

# SECURITIES AND EXCHANGE COMMISSION

## FORM 40-24B2

Filing of sales literature pursuant to Rule 24b2 under the Investment Company Act of 1940

Filing Date: **2009-01-26**  
SEC Accession No. **0000354631-09-000011**

([HTML Version](#) on [secdatabase.com](#))

### FILER

#### **FMI FUNDS INC**

CIK: **1023391** | IRS No.: **391861095** | State of Incorporation: **MD** | Fiscal Year End: **0930**  
Type: **40-24B2** | Act: **40** | File No.: **811-07831** | Film No.: **09546136**

Mailing Address  
*225 EAST MASON STREET  
THIRD FLOOR  
MILWAUKEE WI 53202*

Business Address  
*225 EAST MASON STREET  
THIRD FLOOR  
MILWAUKEE WI 53202  
4142264556*

## FUND WATCH

## Their Steady Strategy Has Paid Off

*The managers of FMI Large Cap study a stock inside and out before adding it to their concentrated portfolio.*

**By Katy Marquardt**

*Kiplinger's Personal Finance*

You know the old saying, familiarity breeds contempt. In the investing world, familiarity with a particular approach to stockpicking breeds success. Consider **FMI Large Cap**, a \$511 million fund run by Fiduciary Management, a relatively little-known Milwaukee investment company with \$4 billion in assets.

Although it's only five years old, FMI Large Cap has quietly built a stellar record using a strategy that its managers have been employing for decades. Ted Kellner and Patrick English, who together launched the fund (symbol FMIHX) at the end of 2001, invest in just 20 to 25 bargain-priced, out-of-favor companies with strong returns on invested capital. ROIC measures how effectively a company uses the money invested in its operations. Over the past five years through June 12, according to Morningstar, Large Cap returned 13% annualized, an average of three percentage points a year ahead of Standard & Poor's 500-stock index. The fund has produced positive returns in each year except for 2002, when it lost 15%.

For more than 20 years, Kellner and English have applied the same strategy to small and midsize companies on another fund, **FMI Common Stock**. That fund (FMIMX), which closed to new investors

in 2004, gained an annualized 12% over the past 20 years through May 31.

Kellner and English use a slew of valuation measures to determine whether a stock looks cheap relative to its history. These include price-to-sales, price-to-earnings, and price-to-cashflow ratios. "We take a very exhaustive look at a company's historical valuation to see what could go wrong," says Kellner. "That constant hammering gives us a portfolio of companies that will hold up well in most down markets."

When evaluating companies, Kellner and English look for durable franchises with strong business models and experienced management. If that sounds familiar, it's because the two emulate Warren Buffett's investing style. (They also pen insightful, conversational shareholder letters, à la Buffett.) It's no surprise that **Berkshire Hathaway** (BRK-B) was Large Cap's biggest holding, at 6% of its assets, as of March 31.

A company in the portfolio that exemplifies FMI's approach is **Wal-Mart Stores** (WMT). "This is a fallen growth company that Wall Street loved at one point, but issues arose," says Kellner. "Strip the issues away and this is a great business, although the stock has gone nowhere for eight years." Wal-Mart's shares, which closed at \$49.28 on June 14, sell at 16 times analysts' estimates of \$3.16 per share for the fiscal year that ends January 31, 2008.

FMI Large Cap, which requires a minimum investment of \$1,000, charges a reasonable 1.0% in annual expenses.

---

## FMI Large Cap Fund Disclosure Footnote

The average annual total returns of the FMI Large Cap Fund for 1 year, and annualized 5 year and inception (12/31/01) periods ended December 31, 2008 were: -26.91%, 2.63%, and 3.51%, respectively.

*The returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting [www.fmifunds.com](http://www.fmifunds.com).*

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

