

# Nuance Concentrated Value Perspectives Discussion



February 29, 2012

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

The first two months of 2012 showed continued strength in the overall stock market as year-end earnings results were generally positive and we continue to see modestly improving unemployment levels in the United States. As for your portfolio, we continue to find leading business franchises trading at a discount to our internal view of fair value. We continue to be underweight in historically high dividend payout ratio industries like Utilities and Real Estate Investment Trusts, and we continue to find opportunities in the Industrial, Energy, and Healthcare sectors. Remember that we study each company on its own business merits, confirm that the company maintains a number one or number two market share position in their various niche industries, and that their market share positions are sustainable over time. We want to avoid poorly positioned companies or companies losing market share on a sustainable basis as we believe those companies are more difficult to 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 February 29, 2012) is up 23.84 percent (annualized and net of fees) versus the Russell 3000 Value Index, up 13.27 percent, and the S&P 500 Index, up 15.29 percent.

Year-to-date through February 29, 2012, the Nuance Concentrated Value Composite is up 8.83 percent (net of fees) versus the Russell 3000 Value Index, up 7.95 percent, and the S&P 500 Index, up 9.00 percent.

	YTD 2012	1 Year	3 Years APR	Since Inception APR	Since Inception Return	Since Inception Standard Deviation (A)	Since Inception Sharpe Ratio (A)
Concentrated Value Composite (Gross)	8.94	10.03	30.48	24.42	105.43	15.47	1.55
Concentrated Value Composite (Net)	8.83	9.53	29.84	23.84	102.30	15.43	1.52
Russell 3000 Value Index	7.95	1.81	25.21	13.27	50.80	20.35	0.64
S&P 500 Index	9.00	5.12	25.51	15.59	61.20	18.18	0.84

Please visit our website at [www.nuanceinvestments.com](http://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

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Montage Investments

## Stocks we recently added to your portfolio:

**Ultra Petroleum Corp (UPL):** UPL is a low-cost natural gas producer based in Houston, Texas. The continued abundant supply of natural gas in the United States coupled with a very warm winter has hurt natural gas prices and the near-term earnings and cash flow prospects of this firm. Due to our belief that natural gas will take market share from crude oil and coal over the long-term, we find the current opportunity compelling. At today's prices, we believe that the upside potential is significantly greater than the downside risk.

## Stocks we recently sold from your portfolio:

**Kimberly Clark Corp (KMB):** We sold KMB after a period of outperformance. At today's prices, we are finding better opportunities in other investments. We continue to believe that KMB is an excellent company and we will look to repurchase the stock at more attractive levels in the future.

**Southwestern Energy Co (SWN):** We sold our holdings in SWN and bought UPL (described above) with some of the proceeds. Unlike UPL, SWN's stock price had performed well in the face of a very warm winter and the abundant supply of natural gas. We will look for opportunities to buy SWN in the future when the risk versus reward profile improves.

**GIPS Disclaimer**

	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 Net)	3 Year Annualized Standard Deviation (RAV Index)
YTD 2008 (11/13/08-12/31/08)	4.47	4.47	0.38	(0.47)	N/A	7	\$9,126,951	\$18,657,997	4.57%	-	-
2009	42.21	41.72	19.78	26.47	1.34	79	\$87,342,803	\$137,943,058	0.60%	-	-
2010	18.79	18.13	16.26	15.06	0.44	145	\$119,543,453	\$181,201,036	0.46%	-	-
2011	6.85	6.29	(0.06)	2.11	0.59	181	\$96,831,359	\$152,976,943	0.85%	15.89	21.04
YTD 2012 (02/29/2012)	8.94	8.83	7.95	9.00	N/A	192	\$109,253,182	\$170,974,977	0.82%	14.34	17.92

**Important Disclaimer**

Please note: 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. 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 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 Advent Portfolio Exchange. Return calculations for all indices are provided by Bloomberg. Standard Deviation and Sharpe Ratio calculations for the Composite and indices provided by Zephyr Style Advisor. The Standard Deviation of a product measures the average deviations of a return series from its mean, and is often used as a measure of risk. A large standard deviation implies that there have been large swings in the return series of the manager. 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. 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.

The Composite's performance returns have been audited by Absolute Performance Verification through March 31, 2011. The verification report is available upon request by contacting Client Services at 816-743-7080 or [client.services@nuanceinvestments.com](mailto:client.services@nuanceinvestments.com). Verification assesses whether (1) The Firm has complied with all the composite requirements of the Global Investment Performance Standards (GIPS®) 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.

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