

Nuance Concentrated Value Perspectives Discussion



January 31, 2015

from Montage Investments

Commentary with President and Chief Investment Officer Scott Moore, CFA

The Nuance Concentrated Value Composite is a classic value investment product investing primarily in the equity or equity-linked securities of United States based companies. The product will typically maintain 15-35 positions in the securities of companies that, in the opinion of the Nuance Investments Team, have leading and sustainable market share positions, above average financial strength, and are trading at prices materially below our internally derived view of intrinsic value. The product's primary benchmark is the Russell 3000 Value Index. Clients may also compare the product to the S&P 500 Index.

Performance Update

We continue to be pleased with the long term performance for Nuance Concentrated Value. Since its inception on November 13, 2008, the Nuance Concentrated Value Composite (through January 31, 2015) is up 19.86 percent (annualized and net of fees) versus the Russell 3000 Value Index up 14.76 percent and the S&P 500 Index up 15.90 percent.

As we have historically done, we also focus our attention on results of our client's portfolios during the calendar year. Although we certainly would encourage an emphasis on the long term, we hope this data is useful for our clients. On a year to date basis (ending January 31, 2015), the Nuance Concentrated Value Composite was down 3.07 percent (net of fees) versus the Russell 3000 Value Index down 4.01 percent and the S&P 500 Index down 3.00 percent.

Risk-Adjusted Returns Rankings¹

1st PERCENTILE

Morningstar	Lipper
Category: Large Value	Category: Multi-Cap Value
Ranking vs. Peers: 5 th of 1,302	Ranking vs. Peers: 1 st of 209

Scott Moore, CFA



President and Chief Investment Officer

- 22+ years of investment analyst experience
- 20+ years of classic value investment experience
- 14+ years of portfolio management experience using a classic value approach
- Lead Portfolio manager of the Morningstar 5-Star rated² Nuance Concentrated Value Separate Account product
- Lead Portfolio manager of the Morningstar 5-Star rated² Nuance Mid Cap Value Separate Account product
- Former Sr. Portfolio Manager at American Century Investments managing over \$10 billion

	YTD		3 Years	5 Years	Since Inception	Since Inception	Since Inception	Since Inception
11/13/2008 - 01/31/2015	2015	1 Year	APR	APR	APR	TR	Standard Deviation (A)	Sharpe Ratio (A)
Nuance Concentrated Value Composite (Gross)	(2.98)	6.40	17.27	17.12	20.53	219.21	13.38	1.52
Nuance Concentrated Value Composite (Net)	(3.07)	5.64	16.52	16.43	19.86	208.36	13.36	1.47
Russell 3000 Value Index	(4.01)	12.18	17.49	15.05	14.76	135.38	16.25	0.90
S&P 500 Index	(3.00)	14.22	17.44	15.58	15.90	150.34	14.62	1.07

Stocks we recently added to your portfolio (during January 2015):

United Parcel Service Inc. (UPS): UPS provides global supply chain services as well as package and documents delivery throughout the United States and in other countries around the world. With market share leadership across its businesses, UPS has excellent returns on capital and a top tier balance sheet. Recent underperformance was the direct result of overspending in preparation for expected increased business activity throughout their busy season. That increase in spending was not totally utilized and resulted in the company guiding down earnings and negative sentiment beginning to be asserted on the valuation of the business. At today's prices we are getting excellent consumer related exposure at reasonable valuation multiples.

Praxair Inc. (PX): PX is a leading supplier of various gases to industries located in North and South America including oxygen, nitrogen, argon and other rare gases. As one of two leading market share positioned players in this geographically regional business, the company has excellent returns on capital over time, a solid balance sheet and a stable market share position. Significant capital spending to service the needs of industrial customers relocating facilities into North and South America has resulted in lower than historical returns on capital as full absorption of the spending has taken more time than the company anticipated. The company is under-earning its potential due to this capital spending program which we believe will begin to abate over the next 12-18 months and allow for the full utilization of the capital. The under-earning has led to multiple quarters of underperformance for the stock as well as significant valuation compression over the last couple of years which is providing the opportunity.

Cameron International Corp. (CAM): We are re-entering CAM – a leading supplier of oil and gas equipment and services including valves, wellhead related supplies, chokes and assembled systems - as the stock has fallen significantly from where we sold it in the summer of 2014 in the \$60 and \$70's. After the recent dislocation in energy prices and the logical reductions in rig count which cyclically take CAM to an under-earning status, we bought the stock back in the \$40's. At these prices, we believe that CAM's excellent market share position and longer, more sustainable earnings power is being underappreciated by the market and the risk reward is skewed quite positively. I would also note that this is a swap from our holding in SWN that we will discuss below.

Stocks we recently sold from your portfolio (during January 2015):

Waters Corp. (WAT): We exited our positions in WAT as the company's stock price achieved our internal view of fair value following a significant period of outperformance. We will look for future opportunities to invest in WAT at lower valuations.

Goldcorp (GG): After adding to our weighting in GG on underperformance in the latter stages of 2014, we chose to take profits on our GG holding after a nice gain that appears to be due to non-fundamental currency related issues that resulted in rising gold prices. This rise in gold prices resulted in GG's valuation levels reaching to within a reasonable range of our internal price targets.

Southwestern Energy Corp. (SWN): We sold our SWN at a loss and swapped the proceeds into CAM as described above. While SWN continues to be one of our favorite natural gas exploration and production companies from a competitive perspective, the company surprised us by doing a significant and quite dilutive acquisition very late in the 4th quarter of 2014. This deal was not within the capital allocation guidelines that we understood from our conversations with the company and was disappointing. On top of the dilution, the deal added to debt levels of the company such that our downside price objective expanded significantly. While we continue to believe the company is undervalued, the downside risk is now also significant due to the addition of debt. As such, we swapped SWN into what we believe to be a better risk reward - CAM - which provides both the tax benefit of the loss, but very importantly, does not give away the upside potential we see in several energy related names.

Monthly Review and Outlook:

The first month of the year brought a modest correction to the market and we were pleased to start off 2015 with a reasonable month versus our benchmarks. That being said, the last 12 months have been disappointing versus the market and we have some ground to make up for sure. The good news (or bad news depending on your perspective) is that the majority of the underperformance was due to two significant dislocations in the market that have taken multiple sectors and industries to significant over or undervalued status levels versus our internal historical data. Those factors include oil and natural gas prices falling to levels approaching what we believe to be within a range of trough levels for today's cost curves. The other area of dislocation revolves around interest rates and interest sensitive stocks and their valuations. With the interest rate on the 10 year United States Treasury bond falling from 3.0 percent in late 2013 and early 2014 to 1.7 percent recently, we have basically retraced our steps to the lows we saw during late 2012 and the middle of 2013. The combination of these two factors has led to a tale of two markets. Multiple industries and sectors are at or near valuation highs versus their historical valuation ranges. Utilities, real estate investment trusts and most of consumer staples are at or near their high valuation levels due to their interest rate sensitivity and the market's chase for yield. Some of those consumer staples companies and most of consumer discretionary also appear at or near valuation highs due to both interest rate sensitivity and lower oil and gas prices. Conversely, and where we are seeing significant opportunity for our clients, is in companies being hurt by low oil and gas prices as well as historically low interest rates. The stocks of these spaces are at or near valuation lows over time and include many companies within the energy sector as well as certain regional banks within the banking industry.

Besides our first month of performance, the other topic for the month is long term performance versus short term performance. Having managed classic value portfolios since the late 1990's, I have observed several periods of underperformance versus our primary benchmarks. During these periods I have been known to say that the market and our team simply are not agreeing on the issue of where the value is in the market. That said, two things never change about these periods. First, my team and I are not particularly happy and second, my clients are not particularly happy. Regardless of the historical outperformance or the consistency of that outperformance, the near term is still very difficult for many to understand and to easily look past. One difficult year can even challenge the trust between manager and client (thank goodness only in a few cases) as any difficult period not only impacts our Nuance direct clients, but also our Nuance clients' clients. Knowing that your investment manager (like your team here at Nuance) continues to consistently invest using their own time tested

investment process can be difficult. What I can assure our clients is that each and every day, your team here at Nuance continues to focus on our long standing and time-tested process, as well as the consistent way we have executed that process through many market cycles and dislocations. As I noted above and will emphasize again here, we believe that multiple sectors have extremely high valuations levels versus their histories and that those valuation levels are unsustainable (many companies within the real estate investment trust industry, the utility sector, the consumer staples sector and the healthcare sector are good examples). We also believe that there are equally attractive opportunities within sectors and industries with materially low valuations versus history (including many companies within the energy sector and select regional banks). In both cases, "the crowd" is not on our side as I write this commentary. This is quite typical for us here at Nuance and we embrace our process each and every day without regard to "the crowd." Our process and our team's execution of that process can make for some uncomfortable periods of performance, but we believe the longer term history suggests "the crowd" will eventually find its way to the opportunities that we find for our clients.

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 Investment website updates and information via traditional mail or e-mail. Simply contact us at client.services@nuanceinvestments.com or call 816-743-7080 to sign-up.

Thank you for your continued confidence and support.



Scott A. Moore, CFA

GIPS Disclosures

	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 Gross)	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	1.13%	16.13	21.31
2012	18.41	17.79	17.62	16.00	0.19	259	\$154,693,966	\$214,936,666	0.98%	13.05	16.02
2013	35.33	34.45	32.72	32.38	0.66	411	\$418,085,862	\$507,569,897	0.41%	12.20	13.08
2014	8.88	8.07	12.69	13.68	0.20	581	\$886,246,169	\$1,071,186,382	0.16%	10.44	9.49
2015 (YTD 01/31/2015)	(2.98)	(3.07)	(4.01)	(3.00)	N/A	586	\$852,476,097	\$1,031,305,240	0.16%	10.57	9.92

Compliance Statement

Nuance claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Nuance has been independently verified for the periods 11/03/08 – 03/31/14 by Absolute Performance Verification. The verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards 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. Nuance is an investment adviser registered with the Securities and Exchange Commission. The firm maintains a complete list and description of composites, which is available upon request. Results are based on fully discretionary separate accounts under management, including those accounts no longer with the firm. The U.S. Dollar is the currency used to express performance returns and assets. Performance results are presented both net and gross of management fees and include the reinvestment of income. Both gross and net of fee returns are reduced by trading expenses. Net of fee returns are reduced by Actual investment advisory fees and other expenses that may be incurred in the management of the account. The firm does not currently assess any Performance Based Fees. From the inception of each composite until 12/31/10, Time Weighted Return was compounded on a monthly basis. Beginning 01/01/11 through present, Time Weighted Return was compounded on a daily basis.

Dispersion is calculated from gross of fee returns using an asset-weighted standard deviation methodology. Only those accounts included for the full calculation period are part of the dispersion calculation. The 3-year Ex-post annualized standard deviation value is calculated using 36 consecutive monthly gross of fee returns to the end calculation period. Since Inception, Nuance has adopted the following Significant Cash Flow Policy for both composites. An account will be removed from a composite if a client has given specific instructions that prevent full investment of the cash flow(s) in a timely manner (defined as 5 business days or greater), or cumulative cash flow(s) are equal or greater than 3 percent of the total composite market value based on the end of month market value, or if cumulative cash flow(s) are equal or greater than 20 percent of the total account value based on the end of month market value. If these circumstances exist, the account will be removed from the composite and added back to the composite on the first day of the month following the date that the account is fully invested (defined as being within ten percent of the model portfolios cash target).

Our Core offerings are the Nuance Mid Cap Value Strategy and the Nuance Concentrated Value Strategy Nuance. More information regarding Composite descriptions and policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request by contacting client.services@nuanceinvestments.com or 816-743-7080.

Important Disclosures

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 TR. The S&P 500 Index TR 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. 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.

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

The P/E Statistics are a Nuance internal calculation. The dollar-weighted harmonic mean of individual company P/E ratios is used. This approach first considers holdings' E/P, which are then summed on a dollar-weighted basis across the entire portfolio to achieve a portfolio E/P ratio. Finally, the inverse of this ratio is taken to arrive at the Portfolio P/E ratio. The Dividend Yield is calculated based on how much an investment pays in dividends each year relative to its share price. The Return on Equity is calculated by dividing net income by shareholder equity. The Return on Equity is calculated by taking the net income divided by shareholder equity. The Return on Assets is calculated based on net income divided by average total assets. The Growth of \$100 chart is calculated by Zephyr Style Advisor assuming the same cash value at inception and the variance of the investment using monthly return data for each strategy.

(1) Risk-Adjusted Return (Sharpe Ratio), Standard Deviation and return calculations for the Composite and indices provided by Zephyr Style Advisor. The Composite has been compared to various peer groups defined by investment style. The Composite is an all market capitalization value investment style. The Morningstar Large Value Peer Group (as selected by Morningstar) and the Lipper Multi-Cap Value Funds Peer Group have been presented as investment strategies with similar investment styles. For peer group comparisons all Returns, Standard Deviation and Sharpe Ratio calculations, including those of the Composite were calculated by Zephyr Style Advisor based upon strategies with monthly return data from December 2008 to 12/31/2014. Zephyr reports on month end returns only. For the purposes of peer group comparisons Since Inception returns are shown beginning 11/30/2008. 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.

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.