

Nuance Concentrated Value Perspectives Discussion



June 30, 2013

from



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

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.

Performance Update

Since its inception on November 13, 2008, the Nuance Concentrated Value Composite (through June 30, 2013) is up 21.64 percent (annualized and net of fees) versus the Russell 3000 Value Index up 14.85 percent and the S&P 500 Index up 15.60 percent.

For the first six months of 2013 (ending June 30, 2013), the Nuance Concentrated Value Composite was up 13.06 percent (net of fees) versus the Russell 3000 Value Index up 15.81 percent and the S&P 500 Index up 13.83 percent.

Comparing our product to peers displays excellent results over time. On a total return basis, we ranked 18th of 1,128 (2nd percentile) peer group members in the Morningstar Large Cap Value universe. Versus the Lipper Multi-Cap Value Funds Peer Group we ranked 18th of 233 (2nd percentile).

As compared to these same peer groups on a risk-adjusted return basis (as measured by the Sharpe Ratio statistic), the Nuance Concentrated Value Composite also fared quite well. The product ranked 1st out of 1,128 (1st percentile) peers in the Morningstar Large Cap Value universe. Versus the Lipper Multi-Cap Value Funds Peer Group we ranked 1st out of 233 (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 risk-adjusted return.

Separate Account Morningstar® Rating



Morningstar Rating Overall: 5 Stars
Category: Large Value
Number Rated: 407 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 Concentrated 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

11/13/2008 - 6/30/2013	YTD 2013	1 Year	3 Years APR	Since Inception APR	Since Inception TR	Since Inception		
						Standard Deviation (A)	Since Inception Sharpe Ratio (A)	
Nuance Concentrated Value Composite (Gross)	13.62	25.93	20.05	22.28	153.69	14.24	1.54	
Nuance Concentrated Value Composite (Net)	13.06	24.95	19.32	21.64	147.56	14.20	1.50	
Russell 3000 Value Index	15.81	25.31	18.40	14.85	89.89	17.91	0.82	
S&P 500 Index	13.83	20.70	18.50	15.60	95.64	16.09	0.95	
			11/13/08 - 12/31/08		2009	2010	2011	2012
Nuance Concentrated Value Composite (Gross)	4.47		42.21	18.79	6.85	18.41		
Nuance Concentrated Value Composite (Net)	4.47		41.72	18.13	6.29	17.79		
Russell 3000 Value Index	0.38		19.78	16.26	(0.06)	17.62		
S&P 500 Index	(0.47)		26.47	15.06	2.11	16.00		

Peer Group Analysis 11/30/2008 - 06/30/2013

	Since Inception APR	Standard Deviation (A)	Sharpe Ratio (A)
Nuance Concentrated Value Composite (Gross)	21.55	14.34	1.50
Nuance Concentrated Value Composite (Net)	20.88	14.30	1.45
Morningstar Large Value Peer Group (median)	14.87	17.14	0.88
Peer Group Percentile	2nd	12th	1st
Peer Group Ranking	18 of 1,128	137 of 1,128	1 of 1,128
Lipper Multi-Cap Value Funds Peer Group (median)	16.74	18.43	0.89
Peer Group Percentile	2nd	1st	1st
Peer Group Ranking	18 of 233	7 of 233	1 of 233

Portfolio Attribution and Investment Strategy Review:

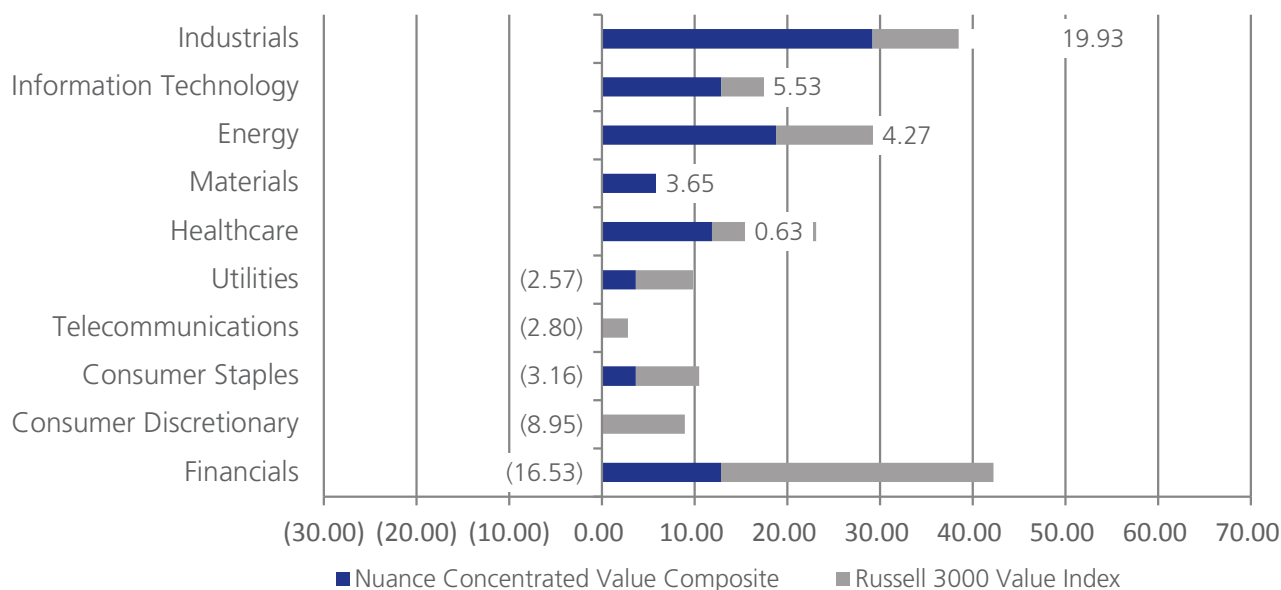
The bright spots in your portfolio for the first half of 2013 included the Financial, Utility, Materials, and Consumer Staples sectors. Metlife Inc., Schwab (Charles) Corp., Compass Minerals International, and Hillshire Brands Co. were some of the largest contributors.

The biggest detractors to performance were in the Energy and Industrial sectors. Imperial Oil LTD., Xylem Corp., American Science & Engineering, and MSKI Instruments Inc were our biggest detractors. In each case, we continue to believe that these companies have sound competitive positions and are excellent values. As such, we are holding or adding to each of these companies.

Going forward, we are finding opportunities in the Industrial, Energy, 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. This yield hunger has finally begun to subside as treasury yields have increased during the recent quarter. That has led to underperformance in both of those spaces recently.

Nuance Concentrated Value Composite vs Russell 3000 Value Index

Sector Diversification as of 6/30/2013



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 12.2x versus the Russell 3000 Value Index of 15.3x. We are achieving this ratio with a portfolio of companies that have returns on assets of 7.0 percent versus the Russell 3000 Value Index of 5.1 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 06/30/2013	Nuance Concentrated Value Composite	Russell 3000 Value Index
Weighted Average Market Cap	37.4b	91.2b
Median Market Cap	12.8b	1.1b
Price to Earnings	12.2x	15.3x
Dividend Yield	2.0%	2.4%
Return on Equity	16.0%	13.3%
Return on Assets	7.0%	5.1%
Number of Securities	26	2,088

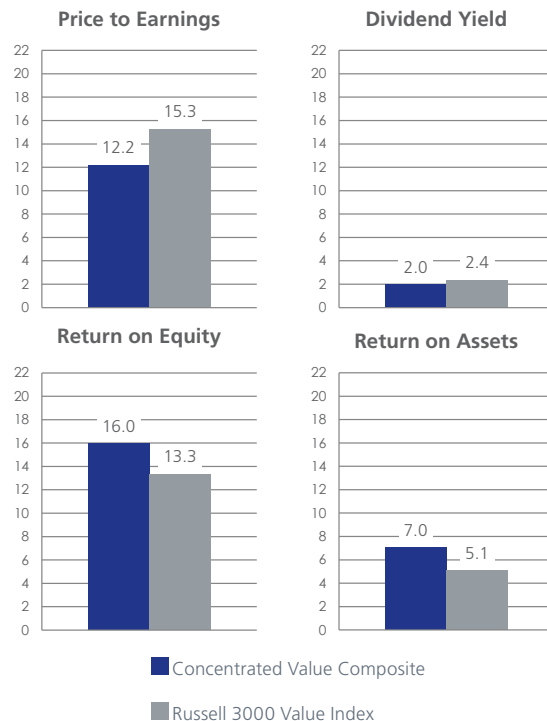
Composite & Index statistics provided by Bloomberg & Russell, respectively: Weighted Average Market Cap, Median Market Cap, Dividend Yield & Number of Securities. Return on Equity & Return on Asset statistics are internally calculated using Bloomberg data. The P/E statistics are a Nuance internal calculation.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

Stocks added to your portfolio (during June 2013):

None

Stocks sold from your portfolio (during June 2013):

None



Quarterly Review and Outlook

The first half of 2013 was clearly another excellent period for stocks as a modestly improving economy and reasonable earnings reports by the companies we follow led to further valuation multiple expansion across the market. While there are certainly negative economic factors causing our companies to grow relatively slowly – slowing growth in China, government debt burdens, and political gridlock to name a few - the positive factors are being emphasized by the market, which is driving up valuation multiples. At current prices, it is fair to say that we think the market as a whole appears fully valued, while stocks in our portfolio continue to offer excellent upside potential as they are undervalued. As noted in our statistics section above, our portfolio (using our own internal Nuance derived normal earnings power) is trading at only 12.2x Price to Earnings as of June 30, 2013. In our opinion, these valuation levels for leading business franchises with above average balance sheet strength continue to suggest a reasonable opportunity going forward. As always, there are no certainties in stocks and even a modest amount of incrementally negative economic or company specific data would likely cause a nice sized retracement with stocks in general. That of course would only make our portfolio companies less expensive and we would like them even more.

We continue to be pleased with our long term performance as noted above, but as always, we 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 our team will simply disagree and the result will be underperformance. That would be the case in the last month when we underperformed for this short period of time. Our current year to date performance is actually behind our benchmarks and most of that underperformance appeared in the last month. This is not abnormal at all and simply suggests that the thoughts of our team were simply different than the thoughts of the broad market for a month. Instead of worrying about these shorter term periods, our team stays focused on the task at hand by diligently studying one company at a time, insuring that we own leading and sustainable business franchises, and that these franchises are 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 (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 (11/13/08-12/31/08)	4.47	4.47	0.38	(0.47)	N/A	7	\$9,126,951	\$18,657,997	4.57%	-	-
2009	42.21	41.72	19.78	26.47	1.17	79	\$87,342,803	\$137,943,058	0.60%	-	-
2010	18.79	18.13	16.26	15.06	0.25	145	\$119,543,453	\$181,201,036	0.46%	-	-
2011	6.85	6.29	(0.06)	2.11	0.48	181	\$96,831,359	\$152,976,943	0.85%	16.13	21.31
2012	18.41	17.79	17.62	16.00	0.19	259	\$154,693,966	\$214,936,666	0.77%	13.05	16.02
YTD 2013 (06/30/2013)	13.62	13.06	15.81	13.83	N/A	339	\$263,736,627	\$333,180,640	0.00%	12.51	14.30

Important Disclaimer

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. 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 an all market capitalization value investment style. The Morningstar Large Value Peer Group (as selected by Morningstar) 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 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. A Cash Flow is a revenue or expense stream that changes an account over a given period. 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 August 1, 2010 Nuance operated under the name Mariner Value Strategies, LLC.

(1) The Morningstar® ratings (the "Rating(s)") provided are as of 3/31/2013. 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.