

Nuance Concentrated Value Perspectives Discussion



November 30, 2012

from Montage Investments

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

Another month and another period of rhetoric regarding the fiscal cliff, taxes, political pundits, lackluster earnings, and continued economic issues in Europe and Asia. Through all of this “terrible news” the market has somehow gone up 14.42 percent this year as measured by the S&P 500 Index. What should this remind our clients? We think it should remind all of us that the daily news flow does not drive the value of companies over the long-term. Sometimes the news flow might impact stocks over the short-term as sentiment and a persistent herd mentality can overwhelm logic and fundamentals. However, over the long-term fundamentals and reasonable valuation will drive the overall market pricing and that short-term noise simply provides us with opportunities for you. As we mentioned just last month, this type of discussion is simply telling you about short term performance issues and the reason for short-term volatility. As our consistent readers know that is far from our emphasis or focus. Rather, we continue to 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 of this 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. To emphasize where we are finding opportunities we are going to repeat ourselves from last month. Stocks with high dividend payout ratios and thus high absolute dividend yields are overvalued in our opinion. The market’s appetite for higher yielding stocks appears to be coming at the peril of earnings and cash flow valuations and is leading to a wonderful investing opportunity in our view. While our team history suggests that we would have a large bias towards dividend paying stocks with healthy yields, in today’s marketplace, those stocks appear seriously overvalued to us. 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.

Performance Update 11/13/2008 - 11/30/2012

We continue to be pleased with our overall performance. Since its inception on November 13, 2008, the Nuance Concentrated Value Composite (through November 30, 2012) is up 20.45 percent (annualized and net of fees) versus the Russell 3000 Value Index, up 12.43 percent, and the S&P 500 Index, up 14.00 percent.

Year-to-date through November 30, 2012, the Nuance Concentrated Value Composite is up 14.22 percent (net of fees) versus the Russell 3000 Value Index, up 15.06 percent, and the S&P 500 Index, up 14.95 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)	14.80	16.00	14.74	21.03	116.47	14.71	1.41
Concentrated Value Composite (Net)	14.22	15.41	14.14	20.45	112.33	14.68	1.37
Russell 3000 Value Index	15.06	17.34	10.96	12.43	60.73	18.90	0.64
S&P 500 Index	14.95	16.13	11.24	14.00	70.01	17.00	0.81

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

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:

Hillshire Brands Co. (HSH): HSH is a leading supplier of various foods including breakfast foods, pork related products, and a wide variety of baked goods. HSH has brands like Jimmy Dean and Hillshire among others. Recent disappointing earnings guidance has led to a period of underperformance and good buying opportunity in our view. The company recently spun out of Sara Lee and we think there are opportunities for the company to get more efficient and expand margins and thus earnings power over time. Further, given its size and market share positions, we think HSH is a buyout candidate.

Stocks we recently sold from your portfolio:

Kaydon Corp. (KDN): We sold our position in KDN – a leading manufacturer of ball bearings. After receiving a \$10.50 special cash dividend from the company earlier this year and given our reasonable total return performance since we purchased the stock, we decided to focus on other opportunities. We will continue to look for opportunities to repurchase KDN in the future.

Rexnord Corp. (RXN): We also sold our position in RXN after achieving significant outperformance. We continue to like the RXN business model and will look for future opportunities to buy the stock.

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	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 (11/30/2012)	14.80	14.22	15.06	14.95	N/A	255	\$148,955,217	\$207,584,031	0.78%	13.08	16.02

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.

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