

Nuance Concentrated Value Perspectives Discussion

August 31st, 2010



Commentary with President and Chief Investment Officer
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Performance Update

- Since its inception on November 13, 2008, the Nuance Concentrated Value Composite (through August 31, 2010) is up 23.13 percent (annualized and net of fees) versus the Russell 3000 Value Index up 8.96 percent, the Russell Midcap Value Index up 20.54 percent, and the S&P 500 Index up 10.70 percent.
- Year-to-date through August 31, 2010, the Nuance Concentrated Value Composite is down 1.78 percent (net of fees) versus the Russell 3000 Value Index down 2.96 percent, the Russell Midcap Value Index up 1.73 percent, and the S&P 500 Index down 4.62 percent.
- Following last month's sharp rise in the market this month saw a meaningful decline as continued fears related to lagging employment levels and rising government debt levels in the United States, economic issues within Europe, and China's potential slowing growth continues to create volatility in the markets. In your team's opinion, this volatility is providing interesting investment opportunities across many sectors of our economy.

Stocks we recently added to your portfolio

- **Northern Trust Corporation (NTRS)**: NTRS is a Chicago, Illinois based diversified financial company. Its operations include one of the leading wealth management and trust businesses in the country with over \$140 billion under management. This well capitalized company has had above average returns on capital over time versus its peers and is now trading at a discount to its historical valuation levels. Further, earnings have come under pressure due to well below trend interest rate levels as well as what we believe are below average assets levels due to where the overall market is trading today. As such, with below trend earnings and below trend multiples, we believe this is an attractive entry point.
- **Charles Schwab Corporation (SCHW)**: We are back buying SCHW for the second time since we founded Nuance in late 2008. In both cases, the buying opportunity appears due to fear in the broad stock market that has led expectations of compressed earnings power that will be below sustainable levels over time. Importantly, this same fear has also led to attractive valuation levels. Given these two phenomenon's we believe current stock prices are good entry points for this well financed, leading market share brokerage firm with above average returns on capital versus its peers.

Stocks we recently sold from your portfolio

- None

Notes For the Month

- Overall, we continue to believe that each company we own in your portfolio is trading at a discount to our internal view of intrinsic value. The continued economic uncertainties around the world are creating multiple valuation driven opportunities in leading business franchises.

Don't forget to visit our website at www.nuanceinvestments.com for more information about our team, our process, and value investing. You can also get real-time access to the Nuance Investments website updates and information via traditional mail or e-mail. Simply contact us at client.services@nuanceinvestments.com or call 816-743-7080 to sign-up.

Thank you for your continued confidence and support.

A handwritten signature in black ink that reads 'Scott A. Moore'.

Scott A. Moore, CFA