

# Nuance Mid Cap Value Perspectives

## Quarterly Report



March 31st, 2011

Commentary with President and Chief Investment Officer  
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### Product Overview

The Nuance Mid Cap Value Composite is a classic value separate account investment product investing primarily in the equity or equity-linked securities of United States based companies. The product will typically maintain 50 - 100 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.

### Performance Update and Highlights

Since its inception on November 3, 2008, the Nuance Mid Cap Value Composite (through March 31, 2011) is up 24.78 percent (annualized and net of fees) versus the Russell Midcap® Value Index up 24.62 percent, the S&P MidCap 400 Value Index up 25.25 percent, and the S&P 500 Index up 16.69 percent.

For the prior twelve month period through March 31, 2011, the Nuance Mid Cap Value is up 21.01 percent (net of fees) versus the Russell Midcap® Value Index up 22.26 percent, the S&P MidCap 400 Value Index up 22.95 percent, and the S&P 500 Index up 15.65 percent.

Year-to-date through March 31, 2011 the Nuance Mid Cap Value Composite is up 7.13 percent (net of fees) versus the Russell Midcap® Value Index up 7.42 percent, the S&P MidCap 400 Value Index up 8.90 percent, and the S&P 500 Index up 5.92 percent.

11/03/08 – 03/31/11	YTD 2011	1 Year	2 Years APR	3 Years APR	5 Years APR	Since Inception APR	Since Inception Return
Nuance Mid Cap Value Composite (Gross)	7.20	22.08	40.39	N/A	N/A	25.46	72.57
Nuance Mid Cap Value Composite (Net)	7.13	21.01	39.58	N/A	N/A	24.78	70.34
Russell Midcap® Value Index	7.42	22.26	45.18	N/A	N/A	24.62	69.78
S&P MidCap 400 Value Index	8.90	22.95	42.67	N/A	N/A	25.25	71.86
S&P 500 Index	5.92	15.65	31.61	N/A	N/A	16.69	44.96

	11/13/2008 –to- 12/31/2008	2009	2010	YTD 2011
Nuance Mid Cap Value Composite (Gross)	(4.13)	38.69	21.08	7.20
Nuance Mid Cap Value Composite (Net)	(4.13)	38.20	20.01	7.13
Russell Midcap® Value Index	(5.60)	34.20	24.75	7.42
S&P MidCap 400 Value Index	(3.92)	33.77	22.79	8.90
S&P 500 Index	(5.95)	26.47	15.06	5.92

*Please note: Commencement of the Nuance Mid Cap Value Composite was 11/03/08. Return figures for the Nuance Mid Cap Value Composite are provided by Advent Portfolio Exchange and are net of fees. The Primary benchmark for the Nuance Mid Cap Value Composite is the Russell Midcap® Value Index. The secondary benchmarks are the S&P MidCap 400 Value Index and the S&P 500 Index. Return figures for all Indices are provided by Bloomberg. Periods over one year are annualized total return.*

**Portfolio Attribution and Investment Strategy Review**

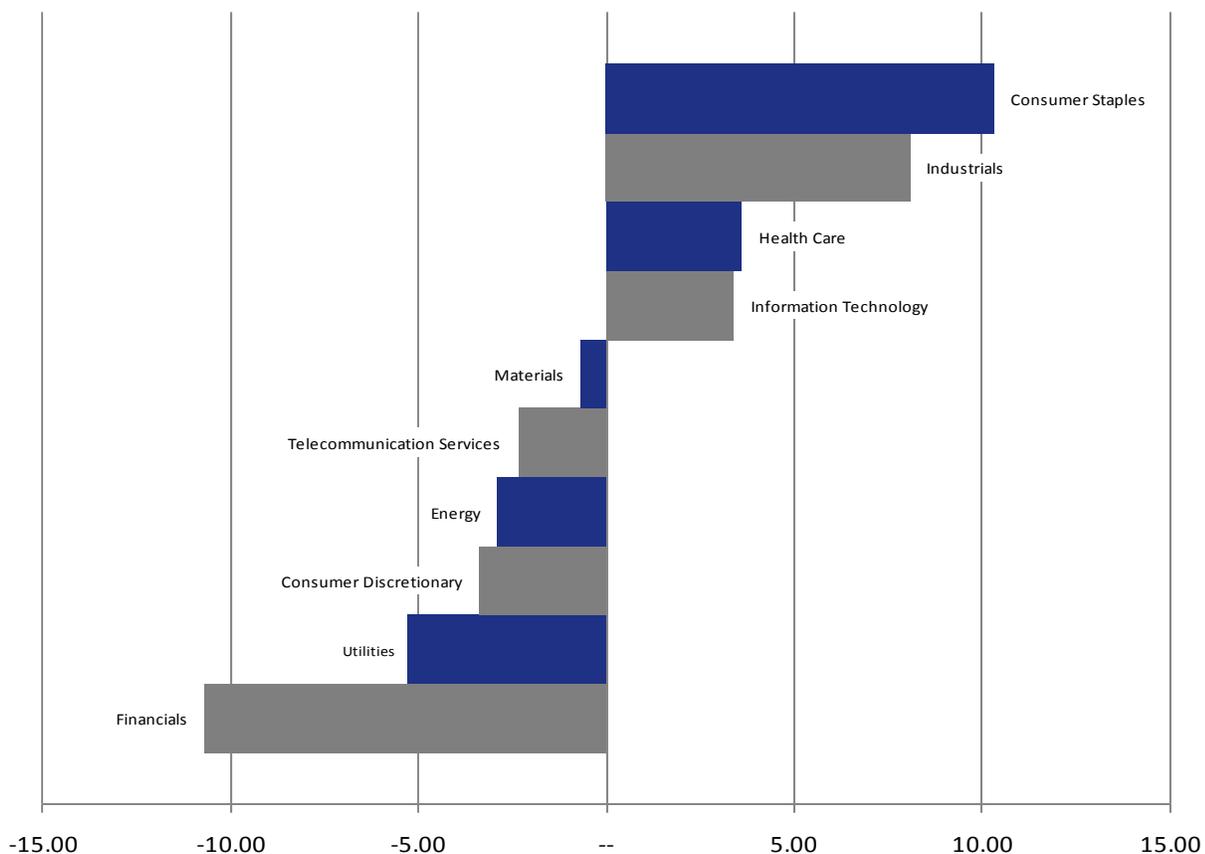
The bright spots in your portfolio for the first quarter of 2011 centered on the Materials, Energy, and Consumer Staples sectors. Clorox Co., Graham Packaging Co. Inc., and Imperial Oil Ltd. were each significant contributors to performance during the first three months of the year.

The Financial and Healthcare sectors were the primary disappointments for the first three months of 2011. Hudson City Bancorp Inc. and Johnson & Johnson were the two most significant detractors to performance. In both cases, we are either maintaining or building our positions in these leading franchise companies on the price weakness.

From a sector weighting perspective, we are finding opportunities in the Consumer Staples, Healthcare, and the Information Technology sectors. We continue to be underweight the Real Estate Investment Trust industry, and the Telecommunication sector. Lastly, we have begun reducing our weighting in the Energy sector after the sharp rise in that sector's performance that was primarily due to the issues in and around the Middle East.

**Nuance Mid Cap Value Composite -vs- Russell Midcap® Value Index**

**Sector Diversification – 03/31/11**



*Please note: Sector Classifications are generally determined by referencing the Global Industry Classification Standard (GICS) Codes developed by Standard & Poor's and Morgan Stanley Capital International. Sector Allocations are a percent of equity investments and subject to change.*

### Statistics and Valuation Support

We continue to be pleased with the overall composition of the portfolio. Remember that we are seeking to find investment opportunities in above average companies with better than average valuation support. Using the table below, you can see that the portfolio has a Price to Earnings Estimated Year 1 ratio of 15.6x versus the Russell Midcap® Value Index of 23.3x. We are achieving this ratio with a portfolio of companies that have returns on assets of 6.6 percent versus the Russell Midcap® Value Index of 3.9 percent. This phenomenon of owning of above average companies selling at below average multiples is a recipe for outperformance over the long term in our opinion.

Statistic	Nuance Mid Cap Value	Russell Midcap® Value Index
Weighted Average Market Cap	13.6b	8.3b
Median Market Cap	9.9b	4.2b
PE Trailing 12 Months	19.1x	25.8x
PE EPS Estimates Year 1	15.6x	23.3x
Dividend Yield	2.36%	1.93%
Price to Sales	2.1x	2.3x
Return on Assets	6.6%	3.9%
Return on Equity	17.7%	9.1%
Number of Securities	62	536

### First Quarter Review and Outlook

Amidst so many major worldwide events (Tunisia, Egypt, the devastation in Japan, more unrest in Libya and the Middle East) the stock market was remarkably resilient during the first quarter. In fact, we actually consider it a bit troublesome that the market appears to be so positive in the face of so many difficult data points. While we do not believe that any of these events in isolation are problematic to the economic recovery, these items coupled with continued high debt levels at many governments around the world, and valuation levels that are no longer near the trough levels seen in late 2008 and early 2009 are a cause for some concern.

Despite these concerns, we continue to believe that we are finding undervalued businesses around the globe. In total, our client's portfolios are comprised of companies with leading market share positions, solid financial strength, and are trading at significant discounts to our internal view of fair or intrinsic value.

Please visit our website at [www.nuanceinvestments.com](http://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](mailto:client.services@nuanceinvestments.com) or call 816-743-7080 to sign-up.

Thank you for your continued confidence and support,



Scott A. Moore, CFA

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