

Nuance Concentrated Value Perspectives Discussion



February 28, 2013

from Montage Investments

Separate Account Morningstar® Rating



Morningstar Rating Overall: 5 Stars
Category: Large Value | Number Rated: 451*

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

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

Another month and yet another positive result for Nuance Concentrated Value and the market. Given the sharp move upward in the market just this year and over the last four years, we continue to field many questions about the market being at all time highs and if the market is overvalued. Our answers to these questions continue to focus on our view of the stocks we own for our clients. Despite what has been an amazing upward move since 2009, we continue to find excellent businesses to purchase for our clients at lower than average valuation levels. We would note that the opportunity set is significantly narrower than it has been in the last few years which seems quite logical to us given the performance. Nonetheless, opportunities still abound, particularly in low dividend payout ratio stocks like Stryker Corporation, Xylem Corporation, and ITT Corp., among others. We are also raising our weighting in energy related stocks and are finding value in companies like National Fuel Gas Co., and Imperial Oil, LTD., among others. You will also see a couple of new opportunities that are one-off ideas that have little to do with anything outside of company specific issues. We are quite excited about each of these new holdings. As we consistently write, our focus and attention each and every day is on finding you leading business franchises trading at a discount to our internal view of fair value.

Performance Update 11/13/2008 - 02/28/2013

We continue to be pleased with our overall performance. Since its inception on November 13, 2008, the Nuance Concentrated Value Composite (through February 28, 2013) is up 22.22 percent (annualized and net of fees) versus the Russell 3000 Value Index, up 14.27 percent, and the S&P 500 Index, up 15.09 percent.

Year-to-date through February 28, 2013, the Nuance Concentrated Value Composite is up 8.08 percent (net of fees) versus the Russell 3000 Value Index, up 7.96 percent, and the S&P 500 Index, up 6.61 percent.

	YTD 2013	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)	8.32	17.74	17.61	22.84	141.86	14.54	1.55
Concentrated Value Composite (Net)	8.08	16.99	16.96	22.22	136.67	14.49	1.51
Russell 3000 Value Index	7.96	17.64	13.69	14.27	77.39	18.52	0.76
S&P 500 Index	6.61	13.46	13.48	15.09	82.89	16.60	0.89

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

Stocks we recently added to your portfolio:

American Science & Engineering Inc (ASEI): ASEI provides X-ray detection and imaging products for the detection of illegal drugs, explosives, and smuggled goods. The company has a dominant competitive position in this niche market and we think its advantage is sustainable. Recent sales have disappointed as the Iraq war and Middle Eastern tensions resulted in large orders that simply could not be repeated. As such, the past year has seen a significant drop off in orders. This drop off has led to the company earning below its potential and the market hurting the stock price. With approximately \$18 per share in net cash, the company has numerous levers to pull that could help the valuation. Further, while we wait on more normal sales levels and for the cash to be used to help shareholders, we are collecting a 3.2% dividend yield.

Compass Minerals Intl Inc. (CMP): CMP is a leading and low cost provider of trade salt and sulfate of potash in North America. With low cost salt mines and access to low cost transportation along the Mississippi River, CMP provides salt to a broad portion of middle America. Two very warm winters in a row with well below average snow fall has led to excess supplies of salt available for sale and relatively large inventory stockpiles at CMP's customer bins. These negative fundamentals have led to severely negative stock price performance and we think an excellent opportunity to purchase the stock.

Southwestern Energy Co. (SWN): We have added SWN to the portfolio this month as continued concerns over natural gas prices have hurt the stock and provided us with yet another opportunity. SWN is a low cost provider of natural gas and has an enviable growth profile over the next five years relative to its peers. The company is clearly under earning its potential due our view that the commodity price in natural gas prices today is below normal.

Stocks we recently sold from your portfolio:

Apache Corp. (APA): We sold our positions in APA for tax loss purposes and purchased the stock of SWN and XOM (discussed last month) with the proceeds. The entire natural gas related complex has come under pressure and we view the opportunity to buy SWN and XOM at excellent prices to be a quality way of playing the industry's undervalued status while capturing tax losses in APA. We will consider repurchasing APA in the future once the tax loss period has lapsed.

Applied Materials Inc (AMAT): We sold our positions in AMAT as the recent very strong move in the stock brought it to fully valued status. We continue to like several other technology companies and will look for future opportunities to buy back AMAT.

Newell Rubbermaid Inc. (NWL): After being one of our very best stock performers in 2012, we sold the last of our position in NWL as it is fully valued in our view. Much of our stock was accumulated at much lower prices in the middle of 2011 and the stock has been simply outstanding for our clients.

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
2012	18.41	17.79	17.62	16.00	0.19	259	\$154,693,966	\$214,936,666	0.77%	13.05	16.02
YTD 2013 (02/28/2013)	8.32	8.08	7.96	6.61	N/A	275	\$181,481,690	\$246,692,154	0.18%	13.29	16.12

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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