# Nuance Mid Cap Value Composite Perspectives

December 31, 2017

## Description of the Product

The Nuance Mid Cap 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 50-90 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 Midcap® Value Index. Clients may also compare the product to the S&P MidCap 400 Value Index and the S&P 500 Index.

Portfolio Managers

Scott Moore, CFA
President & CIO
26 Years of Experience

Chad Baumler, CFA
Vice President
10 Years of Experience

Risk-Adjusted Returns Rankings[1]

**1ST PERCENTILE**

Lipper
Category: Mid-Cap Value
SI Rank in Cat: 1 of 101

Morningstar
Category: Mid-Cap Value
SI Rank in Cat: 2 of 315

## Longer Term Performance Update (through December 31, 2017)

Since Inception Return: The return since inception (on 11/03/2008 through 12/31/2017) is 16.8 percent (annualized and net of fees) versus the Russell Mid Cap Value Index and S&P MidCap 400 Value Index which have returned 15.2 percent and 15.1 percent respectively. We are pleased with this level of outperformance over time.

Risk-Adjusted Returns: Our Sharpe Ratio since inception through 12/31/2017 is 1.2 (net of fees) versus Russell Midcap Value Index at 0.9, the S&P MidCap 400 Value Index at 0.9 and the S&P 500 Index at 1.0.

Peer Group Returns through 12/31/2017: Comparing our product to peers displays positive results over time. On a total return basis, since 11/30/2008, we ranked 19 out of 315 (6th percentile) peer group members in the Morningstar Mid Cap Value universe. Versus the Lipper Mid Cap Value universe we ranked 6 out of 101 (6th percentile).

Peer Group Risk-Adjusted Return through 12/31/2017: On a risk-adjusted return basis, since 11/30/2008, (as measured by the Sharpe Ratio) we ranked 2 out of 315 (1st percentile) peer group members in the Morningstar Mid Cap Value universe. Versus the Lipper Mid Cap Value universe we ranked 1 out of 101 (1st percentile).

| **Peer Group Analysis 11/30/2008 - 12/31/2017** | Since Inception APR[1] | Standard Deviation (A)[1] | Sharpe Ratio (A)[1] |
|---|---|---|---|
| Nuance Mid Cap Value Composite (Gross) | 18.6 | 13.5 | 1.4 |
| Nuance Mid Cap Value Composite (Net) | 17.7 | 13.5 | 1.3 |
| Lipper Mid-Cap Value Funds Peer Group (Median) | 15.4 | 15.4 | 1.0 |
| Peer Group Percentile and Ranking | 6th (6 of 101) | 1st (2 of 101) | 1st (1 of 101) |
| | | | |
| Morningstar Mid-Cap Value Peer Group (Median) | 15.4 | 15.7 | 0.9 |
| Peer Group Percentile and Ranking | 6th (19 of 315) | 8th (26 of 315) | 1st (2 of 315) |

| **Performance 11/03/2008 - 12/31/2017** | APR* | TR* | Standard Deviation* | Sharpe Ratio* | 7 Years | 5 Years | 3 Years | 1 Year | 2017 YTD |
|---|---|---|---|---|---|---|---|---|---|
| Nuance Mid Cap Value Composite (Gross) | 17.6 | 343.1 | 13.6 | 1.3 | 15.5 | 16.7 | 13.4 | 16.2 | 16.2 |
| Nuance Mid Cap Value Composite (Net) | 16.8 | 315.3 | 13.7 | 1.2 | 14.7 | 15.9 | 12.6 | 15.4 | 15.4 |
| Russell Midcap Value Index | 15.2 | 266.0 | 16.0 | 0.9 | 12.8 | 14.7 | 9.0 | 13.3 | 13.3 |
| S&P Midcap 400 Value Index | 15.1 | 263.1 | 16.7 | 0.9 | 12.7 | 14.8 | 9.9 | 12.3 | 12.3 |
| S&P 500 Index | 14.2 | 237.2 | 13.5 | 1.0 | 13.7 | 15.8 | 11.4 | 21.8 | 21.8 |

*Since Inception

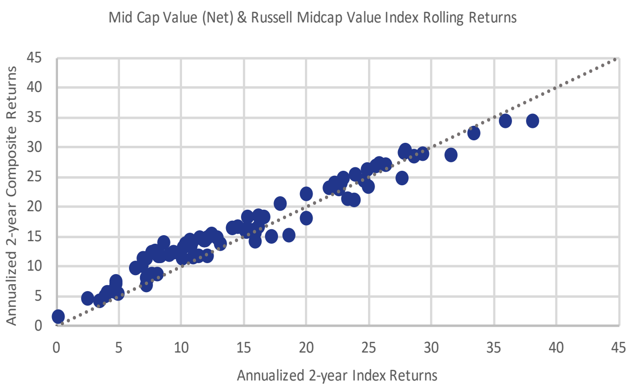
## Shorter Term Performance Update (Two Year and Year-to-Date)

| Rolling 2-Year Periods | | | Current 2-Year Period as of 12/31/2017 | |
|---|---|---|---|---|
| 11/30/2008 - 12/31/2017 | Periods Beating the Index | | Composite (%) Net of Fees[1] | Russell Midcap Value Index (%) |
| Nuance Mid Cap Value Composite | 66/86 | 77% | 18.2 | 16.6 |

Your team at Nuance cautions our clients regarding the use of short-term performance as a tool to make manager or 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 December 31, 2017, the Nuance Mid Cap Value Composite two year rolling return is 18.2 percent (net of fees) versus the Russell Midcap Value Index and S&P 500 Index which have returned 16.6 percent and 16.8 percent respectively. Overall, we have outperformed in 66 out of the available 86 two-year periods as shown in the chart labeled Annual 2-Year Rolling Return.

Year-to-date, the Nuance Mid Cap Value Composite has returned 15.4 percent (net of fees) versus the Russell Mid Cap Value Index and the S&P 500 Index which have returned 13.3 percent and 21.8 percent respectively.




| **Calendar Year Performance** as of 12/31/2017 | 11/03/08 - 12/31/08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 YTD |
|---|---|---|---|---|---|---|---|---|---|---|
| Nuance Mid Cap Value Composite (Gross) | (4.1) | 38.7 | 21.1 | 4.0 | 22.0 | 35.5 | 9.8 | 3.0 | 21.9 | 16.2 |
| Nuance MId Cap Value Composite (Net) | (4.1) | 38.2 | 20.0 | 3.4 | 20.6 | 34.2 | 9.1 | 2.3 | 21.1 | 15.4 |
| Russell Midcap Value Index | (5.6) | 34.2 | 24.8 | (1.4) | 18.5 | 33.6 | 14.7 | (4.8) | 20.0 | 13.3 |
| S&P MidCap 400 Value Index | (3.9) | 33.8 | 22.8 | (2.4) | 19.1 | 34.3 | 12.0 | (6.7) | 26.5 | 12.3 |
| S&P 500 Index | (6.0) | 26.5 | 15.1 | 2.1 | 16.0 | 32.4 | 13.7 | 1.4 | 12.0 | 21.8 |

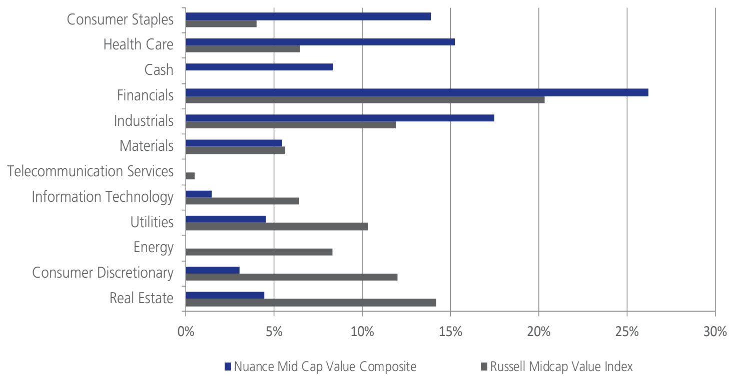
## Composition of the Portfolio as of 12/31/2017

| Portfolio Characteristics[2] | Nuance Mid Cap Value Composite | Russell Midcap Value Index |
|---|---|---|
| Weighted Average Market Cap | 23.8b | 14.3b |
| Median Market Cap | 15.3b | 7.5b |
| Price to Earnings (internal and ttm)* | 15.5x | 20.8x |
| Forward Price to Earnings | 16.1x | 18.0x |
| Dividend Yield | 2.1% | 2.2% |
| Return on Equity | 40.3% | 10.1% |
| Return on Assets | 5.8% | 3.8% |
| Active Share vs Russell Midcap Value | 95.5% | - |
| Upside/Downside Capture Ratio vs Russell Midcap Value | 91.1% / 75.7% | - |
| Number of Securities | 68 | 584 |

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

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 15.5x versus the Russell Midcap Value Index of 20.8x. We are achieving this ratio with a portfolio of companies that have a return on assets of 5.8 percent versus the Russell Midcap Value Index of 3.8 percent. This dichotomy of above average companies selling at below average multiples has the opportunity for outperformance over the long-term, in our opinion.

## **Sector Weights and Portfolio Positioning** as of 12/31/2017




We have increased our overweight position in the Consumer Staples sector during the quarter as we continue to see opportunities in select global leaders. We believe these companies, with their top tier balance sheets and competitive positions, have better downside support than the market. We also added to our position in the Financial sector as an above-average catastrophe loss year created an opportunity in what we view as select high quality financial institutions. We remain overweight the Healthcare and Industrial sectors as well. We remain underweight in the Energy sector as we believe the sector is facing a multi-year period of competitive transition. We continue to be underweight in the Utilities, Information Technology, Real Estate and Consumer Discretionary sectors due to valuation concerns.

## Nuance Perspectives from President & CIO, Scott Moore, CFA

Dear Clients,

Outperforming benchmarks and peers is never an easy task and your team was quite pleased with the results of 2017. Highlights include:

- We outperformed our primary benchmark as the Nuance Mid Cap Value product was up 15.42 percent (net of fees) versus the Russell Mid Cap Value Index up 13.31 percent.
- Nuance Mid Cap Value has now outperformed its primary benchmark 8 out of the 10 years it has been in existence (including the stub year of 2008). Clearly, we are pleased with this level of performance.
- With this year's outperformance, we have added to our strong long-term performance. Since inception on 11/03/2008, we are up 16.79 percent (annualized and net of fees) versus the Russell Mid Cap Value Index up 15.21 percent and our secondary benchmark the S&P 500 Index up 14.18 percent.
- We achieved that outperformance with less risk that our primary benchmark as well. Our standard deviation since our inception on 11/03/2008 is 13.65 percent (net of fees) versus the Russell Mid Cap Value Index 15.99 percent.

### 2017 Review

Like all years, 2017 was full of investable events, intrigue, and ever-changing risk rewards for companies and their valuations. Highlights included a new and different kind of governing from the President of the United States, the continuation of the use of leverage to enhance earnings and subsequently raise risk levels at the company level, technological disruption acceleration, lower corporate income taxes, and potential change to the Affordable Care Act that was largely left intact despite an enormous amount of rhetoric. There were many other events we could mention, but generally the nature of the market today appears to be an emphasis on ignoring risk in general as well as to ignoring valuation levels in general. These sort of market environments are not new for your team, but it is safe to say they are not exactly our favorite environment as most of you have read or heard me discuss many times. The late 1990's era and the 2006-2008 era quickly come to mind as parallels.

From an attribution perspective, our best performing sector in 2017 was the Healthcare sector as we were able to take advantage of the uncertainty related to potential healthcare reform following the election in November of 2016. This uncertainty caused underperformance in some of our favorite Healthcare companies. Globus Medical, Inc. (GMED), Cerner Corp. (CERN), and Waters Corp. (WAT) all provided significant outperformance in 2017. Our second-best performing sector was the Consumer Staples sector which was driven primarily by our position in Pernod Ricard SA (PDRDY) along with smaller positions in several market leaders. Our overweight position in the Industrial sector was also a driver of outperformance as we were able to stock pick our way to success owning a diverse group of leader businesses like Xylem, Inc. (XYL), ITT Inc. (ITT) and J.B. Hunt Transport Services, Inc. (JBHT). Other positives included the Real Estate and Utility sectors as our underweight position and better than benchmark stock picking helped us outperform. The largest detractors to the portfolio were our underweight positions in the Financial and Information Technology sectors throughout the year. Lastly, our cash position was a detractor to performance during the year. We ended the year with approximately 8 percent cash and averaged approximately 9 percent during the year. During most market cycles, our cash levels are expected to range between 2 and 7 percent. However, during later stages of market and valuation cycles we will raise cash and be patient for what we consider to be better opportunities.

## 2018 Outlook - Patience is Paramount

Our outlook for 2018 mirrors our second half 2017 outlook as little has changed in the last six months except that valuation levels are even higher. As we continue studying our nearly 250 leading businesses (Nuance Master List of Companies), we continue to see a group of dominant franchises trading at valuation levels that are at or near historical highs from a valuation perspective.Many have significant downside risks that the market today is not considering on a serious level. There are a few modest pockets of opportunity, but we would caution our clients that these areas are not on the level of last year's noted opportunities in the Healthcare sector, the Consumer Staples sector, and the Trucking and Transportation industries, which each had significant upside potential a year ago. Rather, the opportunities for 2018 have only modest upside as a group, but that modest upside compares favorably to the significantly overvalued nature of the market set of opportunities we see today.

We noted in our June 30, 2017 Perspectives commentary that our historic closing paragraph which includes the sentence, "As we remind our clients each month, your team continues to find leading business franchises with sustainable competitive positions that are trading below our internally derived view of fair or intrinsic value" is no longer completely accurate. Specifically, the part of the phrase stating that we are finding leading business franchises "that are trading below our internally derived view of fair or intrinsic value" is no longer appropriate to say. Our Nuance Master List (our internally researched and approved group of nearly 250 leading business franchises) as a group – is now overvalued and the stock prices of most companies do not reflect the potential risks inherent in their market valuations. Today, our universe is trading at 23-24x our normalized earnings. These are extremely high valuations from our perspective and are the reason for our cautious commentary.

As such, we would again emphasize that patience continues to be paramount to our day to day investing activity as we begin 2018. This is a word we emphasized beginning in July 2017, and it is still the correct emphasis today. We hope our clients can be patient with us as we wait for better risk rewards to materialize. As always, our goal is to buy our clients leading business franchises with solid and sustainable competitive positions that have more upside than the market set of opportunities as well as more downside support. Opportunities today are focused on the Insurance sector, the Consumer Staples sector and on diversification and cash.

Our most recent opportunity showed up in the latter stages of 2017 as an above-average level of catastrophes (hurricanes and fires) in 2017 has resulted in significant earnings erosion (under-earnings) across the Insurance sector and stock underperformance has led to new opportunities. Today we are able to buy shares in a company like The Travelers Companies, Inc. (TRV), the leading US small commercial P&C underwriter, at approximately 12x our mid-cycle earnings. We also believe that Everest RE Group, Ltd. (RE) represents an attractive opportunity today as this leading North American reinsurer is trading at approximately 10x our internally derived normalized earnings. Unrelated to the catastrophe losses but still within the sector is Metlife, Inc. (MET). This newly refined and focused life insurance leader (post the spin-off of its annuity business) is currently trading at 11x our normalized earnings and has a 3.00 percent dividend yield. All three of these companies have strong market share positions, leading balance sheets and are all under-earning their long-term potential. Their PE multiples compare favorably to our entire universe which is currently trading at approximately 23-24x our estimate of normalized earnings and we are overweight the insurance industry as a result.

We continue to believe that several risk rewards within the Consumer Staples sector are attractive. These companies outperformed the market in the early-to-middle stages of the current economic expansion as investors went through a "chasing yield" stage, but have lagged over the past couple of years. These companies have historically been steadily growing businesses but are also currently facing headwinds that are somewhat unusual for a late-cycle economic environment. Most of these companies have large and growing exposure to emerging economies, and there are large sections of Latin America, the Middle East, Africa and Asia that have experienced some economic disruption. Some of this disruption has been due to political concerns, and some of it is due to certain economic reliance on commodities such as oil. With the price of many commodities being down over the past few years, disposable income in these regions has declined. Colgate-Palmolive Co. (CL), Clorox Co. (CLX), and Kimberly-Clark Corp. (KMB) all have exposure to Latin American economies that have been impacted by lower oil prices and political instability. Additionally, while lower commodity input prices have helped increase profit margins for most of these companies, it is beginning to put some pressure on revenue growth in the developed world as retailers and consumers have pushed back on price increases. We believe these events are transitory, and that these will remain high quality businesses over the long term. The combination of the market environment and transitory pressures has created some investment opportunities with attractive upside when compared to many other sectors of the market. Equally as important, the more stable growth profiles and low volatility nature of these businesses also leads us to believe that they carry less downside risk than most of the market.

Our final note for 2018 relates to our group of approximately 250 leaders, which we see as being overvalued by approximately 20-25 percent with downside in a recessionary environment of as much as 60-65 percent. We are not suggesting that a market downturn is imminent, but we do suggest that the market is not considering risk items such as a potential recession after eight years of economic expansion, debt levels at the corporate and government level being above average levels, or valuation being at historically high levels. As a result, opportunities are limited and during these periods we typically will diversity your portfolio and raise cash that can be put to work at better valuations. As such, your portfolio's number of holdings which was 56 at year-end 2016 has grown to 68 names today, and cash is now sitting at approximately 9 percent, which is near our maximum of 10 percent. Given the historical outperformance of the Nuance Mid Cap Value composite since its inception in November 2008 (up 16.79 percent annualized and net of fees versus the Russell Mid Cap Value Index up 15.21 percent and the S&P 500 Index up 14.18 percent; corresponding to cumulative gains of 315.28 percent, 265.98 percent, and 237.16 percent respectively), and the fact that we have seen the Nuance Master List's mid-cycle PE ratio expand from 9-10x to a historically high level of 24-25x during that time, we hope our clients can understand why we currently believe patience is valid and appropriate.

As we remind our clients each month, your team continues to find leading business franchises with sustainable competitive positions that are trading at prices that reflect risk rewards that are – in our view – significantly better than that of the market opportunities. We believe that our time-tested process of finding best of breed businesses with what we consider to be better than the market downside support and better than the market upside 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 Mid Cap 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 (RMV Index) | Benchmark Return (MIDV 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 (RMV Index) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| YTD 2008 (11/03/08-12/31/08) | (4.1) | (4.1) | (5.6) | (3.92) | N/A | 1 | $9,531,045 | $18,657,997 | 0.0% | - | - |
| 2009 | 38.7 | 38.2 | 34.2 | 33.77 | - | 4 | $50,600,141 | $137,943,058 | 1.1% | - | - |
| 2010 | 21.1 | 20.0 | 24.8 | 22.79 | 0.1 | 4 | $60,702,099 | $181,201,036 | 1.1% | - | - |
| 2011 | 4.0 | 3.4 | (1.4) | (2.39) | 0.1 | 4 | $55,186,800 | $152,976,943 | 0.9% | 18.2 | 23.1 |
| 2012 | 22.0 | 20.6 | 18.5 | 19.10 | 0.1 | 4 | $58,463,905 | $214,936,666 | 1.0% | 14.6 | 17.0 |
| 2013 | 35.5 | 34.2 | 33.6 | 34.25 | 0.1 | 8. | $80,358,264 | $507,569,897 | 1.0% | 13.1 | 13.9 |
| 2014 | 9.8 | 9.1 | 14.7 | 12.04 | 0.1 | 13 | $130,238,086 | $1,071,186,382 | 0.7% | 10.7 | 9.9 |
| 2015 | 3.0 | 2.3 | (4.8) | (6.66) | 0.1 | 17 | $145,638,450 | $913,545,839 | 0.6% | 11.2 | 10.9 |
| 2016 | 21.9 | 21.1 | 20.0 | 26.5 | 0.1 | 17 | $416,346,621 | $1,466,221,847 | 0.0% | 11.5 | 11.5 |
| YTD 2017 (12/31/2017) | 16.2 | 15.4 | 13.3 | 12.3 | 0.0 | 24 | $586,931,538 | $1,784,338,191 | 0.0% | 10.5 | 10.5 |

### 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 – 03/31/2017 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 Performace 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. Nuance has adopted the following Significant Cash Flow Policy. 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 if a single cash flow is equal or greater than 10 percent of the total account value based on the beginning 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 following month.

Our Core offerings are the Nuance Mid Cap Value Strategy, the Nuance Concentrated Value Strategy and the Nuance Concentrated Value Long-Short Fund. 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 Mid Cap Value Composite (the "Composite") is a composite of actual accounts invested in the Nuance Mid Cap Value investment strategy. The inception date for the Composite is 11/03/2008. 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 Midcap Value Index. The Russell Midcap Value Index measures the performance of the mid-cap value segment of the U.S. equity universe. It includes those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values. The Secondary Benchmarks for the Composite are the S&P MidCap 400 Value Index and the S&P 500 Index TR. The S&P MidCap 400 Value Index measures value in separate dimensions across six risk factors. The value factors include book value to price ratio, sales to price ratio, and dividend yield. 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 Clearwater Analytics. 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 a mid market capitalization value investment style. The Morningstar Mid-Cap Value Peer Group and the Lipper Mid-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 12/31/2017. 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 the 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.

Portfolio holdings and sector allocations are subjected to change and are not a recommendation to buy or sell any security. As of 12/31/2017 portfolio weights of names discussed are as follows: Kimberly-Clark Corp. (KMB) 3.63%, The Travelers Companies, Inc. (TRV) 3.55%, Metlife, Inc. (MET) 2.90%, The Clorox Co. (CLX) 2.59%, Colgate-Palmolive Co. (CL) 2.08%, Everest RE Group, Ltd. (RE) 2.08%, Pernod-Ricard SA (PDRDY) 1.02%, Cerner Corp. (CERN) 1.02%, Waters Corp. (WAT) 0.99%, J.B. Hunt Transport Services, Inc. (JBHT) 0.52%, Globus Medical, Inc. (GMED) 0.51%, ITT Inc. (ITT) 0.00%, Xylem, Inc. (XYL) 0.00%, and Cash 8.33%.

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.