

Nuance Concentrated Value Perspectives Discussion

October 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 October 31, 2010) is up 27.09 percent (annualized and net of fees) versus the Russell 3000 Value Index up 14.27 percent, the Russell Midcap Value Index up 26.59 percent, and the S&P 500 Index up 16.88 percent.
- Year-to-date through October 31, 2010, the Nuance Concentrated Value Composite is up 8.16 percent (net of fees) versus the Russell 3000 Value Index up 8.01 percent, the Russell Midcap Value Index up 15.40 percent, and the S&P 500 Index up 7.84 percent.
- The month of October was positive for the market as approximately 80 percent of companies within the S&P 500 reported third quarter earnings that exceeded analyst expectations. This positive news continued despite 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 that continues to create volatility in the markets.

Stocks we recently added to your portfolio

• **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

• **Pall Corporation (PLL):** We recently sold our position in PLL after a positive earnings announcement helped the company achieve a stock price that represented or surpassed our internal view of its fair value after an excellent gain. We will continue to monitor PLL for future investment opportunities.

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