

Nuance Concentrated Value Composite Perspectives



May 31, 2018

Description of the Product

The Nuance Concentrated Value Composite is a classic value investment product investing primarily in the equity or equity-linked securities of United States based companies. The product will typically maintain 15-35 positions in the securities of companies that, in the opinion of the Nuance Investments Team, have leading and sustainable market share positions, above average financial strength, and are trading at prices materially below our internally derived view of intrinsic value. The product's primary benchmark is the Russell 3000 Value Index. Clients may also compare the product to the S&P 500 Index.

Portfolio Managers



Scott Moore, CFA
President & CIO

26 Years of Experience

Chad Baumler, CFA
Vice President

10 Years of Experience

Risk-Adjusted Returns Rankings¹

1ST PERCENTILE

Lipper
Category: Multi-Cap Value
SI Rank in Cat: 2 of 222

Morningstar
Category: Large Value
SI Rank in Cat: 5 of 962

Morningstar
Category: Mid-Cap Value
SI Rank in Cat: 1 of 310

Longer Term Performance Update

Since Inception Return: The return since inception (11/13/2008) through 5/31/2018 is 15.7 percent (annualized and net of fees) versus the Russell 3000 Value Index and S&P 500 Index, which have returned 12.6 percent and 14.5 percent respectively. We are pleased with this level of outperformance over time.

Risk-Adjusted Returns: Our Sharpe Ratio since inception through 5/31/2018 is 1.3 (net of fees) versus Russell 3000 Value Index at 0.9 and the S&P 500 Index at 1.1.

Peer Group Returns through 3/31/2018: Comparing our product to peers displays positive results over time. On a total return basis, since 11/30/08, we ranked 31 out of 962 peer group members (3rd percentile) in the Morningstar Large Cap Value universe, 80 out of 310 (26th percentile) in the Morningstar Mid-Cap Value universe, and 23 out of 222 (11th percentile) in the Lipper Multi-Cap Value universe.

Peer Group Risk-Adjusted Return through 3/31/2018: On a risk-adjusted return basis, since 11/30/2008, (measured by the Sharpe Ratio) we ranked 5 out of 962 peer group members (1st percentile) in the Morningstar Large Cap Value universe, 1 out of 310 (1st percentile) in the Morningstar Mid-Cap Value universe, and 2 out of 222 (1st percentile) in the Lipper Multi-Cap Value universe.

Peer Group Analysis 11/30/2008 - 3/31/2018	Since Inception APR ¹	Standard Deviation (A) ¹	Sharpe Ratio (A) ¹
Nuance Concentrated Value Composite (Gross)	16.5	12.4	1.3
Nuance Concentrated Value Composite (Net)	15.8	12.4	1.3
Lipper Multi-Cap Value Funds Peer Group (Median)	13.0	15.1	0.9
Peer Group Percentile and Ranking	11th (23 of 222)	5th (13 of 222)	1st (2 of 222)
Morningstar Large Value Peer Group (Median)	12.6	14.3	0.9
Peer Group Percentile and Ranking	3rd (31 of 962)	13th (127 of 962)	1st (5 of 962)
Morningstar Mid-Cap Value Peer Group (Median)	14.7	15.6	0.9
Peer Group Percentile and Ranking	26th (80 of 310)	1st (3 of 310)	1st (1 of 310)

Performance 11/13/2008 - 5/31/2018	APR*	TR*	Standard Deviation*	Sharpe Ratio*	7 Years	5 Years	3 Years	1 Year	2018 YTD
Nuance Concentrated Value Composite (Gross)	16.4	328.2	12.3	1.3	11.6	10.4	7.2	6.3	(2.4)
Nuance Concentrated Value Composite (Net)	15.7	304.1	12.3	1.3	10.9	9.6	6.5	5.5	(2.7)
Russell 3000 Value Index	12.6	210.4	14.4	0.9	10.9	10.1	7.7	8.8	(1.4)
S&P 500 Index	14.5	264.0	13.2	1.1	12.8	13.0	11.0	14.4	2.0

*Since Inception

Value. Delivered.

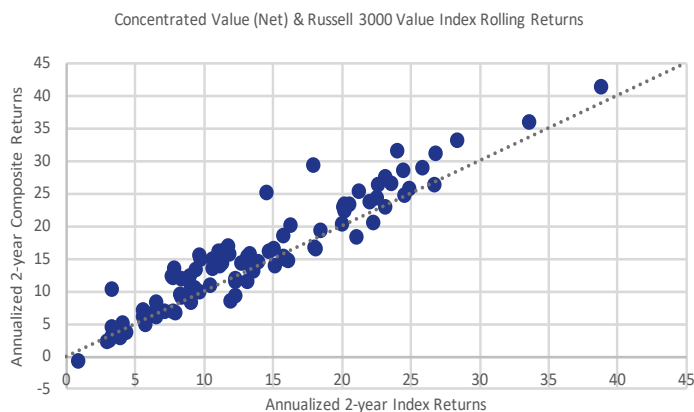
Shorter Term Performance Update (Two Year and Year-to-Date)

Rolling 2-Year Periods	Current 2-Year Period as of 5/31/2018		
11/30/2008 - 5/31/2018	Periods Beating the Index	Composite (%) Net of Fees ¹	Russell 3000 Value Index (%)
Nuance Concentrated Value Composite	63 / 91	69.2%	7.7
			11.9

Your team at Nuance cautions clients regarding the use of short-term performance as a tool to make investment decisions. That said, if a client wants to consider our short-term performance, we recommend emphasizing two-year rolling periods since our inception. Our normal discussion of short-term performance will center on two-year performance, but we will also note calendar year to date results as is our tradition.

For the period ending May 31, 2018, the Nuance Concentrated Value Composite two year rolling return is 7.7 percent (net of fees) versus the Russell 3000 Value Index and S&P 500 Index which have returned 11.9 percent and 15.9 percent respectively. Overall, we have outperformed in 63 out of the available 91 two-year periods as shown in the chart labeled Rolling 2-Year Return Periods.

Year-to-date, the Nuance Concentrated Value Composite has returned (2.7) percent (net of fees) versus the Russell 3000 Value Index and the S&P 500 Index, which have returned (1.4) percent and 2.0 percent respectively.



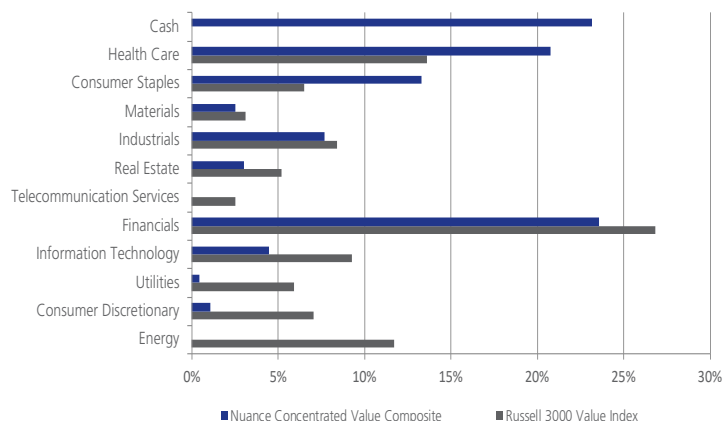
Calendar Year Performance as of 5/31/2018	11/13/08 - 12/31/08	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 YTD
Nuance Concentrated Value Composite (Gross)	4.5	42.2	18.8	6.9	18.4	35.3	8.9	(1.3)	20.5	12.1	(2.4)
Nuance Concentrated Value Composite (Net)	4.5	41.7	18.1	6.3	17.8	34.5	8.1	(2.0)	19.7	11.3	(2.7)
Russell 3000 Value Index	0.4	19.8	16.3	(0.1)	17.6	32.7	12.7	(4.1)	18.4	13.2	(1.4)
S&P 500 Index	(0.5)	26.5	15.1	2.1	16.0	32.4	13.7	1.4	12.0	21.8	2.0

Composition of the Portfolio as of 5/31/2018

Portfolio Characteristics ²	Nuance Concentrated Value Composite	Russell 3000 Value Index
Weighted Average Market Cap	46.0b	109.9b
Median Market Cap	15.8b	1.7b
Price to Earnings (internal and ttm)*	15.5x	16.8x
Forward Price to Earnings	16.1x	15.1x
Dividend Yield	1.8%	2.5%
Return on Equity	31.3%	18.0%
Return on Assets	6.6%	4.7%
Active Share vs Russell 3000 Value	94.0%	-
Upside/Downside Capture Ratio vs Russell 3000 Value	86.6% / 59.6%	-
Number of Securities	34	2,100

We continue to be pleased with the overall composition of the portfolio. Remember that we are seeking investment opportunities in leading business franchises with better than average valuation support. Using the adjacent table, you can see that the portfolio has a Price to Earnings ratio of 15.5x versus the Russell 3000 Value Index of 16.8x. We are achieving this ratio with a portfolio of companies that have a return on assets of 6.6 percent versus the Russell 3000 Value Index of 4.7 percent. This dichotomy of above average companies selling at below average multiples has the opportunity for outperformance over the long-term, in our opinion.

¹Based on Nuance internal estimates and benchmarked against the above noted Russell index.

Sector Weights and Portfolio Positioning as of 5/31/2018

Our two largest overweight sectors remain the Consumer Staples and Healthcare sectors as we continue to find select leaders with what we believe are better risk-rewards than other market opportunities. While we are slightly underweight in the Financial sector, we continue to see opportunities within the sector as an above-average catastrophe loss year created an opportunity in what we view as select high quality financial institutions, specifically in the insurance industry. The Information Technology sector is one we are fond of longer term, but at these latter stages of the economic cycle, most of the companies we track are well over-earning their more normal levels of earnings and have valuations that we believe are aggressive. We continue to underweight the Energy sector as we believe the sector is facing a multi-year period of competitive transition. We also remain underweight the Consumer Discretionary sector primarily due to valuation concerns.

Stocks We Added to Your Portfolio (May 2018):

Abaxis, Inc (ABAX): ABAX is the #2 manufacturer of animal diagnostic equipment and consumables. In May, it was announced that they were to be acquired by Zoetis Inc. (ZTS) for \$83 per share in an all cash deal. We don't foresee any financing or regulatory issues, and we expect the deal to close by year end.

Stocks We Eliminated from Your Portfolio (May 2018):

Colgate-Palmolive Co (CL): CL is the global leader in oral care products. We exited our position as we found more attractive risk reward opportunities.

Northwest Natural Gas Co (NWN): We exited our position in NWN as it surpassed our view of fair value, and we found more attractive opportunities.

Nuance Perspectives from President & CIO, Scott Moore, CFA

Dear Clients,

Through 5/31/2018, your Nuance Concentrated Value Composite was down (2.71) percent (net of fees) versus the Russell 3000 Value Index down (1.43) percent and the S&P 500 Index up 2.02 percent. Most importantly to us, since our inception on 11/13/2008, the Nuance Concentrated Value Composite is up 15.74 percent (annualized and net of fees) versus the Russell 3000 Value Index up 12.59 percent and the S&P 500 Index up 14.49 percent.

A pretty tepid start to 2018 continued this month as our positioning for the year has been less than ideal. Thus far this year, only the Information Technology and Energy sectors are up on the year, and we are underweight both sectors. Energy is a more structural underweight as we believe the rapid pace of market share shifts to power sources outside of the traditional fossil fuels will lead to longer term disappointments in the space. Information Technology is a sector we are very fond of over the long term, but at these latter stages of the economic cycle, most of the companies we track are well over-earning their more normal levels of earnings and have valuations that are very aggressive. That combination leads to the potential for significant downside risk in the space. To compound these two sectors, we have been overweight the Consumer Staples sector – the worst performing sector of the Russell 3000 Value Index this year due largely to rising commodity costs and a rising interest rate environment. While our largest holding – Diageo PLC (DEO) – alone has resulted in above average stock selection, the overall downdraft in the space has led to underperformance in this sector as well as versus our benchmark. We continue to maintain an overweight stance in the space and have added to stocks or tax swapped into Sanderson Farms Inc. (SAFM) on weakness. These negatives have offset positive contribution and stock selection from most of the other sectors. Solid stocks this year include DEO, Ecolab Inc. (ECL), AptarGroup Inc. (ATR), Autoliv Inc. (ALV), and California Water Service Group (CWT) among others.

SAFM is an interesting late cycle stock story and is worthy of a longer explanation. SAFM is a fully integrated poultry processing company that produces, processes, markets, and distributes fresh and frozen chicken products as well as prepared chicken products. SAFM is the third largest producer in a quite fragmented United States chicken market behind Tyson Foods Inc. (TSN) and Pilgrim's Pride Inc. (PPC). Further, a more regionally focused review of SAFM's market share leads to our own conclusion that they are #1 or #2 in most of its southeastern and south centrally located United States markets. Bigger picture, chicken is considered a reasonably healthy (lowest levels of calories and fat and highest levels of protein content) and a favored food option. Additionally, chicken has gained significant market share versus other protein categories and generic packaged food options for multiple decades now. That said, the business is certainly cyclical, and demand and capacity issues, along with feed costs (50 percent of costs), are the primary causes of that cyclicity. Within the protein universe, SAFM is a pure-play chicken producer with a best in class balance sheet (net cash) and excellent returns on capital versus the broad industrial universe of companies as well as versus the non-packaged food niche of companies. With solid returns on capital through cycles and an understandable level of cyclicity, SAFM fits our definition of a leading business franchise quite well.

Today, Wall Street has estimates for the company as low as \$7.35 versus our normal estimate of \$10.00 per share. That under-earnings status is due largely to modestly above-average feed costs as well as the under-leveraged balance sheet. With the stock at approximately \$105, shares are trading at 10-11x our normal earnings with a debt free balance sheet. While in a more draconian chicken cycle, there is certainly downside left in SAFM; in today's market, we have found what we believe to be an excellent one-off risk reward.

Please visit our [website](#) for more information about our team, our process and value investing. Follow us on [LinkedIn](#) and [Twitter](#)! You may also receive information via traditional mail or [email](#). Call us at 816-743-7080. Click [here](#) for historical Concentrated Value Perspectives.

Thank you for your continued confidence and support.



Scott A. Moore, CFA

GIPS Disclosures

	Gross of Fees Return	Net of Fees Return	Benchmark Return (RAV Index)	Benchmark Return (SPX Index)	Composite Dispersion (Full Period)	Number of Separate Accounts (End of Period)	Total Composite Assets (End of Period)	Total Firm Assets (End of Period)	% of Non-Fee paying accounts	3 Year Annualized Standard Deviation (Composite Gross)	3 Year Annualized Standard Deviation (RAV Index)
YTD 2008 (11/13/08-12/31/08)	4.5	4.5	0.4	(0.5)	N/A	7	\$9,126,951	\$18,657,997	4.6%	-	-
2009	42.2	41.7	19.8	26.5	1.2	79	\$87,342,803	\$137,943,058	0.6%	-	-
2010	18.8	18.1	16.3	15.1	0.3	145	\$119,543,453	\$181,201,036	0.5%	-	-
2011	6.9	6.3	(0.1)	2.1	0.5	181	\$96,831,359	\$152,976,943	1.1%	16.1	21.3
2012	18.4	17.8	17.6	16.0	0.2	259	\$154,693,966	\$214,936,666	1.0%	13.1	16.0
2013	35.3	34.5	32.7	32.4	0.7	411	\$418,085,862	\$507,569,897	0.4%	12.2	13.1
2014	8.9	8.1	12.7	13.7	0.2	581	\$886,246,169	\$1,071,186,382	0.2%	10.4	9.5
2015	(1.3)	(2.0)	(4.1)	1.4	0.2	607	\$715,577,980	\$913,545,839	0.1%	11.4	10.9
2016	20.5	19.7	18.4	12.0	0.1	694	\$937,752,729	\$1,466,221,847	0.1%	11.1	11.1
2017	12.1	11.3	13.2	21.8	0.1	726	\$1,011,853,027	\$1,784,338,191	0.0%	10.1	10.5
YTD 2018 (5/31/2018)	(2.4)	(2.7)	(1.4)	2.0	N/A	675	\$916,163,011	\$1,805,783,431	0.0%	9.7	10.5

Compliance Statement

Nuance claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Nuance has been independently verified for the periods 11/03/08 – 3/31/2018 by Absolute Performance Verification. The verification reports are available upon request. 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. Verification does not ensure the accuracy of any specific composite presentation. Nuance is an investment adviser registered with the Securities and Exchange Commission. The firm maintains a complete list and description of composites, which is available upon request. Results are based on fully discretionary separate accounts under management, including those accounts no longer with the firm. The U.S. Dollar is the currency used to express performance returns and assets. Performance results are presented both net and gross of management fees and include the reinvestment of income. Both gross and net of fee returns are reduced by trading expenses. Net of fee returns are reduced by Actual investment advisory fees and other expenses that may be incurred in the management of the account. The firm does not currently assess any Performance Based Fees. From the inception of each composite until 12/31/10, Time Weighted Return was compounded on a monthly basis. Beginning 01/01/11 through present, Time Weighted Return was compounded on a daily basis.

Dispersion is calculated from gross of fee returns using an equal-weighted standard deviation methodology. Only those accounts included for the full calculation period are part of the dispersion calculation. The 3-year Ex-post annualized standard deviation value is calculated using 36 consecutive monthly gross of fee returns to the end calculation period. Prior to January 1, 2017 dispersion was calculated using an asset-weighted methodology. The calculation methodology was updated based on a new performance system dispersion calculation. Nuance has adopted the following Significant Cash Flow Policy. An account will be removed from a composite if a client has given specific instructions that prevent full investment of the cash flow(s) in a timely manner (defined as 5 business days or greater), or if a single cash flow is equal or greater than 10 percent of the total account value based on the beginning of month market value. If these circumstances exist, the account will be removed from the composite and added back to the composite on the first day of the following month.

Our Core offerings are the Nuance Mid Cap Value Strategy, the Nuance Concentrated Value Strategy and the Nuance Concentrated Value Long-Short Strategy. More information regarding Composite descriptions and policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request by contacting client.services@nuanceinvestments.com or 816-743-7080.

Important Disclosures

Nuance Investments, LLC (the "Firm") is a Registered Investment Advisor. The Firm's Nuance Concentrated Value Composite (the "Composite") is a composite of actual accounts invested in the Nuance Concentrated Value investment strategy. The inception date for the Composite is 11/13/2008. The Composite includes all accounts that have invested in the strategy; including accounts no longer managed by the Firm and are presented in US Dollars. The Primary Benchmark for the Composite is the Russell 3000 Value Index. The Russell 3000 Value Index measures the performance of the broad value segment of the U.S. equity universe. It includes those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values. The Secondary Benchmark for the Composite is the S&P 500 Index TR. The S&P 500 Index TR 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 Composite may differ markedly from that of compared indices due to varying degrees of diversification and/or other facts. Return calculations for the Composite are provided by Clearwater Analytics. Return calculations for all indices are provided by Bloomberg. A full schedule of fees for all Firm products is available upon request. The collection of fees has a compounding effect on the total rate of return net of investment management fees. Net of fee performance is presented after all actual investment management fees and trading expenses.

All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. The information contained herein should not be construed as personalized investment advice and should not be considered as a solicitation to buy or sell any security or engage in a particular investment strategy. Investing involves risk, including the possible loss of principal. Nuance Investments, LLC is majority owned by Montage Investments, LLC. Prior to September 1, 2010 Nuance operated under the name Mariner Value Strategies, LLC.

(1) Risk-Adjusted Return (Sharpe Ratio), Standard Deviation and return calculations for the Composite and indices provided by Zephyr Style Advisor. The Composite has been compared to various peer groups defined by investment style. The Composite is an all market capitalization value investment style. The Morningstar Large Value Peer Group, Mid Cap Value Group and the Lipper Multi-Cap Value Funds Peer Group have been presented as investment strategies with similar investment styles. For peer group comparisons all Returns, Standard Deviation and Sharpe Ratio calculations, including those of the Composite were calculated by Zephyr Style Advisor based upon strategies with monthly return data from December 2008 to 3/31/2018. Zephyr reports on month end returns only. For the purposes of peer group comparisons Since Inception returns are shown beginning 11/30/2008. The Sharpe Ratio is a calculation of a product's risk-adjusted performance over time. The Ratio is calculated by taking a product's annualized excess return over a risk-free rate (The Firm uses the Citigroup 3-Month Treasury Bill as the risk-free rate) and dividing by its annualized standard deviation calculated using monthly returns.

(2) Index statistics are provided by Russell. Characteristics calculations use holdings at market close on the stated date, including cash & cash equivalents. The following Composite characteristics are calculated using Bloomberg: Median Market Cap (midpoint of market capitalization of the stocks in the portfolio), Dividend Yield (annual dividends relative to share price), Return on Equity (net income divided by shareholder equity), Return on Assets (net income divided by average total assets). The P/E Statistics are a Nuance internal calculation. The dollar-weighted harmonic mean of individual company P/E ratios is used. This approach first considers holdings' E/P, which are then summed on a dollar-weighted basis across the entire portfolio to achieve a portfolio E/P ratio. Finally, the inverse of this ratio is taken to arrive at the Portfolio P/E ratio. Active share, as calculated by Morningstar Direct, is a statistic that measures a strategy's holdings relative to the holdings of the appropriate benchmark. Standard deviation is a measure of volatility showing the average deviations of a return series from its mean. The upside capture ratio is an indication of a manager's ability to match returns in periods of market strength, while the downside capture ratio measures a manager's ability to curtail losses in periods of index weakness. Results are gross of fees for the period since inception through present. Both upside/downside ratios and standard deviation are calculated using Style Advisor.

Portfolio holdings and sector allocations are subjected to change and are not a recommendation to buy or sell any security. As of 5/31/2018 portfolio weights of names discussed are as follows: Diageo PLC (DEO) 5.16%, Sanderson Farms, Inc. (SAFM) 3.97%, Ecolab Inc. (ECL) 1.49%, Autoliv Inc. (ALV) 1.08%, AptarGroup Inc. (ATR) 1.05%, Abaxis, Inc. (ABAX) 1.00%, California Water Service Group (CWT) 0.43%, Colgate-Palmolive (CL) 0.00%, Northwest Natural Gas Co. (NWN) 0.00%, Tyson Foods Inc. (TSN) 0.00%, Pilgrim's Pride Inc. (PPC) 0.00%.

Past Performance is not a guarantee of future results. Any investment contains risk including the risk of total loss. There is no guarantee that an investment with the strategy will meet its investment objectives. Please request a copy of the Firm's Full General Disclosures for more information.