

Nuance Concentrated Value Perspectives Discussion



August 31, 2011

from Montage Investments

Commentary with President and Chief Investment Officer Scott A. Moore, CFA

Market volatility encompassed the month of August as fears of another recession, the downgrade of the United States bond rating, and mixed earnings results led to a market sell-off. During this period we used the inherent volatility to upgrade the risk reward of your portfolio and we also found a few tax-loss swap opportunities. We continue to find leading business franchises trading at a discount to our internal view of fair value.

Performance Update

We continue to be pleased with our overall performance. Since its inception on November 13, 2008, the Nuance Concentrated Value Composite (through August 31, 2011) is up 22.84 percent (annualized and net of fees) versus the Russell 3000 Value Index up 10.94 percent and the S&P 500 Index up 13.43 percent.

Year-to-date through August 31, 2011, the Nuance Concentrated Value Composite is up 1.65 percent (net of fees) versus the Russell 3000 Value Index down 4.35 percent and the S&P 500 Index down 1.77 percent.

	YTD	Since Inception	Since Inception	Since Inception	Since Inception
11/13/08 - 08/31/11	2011	APR	Return	Ratio (A)	Standard Deviation (A)
Nuance Concentrated Value Composite (Gross)	2.07	23.42	80.13	1.44	15.35
Nuance Concentrated Value Composite (Net)	1.65	22.84	77.79	1.41	15.33
Russell 3000 Value Index	(4.35)	10.94	33.70	0.61	20.36
S&P 500 Index	(1.77)	13.43	42.26	0.76	18.16

Please visit our new and improved 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, e-mail, or on Facebook.

Thank you for your continued confidence and support.

Scott A. Moore, CFA

Please note: Commencement of the Nuance Concentrated Value Composite was 11/13/08. Return figures for the Nuance Concentrated Value Composite are provided by Advent Portfolio Exchange. The Primary benchmark for the Nuance Concentrated Value Composite is the Russell 3000 Value Index. The secondary benchmark is the S&P 500 Index. Return figures for all indices are provided by Bloomberg. Annualized Standard Deviation & Annualized Sharpe Ratio figures are provided by PerTrac Analytical Platform. Periods over one year are annualized total return. The Sharpe Ratio is a calculation of a product's risk-adjusted performance over time. The ratio was calculated by taking the product's annualized excess return over a risk-free rate (using the Citigroup 3-month Treasury Bill as the risk-free rate) and dividing by its annualized standard deviation calculated using monthly return data. Morningstar star rating information per Morningstar.com as defined by the overall ratings as of 10/31/08 - Mr. Moore's final day at American Century Investments. It should be noted that Mr. Moore was considered a team consultant for the three funds mentioned from 9/2/2008 until 10/31/2008 as a result of an employment agreement with American Century Investments. The Russell 3000 Value Index measures the performance of those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values. The S&P 500 Index is a market-value weight index provided by Standard & Poor's comprised of 500 stocks chosen for market size and industry group representation. 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 portfolio may differ markedly from that of compared indices due to varying degrees of diversification and/or other facts. Individuals cannot invest directly in any index. Nuance's performance returns have been audited by Absolute Performance Verification through March 31, 2011. To obtain a copy of the Global Investment Performance Standards (GIPS®) authorization letter or a GIPS® compliant presentation please contact Katie Carver at 816.743.7080 or Katie.Carver@nuanceinvestments.com. Past Performance is not a guarantee of future results. Please request a copy of Nuance's Full General Disclosures for more information.

Stocks we recently added to your portfolio:

Clorox Corporation (CLX): We bought back CLX after the recent sell-off in the stock that coincided with the overall market sell-off. In our opinion, this leading consumer product franchise is undervalued on its own merits at today's price levels. Interestingly, the company has a \$78 cash offer from Carl Ichan. While the certainty of achieving this value (relative to today's stock prices of less than \$65) is unknown due to financing concerns and the company's belief of the long term value of CLX, we believe this offer is another data point suggesting the intrinsic value of CLX is well above today's stock prices.

Newell Rubbermaid Inc. (NWL): NWL is a leading provider of consumer products ranging from baby products to plastic containers. We believe that NWL is an under appreciated set of leading franchises that trades at multiples suggesting a poorly positioned company with poor returns on capital. We think these perceptions will change over time and lead to meaningful higher valuations.

Charles Schwab Corp. (SCHW): We swapped out of HCBK (discussed below) and back into SCHW as the recent market sell-off and lower interest rates has significantly hurt SCHW and many financial stocks. SCHW is struggling financially today due to the market being undervalued as well as low interest rates resulting in the company waiving fees to its clients which is hurting their current earnings. We think these are transitory issues and the earning power of the company is higher than today's levels. As the earnings power improves, we think the valuation of SCHW will also expand.

Southwestern Energy Co. (SWN): We bought back this low cost provider of oil and natural gas as the recent market sell-off provided us with another opportunity to buy the company at excellent valuation levels.

Steris Corp. (STE): STE is the leading provider of sterilization products for healthcare, research, and governmental agencies around the world. With an excellent balance sheet and very good returns on capital, the recent sell-off provided us an excellent opportunity to purchase a world-class franchise at inexpensive valuations.

Stocks we recently sold from your portfolio:

ProAssurance Corp. (PRA): We sold PRA due to significant outperformance since the inception of our position in the company. This leading medical malpractice insurer has been a top performer within the insurance industry and the risk reward is now not attractive enough for us to continue to hold the position for our clients.

Diebold Inc. (DBD): We decided to sell DBD as our continued review of the ATM business has resulted in a changed view of the industry. The proliferation of technology with the hand held phone, tablet, and personal computers will continue to avail potential banking customers the ability to move cash and take deposit transactions away from bank branches and ATM's. This has led us to question the sustainability of the competitive position of DBD. As such we have decided to move on from the stock.

Hudson City Bancorp (HCBK): We swapped out of HCBK and into SCHW as we feel that the risk reward profile of SCHW was better than that of HCBK over time. We will continue to monitor HCBK for opportunities to re-enter the stock.

Kellogg Co. (K): We sold K due to the significant outperformance the stock gave us over its life in the portfolio. We will continue to monitor K for opportunities to purchase the company at prices that suggest meaningful return potential to the product.