Nuance Mid Cap Value Perspectives Discussion

from Montage Investments

September 30, 2013

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 September 30, 2013) is up 19.88 percent (annualized and net of fees) versus the Russell Midcap Value Index up 18.17 percent, the S&P MidCap 400 Value Index up 18.05 percent, and the S&P 500 Index up 14.47 percent.

For the first nine months of 2013 (ending September 30, 2013), the Nuance Mid Cap Value Composite was up 22.70 percent (net of fees) versus the Russell Midcap Value Index up 23.05 percent, the S&P MidCap 400 Value Index up 24.05 percent, and the S&P 500 Index up 19.79 percent.

Comparing our product to peers also displays excellent results since our inception. On a total return basis, we ranked 57th out of 372 (15th percentile) peer group members in the Morningstar Mid-Cap Cap Value universe. Versus the Lipper Mid-Cap Value Funds Peer Group we ranked 32nd out of 163 (20th 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 faired quite well. The product ranked 2nd out of 372 (1st percentile) peers in the Morningstar Mid-Cap Value universe. Versus the Lipper Mid-Cap Value Funds Peer Group, we ranked 2nd out of 163 (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.

Risk-Adjusted Returns Rankings[1]

1st PERCENTILE

Morningstar
Category: Mid-Cap Value
Ranking vs. Peers: 2nd of 372

Lipper
Category: Multi-Cap Value
Ranking vs. Peers: 2nd of 163

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 Nuance Concentrated Value Separate Account product
- Lead Portfolio manager of the Nuance Mid Cap Value Separate Account product
- Former Sr. Portfolio Manager at American Century Investments managing over $10 billion

11/03/2008 - 09/30/2013	YTD 2013	1 Year	3 Years APR	Since Inception APR	Since Inception TR	Since Inception Standard Deviation (A)	Since Inception Sharpe Ratio (A)
Nuance Mid Cap Value Composite (Gross)	23.44	30.66	20.88	20.75	152.22	16.07	1.28
Nuance Mid Cap Value Composite (Net)	22.70	29.81	19.85	19.88	143.42	16.13	1.22
Russell Midcap Value Index	23.05	27.91	17.30	18.17	126.99	19.75	0.91
S&P MidCap 400 Value Index	24.05	29.63	17.20	18.05	125.81	19.92	0.91
S&P 500 Index	19.79	19.34	16.24	14.47	94.13	17.69	0.68

	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 - 09/30/2013

	Since Inception APR	Standard Deviation (A)	Sharpe Ratio (A)
Nuance Mid Cap Value Composite (Gross)	22.59	15.85	1.42
Nuance Mid Cap Value Composite (Net)	21.68	15.91	1.36
Morningstar Mid-Cap Value Peer Group (median)	19.78	18.43	1.06
Peer Group Percentile	15th	9th	1st
Peer Group Ranking	**57 of 372**	**33 of 372**	**2 of 372**
Lipper Mid-Cap Value Funds Peer Group (median)	20.41	18.96	1.06
Peer Group Percentile	20th	1st	1st
Peer Group Ranking	**32 of 163**	**2 of 163**	**2 of 163**

Portfolio Attribution and Investment Strategy Review:

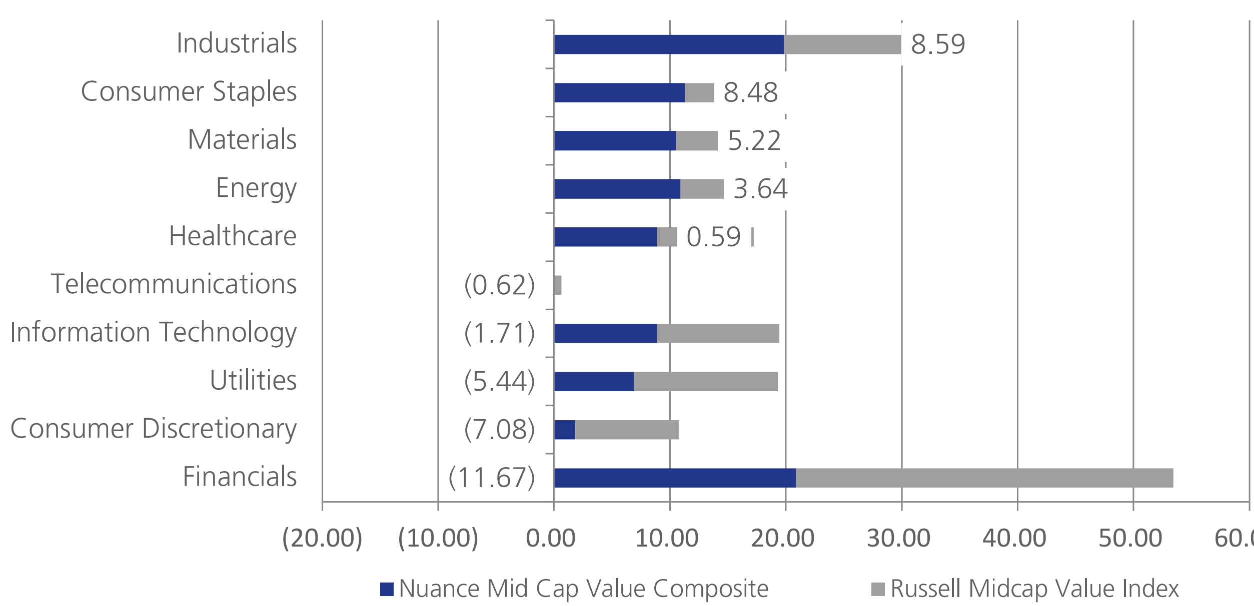
The bright spots in your portfolio for the first nine months of 2013 included the Financial, Utility, and Materials sectors. National Fuel Gas (NFG), Schwab (Charles) Corp., and ITT Corp. were significant outperformers. Also, our underweight stance in the Utility sector and the Real Estate Investment Trust industry were both outstanding contributors.

The biggest detractors to performance were in the Energy and Technology sectors. Imperial Oil Ltd. and MKS Instruments Inc. were our biggest detractors as these stocks have only increased in value modestly versus the relatively large increases in the market. In each of these cases, we continue to believe that these companies have sound competitive positions and are excellent values.

Going forward, we continue to find opportunities in the Industrial and Energy sectors and we have also been increasing our Consumer Staples exposure. Lastly, 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 fully valued or 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 09/30/2013

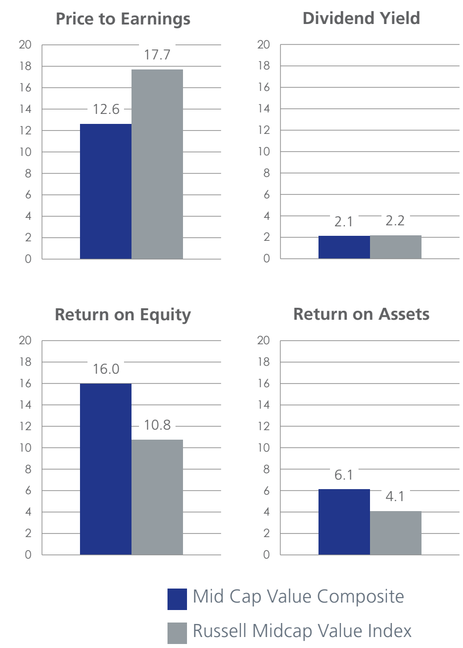


Composition of the Portfolio

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 12.6x versus the Russell Midcap Value Index of 17.7x. We are achieving this ratio with a portfolio of companies that have returns on assets of 6.1 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 09/30/2013	Nuance Mid Cap Value Composite	Russell Midcap Value Index
Weighted Average Market Cap	11.6b	9.8b
Median Market Cap	9.7b	5.0b
Price to Earnings	12.6x	17.7x
Dividend Yield	2.1%	2.2%
Return on Equity	16.0%	10.8%
Return on Assets	6.1%	4.1%
Number of Securities	55	520

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.



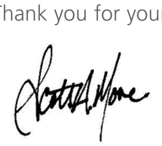
Quarterly Review and Outlook

So, it turns out interest rates can actually go up. As many of our readers know, starting in the fourth quarter of 2011, your Nuance team began discussing our view that the market was becoming aggressively enamored with all things dividend yield. This was not an opinion that we took lightly given our historical tendency to buy companies with higher than average dividends in most market environments. But what we saw in the latter part of 2011 - that persisted even into the second quarter of 2013 - was a market that was overvaluing one single simple valuation measure – the dividend yield. As such, stocks with historically high dividend payout ratios and thus high absolute dividend yields were bid up to valuation levels on earnings and cash flows that suggested to us that there was significant downside risk in the stocks over time. It also suggested that the expected catalyst for that underperformance would be interest rates moving to historically more normal, higher levels. Starting in the second quarter of 2013, interest rates have indeed been changing and moving directionally towards what we think are more normal levels. The 10 year treasury yield has climbed from 1.6-1.7 percent to a peak of nearly 3.0 percent and stands at ~2.7 percent as I type this commentary. As it would be expected, this significant change caused higher yielding stocks like utilities and real estate investment trusts (REITS) to underperform materially in the market. Coincidentally, we have been seeing higher quality companies with lower dividend payout ratios and lower absolute dividend yields do quite well and this phenomenon has helped us perform reasonably well this year.More importantly than this brief history lesson, what do we see going forward? Our outlook, as always, is grounded on what we do each and every day – staying focused on our time-tested process of studying one company at a time and observing the valuation opportunities of each member of our approved list of leading business franchises. In our view utility stocks appear fully valued as a group as opposed to overvalued in late 2011, 2012, and early 2013. Although, we are seeing a few one-off opportunities again (we recently added GXP to your portfolio). REITS continue to be overvalued in our view and we see little opportunity for investment. Consumer staples stocks with higher than average payout ratios and thus high absolute yields have also gone from overvalued as a group back to full valuation but recent difficult earnings announcements are resulting in a few isolated opportunities (we recently bought back K and added to our position in SYY).

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.

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	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 (09/30/2013)	23.44	22.70	23.05	24.05	N/A	7	$72,513,012	$403,140,385	1.00%	13.51	14.28

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 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 Advent Portfolio Exchange. Return calculations for all indices are provided by Bloomberg. 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 Return on Equity is calculated by taking the net income divided by shareholder equity. The Return on Assets is calculated based on net income divided by average total assets. 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) Risk-Adjusted Return (Sharpe Ratio) calculations and Standard Deviation 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 (as selected by Morningstar) 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 09/30/2013. 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.