-term structural positives for that market, says Jonathan Bloom. He says the stock's current valuation doesn't well reflect the 10%-plus EPS growth he expects over the next three to five years.

Sources: S&P Capital IQ, company reports, other publicly available information

Master Lock and Sentry Safe. The crown jewel is the water and basins franchise, led by Moen, the market leader benefitting from an excellent brand reputation and unique distribution strength. Plumbing-related business accounted for 55% of Fortune Brands' 2023 sales and 67% of its operating profit.

The company overall has an excellent record of organic growth and margin expansion, while generating mid-teens returns on invested capital. Annual organic revenue growth averaged 7% over the last decade, two to three percentage points above the end-market growth, and we believe there's good long-term structural support for the U.S. housing end market going forward. The market remains underbuilt with an aging stock, which with favorable demographics should drive healthy household formation and demand for repair and renovation work.

Repair and renovation is particularly important here, accounting for over two-thirds of total company revenues. Plumbing fixtures are relatively lower-priced, higher-impact purchases that people periodically want to replace and upgrade. That makes this business more defensive in a tough economy.

Is there a simplification aspect to Fortune Brands' story?

JB: We think management has done a good job in redirecting capital into advantaged brands with better end-market positions, higher returns on capital and better growth prospects. For example, they spun off a large cabinetry business in 2022 and have redeployed capital into areas like premium decorative hardware, residential smart locks and outdoor decking. The quality of the product portfolio has materially improved, which is not something the market seems to have appreciated.

At today's price of around $65.50, how unappreciated do you consider the stock?

JB: The shares have recovered somewhat since we originally bought in, but sentiment is still weak around the external environment in housing. On 2024 estimates the stock trades at only 15x times earnings. We don't think that's at all expensive for a company that from organic revenue growth, some margin expansion and share buybacks can generate 10%-plus earnings-per-share growth over the next three to five years. If that happens, we wouldn't be surprised to see the multiple expand as well, more into the upper-teens than the mid-teens currently.

Back to Europe, what's behind your interest in food services company Sodexo [Paris: SW]?

JB: The food-services and facility-management industry is one we've followed for a long time. The core of the business – accounting for nearly 65% of total revenues – is providing catering services on an outsourced basis for corporations, hospitals, schools and sports venues – customers for which food services is important but not necessarily a core competency. Companies like Sodexo, Compass Group [London: CPG] and Aramark [ARMK] – the three large global industry players – can generally take over the service and provide a better product at a lower cost than if the customer were to handle it in house.

INVESTMENT SNAPSHOT

Sodexo
(Paris: SW)

Business: Provider of outsourced catering and facilities-management services primarily to corporate, educational, healthcare, defense, and sports and leisure clients.

Share Information
(@6/27/24, Exchange Rate: $1 = €0.93):

Price	**€84.70**
52-Week Range	€66.48 – €89.40
Dividend Yield	3.7%
Market Cap	€12.42 billion

Financials (TTM):

Revenue	€23.16 billion
Operating Profit Margin	4.9%
Net Profit Margin	1.2%

Valuation Metrics
(@6/27/24):

	SW	S&P 500
P/E (TTM)	17.4	24.0
Forward P/E (Est.)	15.1	22.3

Largest Institutional Owners
(@3/31/24 or latest filing):

Company	% Owned
Artisan Partners	7.3%
First Eagle Inv Mgmt	4.1%
BlackRock	3.3%
Massachusetts Fin Serv	3.1%
Vanguard Group	2.3%

Short Interest (as of 6/15/24):

Shares Short/Float	n/a

SW PRICE HISTORY

THE BOTTOM LINE

The company's competitive advantages should allow it to take global market share over time and management is now more focused on operational improvement and creating shareholder value, says Jonathan Bloom. There's upside in the stock, he says, both from the 10% annual EPS growth he expects and a re-rating from today's below-peer valuation.

Sources: S&P Capital IQ, company reports, other publicly available information

Sodexo and the other big players have over time taken market share, but we believe there's still considerable room for that to continue going forward. Roughly 50% of the addressable market worldwide still handles their food services themselves, while another 25-30% is outsourced to smaller operators. Sodexo's advantage over both of those categories of competitor starts with procurement – leveraging scale to buy food and supplies more cheaply – but they also can offer a broader, deeper and more technologically sophisticated range of services. We expect that to translate into continued market-share gains over time.

There's also a self-help aspect to the story. The company was founded by Pierre Bellon in 1966 and the Bellon family still controls over 50% of the share voting rights. Pierre's daughter Sophie Bellon has run the company as CEO since 2021 and we believe she is fully focused on better managing the business and creating value for all shareholders, which prior to her taking over hadn't always been so evident. Among various initiatives, she has eliminated the company's complex matrix structure and vested bottom-line responsibility by geographic region. She has exited underperforming countries and earlier this year completed the spinoff of a benefits and rewards services business now listed in France as Pluxee [Paris: PLX]. There's been increased focus and investment in client retention and in the latest quarter the retention rate was reported at over 95%, the highest ever.

With the shares trading at today's €84.70, to what extent do you consider the market unimpressed?

JB: Lately the multiple has come in somewhat and the stock now trades at just over 15x estimated forward earnings. We believe they can achieve mid-single-digit revenue growth, and along with operating leverage and operational improvements can increase EPS over the medium term by at least 10% per year. If they do that we don't believe the stock should continue to trade at a mid-teens multiple. For perspective, Compass, the best-in-class peer, currently trades at almost 22x forward earnings. That valuation gap closing even modestly would provide additional upside to what we think is already an attractive story based on improving fundamentals.

ON LESSONS:

If management doesn't care about shareholder value it makes no sense to own the stock, no matter how cheap.

There can be more and less positive reasons for selling out of positions. How would you characterize your recent sale of enterprise-resource-planning software provider SAP [SAP]?

JB: This is a high-quality business with a large installed base and approximately 80% of revenues coming from recurring sources. The company is in the process of integrating its software portfolio to provide a better end-to-end user experience and they continue to migrate on-premise ERP customers to a cloud environment. While the long-term earnings power was increasing, the cloud transition caused a slowdown in reported revenue and a decline in operating profit through 2022. That started to work itself out last year and the market responded positively to the improved results, maybe amplified by the general enthusiasm for software in this bull market. The end result was a rising share price and valuation that closed the gap to our estimate of intrinsic value, so we decided to take the bird in the hand and recycle the capital to more attractive opportunities.

What prompted your sale in the first quarter of chocolate and cocoa-product manufacturer Barry Callebaut [Zurich: BARN]?

JB: This is an interesting company that supplies ingredients to one in every four chocolate or cocoa product sold in the world. We think it's a high-quality business selling low-cost, consumable products that consumers enjoy, translating into steady and defensive volume growth over time. We had bought the stock last year after a salmonella outbreak at its largest factory, a CEO change, and higher inflation all weighed on the company's results and depressed the stock price.

What changed here is that the new CEO, to our surprise, determined that the company required a very complex and wide-ranging restructuring that could take several years to execute. We decided given the huge lift he was attempting that it was better to observe from the sidelines – we could always come back in if it looked like they were on the right path. The thesis had changed fundamentally from what we bought into. In our experience it's better to step aside and reflect rather than change what we're playing for.

When you've gotten things wrong, can you generalize about the most common reasons?

JB: I generally think we do a fairly good job in assessing business quality and in making reasonable estimates of intrinsic value. I'd say what's the most difficult is assessing management teams and how well they're going to allocate capital. The bottom line is that we need to focus more on what management does than on what they say. We've seen too often where a team who says all the right things about returns on invested capital will turn around and make a value-destroying acquisition. Or those who talk about returning excess capital to shareholders by buying back dirt-cheap stock just let the cash sit on the balance sheet.

An example of exactly what I'm talking about would be C.K. Hutchinson [Hong Kong: 1]. It's a collection of quality assets in areas such as ports, retail, infrastructure and telecom, and the stock for some time has traded at a huge discount to a reasonable estimate of net asset value. They have ample cash on the balance sheet that they say they are going to use to buy back their shares trading at 5x earnings, but it never happens. It's a controlled company and they have their own motivations, but the sad truth is that if the management team doesn't seem to care about unlocking shareholder value, it makes no sense for us to own the stock no matter how cheap it happens to be.

Having taken over as Fiduciary's sole Chief Investment Officer at the beginning of this year, are you focusing on any potential areas of improvement?

JB: We've built a 40-year track record of success following the strategy and process we have, so I don't think there's any reason for wholesale changes as I take over the reins.

I would say, however, that our culture is one where we always try to challenge ourselves as a team to be better investors. Just in the past two weeks we brought in an organization to spend two days with us on strategic interviewing. How can we identify when the people we're talking with are perhaps uncomfortable and being a little less forthright, and how can we ask questions in the right way to elicit honest and useful discussion? We believe we ask good questions and know what to look for in talking with management, but we wanted to bring in experts and challenge that. That's a healthy type of exercise to go through from time to time.

You've been at Fiduciary since 2010, over a period in which a value style of investing has had a hard time keeping up with the S&P 500. How do you process that when contemplating strategy and process?

JB: We have a much longer track record than that and if you look at our returns historically we've added the most value in down markets. We typically capture most of the upside in a rising market, but it's the downside capture in the bad periods and the re-loading of the portfolio when there's real fear in the market that has through a full cycle been a winning equation.

Part of the challenge value investors have had is that we just haven't had normal cycles since the Great Financial Crisis. Ultra-low interest rates were a huge driver of the market. Monetary and fiscal stimulus have altered normal cyclical patterns. When the market goes up and to the right with little disruption it's easy to see why growth and momentum strategies have outperformed value.

We're very optimistic over the long term about our approach. We're not of the mindset that bull and bear market cycles are a thing of the past. If that's right, with normal costs of capital and normal market cycles we fully expect a well-executed value-based strategy to perform as it has in the past. This time will pass and it's up to us to make the most of that. VII

Fiduciary Management Inc.
Small Cap Equity Composite
12/31/2013 - 12/31/2023

Year	Total Return Gross of Fees %	Total Return Net of Fees %	*Benchmark Return %	Number of Portfolios	Dispersion %	Three Year Ex-Post Standard Deviation Composite	Three Year Ex-Post Standard Deviation *Benchmark	Total Composite Assets End of Period ($ millions)	Total Firm Assets End of Period ($ millions)	Percentage of Firm Assets %
2014	7.99	7.06	4.89	178	0.39	9.65%	13.12%	$ 3,006.5	$ 21,001.1	14.32%
2015	-5.72	-6.52	-4.41	171	0.34	11.18%	13.98%	$ 2,597.2	$ 21,042.9	12.34%
2016	21.65	20.65	21.31	171	0.46	12.02%	15.77%	$ 2,596.0	$ 22,626.7	11.47%
2017	15.42	14.49	14.65	171	0.84	11.12%	13.91%	$ 2,774.0	$ 25,322.0	10.96%
2018	-8.10	-8.83	-11.01	160	0.74	11.73%	15.79%	$ 2,220.4	$ 19,833.6	11.20%
2019	27.14	26.17	25.53	119	1.83	12.44%	15.71%	$ 2,415.0	$ 22,609.9	10.68%
2020	4.40	3.60	19.96	104	1.49	21.15%	25.27%	$ 2,079.2	$ 16,284.2	12.77%
2021	31.74	30.77	14.82	102	0.60	21.11%	23.35%	$ 2,294.9	$ 17,068.4	13.45%
2022	-4.98	-5.70	-20.40	96	0.29	22.76%	26.02%	$ 2,173.9	$ 13,021.5	16.69%
2023	26.34	25.41	16.93	92	0.38	18.02%	21.11%	$ 3,050.0	$ 14,729.1	20.71%

*Benchmark: Russell 2000 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. claims compliance with the Global investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Fiduciary Management, Inc. has been independently verified for the periods 12/31/1993 - 12/31/2023. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Small Cap Equity Composite has had a performance examination for the periods 12/31/1993 - 12/31/2023. 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 $14.7 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 Small Cap Equity Composite was created and incepted in January 1980. These accounts primarily invest in small to medium capitalization US equities.

The FMI Small 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. A small percentage of composite assets (typically ranging from 0-5%) historically has been invested in unmanaged fixed income securities at the direction of account holders. From December 31, 1993 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®. FMI uses gross returns to calculate these.

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

Up to $25,000,000	0.85%
$25,000,001-$50,000,000	0.80%
$50,000,001-$100,000,000	0.70%
$100,000,001 and above	0.60%

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 and FMI distributed mutal funds are available upon request.

The Russell 2000 Index® measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 8% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Small Cap Equity composite uses the Russell 2000 Index® as its primary index comparison.

 Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

Fiduciary Management Inc.
Large Cap Equity Composite
12/31/2013 - 12/31/2023

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			
2014	13.52	12.81	13.69	725	0.25	8.54%	8.98%	$ 16,084.1	$ 21,001.1	76.59%
2015	-1.54	-2.16	1.38	655	0.27	9.94%	10.48%	$ 14,304.1	$ 21,042.9	67.98%
2016	14.85	14.16	11.96	636	0.32	10.48%	10.59%	$ 12,562.9	$ 22,626.7	55.52%
2017	19.90	19.24	21.83	628	0.32	9.70%	9.92%	$ 12,722.2	$ 25,322.0	50.24%
2018	-3.07	-3.62	-4.38	540	0.29	9.85%	10.80%	$ 9,901.1	$ 19,833.6	49.92%
2019	24.58	23.94	31.49	371	0.42	9.95%	11.93%	$ 10,493.0	$ 22,609.9	46.41%
2020	11.32	10.70	18.40	266	0.55	17.09%	18.53%	$ 8,684.6	$ 16,284.2	53.33%
2021	19.33	18.77	28.71	219	0.32	17.08%	17.17%	$ 9,177.4	$ 17,068.4	53.77%
2022	-13.29	-13.71	-18.11	177	0.33	19.94%	20.87%	$ 6,054.5	$ 13,021.5	46.50%
2023	21.74	21.19	26.29	158	0.30	16.78%	17.29%	$ 5,616.5	$ 14,729.1	38.13%

*Benchmark: S&P 500 Index®

Returns reflect the reinvestment of dividends and other earnings.
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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 $14.7 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 and incepted on 12/31/2000. 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®. FMI uses gross returns to calculate these.

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

Up to $25,000,000	0.55%
$25,000,001-$50,000,000	0.50%
$50,000,001-$100,000,000	0.45%
$100,000,001 and above	0.35%

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 and FMI distributed mutual funds 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.

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Fiduciary Management Inc.
International Equity Hedged Composite
12/31/2013 - 12/31/2023

Year	Total Return Gross of Fees %	Total Return Net of Fees %	*Benchmark Return %	Number of Portfolios	Dispersion %	Three Year Ex-Post Standard Deviation Composite	Three Year Ex-Post Standard Deviation *Benchmark	Total Composite Assets End of Period ($ millions)	Total Firm Assets End of Period ($ millions)	Percentage of Firm Assets %
2014	5.66	4.87	-6.20	≤ 5	0.00	7.49	13.20	$ 771.6	$ 21,001.1	3.67%
2015	4.24	3.46	-1.00	≤ 5	0.00	8.14	12.46	$ 2,832.9	$ 21,042.9	13.46%
2016	11.04	10.23	1.38	≤ 5	0.38	7.39	12.00	$ 5,946.2	$ 22,626.7	26.28%
2017	16.51	15.70	25.10	≤ 5	0.02	7.04	11.03	$ 8,209.3	$ 25,322.0	32.42%
2018	-8.63	-9.27	-13.81	≤ 5	0.06	7.22	10.82	$ 6,287.8	$ 19,833.6	31.70%
2019	18.11	17.29	22.03	≤ 5	0.08	8.30	10.97	$ 7,522.0	$ 22,609.9	33.27%
2020	0.98	0.25	7.58	≤ 5	0.27	17.52	17.63	$ 3,576.9	$ 16,284.2	21.97%
2021	15.81	14.95	11.46	≤ 5	0.00	17.57	16.54	$ 3,541.7	$ 17,068.4	20.75%
2022	-8.51	-9.19	-14.36	≤ 5	0.00	19.31	20.18	$ 3,291.8	$ 13,021.5	25.28%
2023	23.21	22.33	18.40	≤ 5	0.00	13.66	17.20	$ 4,478.0	$ 14,729.1	30.40%

*iShares MSCI EAFE ETF®

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The International Equity Hedged Composite was created and incepted on 12/31/2010. 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 Hedged 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®. FMI uses gross returns to calculate these.

Currently, the advisory fee structure for the International Equity Hedged 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 $10 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 and FMI distributed mutual funds are available upon request.

The iShares MSCI EAFE ETF® seeks to track the investment results of the MSCI EAFE Index (the "Underlying Index"), which has been developed by MSCI Inc. (the "Index Provider" or "MSCI"). The Underlying Index is a free float-adjusted, market capitalization-weighted index designed to measure large- and mid-capitalization equity market performance of developed markets outside of the U.S. and Canada. The Underlying Index includes stocks from Europe, Australasia and the Far East and, as of July 31, 2021, consisted of securities from the following 21 developed market countries or regions: 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 (the "U.K."). AThe MSCI EAFE Net Index (USD)® 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 Index (USD)® 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 Hedged composite uses the iShares MSCI EAFE ETF® as its primary benchmark comparison. In September 2022, the benchmark was changed from MSCI EAFE Net Index (USD)® to iShares MSCI EAFE ETF® for all periods.

Fiduciary Management Inc.
International Equity Unhedged Composite
12/31/2019 - 12/31/2023

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			
2020	4.88	4.09	7.58	≤ 5	0.00	n/a	n/a	$ 56.7	$ 16,284.2	0.35%
2021	10.43	9.64	11.46	≤ 5	0.00	n/a	n/a	$ 108.6	$ 17,068.4	0.64%
2022	-16.23	-16.84	-14.36	≤ 5	0.30	22.12	20.20	$ 80.7	$ 13,021.5	0.62%
2023	23.72	22.90	18.40	≤ 5	0.30	17.71	17.20	$ 112.0	$ 14,729.1	0.76%

*iShares MSCI EAFE ETF®

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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 $14.7 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 Unhedged Composite was created and incepted on 12/31/2019. 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 Unhedged 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 12/31/2021, 36 months of performance is not available; therefore the three year annualized ex-post standard deviation is not presented for the composite or the benchmark.

Currently, the advisory fee structure for the International Equity Unhedged 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 $10 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 and FMI distributed mutual funds are available upon request.

The iShares MSCI EAFE ETF® seeks to track the investment results of the MSCI EAFE Index (the “Underlying Index”), which has been developed by MSCI Inc. (the “Index Provider” or “MSCI”). The Underlying Index is a free float-adjusted, market capitalization-weighted index designed to measure large- and mid-capitalization equity market performance of developed markets outside of the U.S. and Canada. The Underlying Index includes stocks from Europe, Australasia and the Far East and, as of July 31, 2021, consisted of securities from the following 21 developed market countries or regions: 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 (the “U.K.”). AThe MSCI EAFE Net Index (USD)® 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 Index (USD)® 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 Hedged composite uses the iShares MSCI EAFE ETF® as its primary benchmark comparison. In September 2022, the benchmark was changed from MSCI EAFE Net Index (USD)® to iShares MSCI EAFE ETF® for all periods.

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