Nuance Mid Cap Value Perspectives Discussion

nuance INVESTMENTS

December 31, 2012

from Montage Investments

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

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

Since its inception on November 3, 2008, the Nuance Mid Cap Value Composite (through December 31, 2012) is up 17.89 percent (annualized and net of fees) versus the Russell Midcap Value Index up 15.89 percent, the S&P MidCap 400 Value Index up 15.70 percent, and the S&P 500 Index up 12.31 percent.

For the entirety of 2012 (ending December 31, 2012), the Nuance Mid Cap Value Composite ended up 20.61 percent (net of fees) versus the Russell Midcap Value Index up 18.50 percent, the S&P MidCap 400 Value Index up 19.10 percent, and the S&P 500 Index up 16.00 percent.

Comparing our product to peers since our inception (ending December 31, 2012) also displays excellent results. On a total return basis, we ranked 35th out of 385 members (9th percentile) in the Morningstar Mid-Cap Value Peer Group. Versus the Lipper Mid-Cap Value Funds Peer Group we ranked 24th out of 156 members (15th percentile).

Compared to these same peer groups on a risk-adjusted return basis (as measured by Sharpe Ratio), the Nuance Mid Cap Value Composite also faired quite well. The product ranked 2nd out of 385 members (1st percentile) in the Morningstar Mid-Cap Value Peer Group. Versus the Lipper Mid-Cap Value Funds Peer Group we ranked 1st out of 156 members (1st percentile). The Sharpe Ratio is calculated by subtracting the return of the risk-free index (Citigroup 3-month Treasury Bill) from the Composite return divided by the Standard Deviation of the Composite to get the risk-adjusted return.

Separate Account Morningstar® Rating

Morningstar Rating Overall: 5 Stars
Category: Mid-Cap Value
Number Rated: 136 [1]

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

Scott A. Moore, CFA

President and Chief Investment Officer

- 21+ years of investment analyst experience
- 19+ years of classic value investment experience
- 13+ years of portfolio management experience using a classic value approach
- Lead Portfolio manager of the Morningstar 5-Star rated Nuance Concentrated Value Separate Account product [1]
- Lead Portfolio manager of the Morningstar 5-Star rated Nuance Mid Cap Value Separate Account product [1]
- Former Sr. Portfolio Manager at American Century Investments managing over $10 billion

11/03/2008 - 12/31/2012	YTD 2012	1 Year	3 Years APR	Since Inception APR	Since Inception Return	Since Inception Standard Deviation (A)	Since Inception Sharpe Ratio (A)
Nuance Mid Cap Value Composite (Gross)	22.02	22.02	15.41	18.75	104.38	16.71	1.11
Nuance Mid Cap Value Composite (Net)	20.61	20.61	14.38	17.89	98.24	16.79	1.06
Russell Midcap Value Index	18.50	18.50	13.38	15.89	84.70	20.92	0.75
S&P MidCap 400 Value Index	19.10	19.10	12.59	15.70	83.46	20.98	0.74
S&P 500 Index	16.00	16.00	10.86	12.31	62.11	18.80	0.50

	11/13/08 - 12/31/08	2009	2010	2011	2012
Nuance Mid Cap Value Composite (Gross)	(4.13)	38.69	21.08	4.04	22.02
Nuance Mid Cap Value Composite (Net)	(4.13)	38.20	20.01	3.38	20.61
Russell Midcap Value Index	(5.60)	34.20	24.75	(1.38)	18.50
S&P MidCap 400 Value Index	(3.92)	33.77	22.79	(2.39)	19.10
S&P 500 Index	(5.95)	26.47	15.06	2.11	16.00

Peer Group Analysis 11/30/2008 - 12/31/2012

	Since Inception APR	Standard Deviation (A)	Sharpe Ratio (A)
Nuance Mid Cap Value Composite (Gross)	20.87	16.48	1.26
Nuance Mid Cap Value Composite (Net)	19.98	16.56	1.20
Morningstar Mid-Cap Value Peer Group (median)	17.56	19.64	0.88
Peer Group Percentile	9th	8th	1st
Peer Group Ranking	**35 of 385**	**29 of 385**	**2 of 385**
Lipper Mid-Cap Value Funds Peer Group (median)	18.33	19.86	0.89
Peer Group Percentile	15th	2nd	1st
Peer Group Ranking	**24 of 156**	**3 of 156**	**1 of 156**

Portfolio Attribution and Investment Strategy Review:

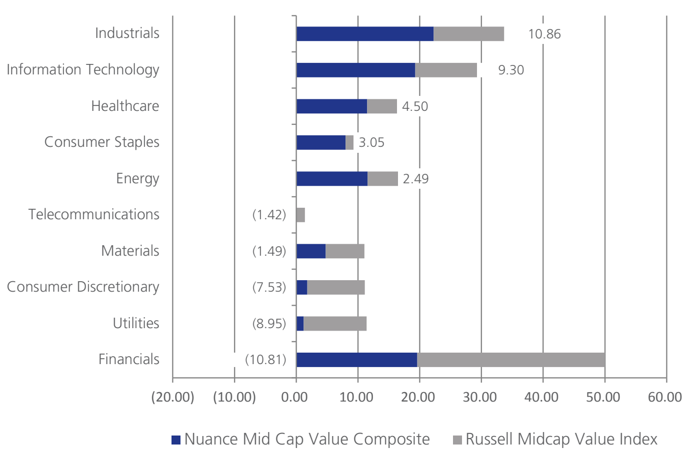
The bright spots in your portfolio for 2012 centered on the Utility, Consumer Discretionary, Information Technology, Financial, and Industrial sectors. TE Connectivity Ltd., Lowe's Cos. Inc., and Applied Materials Inc. were some of the largest contributors for the year. Further, a significant underweight stance in the Utility sector was a major contributor. As we discussed throughout 2012, the utility stocks we follow appeared overvalued to us. During 2012, this opinion worked as the group significantly underperformed the market.

The biggest and only detractor to performance was in the Energy sector as our stocks with oil and natural gas exposure lagged the market. We continue to like the risk versus rewards of these stocks. Ultra Petroleum Corp., Apache Corp. and Imperial Oil Ltd. were the primary detractors.

Going forward, we are finding opportunities in the Healthcare, Industrial, and Information Technology sectors and are adding to our positions within the Energy sector on underperformance. We continue to be underweight the Utility sector and Real Estate Investment Trust industry. Those two spaces are not yet showing opportunities and continue to appear overvalued in general due to the market's continued appetite for companies with historically high dividend payout ratios and subsequently high absolute dividend yields.

Nuance Mid Cap Value Composite vs Russell Midcap Value Index

Sector Diversification as of 12/31/2012

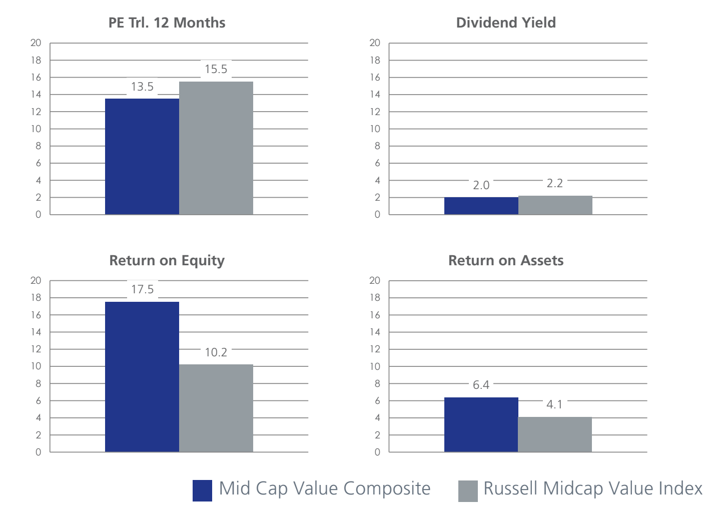


Composition of the Portfolio

We continue to be pleased with the overall composition of the portfolio. Remember that we are seeking to find 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 13.5 x versus the Russell Midcap Value Index of 15.5 x. We are achieving this ratio with a portfolio of companies that have returns on equity of 17.5 percent versus the Russell Midcap Value Index of 10.2 percent. This dichotomy of above average companies selling at below average multiples is a recipe for outperformance over the long term in our opinion.

Characteristics as of 12/31/2012	Nuance Mid Cap Value Composite	Russell Midcap Value Index
Weighted Average Market Cap	13.6b	8.5b
Median Market Cap	7.6b	4.1b
PE Trailing 12 Months	13.5x	15.5x
Dividend Yield	2.0%	2.2%
Return on Equity	17.5%	10.2%
Return on Assets	6.4%	4.1%
Number of Securities	52	558

Composite & Index statistics provided by Bloomberg using holdings at market close on the date stated, including cash and cash equivalents.



Semi-Annual Review and Outlook

Over the four years since the inception of Nuance Investments, we have been pleased to continue providing our clients with above-average returns with below-average risk. As always seems to be the case in this investing world, uncertainty breeds opportunity and 2012 did not disappoint. From the uncertainty surrounding the fiscal cliff, to slowing growth overseas, to the uncertainty of the election, to the continued debt burden hovering over countries around the world; uncertainty was once again commonplace. Importantly, the word "uncertainty" is not new to Nuance and your team. That term has been used each and every year since our inception and in each year we can remember since we began buying and selling stocks for clients long ago. Throughout Nuance's life, examples of "uncertainty" persist. From teetering on the brink of the most serious economic and financial crisis since the Great Depression in late 2008 and early 2009, to the tenacious market recovery in late 2009 and 2010, onto a relatively volatile but market neutral 2011, and then into the maze of 2012, we have witnessed a great deal of uncertainty and an incredible creation of opportunity. As always, your team and its process continues. We focus our attention on studying one company at a time, insuring that each company we own maintains a sound and solid competitive position and insuring that the companies we own are undervalued based on our own internally derived view of sustainable cash flows and earnings and valuation. We think that process is logical and profoundly powerful in both its simplicity and consistency.

As we now look ahead to 2013 from an opportunity and valuation perspective, we would suggest that the market (as defined by our internal follow list of approximately 300 companies) is modestly undervalued as of year-end 2012. This follows the impressive stock market gains of late 2009, 2010, the first six months of 2011, and now 2012. With that said, within a broader marketplace of many fairly and overvalued companies, we continue to find excellent company-specific opportunities. As of today, your portfolio is comprised of leading market share positioned companies with solid financial strength, that are trading at significant discounts to our internal view of fair or intrinsic value. It is also important to emphasize that these opportunities appear to be coming from very specific corners of the market and are clearly not broad-based. Utilities, Real Estate Investments Trusts, and many Consumer Staples stocks appear fully valued or overvalued. We believe this overvalued status is due to historically low interest rates which have led to a rather large spending spree on all things with a yield focus. As usual, when a herd mentality takes various assets valuations to extremes, an opportunity typically presents itself outside the herd. Not surprisingly to our readers I am sure, the gluttonous appetite for high yielding and high payout ratio stocks has led to lower yielding and lower dividend payout ratio stocks being significantly undervalued in our opinion. Interestingly, historically-better secular growth names appear attractive to us as they are the ones with the lower dividend payout ratios. Historically the market has rewarded these companies with higher valuation multiples which coincides with their better growth prospects. Today, growth prospects are being discounted in favor of yield. As examples of these opportunities, we have taken large stakes in a company with exposure to 1) global water infrastructure (XYL), 2) the aging population (SYK), and 3) the continuing need to improve productivity through technology (MKSI). In each case, these are areas that we think should grow faster than the overall economy over the long-term. The fact that we can buy these companies when they have lower valuation multiples is a unique and excellent opportunity within the market.

I would be remiss if I didn't remind our readers that outperformance versus our primary and secondary benchmarks is not a given nor should it be your expectation for any single year. While we have outperformed both our primary and secondary this year and each year sans one since our inception, we will certainly not outperform our benchmarks each and every year. That is simply not a realistic assumption over time and watching indexes is not what we spend our time doing. There will be times that the market and your team will simply disagree and the result will be underperformance. We certainly don't hope for those periods and are quite pleased that they are most rare since our inception. That said, we focus on long-term outperformance and stick to searching the world for leading business franchises selling at discounts to what they are worth. By diligently focusing on this task day in and day out, we believe that outperformance will accrue to our clients over the long term.

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 Disclaimer

	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 Compos-ite 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)	(4.13)	(4.13)	(5.60)	(3.92)	N/A	1	$9,531,045	$18,657,997	0.00%	-	-
2009	38.69	38.20	34.20	33.77	-	4	$50,600,141	$137,943,058	0.94%	-	-
2010	21.08	20.01	24.75	22.79	0.20	4	$60,702,099	$181,201,036	1.36%	-	-
2011	4.04	3.38	(1.38)	(2.39)	0.13	4	$55,186,800	$152,976,943	0.86%	17.99	22.78
YTD 2012 (12/31/2012)	15.29	14.01	14.03	13.69	N/A	4	$62,904,310	$206,544,761	0.87%	14.79	17.61

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. 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 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 Composite has been compared to various peer groups defined by investment style. The Composite is a Mid-Cap 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 present. Zephyr reports on month end returns only. For the purposes of peer group comparisons Since Inception returns are shown beginning 11/30/2008. 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. The Price-Earnings Ratio (P/E Ratio) is a valuation ratio of a company's current share price compared to its per-share earnings as calculated by the market value per share divided by earnings per share. 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 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. 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.

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. 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) The Morningstar® ratings (the "Rating(s)") provided are as of 09/30/2012. The Rating is a measure of a separate account's risk-adjusted return, relative to other separate accounts in the same Morningstar Category. Separate accounts are rated from 1 to 5 stars, with the best performers receiving 5 stars and the worst performers receiving 1 star. Separate accounts are rated for up to three periods (three, five, and 10 years), and ratings are recalculated each quarter. The Morningstar Rating for separate accounts uses an enhanced risk-adjusted return measure, which accounts for all variations in a separate account's monthly performance, with more emphasis on downward variation. Separate accounts are ranked against others in the same category and stars are assigned as follows: the top 10% of separate accounts in a category earn 5 stars, the next 22.5% 4 stars, the middle 35% 3 stars, the next 22.5% 2 stars, and the bottom 10% 1 star. The Morningstar Category identifies separate accounts based on their actual investment styles as measured by their underlying representative holdings (portfolio statistics and compositions). Ratings are not indicative of Nuance's future performance. For more information regarding the rating methodology, please contact client.services@nuanceinvestments.com.