Nuance Concentrated Value Perspectives Discussion

from Montage Investments

September 2014

Commentary with President and Chief Investment Officer Scott 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 September 30, 2014) is up 21.54 percent (annualized and net of fees) versus the Russell 3000 Value Index up 15.45 percent and the S&P 500 Index up 16.53 percent.

For the first nine months of 2014 (ending September 30,2014), the Nuance Concentrated Value Composite was up 6.97 percent (net of fees) versus the Russell 3000 Value Index up 7.01 percent and the S&P 500 Index up 8.34 percent.

Comparing our product to peers displays excellent results over time. On a total return basis, we ranked 12th of 1,283 (1st percentile) peer group members in the Morningstar Large Cap Value universe. Versus the Lipper Multi-Cap Value Funds Peer Group we ranked 31th of 213 (15th 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 faired quite well. The product ranked 1st out of 1,283 (1st percentile) peers in the Morningstar Large Cap Value universe. Versus the Lipper Multi-Cap Value Funds Peer Group, we ranked 1st out of 213 (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.

Risk-Adjusted Returns Rankings[1]

1st PERCENTILE

Morningstar	Lipper
Category: Large Value	Category: Multi-Cap Value
Ranking vs. Peers: 1st of 1,283	Ranking vs. Peers: 1st of 213

Scott 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
- Lead Portfolio manager of the Morningstar 5-Star rated[2] Nuance Concentrated Value Separate Account product
- Lead Portfolio manager of the Morningstar 5-Star rated[2] Nuance Mid Cap Value Separate Account product
- Former Sr. Portfolio Manager at American Century Investments managing over $10 billion

11/13/2008 - 09/30/2014	YTD 2014	1 Year	3 Years APR	5 Years APR	Since Inception APR	Since Inception TR	Since Inception Standard Deviation (A)	Since Inception Sharpe Ratio (A)
Nuance Concentrated Value Composite (Gross)	7.57	18.57	24.14	18.69	22.20	225.04	13.57	1.62
Nuance Concentrated Value Composite (Net)	6.97	17.70	23.38	18.00	21.54	214.91	13.55	1.57
Russell 3000 Value Index	7.01	17.65	23.66	15.07	15.45	132.85	16.55	0.92
S&P 500 Index	8.34	19.72	22.96	15.68	16.53	145.97	14.89	1.10

	11/13/08 - 12/31/08	2009	2010	2011	2012	2013
Nuance Concentrated Value Composite (Gross)	4.47	42.21	18.79	6.85	18.41	35.33
Nuance Concentrated Value Composite (Net)	4.47	41.72	18.13	6.29	17.79	34.45
Russell 3000 Value Index	0.38	19.78	16.26	(0.06)	17.62	32.72
S&P 500 Index	(0.47)	26.47	15.06	2.11	16.00	32.38

Peer Group Analysis 11/30/2008 - 09/30/2014

	Since Inception APR	Standard Deviation (A)	Sharpe Ratio (A)
Nuance Concentrated Value Composite (Gross)	21.63	13.65	1.58
Nuance Concentrated Value Composite (Net)	20.96	13.62	1.53
Morningstar Large Value Peer Group (median)	15.79	16.03	1.01
Peer Group Percentile	1st	13th	1st
Peer Group Ranking	12 of 1,283	164 of 1,283	1 of 1,283
Lipper Multi-Cap Value Funds Peer Group (median)	17.92	16.74	1.04
Peer Group Percentile	15th	4th	1st
Peer Group Ranking	31 of 213	8 of 213	1 of 213

Portfolio Attribution and Investment Strategy Review:

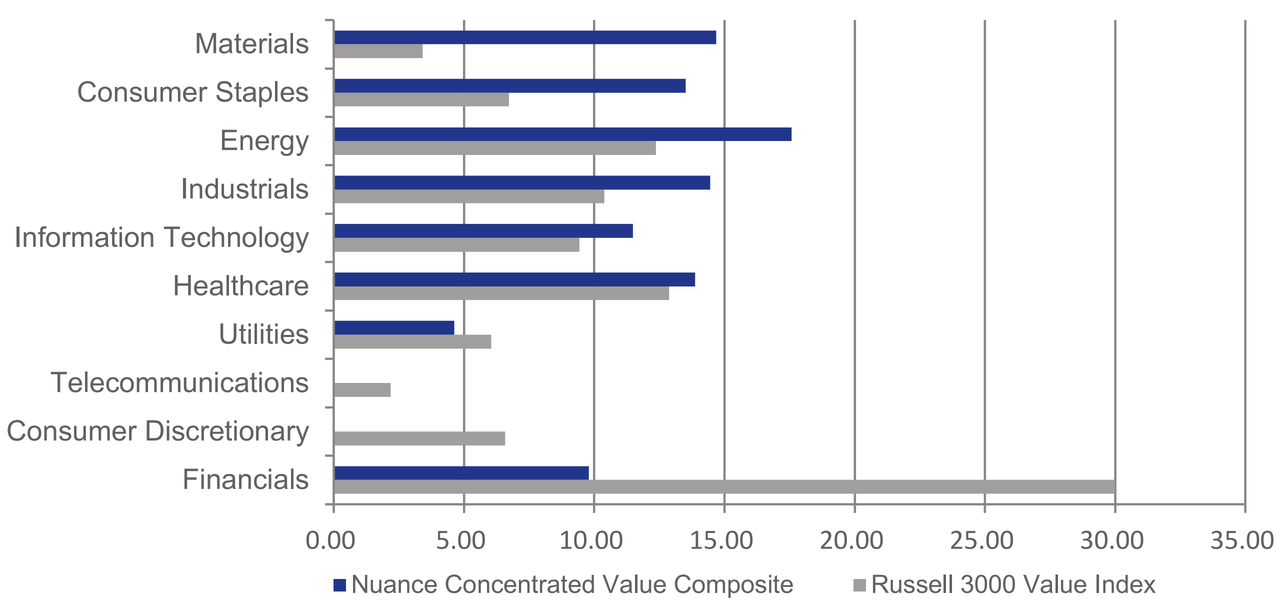
The bright spots in your portfolio for the first nine months of 2014 included the Materials, Consumer Discretionary and the Utility sectors. Goldcorp Inc., Target Corp., Clean Harbors Inc. and Exelon Corp. were key contributors.

The biggest detractors to performance were in the Healthcare and Information Technology sectors. Patterson Companies Inc. and MKS Instruments Inc. both hurt our relative performance although both were up for the year. In both cases we continue to like the companies and still own significant positions. We would also note that Frank's International NV also underperformed, but in the context of a neutral overall attribution in the Energy sector. Further, American Science and Engineering also underperformed, but in the context of a positive overall attribution in the Industrial sector. We continue to like both of those names.

Going forward, we are finding interesting opportunities in the Materials and Consumer Staples sectors and we have been adding weighting to the Energy sectors on very recent weakness. We continue to be underweight in the Consumer Discretionary sector, the Finance sector and the Utility sector. Those spaces are not showing opportunities and continue to appear fully valued or overvalued in our opinion.

Nuance Concentrated Value Composite vs Russell 3000 Value Index

Sector Diversification as of 09/30/2014



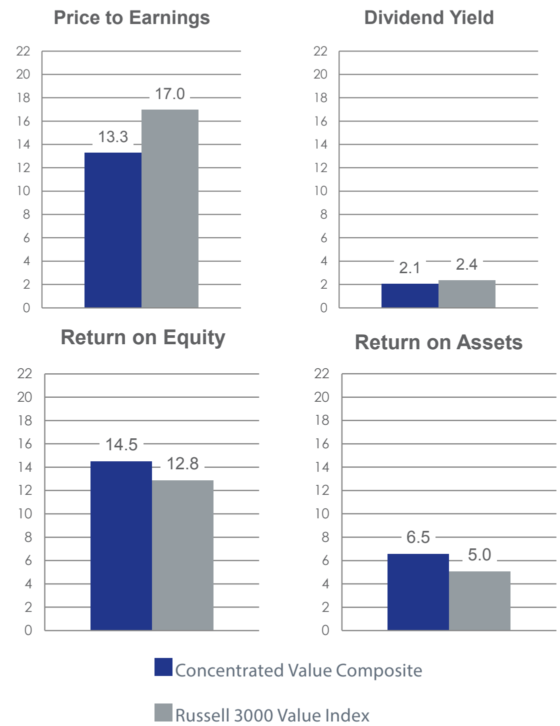
Composition of the Portfolio

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 13.3x versus the Russell 3000 Value Index of 17.0. 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 5.0 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 09/30/2014	Nuance Concentrated Value Composite	Russell 3000 Value Index
Weighted Average Market Cap	17.7b	103.6b
Median Market Cap	5.9b	1.3b
Price to Earnings (internal & ttm)*	13.3x	17.0x
Forward Price to Earnings	17.4x	15.5x
Dividend Yield	2.1%	2.4%
Return on Equity	14.5%	12.8%
Return on Assets	6.5%	5.0%
Number of Securities	27	2,044

*Based on Nuance internal estimates and benchmarked against the above noted Russell index.

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 we recently added to your portfolio (during September 2014):

H.B. Fuller Corporation (FUL): FUL has leading market share positions in the manufacturing and selling of adhesives, sealants, coatings and other specialty chemical products worldwide. FUL's stock recently sold-off significantly as the firm is facing a trifecta of issues that caused the company to significantly lower the earnings and cash flow guidance. Between rising raw material prices for one of their primary inputs, a SAP implementation that is turning out to be more costly than anticipated and a large capital spending program that is set to wind down next year, the company simply bit off more than it could chew in our opinion. We believe each of these issues to be transitory and we believe over the next few years the spending could lead to even higher margins than we have seen historically as the company is actually gaining market share in many of its business areas. With a good balance sheet and the potential to raise its dividend once the issues are behind them, we think the market price erosion provided our clients with an excellent opportunity.

National Fuel Gas. Co NJ (NFG): We have re-entered NFG after the stock and its sector recently sold off amidst concerns over oil and natural gas prices. Upon re-review we determined that this excellent combination utility has asset values that are likely to lead to both enhanced earnings power and the potential for multiple expansion if the company decides to restructure.

Stocks we recently sold from your portfolio (during September 2014):

MetLife Inc. (MET): MET has been an outstanding stock for our clients over the last few years and a significant contributor to our successful returns. After significant improvement in the earnings power of the firm, a significant dividend increase and impressive valuation and multiple expansion, we believed the stock was fully valued and that other opportunities were better for our clients. We continue to like the MET franchise and will look for better entry points to buy the stock at later dates.

Target Corporation (TGT): TGT was a successful, albeit short-lived, investment for our clients. After dealing with both Canadian expansion losses and a well-publicized security breach, the company reported results with some modest improvement. This led to a modest period of outperformance which took the stock within a range of our view of fair value. We would also note that further analytical work suggested to us heightened concerns about the long term competitive position of TGT as basic daily purchases that are the hallmark of the TGT franchise begin to evolve to a myriad of online choices. As such, we are pleased to capture our gains and move on to what we believe are more certain risk rewards.

Third Quarter 2014

Volatility has certainly returned to the stock market amid concerns regarding potential slowing economies in Europe and Asia as well as the potential impact to the United States economy due to lower oil prices. These factors and their potential impacts are not exactly breaking news, but clearly the broad market has become more concerned. During these periods of concern, stock price movement (volatility) accelerates both up and down. Typically during these periods we are able to find opportunities from what can be indiscriminate selling and buying within our group of nearly 300 leading business franchises that we monitor each and every day. We would also note that the small cap value space and the mid cap value space to a lesser extent are starting to show significant weakness which is resulting in some interesting new opportunities for our clients. During the third quarter our Nuance Concentrated Value composite was down 3.70 percent net of fees versus the Russell 3000 Value Index down 0.87 percent and the S&P 500 Index up 1.13%. As many of our loyal readers know, we rarely discuss quarterly performance as we do not think a quarter is a viable time horizon in which to judge any stock related performance. That said, since it was our first negative period in quite some time, we thought it would be a good opportunity to discuss underperformance in general and also highlight two stocks that have underperformed. We hope you find it interesting to know what your investment team does during periods of underperformance and these two stock examples might be illustrative.

Based upon performance attribution analysis, two stocks hurt our performance more than the others and both were clearly a result of business activity for each getting worse rather than better during the quarter. In other words, near term fundamentals worsened versus long term more normal fundamentals. First we had an earnings disappointment as American Science & Engineering (ASEI) guided investors to lower earnings and cash flows than expected. This is due to their primary buyers hitting an apparent pause button due to acceleration of military, terrorist and border related activities. We believe the recent slowdowns are transitory and actually, we are anticipating bookings to increase at ASEI over the next few quarters and years as international unrest and border related issues lead (in our opinion) to order acceleration for the security and border technology provided globally by ASEI. This should then lead to improved earnings and cash flows that approach our internal view of normal earnings over the next few years. With approximately 40 percent of the company's market capitalization in net cash and an approximate 4% dividend yield, we believe we are getting paid nicely as we wait on these transitorily negative events to subside. The second stock is Frank's International NV (FI) which has struggled along with most other energy stocks as oil prices have come down. Fears of slower capital spending also hurt this top-tier niche equipment and service company. As the market share leader in highly engineered tubular systems, we believe FI offers an excellent competitive position, a top tier balance sheet with net cash on the balance sheet (approximately 10 percent of the market capitalization), an excellent dividend yield at approximately 3.5% and the potential for real earnings and cash flow improvement back to our more normal internal expectations as recent capital spending begins to be utilized over the next year or two.

The reason we are noting these two stocks is because they were the largest detractors of performance for the quarter and we want to convey to our clients what we do when stocks we own underperform. We strongly believe that our reaction to underperformance is critical to the long term performance we convey to our clients. That process begins with our team re-examining the competitive position of the firms that have struggled. These reviews are always on going and we would emphasize that we review all company competitive positions regardless of their performance. In these instances, ASEI and FI continue their market share leading positions in their respective niches (in our opinion). ASEI in border and security related businesses and FI in the highly engineered tubular system business where they enjoy the leading market share position in essentially a duopoly market structure. After this work is done, we then re-examine our internal view of normalized earnings and cash flows and double check our internal view of fair value. Finally, we re-examine our historical view of the downside potential of the stock and ensure that our previous work continues to be valid and appropriate based on our long standing investments process. In the cases of both ASEI and FI, these steps led us to the same conclusion. The underperformance of both is due to what we believe are transitory reasons and the downdraft in the stocks has led to even better risk to reward ratio versus other market alternatives. As such, we have been buyers of these two stocks for our clients to the extent we deem appropriate. Both are very attractive market share leading franchises. Both have significant net cash on their balance sheets from which they can boost their earnings and cash flow per share without any true fundamental improvement in the business, and both offer very attractive yields between 3 and 4 percent. Lastly, and most importantly, we believe both are significantly undervalued.

We will close this letter stating that we continue to be pleased with our long term performance, 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 (RAV Index)	Benchmark Return (SPX 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 (RAV Index)
YTD 2008	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
2013	35.33	34.45	32.72	32.38	N/A	411	$418,085,862	$507,569,897	0.79%	12.20	13.08
YTD 2014 (09/30/2014)	7.57	6.97	7.01	8.34	N/A	551	$878,946,152	$1,058,455,248	0.36%	11.27	11.18

The Composite's performance returns have been audited by Absolute Performance Verification through March 31, 2013. The verification report is available upon request by contacting Client Services at 816-743-7080 or client.services@nuanceinvestments.com. Verification assesses whether (1) The Firm has complied with all the composite requirements of the Global Investment Performance Standards (GIPS®) on a firm-wide basis and (2) The Firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. Verification does not ensure the accuracy of any specific composite presentation

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. 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.

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

(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 an mid 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 09/30/2014. 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.