

Nuance Concentrated Value Composite Perspectives



September 30, 2016

Description of the Product

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.

Portfolio Managers



Scott Moore, CFA
President & CIO

25 Years of Experience

Chad Baumler, CFA
Vice President

9 Years of Experience

Risk-Adjusted Returns Rankings¹

1ST PERCENTILE

Lipper
Category: Multi-Cap Value
Ranking vs. Peers: 1 of 229

Morningstar
Category: Large Value
Ranking vs. Peers: 3 of 1,150

Morningstar
Category: Mid-Cap Value
Ranking vs. Peers: 1 of 363

Longer Term Performance Update

Since Inception Return: The return since inception (11/13/2008) through 9/30/2016 is 17.5 percent (annualized and net of fees) versus the Russell 3000 Value Index and S&P 500 Index, which have returned 12.9 percent and 14.1 percent respectively. We are pleased with this level of outperformance over time.

Risk-Adjusted Returns: Our Sharpe Ratio since inception through 9/30/2016 is 1.3 (net of fees) versus Russell 3000 Value Index at 0.8 and the S&P 500 Index at 1.0.

Peer Group Returns through 9/30/2016: Comparing our product to peers displays positive results over time. On a total return basis, since 11/30/08, we ranked 29 of 1,150 peer group members (3rd percentile) in the Morningstar Large Cap Value universe, 36 of 363 (10th percentile) in the Morningstar Mid-Cap Value universe, and 12 of 229 (6th percentile) in the Lipper Multi-Cap Value universe.

Peer Group Risk-Adjusted Return through 9/30/2016: On a risk-adjusted return basis, since 11/30/2008, (measured by the Sharpe Ratio) we ranked 3 of 1,150 peer group members (1st percentile) in the Morningstar Large Cap Value universe, 1 of 363 (1st percentile) in the Morningstar Mid-Cap Value universe, and 1 of 229 (1st percentile) in the Lipper Multi-Cap Value universe.

Peer Group Analysis 11/30/2008 - 9/30/2016	Since Inception APR ¹	Standard Deviation (A) ¹	Sharpe Ratio (A) ¹
Nuance Concentrated Value Composite (Gross)	17.7	13.2	1.3
Nuance Concentrated Value Composite (Net)	17.0	13.1	1.3
Lipper Multi-Cap Value Funds Peer Group (Median)	13.3	16.0	0.8
Peer Group Percentile and Ranking	6th (12 of 229)	4th (10 of 229)	1st (1 of 229)
Morningstar Large Value Peer Group (Median)	12.4	15.1	0.8
Peer Group Percentile and Ranking	3rd (29 of 1,150)	14th (165 of 1,150)	1st (3 of 1,150)
Morningstar Mid-Cap Value Peer Group (Median)	15.3	16.5	0.9
Peer Group Percentile and Ranking	10th (36 of 363)	1st (3 of 363)	1st (1 of 363)

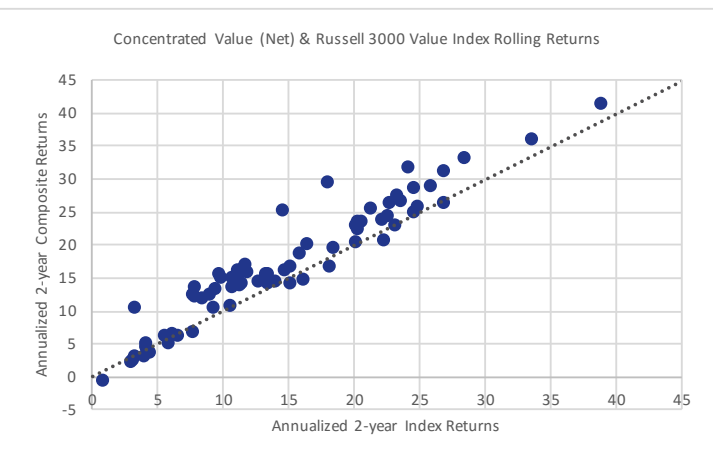
Performance 11/13/2008 - 9/30/2016	APR [*]	TR [*]	Standard Deviation [*]	Sharpe Ratio [*]	7 Years	5 Years	3 Years	1 Year	2016 YTD
Nuance Concentrated Value Composite (Gross)	18.1	271.6	13.1	1.4	15.2	17.0	10.7	17.8	14.4
Nuance Concentrated Value Composite (Net)	17.5	255.1	13.1	1.3	14.5	16.2	9.9	17.1	13.9
Russell 3000 Value Index	12.9	159.5	15.4	0.8	12.3	16.1	9.4	16.4	10.4
S&P 500 Index	14.1	182.1	14.1	1.0	13.2	16.3	11.1	15.4	7.8

^{*}Since Inception

Value. Delivered.

Shorter Term Performance Update (Two Year and Year-to-Date)

Rolling 2-Year Periods	Current 2-Year Period as of 9/30/2016		
	Periods Beating the Index	Composite (%) Net of Fees ¹	Russell 3000 Value Index (%)
11/13/2008 - 9/30/2016	56/71	78.9%	6.2
Nuance Concentrated Value Composite			5.6



Your team at Nuance cautions clients regarding the use of short-term performance as a tool to make investment decisions. That said, if a client wants to consider our short-term performance we recommend emphasizing two-year rolling periods since our inception. Our normal discussion of short-term performance will center on two-year performance, but we will also note calendar year to date results as is our tradition.

For the period ending September 30, 2016, the Nuance Concentrated Value Composite two year rolling return is 6.2 percent (net of fees) versus the Russell 3000 Value Index and S&P 500 Index which have returned 5.6 percent and 7.1 percent respectively. Overall, we have outperformed in 56 out of the available 71 two-year periods as shown in the chart labeled Rolling 2-Year Return Periods.

Year-to-date, the Nuance Concentrated Value Composite has returned 13.9 percent (net of fees) versus the Russell 3000 Value Index and the S&P 500 Index, which have returned 10.4 percent and 7.8 percent respectively.

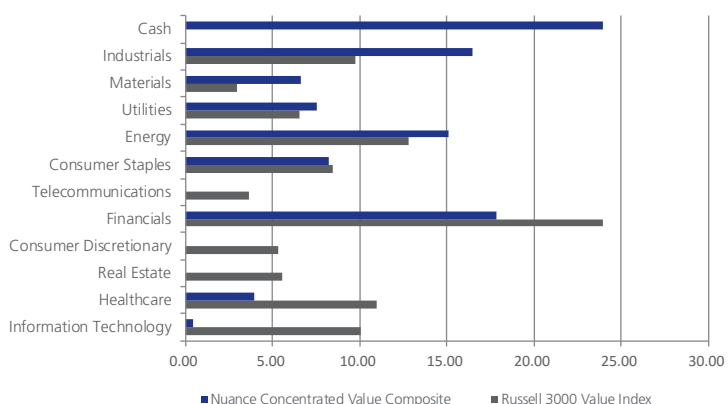
Calendar Year Performance as of	11/13/08 - 12/31/08	2009	2010	2011	2012	2013	2014	2015	YTD 2016
Nuance Concentrated Value Composite (Gross)	4.5	42.2	18.8	6.9	18.4	35.3	8.9	(1.3)	14.4
Nuance Concentrated Value Composite (Net)	4.5	41.7	18.1	6.3	17.8	34.5	8.1	(2.0)	13.9
Russell 3000 Value Index	0.4	19.8	16.3	(0.1)	17.6	32.7	12.7	(4.1)	10.4
S&P 500 Index	(0.5)	26.5	15.1	2.1	16.0	32.4	13.7	1.4	7.8

Composition of the Portfolio as of 9/30/2016

Portfolio Characteristics ²	Nuance Concentrated Value Composite	Russell 3000 Value Index
Weighted Average Market Cap	29.7b	103.7b
Median Market Cap	7.8b	1.4b
Price to Earnings (internal and ttm)*	13.9x	18.6x
Forward Price to Earnings	21.9x	15.9x
Dividend Yield	2.4%	2.6%
Return on Equity	17.0%	12.5%
Return on Assets	4.1%	4.2%
Active Share vs Russell 3000 Value	96.8%	-
Upside/Downside Capture Ratio vs Russell 3000 Value	89.2%/59.8%	-
Number of Securities	22	2,025

We continue to be pleased with the overall composition of the portfolio. Remember that we are seeking investment opportunities in leading business franchises with better than average valuation support. Using the table below, you can see that the portfolio has a Price to Earnings ratio of 13.9x versus the Russell 3000 Value Index of 18.6x. We are achieving this ratio with a portfolio of companies that have a return on assets of 4.1% percent versus the Russell 3000 Value Index of 4.2% percent. This quarter's ROA is slightly below the index. This is due to under-earning at several of our more cyclical companies. Over time, this dichotomy of above average companies selling at below average multiples has the opportunity for outperformance over the long-term, in our opinion.

¹Based on Nuance internal estimates and benchmarked against the above noted Russell index.

Sector Weights and Portfolio Positioning as of 9/30/2016

Overall, the portfolio remains relatively stable from a sector weighting standpoint. We continue to be overweight select areas of the Industrial, Energy, Materials, and Utility sectors. In our largest overweight sector, the Industrial sector, we are seeing nice opportunities in both the agriculture and transportation industries. Our overweight in the Energy sector is specifically in the energy services industry. We reduced our Financial sector exposure slightly as some of our leaders in the sector are approaching our internal view of fair value. We remain underweight the Real Estate Investment Trust (REIT) Sector, which appears overvalued due to what we have termed the chase for yield. We also continue to be underweight the Consumer Discretionary, Healthcare and Information Technology sectors primarily due to valuation concerns.

Stocks We Added to Your Portfolio (September 2016):

Compass Minerals International Inc. (CMP): We have initiated a new position in CMP in the very low \$70's after having sold the stock in the \$90's in 2015. CMP is the low-cost leader in the production of deicing salt in North America. They also have a smaller, important specialty fertilizer business. Two straight winters with below average snowfall across the middle part of the country (their primary market) has resulted in a period of time where they are earning below their mid-cycle level of earnings and cash flows. As such, the stock has significantly underperformed and created an interesting risk/reward for our clients.

Stocks We Eliminated from Your Portfolio (September 2016):

National Western Life Group – A (NWLI): We sold our position in NWLI after a period of underperformance. As a reminder to our clients, we will sell a stock for three primary reasons. First, we will sell if the stock achieves our internal view of fair value. Second, we will sell if there are better risk/rewards in the market. Third, we will sell if the competitive position or financial profile of the company declines beyond our original work such that the downside risk cannot be reasonably determined. In this case, we believe the nature of the competitive position has changed as 35 percent of NWLI's normalized earnings are generated from selling index-linked fixed annuities. Based on our research, we would estimate that as much as half of these index-linked annuity sales could be adversely affected by a new fiduciary rule. Because of this uncertainty, we no longer believe NWLI fits the definition of a best idea for our Nuance Concentrated Value portfolio.

Nuance Perspectives from President & CIO, Scott Moore, CFA

We continue to be pleased with the performance of your Nuance Concentrated Value Composite. Year to date (through 9/30/2016) we are up 13.87 percent (net of fees) versus the Russell 3000 Value Index up 10.40 percent and the S&P 500 Index up 7.84 percent. For the last 12 months we are up 17.08 percent (net of fees) versus the Russell 3000 Value Index up 16.37 percent and the S&P 500 Index up 15.42 percent. Most importantly to us, since our inception on 11/13/2008, the Nuance Concentrated Value Composite is up 17.45 percent (annualized and net of fees) versus the Russell 3000 Value Index up 12.86 percent and the S&P 500 Index up 14.06 percent.

This quarter's commentary is a reiteration of last quarter's message as very little has changed. We continue to focus on select opportunities coupled with a keen awareness of significant risks that we see in the market today. There are three issues that continue to be our focus as we approach year-end 2016:

1. Debt levels at non-finance companies are at multi-decade highs and few market participants are discussing this very important issue.
2. Historically low interest rates (the 10-year treasury is at 1.7% as I write) have once again created what we believe are valuation extremes in interest sensitive sectors like Utilities, Real Estate, and some Consumer Staples.
3. This same interest rate phenomenon is creating opportunities within the Finance sector, in underleveraged companies, and in low-dividend-payout-ratio companies. Examples include the Agriculture Equipment industry and the Transportation industry with a specific emphasis on Trucking and Logistics.

I want to re-emphasize to our clients just how important the increased risks associated with higher debt levels are in today's market. We wrote in July that based on our internal calculations, the non-Finance sector group of companies' net debt to EBITDA levels (our preferred measure of leverage) is approximately 2.2x versus the historical norm of the last 20 years at approximately 1.6x. The cause for concern is that many of the companies we follow (but do not own today) seem ambivalent to the potential increased downside risk to their stock valuation during the next recessionary environment or downturn. These companies seem to be assuming that the market will not care about financial strength during a period of market stress. After investing through multiple recessionary periods over the years, we believe the market will indeed care, and investors will not be kind to those companies that have increased their debt load. We would ask our clients to consider the Finance sector in 2008 and 2009 as illustrative of our point. Please note that your portfolio of companies carries net debt to EBITDA level of approximately 1.2x, which is clearly below average and certainly well below the current prevailing numbers for the larger array of non-finance companies. As our process and our team focus equally on both return potential as well as risk potential for each of your investments, it is likely not a surprise to our clients just how important this metric is to us. In our view, the largest valuation risks lie in the Consumer Staples, Real Estate, Consumer Cyclical, and Utilities sectors.

From an opportunity perspective, we are focused on our core process of buying leading business franchises trading at a discount to our internal view of fair value due to transitory factors. Energy Equipment and Services remains a theme (Frank's International N.V.). We believe high quality, regional commercial banks remain a source of opportunity (BOK Financial Corporation), although we have achieved some solid gains from this area already. Finally, select Industrial stocks (Agriculture and Trucking are examples) remain an area where we are finding opportunities (Heartland Express Inc. and Lindsay Corporation).

As we remind our clients each month, your team continues to try and find leading business franchises with sustainable competitive positions that are trading below our internally derived view of fair or intrinsic value. We believe that our time-tested process of finding what we consider best of breed businesses with better than the market downside support and better than the market upside potential over the long-term should lead to solid risk adjusted returns versus our peers and benchmarks.

Please visit our [website](#) for more information about our team, our process and value investing. Follow us on [LinkedIn](#) and [Twitter](#)! You may also receive information via traditional mail or [email](#). Call us at 816-743-7080. Click [here](#) for historical Concentrated Value Perspectives.

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-	4.5	4.5	0.4	(0.5)	N/A	7	\$9,126,951	\$18,657,997	4.6%	-	-
2009	42.2	41.7	19.8	26.5	1.2	79	\$87,342,803	\$137,943,058	0.6%	-	-
2010	18.8	18.1	16.3	15.1	0.3	145	\$119,543,453	\$181,201,036	0.5%	-	-
2011	6.9	6.3	(0.1)	2.1	0.5	181	\$96,831,359	\$152,976,943	1.1%	16.1	21.3
2012	18.4	17.8	17.6	16.0	0.2	259	\$154,693,966	\$214,936,666	1.0%	13.1	16.0
2013	35.3	34.5	32.7	32.4	0.7	411	\$418,085,862	\$507,569,897	0.4%	12.2	13.1
2014	8.9	8.1	12.7	13.7	0.2	581	\$886,246,169	\$1,071,186,382	0.2%	10.4	9.5
2015	(1.3)	(2.0)	(4.1)	1.4	0.2	607	\$715,577,980	\$913,545,839	0.1%	11.4	10.9
YTD 2016 (9/30/2016)	14.4	13.9	10.4	7.8	N/A	667	\$868,243,602	\$1,236,668,411	0.1%	11.0	10.8

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 – 03/31/16 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 10 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, the Nuance Concentrated Value Strategy and the Nuance Concentrated Value Long-Short Strategy. 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 September 1, 2010 Nuance operated under the name Mariner Value Strategies, LLC.

(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, Mid Cap Value Group 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 9/30/2016. 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.

(2) Index statistics are provided by Russell. Characteristics calculations use holdings at market close on the stated date, including cash & cash equivalents. The following Composite characteristics are calculated using Bloomberg: Median Market Cap (midpoint of market capitalization of the stocks in the portfolio), Dividend Yield (annual dividends relative to share price), Return on Equity (net income divided by shareholder equity), Return on Assets (net income divided by average total assets). 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. Active share, as calculated by Morningstar Direct, is a statistic that measures a strategy's holdings relative to the holdings of the appropriate benchmark. Standard deviation is a measure of volatility showing the average deviations of a return series from its mean. The upside capture ratio is an indication of a manager's ability to match returns in periods of market strength, while the downside capture ratio measures a manager's ability to curtail losses in periods of index weakness. Results are gross of fees for the period since inception through present. Both upside/downside ratios and standard deviation are calculated using Style Advisor.

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.