

Nuance Mid Cap Value Perspectives Discussion



March 31, 2013

from



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 March 31, 2013) is up 20.09 percent (annualized and net of fees) versus the Russell Midcap Value Index up 18.42 percent, the S&P MidCap 400 Value Index up 18.42 percent, and the S&P 500 Index up 14.16 percent.

For the first quarter of 2013 (ending March 31, 2013), the Nuance Mid Cap Value Composite ended up 12.99 percent (net of fees) versus the Russell Midcap Value Index up 14.21 percent, the S&P MidCap 400 Value Index up 14.83 percent, and the S&P 500 Index up 10.61 percent.

Comparing our product to peers also displays excellent results. On a total return basis, we ranked 31st out of 384 (8th percentile) peer group members in the Morningstar Mid-Cap Cap Value universe. Versus the Lipper Mid-Cap Value Funds Peer Group we ranked 22nd out of 160 (14th percentile).

As compared to these same peer groups on a risk-adjusted return basis (as measured by Sharpe Ratio), the Nuance Mid Cap Value Composite also fared quite well. The product ranked 2nd out of 384 (1st percentile) peers in the Morningstar Mid-Cap Value universe. Versus the Lipper Mid-Cap Value Funds Peer Group we ranked 1st out of 160 (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: 134 ¹

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

Scott A. 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
- Co-owner and founder of Nuance Investments, LLC
- Lead Portfolio manager of the Morningstar 5-Star rated Nuance Mid Cap Value Separate Account product ²
- Lead Portfolio manager of the Morningstar 5-Star rated Nuance Mid Cap Value Separate Account product ²
- Former Sr. Portfolio Manager at American Century Investments managing over \$10 billion

	11/03/2008 - 03/31/2013	YTD 2013	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)		13.26	23.25	17.87	20.99	131.48	16.53	1.26
Nuance Mid Cap Value Composite (Net)		12.99	21.98	16.75	20.09	123.99	16.59	1.20
Russell Midcap Value Index		14.21	21.51	14.95	18.42	110.69	20.55	0.89
S&P MidCap 400 Value Index		14.83	21.17	14.64	18.42	110.67	20.64	0.88
S&P 500 Index		10.61	13.96	12.66	14.16	79.30	18.41	0.62
	11/03/08 - 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 - 03/31/2013

	Since Inception APR	Standard Deviation (A)	Sharpe Ratio (A)
Nuance Mid Cap Value Composite (Gross)	23.04	16.29	1.41
Nuance Mid Cap Value Composite (Net)	22.12	16.36	1.35
Morningstar Mid-Cap Value Peer Group (median)	19.82	19.23	1.02
Peer Group Percentile	8th	8th	1st
Peer Group Ranking	31 of 384	30 of 384	2 of 384
Lipper Mid-Cap Value Funds Peer Group (median)	20.49	19.63	1.02
Peer Group Percentile	14th	1st	1st
Peer Group Ranking	22 of 160	2 of 160	1 of 160

Portfolio Attribution and Investment Strategy Review:

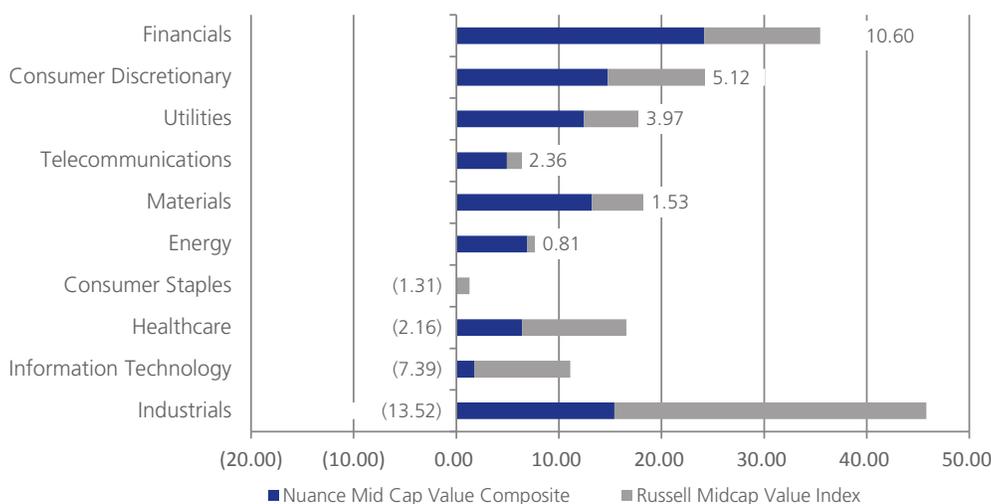
The bright spots in your portfolio during the first quarter focused on the Financial, Health Care, and Industrial sectors. ITT Corporation, Stryker Corporation, National Fuel Gas Co., Southwest Airlines Co., and Charles Schwab Corporation were some of the largest contributors.

The biggest 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 and are adding to our overall positions in this sector. Imperial Oil LTD. was one of our biggest detractors.

Going forward, we are finding opportunities in the Energy, Industrial, and Information Technology sectors. We continue to be underweight in 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 aggressive 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 03/31/2013

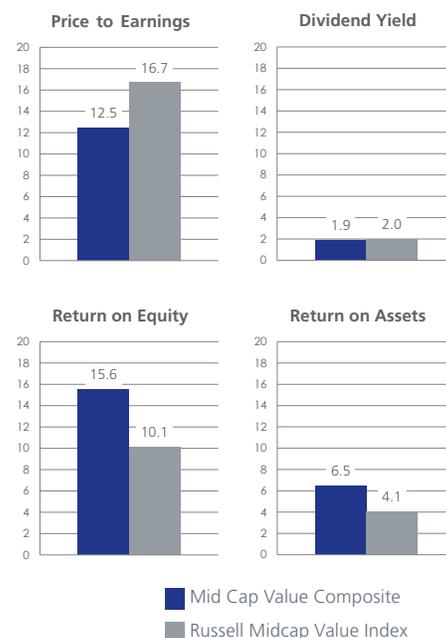


Composition of the Portfolio

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 12.5x versus the Russell Midcap Value Index of 16.7x. We are achieving this ratio with a portfolio of companies that have returns on assets of 6.5 percent versus the Russell 3000 Value Index of 4.1 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 03/31/2013	Nuance Mid Cap Value Composite	Russell Midcap Value Index
Weighted Average Market Cap	12.6b	9.8b
Median Market Cap	6.8b	4.6b
Price to Earnings	12.5x	16.7x
Dividend Yield	1.9%	2.0%
Return on Equity	15.6%	10.1%
Return on Assets	6.5%	4.1%
Number of Securities	56	562
Number of Securities	57	555

Composite & Index statistics provided by Bloomberg & Russell, respectively: Weighted Average Market Cap, Median Market Cap, Dividend Yield & Number of Securities. Return on Equity & Return on Asset statistics are internally calculated using Bloomberg data. The P/E statistics are a Nuance internal calculation. Characteristics calculations use holdings at market close on the stated date, including cash and cash equivalents.



Quarterly Review and Outlook

The first quarter of 2013 showed yet another positive period of stock price performance and more questions to us regarding current valuations and the risk to the market as a whole. We will reiterate our long standing belief on such issues. In our view the market is made up of individual companies and discussions of the "market" cannot be made without a discussion of company valuations done one at a time. Based on our internal work we believe that the market is likely within a range of fair value as of this writing, but would emphasize that our portfolio continues to present opportunities in leading business franchises that are significantly undervalued.

We continue to be pleased with our long term performance as noted above, but as we always do, 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 or quarter. There will be times that the market and your team will simply disagree and the result will be underperformance. Instead of worrying about those shorter term periods, our team chooses to stay focused on the task at hand. By diligently studying one company at a time, we insure that we own a leading business franchise that is significantly undervalued versus our view of the intrinsic value of the company.

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 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)	(4.13)	(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	1.12%	-	-
2010	21.08	20.01	24.75	22.79	0.20	4	\$60,702,099	\$181,201,036	1.13%	-	-
2011	4.04	3.38	(1.38)	(2.39)	0.13	4	\$55,186,800	\$152,976,943	0.86%	18.19	23.08
2012	22.02	20.61	18.50	19.10	0.06	4	\$58,463,905	\$214,936,666	1.00%	14.55	16.98
YTD 2013 (03/31/2013)	13.26	12.99	14.21	14.83	N/A	4	\$66,056,916	\$267,951,468	1.00%	14.69	16.81

Important Disclaimer

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 Operating Margin is calculated by dividing operating income by net sales. 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 12/31/2012. 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.

(2) The Morningstar® ratings (the "Rating(s)") provided are as of 10/31/2008. From 9/2/2008 to 10/31/2008, Mr. Moore was a consultant, rather than portfolio manager due to an employment agreement with American Century Investments. American Century Mid Cap Value received recognition while Mr. Moore was the Lead Portfolio Manager from 4/1/2004 to 10/31/2008. American Century Equity Income received recognition while Mr. Moore was a Co-portfolio manager from 2/1/1999 to 10/31/2008. American Century Value received recognition while Mr. Moore was a Co-portfolio manager from 2/1/1999 to 10/31/2008.