

Nuance Concentrated Value Long-Short Fund



Fourth Quarter 2018

Investment Objective

The Nuance Concentrated Value Long-Short Fund seeks long-term capital appreciation by taking long positions in securities priced below, and short positions in securities priced above, our internal view of their estimated intrinsic value.

Portfolio Constraints

- # of Long Holdings: 15 to 35
- # of Short Holdings: 0 to 50
- Long Exposure: 75% to 100%
- Short Exposure: 0% to 100%
- Max Gross Exposure: 200%

Fund Details

Class:	Institutional	Investor
Ticker:	NCLSX	NCLIX
Inception:	12/31/15	12/31/15
Cusip:	56166Y255	56166Y263
Min Invest:	\$10,000	\$2,500
Invest Mgmt Fee:	1.00%	1.00%

Process Overview

On the long side of the Nuance Concentrated Value Long-Short Fund (the Fund) investment portfolio, the Nuance Investment Team (the Investment Team) is looking for industry leading businesses with strong and stable competitive positions. Generally, these businesses have leading marketshares within their various areas of expertise, have strong balance sheets and exhibit rational capital allocation policies. The Investment Team is seeking to buy these businesses when they are under-earning their long-term potential due to cyclical and/or transitory issues, and when security valuations offer what we believe to be meaningful upside potential and reasonable support on the downside.

On the short side of the Fund investment portfolio, the Investment Team is looking for large businesses with more commoditized or structurally challenged competitive positions. These businesses may or may not be industry leaders. The Investment Team is seeking to sell these businesses when they are over-earning their long-term potential due to cyclical and/or transitory issues, and when security valuations offer what we believe to be reasonable support on the upside and meaningful downside potential.

Portfolio Managers



Scott Moore, CFA
President & CIO
28 Years of Experience

Chad Baumler, CFA
Vice President
12 Years of Experience

Performance as of December 31, 2018

As of 12/31/2018 Inception Date 12/31/15	Since Inception Return	3 YR	1 YR	YTD	QTD	Gross Expense Ratio	Net Expense Ratio
Nuance Concentrated Value Long-Short Fund (NCLSX) - Institutional	6.61	6.61	5.35	5.35	7.97	2.82%	2.59%
Nuance Concentrated Value Long-Short Fund (NCLIX) - Investor	6.27	6.27	5.11	5.11	7.95	3.07%	2.84%
S&P 500 Index	9.26	9.26	-4.38	-4.38	-13.52		
Morningstar Long/Short Equity	1.78	1.78	-6.72	-6.72	-8.64		

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 calling 1-855-682-6233.

The Fund has contractually agreed to reduce its management fees, and may reimburse the Fund for its operating expenses, in order to ensure that Total Annual Fund Operating Expenses (Excluding acquired fund fees and expenses, leverage, interest, dividend and interest expense on short sales, taxes, brokerage commissions, and extraordinary expenses) do not exceed 1.55% of the average daily net assets of the Investor Class and 1.30% of the average daily net assets of the Institutional class through at least 8/28/2019. Net expense ratios are as-of the Fund's most recent prospectus and are applicable to investors.

General Market Commentary

	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18	6/30/18	9/30/18	12/31/18
Cash	25.1%	24.5%	24.2%	23.7%	24.2%	24.6%	23.8%	17.7%
Long Equities	74.9%	75.5%	75.8%	76.3%	75.8%	75.4%	76.2%	82.3%
Short Equities	67.7%	74.3%	77.9%	93.9%	87.9%	86.1%	99.6%	75.9%
Gross Exposure	142.7%	149.7%	153.7%	170.2%	163.7%	161.5%	175.8%	158.2%
Net Exposure	7.2%	1.2%	-2.1%	-17.6%	-12.0%	-10.7%	-23.4%	6.3%

The Investment Team believes the investment opportunity set has become more balanced over the last quarter with attractive investments to be found on both sides of the Fund's investment portfolio. As a point of reference, as of 12/31/18, the median company in the proprietary Nuance long universe, which consists of approximately 250 companies we view as industry leaders, was trading at around a 15% premium to what the Investment Team would consider to be fair value. Said another way, the universe appeared to be 15% over-valued on average, per our internal estimates. In addition, according to our company-by-company valuation work, this same universe had roughly 60% downside potential. This implies that if our list of 250 companies were to all trade down to their historic trough valuation multiples, then the average stock could go down around 60%.

As one can see from the table above, the Fund ended the quarter with a net 6% long equity exposure. On the long side of the portfolio, the Investment Team believes the opportunity set has started to expand with recent market volatility. We believe attractive investments with reasonable risk/ rewards can be found in the Packaged Food & Meats, Healthcare Supplies, Property & Casualty Insurance, and Life & Health Insurance sub-industries, in our opinion. On the short side of the portfolio, the Investment Team believes the opportunity set continues to be attractive, although less so than in more recent quarters, with short investments still held in nine of the eleven GICS sectors of the economy.

Featured Investment

Long Sanderson Farms, Inc. (SAFM)- SAFM is a leader in the production, processing and distribution of fresh and frozen chicken products with an estimated market share of around 10% in the US. US per capita chicken consumption has grown by 25% over the last decade, while per capita pork consumption has increased by 5% and per capita beef consumption is down 10%. This structural market share gain in chicken vs. the competing proteins has been driven by both consumers' growing preference for fresh vs. processed foods in general, as well as chicken's relative low cost per pound advantage in grocery stores. Within the actual chicken production sub-industry, SAFM has been a meaningful market share gainer this economic cycle, having grown its market share by around four percentage points since 2007. The primary reason for SAFM's market share gains is related to SAFM's low production cost advantage vs. peers. SAFM is known for having the newest fleet of facilities and the best geographical locations from a cost of transportation perspective, which when combined allow for SAFM's cost structure to be best in class. This can be witnessed when examining SAFM's EBITDA margins over the last two decades, which have averaged above 10% vs. public competitors that have averaged in the mid-single digits over the same time frame. The Investment Team believes that when both US per capita chicken consumption growth trends and SAFM's cost advantages vs. peers is considered along with SAFM's net cash on its balance sheet and its history of rational capital allocation decisions, SAFM's competitive position can be considered well above average.

SAFM is expected to earn around \$1.00 per share this year, down from over \$12.00 last year, and the Investment team believes the company is under-earning its long-term potential. The primary reason for the under-earnings is related to the current level of wholesale chicken prices in the marketplace. As of the 4th quarter of 2018, SAFM was receiving the lowest dollar amount for each pound of chicken produced that it had in the last 10 years. Additionally, for the largest and most valuable part of the chicken, the chicken breast, SAFM was receiving the lowest dollar amount it had in the last 20 years for each pound of meat produced. To give the reader some perspective, as of the 4th quarter of 2018, wholesale prices for boneless chicken breast meat were under \$1.00 per pound, compared to a \$1.40 per pound average over the last 20 years and a recent high of \$1.70 per pound in 2014. The culprit of these low wholesale chicken prices was both 1) a temporary surge in chicken production capacity greater than demand growth that has resulted in what we believe to be a transitory supply/demand imbalance, and 2) a general trade-related protein glut resulting from the recent trade wars. If either or both of these factors were to normalize, then the Investment Team believes chicken prices could trend up to historic levels and SAFM's earnings could reset meaningfully higher.

As of 12/31/18 SAFM was trading at \$98 per share or around 1.6x its Book Value of \$63 per share. At this price, we believe that SAFM's stock is greater than 50% under-valued, likely due to the low level of current earnings referenced above. This level of under-valuation screens attractive when compared to the average stock in our Nuance long universe, which as previously mentioned, was around 15% over-valued, in our opinion. Moreover, based on studying SAFM's Price/ Book Value multiples over the last 10 years, which have historically troughed between 1.2x and 1.3x Book Value, we believe that SAFM's current downside potential of around 30% compares favorably to our Nuance long universe's downside potential of 60%. This combination of significantly more upside and meaningfully less downside than our other investment options is exactly the type of risk/ reward the Investment Team is looking for and explains why SAFM is a top long investment idea.

You should consider the fund's investment objectives, risks, charges and expenses carefully before investing. For a statutory or summary prospectus, that contains this and other information about the Funds, call 1-855-NUANCE3 (855-682-6233) or visit our website at www.nuanceinvestments.com. Please read the prospectus carefully before investing.

Mutual fund investing involves risk. Principal loss is possible. Investments in small and mid-capitalization companies involve additional risk such as limited liquidity and greater volatility than larger capitalization companies. Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods. The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual stock volatility than a diversified fund. Short sale of securities involves unlimited risk including the possibility that losses may exceed the original amount invested. However, a mutual fund investor's risk is limited to one's amount of investment in a mutual fund. The Fund is newer with limited operating history and there can be no assurance that the Fund will grow to or maintain an economically viable size, in which case the Trust's Board of Trustees ("Board of Trustees") may determine to liquidate the Fund.

The Primary Benchmark for the Fund is the S&P 500 Index. The S&P 500 Index is a market-value weighted index representing the performance of 500 widely held publicly traded large-capitalization stocks. Individuals cannot invest directly in any index. These indices are used for comparison purposes only and are not meant to be indicative of a portfolio's performance, asset composition, or volatility. The performance of the Fund may differ markedly from that of compared indices due to varying degrees of diversification and/or other facts. Return figures for all performance shown provided by US Bank.

Nuance Investments is the advisor to the Nuance Mid Cap Value Fund, the Nuance Concentrated Value Fund and the Nuance Concentrated Value Long-Short fund which are distributed by Quasar Distributors, LLC.

Normalized Earnings = Normalized Earnings is an internally derived calculation of earnings based on historical analysis and adjustments to reported income.

S&P Global Credit Rating = The S&P Global Credit Rating is a rating that measures a company's ability to meet their financial obligations on time and in full. These ratings are opinions about credit risk and are calculated by S&P Global Inc.

Price to Earnings multiple = measures the price of a company's stock in relation to its earnings per share.

Earnings per share (EPS) = The amount of Net Income, less any preferred dividends, allocated on a per share basis of common stock.

Book Value = Book Value, also referred to as Shareholders' Equity, is the value of the company's total assets after all liabilities have been paid.

Price to Book Ratio = The Price to Book ratio measures the price of a company's stock in relation to its book value per share.

Sanderson Farms Inc. (SAFM) represents 6.48% of the assets in the portfolio as-of 12/31/2018.

Earnings growth is not representative of the Fund's future performance.

Morningstar Long-Short Equity-The Fund has been compared to various peer groups defined by investment style. The Fund is an all market capitalization value investment style. The Morningstar Long/Short Equity Peer Group (as selected by Morningstar) has been presented as an investment strategy with a similar investment style.

GIPS Compliance Statement

Nuance claims compliance with the Global Investment Performance Standards (GIPS®). The firm maintains a complete list and description of composites, which is available upon request. More information regarding Composite descriptions and policies for valuing portfolios, calculating performance, and compliant presentations are available upon request by contacting client.services@nuanceinvestments.com or 816-743-7080.

The definition of the firm is the foundation for firm-wide compliance and creates defined boundaries for determining the assets of the firm. In this instance, the firm is defined as Nuance Investments, LLC (Nuance). Nuance founded on November 1, 2008, was formed on the belief that the ability to outperform the broad stock market is predicated on a consistent and disciplined value investing approach. The Investment Management Team selects securities for the Nuance investment portfolios by using an extensive quantitative screening and fundamental research process that identifies leading businesses selling at a discount to fair value and that have the potential to generate above-average rates of returns over time. The Investment Management Team seeks to identify companies across a range of industries and market sectors that have leading and sustainable market share positions, above-average financial strength, and are trading at a discount to their internal view of intrinsic value. The Investment Management Team may sell an investment when it believes it has surpassed its intrinsic value by applying the screening process described above, for purposes of portfolio construction or risk management, or when a more attractive investment opportunity becomes available. For the short side, the Investment Management team seeks to identify companies across a range of industries and market sectors that have average to below average competitive positions and unattractive risk reward profiles. The total firm assets will be defined as all discretionary and non-discretionary assets under management within Nuance. This includes primary investment management accounts, sub-advisory investment management accounts and wrap accounts as well as both fee-paying and non-fee paying assets. Surpassed its intrinsic value by applying the screening process described above, for purposes of portfolio construction or risk management, or when a more attractive investment opportunity becomes available. This includes primary investment management accounts, sub-advisory investment management accounts and wrap accounts as well as both fee-paying and non-fee paying assets.