

Nuance Concentrated Value Perspectives Discussion



October 31, 2012

from Montage Investments

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

After fairly robust year-to-date gains in the market, October displayed a pause as fiscal cliff concerns, uncertainty over the election results, a lackluster earnings season, and continued economic issues in Europe and Asia hurt stocks. Your portfolio has made up some ground versus its benchmarks this month as it held relatively steady during this modest sell-off. Industries that we have de-emphasized due to over-valuation, utilities and real estate investment trusts, have come under some pressure and reasonable earnings at some of our favorite stocks has also helped. Of course all of that discussion is simply telling you about short term performance issues and as our consistent readers know that is far from our emphasis or focus. Rather, we focus our attention each and every day on finding you leading business franchises trading at a discount to our internal view of fair value. As we approach the end to another investment year, we are pleased with the overall composition of your portfolio and believe that the risk reward profile presents the potential for meaningful outperformance over time. This is largely due to the fact that stocks with high dividend payout ratios and thus high absolute dividend yields are overvalued in our opinion. This fact contrasts directly with our view that there are multiple leading businesses with lower payout ratios that appear substantially undervalued as they are being overlooked by the broad investor base simply due to their relatively low dividend yield or no dividend yield. While our team history would suggest to many that we would have a large bias towards dividend paying stocks with healthy yields, in today's marketplace, those stocks appear overbought to us and thus overvalued. The real value in the market appears to be in companies that can raise their dividend payout ratios over time and thus are more dividend growers rather than simple high dividend yielding stocks. We will discuss this more as the year comes to an end, but the opportunity is quite compelling.

Performance Update 11/13/2008 - 10/31/2012

We continue to be pleased with our overall performance. Since its inception on November 13, 2008, the Nuance Concentrated Value Composite (through October 31, 2012) is up 20.23 percent (annualized and net of fees) versus the Russell 3000 Value Index, up 12.70 percent, and the S&P 500 Index, up 14.15 percent.

Year-to-date through October 31, 2012, the Nuance Concentrated Value Composite is up 11.66 percent (net of fees) versus the Russell 3000 Value Index, up 15.05 percent, and the S&P 500 Index, up 14.30 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)	12.20	13.86	15.72	20.81	111.58	14.86	1.38
Concentrated Value Composite (Net)	11.66	13.30	15.12	20.23	107.58	14.83	1.34
Russell 3000 Value Index	15.05	16.77	12.93	12.70	60.71	19.09	0.65
S&P 500 Index	14.30	15.21	13.20	14.15	69.04	17.18	0.81

Separate Account Morningstar® Rating



Morningstar Rating Overall: 5 Stars
Category: Large Value
Number Rated: 462*

*The top 10% of separate accounts in a category earn 5 stars.

Stocks we recently added to your portfolio:

Southwest Airlines Co (LUV): LUV is a recent addition to the portfolio and we are excited about its multi-year potential. While we are not the biggest fan of this industry, change is afoot and we are intrigued. LUV is a leading market share provider of airlines services and has been gaining market share from the previously more established airlines for years. The company also has an excellent balance sheet with basically no net debt. Over the last decade or so the airline industry has been consistently hurt by excess capacity in the system and a group of corporate managers who appeared focused on avoiding bankruptcy (not LUV) as opposed to rationale pricing and rationale returns on capital expectations. As such, LUV's returns on capital have been under pressure for a long time and they are now at historically trough levels. Our purchase of the stock is based on our belief that the overcapacity in the industry has improved considerably in the last few years and that the recent consolidation of traditional airlines will provide stability and a relatively new focus on returns on capital. We think LUV is the best positioned airline to take advantage of this phenomenon and we expect to see higher returns on capital over the next few years. As those returns improve, we think LUV will see valuation improvement as well and has the potential to be an excellent stock for our clients. At today's prices we think the downside is relatively limited, and the upside considerable.

**Stocks we recently sold
from your portfolio:**

Hasbro Inc. (HAS): We sold HAS due to its recent outperformance as well as our concerns that the competitive situation within their traditional game and toy business for both boys and girls segments as well as board games and other traditional toys continue to be under attack by video games and other alternative activities on the internet, on phones, and on tablets. We think this trend could end up lowering HAS's returns on capital and earnings more than investors think and we will be monitoring HAS's progress as it adapts to these competitive changes.

Helmerich & Payne Inc (HP): We sold HP as it reached our internal view of fair value. HP is one of our favorite energy drilling and services companies and we will look for future opportunities to invest in this company for our clients.

Steris Corp (STE): We sold STE as the stock reached our internal view of fair value after a long holding period. We continue to like STE and its market share leading sterilization franchise and will look for future opportunities to invest in this excellent company.

Please 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, e-mail, or on Facebook.

Thank you for your continued confidence and support.



Scott A. Moore, CFA

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	1.17	79	\$87,342,803	\$137,943,058	0.60%	-	-
2010	18.79	18.13	16.26	15.06	0.25	145	\$119,543,453	\$181,201,036	0.46%	-	-
2011	6.85	6.29	(0.06)	2.11	0.48	181	\$96,831,359	\$152,976,943	0.85%	16.13	21.31
YTD 2012 (10/31/2012)	12.20	11.66	15.05	14.30	N/A	247	\$141,672,891	\$199,250,652	0.80%	13.24	16.22

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, 2012. The verification report is available upon request by contacting Client Services at 816-743-7080 or 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.

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. 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 June 1, 2010 Nuance operated under the name Mariner Value Strategies, LLC.

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